

Strategic Sourcing: A Paradigm Shift in Supply Chain Management

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ABSTRACT

Strategic Sourcing: A Paradigm shift in Supply Chain Management can be the bane of an evolving organization and a key success factor in an ever changing dynamic procurement model. The keys to success revolve around three elements; People, Process and Technology but in order to accommodate these goals there must be a strategy put in place and a vision as to where an organization is going with regards to Procurement. Procurement still has not been elevated to an equal on the Senior Management Team although it has made great strides in many organizations. This small select group of companies whether public or private have reaped the benefits of change and as a windfall have improved their bottom line while elevating the stature of Procurement. It is ultimately very important for all organizations to understand Strategic Sourcing as well as Category Management, the difficulties that can eschew in regards to implementation, planning, resources and their skillset, benefits and the complexity around a long term strategy. But as an organization who embarks on this journey the rewards can be truly astounding and quantifiable in terms of your return on investment.

This research paper reviews Strategic Sourcing and Category Management and looks at the many management principles used that highlight the need for a broadened procurement skillset with the change to either model. We look at Porter's Value Chain, Porter's Five Forces Model, SWOT Analysis, the Kraljic Segmentation Matrix, and a Cost-Benefit Analysis. We also speak to how change management can be very difficult when we use a Theory E which focuses on economic value as a strategy. And then move to a more accommodating and evolving Theory O strategy focusing on organizational capabilities where a high value is put on the employee. A contradiction in terms when the marketplace is looking for rapid change and a cut throat corporate behaviour does the job. The paper equivocates the need for a broadened skillset.

Our literature review looked at the plethora of information written and available on the internet to substantiate our key research questions around why an organization should switch to this model, is the skillset there or does it need upgrading and is it sustainable for the future. We provided data on the specialized procurement job market with regards to Strategic Sourcing, looked at the keyword emphasis that employers were making in their job descriptions and then focused on a competency framework as a result.

Our research paper also pointed to the lack of maturity in the market and it was clear that any change to Strategic Sourcing was a work in progress and that many companies still did not see the benefit of this change.

This model as espoused is a goal that is obtainable although it is not something that can be done quickly and requires a window of opportunity over a 3-5 year timeline, although dependant on the complexity of an organization.

This research paper was written to help executives at all levels understand Strategic Sourcing and as well Category Management, their complexities and their intricacies. It is the hope of the writer that he alleviates some concerns while providing enlightenment around this field of expertise. And that we are able to quantify the benefits and return on investment should an organization make a change to this model through a strategic shift and procurement plan. This is a win-win for any organization.

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1. INTRODUCTION

There has been a transformation in the purchasing and procurement functions certainly over the last decade. From a passive, administrative, and reactive process to a proactive, strategic, boundary spanning function (Rendon, 2005) enveloped under buzzword Strategic Sourcing (SS).

This movement was predicted back as far as the 1960's, leading with retail in the 1990's, and with the transformation continuing to this day which has led to numerous benefits for leading-edge organizations. The approach has encapsulated the other supply chain functions, including but not limited to materials management, logistics and physical distribution. By doing so under supply chain management the goal was to adopt a more total supply chain management focus including the integration of the organization's strategic business plan.

SS has evolved to encompass a myriad of business types from various sectors such as Oil & Gas, Retail, Banking, Municipal and Federal Government and Healthcare worldwide where a broad base of commodities, supplies and services are purchased on a regular basis. The writer formally experienced a strategic multi-year SS implementation when previously employed in the Healthcare sector. It is clear that such an implementation is meant to take traditional purchasing/procurement in small to large organizations to an entirely new level encompassing bold strategic initiatives that align with a corporation's vision and mission.

As Michael Porter has stated "Change brings opportunities. On the other hand, change can be confusing." (Porter, 2001)

If you asked 10 different people what SS is, you will get 10 different answers (Newhart, 2006) but resoundingly you will find that there are common themes throughout.

Adopting a SS model requires a strategic shift, a cultural shift and a realigning of staff resources to fit the model in question, meaning substantial change. It is a model that moves an organization in steps over multiple years to a sustainable sourcing model, from what we have already termed, a traditional purchasing model. In other words; we have moved from an organization that is primarily fixated on cost reductions and quick procurement wins to an organization that is evolving to encompass Total Cost of Ownership (TCO), building supplier relationships and category spend reduction in order to create and sustain a competitive advantage. (Anderson & Katz, 1998)

According to Joanie F. Newhart (2006) SS is an overall strategy to obtain the following:

- Better value by obtaining cheaper pricing,
- More favourable warranties,
- Better terms and conditions, and/or
- A realization of socio-economic goals.

The rate of change of the procurement function continues to accelerate primarily to keep pace with business demands (Supplier Category Management, 2012) and as well in order to accommodate the strength this function is seeing in its role throughout major

organizations in Canada and the world. As the American Productivity & Quality Center (APQC) and KPMG study on Supplier Category Management shows, there is a profound change occurring in procurement that will outgrow the initial cost savings and process improvement. It will grow through understanding business strategy, how key supply markets work and its ability to affect business growth. This paper will show that the procurement function is maturing into a sustainable value driver for business.

2. THE RESEARCH QUESTION

The researcher's objective as part of this applied project is to answer the following strategic management questions:

1. What does an old school purchasing organization need to understand in order to put in place an effective SS strategy and why move to an SS model?
2. Does the introduction of an SS model require resources to have a more refined skillset than what may presently exist
3. Is the lack of skillset within a resource base a threat to long-term sustainability?

This paper will address the key issues and processes that need to be addressed to make a successful transition to a strategic sourcing model while increasing the body knowledge in a burgeoning field.

DEFINITION OF KEY TERMS USED

Cost/Benefit Analysis (CBA) – A measurement tool used to determine the financial ramifications of undertaking new projects, implementing new processes, and making purchases and/or staffing decisions (O'Grady, 2013). CBA forces the individual to look explicitly and systematically at the various factors which influence strategic choice. (Plowman, 2013)

Demand Analysis – Ensures that the organization is focused on its critical demands, focusing on not only cost but quantity. An analysis that defines a good and service, provides a spend analysis, a cost breakdown, looks at the current supply arrangement issues, specification of requirements and highlights the gaps with a plan to address (Queensland, 2010).

Reactive Purchasing – This is a procurement approach where no proactive sourcing strategies have been put in place and therefore the purchasing and supply management role has an entirely reactive role. Where an organization still operates on the basis of unexpected demand responding to individual needs as and when they arise (CIPS, 2014).

Sourcing - Sourcing is the proactive management of a supply market to ensure access to adequate resources required for the long term needs of the firm: understand market

characteristics, identify relevant potential suppliers, define a strategy for the firm, and set the objectives for any market shaping effort. Sourcing frames the agreement with the suppliers involved in the strategy, without necessarily going into the details of the contract (Philippart, 2001).

Spend Analysis – The analysis of past, current & projected spending patterns. Provides organizations the information and decision-support required to develop supply strategies around direct and indirect spend that are aligned with the objectives of the organization and to identify and prioritize sourcing & procurement improvement initiatives.

Strategic Sourcing (SS) - Defined as an institutional sourcing and supplier management process that continuously improves and re-evaluates the supply chain activities of the company. It is an iterative process that cuts cost and reduces risk, while building better relationships with fewer more critical suppliers (GE Capital, 2012).

Sustainability in Procurement - Refers to using procurement to deliver long term social, economic and environmental benefits with an emphasis from short term savings to long term value through the life of the product or service. (Department for Environment, Food and Rural Affairs, June 2006)

Tactical Purchasing – A subset activity of SS focusing on operational purchasing requirements based on information from a limited environmental scan (Lysons and Farrington, 2006).

TagCrowd - a web application for visualizing word frequencies in any text by creating what is popularly known as a word cloud, text cloud or tag cloud. (Steinbock, 2006) For the purposes of our research project we will be generating a word cloud by pasting in text from job descriptions into this website in order to visualize frequency of words.

Total Cost of Ownership (TCO) – An estimate of the total costs of goods, services or construction over the whole of their life. It is a combination of the purchase price plus all other costs you will incur (direct or indirect) less any income you will receive (Government Procurement Branch, New Zealand, 2013).



Traditional Purchasing – Involved requisition, soliciting bids, purchase order, shipping advice, invoice and payment, a process that was transactional in nature, or clerical in function. Getting the right quantity and quality of goods to the right place at the right time at a decent cost (Reference for Business, 2014).

Triple Bottom Line (TBL) - A sustainable business concept coined by John Elkington in 1997. Organizations that want to become socially and environmentally responsible need to measure and report on not one but three “bottom lines”. The first measurement, traditional profit and loss, shows the performance of the business in terms of “profit”. The second “people”, measures the social performance of the organization and the third bottom line, “Planet”, measures the environmental performance of the organization.

Value Chain Analysis – A generic framework that analyzes the behavior of costs as well as existing and potential sources of differentiation. It is a quantitative analysis of the activities to produce, market, deliver and support products and the relationship between these activities (Porter, 1985). Procurement potentially being a key activity.

THE DELIMITATIONS AND LIMITATIONS

This research will be delimited to the Canadian procurement market although there is no doubt that this field is influenced globally and that the changes occurring are not limited nor rely on Canada as a source of origin in terms of changes taking place. Procurement and specifically as it encompasses SS and it’s sub-category of CM will be limited in scope also as it will not encompass all areas of procurement as they are defined but will be limited to showing a trend exhibiting direction for the longer term with SS and CM. Although our literature review will focus on Canadian literature we will not limit our focus and emphasis to only this, and will review literature whose origin is global in order to capture world-class viewpoints.

