As The Toro Co. develops sourcing relationships with low-cost, offshore suppliers, diverse language and cultural training is critical for its buyers. Such skills came in handy during recent telephone negotiations with a new Asian supplier, recalls Deb Lynch, sourcing and supply management director with Toro, a $1.7 billion, outdoor-maintenance products manufacturer in Bloomington, Minn.

During the discussion, the supplier, at least to Lynch, seemed “positive and forthright.” However, a buyer on Lynch’s staff—who speaks Chinese—believed the talks were not so direct as they appeared and initiated a follow-up call during the supplier’s work day. As Lynch’s buyer suspected, the supplier did have some specific concerns, but had been uncomfortable discussing them with Lynch.

That example underscores the significantly different skills that today’s procurement professionals need, says David Hope-Ross, senior director of procurement applications with software supplier Oracle in Redwood Shores, Calif.

Indeed, today’s procurement executives, he says, need strong leadership, communications, business and global supply-chain skills. These skills are needed to build long-term, strategic relationships with supply chain partners, to aggressively reduce total costs while not focusing solely on price and to manage increasingly strategic purchasing operations that oversee millions of dollars in spending power, much of it spent and sourced globally.

David Jacoby, president of Wellesley, Mass.-based research firm, Boston Logistics Group, agrees: “As supply chain integration increases and sourcing becomes more strategic [and more global], it requires a different and more robust skill set.”

The need for procurement professionals with such skills is unlikely to diminish anytime soon. If anything, the need for individuals with new skills sets will only increase as the ability of manufacturers to obtain inexpensive goods worldwide grows in importance. Already, many companies spend 80% of their efforts and time in Asia, according to a recent Boston Logistics Group study—which also reported that strategic sourc-
professional development

ing will become 30% more critical to senior executives during the next four years.)

And the need for procurement professionals with new skills is coming at a
time, suggests Jacoby, when there is "a dearth of strategic supply chain skills in their
organizations."

What's needed

How have buyers' responsi-
bilities changed? During the 1980s and
early '90s, companies began employing strategic sourcing techniques such as
global sourcing, group buying, long-
term contracting, and supply process integration. By the turn of the century, new
technology such as portals, auc-
tions and exchanges helped buyers
identify and negotiate with suppliers.

That contrasts to when Toro's Lynch
interviewed for her first purchasing job 15 years ago. Then, spreadsheet and
negotiating skills were paramount. The
same position today requires buyers to
"build relationships, manage a project,
work effectively cross-functionally,
resolve problems systematically, look at
the world globally, and understand dif-
ferent languages and cultures," she says.

The ability to cooperate across all
supply chain functions is critical, experts agree, because buyers increas-
ingly work with marketing and sales
units to align new product introduc-
tions and pricing strategies with overall
business objectives. In addition, proc-
urement works with both engineering,
and research and development to facili-
tate the introduction of new products
as conditions change. Operations and
production groups must accept changes
to supplier relationships, while logistics
and distribution organizations monitor
 costs and service performances.

Buyers also need political savvy and
interpersonal skills to build such rela-
tionships. Cross-functional business
knowledge is critical to aggregate spend
across divisions for volume discounts,
notes Lora Cecere, supply chain
research director with AMR Research, a
market-research firm in Boston, Mass. "You need to be good business partners
with [each division] and really be sure
there's a spirit of collaboration within
the enterprise," she says. "We're moving
more from a price-based, 'you do it or
else' mentality to a more collaborative
environment."

Lynch can attest to that. During a typ-
ical day, she deals with businesses and
divisions to identify strategic sourcing
opportunities, and plans and explains
short and long-term business impacts of
specific purchasing projects. "We build
sourcing project plans a year or two out
and align them with the businesses and
their product development plans," says
Lynch. "We integrate with what the busi-
ness [units] want to achieve and work to
help them achieve that."

"Top purchasing executives must also
demonstrate forward looking manage-
ment skills. Why? Economic volatility
requires a strong leader with long-term
vision," says Jacoby, who adds that com-
panies with purchasing strategies and
tactics that change monthly will "be out
of the game."

Jim Cebula, director of global pur-
chasing and travel for Kennametal, rec-
ognizes such realities. Cebula spends
some three months "developing a
strategic plan, and the rest of the year
executing it," he says. "I set aggressive
goals, communicate them throughout
our global organization, monitor those
monthly, and take action where we're
not meeting our goals."

Procurement leaders must under-
stand how supplier relationships affect
the manufacturer's bottom line, says
Jody Sommer, strategic sourcing services
senior vice president with Procuri Inc., a
software supplier in Atlanta, Ga. "Every
contract negotiation or request for infor-
mation requires knowing your purchase
base, what's happening in your industry,
benchmarking with other companies
you've networked with, and reading up
on what's happening with the
suppliers you're working with," says Sommer, who
worked in purchasing with General Electric for four
years. "Strategic sourcing isn't rocket science but it
does require diligence."

With diligence and vision, Cebula created a pur-
chasing plan that has helped
Kennametal cut $80 million in supply chain costs since

More than just price

Contracting with low-cost suppliers
overseas is a primary driver of the need
for enhanced buyer proficiency. "Glob-
al sourcing is becoming a way of life due
to both the increased availability of
skilled and inexpensive offshore labor,
especially in China, and to the tech-
nologies that facilitate those relation-
ships," says Jacoby. "Those who will be
relying heavily on global sourcing will
also be emphasizing partnering and
long-term agreements."

