



THE CULTURE OF PROCUREMENT LEADERSHIP

The history of organization relating to Procurement is worth considering - original business organization ideas revolved around the list of “best preferred” functions, in which Procurement was not included. Employees in Procurement were believed to hold a low skill level, to be one-dimensional, not exciting and did not utilise any obvious talent or creativity; in effect being based solely in a capacity where they might be trusted to buy direct materials or assigned to an internal stores environment. Organizationally they were submerged, not clearly visible to customers, sales and marketing, development or the leadership of the business; purchasing individuals became isolated and lost, were not at a board level, and did not have to report to the managing director or CEO – in effect, the function and people in it might be considered to be “low-life”.

Historically, inflationary supply side driven costs were absorbed and/or passed through to the customers. However, with the advent of static or declining sales, competition levels and market share protection, businesses could no longer afford to pass these costs on; a focus developed within business for more value generation, cost reduction, and becoming the lowest cost producer. As a result, Procurement became a focus area and consequently demand grew for Procurement professionals; the car and packaging industries are two such examples who market segments that pioneered the Procurement change.

An important Procurement education model - the Six Dimensions of Procurement, defines and targets Procurement improvement areas. The six dimensions are shown in a pyramid - the base being Leadership & People without which there is no foundation, structure and platform to launch sustained improvements.



Procurement leadership should be developed and retained as a significant part of any business and brought to the fore of consideration. Today leading businesses target Procurement as an area for direct and immediate consideration and improvement, and the culture of this new Procurement leadership consideration is vital with respect to this.

“Leadership is the creation of a vision about a desired future state which seeks to enmesh all members of an organization”

Leadership Qualities

Qualities of successful leaders can be superficial; **voice, stature, sincerity** and **trustworthiness**, or indeed can operate at deeper levels – an **understanding** and **attention** of the people one leads and hopes to influence and the context in which they hope to lead.

Leaders in any part of your business must display qualities that enable them to be seen as **visionaries, direction-setters, catalysts, mover-shakers** and **long-term strategists** both inside and outside of their immediate environment. For example, when people responsible for Procurement and Supplier Management sit opposite key suppliers across the table, they need to have a passion for the business and act as leaders by setting performance measures and delivery goals. Internal customers so be engaged so that there is the creation of a leadership and performance culture that results from direct engagement and involvement: “As a supplier to my company and internal customers, we expect you to consistently meet the agreed value and performance criteria related to the business we have placed with you”.



Charisma, respect and **inspiration** are very important qualities for any leader – perhaps in a business context qualities that cannot be taught, but nevertheless prerequisites to successful leadership culture creation.

- Charisma can be viewed as a “Gift from God”; it is a relationship issue – if everyone thinks you are, you are.
- Leadership is related in Procurement to the using both **creative exercise of influence and leverage** – winning in Procurement can be dependant on mental and psychological exchanges just as much as the obvious ones – such as “I am a big buyer and you must give me the best price because of my size”.
- **Self confidence** is a prerequisite also to successful leadership

In terms of driving the culture of Procurement leadership it revolves around two aspects;

- a) **initiating structure**, behaving in a way in order to try and emphasise performance of current projects and achievement of Procurement goals and
- b) **consideration of the seller’s needs** and their relationship with you; life is about two-way relationships and relationship management.

Your business is likely to have a varying number of differing leadership cultures within it: commonly known as subcultures - the type of Procurement work and level of education in each business unit will affect the overall business approach to Procurement leadership. The size of each business unit will again have a bearing on the leadership culture that exists and its further development.



Contingent Leadership

Different styles of leadership should be employed in different situations; in favourable conditions (relating to whether your identified goals can be achieved) strong leadership tactics can be used, and vice-versa.

Goal-orientated leadership in these kinds of situations will be most useful rather than a people-orientated approach.

- For a businesses' Procurement leadership culture to provide a sustained competitive advantage, it must be essentially **rare** and **imperfectly imitable** (unique and core competence) – this gives the company in question a strong starting point from which to begin the journey to excellence and win in negotiations, in effect it has in its armoury something the opposition does not have.
- To alter your present leadership culture that currently exists within Procurement areas of the organisation, three main aspects need to be considered; the **balance of power, organisational structure** and **management**

Power bases for Procurement leaders may evolve as they generate more value for the business, or referent power may exist for certain charismatic leaders, who possess desirable abilities and personality traits that should be imitated.

HOWEVER THE MOST IMPORTANT POWER SOURCE FOR PROCUREMENT LEADERS IS EXPERT POWER – where superior Procurement knowledge exists relevant to the current situational task.



An example of this is e Procurement, where the Procurement leadership needs to have expert knowledge of the benefit of an e Procurement system and convinces the business to invest. E Procurement expert power then results in increased profit and improved operational performance and becomes a winning strategy to be shared with customers, peers and supplier partners.

- Changing your personal and business approach to Procurement leadership can be achieved by combining education (understanding) and in redefining goals and timetables. The reactive response is not recommended as it concentrates on constant adaptation to continually altering external and internal environments.
- **Change agents** are the individuals who are able to alter one's culture; internally these are employees and externally educators or consultants. Both internal and external change agents must have knowledge of the business – if not, their effectiveness is limited. External Procurement change agents bring an outside perspective and have studied many client organizations and participated in overcoming obstacles to development – so when people talk about using the “best practice” approach, they rely on external benchmarks of performance.



The Culture of Leadership

There is no such thing as an error-free leader – and all are driving “improvements” towards the businesses’ goals. Rather than follow the leader, another solution is to move the business focus from the “**cult of a leader**” to the “**culture of leadership**” – this involves the movement of consideration from leaders’ individual competencies to the culture of leadership in general.

	CULT	CULTURE
IDENTITY	Cult	Deep Leadership
STRATEGY	Rational	Cultural
ORGANISATION	Hierarchy	Heterarchy
PERSUASION	Reason	Negotiation
TECHNOLOGY	Objective	Relative

Overall, leadership teams are the way forward, which are able to incorporate a large varying number of different leadership qualities and deliver the change from the culture of the Procurement leader to the culture of Procurement leadership. Top quality Strategic Procurement leaders will try and use team-building skills and direction setting abilities in order to maximise their returns for the business from the team and its resulting internal and external negotiations. However it is worth noting that although leadership teams are able to distribute systems of control, this may make the decision-making and direction setting processes more consensus based and therefore slower and less decisive but ultimately more robust. Individual Procurement leaders who develop the culture of leadership will be a highly valuable addition to any business looking to gain significant value creation.

“You cannot see or touch culture, but you can describe its manifestations and its effects upon you as a member of an organization” – Wilson