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Despite declarations of being strategic both Procurement and Sales are conducting business as usual.

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Survey Developed by: Greybeard Advisors LLC

Survey Support Provided by: Supply & Demand Chain Executive



Sales & Marketing Management



Manufacturers Alliance/MAPI Sales and Procurement Councils



EXECUTIVE SUMMARY

Three decades later Sales and Procurement continue to dwell on tactics

It’s been three decades since Arch McGill, then Vice President of Business Marketing for AT&T, pushed to ensure that his sales force was certified in the process of system selling. It’s also been three decades since Dr. Peter Kraljic developed a model that was a process for sourcing strategically. Despite three decades of experience, a history of “strategic” successes at select companies and an abundance of technologies designed to support both disciplines, for the most part, Sales and Procurement continue to dwell on tactics.

No “silver bullets”

Both Procurement and Sales recognize the value of being strategic in the practice of their respective professions; however, given the opportunity to “peek around the curtain” the interest that seems to be at the forefront is to learn more about the “secret ways” of both professions. No matter how many times Sales or Procurement professionals are told that there are no “silver bullets” they tend not to accept the answer.

Evaluating perceptions across dimensions

The survey that is the basis for this paper collected current perceptions for the purpose of developing understandings of how Sales and Procurement view each other. It evaluates their perceptions across dimensions ranging from “Knowledge” to “Performance” to assess the current state. By comparing perceptions the survey confirms that for the most part, despite the best intentions to be strategic, it’s business as usual just as it was almost three decades ago.

Focus is on price rather than cost (or value)

Sales professionals will respond strategically when Procurement is committed to strategy

Solid participation from Senior Management

Obsolete attitudes

World class?

Making changes – improve opportunity for success

In the responses there is evidence of respect for the other side; working cross functionally; Sales/Procurement collaboration; and, acknowledgment that there's value in looking beyond the tactical. Unfortunately, there's also evidence that the focus is on price rather than cost (or value); there's too little interest in engaging the other side for mutual benefit; and, surprising levels of uncertainty and ambivalence that come from both Procurement and Sales.

One important theme comes through in the replies and comments to the survey - Procurement professionals contend that Sales professionals can, and do, listen to the "voice of the customer". Sales will proactively respond in a manner that complements the strategic expectations of Procurement when Procurement organizations demonstrate they are committed to the importance of strategy. Procurement expectations drive Sales behaviors. Regrettably, tactical behaviors result in tactical reactions from both professional groups.

The demographics of the survey show there was solid participation from senior management in both professions. While the survey is an assessment of current state, there is an old message that comes through. The message is represented by the following excerpt from Dr. Kraljic's 1983 article in Harvard Business Review:

"...no company can allow purchasing to lag behind other departments in acknowledging and adjusting to worldwide environmental and economic changes. Such an attitude is not only obsolete but also costly."

This citation applies as much to Sales as it does to Procurement.

The survey points to obsolete attitudes. Activity is considered to be equivalent to productivity. Price trumps total cost. Relationships are a matter of time and place rather than the outcome of planned collaboration.

Only 7% of the Sales respondents and 9% of Procurement respondents consider themselves to currently have World-class processes with a strategic role in their company.

Sales and Procurement executives that accept the reality of these perceptions should consider investing in assessing their levels of tactical versus strategic behavior; determine if making changes will improve their opportunity for success; and, if change is in order (as it would seem to be for most companies based on the survey results), develop a roadmap for transformation over both the short and long term.

The buying / selling model continues to evolve

BACKGROUND

Sales believes, or suspects, certain things about Procurement, and Procurement believes, or suspects, certain things about Sales. Supply Chain organizations are investing to enhance the professionalism of their Procurement practitioners as well as business processes. Sales organizations are faced with having to sell to teams and sourcing specialists. As the buying/selling model continues to evolve, the differences between perception and reality seem to be greater than ever before.

“Talk about partnership”

Credit for the genesis of this survey and associated whitepaper goes to both Procurement and Sales professionals. Procurement professionals consistently inquire about the behaviors of Sales professionals. “Why do salespeople always talk about partnership?” Others ask, “Why do salespeople backdoor sell?” These questions are evidence that Procurement professionals are convinced that salespeople are trained to do whatever they can to limit involvement with Procurement.

“Back door selling”

“Secret tricks”

It’s understandable to find Sales professionals demonstrating the same suspicions about Procurement. “Why won’t Buyers let us meet with end users?” On top of “We’re sure that they have secret tricks. We just need a few tactics for dealing with them”.

Perceptions – justified or groundless?

The prevailing question becomes, “Are these perceptions real and justified or are they imagined and groundless?” To better understand current thinking and practices Greybeard Advisors developed a survey to compare the perceptions of Procurement and Sales professionals.

Collecting, assessing and comparing opinions

OBJECTIVES

The intent of the survey was to collect, assess and compare opinions held by both the Procurement and Sales disciplines based on the following:

- knowledge and understanding of the marketplace
- the attention given to price, TCO (Total Cost of Ownership) and TV (Total Value)
- recognition and receptivity to developing and expecting offers based on TCO and TV
- the effectiveness of communication between Sales and Procurement professionals
- roles and responsibilities of both professions
- the emphasis on tactics and/or strategy
- the use of cross functional methods
- the significance of performance measurement
- strategic engagement versus conventional engagement

SURVEY METHODOLOGY

Greybeard drew from its experience as practitioners, and advisors, to develop questions that could compare and contrast the perceptions of Sales and Procurement professionals. Appreciating that time comes at a premium, the questions were kept simple and limited to a total of thirty including demographical inquiries.

A five point answer scale was applied to most questions for the purpose of assessing the respondent's emotion for the item or their lack of it.

Greybeard sought support from on-line publishers and professional associations that represent both Sales and Supply Chain. The links to the on-line surveys (one for Sales and one for Procurement) were distributed worldwide through announcements and e-mails, resulting in:

- 106 responses from Sales professionals
- 161 responses from Procurement professionals

ACKNOWLEDGEMENTS

Support for this survey was provided by:

- *Supply & Demand Chain Executive* magazine
- *Sales & Marketing Management* magazine
- Manufacturers Alliance/MAPI Sales Council
- Manufacturers Alliance/MAPI Procurement Council

Greybeard greatly appreciates the commitment of these on-line publishers and professional associations.

Survey Elements

The survey was structured to assess perceptions – Sales of Procurement and Procurement of Sale - based on the following:

- Knowledge
- Understanding
- Methods
- Resourcefulness
- Performance
- Self Assessment / Our Company

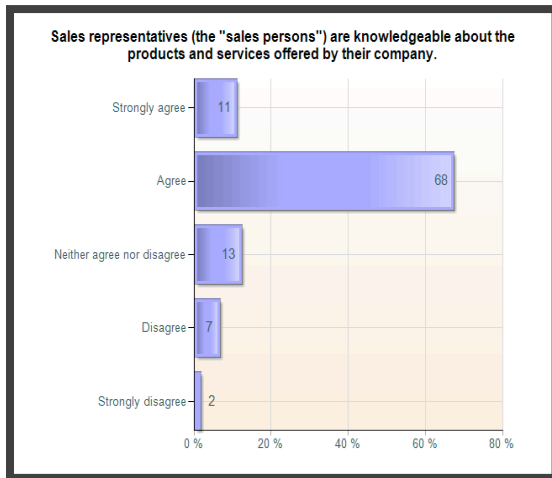
Section 1 - Knowledge

Questions 1 - 3 address *Knowledge*. Drawing from classic definition of the word “knowledge” the questions approach the subject as:

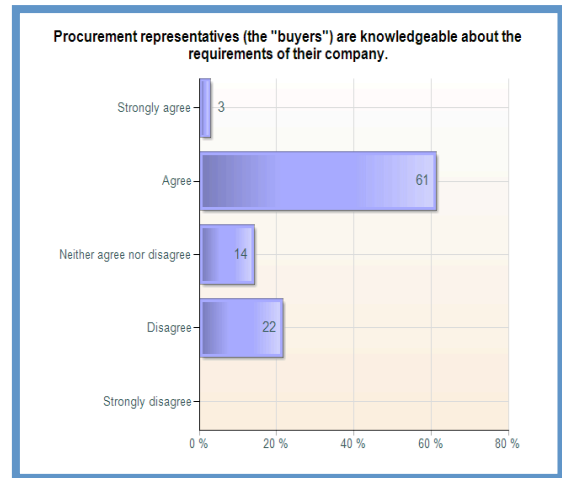
- *the fact or condition of knowing something with familiarity gained through experience or association*
- *acquaintance with or understanding of a science, art, or technique*
- *the fact or condition of being aware of something*

The intent was to identify how much one side believes that the other side knows about the market, their company and the competition as well as how much of this knowledge is shared.

Question 1 - Knowledge



Question 1 – Procurement Answer



Question 1 – Sales Answer

Both sides are knowledgeable

Sales – well trained or experienced

Procurement awareness

There is general agreement that both sides are knowledgeable of market and company requirements. This is an early indication of a mutual respect for each profession but this does not hold up throughout the survey.

Procurement sees Sales as knowing its products and services by a very positive 79% (Agree and Strongly Agree). Adding another 13% who are neutral on this question leaves only 9% (Disagree and Strongly Disagree) of the Procurement respondents as having a negative view of the knowledge of Sales representatives. The answers may point to the likelihood that Sales professionals are either well trained or experienced, or both, making it possible for Sales professionals to capably represent what their company offers.

While the Sales responses point toward a respect for the Procurement professional’s awareness of the requirements of their company, the measure is not as strong. The Sales position on Procurement knowledge is 64% positive (Agree and Strongly Agree) followed by 22% who are negative (Disagree or Strongly Disagree) with 14% neutral (Neither agree or disagree)

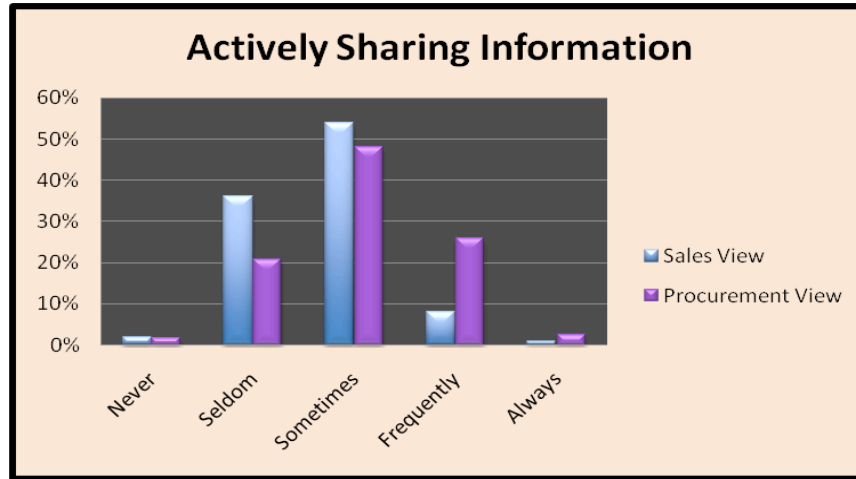
Question 2 - Knowledge

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2. Procurement Perceptions about Sales: Sales representatives offer to share market knowledge including information regarding current forecasts and trends in the marketplace.

2. Sales Perceptions about Procurement: Procurement representatives actively offer to share company requirements, business plans, processes, and product usage including information regarding current forecasts/trends.



Question 2 – Sales / Procurement Combined

Willingness to share

As early as this second question in the survey there are signs of separation in the confidence that one side has for the other when it comes to the willingness to share information.

