

# 7 key takeaways from ISM2016

Top trends and essential  
insights for supply chain  
professionals.







The Institute for Supply Management® (ISM) is dedicated to helping industry professionals generate positive outcomes through education, industry certification, research and information distribution. Originally founded in 1915, today ISM has over 50,000 members located in 80 countries.

Every year ISM brings together more than 2,500 supply chain and procurement professionals from around the world for three days of learning, sharing and networking at their annual conference. THOMASNET.com was proud to participate in this year's event, ISM2016. We're also proud to partner with ISM to host the [30 Under 30 Rising Supply Chain Stars Recognition Program](#), which highlights and celebrates young supply chain management professionals for their passion, creativity and contributions to the field.

**Learn more about ISM and all of the great work they do at [www.instituteforsupplymanagement.org](http://www.instituteforsupplymanagement.org).**





## There are more than 450,000\* procurement professionals in the United States. How can you stand out from the crowd?

There are many links in your company's supply chain. But, by far, the most important one is you. After all, you're the one issuing bids, creating contracts, and interacting with internal stakeholders and suppliers. The ability to maximize your company's budget and return on investment rests squarely on your shoulders.

But how can you, as a procurement professional, maximize your time, your team, your focus and your career? We went to ISM2016 in Indianapolis to find out. We took in all of the best sessions and critical keynotes to uncover the top trends and essential insights for today's supply chain professionals.

So, do you want to strengthen your career and supply chain? Then read on for our key takeaways from ISM2016.



\*U.S. Bureau Of Labor Statistics



KEY TAKEAWAY # 1

# Information is your differentiation.

Procurement professionals spend lots of time managing products and services. However, in order to increase your influence in the organization and win the trust of your executives, it's equally as important to manage information — especially in today's data-driven environment. That's the advice of Chris Sawchuk, Principal and Global Procurement Advisory Practice Leader at The Hackett Group.

“Going forward, our differentiators will be more dependent on intelligence than processes.”

— *Chris Sawchuk*



Instead of relying on transactional data, like purchase orders, invoices and other traditional sources, look instead at intelligent data by embracing I-SMACC tools and technology, as follows:

- **Internet of Things:** The more devices and systems you have connected, the more information you can collect.
- **Social media:** Social media can be used to listen to your customers and your market. You can use it to uncover potential risks or identify new opportunities.
- **Mobility:** Business doesn't get done in one place, and your data needs to be just as agile.
- **Analytics:** You need tools that will not just make sense of the data today, but provide predictions for the future.
- **Cloud:** Cloud computing and storage make it easier to share and disseminate information across an enterprise.
- **Cognitive computing:** Machines that learn and adapt to information over time will help you do the same.