The data collection and analysis thereof will also be limited to a specific period of time generally several months of collection prior to completion of this paper and therefore may exhibit short-comings due to the lack of a longer term source of data collection. Being a qualitative analysis for the most part and relying on data predominantly collected through the internet the paper will be limited in scope and focus on the general trends occurring in this field of expertise.

3. LITERATURE REVIEW

SS has become a model that is being espoused by many organizations throughout the world and for good reason. Therefore there is a great deal of literature on the topic of SS and how to implement a plan that drives a successful implementation. But there is very little literature that speaks to whether a present organization embarking on a SS implementation has the employee skillset to sustain an implementation, process or plan. A comprehensive literature review will provide results and focus attention on putting in

place a strategic sourcing and competency framework that validates a procurement sustainability model for the future.

BACKGROUND TRADITIONAL PURCHASING

As illustrated by Figure 1, traditional purchasing aside from being administrative in nature was also very transactional with focus on what is shown in the diagram.

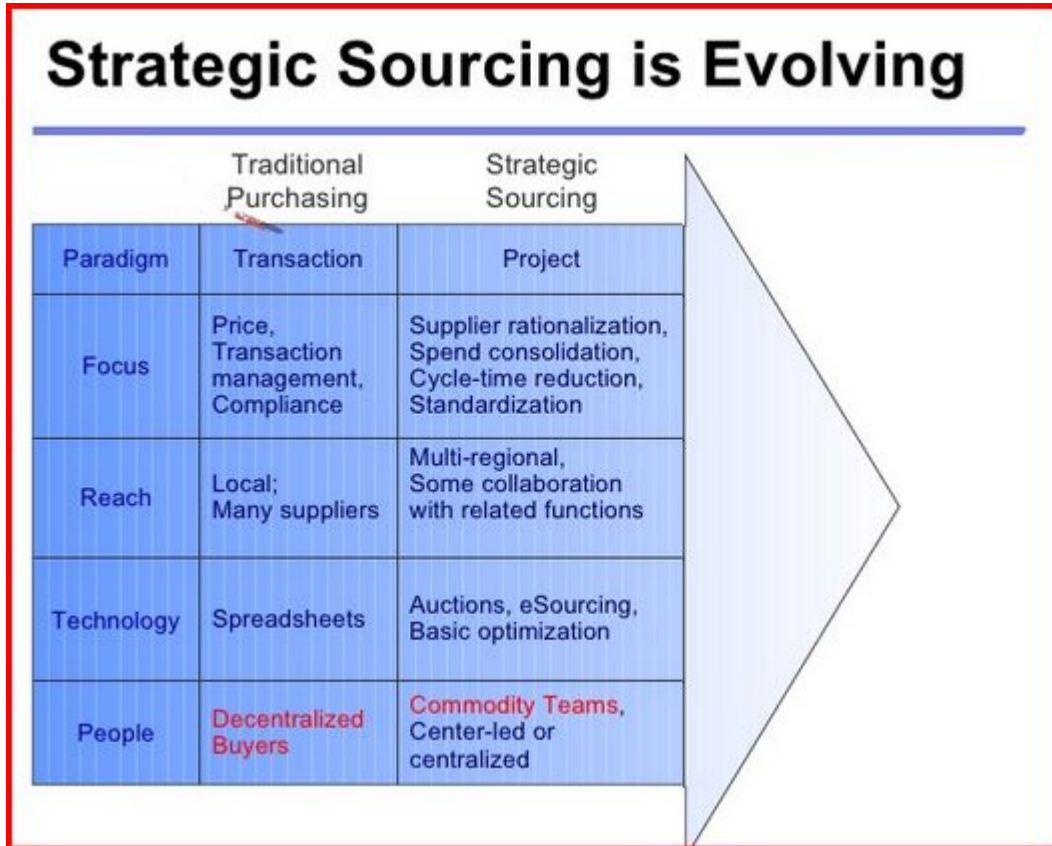


Figure 1 – Strategic Sourcing is Evolving

Figure 1, *Strategic Sourcing is Evolving*. Adapted from “Strategic Sourcing” by Mubarak, (2009). Slideshare, Page 11. Retrieved on March 16, 2014 from <http://www.slideshare.net/mubarak2009/Mubarakadmaproposal-Rev01MA-823838>

From Transactional purchasing or what might also be called Reactive purchasing and then onto Tactical purchasing, organizations have evolved into SS. Organizations having understood the value procurement can bring to the table have asked budget holders who traditionally did their own buys, to engage procurement in the buying decision (Payne, 2012). So what has significantly changed? As mentioned earlier, procurement has become strategic in outlook. It not only looks at the lowest product cost but has shifted focus to TCO in order to determine the true cost of a good or service. And we must not forget that it uses technology to enhance the delivery methodology and to get the message across, that there is clear and present danger to ignoring the strategic implications of a solid strategic plan.

WHAT IS STRATEGIC SOURCING?

SS is a well-established and proven methodology for managing large-scale, medium to long term procurement activities. (State Government Victoria, 2012) It consists of two key capabilities:

Strategic contracting focuses on developing a detailed knowledge base of the market and the category being sourced, and using this knowledge to develop optimal sourcing solutions.

As well (Engel, 2004) states that SS is an organized and collaborative approach to leveraging targeted spend across locations with select suppliers that are best suited to create knowledge and value in the customer-supply interface.

Category Management (CM) focuses on managing contracts to ensure that the negotiated contract benefits are realised, and driving continuous improvement in contract benefits year on year.

It is as well data intensive and analytical in character and speaks to understanding data. It was once a “Retailer-Supplier Process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value” (ECR, 1997). It has gone beyond the retail industry as previously suggested and the consumer is synonymous with customer, stakeholder or end-user.

In the article “*The Power of Procurement*”, KPMG (2012) adds that Supplier Relationship Management is a key core competency and a strategic driver as part of the ongoing procurement activities of any organization, updating the key capabilities potentially to three if not already covered under the guise of category management.

SS is a process driven by an identified goal or need and consists of:

1. Evaluating current and potential sourcing opportunities,
2. Assessing their value and relevance to long-term goals and overall business and supply chain objectives, and
3. Formulating and applying action plans and processes for critical commodities or supply networks.

Figure 2 focuses on an example of 7-step SS process (Stegner, 2011), one of many multi stepped processes used dependent on commodity and industry. Therefore diversity of models may exist, but each with a commonality of purpose. You may find that words change and the number of steps may change to accommodate the varying types of acquisitions that may occur. However, there is no doubt that understanding your product and managing your supplier relationship are key ingredients to a successful strategy.

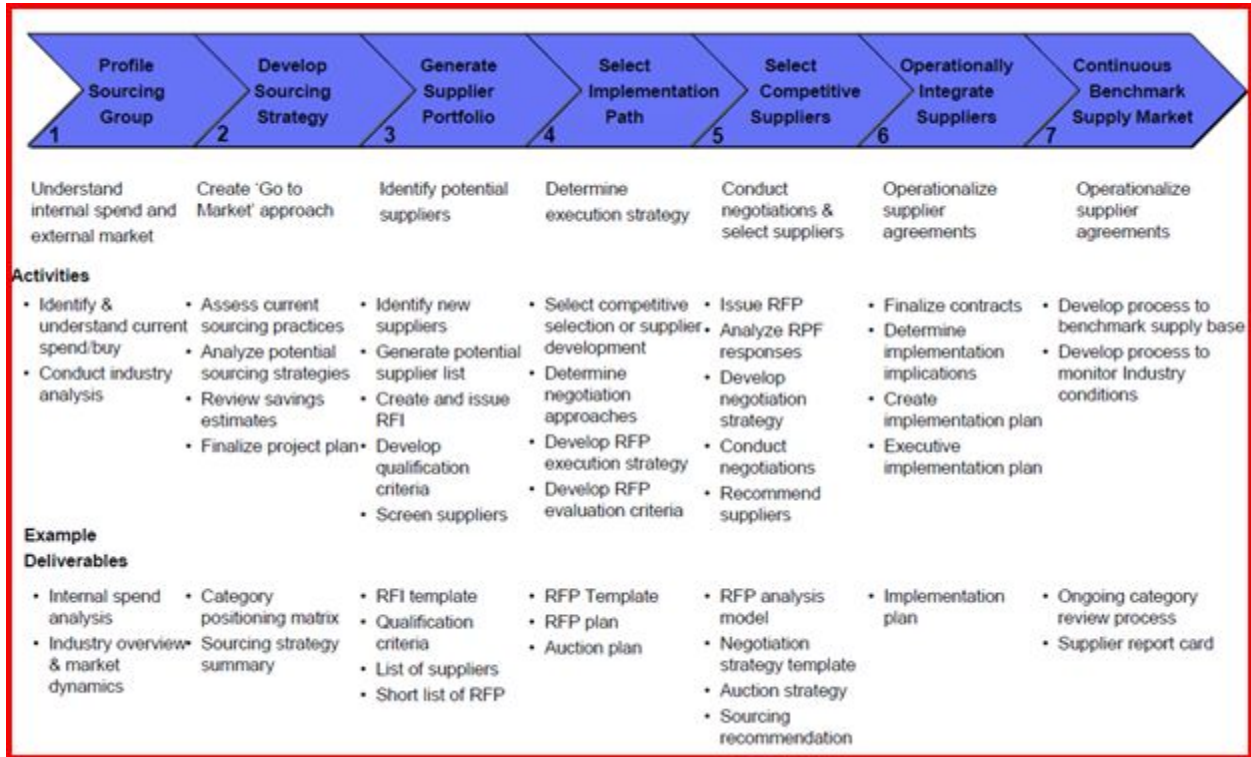


Figure 2 – 7-Step Strategic Sourcing Process

Stegner. (2011). *The Value of Supply Strategy*. Page 7. Retrieved on April 13, 2014 from <http://supplychain.broad.msu.edu/files/2011/09/stegner.pdf>

It is at this point that we begin to understand just how complex a SS process may be and, the skillset expected of the procurement professional today. An indepth knowledge is required throughout the process, a skillset that is garnered through real world experience, advanced education and a passion to build on a changing procurement dynamic. Our 7-step process reveals that it is essential as part of an SS strategy that we put in place a thorough well thought out procurement plan that emulates and captures the sourcing process.

