

Risk and Reward in a Global Market Place



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Following this year's Premier Conference, Risk and Reward in a Global Market Place, I was asked to have a look at some of the output from the conference and contemplate the key themes and learning raised during its plenary sessions, seminars, workshops and debates.

Observations

Globalisation isn't a new concept — it's been around since before Britain ruled the waves — and some might say waived the rules. However, what is new is the extent to which information flows have exploded. The world is a much smaller, and vastly more transparent and democratic place, than when Tulip futures peaked in Amsterdam sometime in the 17th century.

For many organisations, doing business these days is like standing in a virtual window, without curtains. Some observers complain about the world being taken over by brands. What is a brand? It's a reputation. Which is what makes (global) organisations so vulnerable to pressure from aggressive corporate and on occasion NGO activity and public opinion. We seem too to have moved from a century of coercion to the new millennium and persuasion. Good corporate ethics make good business sense. This new world still contains all too many examples of the myriad tensions, problems and conflicts that have been such a debilitating feature of the past century. However, it is also a much better place. The world is, according to any number of independent indices, a much better place to live in, as the Beatles put it, "it's getting better all the time".

It is crucial that procurement professionals address their understanding and involvement in globalisation too if their businesses are to maintain their competitiveness and effectively compete against rapidly emerging markets in both the long and short term.

As Gerry Walsh expressed in his opening address "by engaging in procurement on a global level, procurement professionals can quickly ensure a more stream-lined business, from the way materials are sourced to the final distribution process".

Additionally, the possibility to participate with an international work-force that can source, develop and produce higher quality goods at a cheaper and faster rate is dramatically increased.

I was struck by many things at this years conference; a lot was said and written yet from the very outset one thing that struck me was that we live in a complex world, and technology is redefining the way we live at a blistering pace! Additionally business success in organisations revolves around understanding trends in three defined areas:

- Macro-economic climate
- Social and environmental Issues
- Business Landscape

We are, as Wendy Becker of McKinsey put it "...a world in motion..." Moreover we are "...swimming in the turbulent tide of talent..." that there is a real shortage of talented people. People and the way "...they think, act and do (things)..." is what makes business happen. Talented people, led well, managed well and treated well are at the heart of success –as Mike Lewis brought the conference to an end he said people should "be prepared, be positive, be strong and learn!"

Key Learning Points

McKinsey's Trends

For organisations to operate in the 21st century and in a global context, a change in mindsets is required. At the heart of this is the need for organisations to strategise in both the short and longer term. Procurement seen to be at the cutting edge of this where it necessitates the introduction of "outside" ideas into the organisation – notions around co-creation, being societal awareness, environmental awareness – where good/successful organisations will work to make the "dialogues" better with share and stakeholders. This will be facilitated by new global structures and the increased availability of data and knowledge.

More detailed procurement trends

Macro-economic trends will create very different patterns of globalisation to those witnessed in the last century. This will be typified by amongst other things changes in ownership through mergers and acquisitions; or culminate in alternative ownership structures. The public sector will become increasingly involved whether they like it or not! Social and environmental issues will centre on notions such as the T-shaped talent profile, a broader more ambitious role, set against an expectation of an already existent deed functional knowledge. People are becoming increasingly aware of the fact that only 7% of communication is what you say. There is a need for procurement people to get out there travel and be fuelled by ambition... you need to network! Finally with regard to "The Business" if done right (mind the brand) using global market can transform the fortunes of a business. Again technology is the key enabler but it can get in the way. How often do we seem to be either obsessed with technology, or so focused on the experience of the here-and-now, that the issue of wisdom appears to be virtually ignored?

That certainly was the case in the vast majority of the millennium induced thinking about the future of business. My personal reflection on this is that "...human history becomes more and more a race between education and catastrophe." (H.G.Wells: The Outline of History, 1920). We need a better balance around the deal/relationship dynamic; global procurement initiatives will be led by advanced economies... predominantly in English!

Creating the strategic response

Organisations and the people making the decisions within them must recognize strategy as an on-going dialogue, not a project - with need for strong procurement input! Good organisations with "deep smarts" (talent strength in depth) will regularly scan for growth and plan for risk opportunities, recognise the 'bets' you have made. This will/must become second nature! Ensure communication is key to reconciliation. Finally, and as a follow on from last years conference, organisations need to create an innovation culture and prepare for change – "beyond the Russian doll model" – have a clear intention to embrace uncertainty.

Crafting a strategic procurement response

Mike Lewis's seven pointers:

1. Understand context - beware selectivity!
2. Clarity of strategic intent and goals.
3. Underlying core processes, behaviors and enablers
4. The 'gap' compared with today?
5. Fit between my own priorities and the 'gap'?
6. Effective measures that connect with strategic priorities.
7. Right people in the right roles?

Organisational Structure and Culture

Organisations are changing; as are there methods of operation – the coming of the virtual organisation, teams and individuals shaping deals - the working environment itself is signalling change. There is a greater need for agility in organisations and creativity in people; interpersonal skills cannot be substituted by machines, however technologically advanced business becomes. With the coming of a global economy new structures are defined by new boundaries and culture impacts here too. Links and networks will be core to successful businesses.

Technology will play a crucial role but it is only a tool. The key lessons about e-business are not about ebusiness! E-procurement tends to be viewed as a tool which is cost focused rather than a stylistic benefit. This view is wrong. Organisations need to continually reality check their e-procurement strategies, to the extent that there is a need” top build” commitment and conciliation into the business strategy. Processes tend to be over proceduralised and rigidly controlled; there is a need therefore for a greater distribution of knowledge, information and above all trust.

More than ever it’s about people but mindsets too! People and the way they think, act and do is what makes things happen; taking risks, influencing and leading. Talented people, led well, managed well and treated well are at the heart of a successful organisation – connecting, creating and innovating! So let’s look at what the people in the room thought about globalisation:

- global marketplace very much ‘in play’ but sizeable minority (25%) have not (yet) changed their supply base;
- most (56%) view globalization as an opportunity;
- few confident (8%) that profession had right skills;
- lack of good people entering the profession the dominant (70%) challenge it faces;
- still primarily focused (54%) on cost performance.

There still seems to be (in my estimation) a transactional mind set (amongst procurement professionals) in the delivery of their effort to the organisation. There needs to be awareness around and of “cumulative capability”, self given permission to “... go do stuff...” and to restate the point made by Prof. Mike Lewis at the end of the conference to “be prepared, be positive, be strong and learn!”

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