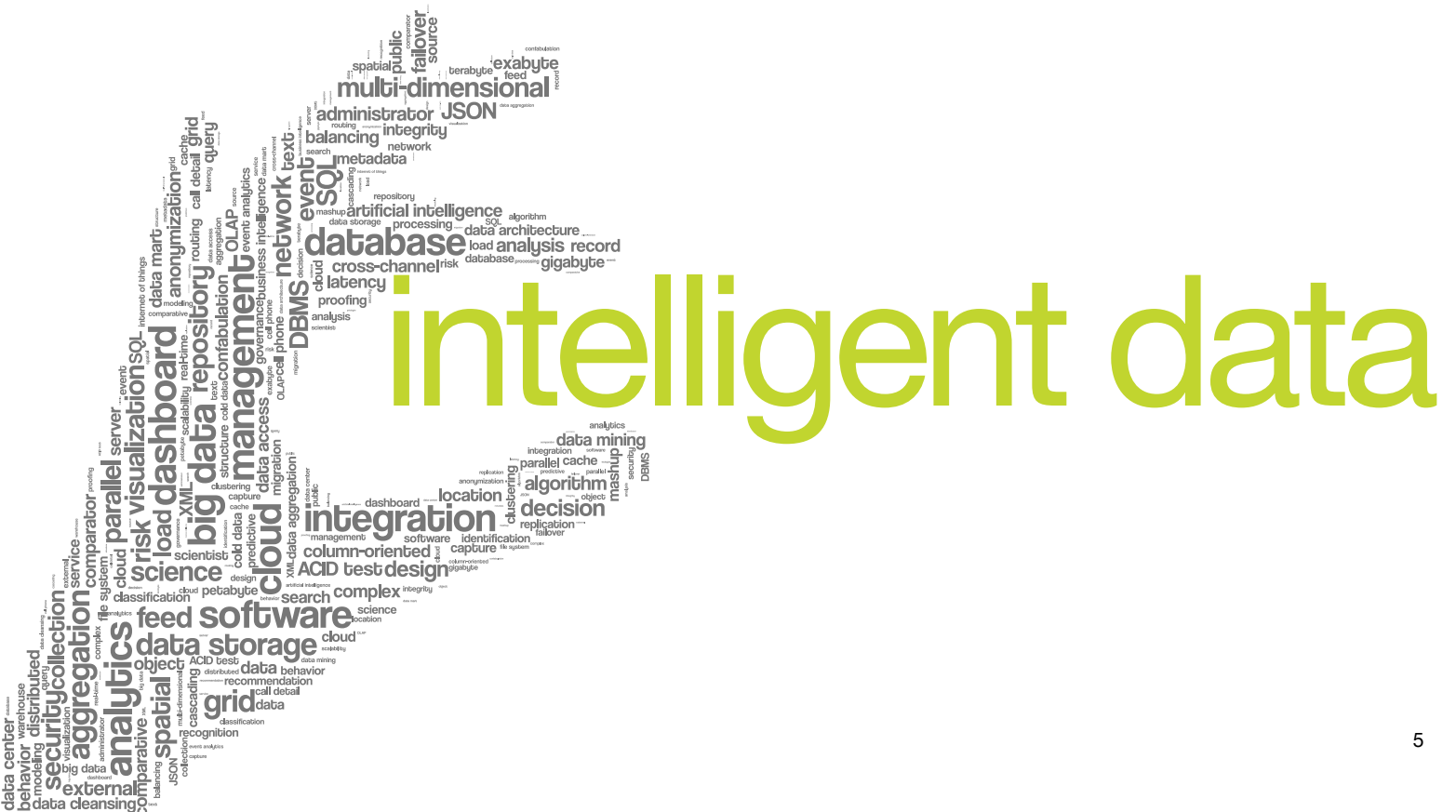




Armed with intelligent data, procurement teams and individuals should create “information supply chains” within their companies.

Here’s how:

- Curate the most important, impactful and relevant data.
- Create meaningful recommendations and action items from that data.
- Develop a communication strategy to share the information throughout your company, rather than keep it locked up in the procurement department.





KEY TAKEAWAY # 2

# Don't confuse good luck with low risk.

Supply chain disruption is inevitable. However, all too often, procurement is not able to respond. Those are the findings of a new study commissioned by A.T. Kearney and Rapid Ratings International.

## SUPPLY CHAIN DISRUPTION

**89%**  
of supply chain risk "leader organizations"

have a plan to combat disruption

**52%**  
of organizations overall



According to their research:

- Nearly half of all companies do not have a plan in place to ensure supply continuity.
- Only a third of companies ensure that their supply base complies with policies on environmental sustainability.
- Only a third have a response plan in place to combat shifts in the balance of supply and demand.
- Only 40 percent of companies have KPIs for supply continuity and supply chain risk mitigation.

So how can risk be reduced?

To mitigate supply chain risk, procurement needs to align the risk management process with the sourcing process.

## Sourcing process



## Risk management process





KEY TAKEAWAY # 3

# To become a better buyer, you need to think like a seller.

One word that was echoed throughout the conference was “perspective.” It’s important for procurement professionals to understand the goals, priorities and concerns of others — both inside and outside the organization — in order to be more effective in their own roles.

Nowhere is this fact more prevalent than at the negotiating table. Knowing what a supplier wants, and how they will try to get it, can make you a more effective buyer.





Patrick Henry Hansen, Founder and President of Patrick Henry International, serves as a sales coach to some of the largest organizations in the world. He shared 12 common negotiating tactics that suppliers use and that buyers like you should be able to respond to.