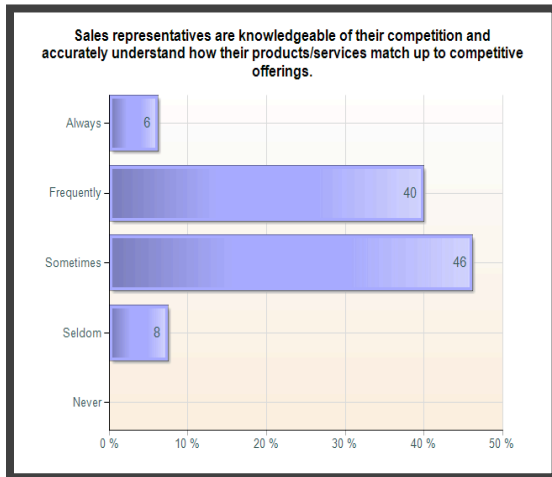
The responses continue to be somewhat favorable when Procurement evaluates Sales with a 29% positive impression (Frequently and Always), 48% neutral (Sometimes) and 23% negative (Seldom and Never).

It appears that Sales professionals are not as complimentary. 9% (Always and Frequently) experience Procurement’s willingness to share information. 54% see this as happening only Sometimes. 38% (Seldom and Never) countered that Procurement professionals are not likely to share the requirements of their company.

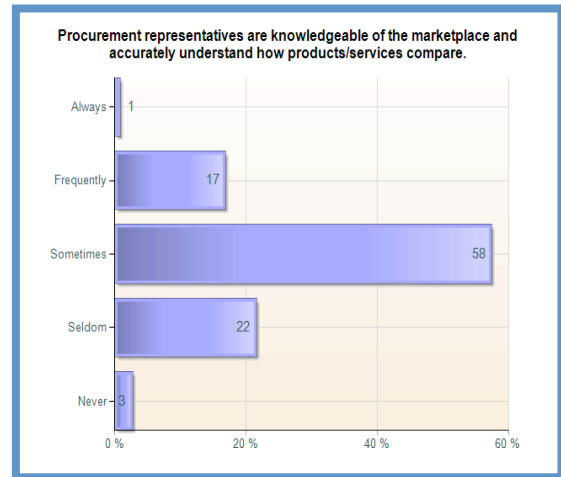
Holding back?

It is possible that both Sales and Procurement are holding back - being cautious with what information is shared. Considering forecasts and trends typically represent data that can be found by doing some research, it’s realistic to expect that both sides should be open to conveying this type of information. The variable may be that Procurement is unwilling to share requirements or the business plans for their company. As for Sales, openly providing details about the market could result in a competitive disadvantage.

Question 3 - Knowledge



Question 3 – Procurement Answer



Question 3 – Sales Answer

Understanding the marketplace and the competition

Procurement gives Sales its due

Sales not as upbeat

Question 3 builds on the topic of understanding - of the marketplace, and of competition along with understanding how products and services compare. Does Sales understand its competition? Does Procurement understand the differences in products and services being offered?

Procurement professionals show respect for the Sales side, accepting that Sales comprehends how their products and services match up. 46% (Frequently and Always) give Sales professionals their due. Another 46% answered that sales understands some of the time. The remaining 8% contend that Sales seldom knows its competition.

Sales responses are not as upbeat. 18% (Frequently and Always) rate Procurement professionals as in tune with markets. 58% are on the fence and, 25% (Seldom and Never) do not observe Procurement favorably.

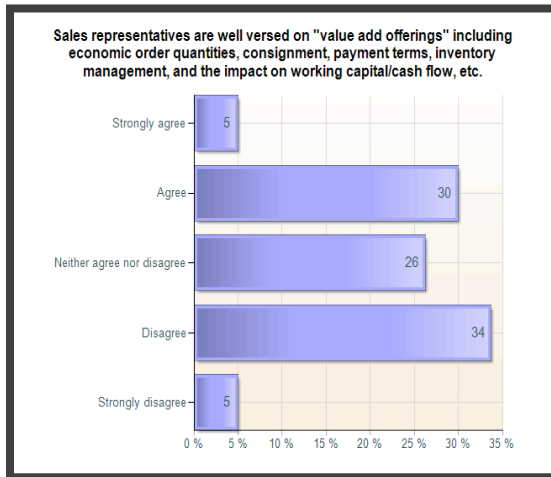
Section 2 - Understanding

For the purposes of this survey there was a conscious decision to differentiate between Knowledge and Understanding. For the purposes of Questions 4 – 6 *Understanding* is considered to be:

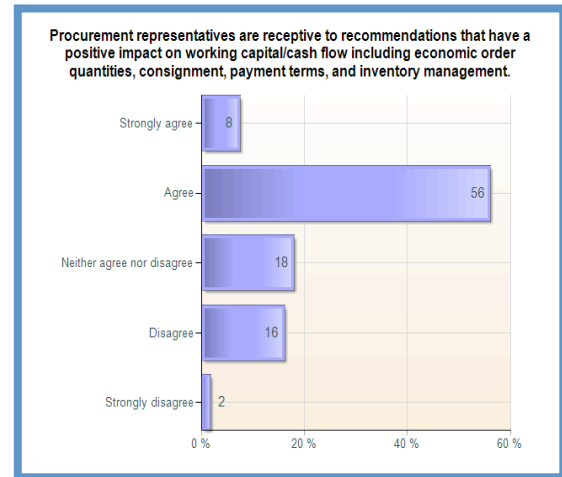
- *an intellectual grasp or comprehension*
- *the power of comprehending; especially the capacity to pick-up general relations of particulars*
- *the power to make experience intelligible by applying concepts and categories*

It is one thing to be knowledgeable of concepts and fundamentals. Making these meaningful in the day to day interaction of Sales and Procurement requires the ability to grasp the nuts and bolts of principles like Total Cost of Ownership.

Question 4 - Understanding



Question 4 – Procurement Answer



Question 4 – Sales Answer

Receptivity and recommendations

Here, there's a bona fide gap when it comes to the understanding of impact.

Sales views Procurement as being receptive to recommendations that have a positive impact on working capital and/or cash flow but it appears that Procurement doesn't view Sales as capable of delivering these types of proposals.

Procurement receptivity

Procurement is receptive – 64% of Sales professionals (Agree and Strongly Agree) that Procurement is open to accepting recommendations that have a positive impact on working capital/cash flow for the areas identified. Only 18% are neutral and another 18% are negative (Disagree and Strongly Disagree) in finding Procurement to be indifferent.

Putting offers into a meaningful context

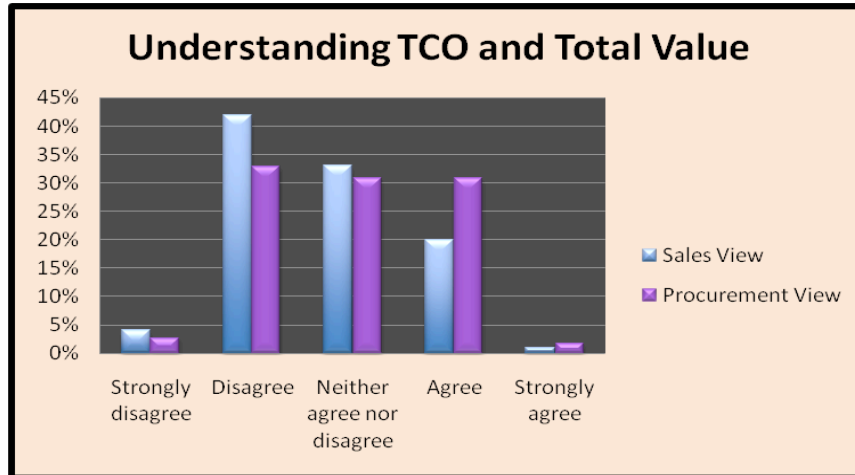
Procurement is split on whether or not Sales professionals are well versed on the implications of "value add" and are slightly more negative about this topic. In their responses to other *Knowledge* questions Procurement gives credit to Sales for knowing the marketplace but, for this one, they don't see Sales as capable of putting their offerings into a meaningful context for the customer.

26% of the Procurement replies are neutral on the question. 35% are positive (Agree and Strongly Agree) and 39% are negative (Disagree and Strongly Disagree).

Question 5 - Understanding

5. Procurement Perceptions about Sales: Sales representatives understand the fundamentals of Total Cost of Ownership/Total Value.

5. Sales Perceptions about Procurement: Procurement representatives understand the fundamentals of Total Cost of Ownership / Total Value.



Question 5 – Sales / Procurement Combined View

Total Cost of Ownership & Total Value

Negative perceptions of Sales

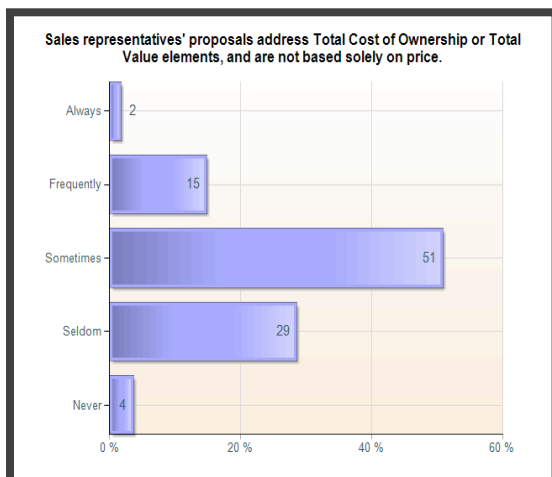
Procurement divided

Understanding of the fundamentals of Total Cost of Ownership and Total Value are shown to be in question for both Sales and Procurement as seen by the other side. Looking at both sets of responses provides evidence that neither side has a favorable opinion of the other.

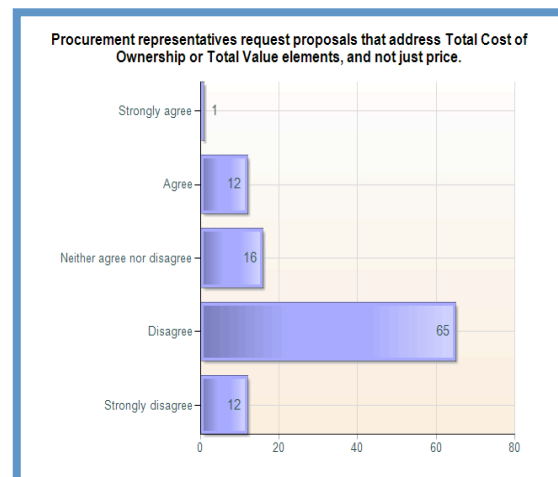
Sales replies are negative by more than 2 to 1 with 46% negative (Disagree and Strongly Disagree) and 21% positive (Agree and Strongly Agree) when it comes to taking a position on whether or not Procurement does or does not understand TCO. 33% are neutral.

Procurement professionals exhibit a similar neutral position at 31%. However they are more positive with 33% (Agreeing or Strongly Agreeing) saying that Sales representatives understand TCO. The negatives come in at 35% (Disagree or Strongly Disagree).

Question 6 - Understanding



Question 6 – Procurement Answer



Question 6 – Sales Answer

TCO takes a back seat to price

Procurement isn't persuaded that sales proposals are attentive

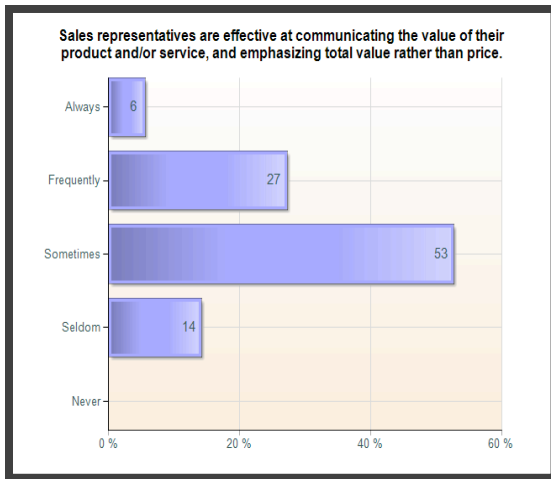
Procurement isn't interested in TCO

Addressing Total Cost and Total Value appears to take a back seat to price. This is not an eye-opener considering the survey was conducted during an economic downturn.

