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## How Purchasing Departments Can Take Advantage of the Sluggish Economy to Achieve Strategic Opportunities Through Best Practices

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# **How Purchasing Departments Can Take Advantage of the Sluggish Economy to Achieve Strategic Opportunities Through Best Practices**

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# What are the Objectives of this Session?

# **What is a Strategic Best Practice and Why is it Important to a Purchasing Department?**

# Barriers to Strategic Best Practices

- **Lack of Resources**
- **Lack of Management Support**
- **Stuck in the Middle Mentality**
- **Misconceptions**
- **Fear of Change**
- **Lack of Vision**

# What does a sluggish economy mean to Purchasing Departments

- Less staff.
- Fewer financial incentives.
- More pressure from senior management.
- Worry about Maslow's three lower level hierarch of needs.
- Shorter lead times for projects to make an impact.
- Greater opportunities!

# Potential External Opportunities

- Review of existing contracts.
- New negotiations with current and new suppliers.
- Introduce new products and services.

# Potential Internal Opportunities

- **Winning over new internal customers.**
- **Increasing savings and competitiveness to the firm.**
- **Enhancing support from senior management.**
- **Motivating your staff to try harder.**



# Strategic Initiatives on a Shoe String

- **Plan for the Future**
- **Perform Spend Analysis- Identify A-B-C**
- **Review High Value Contracts**
- **Realign Priorities**
- **Enhance Participation Level of Stakeholders**

# Plan for the Future

- **Begin with the Present- what is working and what is not?**
- **Do you have Mission and Vision Statements- If not, why not? Get moving here!**
- **Develop a Strategic Planning Team and a Strategic Plan- Bring in various stakeholders.**

# Perform Spend Analysis

- **Bring in Finance Personnel**
- **Review spend on Category A-B-C Suppliers**
- **“A”- You are currently sourcing.**
- **“B”- You want to source.**
- **“C”- Hold for a future date.**
- **Use this as a report card or benchmark point.**
- **Develop plan on how you become involved with “B” suppliers and your internal customers.**
- **Time Table- 3 Months**
- **Cost- Real Dollars- \$0**
- **Savings- Very High Potential**

# Review High Value Contracts

- **Identify:**
  - Contracts expiring within two years.
  - High value strategic contracts.
- **Use the Poor Economic Times as an Opportunity for Financial Gains.**
- **Potential “Win-Win” Situation with Strategic Suppliers.**
- **Have a Negotiations Plan in Mind.**
- **Involve the Proper Level of Supplier Representative.**
- **Time Table- 3 Months**
- **Cost- Real Dollars- \$0**
- **Savings- Average to High Potential**

# Negotiating (or Renegotiating) a Contract

- **Be selective!**
- **Are the right parties present, especially from the suppliers point of view?**
- **What is a “win-win” outcome?**
- **Do your home work before negotiations begin!**
- **Follow your plan and be flexible!**

# Realign Priorities

- What is your strategic plan for your organization?
- Where would you like to take your organization in the future?
- Perform a SWOT Analysis.
- What products and services should you drop or reduce resource allocation on?
- What “new” resources do you need?
- Time Table- One Month
- Cost- Real Dollars- \$ Some
- Savings- \$ Some to High

# Enhance Participation Level of Key Strategic Stakeholders

- Who are your Strategic Stakeholders?
- Why are they strategic?
- How can you increase their involvement in your firm's sourcing function?
- Examples of strategic benefits.
- Time Table- 6 Months
- Cost- Real Dollars- \$0
- Savings- High Potential

# Examples of Increased Stakeholder Involvement

- Higher Supplier Representatives
- Supplier Councils/ Supplier Scorecards
- Customer Councils
- Senior Management/ CFO/CEO



# Lessons Learned

- **Poor Economic Times bring Large Business Opportunities.**
- **Doors are open, so walk through them.**
- **The size of your sourcing organization should not be used as an excuse to move strategically forward.**
- **Folks like working for and with proactive organization.**
- **Find the time to be bold.**