- **Surprise:** Good sales people will immediately act surprised when presented with a request for a discount or change of terms. That's because it lowers the buyer's expectation for negotiation and maintains the value of the product or service.  
*Don't be thrown off by the surprise; explain your reasoning and provide justification.*
- **Policy and procedure:** Sales reps may claim that they are not allowed to deviate from written rules and rate sheets, which allows them to shift the blame.  
*Ask to speak to someone in a higher position.*
- **Limited authority:** You've likely experienced this while car shopping — your sales person has to check with his or her manager in order to authorize your requests. The same thing happens with your suppliers.  
*Once again, ask to speak directly to a superior or manager who is authorized to negotiate. You want to cut out the middleman.*



- **Third party:** Sellers will blame their decisions on someone else, such as HR, legal, engineering or management.  
*Be consistent and persistent in your negotiation.*
- **Question and clarify:** Sales representatives will question the demand and seek more information, which is a way of shifting the balance of power in the negotiations.  
*Only provide the information necessary to meet your demands; divulging too much detail can weaken your position.*
- **Reason and rationale:** Buyers are always asking sellers for the rationale behind their pricing, but intelligent sellers will often flip the switch and ask the buyers for the reasoning behind their requests.  
*If you can't clearly articulate the reasoning and rationale behind your request, the seller is more likely to resist.*
- **Quid pro quo:** Instead of agreeing to a discount or change, the seller will trade for it. For example, the seller may ask for better payment terms or other concessions from you in exchange for lowering their price.  
*Have a concession in mind that you are willing to trade for a request.*



