



Serving Two Masters—Selling to Procurement and Operations

by Ken Evans

In the last decade, salespeople who traditionally sold their products or services to operations or line-of-business executives have discovered that their clients' decision-making organization map has changed. Their clients' procurement organizations have taken a prominent role in the buying process, when in earlier days they were a contractual rubber stamp. Today, effective salespeople must deal with both procurement and operations.

We have run thousands of workshops for sales teams. When we ask them to post their biggest challenges, a consistent response is, "Purchasing/procurement departments do not recognize the value we bring." Exploring these best practices to help you serve both the operational and procurement executives will strengthen your selling efforts.

What caused this shift? What are the objectives of the procurement team and how do they differ from the operations team? How do the best salespeople deal with this situation?

First, let's explore the shift. How has procurement assumed this more powerful role? In the past, and especially in strong business cycles, buying decisions for consumables were the primary purview of the procurement team. They handled commodities or inventory. Today, they are keenly involved in capex, significant solution purchases, outsourcing, and alliance arrangements. Three factors have driven this shift.

1. First of all, tough times. *Tough business cycles drive budget scrutiny by CFOs.* CFOs drive up authority levels, and personally approve purchasing transactions that had been made "in the field." They increase the authority of the procurement staff, making them a control point for spending.
2. Shared services designed to streamline and reduce organizational costs often centralize the procurement organization, increasing its role as an organization-wide buyer. *Procurement executives* have been put in place *with mandates* from CFOs *to drive down costs.*
3. The A.T. Kearneys and McKinseys of the world created a compelling value proposition for CFOs and procurement executives around *centralized purchasing as a cost-improvement strategy.* They helped implement strategic sourcing programs and processes, often guaranteeing cost savings. It worked. The processes and metrics they put in place drove demonstrable cost savings.

Increasingly, procurement teams play a larger role in the decision process. But the gap is wide between the procurement team and the operations team. Clearly, the priorities and emphases of the two organizations are different. Procurement considers a narrower range of factors based on efficiency and "best price" to reach a buying decision. The operations team considers any number of important factors that impact profits, or "prosperity of the business," one being price. As salespeople, we sell value to the operations team, but their perspective and definition of value is different than the purchasing team's. It is our job to bridge this gap.

Different mandates result in different approaches by procurement and line-of-business operations groups, but each have the same ultimate goal—getting the best deal for their company.

	Procurement	Line of Business
Metric	<ul style="list-style-type: none"> ▪ "Unit" price reduction ▪ Cost of procurement ▪ Volume discounts 	<ul style="list-style-type: none"> ▪ Gross profit per unit ▪ Asset utilization ▪ Days on hand
Strategy	<ul style="list-style-type: none"> ▪ Consolidate suppliers ▪ Leverage chosen few ▪ Commoditize 	<ul style="list-style-type: none"> ▪ Growth ▪ Continuous improvement ▪ Innovation
Process	<ul style="list-style-type: none"> ▪ Contract compliance 	<ul style="list-style-type: none"> ▪ Six Sigma
Greatest Fear	<ul style="list-style-type: none"> ▪ Criticism for not getting the best price 	<ul style="list-style-type: none"> ▪ Criticism for "missing the market," delivering a non-competitive product or service, not making a profit
Risk Mitigation	<ul style="list-style-type: none"> ▪ RFP process 	<ul style="list-style-type: none"> ▪ Partner for creative solutions



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Now, let's talk about how to do this. First, we must assess and appropriately include the procurement team as part of our selling strategy. Where are they on the organizational map? What message needs to be delivered so they view us and our offerings positively, not just for the business, but for them? How can we most effectively deliver that message?

Next, we need to acknowledge that procurement people have a job to do, and often have to deliver on mandates from the CFO to drive validated savings. They are looking for creative ways to meet those mandates. These mandates are often baked into the CFO's and the CPO's bonus objectives. They want to be successful and recognized for their accomplishments. What can we, our processes, our company, our partners do to demonstrably help them? How might we make their team winners?

The procurement team is rarely at the business strategy table. The operations team often purposefully leaves them out of the loop. Procurement is often the last to know. The business team rarely acknowledges them for their proactive contributions. They are viewed as the quintessential "Dr. No."

Top salespeople view the procurement organization as an opportunity waiting to be exploited and an audience waiting to be taught. Why not involve procurement in the process early on? Instead of their reliance on the traditional RFP, why not educate them about the value of a "holistic" approach to purchasing? If we can align operations and procurement early in the selling process, the procurement team can be part of the solution rather than just provide compliance oversight.

Too often, this makes us uncomfortable as salespeople. Frequently, we foster arm's-length, don't-ask, don't-tell relationships with the procurement organization. As a result, we do not intentionally build trusting relationships with them. We hope our operations champion will carry the day. Today, this is a high-risk approach. Our best-practices documentation indicates that the selling team is more successful serving two masters.

Enabling win-win-win through effective relationship building and communication of value is the secret. There really is something in it for everyone. It is knowing what that value is and communicating it like our deal depends on it...because it does.



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