Step 1

Understanding our internal and external markets, look at where we stand in the value chain, our suppliers and the market place and just how important a particular good and service is to the organization. We can do this through a SWOT analysis and an anaysis using Michael Porter’s 5 forces model. We should as well conduct a spend analysis understanding our curent and past patterns around the goods and services bought internally. This can be a very time consuming process but is critical to determining the best sourcing strategy. It may make sense here to group an entire product spend that has similarities into one succinct category in order to determine total spend. A segmentaion analysis is another analysis that can be critical, positioning the product in relation to others purchased by an organization (Clegg, Montgomery, 2005).

Understand the needs of your users, stakeholders and/or customer with the view to understanding supplier performance. What is driving industry competition and what is the state of the current supplier or the potential suppliers in the marketplace. Use the tools below to understand our internal and external environment.

SWOT ANALYSIS

Is a strategic planning tool that helps a business focus on the key issues. This analysis tool in regards to procurement can be used from a multi-faceted perspective. At a very high level it can be used to understand the supply chain or procurement capabilities of an organization. But in terms of SS, simply put a SWOT analysis for goods and services would typically look at the internal strengths and weakness generated from a demand analysis. Opportunities and threats look at external factors such as a supply market analysis. An example might be whether a supplier perceives the procuring organization as a valued customer (Queensland, 2010). An illustrative example is shown in Figure 3 following shows a SWOT analysis of a business critical software requirement and portrays it’s use effectively as a business tool.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Level of in-house technical capabilities • Good, reliable historical spend data • Well-established IT project management processes • Clearly defined customers and clearly defined authorities for decision-making • Experience in managing similar projects • IT strategies map to whole-of-Government governance frameworks 	<ul style="list-style-type: none"> • Burdensome procurement/tendering procedures • Low level contract management expertise • Multiple touch points for suppliers, especially for post-sales support/upgrades • Lack of coordination with other agencies with similar requirements • Requirements that are overtly technical given likely changes in need and the market • Existing sourcing approaches have not encouraged innovation • Lack of procurement marketing expertise
Opportunities	Threats
<ul style="list-style-type: none"> • Aggregate demand for similar requirements within the agency (and potentially with other agencies) to improve economies of scale • Potential to break up requirement into modules to encourage innovative Small and Medium sized Enterprise (SME) participation • Conduct supplier development activities to promote competition, especially from local SMEs • Potential to develop the market for goods/services with improved sustainability outcomes 	<ul style="list-style-type: none"> • Market is dominated by a few large national suppliers based interstate • Competition has been reducing, especially in the government market • Supplier power is disproportionately high when supply is aggregated or bundled to an all-encompassing solution • Current suppliers lack responsiveness especially regarding after-sales support and upgrades • Supplier perceptions of agency as an 'exploitable' customer • Perception by SMEs of favouritism towards major, 'embedded' suppliers • Potential supply chain vulnerabilities due to over-reliance on interstate support

Figure 3 – SWOT analysis of business-critical software requirement – Illustrative only

The State of Queensland. (June 2010). Procurement Guidance: Planning for significant procurement. Department of Housing and Public Works. Page 16 of 51. Retrieved on August 3, 2014 from <http://www.hpw.qld.gov.au/SiteCollectionDocuments/ProcurementGuideSignificantProcurement.pdf>

A SWOT analysis can help us to identify a procurement strategy that will achieve the procurement objectives and allow us to provide a meaningful summary on the merits and suitability of this option identified through some solid research and analysis of the good or service. A valuable tool regardless of where it may be used.

MICHAEL PORTER’S 5 FORCES MODEL

This tool is ideal In terms of developing a procurement strategy (Murray, 2012). So as a buying organization we are in the middle as illustrated in the Figure 4 analysis of the information products industry. Michael Porter’s model allows us to describe the forces that are driving industry competition. It will not only improve our analysis of the industry but will inform other members of the team as to information regarding the market place.

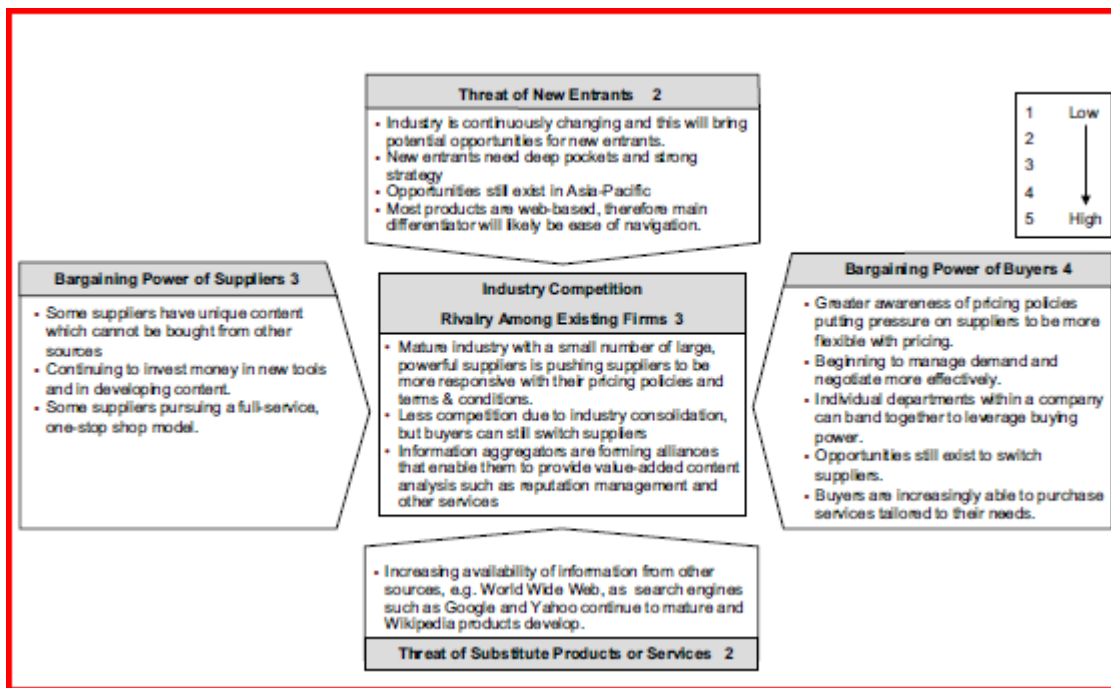


Figure 4 – Porter’s five forces analysis of the information products industry

Clegg, H & Montgomery, S. (2005). *7 Steps for Sourcing Information Products*. *Sourcing Information Outlook*, December 2005, vol. 9 no. 12. Page 36. Retrieved on July 1, 2014 from <http://www.atkearney.com/knowledge/articles/2005/7steps.pdf>

As a buying organization procurement contributes as part of the value chain supplying external customers and clients as described by Michael Porter in his value chain analysis of activities. The bargaining power of suppliers relates to our current pool of suppliers available to the organization, whereas the threat of new entrants gives us the potential new entrants that our customers and clients could potentially draw on. It is interesting to note that the new entrants could also disrupt the buying power of our current supplier base allowing us the opportunity to source elsewhere. So as part of SS

we might want to reduce the barriers that prevent new entrants in order to provide more choice, healthy competition and spark innovation through new technology introduction, or a disruptive technology, i.e. a technology that displaces an established technology and shakes up the industry. Or a ground breaking technology that sparks the creation of an entirely new industry.

The threat of substitutes as well can provide us with alternatives to our existing specifications around a product, or for that matter a service. But exercising this viewpoint can be risky for an organization even though the cost-reward benefit might be huge in the end. It is something that must be weighted and discussed, but may not be in the cards due to the risk aversion of an organization and their customer base.

SEGMENTATION ANALYSIS (KRALJIC MATRIX)

This positions the product in relation to others purchased by your organization and determines potential risk in terms of your product scope. Described in detail later in this paper.

Step 2

How does the product you are sourcing align with your overall business strategy. Here is where a category positioning matrix becomes useful, one similar to what we have illustrated in Figure 6, developed by Kraljic. Where the product is positioned will help you define the strategy to use.

Step 3

Here we look to identifying the supplier base and all potentially viable suppliers. Look to criteria in selecting viable suppliers. You might do this through a Request for Information (RFI), whereby you collect written information about the capabilities of various suppliers that may lead to a shortlist of candidates who could participate in a Request for Proposal (RFP).

Step 4

The purpose is to identify an execution strategy as part of Step 4 potentially using a RFP. A thorough evaluation proposal based on submissions from suppliers that prioritize weightings for specifics around specifications, usage, pricing and more leading to negotiations and award.

Step 5

Here we negotiate and select suppliers. So it is important to develop a negotiating strategy and to put in place an effective team with varying expertise in order to meet the demands of a successful negotiation session. Clear understanding of what is acceptable, not acceptable and where you want to land is critical to your success and negotiating position. What are you willing to concede and what will you get in return. Negotiation can be a very formalized process that requires understanding of both

parties objectives. And lastly what is your contingency plan if you are unsuccessful in your negotiations.

Step 6

If you have decided to work with a new supplier and/or to discontinue an old one, you will need to (Clegg & Montgomery, 2005):

- Identify any transition issues (providing user details to the new supplier, for example),
- Consider the organizational implications and any required changes,
- Create new processes and procedures if necessary,
- Create a transition/implementation plan, and
- Communicate the changes to your users.