As he points out, companies have
attained cost reductions of up to 70%
by sending some manufacturing to
Asia. China's "low labor cost, large tal-
ent pool, and improving legal struc-
ture" are particularly attractive, says
Jacoby, though he cautions that global
sourcing poses significant challenges
and risks as well. In particular, he warns
that companies need to be cognizant of
potentially protracted product delivery
times and language and cultural
obstacles.

Oracle's Hope-Ross also urges buyers
to factor more than just pricing into
their overseas sourcing calculations.
"When you add in tax, freight, trans-
portation costs, and the time it takes to
get from point A to point B," he says, "it
becomes more complex than [buying]
three widgets at $3.99 instead of $4.99."

To be sure, evaluating overseas ven-
dors on price alone can have serious
repercussions. That's why many
supply
chain and procurement experts recommend that buyers make surprise factory inspections to forestall any nasty surprises. "Poorly run supplier factories where their staffs are mistreated are likely to be bad bets as suppliers," says Bob Otis, managing director with Atlantic Research Technologies in New York. "Business partners who cheat their staffs might also cheat their customers."

Kennametal also recognizes the potential impacts that buying products from low-cost, offshore suppliers can have on the entire supply chain. "Buyers and sourcing specialists need a better understanding of our total cost, not just the purchase price," says Cebula. U.S. companies, for example, might charge more, but delivery times from offshore vendors can be extensive—and more than offset price savings. "There are complications that occur and investments in inventory needed to support a lengthened supply chain," says Cebula. "The lowest total cost analysis is more involved than just comparing price."

Targeting price alone can actually cost more in the long term. "Three months later, [low-cost suppliers] can't honor the deal because you cut a deal so low they went out of business," says Procuri's Sommer. "You don't want to beat them up to the point where they're not successful and you have to recreate the wheel."

Legs on the ground
Global sourcing relationships also require sensitivity on the part of procurement professionals to other cultures, languages, and political establishments. Buyers must "step out of one's own culture to think about what might motivate other cultures," says Oracle's Hope-Ross, a former procurement analyst with market researcher Gartner Inc.

Speaking offshore suppliers’ languages is crucial, "especially when talking over the phone," says Lynch. "Those who speak the language and know the culture understand unspoken nuances. They know what a pause or a certain phrase means. They also know cultural norms of negotiations and are more able to deliver more effective results."

Heading off a potentially troublesome relationship with the new Asian supplier, Toro’s Chinese-speaking buyer successfully established a plan that included weekly phone calls to discuss issues. Without such communications, the supplier would likely "have called in with delays but not told us the problem," says Lynch. She also counsels that identifying and developing offshore suppliers can be "slow and systematic" and involve much "hand-holding" as suppliers learn manufacturers' specific needs.

Companies in different countries may also have work habits and expectations that differ from those in the U.S. "Europe doesn't always respond back to e-mails and quotes as fast as we do," observes Leah Orvis, raw materials supply manager with Bristol, Vt.-based Autumn Harp Inc., a contract manufacturer for the personal care products industry. "We want instantaneous responses but other cultures don't necessarily give that. It can take up to a week to get an e-mail back from an Asian company."

Different countries may also view quality differently. U.S. companies may reject what they deem to be inferior products that offshore suppliers consider excellent. "Sometimes their technology is not up to par, so their quality standards are not always what we're looking for," says Orvis.

Visiting offshore suppliers’ manufacturing plants helps buyers verify that products meet their standards. "They need to see evidence that quantities of product have been produced on schedule and received with the quality expected," adds Atlantic Research's Otis. Toro’s Lynch agrees. "Having legs on the ground is extremely important." She says buyers must check in with suppliers often, visit plants, audit manufacturing, and look at products.

But don’t expect high-quality materials and products immediately, Lynch warns. Toro suppliers initially deliver less intricate parts; the company warns. Toro suppliers initially deliver less intricate parts; the company increases their complexity as the relationship builds and suppliers better understand Toro expectations.

The long-term impact of the changing procurement environment is this: "As procurement becomes an increasingly strategic operation, companies must "recruit, hire, train, and manage a new breed" of purchasing professionals, says Jacoby. Potential procurement executives need to have well-rounded skills, be able to work cross-functionally and have global experience in order to work with supply chain partners on continual performance improvements.

"You need to run a good sourcing organization," explains Jacoby, "but that's not enough today unless you know how you're helping to cut total costs."

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Purchasing's range of job titles

**Executive/Vice President**
- President
- Chief Purchasing Officer (CPO)
- VP, Global Supply Chain
- VP, Operations
- VP, Sourcing
- VP, Procurement
- Senior Procurement Officer
- VP, Supply Chain Management
- VP, Supply Management
- VP, Planning and Purchasing

**Director**
- Senior Director, Materials Management
- Director, Global Procurement
- Director, Supply Chain Management
- Director, Materials
- Director, Strategic Sourcing
- Director, Sourcing
- Director, Procurement
- Director, Purchasing

**Manager**
- Global e-Sourcing Manager
- Procurement Manager
- Supply Base Manager
- Supplier Development Manager
- Manager, Indirect
- Purchasing
- Performance Manager

SOURCE: BOSTON LOGISTICS GROUP INC.

Purchasing professionals carry multiple titles.