Personalities in Procurement – The missing link to Value Creation

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Agenda

• Procurement – A mechanism to respond
• Different types of value propositions
• The procurement personality landscape
• One size fits all?
• Recommendations to procurement leaders
Your business model

• From data and information to solutions – knowledge is the missing link!

• Internal knowledge about spend, business requirements, etc is combined with knowledge about the supply market

• Combines fragments of data and information which is being analysed and connected with experiences - leads to insight that can be utilised for creating solutions and thereby value

• **Procurement has become a knowledge and information broker**
What are your biggest weaknesses?
Procurement's capability gap

- Trust building and collaboration with key suppliers/customers:
  - Very important: 60
  - Very well equipped: 18

- Cross-functional collaboration:
  - Very important: 60
  - Very well equipped: 16

- Data-driven decision making:
  - Very important: 51
  - Very well equipped: 18

Source: SCM World Talent survey 2015

% procurement respondents: n=88

Future of Supply Chain 2015 SCM World
Procurement is crying out for more soft skills training, according to a new CIPS survey in which 80% of procurement leaders said training in this area would improve their performance.

The survey of 239 senior procurement professionals found 40% of respondents had never received any soft skills training. A further 34% had only received it “some time ago”.

Soft skills are usually associated with a person’s emotional intelligence (EI) and refer to personality traits such as social aptitude, communication, use of language and interpersonal skills.

These skills are believed to aid the formation of relationships, managing people and negotiation.

The survey, undertaken in partnership with JCA Global, found more than 66% of respondents felt understanding EI would help effective negotiation, but only 12% of organisations had adopted EI in internal training.

A further two thirds of respondents felt their knowledge of EI was at a basic level or they had no knowledge at all.

Source: Supply Management 19th April 2016
**USE OF MARKETING TACTICS IN PROCUREMENT**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage Responding Often or Very Often</th>
</tr>
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<tbody>
<tr>
<td>We actively gather information on internal stakeholders (business leaders, internal customers)</td>
<td>51%</td>
</tr>
<tr>
<td>We develop different success stories for different audiences</td>
<td>39</td>
</tr>
<tr>
<td>We use account management tactics with our stakeholders</td>
<td>36</td>
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<tr>
<td>We use a multi-channel strategy for branding procurement as a business partner that includes the use of social media</td>
<td>16</td>
</tr>
<tr>
<td>We use different messages with different stakeholder segments</td>
<td>22</td>
</tr>
<tr>
<td>Our teams have targets for stakeholder (new) engagement</td>
<td>27</td>
</tr>
<tr>
<td>We focus on researching the market of our stakeholders</td>
<td>27</td>
</tr>
<tr>
<td>We have an elevator pitch for procurement</td>
<td>27</td>
</tr>
<tr>
<td>We collect internal customer satisfaction data and act upon it</td>
<td>28</td>
</tr>
</tbody>
</table>

**SOURCE** PwC 2013

(http://hbrblogs.files.wordpress.com/2013/08/marketingtactics.gif)
SUPPLIER INTELLIGENCE AND ADVOCACY

PERCENTAGE RESPONDING OFTEN OR VERY OFTEN

- We listen to and learn from suppliers: 46%
- We ask suppliers to update us on their markets: 48%
- We ask suppliers to bring new business opportunities they see to us: 40%
- We advocate suppliers in the business: 34%
- We share opportunities outside current spend with suppliers: 33%
- We make new connections in the business for suppliers: 31%
- We ask our suppliers about business issues they see in our company: 30%
- We ask suppliers about our stakeholders in the business: 20%
- We know how our suppliers segment us as customers: 17%

SOURCE PwC 2013

(http://hbrblogs.files.wordpress.com/2013/08/supplierintelligence.gif)
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The reinsurance task of the purchasing function
(Back to back – The horizontal dimension)

Demand from market

Quality
Time
Technology
Price/cost
Agility
Environment
Etc.

Demand to suppliers

Quality
Time
Technology
Price/cost
Agility
Environment
Etc.

