

The Role Of Procurement In A Recession



“Procurement looks set to become a key battle ground in Peter Voser’s (Shells’ incoming CEO) drive to improve performance and cut costs at the world’s third-largest company”

The Executive Network 28 May 2009

“The American people’s money must be spent to advance their priorities - not to line the pockets of contractors or to maintain projects that don’t work”

(The President projects that stricter oversight of the procurement process will save taxpayers as much as \$40 billion per year).

U.S. President Barak Obama 4 March 2009

It’s a fact. Procurement is here to stay. “Strategic sourcing” initiatives may indeed vary in the way they are implemented but are definitely more commonplace across organisations. We have seen everything from aggressive short-term and price-driven behaviours to more differentiated, ‘joined-up’ approaches where Procurement is the focal point to bring together internal and external resources to create lasting value.

The dynamics of this recession are certainly encouraging a strong shift to aggressive, short-termist behaviours, often accompanied by an underlying inference that supply markets are in some way responsible for the situation, and must be ‘made to pay’.

Fair or not, this is evidenced by the language of the quotes we gave on the left. It is also resulting in letters being sent to many suppliers demanding ‘price down’ gestures or arbitrary extensions of payment terms - the inference being that all suppliers are ‘vanilla’, have spare cash from excessive margins, and are to be managed as commodities.

What is clear in this climate is that professional services are high profile, discretionary in nature and suppliers are likely to be high on the list of those suspected of benefiting disproportionately. The only people who can influence and change your clients’ views is you!

So if a previously attractive customer has made this change what do you do about it? Is it the customer overall, Procurement or other employees’ behaviour driving the change? If you accede to their demands, what happens next?

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'All they want to do is cut prices and get you to do more for less. They have no understanding of value' is another.

One thing is for sure. Procurement is here to stay and, if we in professional services do nothing to demonstrate that what we offer is not a highly priced commodity, we cannot blame buyers for treating it as such.

More fundamentally, how much does the average professional services seller really know about procurement professionals? What pressures are they under as a result of the global crunch? Where does the true power lie within the organisation? What are their strategies? What sort of negotiators are they? What will they respond to?

Even before the recession, it would seem that very little was known about the buyer who now gets involved in the bidding and / or pitch process. But many have a comment to make about them.

"The problem with professional purchasers is that one minute they buy stationery the next minute they get involved in the purchase of an important service", is a view that the authors have heard many times on events they have run throughout the spectrum of services.