



ALASKAN PURCHASER

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February 2015 **Five Strategic Initiatives to Increase the Value-Added of Purchasing**

By: Dr. Peter E. O'Reilly, C.P.M., A.P.P.

Abstract

Much is happening to our wonderful world of purchasing. Every day we are constantly bombarded with the likes of outsourcing, electronic procurement, staffing reductions, and value-added projects. Purchasing professionals are facing an ongoing dilemma, how to integrate these strategic elements into the daily operational demands placed on buying organizations by their customers, management and themselves. Time and resources must be allocated to study how purchasing organizations are going to look and operate tomorrow. Difficult as it might be, all purchasing managers must become focal points in directing their own destiny or face a bleak set of options.

Objectives

Our intent is to review five strategic initiatives that can and should contribute to purchasing departments increasing their value added resources. We will focus on a review of each of the five strategic initiatives. In addition, provide some practical means of assisting purchasing units to implement these initiatives into their own operations will also be offered to the readers of this article.

Strategic Initiatives

The five vital strategic operational methods that should be employed by purchasing organizations to enhance their productivity to their management are:

- Greater involvement of customers
- Expand the role of suppliers

- Be more participative in the planning process
- Use technology more efficiently
- Be more results oriented

Greater Involvement of Customers

In a recent survey of internal customers for 25 firms that I conducted, there existed a wide gap between how well purchasing management thinks they are going in servicing their customers and how well their customers think they are being serviced by their purchasing departments.

Purchasing managers in large give themselves more credit for meeting the service demands of their customers than they should according to their own customers. The main reason for this perception gulf in service levels falls clearly with the purchasing managers. As with most things related to services, conditions and needs are constantly changing. What might have satisfied customers a year or two ago may be insufficient today. As our external customers' needs evolve over time, so do the service requirements of our internal customers.

There is no greater strategic value-added initiative for purchasing departments to employee than to become closer to their internal customers. Frequent communications with customers can be extremely helpful in the purchasing departments setting priorities that are customer-driven. The establishment of customers' priorities can then be instrumental in the allocation of purchasing's limited resources, that could be related to such strategic factors as staffing and/or systems. Some of the more popular devices are focus groups, customer surveys and attending customers planning sessions.

THURSDAY 5 FEBRUARY 2015

**NAPM-ALASKA
PRO D MEETING**

See Page 5 For More Information

TIME: 5:30 p.m. Networking / 6:00 p.m.

Cost \$28.00* Includes Dinner.

VISA and MasterCard Accepted

No-Shows Billed

**Location: Coast International Inn,
3450 Aviation Avenue. Anchorage Alaska**

RESERVATIONS REQUIRED

Contact- Pamela Iverson

email: napmprod@gmail.com

no later than 5 P.M. on Wednesday 2/4/2015

Broadening purchasing's involvement with their customers demonstrates that you care for their guidance and that you are in business as Peter Drucker once said only because they want you to be.

Expand the Role of Suppliers

The universal slogan among most purchasing departments is to do more with less. While the greater use of systems has been helpful towards that end, it has not been enough. Advancements tend to be numerous and complex. The frequency of these product and service announcements are more than the average purchasing staff can properly handle. With the expanded use of long term contracts, purchasing organizations need to incorporate the knowledge level of their suppliers into their own operations. Many purchasing departments are employing such devices as supplier councils and supplier fairs to assist in educating their customers on recent developments.

Be More Participative in the Planning Process

This strategic initiative touches on the planning process of both the purchasing departments and their internal customers. It is vital for purchasing organizations to include their customers in their own planning process. Developing a planning process with its associated goals and objectives without customer input would just be inviting trouble in the form of faulty priorities and wasted resources. It can be helpful in identifying potential new products and services sought by the customers and give customers a sense of ownership in the direction taken by their purchasing operations.