Buying Company

Demand from market minus demands to suppliers = retention

Source: S. Vammen
Strategic Cohesion - vertical dimension

- Corporate strategy
- Purchasing strategy
- Category strategy
- Suppl. relation strat.
- Negotiation strategy
- Negotiator profile

Source: S. Vammen
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Value Creation in procurement?
Value creating Supplier Relationship Management is like teenage sex:

Everyone talks about it, nobody really knows how to do it, everyone thinks everyone else is doing it, so everyone claims they are doing it too.
Source: Kairos Commodities, Inspired by Hackett
Procurement Value Evolution Model
Existing playground is characterized by:

- Centralize Procurement function
- Rationalize Supply Base
- Consolidate volume
- Low-cost country sourcing

Source; Morten Munkgaard Møller

= Nothing new...
= unlocking the next level of value

New playground

From existing playground to new playground:

- Cost reductions is still important and will always be (existing playground) but delivering value beyond cost will grow in importance (new playground)
- Capture value across business units, products and dimensions
- Manage risk proactively
- Create strategic advantage via supplier collaboration (Gain structural advantages, new capabilities, growth enables and an integrated value chain)
- The supplier as a resource or even a competitive weapon

Source; Morten Munkgaard Møller
Getting Innovation

- Luc Volatier (VP Sourcing Numico):

  - We invest every year 50 million Euros in R&D
  - We pay our suppliers every year 800 million Euros
  - Our suppliers invest in average 6% of their sales in R&D
  - Thus we pay to our suppliers $0.06 \times 800 = 48$ million Euros for R&D… the same amount we spend internally

… but we do not control it, we do not know where it goes
… if all of it goes to our competitors we are subsidizing them
More external than internal innovation

- Example: Unilever data for 2010
  - R&D investment 891 million €
  - Spent on purchasing 16 billion €
  - Suppliers invest in average 6% of their sales in R&D
  - Thus Unilever pays to suppliers 0.06 x 16000 = 960 million €R&D

- You might be subsidizing your competitors!!!
## Changing the Procurement paradigm

<table>
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<th>Procurement 2016</th>
<th>New Procurement Paradigm</th>
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<tbody>
<tr>
<td>- Leverage over suppliers</td>
<td>- Collaboration with suppliers</td>
</tr>
<tr>
<td>- Focus on internal stakeholder compliance</td>
<td>- Trusted advisor to internal business partners</td>
</tr>
<tr>
<td>- Low to medium soft skills</td>
<td>- High soft skills</td>
</tr>
<tr>
<td>- Low to medium Analytical skills</td>
<td>- High to very high analytical skills</td>
</tr>
<tr>
<td>- Primary value is cost reduction/management</td>
<td>- Primary value is competitive advantage</td>
</tr>
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</table>

**Knowledge in Network**
Supplier – OEM Relationships

Survey among suppliers, done by Automotive News Europe

Highest Price Pressure on Supplier

Highest Requirements on Technology & Innovation

Highest Quality Requirements

Changes after Contract Closure

© VW Auto Uni, Institut Wirtschaftsanalyse und Kommunikation, Automotive News Europe, Supplier Business, Supplier Survey
3 options in life!

- Do something **for** your supplier
- Do something **to** your supplier
- Do something **with** your supplier

Source: Lars Mikkelsen DILF

The big question in life is:
Which personality profiles fits best to each of the 3 options?
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I know what I am
... and I like it!

Let me loose on
this category!
Our Behavior – Is the tip of the iceberg

Surface traits (Visible)
- Skills
- Behavior
- Words
- Tone of voice
- Body language
- Actions

Core traits (Hidden)
- Attitudes
- Values
- Needs
- Core personality
- Upbringing
- Experiences
- Demographics
- Culture
- Knowledge
- Thoughts

Surface traits
- Our Behavior
- Is the tip of the iceberg

Core traits
- Skills
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Knowledge in Network

...because timing matters
The history behind DiSC

“Your emotions are “normal” when you produce pleasantness and harmony”.

Psychologist William M. Marston (1893-1947)
“Emotions of normal People” (1928)
William Marston
The DiSC-model

Perceive oneself as more powerful than the environment
- Assertive behavior
  - Loud
  - Proactive
  - Bold
  - Dynamic
  - Fast paced
- Builds self-confidence faster
- Trial and error approach

Perceive the environment as unfavorable
- Assessing behavior
  - Questioning
  - Case focused
- Skeptical/realists
  - Challenging
  - Rational
- Analytic approach
  - Improvement on the way
- Focus on the things that do not work

Perceive oneself as less powerful than the environment
- Adapting behavior
  - Thoughtful
  - Moderate paced
  - Softer speech
  - Calm
  - Careful
  - Reflecting
  - Preparing
  - Reactive

Perceive the environment as favorable
- Accepting behavior
  - Acknowledging
  - Person-focused
- Decisions made with a gut feeling
  - Empathizing
  - Agreeable
  - Receptive
  - Focused on groups

Perceive the environment as favorable

Perceive oneself as less powerful than the environment

Perceive the environment as unfavorable

Perceive oneself as more powerful than the environment

Knowledge in Network
DiSC

The 4 Styles
DiSC

Dominance

Conscientiousness

Influence

Steadiness
D – DOMINANCE

Priorities
Results
Action
Challenge

Limitations
Lack of concern for others
Impatience
Insensitivity

Characteristics
Self-confident/egoistic
Willing to take risks
Decisive
Result-oriented
Straightforward/demanding
Unambiguous