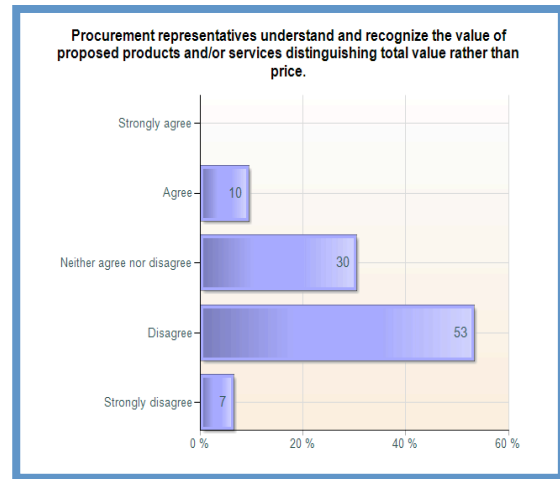
The results show Procurement isn't persuaded that Sales proposals are as attentive to TCO/TV as they should be. More than half of the responses (51%) point to a neutral "Sometimes". 33% (Seldom and Never) show that it doesn't happen enough. 17% (Frequently and Always) give credit to Sales for going beyond price in what is proposed.

Sales asserts that Procurement isn't interested in TCO with a significant 77% (Disagree and Strongly Disagree) declaring that Procurement is more interested in price than TCO and/or Total Value. Just 16% of the Sales returns took the middle of the road. 13% recognize Procurement as interested in proposals that go beyond basic price.

Understanding – Question 7



Question 7 – Procurement Answer



Question 7 – Sales Answer

"Value" Disconnect

Procurement is neutral about effectiveness of Sales communication

Procurement isn't receptive

There is an apparent disconnect when it comes to communication of "Value" by Sales and acceptance of the message by Procurement.

The predominance of Procurement responses is neutral (defined as Sometimes) when describing how effectively Sales communicates Value. 33% of the replies reflect that Procurement has a positive feeling about the effectiveness with which Sales emphasizes Total Value. 14% come in at believing it Seldom happens.

But when it comes to receiving the message Sales disagrees (60%) that Procurement is receptive to the message. 30% of the Sales responses are neutral and only 10% agree that Procurement gets it.

Section 3 - Methods

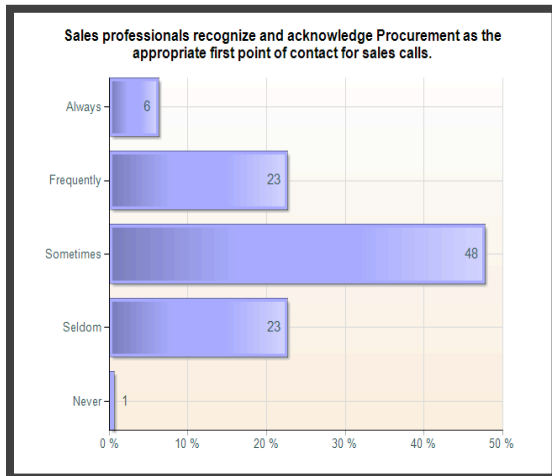
Suspicions held about “secret ways of doing things” were the cause for this survey. Questions 8 - 12 are intended to find out more about attitudes and the influence of these attitudes on Sales / Procurement conduct.

Again, taking from the classic definition of “methods” the questions were constructed as a means for looking at:

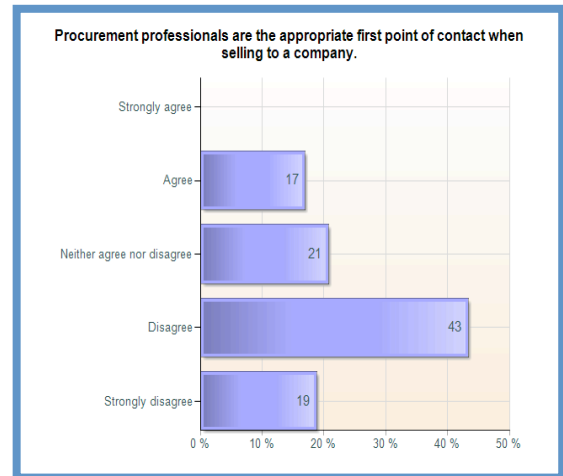
- *systematic procedures, techniques, or modes of inquiry employed to attain an objective*
- *ways, techniques, or processes of, or for, doing something*
- *habitual practices*

Are protocols observed or disregarded for the purposes of making or breaking a sale, or is the behavior just the way things are expected to be done?

Question 8 - Methods



Question 8 – Procurement Answer



Question 9 – Sales Answer

Procurement – not sure if it is the first point of contact

The “disconnect” continues when it comes to perceptions about the appropriate point of contact when selling into a company. Procurement professionals are mostly neutral (46%) in their take that Sales professionals make Procurement the first point of contact for a sales call. 29% (Frequently and Always) believe that Sales first calls on Procurement with the remainder – 24% believing that it Seldom or Never happens.

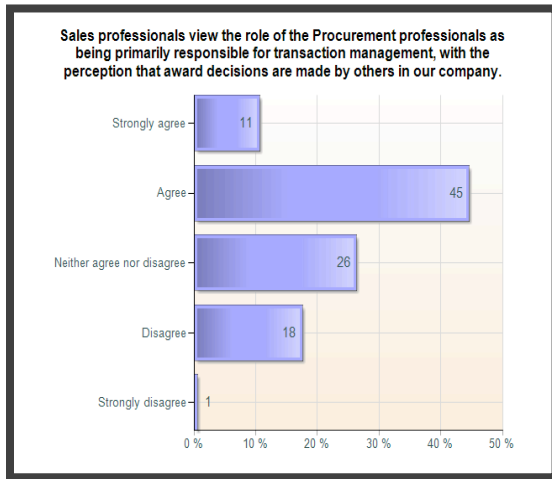
Sales – Procurement isn’t first point of contact

In sharp contrast 62% (Disagree and Strongly Disagree) of Sales professionals do not accept Procurement as the “first point of contact”. Another 21% are Neutral and only 17% Agree.

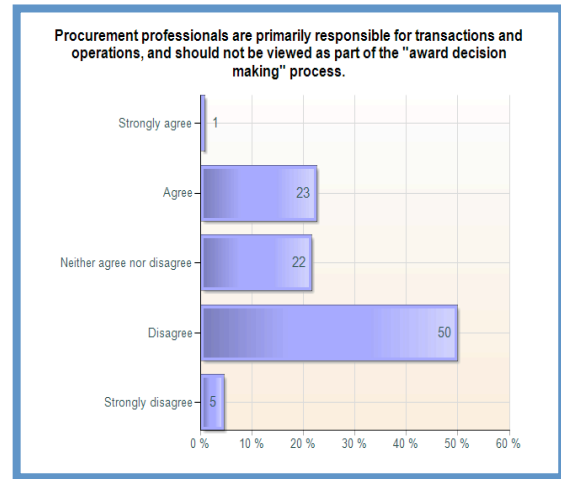
Better places to start the selling process

These numbers are evidence that while Procurement believes that Sales respects Procurement as the “first point” the Sales numbers prove otherwise pointing toward a belief that there are better places to start the selling process with a potential customer.

Question 9 - Methods



Question 9 – Procurement Answer



Question 9 – Sales Answer

Procurement is "transactional"

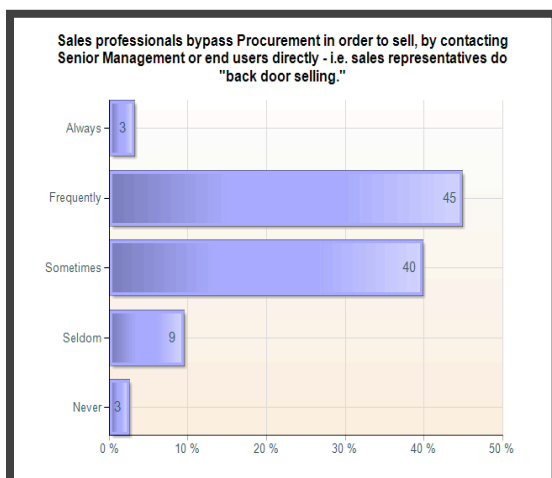
For this question Procurement professionals take a strong position that they are viewed by Sales, for the most part, as "transactional" rather than tasked with making awards decisions. This could be interpreted as - "to get the order" you need to go to Procurement.

56% of the Procurement responses weigh in with the position that Sales views Procurement as "transactional. 26% are impartial and the remaining 19% disagree contending that Sales professionals give credit to Procurement as having decision making responsibility.

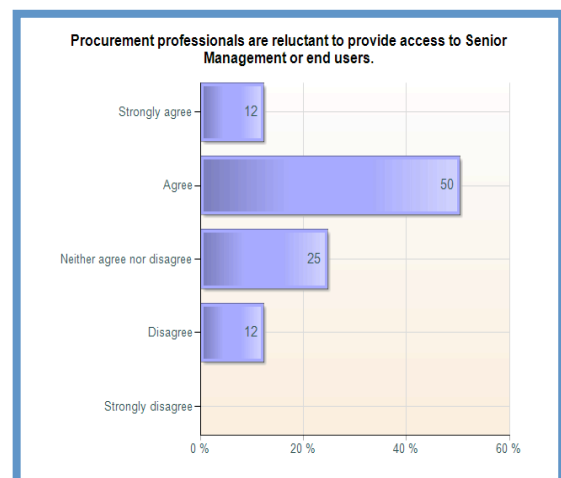
Sales – Procurement is part of the decision process

Sales replies substantially defend Procurement with 55% disagreeing that Procurement should not be viewed as part of the "award making" process. 22% have no opinion one way or the other and 24% suggest that Procurement's only responsibility is operational.

Question 10 - Methods



Question 10 – Procurement Answer



Question 10 – Sales Answer

All about access

Sales – no access to (customer) Senior Management

Sales professionals sell through the “back door”

If Sales can bypass Procurement it will

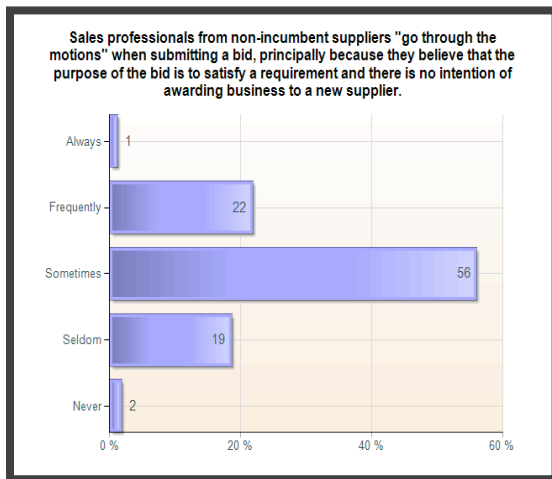
Question 10 is all about access – taking it or providing it.

Sales professionals contend in 62% of their responses that Procurement is unwilling to provide access to their Senior Management. 25% are Neutral and 12% offer that access is supported by Procurement.