For purchasing departments to be included in the planning process of their customers is the ultimate in demonstrating customer acceptance of the role purchasing plays in that firm or entity. While purchasing has long been involved with the planning process of manufacturing concerns, it has only been in the past five years that internal customers in service industries see the strategic value of including purchasing departments in their planning processes.

Such interactions give purchasing departments an excellent forum for showing value added opportunities to their customers and solidifying a true partnership.

Use Technology More Effectively

Nothing has impacted the way purchasing has been performed in the past one hundred years as the expanded role by electronic systems and associated tools. We are now faced with an abundance of ecommerce applications and systems. The use of the Internet for the processing of purchase orders is no longer a yes or no decision, but one based on when and which systems to employ.

The increased role of technology within purchasing also has a significant bearing on staffing. Today's purchasing professional needs different job skills than even a few years ago. Many of these skills are related to understanding and appreciating the impact technology can (and should) have on the way purchasing does business.

Be More Results Oriented

Measuring success can be a vital element in determining the feasibility of outsourcing a part or entire component of a purchasing organization. Gone are the days of tracking the grown of requisitions and/or purchase orders. What is needed now are means to determine the productivity of purchasing organizations, especially in light of the impact of electronic ordering systems. The Center for Advanced Purchasing Studies (CAPS) in their benchmarking endeavors has earmarked a number of potential strategic measurements that any purchasing department could utilize.

Results should be reported periodically, such as monthly. These measurement tools should focus on productivity, effectiveness, staffing and savings. It is the last element, savings or cost reductions, that is at the very core of most purchasing organizations.

In Conclusion

Purchasing organizations need to be and stay dynamic. They need to have their fingers on the pulse of both their customers and their management. Purchasing departments must fully utilize the strategic tools available to them in the form of suppliers and technology. And finally, their successes should be presented to all in the form of clear and concise results.

**PRESIDENT
MARIANNE BECKHAM**

Greetings everyone. I hope your new year is off to a great start and you're planning on an exciting 2015.

Dr. Al Bolea rendered a terrific presentation in January on leadership and if you were in the audience, you recall the dynamic discussion that followed. We're indeed fortunate so many interesting and knowledgeable speakers make our Pro-D meetings exceptional.

Be sure to plan now for the February 5 meeting when Dr. Mouhcine Guettabi, Professor of Economics from the University of Alaska Anchorage will join us once again to present his interpretations and prognostications on the economy of Alaska. How will the drop in oil prices affect the state's revenues? What about marijuana, can taxes on pot save us from deep spending cuts? What effect will the drop in oil revenues have on the permanent fund and dividends? Will housing sales tank? What about proposed Federal cuts to the military and civilian jobs?

Come to the meeting at the Coast International Inn and hear the answers to these questions and ask some of your own. Cost is \$28 for members and anyone interested in attending. We do need to know in advance so the hotel can plan accordingly. Visit the website and RSVP today. We accept PayPal, major credit cards, and you can also pay at the door.
www.napmalaska.org

NAPM-AK members are encouraged and always welcome at the board meetings held on the Wednesday following our Thursday Pro-D meeting. Board meetings move around a bit so be sure to communicate with one of the board members on the location for the next meeting.

Please come share your ideas, suggestions, complaints, compliments, etc. Next meeting is February 11. Can't make the meeting but have a topic you want addressed? Just send it to me at Marianne.Beckham@alaska-pipeline.com or call me at the office 787-8015, home 245-9646, or mobile 632-5358 (texts are great!).

Are you on LinkedIn? NAPM Alaska has its own LinkedIn Group page. We have been successful using our LinkedIn Group page as an additional tool to help promote excellence through Supply Management information and discussions, affiliate updates, and Alaska market job postings. Search for us on LinkedIn or through the website. It's good to be LinkedIn!

I look forward to seeing you February 5 for the Pro-D meeting.

Respectfully,
Marianne Beckham, President

2014/2015 Officers

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PAST PRESIDENT

MARLYS HAGEN, CPM, CPPB, CPPO

Happy Valentines Day everyone! I hope to see you at our February Pro-D meeting. It is our annual economic forecast. It should be a great presentation. Please see details elsewhere in the newsletter.

Regular Elections

I can't believe it's time to start the process for the upcoming regular election already. In April, we will be holding elections for President, Vice President, Past President, Secretary, Director of Communications, Director of Education, Director of Membership, and two Directors at Large (each two-year positions).

If anyone is interested in one of these positions, please contact me. We have a lot of fun working together as a Board, and serving as a volunteer on the Board of Directors is an enhancement to your resume. So please consider helping to run your organization.

Northwest Purchasing Education Council

The NPEC board met on January 13, 2015. The main action items that came from that meeting was election of officers for the upcoming year. The officers are staying as is, no changes: Ben Milam—Chair, Marie Taylor—Vice Chair, Marlys Hagen—Secretary, and Lorrie Engle — Treasurer.

Don't forget to put the 2015 Pacific Northwest Purchasing Conference on your calendars and in your budgets. The dates are October 26-28, 2015. The location is in the Portland-Vancouver area, hosted by NAPM Spokane.

Have a good month!

**DIRECTOR OF EDUCATION
BEN MILAM, CPPM, C.P.M.**

Many of those in our profession are quite content to remain in non-supervisory positions while others strive for supervisory positions. However, supervisory skills and leadership skills are not the same and require different skill sets. While supervisory responsibilities may be limited to a select few, leadership skills are necessary at all levels, even for the most junior buyer.

Last month Dr. Al Bolea presented a great framework to help all of us better understand and improve our leadership skills; a great presentation in an easy to understand format. He used several pertinent examples of lessons learned from experiences in his own career. I would highly recommend Dr. Bolea's class at UAA if you get the opportunity to attend.

PRO-D MEETING AND DINNER; FEBRUARY 5, 2015, "ECONOMIC FORECAST".

For many years, our organization has acknowledged the importance of understanding economic conditions and trends as we plan strategic purchasing activities. As a result we look for a speaker well versed in our economy to provide an annual state of the economy and an economic forecast.

This year we have another great speaker. Dr. Mouhcine Guettabi is a professor of economics at UAA and actively involved in economic research at UAA Institute for Social and Economic Research. Dr. Guettabi has graciously agreed to share his research with us. We hope to see you there!

SPRING SEMINAR FOR MARCH 5 & 6, 2015, "PERSONAL AND LEADERSHIP SKILLS PROCUREMENT PROFESSIONALS NEED TO KNOW"

I have been organizing seminars for NAPM a long time and David Rabiner was my first sold out session. David is a great speaker, knowledgeable and funny. I guarantee you will not be bored for this two day seminar. See attached flyer.



CPSM CERTIFICATION BOOT CAMP

Schedule your test now! You spent a lot of money on training. Don't let it go to waste.

CPSM CERTIFICATION BOOT CAMP #2

Mark your calendar! We now have a second CPSM Certification Boot Camp scheduled for August 13, 14 & 15. See attached flyer.

LAST DAY TO REGISTER FOR CPSM

BRIDGE EXAM was December 31, 2014. It's too late now to register, but for those that did you have one year from the date you registered to complete the bridge exam. Don't wait until the last minute. Make sure you have time to reschedule just in case you are not successful on the first try. You must complete testing within one year you have left.

Ben

February 2015



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WHAT'S HAPPENING!

**THURSDAY,
5 FEBRUARY 2015**

**PRO-D MEETING
"ECONOMIC FORECAST"**

**COAST INTERNATIONAL INN
ANCHORAGE, ALASKA**

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The Alaskan Purchaser is published monthly (September to May) by NAPM-Alaska, Inc., an educational organization committed to providing purchasing and material management practitioners the opportunity to enhance their professional skills and knowledge. If you have an item you would like to contribute to the newsletter, please contact:

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