

# Seamlessly Aligning Procurement and Business Strategies

*A successful procurement strategy is one that seamlessly integrates business strategy with procurement objectives. In order to truly maximize cost savings, procurement strategy must operate in sync with business strategy and evolve into the future.*

Imagine a sporting goods company releasing a new line of t-shirts and jerseys for a popular sports team immediately following their championship win. This release is met with fanatic consumers eager to show their team colors. Imagine a cosmetic company releasing timely advertisements featuring a trendy actress shortly after her first Oscar win, and consider the customers that view those advertisements longing for similar silky skin. Imagine a defense contractor outsourcing various aspects of manufacturing to numerous industry leaders across the globe saving the company millions of dollars in manufacturing. These are not isolated advertising and manufacturing scenarios. These successful ventures represent countless hours and devoted professionals across multiple specialties that dedicated their efforts to executing and procuring these projects.

As the economy began to decline at the beginning of the millennium, companies around the world began to view procurement as more than simply purchasing. Business savvy executives and innovative leaders realized that developing an effective procurement strategy could substantially cut costs and improve profit margins. As procurement strategy evolved, industry leaders in procurement realized that having a strategy for purchasing was not enough. Aligning procurement strategy with business strategy was the key to a successful and prosperous future.

When aligning these two strategies, it is important that the aligned strategies also maintain allegiance to their original purpose. The two strategies should progress efficiently and in sync with one another, but each strategy should also be completely reflective of its individual goals. For procurement professionals, the strategy should be implemented with the goal of providing efficient and cost effective solutions that meet the business needs. Those executing business strategies may have substantially different goals across a wide spectrum of business advancement objectives, and should continue to operate with the upmost dedication to that goal. However, by aligning various aspects of operations, procurement professionals can ensure that the strategies are in step with the present and future needs, goals, and objectives of the company.

## Aligning for Efficiency

Alignment of procurement and business strategies can be a strategic effort that acts to streamline and improve the overall efficiency of business operations. These efficiencies may manifest in numerous forms, such as hiring supply vendors that align more appropriately with the overall business strategy to working with contractors that can help reduce the total costs of operating throughout current and future contracts.

Additionally, aligning strategies improves overall internal efficiencies when the supply and inventory chain is integrally linked to business operations. For example, one of the best practices in the procurement industry involves maximizing inventory and reducing fees associated with excessive inventory. With proper strategic alignment, procurement

professionals can utilize business strategy in order to appropriately forecast inventory needs and ensure supplies are not out of sync with the company's needs.

By emphasizing alignment and efficiency, procurement professionals may also build stronger relationships with contractors and suppliers that benefit current and future company operations. These relationships could lead to future agreements and arrangements that spur innovation and propel the company into future projects. Separately, procurement strategies can help to maximize existing business structures by reshaping in-house tasks and reducing the need to outsource work. Conversely, the strategy could effectively maximize outsourcing and minimize in-house activity based on future business goals and objectives.

### **Aligning Business Needs for the Present and Future**

A specific aspect of alignment that is critical to cost-saving and overall efficiency is aligning procurement and business strategies with regards to the company's needs. Marketing, manufacturing, and socially conscious initiatives are various aspects of business plans with unique needs that may be assisted with proper procurement alignment. In the previous scenarios of sporting goods manufacturers and the cosmetic company, the procurement strategy seamlessly aligned with marketing goals and deadlines to produce a timely and efficient execution of marketing strategy. For the sporting goods company and the defense contractor, the procurement process also involved heavy alignment with manufacturing strategy to produce an end product that effectively met the company's and consumers' needs. The results of this alignment were seen in the rush of sales or the substantial manufacturing costs savings.

Another substantial aspect of effective alignment involves future focused alignment. While procurement and business strategies need to be aligned to effectively handle daily activities, the alignment should also be future focused and reflective of the planned or actual trajectory of the business. Technology procurement is an incredible example of necessary alignment for future cost savings. By understanding the overall goals of the company and the direction of leadership, procurement can research and select technology equipment and services that will grow with the company and meet the company's future needs. Selecting technology vendors based on bid price is incredibly shortsighted in the technology industry. With rapid advancements and shifting consumer needs, procurement professionals can cut costs by working with suppliers that are moving in sync with the business strategy and understand the company's goals.

Regardless of a company's size and industry, having a properly aligned procurement strategy is critical to maximizing cost savings and steering the company into the future. As companies begin to incorporate procurement strategy as a part of overall business strategy and align the two, businesses will see greater efficiencies as the procurement objectives act to meet the current and future needs of the business. Procurement should not be regarded as merely a purchasing decision; rather, business leaders should view procurement as a vehicle for innovation and tool for company growth and development.