Step 7

Now that an agreement is in place it is important to continue evaluating the relationship over its term by putting in place some contractual performance metrics and regular meetings. As well now you also have time to develop some loose plans as to how you will move forward the next time around by planning ahead.

WHY MOVE AN ORGANIZATION TO A STRATEGIC SOURCING MODEL?

A SS model brings Supply Management to the forefront of an organization. And the subsequent strategic supplier management spurs innovation, identifies new product opportunities, brings access to new markets or technology and provides intelligence for strategic decision making (Slaight, 1999).

Some of the most common synonymous terms heard for buying today include (Duffie, 2005):

- Sourcing
- Strategic Sourcing
- Category Management
- e-Sourcing
- Purchasing
- Procurement
- e-Procurement
- Supplier management
- Supplier Relationship Management
- Supply Base Management

SS puts in place as we have discussed a sourcing strategy that aligns an organization's overall business strategy with the sourcing objectives, a theme we will espouse over and over in this paper.

'*STRATEGIC SOURCING - A Recipe for Strategic Excellence*' (Ball, 2005) suggested that the acquiring of goods and services for much of the 20th century was considered as somewhat of a nuisance. But as of the writing of his article the competitive landscape had changed from a relatively stable to a dynamic and intensely competitive

environment. Obviously there are key benefits to a sound SS strategy and senior executives are now seeing that the decision making processes through the purchasing department can have a profound impact on the financial viability of an organization. One thing that is clear is that SS is not transactional buying. It is a systematic process that directs purchasing and supply managers to plan, manage and develop the supply base in line with the organization's strategic objectives. Organizations want to maximize the dollars spent by looking at spend, doing a spending analysis and determining the products that the organization buys at the highest volumes. But it is not only this as they must understand the marketplace for the products, understand the economics and usage of the supplier of the product, develop a procurement strategy and develop integrated supplier relationships that go beyond the types of relationships we had in the past (Reference for Business, 2012).

In the Strategic Procurement Plan for 2013 - 2018 put forward by the New South Wales (NSW) government they state that their strategy is to become more customer-centric by involving their customers in process, deliver products that are fit for purpose, provide information on new contracts, products, processes and policies that may affect their customer and lastly to work with customers to deliver best value solutions in a timely manner (Strategic Procurement Plan, p. 3). Our customers are the end-users, stakeholders, charter members and for that matter anyone in the organization that is touched by a strategic procurement plan. These "customers" become involved through process as we develop a strategic plan, some being core and others being on the periphery but all essential to the successful implementation of a plan. So an organization moves in this direction to drive value for money, deliver better quality and to align with business needs. Resoundingly similar points were stated by many authors as part of our literature review. Although an organization may focus on the customer they cannot forget the partnership that they also foster with their suppliers, which is also integral to success lest we forget the impact of any social responsibility that must also be extolled in any contract. The Swedish Public Procurement Act, 2012, states the following regarding social responsibility in the context of performance of a contract: "A procurement authority may set specific social, environmental and other conditions for how a contract is to be performed."

The delivery of such a strategic framework also requires that an organization attract and retain capable people to deliver these procurement services by defining workforce requirements, training and continuity plans.

In order to gain a clearer understanding some fundamental questions need to be asked.

- Who are the suppliers? Do we understand them?
- What is the customer buying?
- Who are they buying from?
- What are the risks?
- How much is spent with each supplier?
- What process do we use to acquire the goods?
- What is the quality of the goods purchased?
- Does the delivery meet the timelines of the organization?

Once we have asked these questions, how can we take the information and move us forward? We may do this by understanding that SS is a value driver for the business providing many benefits and/or advantages to an organization that may be strategically utilized in part or whole, immediately or over time. These advantages speak to the following:

1. Best Practise Sharing,
2. Cost Savings,
3. Increased Quality
4. Enhanced product specifications,
5. Standardized Pricing,
6. Improved Operation Efficiency,
7. Access to New Suppliers, and
8. The Creation of Partnerships with Suppliers.

A business may move in the direction of SS in order to reduce cost while maintaining and/or improving quality/service, leverage the entire organization's spend, look to improvement opportunities by understanding category buying as well as standardizing contract terms and conditions. Obviously the benefits can be quite staggering whereas we have just identified a few important drivers but the eight (8) points listed above may be considered essential drivers for any organization.

An organization looking to create a sourcing advantage may look beyond to a segmentation analysis to decide which relationships are transactional, collaborative or strategic in order to decide which services to drop or nurture. A segmentation analysis prioritizes strategic sourcing activities based on suppliers/category criticality, a matrix model originally espoused by Peter Kraljic in 1983, still valid today and illustrated in Fig. 5 & 6. Mr. Kraljic espoused that a company needed to exploit its purchasing power with important suppliers and reduce its risks of disruption to a minimum, done through an analysis. Understanding the products and services as well as your suppliers helps to minimize supply risks while taking advantage of your buying power.

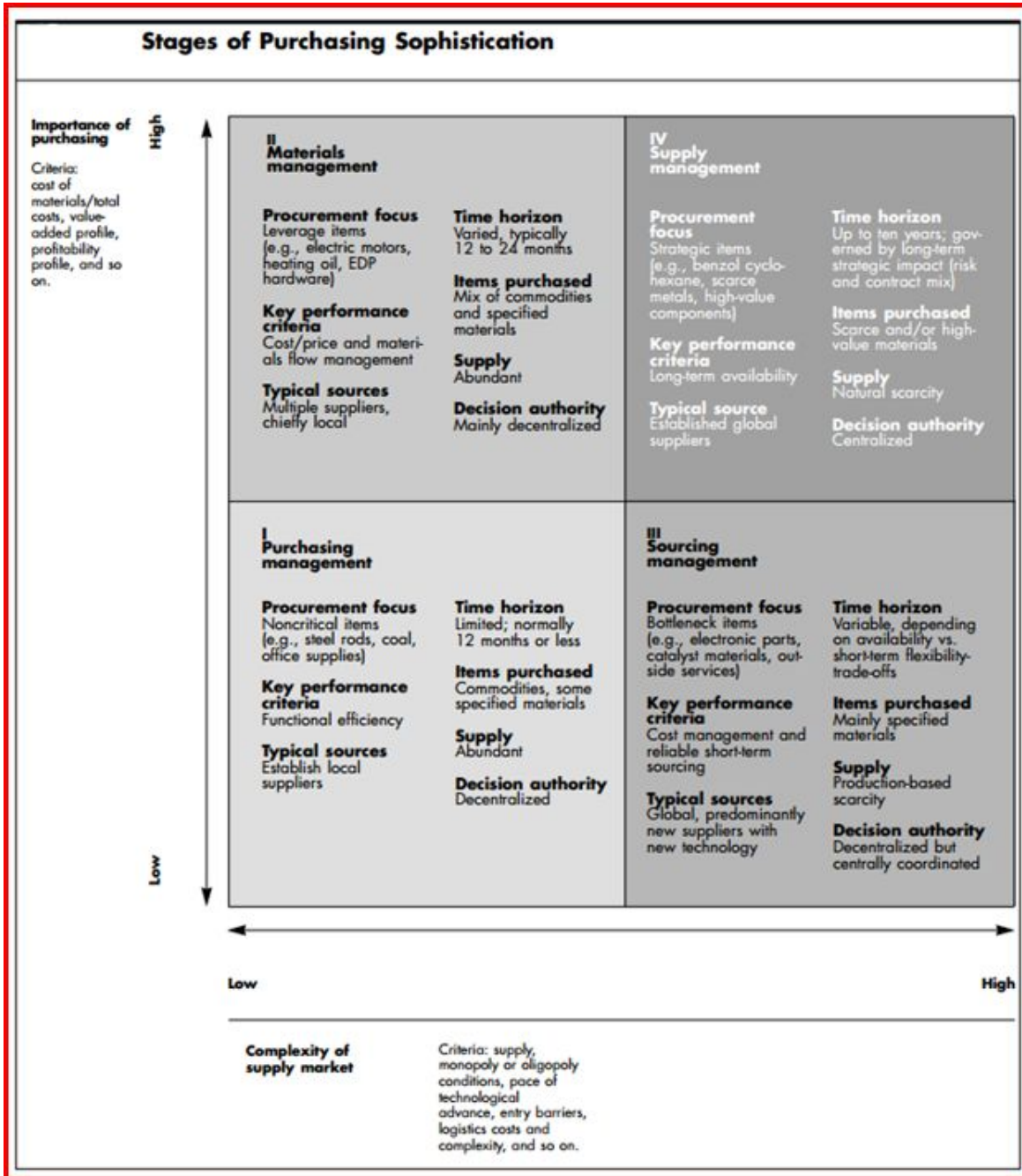


Figure 5 – Stages of Purchasing Sophistication

Kraljic, Peter. (1983). *Purchasing Must Become Supply Management*. Harvard Business review. Page 111, Retrieved May 8, 2014 from <https://www.nevi.nl/sites/default/files/kennisdocument/LEV-PORT-art-013-bl.pdf>