The Procurement position affirms that Sales engages in “back door selling” with 48% (Frequently and Always) observing that Sales contacts are made directly to Senior Management or end users. Adding the 40 % of Sometimes answers one can conclude that “back door selling” is seen by Procurement professionals as the way business is done. Only 9% see it as happening Seldom and 3% as Never.

There is an intended direct connection between this question and Question 8 (First Point of Contact). The correlation affirms that if Sales can bypass Procurement – it will. Along with the intended correlation these questions were also intended to be simple. One could deduce that Sales either does not respect Procurement or sees Procurement as an obstacle to go around.

Question 11 - Methods



Question 11 – Procurement Answer



Question 11 – Sales Answer

Responding To RFPs

Sales professionals are faced with a difficult decision when it comes to responding, or not responding, to a Request for Proposal. Resources (defined as time and effort) for completing and submitting a response have an intrinsic worth and must be expended carefully.

Surprising apathy

There is an eye-opening degree of neutrality in the reaction of both Procurement and Sales. Procurement professionals took a Sometimes position in 56% of their responses and Sales took a comparable 58%.

“Mechanical rabbit” technique

However, Sales displayed their cynicism with 35% (Frequently and Always) believing that Procurement takes a “mechanical rabbit” approach. Only 7% see this as a Seldom occurrence.

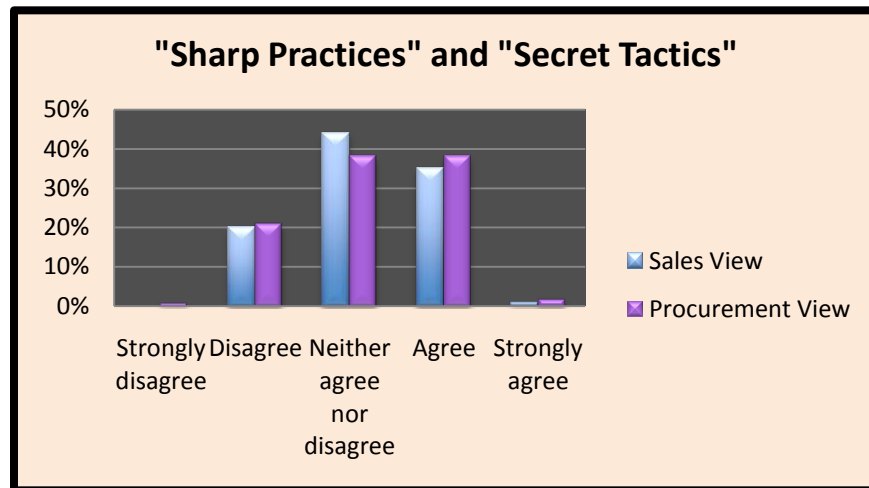
Going through the motions or not?

Procurement was not nearly as disapproving with only 23% of their responses (Frequently and Always) facing up to the prospect that Sales only goes through the motions due to lack of confidence in the bid process. In fact, Procurement was positive to the extent of 21% (Seldom and Never) giving credit to Sales for taking the bid process seriously.

Question 12 - Methods

12. Procurement Perceptions about Sales: Sales professionals think that Procurement uses "sharp practices" or "secret tactics" to "beat up" and undermine Sales.

12. Sales Perceptions about Procurement: Procurement professionals use "sharp practices" or "secret tactics" to "beat up" and undermine Sales professionals.



Question 12 – Sales / Procurement Combined View

Procurement tactics leave Sales uncertain

Tactics and practices are front and center with this question as Sales professionals struggle uncertainly with mannerisms and bearing of Procurement professionals.

More hesitancy to say

Once again a notable percentage of respondents from both Procurement and Sales took a neutral position on this question – Sales at 44% and Procurement at 38%.

"Secret practices"

As for the Sales responses 36% (Agree and Strongly Agree) that Procurement behaves in ways that undermine Sales' efforts. 20% (Disagree and Strongly Disagree) have confidence their Procurement counterparts do not employ "secret practices".

Procurement "beats up" Sales

The Procurement numbers are analogous and recognize the concerns of Sales professionals. 40% (Agree and Strongly Agree) that Sales is convinced that they (Procurement) draw on "secrets" to "beat up" Sales professionals. 22% (Disagree and Strongly Disagree) take the position that Sales professionals have confidence that they (Sales) are dealt with properly.

Section 4 - Resourcefulness

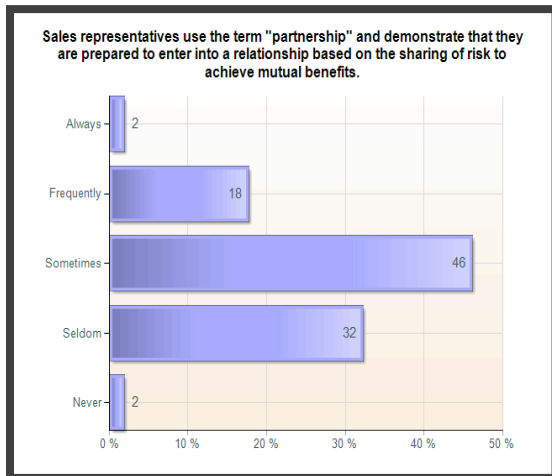
The roles of professionals in Procurement and Sales continue to evolve driven by increased demands and expectations and yet many of these professionals are “conducting business as usual”. Are professionals just talking a good game or truly do things differently? Resourcefulness in this section can be looked at as:

- *the capability for devising the ways and means to accomplish something*
- *demonstrating creativity*

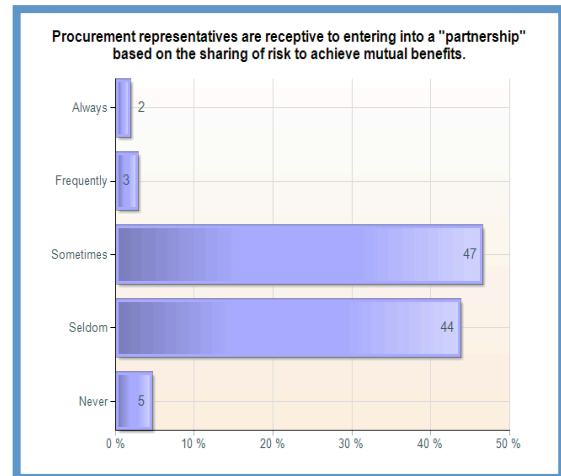
Are there different ways of meeting the demands and expectations or are opportunities being overlooked in favor of counterproductive behaviors?

Questions 13 to 16 are aimed at evaluating *Resourcefulness*.

Question 13 - Resourcefulness



Question 13 – Procurement Answer



Question 13 – Sales Answer

“Partnership” just a word?

“Partnership” is generally acknowledged by customers to be a word that is used loosely by suppliers. Is the term “partner” being used appropriately as “sharing of risk” or just an overworked catchphrase?

More neutrality

Consistent with previous rejoinders, both Procurement and Sales professionals exhibit essentially the same measure of neutrality (meaning Sometimes) – Procurement perceptions are at 48% and Sales perceptions are at 47%.

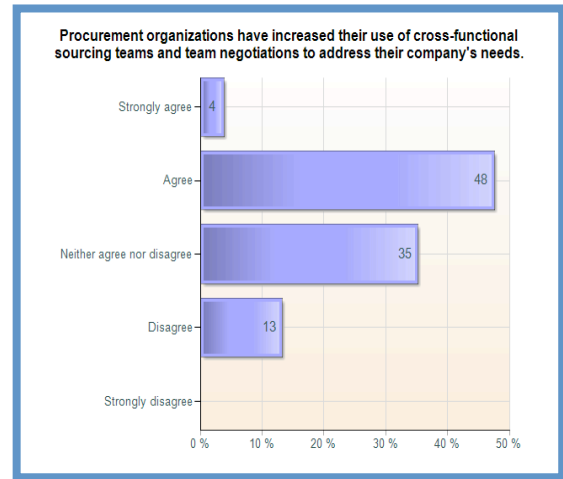
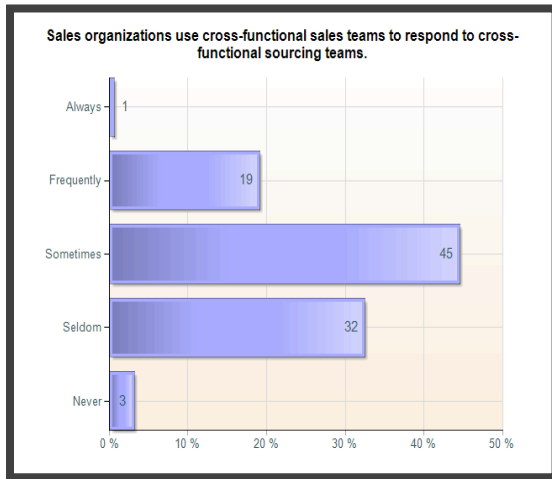
Some buy-in, some don’t

20% (Frequently and Always) of Procurement buy into willingness of Sales to share the risk for the purpose of achieving mutual benefit. But, 34% (Seldom and Never) don’t believe it.

Sales – Procurement isn’t willing

As for receptivity for entering into a “partnership” Sales professionals don’t see it with only 5% (Frequently and Always) convinced that Procurement is willing and a sizable 49% (Seldom and Never) just not seeing it at all.

Question 14 - Resourcefulness



Question 14 – Procurement Answer

Question 14 – Sales Answer

Cross functional sourcing

When it comes to applying a cross functional approach to sourcing there is a shift away from non-committal Sales responses to a marked recognition that Procurement is moving in this direction. Procurement isn't sure, or just doesn't see Sales as embracing Newton's Law - *for every action, there is an equal and opposite reaction* – taking the same cross functional approach to make the sale.

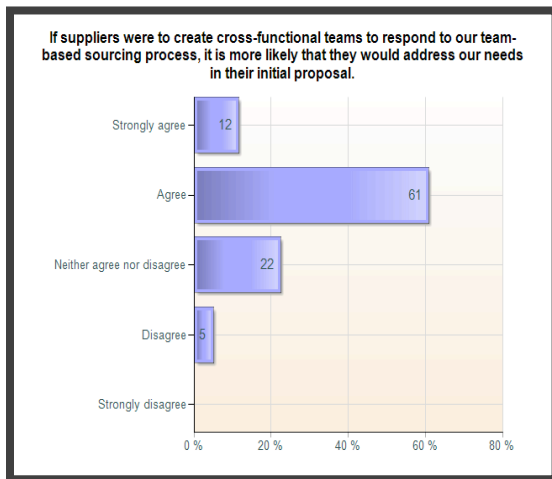
Sales sees increased use of cross-functional teams

More than half of the Sales professionals – 52% (Agree and Strongly Agree) believe that Procurement has increased its use of cross functional teams and team negotiations. 35% are Neutral (Neither Agree or Disagree) and 13% (Disagree) indicate that use of this approach is either non-existent or isn't changing.

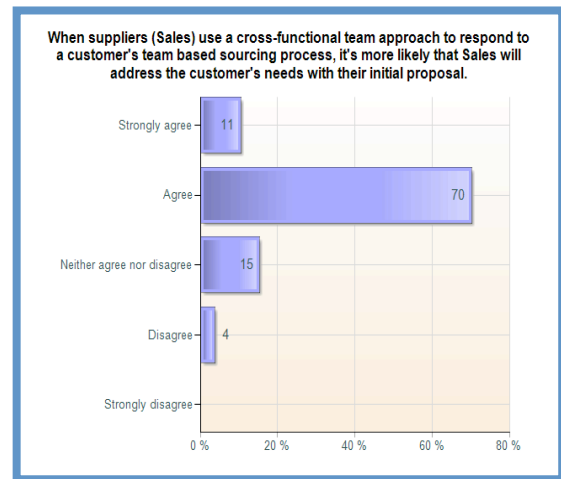
Sales is also cross functional - sometimes

A notable 20% (Always and Frequently) of Procurement professionals point out Sales initiatives are cross functional. 45% (Sometimes) see it happening at times and 35% (Seldom and Never) don't perceive it happening.

