Overcoming Corporate Culture: Making the Case for Procurement

Session FF17
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10:00 - 11:00

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A Little about KPMG

Big Four Firm
Tax, Audit, and Advisory
2,000 – 3,000 partners
20,000 – 30,000 employees
Smallest but fastest growing of the Big Four
Global . . . but not really
$1 - $2 billion in annual spend for goods and services
My Personal Journey

Began my procurement career as a retail buyer

Transitioned to leading procurement in a corporate capacity

Insurance Services Office

- Led a strategic sourcing transformation that attracted the attention of KPMG
The ask: Create a national procurement organization and initiative from the ground up

- They knew they had a lot of spend
- They knew that spend was unmanaged
- Current processes were manual and costly
- No visibility into spend
- No up-front approval or control over that spend

The Challenge: Overcoming a decentralized, entrepreneurial, competitive, protective, independent corporate culture with essentially no leadership support
Organizational Structure was Central to the Challenge

A traditional hierarchical structure which offers opportunities to propel Procurement forward:

- Clearly defined reporting relationships that can be leveraged
- There is a greater sense of shared purpose; all working for one company with one set of goals
- Defined policies and procedures
- There is ownership for key areas of spend
- You can partner with those owners to strategize on and drive new solutions
Organizational Structure was Central to the Challenge

KPMG is a firm which introduces substantial challenges and hurdles for Procurement:

• More a confederation of many small businesses
• Matrix reporting relationships make it difficult to leverage influence
• Less in the way of established policies/procedures
• No national ownership over areas of spend
• Biggest challenge: obstinate key stakeholders
The Cultural Landscape can be Summed Up by:

COME AND TAKE IT
Getting Procurement Off the Ground

• It was critical to establish credibility
• A need for an early and significant win but there were no easy targets
• Instead of talking, I listened
• I NEVER talked about savings; these stakeholders already made it clear that they “were the best at negotiating price”
• The focus was solely on addressing operational problems, the one thing for which there was mutual agreement and aspiration
Stakeholders Involved in Every Step of the Process

1. How do we do it today? Why do we do it that way? What are our greatest difficulties? What are the contributing factors to those difficulties?

2. How should it work? What is the best-in-class approach? What does the ideal end state look like?

3. Solicit input into the RFP document, invite all to participate in oral presentations, view mock-ups, visit showrooms

4. A collaborative discussion around analysis and award
Nearly Clutching Defeat from the Jaws of Victory

- **Stakeholders couldn’t agree on fewer than eight suppliers**
  - Had I insisted on awarding to just one or two, the stakeholders would have bailed
  - It was better to settle on a less-than-optimum outcome and build upon that success over time than make a stand and risk losing the entire initiative
- **Implemented with eight and put all effort into making this less-than-ideal outcome successful**
- **The key was to deliver the benefits that were promised, even with eight suppliers**
  - Savings (that stakeholders didn’t believe were achievable) were realized
  - Reported cost savings not just to my leadership but to each key stakeholder on a job by job basis so they could take that message to their own local leadership
Making Change Painless by making it Iterative

• After 18 months, enough spend data was available to present to those stakeholders:
  • ~85% of all spend was with just two of the eight suppliers
  • Quick agreement to cut to just two suppliers

• What was impossible 18 months ago had now become quick and easy
  • Understanding and using the culture
    • They already saw some of the benefit of this approach and now wanted more
    • The path forward became obvious based on data describing their own activity
Lessons Learned

• Don’t fight the culture; you can’t give your company what it doesn’t want
  • Fighting the culture only frustrates you, your leadership, and your stakeholders
• Use the culture you have to help you accomplish your goals
  • Is the culture fiercely competitive? Use reporting to leverage that competitiveness and drive results
Lessons Learned

• Cultures change; be patient
  • Shifts in the market, regulatory changes, generational changes in leadership can all create great change in corporate culture
  • Don’t frustrate yourself or your leadership if the timing isn’t right; instead . . .

• Cultures change; be ready
  • Don’t be deterred by your leadership’s unwillingness to get behind certain initiatives
  • Continue to invest in yourself and develop expertise in areas that are important even if the company is not yet ready to act; position yourself to be the go-to resource when the time comes
Lessons Learned

• While trying to open doors, don’t express savings as the goal

• Key stakeholders are typically evaluated on quality measures, not savings

• If you want to gain influence with your stakeholders, you need to talk their language

• Be a good listener; explore problems needing a solution
Lessons Learned

• **Be more sophisticated than 3 bids and a buy**
  • Our goal is to be valued as a strategic partner, but there’s nothing strategic about 3 bids and a buy
  • Command insight into the goals and challenges of the business
  • Possess the tools and enough market expertise to enable strategic visioning

• **Speak the language of your stakeholders; if the concern is quality, focus your efforts on addressing quality**
Lessons Learned

• **Embed yourself and your team into stakeholder organizations**
  • It’s vital that stakeholders view you as a team member, not an appendage
  • When Procurement resources reside not centrally but with the stakeholder organizations, they come to better understand those organizations, the challenges they face, and even establish personal relationships that help to get past the “we/them” syndrome
  • Seek out opportunities to contribute to initiatives whether they have a procurement element or not
Lessons Learned

• Make change painless by making it iterative
  • If a 100% solution is not achievable, work towards a partial solution and build from there gradually over time
  • You can’t run faster than people are willing to walk

Politics is the art of the possible
Lessons Learned

• Benchmark with your industry peers; use what you learn both strategically and politically

• Use professional networks and tools like LinkedIn to connect with your peers

• If your peers are out ahead of you, that information may compel your leadership to action
Lessons Learned

• Make Internal Audit your friend
  • Use Internal Audit strategically to advance complicated initiatives
  • One example: Having Internal Audit validate the configuration settings in a P2P implementation can help you speed through final leadership approval

• Establishing a strategic foundation for the Procurement/Internal Audit relationship can alleviate some of the confrontational nature typically inherent in it
Lessons Learned

- Make your savings message meaningful
  - Have Internal Audit independently confirm your savings projections to lend them greater significance and credibility
  - Express your savings in a language that meaningful for the audience:
    - Work for a publically traded company? Express savings in cents per share
    - Work for a firm? Express savings in dollars per partner
Lessons Learned

• **Share the credit for your victories; make your victories their victories**
  • Procurement can’t achieve savings without the collaboration and support of our stakeholders
  • Be sure to include them in the messaging the stakeholders as well as their leadership; make them a hero and they’ll come back for more

• **Take the long view**
  • Cultures and political landscapes evolve very slowly; lay the right foundations, build enabling relationships, bring strategic value to your stakeholders, but all of this happens slowly
Questions

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