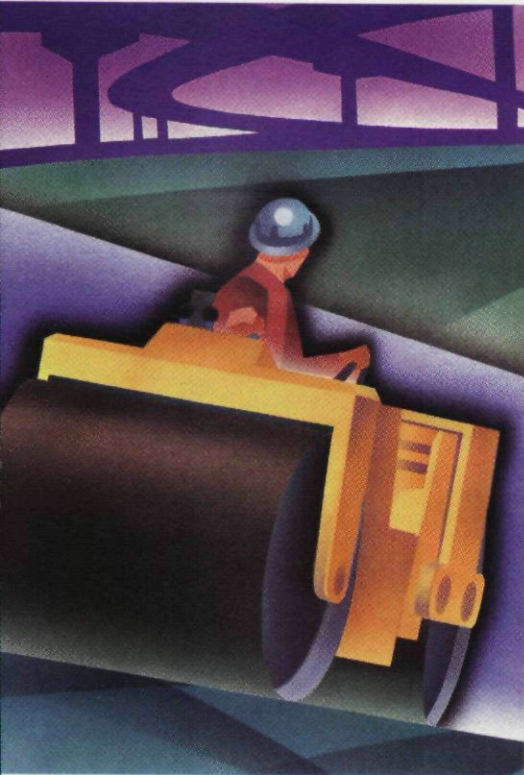


• BEST PRACTICES

Midmarket company paves the way to strategic sourcing



FOR THE MAJORITY OF PROCUREMENT executives who work in small to medium-sized companies, the concept of strategic procurement may sound like something of value only to large corporations that can devote massive of resources and manpower to the idea, then benefit from the resulting powerful leverage positions. Pennsylvania-based New Enterprise Stone & Lime Co. is admittedly not one of these large conglomerates, but the company continues to explore best practices in strategic procurement like companies many times its size.

"We are a midsize company involved in aggregate mining and road construction," says Richard Skonier, corporate purchasing manager at New Enterprise.

After attending a seminar on strategic sourcing a couple of years ago at a large corporation, Skonier realized that, while his company didn't have the financial resources or the vast manpower that was available to large corporations, the concept of strategic sourcing could still be applicable to his company.

"I felt we could find a way to modify the elements of strategic sourcing to make them functional for a company of our size," he reports. In fact, Skonier felt, only two modifications needed to be made. First, the effort wouldn't need to involve as many people as would be needed in a large corporation. Second, the team wouldn't need to go into as much detail on some of the projects to gain similar benefits.

BEFORE HE STARTED MAKING

improvements, Skonier assessed the existing organization and processes at New Enterprise—a decentralized company with several locations. A lot of purchasing was being done by the local sites.

"Everyone seemed to be going in a different direction," he recalls. "The people doing the buying had their own favorite suppliers and didn't share information or ideas."

Because the "buyers" didn't have professional backgrounds in purchasing, many of them focused their attention simply on finding, then buying, what they needed, without looking at opportunities to reduce the total cost of ownership. "In addition, since we are decentralized and tend to be located in rural areas, most of the people who were doing the buying were used to purchas-

49%

Average amount of direct spend in a strategic sourcing process

Source: Aberdeen Group study

WHAT IT MEANS: The industry average may be just under 50%, but best in class companies have an average of 86% of spend in a strategic sourcing process. The research also found that developing an enterprise-wide sourcing process is job one for a direct materials sourcing strategy.

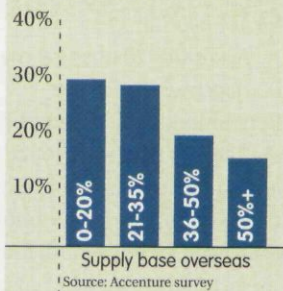
16%

Companies with more than half of its supply outside its home market

Source: Accenture survey

WHAT IT MEANS: Globalization is a fact. Three years ago, it was a mere 7% and three years from now it will be 30% according to Accenture.

What percent of your supply base is outside your home market?



For current data and historical trends, subscribe to www.purchasingdata.com

18%

Average savings from low-cost country sourcing

Source: Boston Logistics Group survey

WHAT IT MEANS: In its annual survey on strategic sourcing, the Boston Logistics Group found that 20% of companies polled are sourcing from low-cost countries today, and those that are report 18% savings on average. Those companies sourcing more than 20% from low-cost countries will invest 2.3 times their annual savings in expanding the global sourcing capability.

What will be the most attractive low-cost country in 2011?



Mark Thompson says purchasing professionals should have a career strategy.



pliers that had previously been favored by default to realize the importance of being more competitive in order to retain the business.

As a result of New Enterprise's strategic sourcing initiative, the company is now enjoying better pricing from its sup-

pliers. It is also enjoying better inventory arrangements. "In a lot of cases, we no longer have to stock certain parts," explains Skonier. "The suppliers are willing to stock the more common items for us at no charge."

—William Atkinson

● PROFESSIONAL DEVELOPMENT

How to build a career scorecard

ACCORDING TO MARK THOMPSON, TYPICAL procurement professionals are very good at creating strategic sourcing and negotiation plans, but they rarely spend any time thinking about or creating their own career plans.

"We keep scorecards on suppliers and their development, but we don't keep scorecards on ourselves and our development," says Thompson, a global commodity leader with Pioneer Hi-Bred, a DuPont company in Johnston, Iowa. "Why not adopt the same philosophies and strategies for ourselves as we do for our departments and our suppliers?"

Thompson dug deeper into the issue, consulting with Robert Kemp, president of Kemp Enterprises in Iowa, and identified a need for procurement professionals to determine how they are going to flow with the changes that are occurring in the profession and how they are going to develop themselves professionally to where they want to be five, 10, and 15 years from now.

To this end, Kemp and Thompson created the Personal Professional Development Plan that procurement professionals can use to manage and record their career and professional development activities, goals, plans, and strategies.

"MOST COMPANIES KEEP LITTLE or no track of the professional development that their employees engage in, especially development that doesn't take place

directly through the company," says Kemp. "Procurement professionals can't rely on their bosses or their employers' human resources departments to keep track of their lifelong professional development data and plans."

According to Kemp, supply management professionals need to be able to prove that they are as good as they say they are, both by their performance and by the records they keep about their professional development activities.

The Personal Professional Development Plan addresses the question: "What do I need to do now or very soon to ensure my ability to support my organization professionally now and on into the future?"

THE PLAN INCLUDES A DOCUMENT

with spaces to record education, other education programs completed, additional coursework, training programs, professional certifications, and supply management organization memberships. Additional sections of the document have room to identify midrange personal development needs and plans, as well as long-range personal development needs and plans.

"Once supply professionals identify their needs, they can create plans for achieving them, such as additional coursework or degrees," states Kemp.

The next step is to locate the processes that will help them meet their needs; that is, how to find the educational programs that will help them acquire the knowledge and skills they need to meet their goals.

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