Session Code: EH The 21st Century Ideal Supply Management Organizational Format, at Least for 2005

Peter O'Reilly
Embry-Riddle Aeronautical University, oreillyp@erau.edu

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Session Code: EH
The 21st Century Ideal Supply Management Organizational Format, at Least for 2005

Dr. Peter E. O’Reilly, C.P.M.
Chief Procurement Officer
AMERIGROUP
drpor@aol.com
May 9, 2005
2:00-3:00 P.M.
The Problem

What organizational format for the supply management function makes sense in your firm?
Why do we have a problem in the first place -

- The ever popular Silos
- Corporate culture
- Lack of senior management’s understanding of the supply management function
- The absence of a strong core procurement organization
- The dynamics of the ever changing world of mergers and acquisitions
What to do about Silos—

- Plant flowers next to them
- Spray graffiti on them
- Ignore them
- Destroy them, but how
- Understand them
How do you gain an understanding of the rationale behind Silos-

- Seek historic information from senior management
- Speak to the keepers of the Silos-
  - Gain their insights
  - Establish that you are there to listen and learn
  - Express your thoughts on the impact of a strategic procurement organization on their operations (pertaining to costs and service levels)
The Riddle of a Successful Strategic Procurement Function -

Why should I give up control to become a customer of your organization?
Traditional Organizational Formats

- Centralized
- Decentralized
- Hybrid
Hybrid Organizational Format

- Systems (C)
- Contracts (C) for the most part
- Customer Service (D)
- Subject Matter Expertise (D)
- Management (C)
- Priorities (C)
- Strategic Initiatives (Both)
The Hybrid Organizational Format is too limited. Today we need a Strategic Organizational Format
Five Step Process Towards a Strategic Organizational Format

- Step One - Analysis of Data
- Step Two - Focus on Spend
- Step Three - Systems
- Steps Four - The People
- Step Five - Review and Adjust
Step One- Analysis

- Identify the various procurement organizations
- Measure annual spend by procurement organization and supplier
- Brief review contracts
- Determine key stakeholders for the process-who is your customer and champion
- Acknowledge where silos and potential obstacles exist
- Develop initial strategic plan
Step Two - Focus on Spend

- Work with Finance Departments to gather spend data
- Create Finance Council - to serve an overview role (as well as a support element)
- Establish Strategic Sourcing Council - discuss objectives, define roles and stress team concept
- Develop a Team Strategic Plan - savings, reduction in supplier base, improve customer service, etc.
Step Two - Focus on Spend (Cont.)

- Establish priorities - which commodities and services to focus on initially
- Assign responsibilities to Team members
- Bring in the suppliers to the project
- Develop RFPs or RFQs
- Implement action plans related to preferred suppliers and award contracts
## A Non-Strategic Approach to Organizational Misadventures in Supply Management

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Where Do You Dive In First?

- Which commodity or service earns your attention first?
- Why?
- What are your next priorities?
- Are you sure?
- What is happening along the way?
Step Three - Systems

- Identify all procurement related ordering and support systems
- Bring IT and Finance into Team
- Determine the advantages and disadvantages of each system
- Make recommendations on the consolidation, wherever possible for both short and long term benefits
- Introduce team members and suppliers to new plans for systems
How to select the right system in a multi-system environment?

- Where is the largest spend?
- What are the plans for the core corporate entity for other supporting systems—HR, Finance, etc.?
- The big picture, system-wise, must be reviewed.
- What does IT think about the multi-systems?
- What type of integration and implementation costs are involved?
- What happens if you stay with multi systems?
Step Four - The People Phase

- Identify all supply management-related personnel
- Evaluate existing staff as to strengths and weaknesses
- Discuss possible staffing action plans with senior management
- Discuss staffing proposed plans with Strategic Sourcing Council
- Implement staffing changes
How to review a multi-staffing environment:

- Where is the core of the procurement function to be located and why?
- What are the strengths and weaknesses of the core organization, related to staffing numbers, talent, and location?
- Where is the talent outside the core?
- Can this talent be integrated into strategic procurement organization?
Step Five- Review and Adjust

- Determine how actual timeline and results meet original numbers
- What needs to be revised in the plan
- What to do with uncooperative stakeholders or when there are still silos
- Expand the short term plan into a longer strategic plan
- What needs to happen for this to occur
Strategic Organizational Format

- One Strategic Plan and Vision
- Corporate-wide Approach
- Consolidation of Spend
- Reduced Supplier Base
- Integration of Systems
- Optimization of Staffing regardless of Company or Location
- Responsiveness to changing needs of Firm
Keys to a Successful Strategic Organizational Format

- Common Sense
- Fits in Corporate Culture
- Overcoming Initial Obstacles
- Utilizing Professional Staffing Resources regardless of Location
- Create a Team Effort with Consensus-related Goals
- Be Flexible