

What You Measure is Not Necessarily What You Get...



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doesn’t count”.



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We regularly measure supplier performance through a collection of metrics, but rarely do we take the time to understand and invest in the role of socialisation in measuring effective relationships. Sophisticated systems, complicated charts and dashboards are commonplace but do they tell us the true story? Can we quantify every aspect of performance? Albert Einstein once said “Sometimes what counts can’t be counted and what can be counted doesn’t count”.

Manchester Business School turned to anthropology in order to understand socialisation mechanisms that explain the way people work together and communicate most effectively. Relationships are not just about getting from A to B, but more about the route we take to get there. By mapping, in detail, the process steps between buying and supplying organisations we can gain a better understanding of the way in which we operate, the barriers, critical points and how the external environment may affect us. Not enough emphasis is placed on this and relationship implementation. In the UK we see relationship management as something we do in addition to the day job; Japanese manufacturers however see relationship management as what they do.

P&SM professionals need to examine the desired output and design an appropriate relationship to fit. Relationships are complex and can rarely be pigeon holed into a 2x2 matrix. They are not static and are based at a product not a firm level, so a portfolio of relationships will be required for each supplier. A relationship strategy model is required in conjunction with a traditional Kraljic model in order to select the most strategic relationship for the job.

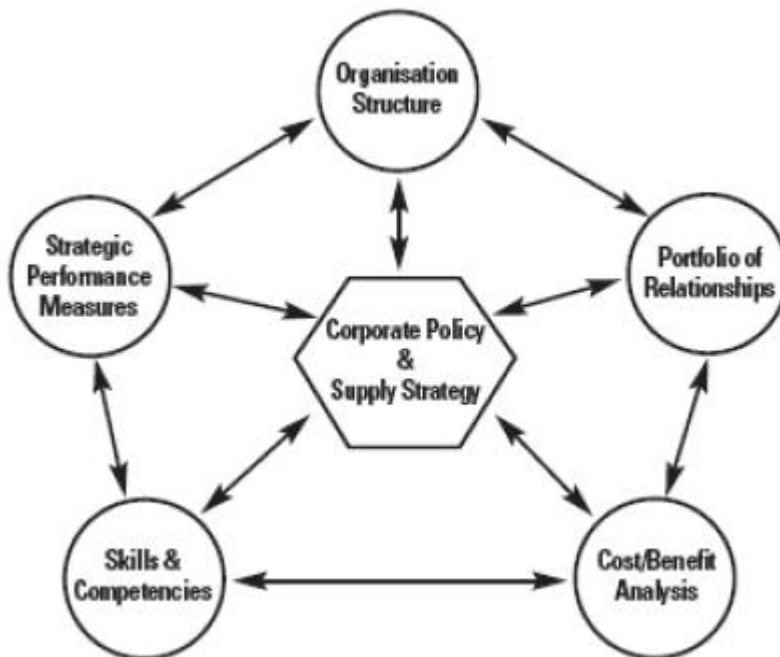
Professor Paul Cousins from Manchester Business School, stated at a recent CIPS event that “Relationships are a series of processes based on outputs and deliverables driven by resources” so what organisations need to balance, is the least amount of resources for the maximum gain. Seem harsh? Well as Milton Friedman put it “Businesses are in the business of business” this is the paradigm in which we work. Businesses are opportunistic and must often make harsh (yet ethical) business decisions; there is however a strong distinction between, personal and business ethics. This results in a dichotomy between pushing suppliers away but wanting more from them, and yet we still claim that we are collaborating?

Do we really understand what strategic looks like?

Cousins explained that strategy is a Greek word *stratēgos*, which derives from two words: “stratos” - army & “ago” - which is ancient Greek for leading/guiding/moving to.

In order to be seen as truly strategic and value adding P&SM professionals must understand what is important and what value looks like within their organisation. To be strategic every department must be aware of the pressures and priorities of the organisation in order to ‘lead/guide/move’ them to these goals. This is outlined below in the Strategic Supply Wheel.

Figure 1 The Strategic Supply Wheel



Source: Cousins

All aspects of the Strategic Supply Wheel must be considered at the same time, not in isolation. It's not about linking measures to performance but more about how we manage the relationship and link it to what we want to achieve. By mapping the relationship processes we can ensure that common goals and aspirations are made clear from end to end. What is often unclear is what value is to the organisation until things go wrong. BAA was probably unaware of the effects of their relationship break down with Gate Gourmet until it was too late.

As procurement professionals we are often too focused with our own objectives and drive for what we perceive is value. Truly strategic P&SM teams map their own goals and aspirations to their own organisations. Cross functional teams are often the worst examples of this; design measured on design, procurement measured on costs. You are only strategic if you share common objectives and collectively deliver what the organisation requires. The focus for all teams is the corporate goals and shareholder value so therefore teams should be measured as a collective not as individuals.

A miscommunication of goals between buyer and supplier is also common; Cousins' example being Mike Crone, Director of Supplier Management and Carrier Relations at Energis. Crone set up the supplier academy where he invites suppliers to exchange information and ideas, some of which are then implemented in the organisation. Suppliers enjoy working with Energis as they know they are being heard and everyone is working towards common goals. This collaborative approach had led to the Energis procurement team now advising their suppliers on how to deal with their own suppliers.

Another example discussed was BP. Their strong alignment of goals is very closely mapped with internal teams and suppliers to the extent that it is difficult to distinguish supplier from buyer. This aspect of buyer supplier relationships is ever more important as organisations

begin to operate in a global market place. Other considerations, or barriers, will also come into play when dealing with cultural and language differences.

To summarise, relationships cannot be seen as a concept, but are a process that need to be mapped in detail in order to be fully understood. They can be conceptualised by tools such as a 2x2 matrix but further analysis is required for their implementation. Socialisation methodology in conjunction with performance metrics is required to obtain a full picture of the effectiveness of the measures and how they are improving business performance. Once the relationships have been identified the appropriate resources, skills, systems etc. need to be assessed and put in place. These implementation steps are critical for success; it is potentially damaging from the outset to rush into a new relationship without it being thought through. And finally, procurement and managing supplier relationships is not about new sexy techniques and buzz words, it's about delivering what the organisation wants, and understanding the meaning of value to their organisation.

CIPS Group Easton House, Easton on the Hill, Stamford, Lincolnshire, PE9 3NZ, United Kingdom
T +44 (0)1780 756777 F +44 (0)1780 751610 E info@cips.org

CIPS Africa Ground Floor, Building B, 48 Sovereign Drive, Route 21 Corporate Park, Irene X30, Centurion, Pretoria, South Africa
T +27 (0)12 345 6177 F +27 (0)12 345 3309 E infosaf@cips.org.za

CIPS Australasia Level 8, 520 Collins Street, Melbourne, Victoria 3000, Australia
T 1300 765 142/+61 (0)3 9629 6000 F 1300 765 143/+61 (0)3 9620 5488 E info@cipsa.com.au

CIPS Middle East & North Africa Office 1703, The Fairmont Hotel, Sheikh Zayed Road, PO Box 49042, Dubai, United Arab Emirates
T +971 (0)4 327 7348 F +971 (0)4 332 5541 E mena.enquiries@cips.org



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