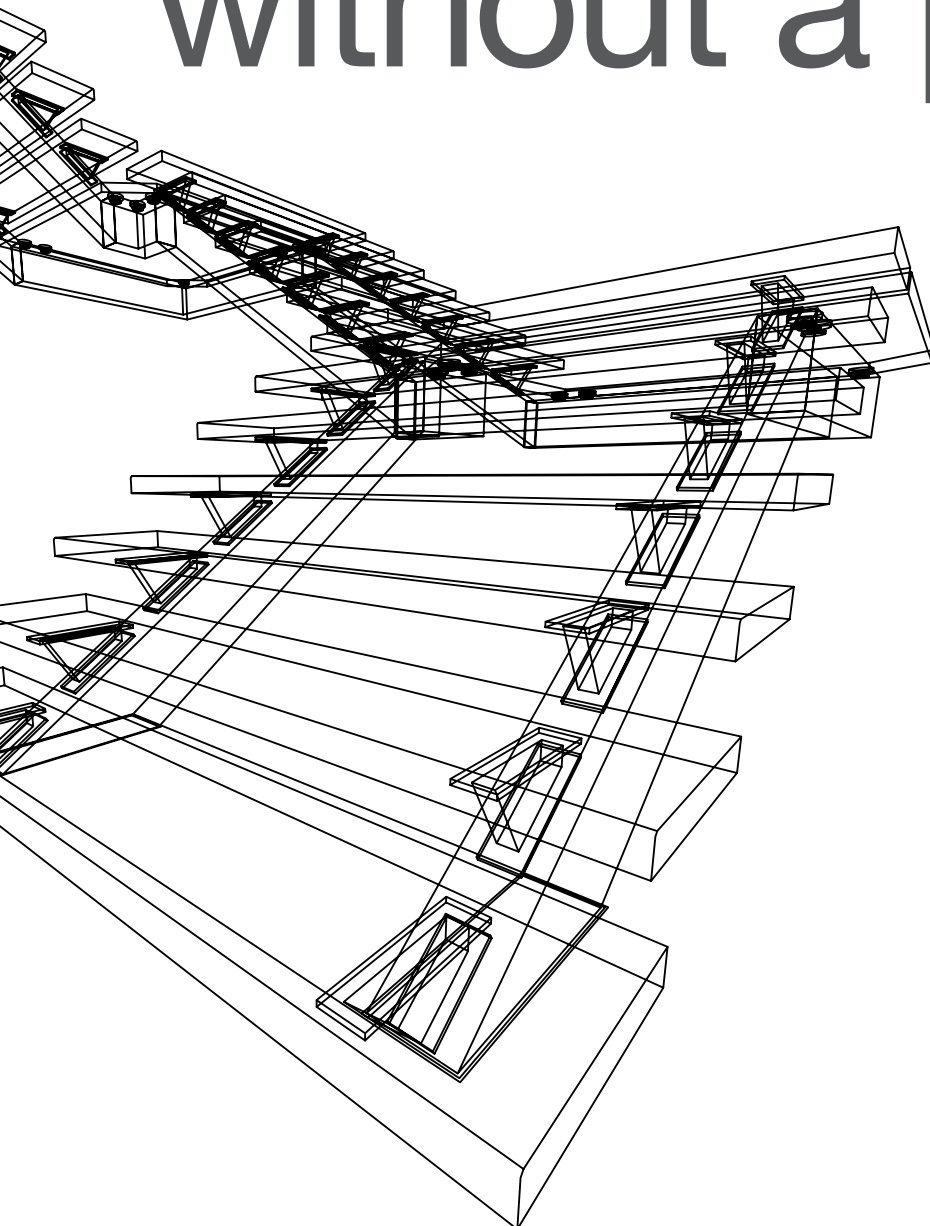


- **Differentiation:** The more differentiation sellers build, the more they can justify a higher price.  
*As a buyer, you want to convince all sellers that you think the material differences between products or services are minimal, even if they are not.*
- **High demand:** The seller positions their product or service as being in high demand. This is often used to justify the delta in pricing between competitors.  
*Once again, stick to the script — the only differentiator you see is price.*
- **Demands, delays and deadlines:** Typically it is the buyer who is operating under a deadline, but some savvy sellers will put demands back on the buyer to create pressure.  
*Don't feel pressured by the seller's deadlines, instead acknowledge them and use them as leverage.*
- **Silence:** In a negotiation, silence is deafening. It causes discomfort and may make you move off of your requests.  
*Give the seller all the time they need to respond. In fact, come out and say "take all the time you need" to make the seller responsible for the next action.*
- **Fairness:** As a universally embraced concept, an appeal to fairness may be the best negotiating tactic of all.  
*Try to find a middle ground between what is fair and what is in your best interest.*



KEY TAKEAWAY #4

# You can't climb the ladder without a plan...



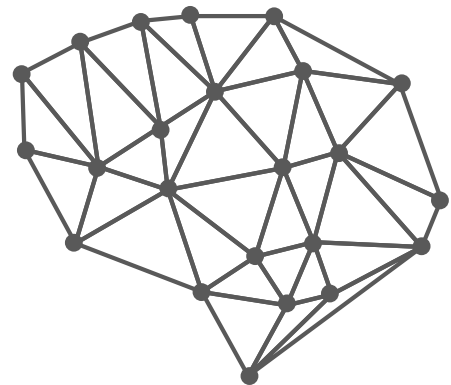
What holds procurement professionals back from reaching their career goals? According to Dion Ferrell, Vice President Of Strategic Sourcing at Simmons Bedding Company and Scott Ottenheimer, Vice President, QBE North America, it's inexperience.





But how can you gain the experience necessary to advance while focusing on your current role? Dion and Scott offered the following advice:

- **Constantly challenge the status quo:** Always look at things from multiple angles in order to drive innovation.
- **Take ownership of your advancement:** Seek out opportunities to grow your skills and advance your knowledge; don't wait for opportunities to come to you.
- **Work harder than anyone else:** If your boss or your employees work late, you should, too.
- **Be data-driven:** Don't make decisions by gut feeling or instinct; have metrics and numbers to inform all of your actions.
- **Learn everywhere:** Experience can be gained in any situation or activity, whether it be at a meeting with suppliers, a chat with team members, or even through an email discussion. Absorb everything you can.





KEY TAKEAWAY #5

...and you  
can't keep your  
best employees  
without one,  
either.

When you have amazing employees who want to climb the corporate ladder, it's important to provide them with the support and ability to do so. Otherwise, your top talent might take their ambition — and their potential — to the competition.





**Katy Conrad**, a 30 Under 30 Award Winner and Rising Supply Chain Star, started her career at Shell Chemical as an intern in 2007. Today, she is a Procurement Site Manager, leading a large team and managing a high volume of spend.

What kept Katy at Shell?

**“Two things have kept me at one company throughout my career,”** she said.

First and foremost, Katy has appreciated the exposure she received to different challenges and opportunities.

**“I’ve felt challenged and engaged throughout my entire career,”** she said. **“I’ve had five different roles across four different businesses in three cities and two countries.”**

Second, and perhaps even more importantly, she has had active managers who took an interest in her career and made her feel engaged.

**“I always knew the plan for the company and where I fit in that plan,”** she said.



KEY TAKEAWAY # 6

# Work together!

Creating a plan and keeping everyone informed and engaged isn't just a way to keep your best employees; it is a way to produce the best results.