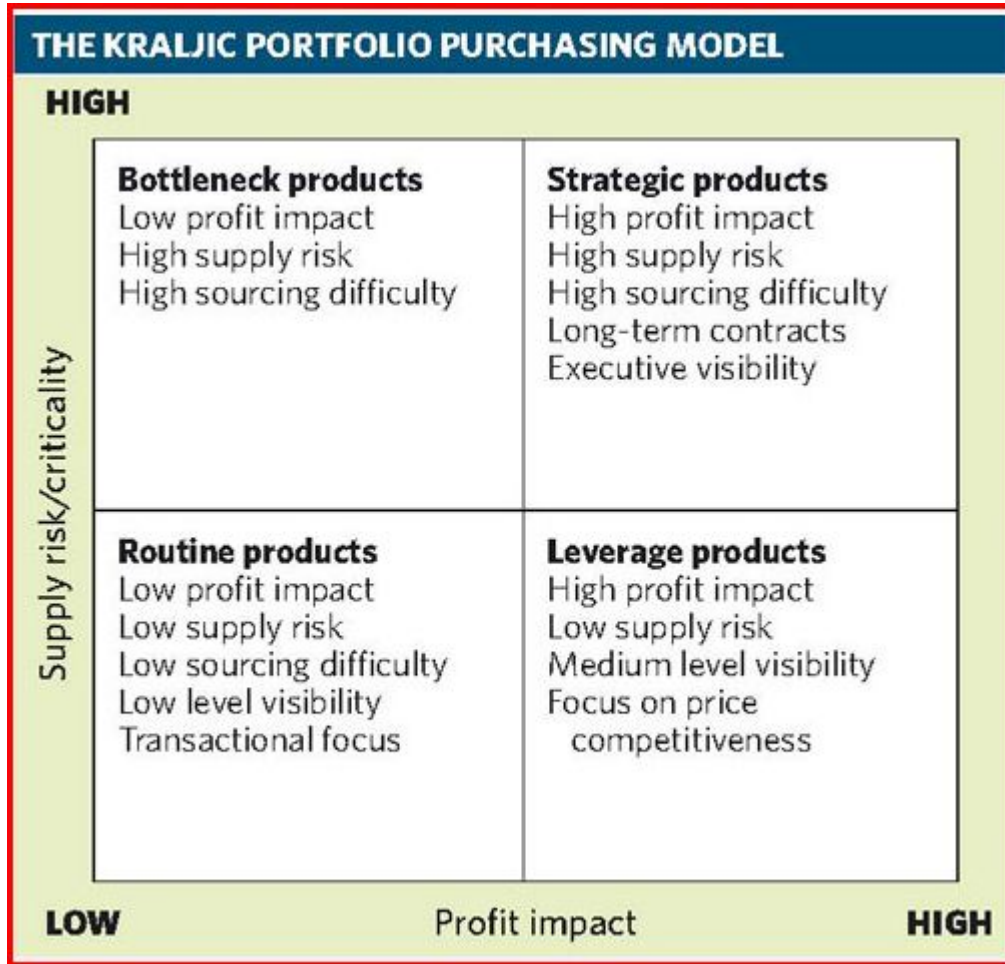


Figure 6 - The Kraljic Portfolio Purchasing Model

Osoro, Bonson. (2013). *Using the Kraljic portfolio purchasing model. Supply Management*. Retrieved April 23, 2014 from <http://sm.redactive.co.uk/resources/how-to/guide-to-supplier-appraisal/using-the-kraljic-portfolio-purchasing-model/>

Duffie (2005) writes about UPS Supply Chain solutions. As mentioned previously SS aligns the organization’s overall business strategy with the sourcing objectives. As part of this writer’s role at Vancouver Coastal Health in 2006, a supplier positioning table was defined based on category strategies. The below figure is an example of how an organization may value their supplier relationships based on the risk and buyer impact on supply market. The Kraljic positioning matrix is an excellent tool that allows an organization to focus its resources where there is the most value to be gained. Figure 7 illustrates the use of a supplier segmentation analysis perform by Vancouver Coastal Health in 2006.

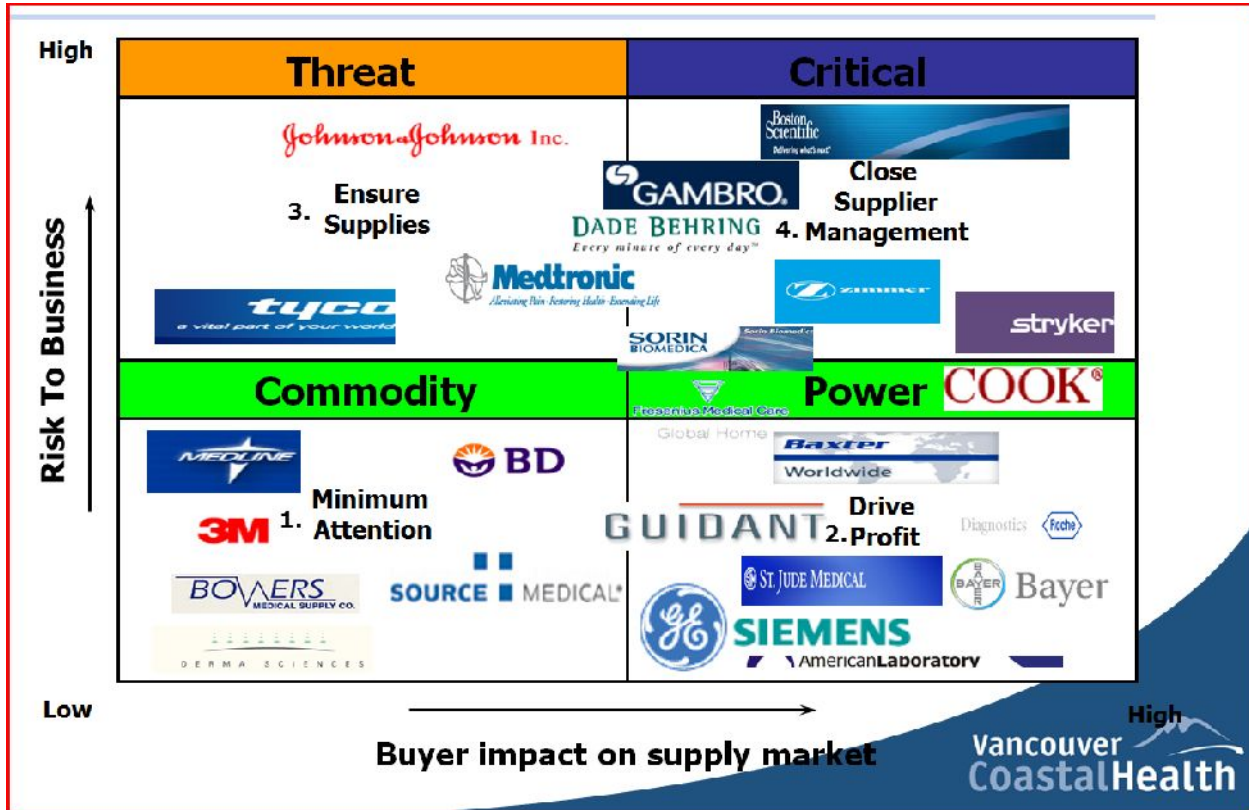


Figure 7 - Supplier Positioning

Miszczak, Michael. (December, 2006). Supply Chain – Roadmap to Excellent Operational Support & Sustainability. Vancouver Coastal Health. Powerpoint presentation. Slide 15. Retrieved on August 14, 2014.

The upper right quadrant (4) points to a high degree of business risk and high expenditure, and therefore there must be a close supplier relationship as the products offered by these suppliers are critical in nature. The upper left quadrant (3) indicates a high degree of business risk but a low expenditure but still tells us that we need to ensure supplies given the specialization of the products offered and their threat and risk to the organization. The bottom right quadrant (2) tells us that we have a low degree of business risk but a high expenditure that drive profits. There is volume here and therefore this equates to some level of power in favour of the organization. The bottom left quadrant (1) indicates suppliers that exhibit a low level of business risk as well as low expenditures, suppliers where products purchased may be routine in nature or a commodity. Typically quadrants 2, 3 and 4 are usually significant purchases that represent the majority of an organization’s spend, are complex in their demand and/or supply characteristics and have a significant impact on an organization’s operations. Just imagine if all of a sudden hospitals could not get some of their critical drugs to treat patients or if an unplanned shutdown were to trigger a shortage of medical isotopes where no other supplier was available to cover the shortage. This would be a disaster to patient care and life threatening. With a detailed analysis, a supplier positioning may tell us a great deal (Queensland, 2010)!

A properly defined sourcing strategy assists any organization, by gaining a true understanding of its requirements, knowing how it must map to the existing supply market, and then develop a plan for both short and long-term sourcing objectives. But there must be an understanding this strategy can be so much more. SS can define what an organization's competencies are or what they should be. It can identify redundancies, aggregate similar products and consolidate where needed. In fact it can identify non value-added functions that waste time, resources and require financial input leading to a potential outsource of these functions. In order to realize these benefits business is realizing that procurement is a key part of business, considering the huge spend on goods and services. And that the results of a well-managed SS plan can be impressive and can extend well beyond cost reduction. That at least is the hope and the vision, but to date may not be the reality we see.

Uncovering lifetime costs of certain kinds of assets can be done by focusing on the total costs rather than just the purchase price. There needs to be a focus on TCO and the complete lifecycle. A clear SS strategy will not only encompass direct materials but also indirect goods and services where quality, shortened and reliable cycle times, technological capabilities, and services become key negotiation items. A TCO model would look at "hard" and "soft" benefits (non-monetary). Fig. 8 illustrates where SS may apply its efforts.

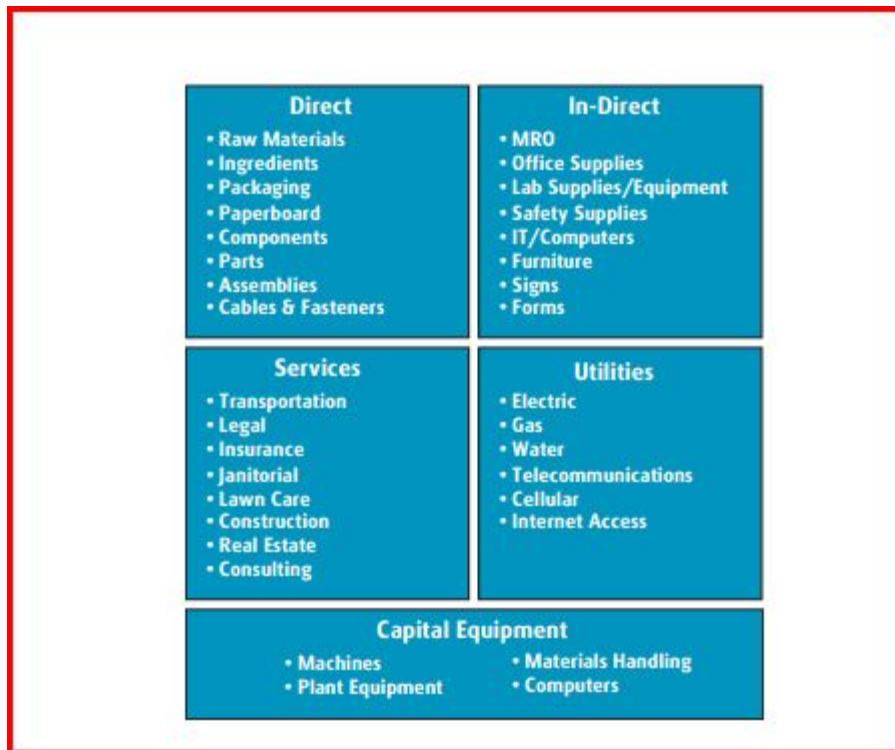


Figure 8 - Direct/Indirect goods and services

Duffie, Tim. (2005). *Strategic Sourcing: Building a foundation for success – understanding the difference between sourcing and strategic sourcing and its impact.* UPS Supply Chain Solutions White Paper. Page 8. Retrieved on March 12, 2014 from http://www.ups-scs.com/solutions/white_papers/wp_sourcing.pdf

A SS strategy will generally eliminate the need to focus on transactional and move the strategy to focusing individuals on higher value activities such as supplier management, market research, and meeting with internal customers to understand how their needs are currently being met.

CATEGORY MANAGEMENT AS A SOURCING STRATEGY

There is much debate around the acronyms and words used in procurement, as mentioned in the introduction. Are Category Management and Strategic Sourcing the same thing? A LinkedIn discussion suggested a trend <http://www.linkedin.com/groups/Are-Category-Management-Strategic-Sourcing-771367.S.111919340> indicating that there is no clarification on the question, instead creating more confusion with little or no clear answer to the question. What is clear is today's Category Management (CM) was developed by the Grocery Manufacturers of America industry and is now being used by a wide berth of organizations representing a wide array of disciplines and still growing day-by-day. CM under a category manager uses a cross-functional team to identify product categories and drive category performance improvements through the application of categories as strategic business units. Reducing cost is not the end goal of CM. Instead to achieve its goals it must focus on improving relationships with suppliers in order to understand TCO, reduce overall category spends and understand its customer. Understanding the customer leads to maximization of sales, improved customer loyalty and a potentially long term relationship that benefit all parties.

Category management is the use of strategic sourcing processes and techniques to optimally source a category and its constituent commodities/sub-categories (Mitchell, 2012). As mentioned Category management is aligned with the life cycle of the processes that consume the products and services in the categories. Therefore it not only provides a more comprehensive internal customer and supplier management approach, but also a broader approach to providing solutions that support category and business objectives. A world-class procurement organization is looking to safely harness supply-market power to create a competitive advantage. (Mitchell, 2012). Category management evaluates the full life cycle of a contract or supplier life cycle, but also holistically looks at the life cycle of the value chains which consume the goods and services in the spend categories.

	STRATEGIC SOURCING	CATEGORY MANAGEMENT
Goal	<ul style="list-style-type: none"> • Reduce purchased costs for a given commodity, most often by selecting lower-cost suppliers through demand aggregation, competitive bidding and negotiation. 	<ul style="list-style-type: none"> • Maximize realized category value to the organization, including total cost of ownership (TCO), risk, operational performance, innovation, etc.
Frequency	<ul style="list-style-type: none"> • Periodic and project-based. Triggered over one or more years in the course of managing a commodity. 	<ul style="list-style-type: none"> • Ongoing, day-to-day process. Triggers project-based activities and other operational improvements as needed.
Approach	<ul style="list-style-type: none"> • Conducted via an n-step sourcing methodology culminating in transition to a new supplier contract. 	<ul style="list-style-type: none"> • Develops a category strategy and applies appropriate value levers and supporting techniques/tools as needed to meet value objectives (e.g., strategic sourcing, SRM, value engineering, process reengineering, demand and compliance management).
Results	<ul style="list-style-type: none"> • Reduced contract pricing translating to actual realized savings hitting the bottom line. 	<ul style="list-style-type: none"> • Category value is targeted, including validated savings and broader value measurement.

Fig. 9 - Category management: More strategic and holistic than strategic sourcing

Mitchell, Pierre. (April 2012). *Category Management: Beyond the “Strategic” in Strategic Sourcing*. The Hackett Group. Page 2. Retrieved on July 21, 2014 from <http://www.mypurchasingcenter.com/purchasing/industry-articles/category-management-beyond-the-strategic-in-strategic-sourcing/>

CM not only organizes processes and resources around supply markets not unlike SS, but in addition CM sources these market categories, but also manages them on an ongoing basis. CM involves a clear understanding of the organization’s key value objectives for the category (based on business objectives) and then develops a set of executable strategies. If CM is implemented properly it becomes a client-friendly framework.

CM requires a strong customer management competency and is more of a solution-assembler role rather than just process executor (Mitchell, 2012) and therefore requires new processes and capabilities. The capabilities of a CM function become more expansive addressing relationship management, communications, program management, change management and leadership. In order to meet the need for these capabilities strong support from senior leadership is required.

CM can be used in many types of organizations where it is clear that spend encompasses many types of products or services being purchased. The goal is to understand your customer, become an expert in regards to their needs, goals and objectives for the category, their savings targets and the aggregation of demand.

CM provides a number of benefits to the organization as follows (Koester, 2005):

1. It links customer requirements with supply market capabilities. Once you know what core supplier capabilities deliver your customer requirements you can identify and work with those suppliers that are "best of breed" in that capability.
2. It enables the business requirements definition or specification to be developed so that it delivers best value. Defining your business requirements is a team game in that it identifies both the user requirements and commercial expectations. A balance between the two is what delivers best value.
3. It ensures that the right skills and experience are applied to the right activity within the category management process. Category management creates the critical mass needed to have experts for each of the activities in this process rather than generalists having to do a wide range of them.
4. It ensures that all relevant spend is included in the category so that your leverage is maximized. Without category management there is a danger that the purchase of individual items are spread across your organization in quantities that are too small to get volume related benefits.
5. It allows you to anticipate and plan for changes in technology. By knowing how customer requirements might change (and what that means for technology) and what your major suppliers are planning, you can identify any gaps that might occur in the future between the technology needed and what is available. Do this soon enough and you can stimulate your suppliers to do something about it. Identify supplier innovations early enough and you can help shape the offering made to your customers.
6. It reduces risk. Creating categories and putting them under the proper management of experts enables you to spot any trends or developments that might create a commercial risk and do something to prevent or mitigate it.
7. It develops the right supply capability both for today and tomorrow. This is similar to the technology reason. If you can get an understanding of what capabilities are going to change over the next few years and what suppliers plan, you can influence both.
8. It helps to build good communications across the entire value chain. We should not forget that value chains are made up of people. Category management gives you the visibility and opportunity to communicate the right message in the right way to the right people to get the result you want.
9. It builds trust and co-working across all of the value chain. Trust comes from delivering your promises and not being unfair. Understanding your categories means that you can set goals for everyone in the value chain that meet their needs as well as yours and is within their capability.
10. It ensures that many supply options are considered rather than just the obvious one. When someone is responsible for developing a commercial sourcing solution for a user need but they do not have the right experience, it can be too easy to jump to the first solution that springs to mind. The category management process ensures that options are considered.

The ultimate goal of Supplier Category Management is to establish deep relationships with suppliers to gain maximum benefit from sourcing. This can be achieved through a

five-part framework that segments spend, determines category strategy, sets up the governance for the category, and then executes and monitors performance against strategy. A few observations help to summarize this framework.

- CM strategy is not the same as commodity strategy as used in SS. Rather it looks at broader value objectives that will drive value for the categories, as well as across categories.
- Categories are segmented and structured in terms of lower-level supply categories, but also organized by demand type creating very succinct groupings.
- Category strategy consists of a well-coordinated set of sourcing, supplier management, supplier collaboration, and other processes. But it is the life-cycle activity that is at the forefront, tied to the needs of the stakeholder, customer, end-user who consumes the product or service.
- CM performance measures the performance of the category management processes and the stakeholders who participate in them.
- CM also requires stronger emphasis on capabilities within existing SS processes. This may be able to further unlock additional value through further aggregation of commodities/categories into higher-level categories.

It is important that procurement organizations not use CM to create an even more complex version of SS. Procurement needs to communicate how the inputs are stakeholder business requirements and how the output contributes to improved supply and business performance.

SKILLSET TO SUPPORT A STRATEGIC SOURCING MODEL?

Giunipero, Denslow & Eltantawy (2004) discuss the need for Purchasing and Supply Management (P/SM) professionals to acquire a different skillset that emulates an entrepreneurial behavior. This would require flexibility that would allow them to adapt to a changing business environment. Fig. 10 illustrates the changing role of purchasing personnel when shifting to an entrepreneurial skillset. The organization must recognize the change required and ascertain whether they presently have this skillset or whether current P/SM professionals can adapt to the changing environment as this would be crucial to the success of any change initiative in terms of a sourcing strategy implementation. Barringer and Bluedorn (1999) described entrepreneurship as a process of “creative destruction”, in which the entrepreneur continually displaces or destroys existing products or methods of production with new ones.

The required skillset needs to be part of the organizational design and culture in order to welcome new ideas and allow time to be creative.

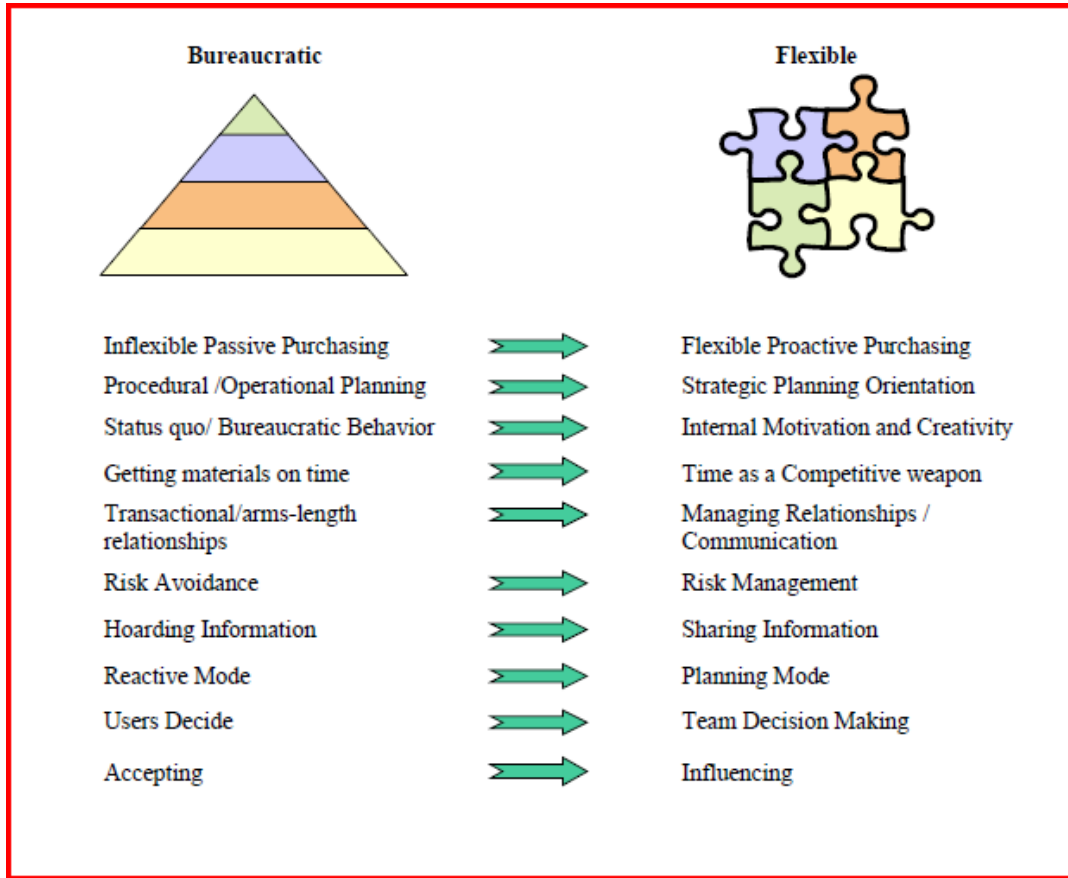


Figure 10 – Purchasing’s changing role

Purchasing’s changing role. Adapted from “Purchasing/supply chain management flexibility: Moving to an entrepreneurial skill set,” by L. C. Giunipero, D. Denslow and R. Eltantawy, Industrial marketing Management. Volume 34, Issue 6, August 2005, Page 608. Copyright 2005 by Elsevier Inc.

“Engineers who can’t add, operators who can’t run their equipment, and accountants who can’t foot numbers become purchasing professionals.” Jack Welch, Former CEO of GE.

General Electric’s legendary boss (Fuchs, Pais & Schulman, 2013) made this statement, and in some respects this led to the organization under investing in the purchasing team’s capabilities and to leave sourcing out of the strategic decision-making process, in favour of functions that drove revenue. It also may have led to less talent entering the purchasing domain. Yet purchased materials and services generally add up to 60 to 80% of a product’s total cost. In order to meet the challenges of a SS strategy senior executive need to raise the function’s profile, provide high-performing procurement professionals more leadership development and exposure.

In order to improve capabilities a bottom-up assessment of its technical and leadership capabilities can be made and compared to relevant benchmarks. An assessment of this

type will reveal any short-comings and highlight the need to build on the skills identified. As well an organization would do well to provide the necessary tools for data-collection and clear processes to help provide a more strategic direction. This could also mean that the organization must look to putting the right people in the right roles while monitoring performance and providing incentives for total cost of ownership savings and continuous improvement. These steps would go a long way to addressing any identified skillset shortfall. (Fuchs, 2013)

As well in order to promote capabilities there needs to be a culture instilled that allows purchasing professionals to be proud of the value they add to the organization while providing a level of confidence to take on a leadership role that provides new sources of value. Such cultural change is the bedrock of a sustainable transformation in a purchasing organization. (Fuchs, 2013)

These steps taken can not only result in a bottom-line impact but much more importantly can lead to a fundamental change in how the organization is operated.

4. RESEARCH DESIGN AND COLLECTION

As a conceptual paper this research design will be primarily focused on secondary sources of literature compiled from 1990's forward. Some of the SS initiatives and in particular the eclipse of the study of category management principles under SS had their conceptual origins from this early date. (Harris, 2012) Given the nature of the use of secondary sources and based on AU Ethics guidelines this research design will not require submission for an ethical review.

Key search terms used include "Strategic Sourcing", "Traditional Purchasing", "Category Management", "Sourcing", "Procurement Sourcing", "Strategic Sourcing SWOT Analysis" and "Strategic Sourcing Skillset".

Research literature comes from library databases such as Google Scholar, AB/INFORM Global, and primarily through a search of online internet resources.

INDUSTRY RESEARCH

SS is experiencing unparalleled growth as a procurement model. (KPMG, 2012) The KPMG survey of 585 procurement leaders indicates that SS and CM growth has occurred more predominantly under a centralized model and that there is significant room for growth of these operating models. Figure 11 illustrates, at least with indirect spends, that most organizations have yet to lead or excel in these supply chain functions and drive the inherent value that they can achieve.

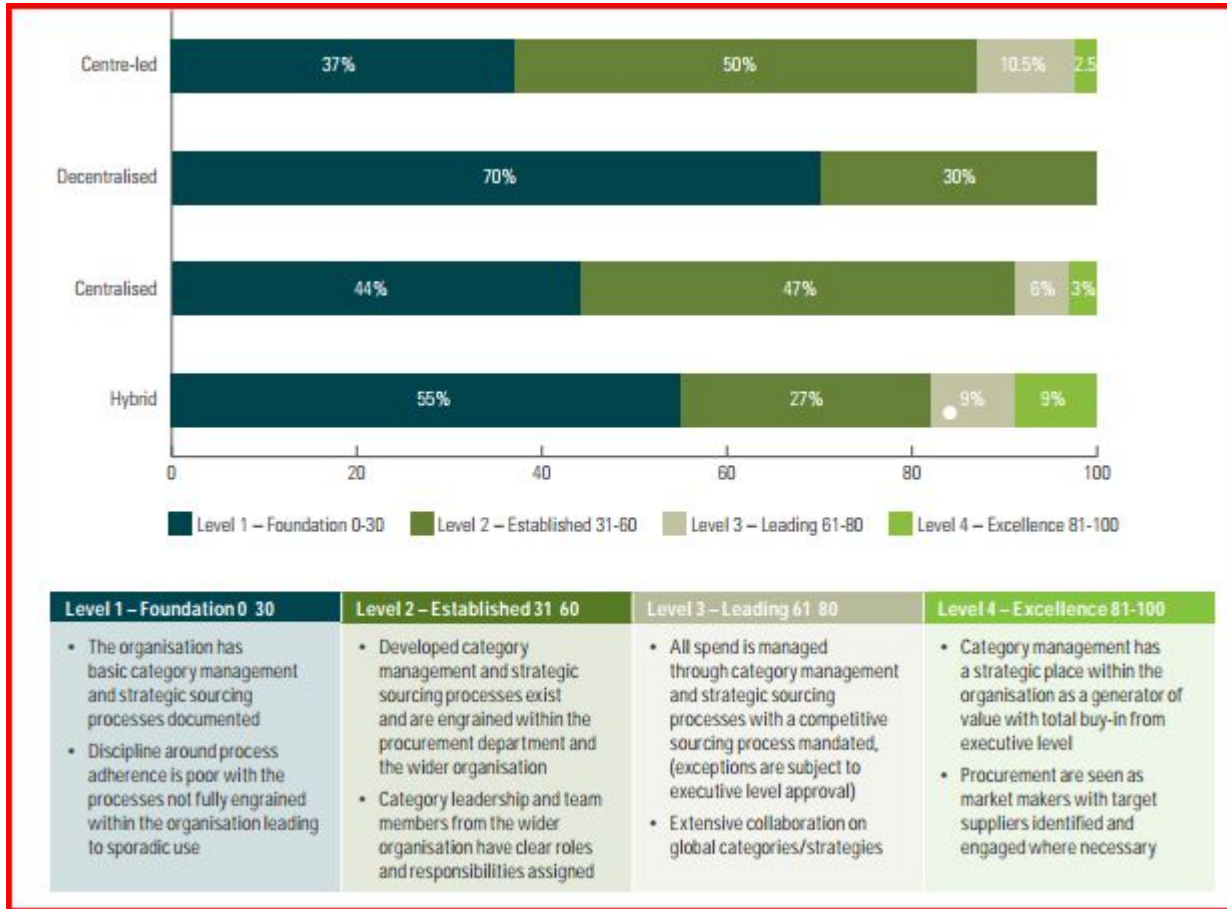


Figure 11 – Category Management and Strategic Sourcing maturity for various operating models (indirect spend)

KPMG. (2012). *The Power Of Procurement. A global survey of procurement functions. Page 18. Retrieved on April 26, 2014 from <https://www.kpmg.com/US/en/IssuesAndInsights/ArticlesPublications/Documents/the-power-of-procurement-a-global-survey-of-procurement-functions.pdf>*

Although SS is not in its infancy and as the above has illustrated, still not widespread throughout industry, this research project will show through mainly qualitative concepts as well as quantitative data that SS is becoming more commonplace in organizations and therefore requires study outside its initial routes in retail.

