Data Friendly Leadership Increases Organizational Readiness in Procurement.

These ideas and reflections are based on a live discussion between Flavio Monteleone from Bain & Company and Heta Ruikka from Sievo: "How to Utilize a Data-Driven Mindset to Supercharge Your Procurement Organization."

You can listen to the full conversation moderated by Philip Ideson as a podcast at artofprocurement.com/episode465.

During the last few years of volatility, procurement has had plenty of opportunities to partner more actively with business stakeholders and hit company objectives. Although it has been a challenging time, procurement has been able to show what they can do - and how valuable a data driven approach is.

Data systems and data matching are now mature enough to help procurement better manage costs, lower risk, and address sustainability using the same data without adding significant time to their processes. Today's data maturity is what makes this possible.

Procurement data is a uniquely valuable asset, and access to it should not be limited to one application or use case but shared throughout the organization. Though there are valid confidentiality concerns that need to be addressed, especially in terms of pricing and the risk of leakage to undesired hands, this shouldn't limit procurement's ability to share data.

Companies must find a way to protect their data while making it accessible. They can do this most effectively by building a data-driven mindset and applying it to all their goals and objectives.

1. Increase Organizational Readiness for Open Access to Data

- Data is for everyone and it is good to share, but the truth is that not all organizations are ready for that. It requires trust.

- The company culture needs to be one where ideas are welcomed, and leadership doesn't feel threatened if their decisions are questioned.

- Data can be cruel and straightforward, but it's also fair. It gives everybody a chance to voice their argument based on a shared foundation.

- Companies need to create a space where people feel comfortable surfacing different viewpoints because that's where the value is – when people are showcasing their arguments backed up by data.

2. Working Cross-functionally to Apply Data

- As the quality of the data improves, procurement can increase its collaboration with key internal stakeholders, including the finance, operations, IT, sustainability, and DEI teams.

- In leading organizations, procurement is now mature enough to build on the available data and address a variety of initiatives including proactively managing supply chain risks.

- IT platforms are more and more advanced. This makes it possible to combine data sets of different origins continuously and efficiently. This is also reflected in a change in the overall ecosystem of data providers.

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- Different functions look at data with different perspectives, expanding the audience with access to the same data and capturing different kind of valuable insights.

Example: Procurement working with R&D
Sharing data and informing stakeholders that prices are going up is not enough. Only effective partnering between procurement and technical teams can mitigate and (at times) beat market trends. Strong multi-functional category teams with access to detailed cost drivers can work together to reduce cost by swapping materials, right-sizing specifications, and accelerating the introduction of new suppliers and materials.

Example: Including sustainability in supplier award decisions
When companies have the data to compare supplier prices, sustainability, and risk scores, they can make more informed decisions. Procurement needs people from each team to come together and contribute to holistic category management.

3. Don't allow perfect to be the enemy of good

- Companies who are in the early stages of performing spend analysis are often concerned that their data is not good enough to work with.

- This shouldn't set them back. What is important is to have clear master data governance in place and work towards a 'good enough' situation. Unfortunately, a perfect data set is hardly ever going to come.

- When procurement exposes people to their data, in whatever state it is in, that's when the magic usually starts to happen. People discover the incentive to figure out how to govern data correctly. Otherwise, tools go unused and analytics don't bring any value.

Procure-to-Pay software and data analytics have come a long way in the last five years. Usability has improved significantly. Procurement should insist upon having a solution that's user-friendly and understandable, one that provides users with the guidance they need. Only then they will unlock its full potential.

We live in the midst of an application ecosystem. Procurement needs to figure out which solution to start with and how to create specific views for their own needs while providing their data to a wider audience for wider purposes. Even when procurement's data strategy is not exactly the same as the overall enterprise data strategy, there is no reason to believe they are in conflict.

It's not unusual for procurement to need to build a customized solution to fit its intended purposes. No system will fit every single company requirement. Instead, procurement should push for an ecosystem play with an overarching structure and spot solutions to complement the picture as needed. Showing leadership by demonstrating that procurement data has many forms of value is a good starting point.

Conclusions

When companies find the right way to share their data – not only within procurement but with the business – they can deliver a step change in their value delivery. In companies with high procurement maturity, internal stakeholders use data to help find useful insights, not question procurement's performance. In this kind of an environment, procurement can build strong internal working relationships and advance the interests of the company.

Episode Soundbites

"There is more and more need for transparency across the entire supply chain. Companies need to build resiliency and address waste and inefficiencies. Procurement can help support these priorities, converting them into cost reduction opportunities."

Flavio Monteleone
Bain & Company

"Procurement is the owner of some sets of data and the custodian of others, but they can't work in isolation. They need valuable input from other functions. That's why I talk a lot about partnering with internal stakeholders. That is a key success factor in any procurement transformation."

"The players in a market can usually help you assess whether your data quality is good enough. Most often, it is. Furthermore, when you expose people to the data, that's when the magic starts to happen.

People find the incentive to figure out how to govern data correctly, because otherwise the tools aren't used, and the analytics don't bring any value."

Heta Ruikka
Sievo

"Data is very cruel and very straightforward, but it's also fair. It gives everybody a fair chance to voice their argument based on a shared foundation. Leadership is less about finding the right decision based on a report that nobody has access to but rather sharing the data and then asking your peers and your colleagues, 'What shall we do together?'

About Art of Procurement

Art of Procurement was founded in 2015 to empower professionals at all levels to align procurement performance with corporate objectives.

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