Question 15 - Resourcefulness



Question 15 – Procurement Answer



Question 15 – Sales Answer

Affirmation for the effectiveness of cross functional

The affirmation for the effectiveness of “cross functional” from both contingents is one of the more remarkable messages to come through in the survey. It is one of the few times that both groups took a Strongly Agree, double digit position in answering the question with Procurement at 12% and Sales at 11% observing that cross functional selling teams are likely to produce desired results.

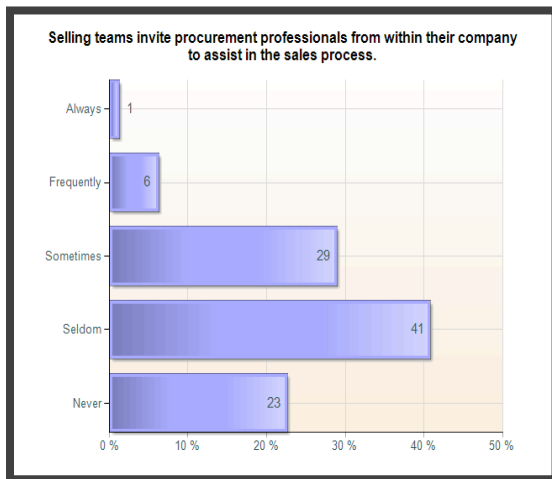
Sales delivers when cross functional

81% (Agree and Strongly Agree) of Sales professionals declare that when they apply cross functional techniques within their own ranks they are apt to deliver what the customer wants on the first try. 15% are Neutral and only 4% Disagree that the technique is productive.

Procurement encourages Sales to be cross functional

Procurement comes across as encouraging Sales to use cross functional methods. 73% (Agree and Strongly Agree) are in favor. They suggest that when Sales professional counteract with cross functional teams then Sales is likely to lead off with an offer that meets Procurement’s expectations. 22% of Procurement is Neutral on the point and 5% Disagree that cross functional teams get it right the first time.

Question 16 - Resourcefulness



Question 16 – Procurement Answer



Question 16 – Sales Answer

Not typical to draw from resident expertise?

While companies have both Sales and Procurement organizations under the same roof it's not typical for either group to contact the other to draw from their resident expertise. The responses confirm that within a company it's unlikely that one group will turn to the other as a resource. Given the relatively tactical nature of most Sales and Procurement departments, perhaps nothing is being lost by this attitude.

Sales – some yes, some no and some maybe

Sales responses are divided proportionally across “we do”, “we don't”, and Sometimes. These professionals intimate that they are agreeable to turning to their own Procurement group for advice and assistance. 34% (Frequently and Always) come out as making this a practice. 30% (Seldom and Never) don't take advantage of the availability of in-house skills and 36% (Sometimes) are more casual in considering the possibility.

Procurement isn't called by their colleagues

Even as Selling teams purport to sometimes access their Procurement counterparts the responses of Procurement professionals make it clear that it doesn't happen much. 64% overall are Negative with a disquieting 23% pronouncing that it “Never” happens and 41% showing it “Seldom” happens. 29% say “Sometimes” and 9% (Frequently and Always) are invited to assist Sales.

Missed opportunities

Noteworthy – this question points out the strong possibility of a major disconnect in the perceptions of Sales and Procurement groups within the same company.

Section 5 - Performance

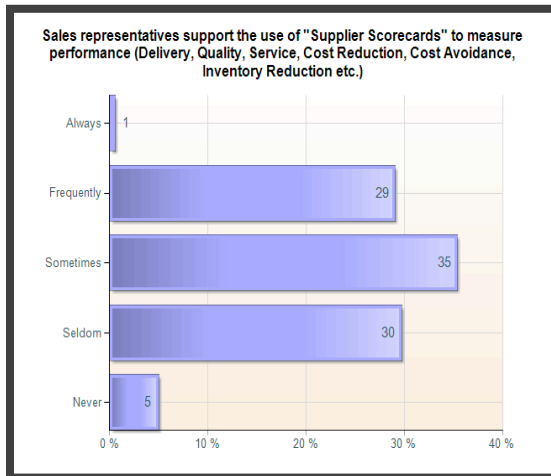
The soundness of the buyer-supplier relationship is also determined by what happens after the sale is made, or the buy is completed.

Performance needs to be measured. For the purposes of Questions 17 through 20 “performance” is defined as:

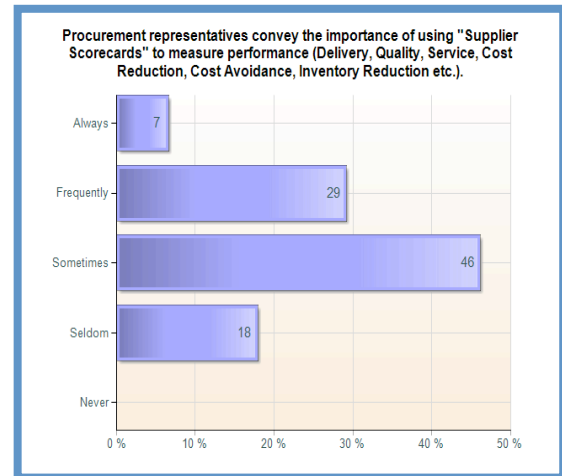
- fulfillment of a claim, commitment, or obligation
- the execution of an action; something accomplished
- the measurement of execution and achievement
- meeting or exceeding expectations

Both Sales and Procurement need to demonstrate awareness of the importance for measurement and adherence to the practice.

Question 17 - Performance



Question 17 – Procurement Answer



Question 16 – Sales Answer

Imparting the importance of measurement

Procurement communicates the importance – sometimes

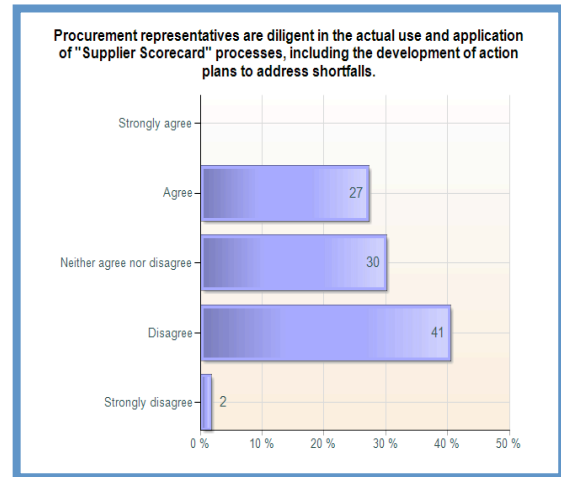
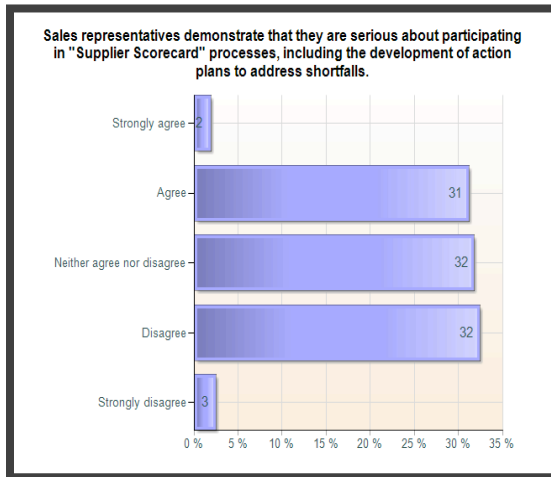
Sales support for scorecards is across the board

Procurement has the responsibility to impart the seriousness of measuring supplier performance and Sales has the obligation to cooperate with the mutually beneficial evaluation of accomplishments, or lack thereof.

46% of Sales professionals hold back in declaring that Procurement communicates the importance of scorecards saying it happens only Sometimes. 36% are positive (Frequently and Always) which is twice as many who say it Seldom happens at 18%.

Procurement is much more willing to give credit to Sales for backing the use of scorecards. 30% (Always and Frequently) accept that Sales is supportive. 35% (Sometimes) point to inconsistency and a matching 35% (Seldom and Never) report that Sales doesn't subscribe to the usefulness of scorecards.

Question 18 - Performance



Question 18 – Procurement Answer

Question 18 – Sales Answer

Demonstrating support for measurement

Implementation by Procurement and cooperation from Sales are the thrust behind Question 18. How conscientious are Procurement professionals in using and developing scorecards? Also, how serious are Sales professionals about their involvement with adopting corrective actions?

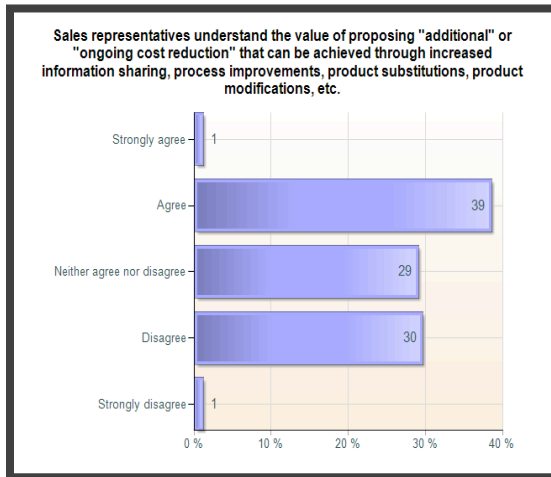
Sales' gravitas for scorecards in question

Procurement is even keeled in their distribution of opinions about Sales' gravitas for scorecards. 32% are Neutral (Neither agree nor disagree). 35% (Disagree or Strongly disagree) that Sales is earnest about taking part. 33% approve (Agree and Strongly agree) of Sales' compliance.

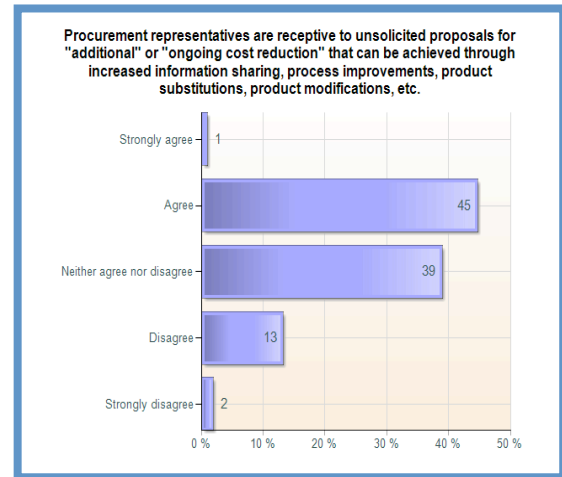
Procurement isn't serious enough

Sales professionals aren't won over by Procurement's propensity, or lack of it, for following the norms of using scorecards. They Disagree by 43% (Disagree and Strongly Disagree). 30% are neutral and 27% agree that Procurement professionals are diligent in their discharge of these duties.

