

Monthly reflections on the journey towards excellence in Procurement and Supply Management

Do you really understand your supply markets?

Procurement's **distinctive** competence should be its deep understanding of supply markets and how value is brought to the organisation from such understanding. Whilst applying sound process, relationship management, and commercial aptitude are important, these are all generic skills.

Competitiveness

How competitive are your first and second tier supply markets? Can you increase the number of potential suppliers by standardising specifications or considering emerging markets?

Input Costs

Do you understand what your product or service "should cost"? How well do you monitor input costs such as raw materials, energy, labour and logistics? Do you have a good understanding of the impact of external factors such as tariffs and exchange rates? Have you considered how you can manage the risk through appropriate contract clauses, financial hedging, etc?

Capability

Does your supplier, or its competitors, have core capability in the product/service being provided? If not, can it be developed or should it be insourced?

Environmental Performance

How do you conduct up-front due diligence to assess and compare the environmental performance of prospective suppliers? What is the carbon footprint of your supply chains, and can it be improved, e.g., sourcing locally, use of renewable energy for power and transport, optimising the balance between direct supply and via distributors/ warehouses, etc? Is this area included in your QPRs with key suppliers?

Financial Strength

How financially robust are your suppliers? Do you conduct the necessary due diligence not only up-front but also on an ongoing basis? Do you have back-up in place in the event of supplier failure?

Risks

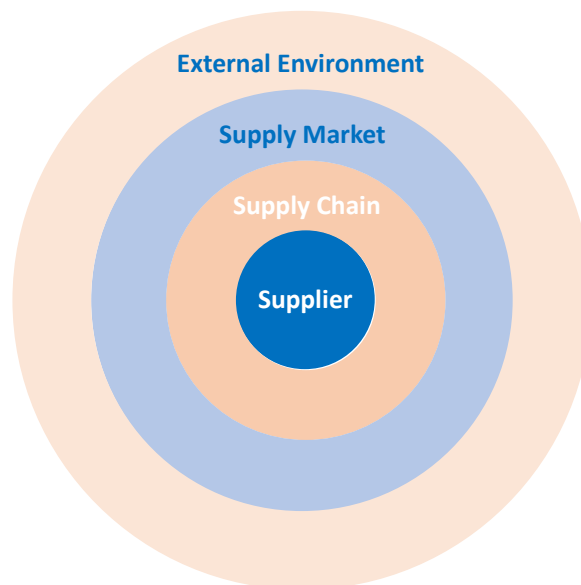
Have you considered all risk factors? These could be strategic, commercial, operational or compliance in nature. Also, they could relate to the external environment, supply markets, supply chains, specific suppliers, or internal capability. Do you have a process for identifying, assessing, prioritising, mitigating and reviewing such risks? Is such process embedded as an ongoing capability?

Innovation

How proactively do you seek innovative solutions from your supply markets? These could be enhancements or substitutions for your existing products and services.

Social Standards

How do you conduct up front due diligence to assess the social standards of prospective suppliers, including how they manage their supply chains? This could be in the areas of modern slavery, including forced and child labour. Do you seek ongoing assurance and continuous improvement in your QPRs with key suppliers?



Leading organisations achieve this distinctive competence by taking a category management approach, often supplemented by additional market intelligence capability. The resultant prize is greater resilience, sustainability and optimisation within your supply chains.

If this article triggers an "aha moment" that you wish to discuss further, please contact: