

December 2016

Stop Calling End-Users ‘Customers’

By **Chris McGraw**

We have to serve our customers!” You hear it all around you. It sounds like you’re in the sales department. But you’re not. You’re in procurement.

In procurement departments at companies of every size and in every industry, the word “customer” is often used to mean the internal stakeholders and end users of the materials and services being procured. “Customer” seems like a benign buzzword, and perhaps even enlightened. It’s not. This pervasive misuse can affect a procurement department’s self-perception, culture and effectiveness. Calling end-users “customers” is bad for procurement, bad for the company, and even bad for the people you are calling your “customers.”

Our premise: The role of procurement is to obtain, at best value, the materials and external services the corporation requires to create shareholder value.

Here’s where the trouble starts: American popular culture, as a function of the consumer economy, is steeped in the conviction that “the customer is always right,” and that offering Nordstrom-esque “fabled service” is ennobling. Customers shop, customers choose and customers are the arbiters of value.

Talking about procurement’s “customers” muddles the fact that the *corporation* is the customer in the transaction, the outside supplier is the seller and procurement is the corporation’s agent.

Such talk relinquishes procurement’s role as seeker, architect and guardian of value. It replaces what should be a collegial, collaborative end-user relationship with one that is subservient. Finally, it ignores the fiduciary role of procurement and diminishes it to operational enablement, eschewing shareholder value creation.

If procurement adopts the attitude that end-users are “customers,” then it reduces itself to a catering service. That hardly fits the role we defined in our premise as stated above. That’s bad for everybody.



Chris McGraw is managing Partner of Procapture, an Executive advisory that reduces cost for Fortune 500 Companies.

**Overcoming Logistical
Challenges in Alaska**

DECEMBER PRO - D MEETING
Thursday, December 6 , 2016

Director of Education Report

On behalf of the ISM-Alaska, I would like to thank our special guest instructor, Merle W. Roberts, CPSM, C.P.M. for conducting our Fall Seminar. The two day course in Cost Reduction Tactics provided some great insights into supplier price modeling and buyer price analysis leading to several hands-on scenarios feeding into negotiation strategies that each savvy supply chain professional should keep in their tool kit. Mr. Roberts also joined us for our November Pro-D Meeting – graciously serving as our host in a rousing version of (Supply Chain) Jeopardy! It was a great blend of education & entertainment that doesn't come around too often. I only wish more of our members could have been with us to share that experience. However, December's meeting is just around the corner- so I hope to see you at our December Professional Development Meeting on Thursday, December 8th. Thank you again for your involvement in our affiliate.

December Professional Development Meeting – Overcoming Logistical Challenges in Alaska, A FedEx Story.

Please join us on Thursday, December 8 at the Coast International Hotel for our Monthly Professional Development meeting. The cost is \$30.00, doors open at 5:30 PM for networking, and we'll commence at 6:00 PM with dinner and affiliate business. Please RSVP through our website by Tuesday, December 6th. This month we will be joined by Dale Shaw, Managing Director for FedEx Express in Alaska and Hawaii.

ISM-Alaska Spring Seminar is Coming Soon!

Final preparations are being made to the Spring Training / Seminar. Be sure to save Thursday, March 2nd and Friday, March 3rd on your calendar. Further details will be coming soon so keep your eye on our LinkedIn page, our website, and this Newsletter for registration details! If you want to make sure you don't miss out, please email us at ismAKtraining@gmail.com!

Resolution Planning

New Year's Resolutions are right around the corner... resolve to spend some time developing your supply chain IQ! You're affiliate leaders are working hard to keep the educational events varied, relevant, and interesting. Please take a moment to look over our calendar of events published on our website and *plan* on attending a few development meetings. If you haven't invested in your own professional training recently - please look out for our next fantastic two-day local seminars we have coming in March 2-3! Also, make sure you are following our LinkedIn page (*to-do*) to interact and network with other supply chain professional here in Alaska. As always, please *check* out our Newsletter to make sure you are staying connected to what's going on with your Affiliate. It would be great to see and hear from each of you this year!

Jared Rennie

Director of Education

ismAKtraining@gmail.com

CLICK [HERE](#)

Past President/NPEC Representative Report

Ben R. Milam, CPPM, C.P.M.

If you did not go to Seattle, you missed a great conference; over 100 in attendance and 5 were Alaska board members. Great topics, great speakers and fantastic tours! Would you believe 46 miles of wiring in a Boeing 737; just one of the many interesting facts we learned as we watched 737s and the new 737MAX being assembled. It took us a while to get to the FedEx facility as road crews had several of the entrances blocked. Not sure how he did it, but the bus driver was able to turn a large tour bus around in a very small residential driveway on a very narrow street. It was worth the hassle as that was also a fascinating tour. Unfortunately we arrived off shift so all we saw were empty conveyer belts flying by at high speed, but the speaker was great in explaining how they handle thousands (I can't remember the actual number) of packages each hour. Start making your plans now to attend next year. Nothing is confirmed yet, but we are hopeful it will be in Canada.

We need to start thinking about elections again as that process will start in February. We were able to bring on several new members last year and hopefully we can do that again this year (some of us want to retire). Board meetings are starting to be fun again so we need to keep the momentum going.

I can't help it but my time advocating education still lingers in my mind. Albert Einstein is quoted as saying "***I never think of the future. It comes soon enough.***"

The problem that arises is this: When the future arrives and you are not prepared to meet the competition, guess who loses? This is critical when you are looking for a job because your position was cut. Will your credentials match those of the multitude of other candidates applying for the same position? Do you have the professional certification that provides that extra qualification that puts you on top of the list? Just something to think about as we face economic reality.

Remember in a democracy it's your vote that counts. In feudalism it's your count that votes.

Ben



I want to let everyone know that the ISM-Alaska Board decided that we will be extending our contract with the Coast International for our pro-d meeting venue through May of 2017. I also want to explain why we made that decision. As you all know from reading the newsletter over the last few months, we have tried a couple of other venues. Afterwards, we sent out a survey to get feedback on those venues. The results were evenly split between a hotel-type setting and other venues like the UAA Commons and the BP Energy Center. Each of those venues has their pros and cons, but in the end, the other venues were not any less expensive than the Coast when you consider catering and other associated costs, and were less flexible in their ability to handle our arrangements. The board did extensive research into other venues, including hotels. All other hotels are significantly more expensive and way less flexible. The Coast International provides us with the best value that we've been able to find anywhere, and is one of the few hotels that provides free parking to our members and guests.

Respectfully,

Marlys Hagen, CPSM, CPPO, C.P.M., President

CPSM Question

Qualitative methods such as the Delphi Method are forecasting models based on

- A. cause and effect relationships
- B. the collective judgment of individuals
- C. trend, seasonality, cycles and randomness
- D. demand and usage requirements

Find the answer by looking through the Newsletter .

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PRESIDENT**MARLYS HAGEN, CPSM, CPPO, C.P.M.**

Last month, our seminar speaker, Merle Roberts, brought his Purchasing Jeopardy game with him for our pro-d meeting. I tell you what, I was so impressed with how realistic the game was!! He did a great job building it. He even had buzzers for the three contestants to “buzz in” and a light to indicate who buzzed in first!! It was awesome!!! Besides being very creative and realistic, it was very educational as all the categories and questions were supply management related. If you missed it, you missed an opportunity that probably won't happen again for a long time. The only thing that I was disappointed about is that there weren't more people there to participate.

I just read an article in an email newsletter that I receive written by attorney Leslie Marell, which I shared with my staff. The article talked about how a contract needs to reflect the actual terms that have been agreed to between the parties. This became apparent due to a real-life situation that she also described in the article. The contract between the parties had an “entire agreement” clause – you know the one – it says that the contract contains the entire agreement and anything that is not in the contract doesn't count. The contractor ended up having his contract terminated because there was an “understanding” that was not in the contract. He sued, and lost.

What is the point to this story, you ask? Well, besides the obvious lesson regarding ensuring that everything that's been agreed to is in the contract, the other take-aways from this are: 1) sharing information and knowledge is empowering, both for managers and the staff they supervise – part of mentoring. 2) the better educated we are the better we serve our employers and the profession as a whole. So we owe it to ourselves, our employers, and the profession as a whole to take advantage of educational opportunities, wherever we find them. We hope that you will take advantage of what ISM-Alaska offers, like the 30 people who attended our last seminar. We were very pleased with that, but we'd love to see more people take advantage of the opportunities at our monthly pro-d meetings. Look for details on next month's meeting elsewhere in this newsletter.

As always, if you have any comments or suggestions, please contact any one of your board members.

Respectfully,

Office	Candidate/Term End
Past President (1 yr)	Ben Milam (May 2017)
President (1 yr)	Marlys Hagen (May 2017)
Vice President (1 yr)	Annie Messer (May 2017)
Secretary (1 yr)	Mary Beth Overturf (May 2017)
Treasurer (2 yr)	Janet Guerra (May 2018)
Dir. Of Communications (2 yr)	Renaldo Valentine (May 2018)
Director at Large (2 yr) - (filling 2nd year of Overturf)	Michelle Girard (May 2018)
Director at Large (2 yr)	Sonja Love-Hestnes (May 2018)
Director at Large (2 yr)	Dan Engelby

Option B is correct. Qualitative methods are non-numeric by definition and use the opinions of people considered knowledgeable to determine the results. The Delphi Method uses several "experts" and asks them for information in a separate survey iterating through several rounds of questioning to move toward a consensus. Option A is incorrect because cause and effect relationships are used for problem-solving and deal with current data. They are not used for forecasting. Option C is incorrect because although trends, seasonality, cycles and randomness are used in forecasting, they are quantitative, not qualitative. Option D is incorrect because future demand and usage requirements are key components of forecasting and are numeric, therefore quantitative, not qualitative.

Intellectual growth should commence at birth and cease only at death.

Albert Einstein



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Guided Learning

One of ISM's newest educational offerings, Guided Learning courses let you learn anywhere, anytime. Three to five weeks in length, they combine the convenience of micro learning with structured group activities and peer interaction on forums. Each week, there is also an interactive, one-hour instructor-facilitated webinar that is recorded and available for students who are unable to participate live. On average, students can expect to invest no more than 60 minutes per day in their Guided Learning course.



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Calendar of Events 2016-2017

<u>September 2016</u> <ul style="list-style-type: none"> • 8 Quality in Procurement • 14 Board Meeting • 25-28 CSCMP National Conference, Kissimmee 	<u>October 2016</u> <ul style="list-style-type: none"> • 6 Facility Tour: Broken Tooth Brewery • 12 Board Meeting • 17-19, 73rd Annual Pacific NW Purchasing Conf., Seattle 	<u>November 2016</u> <ul style="list-style-type: none"> • 3 Pro-D: Contract Law • 3-4 Fall Seminar • 9 Board Meeting
<u>December 2016</u> <ul style="list-style-type: none"> • 8 Logistics & Holiday Party • 14 Board Meeting 	<u>January - 2017</u> <ul style="list-style-type: none"> • 12 Economic Forecast • 18 Board Meeting 	<u>February 2017</u> <ul style="list-style-type: none"> • 2 PMI-AK & ISM-AK Joint Meeting • 8 Board Meeting
<u>March 2017</u> <ul style="list-style-type: none"> • 2 Pro-D: Strategic Sourcing Call for BOD Nominations Certification Night New Member Night • 2-3 Spring Seminar • 8 Board Meeting <p style="text-align: center;">National Purchasing Month</p>	<u>April 2017</u> <ul style="list-style-type: none"> • 6 Pro-D: Supplier Diversity Annual Membership Meeting and Elections Night • 12 Board Meeting 	<u>May 2017</u> <ul style="list-style-type: none"> • 11 Pro-D: Risk Management Install Officers Volunteer Recognition • Apr 30-May 2, ISM National Conference, Orlando
<u>June 2017</u> <ul style="list-style-type: none"> • 7-8 Annual Planning Meeting <p style="text-align: center;">Summer Recess</p>	<u>July 2017</u> <p style="text-align: center;">Summer Recess</p>	<u>August 2017</u> <ul style="list-style-type: none"> • 9 Board Meeting • 26-30 NIGP National Conference, Salt Lake
<u>September 2017</u> <ul style="list-style-type: none"> • 7 Pro-D • 13 Board Meeting • 24-27 CSCMP National Conference, Atlanta 		



ISM – Alaska, Inc.

2016 Christmas Party



Thursday, December 8, 2016
5:30 Registration & Social
6:00 – 7:30 Dinner & Speaker
7:30 – 8:30 +/- Chinese Auction



Coast International Inn (near the airport)

Price Per Person: \$30.00 Pay by credit card at www.ism-alaska.org Does not require PayPal account –select credit card option at checkout.

RSVP by noon, December 7 by credit card payment or email to Janet Guerra at napmprod@gmail.com

This is not your typical embarrassing gift exchange.
This is fun!

Please bring a wrapped, gender neutral gift (suggested value \$25.00- \$30.00).

Participation not mandatory, but it is a lot of fun and greater participation increases the fun for everyone.