Question 19 - Performance



Question 19 – Procurement Answer



Question 19 – Sales Answer

Cost isn't price

Procurement is interested in offers

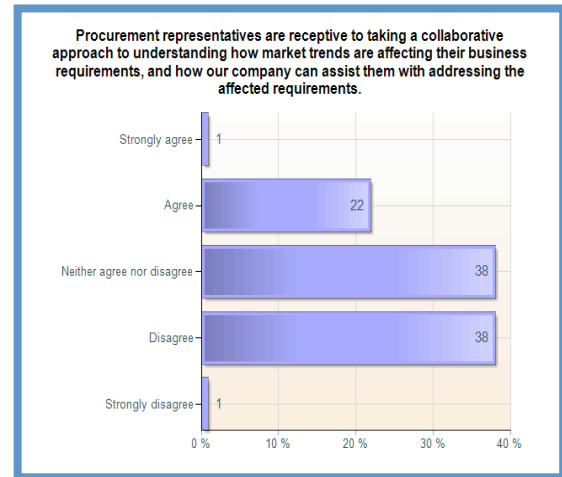
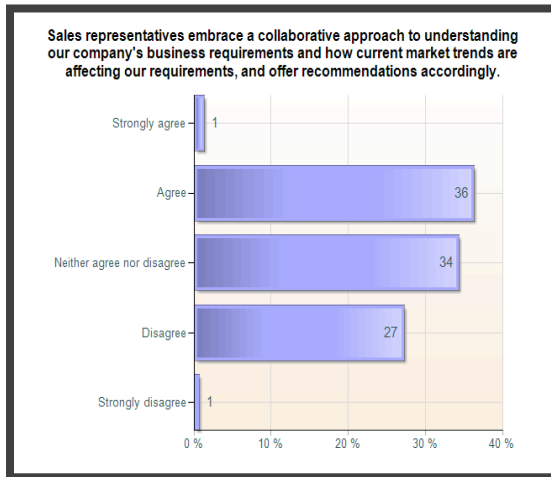
Sales – there's worth in making offers

The word "cost" is pivotal to Question 19. The question asks about interest in cost reductions that are the result of sharing information and the receptivity to change – not just cutting the price – contingent on information sharing.

A substantial 46% (Agree and Strongly Agree) of Sales professionals credit Procurement as being open to unsolicited bids that can impact cost, contingent upon information sharing. 39% came in as neutral (Neither Agree nor Disagree) and 15% (Disagree and Strongly disagree) don't find Procurement to be interested in such offers, or possibly in sharing information needed for such offers.

Procurement professionals acknowledge that Sales comprehends the worth connected with offers that add to, or continue, cost reductions. 40% (Agree and Strongly Agree) are approving. 31% (Disagree and Strongly Disagree) don't share this opinion. 29% are impartial.

Question 20 - Performance



Question 20 – Procurement Answer

Question 20 – Sales Answer

Sharing and adjusting to the market

This question ties directly back to Question 2 in the Knowledge section that asked about willingness to share information. Question 20 goes beyond sharing and attempts to establish the interest of each side for presenting or accepting offers prepared to deal with market conditions.

No interest from Procurement?

39% (Disagree and Strongly Disagree) of the Sales responses maintain there is no interest from Procurement for these kinds of recommendations. 23% give credit to Procurement for wanting to know more and 38% just can't say.

Procurement tells otherwise

Consistent with earlier responses the majority of Procurement upholds the willingness of Sales to collaborate and deliver proposals accordingly. 37% (Agree and Strongly Agree) take the position that there is cooperation and interest. 28% don't believe so. Slightly more than one third – 34% don't have an opinion one way or the other.

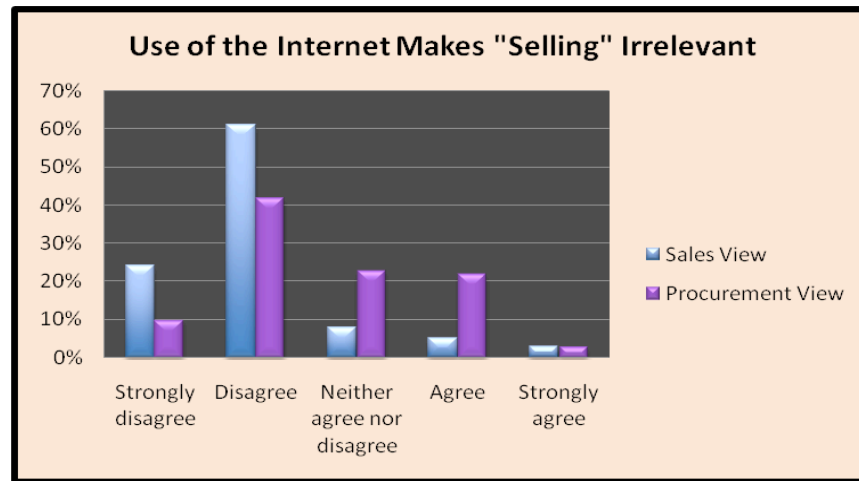
Section 6 – Self Assessment / Our Company

This section of the survey was crafted to assess the significance and complexity of strategic areas, if any, that involve Procurement groups within their own Company. These areas include: working capital; revenue enhancement; product development; and, expenditures of capital. Essentially, no area should be considered sacred. Questions 21 to 25 are, for the most part, directed to Procurement professionals; specifically, is Procurement viewed as strategic and involved early in initiatives. On the other hand, Sales is asked to identify if it's invited to support Procurement in these initiatives.

Question 26 asks each profession to clarify how it is measured – strategically or by achieving targeted numbers.

Question 21 – Self Assessment/ Our Company

21. Due to use of the Internet, long-term contracts, etc., traditional "selling" is becoming irrelevant.



Question 21 – Sales / Procurement Combined View

The Internet and "traditional" selling

Significant disagreement

Some say "yes"

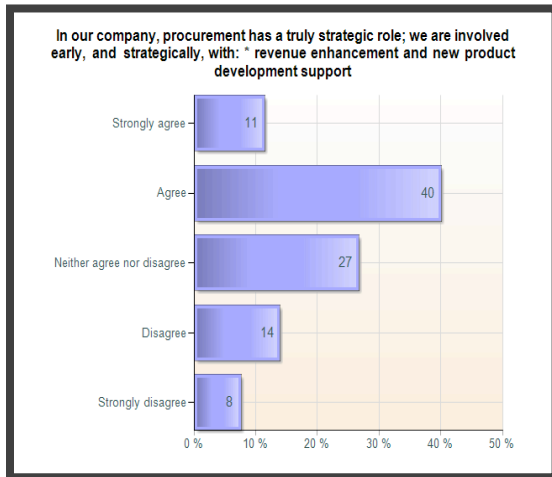
For the purpose of level setting – Section 6 starts with a basic question of whether or not the use of the Internet affects the underpinning of traditional "selling." Before going into questions calling for a self assessment of how involved Procurement professionals are in strategic initiatives, it seemed appropriate to call a full stop and ask about the relevance of traditional selling.

There was substantial disagreement to this suggestion. More than half of Procurement professionals at 52% (Disagree and Strongly Disagree) declared that the Internet overshadows traditional selling. A compelling 85% (Disagree and Strongly Disagree) of Sales responses pushed back on being displaced by the Internet.

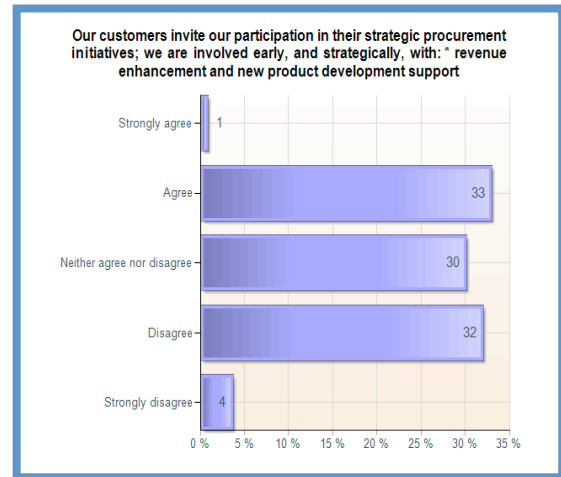
23% of Procurement provided a neutral reply and only 8% of Sales abstained from taking a position.

It's noteworthy that 25% (Agree and Strongly Agree) of Procurement professionals answered that traditional selling is becoming extraneous whereas only 8% (Agree and Strongly Agree) of Sales consent to this thinking.

Question 22 – Self Assessment/ Our Company



Question 22 – Procurement Answer



Question 22 – Sales Answer

Top line contributions

Question 22 asks Procurement about its role in contributing to the top line of the company in the forms of revenue enhancement and new product development. This question is also specific about when Procurement becomes engaged with the emphasis on “early”

Procurement – “we are involved”

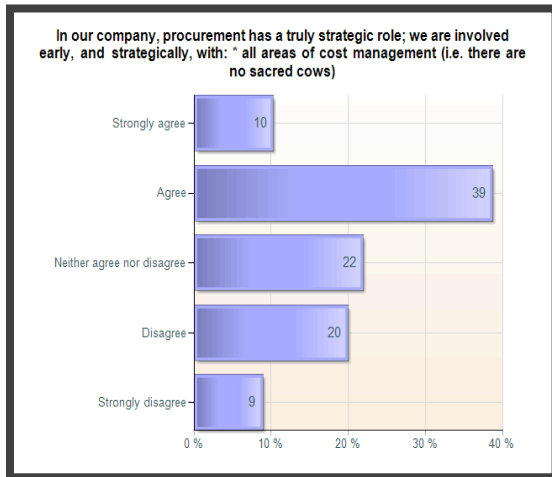
51% (Agree and Strongly Agree) of Procurement professionals responded that they are involved. 22% (Disagree and Strongly Disagree) communicated they don’t play a role and 27% didn’t make any statement about involvement.

Strategic Procurement expects strategic support

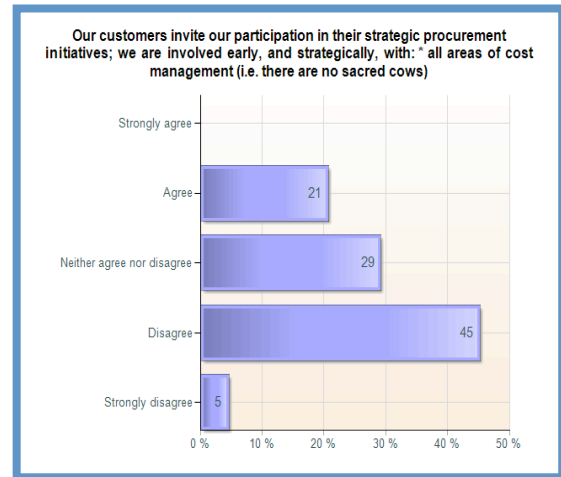
As for Sales being asked to help Procurement in pursuing strategic revenue initiatives it’s a relatively balanced distribution of opinion. Sales professionals agree (Agree and Strongly Agree) by 34%; for 36% (Disagree and Strongly Disagree) the phone doesn’t ring. 30% are unmoved by the question.

This may be verification that if Procurement is considered to be strategic, then Procurement expects strategic support from their assigned sales professionals.

Question 23 – Self Assessment/ Our Company



Question 23 – Procurement Answer



Question 23 – Sales Answer

For spend areas considered "off limits"

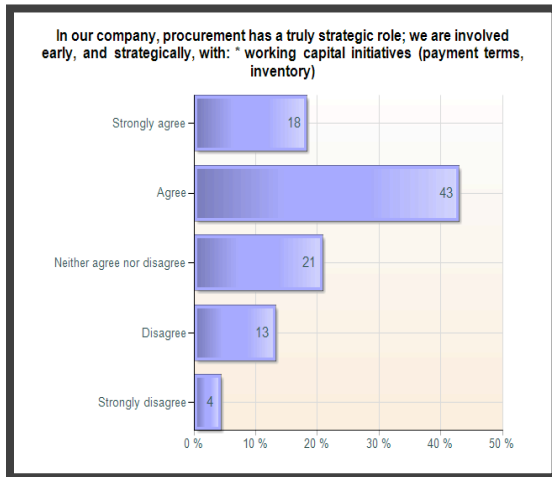
When asked if Procurement is involved early and strategically in "all areas of cost management", without exclusion, there isn't quite as much certainty.

