

# Transform Your Team into Strategic Sourcing Experts



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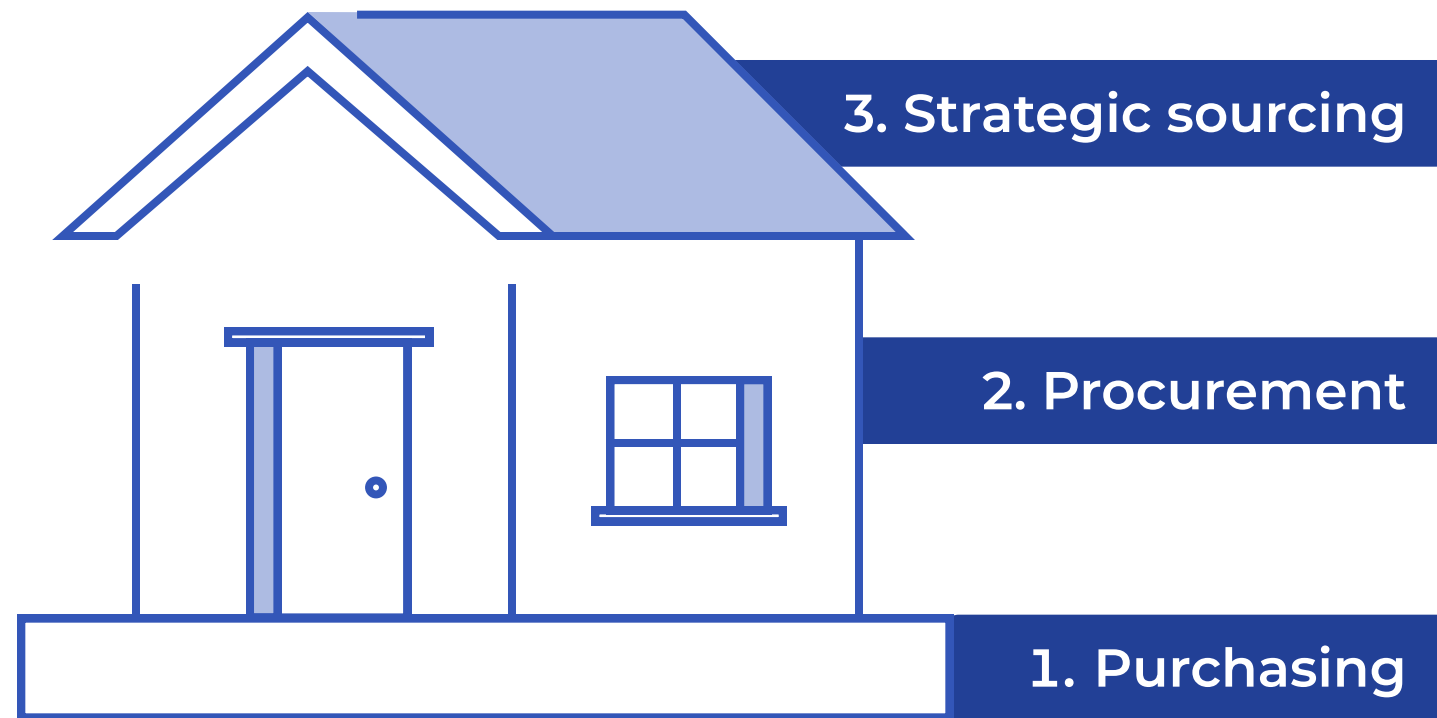
Procurement is swiftly evolving from a behind-the-scenes operation to a highly visible and influential part of the business that's focused on driving innovation and value. To meet the ever-shifting demands of a global supply chain, procurement teams must be prepared to take on more strategic roles in addition to traditional purchasing and contract management.

While the organizational changes outlined throughout this document may not fit the needs of your particular organization, the ideas and context described can provide a valuable framework for any organization.

In a recent survey, 51% of respondents said that by 2030 procurement teams will have evolved into “an agile group of strategic advisors.”<sup>1</sup> We spoke with Danielle Salyers, Director of Strategic Sourcing at Allied Solutions, to explore the steps procurement teams can take to become trusted sourcing partners to stakeholders.

## The 3 Tiers of Procurement

To meet the changing needs of any business, it's essential first to understand the three different levels of procurement, says Salyers. Here's a brief rundown of each:



### Tier 1 (Basic): Purchasing

Purchasing professionals are responsible for transactional purchases and executing simple tasks at this basic level. They typically don't weigh in on contracts or suppliers. Instead, purchasing professionals track goods to ensure they get delivered on time and make entries in a receivables system.