In his keynote speech, Alan Mulally, former CEO of Ford and Boeing, offered a framework for executives and leaders that he called **“Working Together: Principles and Practices.”**

Here are the 11 essential elements of his approach:

- Put people first.
- Make sure everyone is included.
- Have a compelling vision, a comprehensive strategy and a relentless implementation.
- Set clear performance goals.
- Establish a plan.
- Rely on facts and data.
- Ensure that everyone knows the plan, the status, and areas that need special attention at all times.
- Propose a plan and maintain a positive, find-a-way attitude.
- Respect, listen, help and appreciate each other.
- Display emotional resilience — trust the process.
- Have fun — enjoy the journey and each other.





## KEY TAKEAWAY # 7

# Don't be too big to think small.

Many procurement teams and large buying organizations want to engage with small- and medium-sized businesses (SMBs). However, just getting those businesses to respond to RFQs can be a big challenge. Ed Edwards, Audience Outreach Manager at THOMASNET.com, and Natalie Menke, President of Universal Blower Pac & INOHVA Pneumatics, provided insight to help bridge the gap.

### What's The Problem?

Menke explained that it just takes too much time, effort and guesswork to respond to RFx from large organizations with little chance of success.

**“It will take us five times longer than any one job, and the odds of getting it are 10 percent or less,”** she said. **“So we decide it’s not worth our time, because we’re going to have to put aside 5 jobs with a small chance of winning.”**



Looking closer, there are four major perceptions that SMBs have of larger buying organizations which may prevent them from responding to requests. They are:

- **Bureaucratic processes:** The RFX process for large organizations can be repetitive, unfocused and, even worse, inhuman. SMBs want to deal with decision makers and experts who can help them deliver the best and most accurate bids possible.
- **Long odds:** As Menke mentioned, the odds of winning the bid do not justify the amount of work that would be required to submit it. If SMBs think they are just one of thousands of shops competing for a job, they won't bother.
- **Putting too many eggs in one basket:** Large businesses want to dictate timing, contract terms and even production. This causes a lot of pain to SMBs who, naturally, are reluctant to change everything for one client. Also, the idea of tying their financial fortunes to one customer can be risky.
- **Long payment terms:** Buyers naturally want to extend payment terms to improve cash flow, but this just shifts the burden to the SMB which, in many cases, doesn't have the line of credit necessary to float cash for long periods of time.



## Top Tips For Working With SMBs

To overcome these perceptions and build stronger relationships with SMBs, follow these tips:

**Be transparent throughout the process:** In order to convey that winning the business is possible, buyers should:

- Outline the process up front.
- Provide a timeline with milestones.
- Be specific regarding vendor selection criteria.
- Divulge who the decision makers are, either by name or by role.
- Convey the number of suppliers under consideration.
- Provide case studies of existing relationships with SMBs.
- Share why you are looking for a new supplier.
- Be specific regarding quantities.

**Simplify the process:** You can make it easier for SMBs to participate by doing the following:

- Ask for information that is critical to the specific supplier qualification process.
- Break lengthy and unfocused questionnaires into smaller chunks.



**Humanize the process:** You want to build trust with SMBs and reduce downstream confusion. Here's how:

- Leverage phone communication early in the process.
- Provide specific procurement and engineering contacts to address questions and provide insight.
- Provide feedback; let suppliers know if they've been eliminated and why.

**Consider shortening payment terms and offering financing:**

Adjusting payment terms can ensure suppliers have working capital while minimizing the risk of them running into issues of quality or cash flow. It's a win-win. Here are some measures to consider:

- Create special programs with reasonable payment terms specifically for SMBs.
- Adopt a reverse factoring finance solution to leverage your credit rating and achieve more favorable terms for your SMB suppliers.





## **Finding suppliers should be the easiest part of your job.**

### **We make sure of it.**

It takes a lot of time, effort and energy to build a great procurement career or team. But building a list of qualified suppliers? That's easy.

With THOMASNET.com, you can quickly discover and evaluate qualified suppliers across 60,000 product and service categories. Plus, when you register for a free account, you can also:

- Create and save supplier shortlists.
- Qualify suppliers by quality certifications and ownership type.
- Send RFIs directly to suppliers.
- Get our engineers to identify five local job shops who can meet your custom manufacturing needs.
- And more!

**Visit [THOMASNET.com/register](https://www.thomasnet.com/register) to sign up for your free account today.**

We hope to see you next year at ISM2017 in Orlando!