49% (Agree and Strongly Agree) of Procurement professionals take a position that they are engaged upfront in all areas of spend. 22% are indifferent. Nearly one third at 29% (Disagree and Strongly Disagree) has some constraints on their involvement in cost management (i.e. there are "off limits" areas where Procurement is not involved).

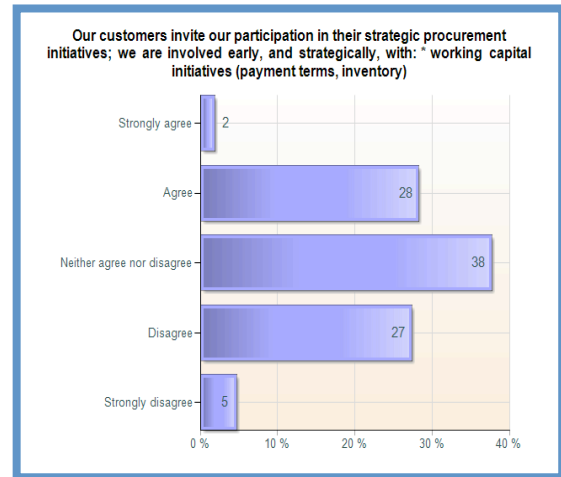
Sales isn't called upon

There is a corresponding reduction of confidence in the Sales replies. 50% of the Sales professionals disagree (Disagree and Strongly Disagree) that Procurement seeks a helping hand from Sales. 29% aren't sure and 21% (Agree) believe they are called upon to play a part.

Question 24 – Self Assessment/ Our Company



Question 24 – Procurement Answer



Question 24 – Sales Answer

Procurement called to contribute

Technology may play a role

Sales evenly divided (again)

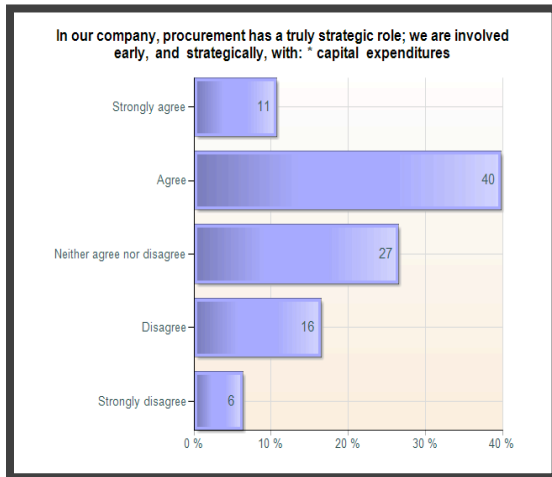
As for working capital initiatives – defined as payment terms and inventory – Procurement is convincingly positive about its acceptance in these strategic areas.

61% (Agree and Strongly Agree) of Procurement professionals are likely to be called upon to contribute in this kind of activity. This is logical considering that payment terms, as well as inventory management are supported by information technology. The technology enables access to billing/spend detail and supplier inventory data which are typically addressed early in the sell/buy process.

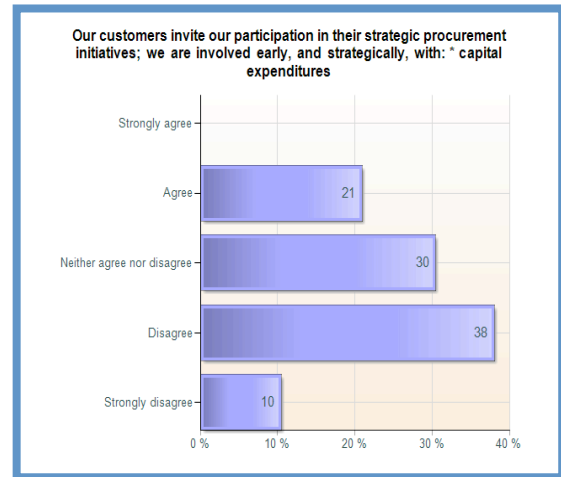
21% stated they aren't sure and 17% (Disagree and Strongly Disagree) are on the outside of these working capital initiatives.

38% of the Sales responses were mixed on this question. 32% (Disagree and Strongly Disagree) of the Sales professionals let it be known they aren't invited. The remaining 30% (Agree and Strongly Agree) assure they are brought in to assist. Again this makes sense considering the increased use of technology for spend and inventory management.

Question 25 – Self Assessment/ Our Company



Question 25 – Procurement Answer



Question 25 – Sales Answer

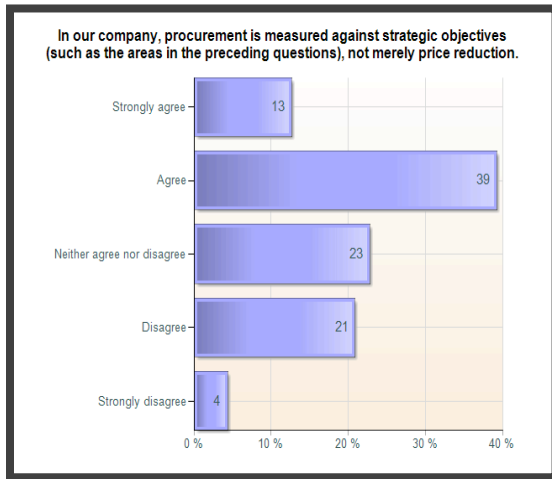
Procurement participates in capital spending

Procurement professionals, based on 51% (Agree and Strongly Agree) of the responses, again take a firm position that they participate strategically with capital spending. 22% (Disagree and Strongly Disagree) tell that they are not involved, and approximately one third didn't take a position on the question.

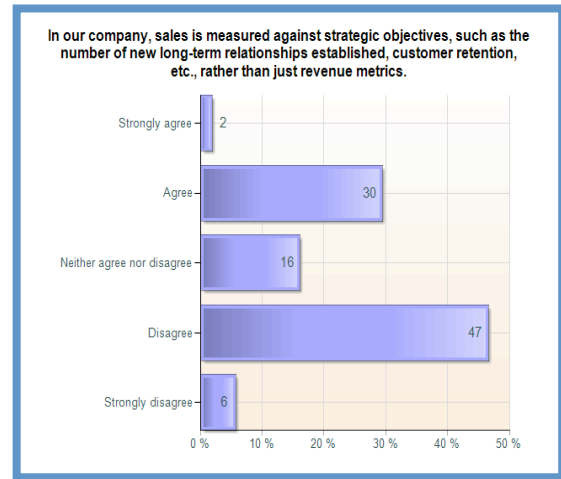
Sales doesn't

As for Sales professionals - almost half (Disagree and Strongly Disagree) consider themselves left out of the loop on capital spending projects. 30% weren't specific and 21% agree that their customers request their involvement.

Question 26 – Self Assessment/ Our Company



Question 26 – Procurement Answer



Question 26 – Sales Answer

Sales measured only on revenue

The Sales responses disclose that more than half of the respondents contend that they are judged only on revenue. 32% (Agree and Strongly Agree) make it known that they are working toward strategic objectives. Only 16% had no strong opinion.

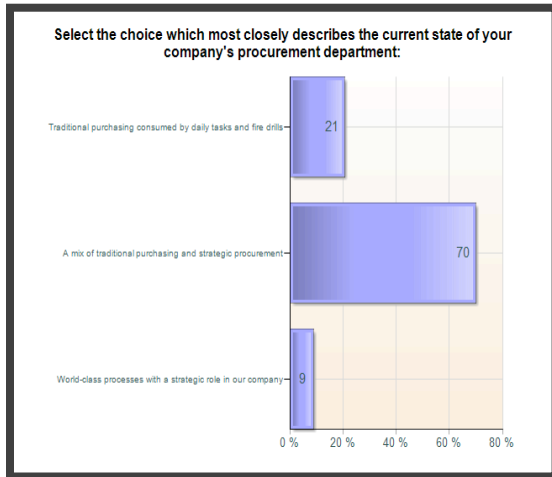
Procurement measured on strategic objectives

The opposite applies to Procurement. 52% (Agree and Strongly Agree) of the Procurement professionals are confident that they are expected to meet strategic objectives. 23% (Neither Agree nor Disagree) aren't sure and, 25% (Disagree and Strongly Disagree) don't feel that they are measured against strategic objectives.

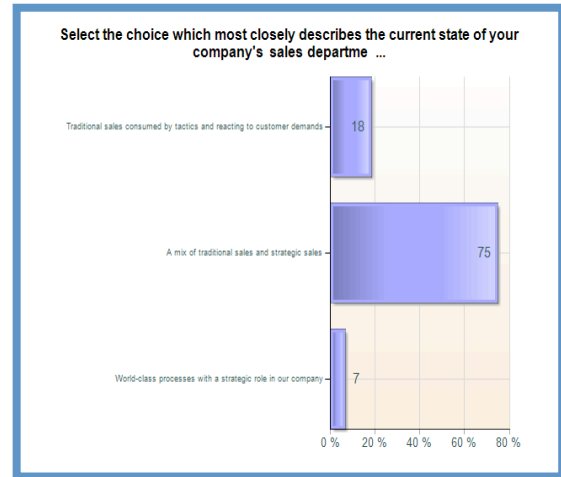
Section 7 – Survey General and Demographics

Tactical, a mix of strategic and traditional, or world class; annual revenues; location; role; what’s bought and what’s sold; and location were all questions asked in the close of the survey.

Question 27 – Our Company – Current State of Procurement / Sales



Question 27 – Procurement Answer



Question 27 – Sales Answer

The responses from both Procurement and Sales present almost a mirror image. Both groups see themselves as a mix of traditional and strategic with Sales coming in at 75% and Procurement at 70%. **Less than 10% of Procurement responses and less than 10% of Sales responses consider themselves to have a world class process with a strategic role.**

Question 28 -

(from Procurement Survey)

Describe or list the characteristics of the most effective selling/sales process that you - as a purchasing professional - have ever encountered.

Note: Nearly all Procurement respondents provided an answer to this question. The following are a selection (without edit):

- 1) Sales are completely informed about buying company's goals, objectives and daily concerns. 2) Extreme high level of communication on both bad and good events. 3) Continual communication with customers, users and buyers.
- 1) Sales individuals that truly listen to the "voice of the customer", and proactively create proposals that respond to our business objectives. 2) Companies that are willing to challenge the "status quo" within our organization - assist us in identifying sources of competitiveness. 3) Ability to conduct open, honest communication - trust & credibility is everything.
- A supplier that understands elements of our business better than we do, and based on them acts proactively to support us, is highly effective.

- Cross-functional team of knowledgeable associates who have a thorough understanding of what they're selling. Listens to the customer and answers questions directly. Responds to requests completely and in a timely fashion. Brings savings opportunities to the table before being asked to do so.
- Don't recall one.
- The sales professional has taken the time to research the company, and become familiar with the operations, corporate mission statement, current annual report, and was prepared to clearly demonstrate their value proposition.

