

## Are You Engaging All of Your Clients?

The market typically uses “client” or “customer” to designate recipients of goods or services in return for compensation. Today I’d like you to start seeing your invisible clients, those recipients of Purchasing services *inside* your company.

Purchasing function provides services to internal businesses and functions as well as to other companies. Based on a recent benchmark survey, commonly provided services include

Strategic: Sourcing goods and services, supplier management, risk management, value analysis, supply strategy, and spend analytics

Operational: Account Payables, Contract Management, PO Processing, Supplier Scheduling, and Supplier Tracking

What is interesting to note is that Purchasing is similar to Sales in at least two functions: providing services and attending to clients.

## Sales & Customers

In representing a company, a salesperson provides goods or services to the customer/client, employing a work process to better assist the clients. Step #1 is to perform client segmentation in order to identify the strategic, preferred, and tactical clients. Each business within the company gets to define its own strategic clients.

The strategic ones are those you must give more attention, provide more services, and engage the leadership more frequently. It is well known that strategic customers will receive periodic visits from Directors, VPs, or even the CEO.

For strategic customers, salespeople provides market information, bring new products, discuss price trends, collect strategic insights for future development, and propose dashboards to follow up the projects and metrics agreed to by the customer.

Given all this attention to strategic customers, why don’t Purchasing organizations follow a similar framework with their internal clients?

## Client Engagement

To create effective client engagement, companies must have three guiding principles: accountability, clear interface, and governance.

Accountability: Clear roles, responsibilities, accountabilities, and metrics for both Purchasing and clients

Clear Interface: Client interfaces that are well defined and clearly managed

Governance: Established mechanisms that ensure alignment at all levels across the organization

Following these guiding principles will improve your relationship and credibility with businesses and functional clients. More importantly, it will elevate Purchasing’s stature and obtain a seat at the table for strategic planning and decision making.

## **Approach**

Just as Sales has different businesses, Purchasing has different commodities, such as Raw Materials, Packaging, Logistics, MRO, Capital, and others. For each one, we can define who the strategic clients are.

For each commodity, I recommend developing a current state baseline, performing a gap assessment, and then defining a prototype for further rollout implementation.

The baseline is developed through a series of 30 client questions, for example: What is Procurement's role in this process today? What metrics are being used to measure procurement performance? What interfaces with the partner are used as part of this process? Is Purchasing part of strategy development and the budget setting process?

Each answer will have a score and the overall score gives the current state baseline. Comparing the current state with the ideal engagement model, you can assess the existing gaps.

## **Engagement Model**

The ideal engagement model is to have Sourcing Teams reporting to Sourcing Councils, which in turn report to an Executive Council. Each level of Purchasing is engaged with a corresponding level from the business or functional clients.

Each Council has a clear definition of participants, roles and responsibilities, and frequency of engagement. Each Council then defines its respective dashboards with a spend profile, commodity dashboard, strategic alignment, spend to be sourced and benefits (savings/avoidances), and specific client metrics.

A yearly satisfaction survey will check how well the engagement is working and be compared to the baseline established at the beginning of this journey.

## **Engagement Objectives**

For strategic clients, the objectives of client engagement should be to

- Assure strategic alignment between Purchasing and clients
- Engage clients in sourcing and project management
- Engage clients in supplier management
- Engage clients in target setting and performance management

Our recent benchmark survey detected that 82% of companies have some kind of client management activity in place. However, only 33% perform a satisfaction survey.

With this in mind, there are several questions you need to consider: Do you have strategic clients? Do you have a formal engagement with these clients? Do you measure client satisfaction?

If you can answer yes to these questions, you have an effective Purchasing organization with regard to client engagement. If not, you should start thinking about how to engage in this journey so that both Purchasing and clients can benefit from it.

Taking Purchasing to the next level,

***Paulo Moretti***