#### Purchasing KPIs

As far as Key Performance Indicators (KPIs) go, you're just trying to stay ahead of business needs. You're essentially:

- Tracking inventory
- Ensuring timely deliveries
- Getting products from point A to point B

### Tier 2: (Intermediate): Procurement

This intermediate level of procurement involves more negotiations. Although your team is still making purchases and may make some input regarding contracts and suppliers, you're not driving the decision-making process or exerting the influence you could be to ensure your company is making the right decisions

## Tier 2: (Intermediate): Procurement (continued)

It is critical to note that Tier 2 organizations are still responsible for the transactional purchases and task execution in Tier 1. As your team grows its focus and impact, it is still accountable for the tasks and responsibilities found at earlier stages.

### Procurement KPIs

You likely have metrics focusing on:

- Supplier consolidation
- Contract savings

## Tier 3 (Advanced) Strategic sourcing:

Strategic sourcing goes beyond the transactions of purchasing and procurement. You help identify business requirements and develop strategies. You work closely with stakeholders across the organization as you handle contracts and onboard new customers. At this advanced level, you have a strategic vision for the company. You know where you can find additional resources to make that vision come true.

Once again, your team must remain focused on the critical responsibilities found in Tiers 1 & 2. Transforming your team into strategic sourcing experts is about growing impact, not shifting impact.

### Strategic sourcing KPIs

Metrics are much more robust when you get into strategic sourcing. For example:

- **Contract savings** are still significant, especially to CFOs trying to measure the success of your sourcing department.
- **Supplier consolidation** still applies since you increase your buying leverage with a particular supplier.
- Strategic sourcing teams are very focused on **level of service**—what's the return you're getting from your suppliers? Are they bringing you new ideas and ways to improve processes?
- **Operational efficiency** is another critical metric. You're constantly looking for suppliers who will help you be more efficient.
- **Supplier Performance** is perhaps the most critical metric for strategic sourcers. Once you onboard a supplier, do they perform as you expected? If not, how do you get the relationship back on track?



## Advance your procurement team to the next level

By following a more strategic approach, your procurement team can deliver increased value and build a better reputation across your business. So how do you get to that next tier? What steps can you take to move your procurement team to the next level?

### 1. Engage with the business to deliver the most significant impact

Often, there's a misperception in companies about what procurement does. Business units may think you're going to come in and take control, remove a team's decision-making, tell them who they have to work with, and what they have to buy.

But any successful strategic sourcing team truly wants to partner with the business. Strategic sourcing professionals want to understand how the business operates, its challenges, and where there are opportunities for improvement and advancement. Like any organizational changes, there may be some cultural changes that need to occur. These can be difficult transitions, but the changes are possible by engaging with the business and following the rest of the suggestions here.

I'm about the partnership with the business... [Recognizing that] you have a level of expertise in what you do that I don't have, but I also have a level of expertise in what I do that you may not have. **When we work together and share that knowledge, we deliver the greatest impact to the business and, ultimately, to our clients.**

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## 1. Engage with the business to deliver the most significant impact (continued)

### Help your stakeholders identify business requirements

To build trust, Salyers suggests meeting with stakeholders to understand their objectives. For example, consider the following questions to clarify how you can best help them:

- What are you looking to accomplish in the next 12 months?
- What pain points do you have right now? How can we assist you?
- Where do you want to be in two years?
- How can we partner with you to get you there?
- How can we bring you the right suppliers?
- How can we properly position our existing agreements to ensure you have those choices when ready to act on your vision?

By asking these questions, you show interest and willingness to help. The next step is to figure out how you're going to solve the problem and then deliver on it.

Once your stakeholders know that you can deliver on what you say you will do, you've changed the relationship's dynamic. Your role is no longer simply transactional. As you become a reliable partner, stakeholders will start coming to you with questions before trying to solve problems independently. But this relationship won't just happen overnight.

To establish yourself as a trusted advisor, Salyers recommends meeting with your business units at least once every six months to discuss each of these points. With the information you gain, you'll be more effective with the contracts you negotiate. In addition, this positions you for more significant savings, which is a measurement for most sourcing teams.

## 2. **Be curious (and listen) to build trust**

Curiosity sets the average procurement professional apart from a strategic sourcing expert. Salyers advises teams to seek the answers to questions. “The more curious you are, and the more information you have, [that’s when] things start to connect. You’ll have the right piece of information at the right time.”

Don’t be afraid to ask questions. Speak up if you don’t understand something. Any good supplier will be open to educating you on the good or service you’re trying to negotiate. Likewise, your business associates will be happy to talk to you.

As you listen to your stakeholders, we recommend creating a straightforward process for the various stages of your supplier lifecycle. Then, with a strategy in hand, your stakeholders will begin to know what to expect as they engage with your team and will see your team as less of a roadblock and more of a valuable resource.

**Just be curious and listen. That’s going to [help you] start to form those relationships. And then whatever action items you take away, keep that commitment and get them done!**

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### 3. Join industry groups to keep learning

Get involved with groups to make new connections, discuss challenges and recent developments in the industry, and share ideas.