(from Sales Survey)

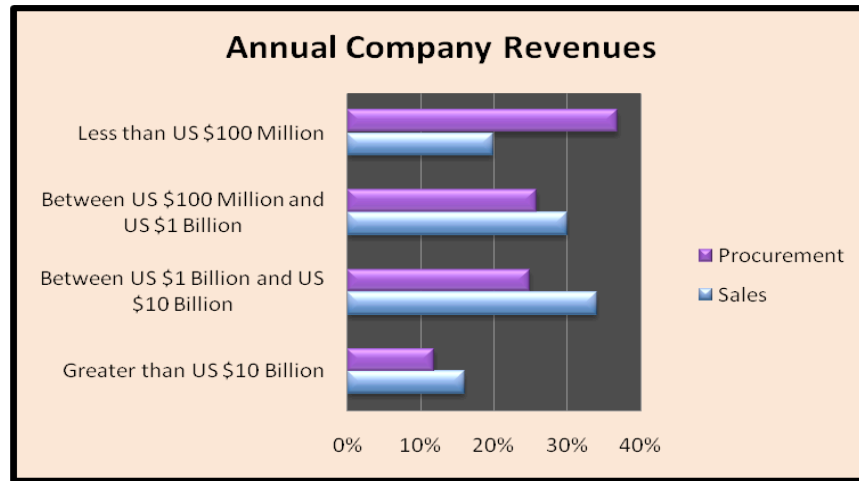
Describe or list the characteristics of the most effective sourcing / procurement process that you - as a sales professional - have ever encountered.

Note: Many Sales respondents provided an answer to this question. The following are a selection (without edit):

- Goals stated up-front "reduce the total cost of ownership by 20%"; Collaborative approach to understanding feature/benefit tradeoffs with price; Engineering/manufacturing involved as well as procurement
- Empowered and informed, understands the Total Cost of Acquisition and looks beyond the price. Uses collaborations to achieve strategic ambitions. Invests in relationships
- The most effective relationships we have with customer procurement personnel is in organizations that are not procurement driven. Procurement is an important function in the organization, but sales, marketing, operations, etc. is heavily involved in technology and supplier selection.
- Using a collaborative approach to include new ideas and/or processes; Willingness to entertain solutions outside of the specific parameters of an RFP; Applying cost-of-ownership principles vs. pure lowest initial cost
- Involvement was from the ground floor to the top floor with everyone's opinion carrying the same weight.
- The most effective sourcing process I was involved with did not involve the procurement group until the details and scope were defined and Rough Order of Magnitude quotes were delivered. We sell custom developed solutions that can't be ported into a standard procurement process.
- 1. They listened to our overall solution and realized the benefit in what was being presented. 2. Didn't treat our product as a commodity. 3. Shopped our total solution with like for like services 4. Made a decision on value and solution not just on price.

Question 29 – Our Company – Annual Company Revenues

Question 29
Sales / Procurement
Combined View

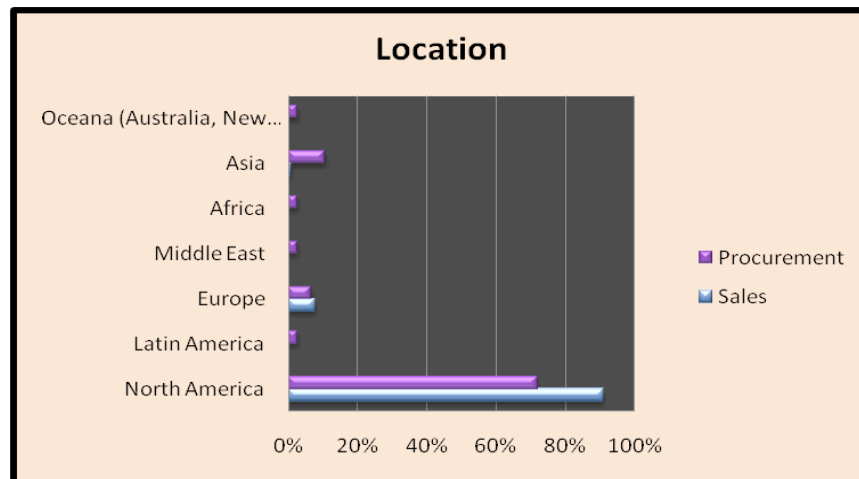


The Sales responses are evenly split with half representing companies that have a \$1 billion plus in annual revenues and the other 50% coming from companies under \$1 billion. The predominance of Sales responses at 34% came from companies that generate between US \$ 1 Billion and US \$ 10 Billion.

Procurement replies show just about a 60/40 split with the bigger number coming from companies \$1 billion and under. The largest representation of replies at 37% came from Procurement professionals who represent companies with less than \$100 million of annual revenues.

Question 30 – Our Company – Location

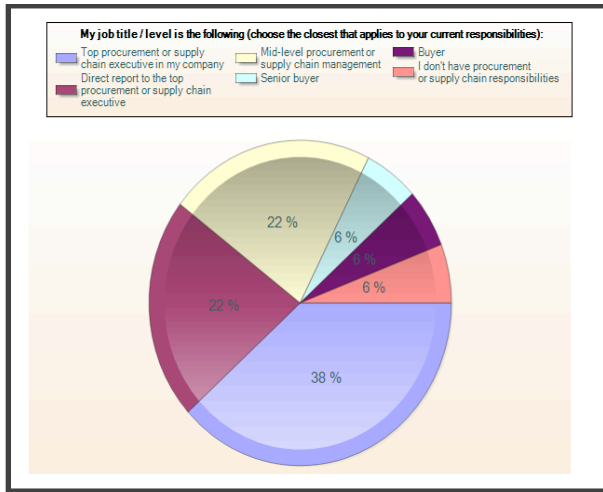
Question 30
Sales / Procurement
Combined View



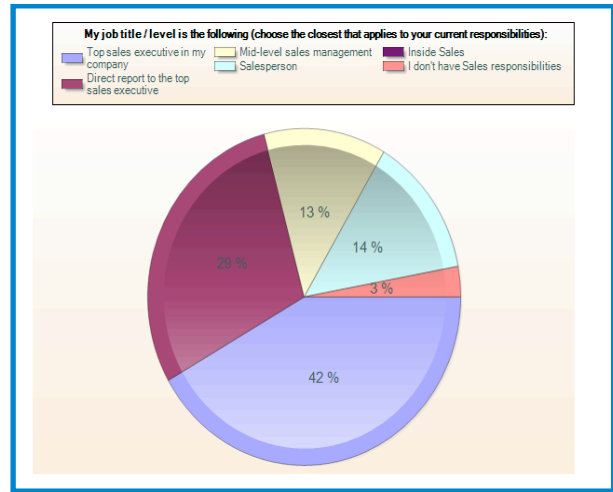
Procurement professionals weighed in on the questions from all over the world. 72% came from North America and 11% came from Asia. Europe came in next with 7% of the responses. The remainder came in evenly from Africa, the Middle East, Oceania and Latin America with 3% from each region.

91% of the Sales participation came from North America. 8% came from professionals based in Europe and the remaining 1% from Asia.

Question 31 – Our Company – Job Title/Level



Question 31 – Procurement Answer

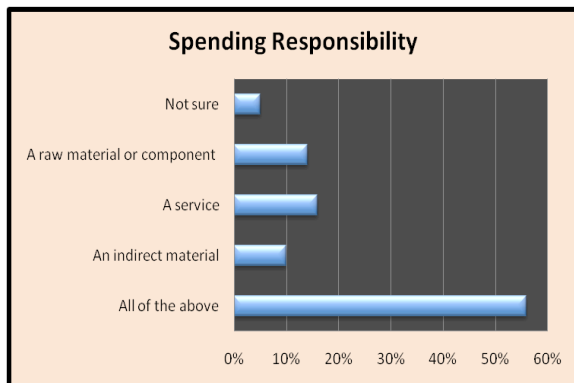


Question 31 – Sales Answer

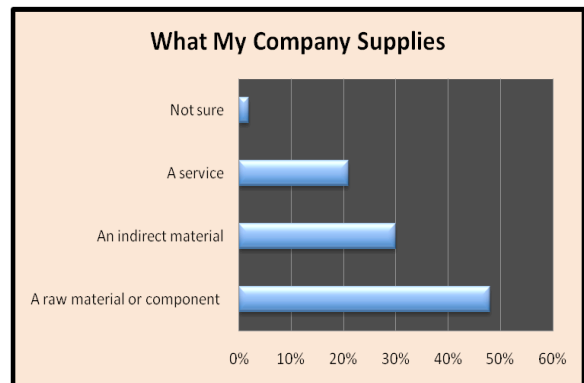
There was noteworthy involvement in the survey from top management in both Procurement and Sales. 60% of the Procurement input came from the top end (top two levels) of the procurement organization with 38% from the top Procurement or Supply Chain executive.

The same applies for Sales as 71% of the professionals taking part in the survey represent senior management (top two levels of Sales), with 42% from the top Sales executive in the company.

Question 32 – Our Company – Supply/Buy



Question 32 – Procurement Answer



Question 32 – Sales Answer

More than half of the Procurement responses came from professionals who are responsible for all areas of spend, consistent with the high level of the survey participants. Almost half of the Sales professionals indicate that their company is a supplier of raw materials or components.

Within-Survey Results

The primary purpose of the surveys was to compare the perspectives of Sales and Procurement professionals about each other. The survey data, however, also provided an opportunity for drawing conclusions “intra-survey” – i.e. within each group of respondents. Those conclusions follow:

I. Procurement Respondents

- a. Procurement respondents who characterized their company’s procurement department as “World-class processes with a strategic role” were more likely to indicate that they see “total value” proposals or TCO proposals from sales reps.
- b. On the other hand, respondents who characterized their company’s procurement department as “Traditional purchasing consumed by daily tasks and fire drills” were less likely to indicate that they see “total value” proposals or TCO proposals from sales reps.
- c. Procurement respondents were strongly of the impression that sales tries to by-pass procurement and “back door sell” – regardless of the state of the procurement organization.
- d. Procurement respondents who characterized their company’s procurement department as “World-class processes with a strategic role” were more likely to indicate that they see cross-functional sales teams from their suppliers.
- e. On the other hand, respondents who characterized their company’s procurement department as “Traditional purchasing consumed by daily tasks and fire drills” were less likely to indicate that they see cross-functional sales teams from their suppliers.
- f. Procurement respondents were rarely invited to assist their company’s own selling efforts – regardless of the state of the procurement organization.
- g. Procurement respondents who characterized their company’s procurement department as “World-class processes with a strategic role” were more likely to enjoy a “strategic role” in all areas that drive ROIC: revenues, costs, working capital, and capital expenditures.

II. Sales respondents

- a. Sales respondents were equally divided in their view of whether procurement representatives understand – or do not understand - the fundamentals of TCO or total value. Furthermore, about 80% of sales respondents said that procurement does NOT request proposals based on TCO or TV. These results were consistent regardless of how the sales department characterized itself (e.g. “World-class processes with a strategic role,” “Traditional sales,” etc.)
- b. About half of all Sales respondents indicated that procurement has increased its use of cross-functional teams. Furthermore, about 3/4 of sales respondents said that sales is more likely to be successful addressing customer needs in its initial proposal by using a cross-functional team approach.
- c. In companies that characterized their sales department as “World-class,” almost ¾ indicated that the sales department has the opportunity to request advice and assistance from their own procurement department.

About Greybeard Advisors LLC

Greybeard Advisors is a leading provider of advisory services in procurement transformation, strategic sourcing, and supply chain management. Formed in 2004 by Robert A. Rudzki, a Fortune 500 SVP and Chief Procurement Officer, Greybeard has grown to more than fifty senior advisors – each with at least 20 years leadership experience.

Greybeard's clients include some of the premier companies in major industries.

Visit us at www.GreybeardAdvisors.com to learn more Greybeard Advisors and our services.

About the Survey

For more information about this survey, or to discuss opportunities to benefit from the learnings of this survey by applying them to your business, please contact us at 412-874-8410 (USA).