Needs others to
Calculate risks
Act cautiously
Focus on quality
Show thoughtfulness towards others
Show Patience
Explore facts

Fears
Failure
Appearing weak
Being taken advantage of

Avoids or dislikes*
Appearing soft or weak
Routine, predictable situations
Being micromanaged

*Julie Straw; 4 dimensionsal Manager, Inscape publishing, 2002
i – INFLUENCE

Priorities
- Enthusiasm
- Action
- Collaboration

Limitations
- Impulsiveness
- Disorganization
- Lack of follow-through

Characteristics
- Optimistic
- Easily trusted
- Emotional
- Involved with people
- Outgoing
- Enthusiastic/charming
- Open

Needs others to
- Focus on the job and its execution
- Find and assess facts
- Develop structure and systems
- Employ a logistical approach
- Demonstrate individuality
- Speak to the point and be sincere

Avoids or dislikes*
- Conflicts
- Detailed or repetitive tasks
- Working alone

Fears
- Rejection
- Disapproval
- Being ignored

*Julie Straw; 4 dimensional Manager, Inscape publishing, 2002
S – STEADINESS

**Priorities**
- Support
- Stability
- Collaboration

**Characteristics**
- Deliberate
- Consistent
- Cooperates well
- Patient/attentive
- Loyal
- Considerate of group interests
- Accepting

**Needs others to**
- Be more flexible in working procedures
- Act fast to change
- Help priorities work
- Work on their own and put pressure on others
- Work well in an unpredictable working environment

**Fears**
- Rapid change
- Upsetting others
- Loss of harmony

**Limitations**
- Overly accommodating
- Tendency to avoid change
- Indecisiveness

**Avoids or dislikes**
- Unpredictable or uncertain situations
- Disorganized and disorderly workplaces

*Julie Straw; 4 dimensional Manager, Inscape publishing, 2002*
C – CONSCIENTIOUSNESS

Priorities
Accuracy
Stability
Challenge

Characteristics
Analytical and factual
Attentive to standards and detail
Conscientious
Diplomatic/cautious
Business-like/reserved
Hungry for knowledge
Reliable

Avoids or dislikes*
Being criticized, especially when you lack control
Lack of time to evaluate consequences
Emotionally charged situations
Disclosing personal information

Limitations
Overly critical
Tendency to overanalyze
Isolates him/herself

Needs others to
Delegate important tasks
Make quick decisions
Make compromises

Fears
Being wrong
Slipshod methods
Criticism

*Julie Straw; 4 dimensional Manager, Inscape publishing, 2002
The DiSC model – strengths and overuses

- Pushy
- Impatient
- Domineering
- Attacks first
- Tough
- Harsh

- High ego strength
- Strong-willed
- Decisive
- Efficient
- Desires change
- Competitive
- Independent
- Practical

- Emotional
- Optimistic
- Animated
- People oriented
- Enthusiastic
- Persuasive
- Talkative
- Stimulating

- Disorganized
- Undisciplined
- Manipulative
- Excitable
- Reactive
- Vain

- Perfectionistic
- Accurate
- Serious
- Orderly
- Sensitive
- Persistent
- Needs much information
- Cautious

- Dependable
- Supportive
- Contented
- Agreeable
- Accepts change slowly
- Calm
- Reserved

- Unsure
- Wishy-washy
- Awkward
- Possessive
- Conforming
- Insecure

Knowledge in Network
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The Power-Dependency angle

- **Buyer Dominance** (>): Buyer has relative power over supplier
- **Independence** (0): Relative power balance between players
- **Inter-Dependent** (=): Relative power balance between players
- **Supplier Dominance** (<): Supplier has relative power over buyer

Source: Andrew Cox
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Most common shortfalls for Category Managers (and their bosses....)

- **Analytical capability**
  - Financial understanding, econometric modelling, complex data analysis, etc.
  - Deep dive Market analyses – beyond Porters Five Forces
  - Advanced Cost analysis, what drives prices, etc.

- **Personality**;
  - Dominant and demanding, impatient, not detail oriented, lack of empathy
  - Lack of influencing and selling skills – stakeholder management/suppliers
  - Not team-players – lone rangers...

- **Lack of business understanding**
  - Business models & strategy
  - Strategic finance
  - Power & dependencies
  - Understand suppliers’ perspective
Recommendations for staffing

- Personality
- Analytical skills
- Business understanding
- Procurement skills
- Experiences
Don’t forget retention

Talented people don’t leave companies,

they leave their managers