**Institute for Supply Management (ISM)** is a helpful resource you can draw from to grow your knowledge. ISM covers every supply chain area, so that it will be a stretch for many procurement professionals. Made up of national and local chapters, this industry group opens career paths by providing information about other areas of supply chain.

ISM offers two different certifications:

- **Certified Professional and Supply Management (CPSM)** is a series of three four-hour tests. You must complete all three tests within one year to earn your certificate.
- **Certified Professional and Supplier Diversity (CPSD)** is an add-on test you can take once you have your CPSM.

**Procurement Foundry** is another valuable educational resource for those seeking a network of like-minded professionals. It consists of multiple channels or categories you can engage with, from indirect and direct spend, to technology, RFPs, and more. Specific suppliers have different messaging groups you can join. If you have questions, you can connect with peers invested in the same topics to share knowledge.

For example, Procurement Foundry has a Slack channel for Graphite. Graphite users can join that channel to interact with others using the software. “I rely on my network in areas where I don’t have the deepest expertise but still need to deliver the best possible results to stakeholders in my company,” says Salyers.

#### 4. Find suppliers willing to invest in you to reap the greatest returns

Strategic sourcing experts don't just partner with internal stakeholders. They also focus on creating mutually beneficial partnerships with suppliers. That doesn't always mean the supplier with the lowest costs is the best for your business.

**When you attack someone looking for the lowest price, you're not setting yourself up for a true partnership. I'm looking for suppliers who want to partner with my organization and improve us. I want them to be as invested in our success as our employees are. I've found that a partnership mindset leads [a procurement team] to be most successful.**



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So, how do you identify something like that in your initial negotiations with a potential supplier partner? How do you determine if your prospective supplier is trying to give you the best service possible or just checking boxes to earn a commission?

#### **Hold discovery meetings**

Remember, these supplier relationships and contracts don't just happen in a single interaction, says Salyers. Instead, they develop through a series of repeated discovery meetings. Ask questions. You already know the objectives of the business unit you're working with. What will that particular supplier do to help you meet those goals? Through these conversations, you'll learn whether your prospective supplier is genuinely interested in giving you the best service possible or simply checking boxes to earn a commission.



#### 4. Find suppliers willing to invest in you to reap the greatest returns (continued)

##### Run business reviews with your top suppliers

Once you've selected your supplier(s), you want to be sure you're receiving the best level of service. One way to determine this is by holding regular business reviews with your top suppliers. It is likely that you already have a supplier management process in place. Still, if not, we recommend creating a standard template of the items needed to get a complete picture of the supplier's performance.

Collect qualitative and quantitative data from your internal business units on metrics such as on-time delivery, incident rate, quality of service, the impact of the supplier, and any other relevant metrics. Then, request that your supplier answer questions such as:

- What are you doing to keep our costs down?
- What innovations or process improvements have you delivered to us in the last two years?
- How do you know you're a good supplier for our company? And then the reverse, is our company a good customer to you?

Collecting data from your business units and the supplier is critical to rendering a complete picture of the supplier's performance. Ultimately, it all boils down to accountability—not only holding your suppliers accountable but your organization just as accountable. When suppliers see that, they'll know you're a good customer and will do their best to bring value to the relationship.

So, encourage a partnership mindset—with your teammates, fellow employees, and suppliers—to maximize your team's and the business's success.

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## 5. Set your team up to have a high say-do ratio

Lastly, you must adequately position your staff to deliver on the agreed-upon objectives. It's not about adding work; you don't want to overload or burn out your staff. Instead, set up your team with the tools and know-how to actively participate in those stakeholder conversations. Train them to ask the right questions and act on those items they can help with. Having a high say-do ratio is about delivering on your commitments. In addition, a high say-do ratio builds trust and relationships, a pivotal characteristic of a strategic sourcing organization.

## Transform your Team into Strategic Sourcing Experts

With your knowledge in a strategic sourcing seat, you can improve various items, from building more collaborative, mutually-beneficial partnerships to negotiating more robust supplier agreements.

"We serve in this beautiful space where we are the liaison between the business and our legal team," says Salyers. "The knowledge we have in both spaces allows us this incredible opportunity to make sure that the outcome is exponentially greater."

Exposing your team to your organization's various business units will help expand their knowledge. They'll begin to understand and shape those critical conversations with stakeholders. They can translate what they've learned into smart sourcing contracts with suppliers. Your team will become a trusted and reliable business partner that is increasingly involved in more and more company decisions.

### References:

<sup>1</sup> Procurement 2030 report. [www.procurious.com/procurement-news/heres-what-procurement-will-look-like-by-2030](http://www.procurious.com/procurement-news/heres-what-procurement-will-look-like-by-2030)



## What's next?

Ready to advance your procurement team to the next level? Explore how Graphite can help you win a seat at the stakeholder table and get involved in decision-making.

[Schedule a Demo](#)