The KPMG survey illustrated in Figure 12 indicates that spend under contract as of 2012, a key indicator under SS/CM, is still primarily a retail phenomenon with much more room for growth in other industries.

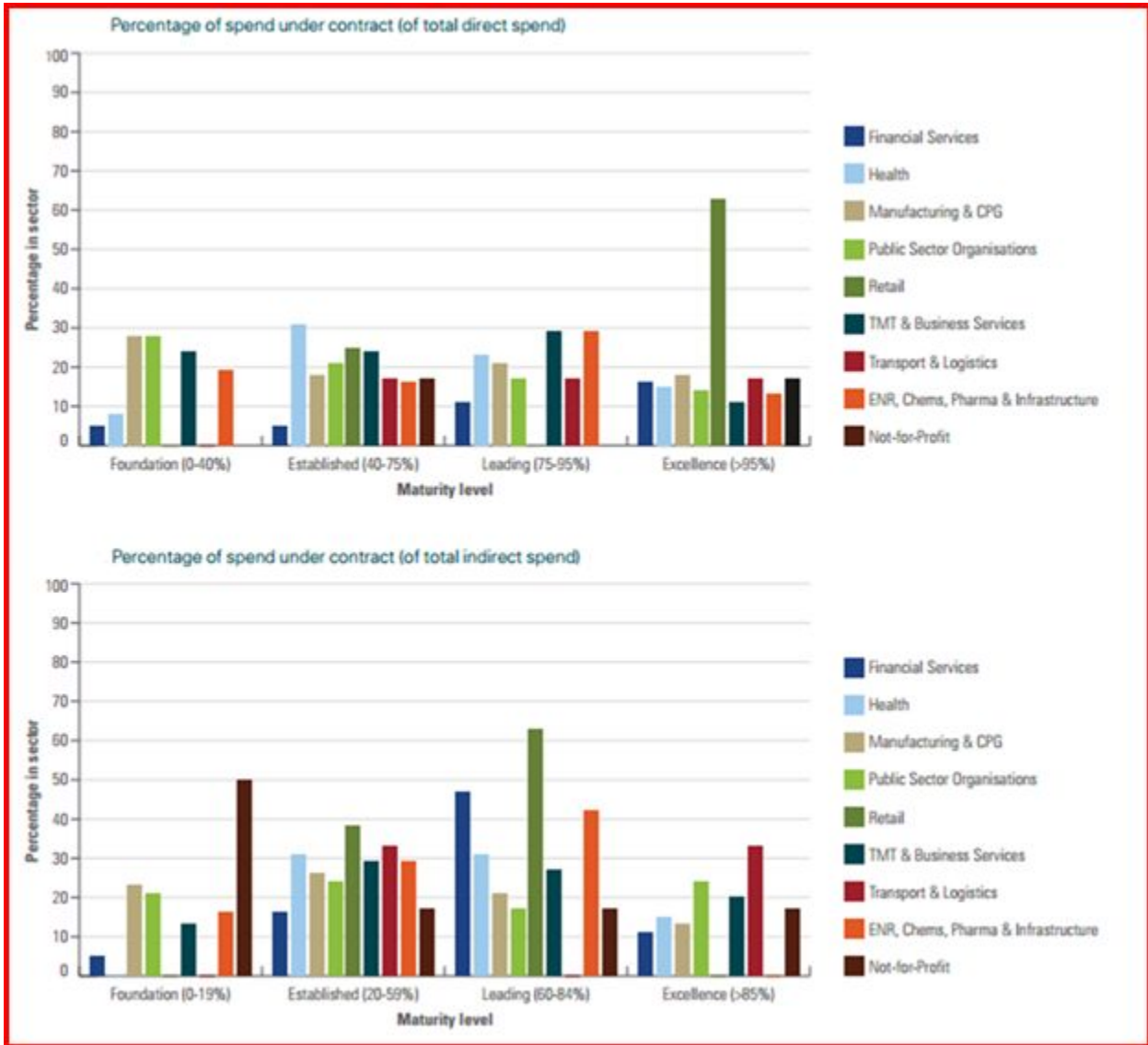


Figure 12 – Percentage of Spend (Direct and Indirect)

Has the KPMG data established that there is a trend? Has it clearly established that industry is beginning or has shifted and adopted SS as a wide model being used throughout or has it just merely point out that it is a work in progress and that such change does not occur instantaneously but establishes a foothold that becomes more pronounced, useful and widely adopted as time goes on. Clearly there are limitations to data availability or journal articles that speak to the growth of SS, or for that matter CM, except in the most generalized terms. This limitation may be a direct result of a lack of importance that SS still plays in key industries or may be because the adoption of its importance is still not widespread in the industry. Once again according to the KPMG charts some industries are adopting more quickly than others. It is also interesting to note that less than 75% of spend is under an active contract.

The KPMG survey indicates that Procurement functions still do not have a strategic role and generally are still not considered as a true business partner to the organization. This tells us that organizations usually bring Procurement into the mix either to close the deal or look at contract terms instead of engaging them in the early stages of the procurement process. You must wonder whether organizations are making effective procurement decisions, leveraging their spends and economies of scale and leaving themselves open to business and commercial risk.

I hypothesize that there is a trend occurring with SS, and that this profession is migrating its skillset. Identifying this trend will show that SS is having a direct impact on the organization, raising procurement stature and organizational importance while improving efficiency; confirming the impact to the bottom line which is a profit driver for the organization. This is not an easy task given the information currently available on the internet and what may be construed as the lack of quantitative data to support such a movement. As we know there is ample qualitative data in the form of opinion. To answer our questions we will need to look at SS in depth to determine why organizations are moving in this direction and what has been the impact on the employer in terms of their needs when advertising for positions in the procurement profession. What tools have been introduced that take the traditional procurement professional out of his or her element to qualify SS as an advanced initiative? We will look at the literature available and provide a chronological review portraying the growth and maturity of SS as a modern day supply chain management methodology. Just what SS introduced to the supply chain management discipline that would require a new breed of purchasing professional with an enhanced skillset and show that certain key words stress the changes that are occurring, at least from an employer perspective.

To validate quantitatively that there is direction and movement to a SS model this project will look at a small sample of the current procurement jobs available in the Canadian market. This sampling will look at the positions being searched for but more importantly, we will look at, through a keyword search using TagCrowd the propensity of keywords being used and whether they support that there is a shift to SS or CM as a strategic model at least in terms of the wants as described through the requirements of the job description by potential employers. This research may support a shift, or it may support that titles have only changed or for that matter it may face limitations imposed by the individuals who write these postings, without knowledge or purpose when defining the detailed skillset required by today's procurement professionals. Therefore, by any measureable means, there will be limitations in the use of such a model to support a change in direction to an SS model although such an analysis should support the importance of certain keywords to today's employers.

HYPOTHESES

Our hypothesis suggests that the prevalence of specific keywords in job descriptions indicates a shift in the skillset of procurement professionals to a more specific SS model. This is how we will explain or support the phenomenon that there is a shift in the marketplace toward SS.

METHODOLOGY

Appendix A – Strategic Sourcing Job Descriptions and Appendix B – Category Management Job descriptions provide a small sampling of the various positions available to our research survey as illustrated in the Figure 13 below snapshot.

Strategic Sourcing Keywords											
Procurement Position	Employer / Headhunter	Location	Sector	Sourcing	Strategic (Strategies)	Supplier - Vendor	Management / Managing	Experience	Skills	Procurement	Contracts
Sourcing Manager - Capital Equipment	Maple Leaf Foods	Ontario	Food	9	4	-	9	5	4	5	4
Specialist – Strategic Sourcing Indirect	SNC-Lavalin	Quebec	Construction	4	-	-	4	-	4	7	4
Strategic Sourcing Buyer	Price Industries	Manitoba	HVAC Manufacturing	2	3	4	-	5	2	3	4
Strategic Sourcing Manager	tclus	Alberta	Communication	22	12	6	14	20	8	10	-
Strategic Sourcing Manager	JD Irving - Cavendish	Alberta	Food	4	-	5	1	2	-	-	-

Figure 13 – Snapshot of Appendix A – Strategic Sourcing Keywords

As you can see the focus is on the Procurement Position, Employer, Location and Sector highlighting the keywords that are most used, specifically the number of times the keyword is used within the job description. A quick look at the numbers indicated in Figure 13 suggests that the keyword “Sourcing” appears 22 times in the job description. That “strategic” occurs 12 times, “experience” 20 times and “procurement”, 10 times. This methodology does have its limitations as we only are looking at keywords that focus on SS and CM. Not only that the data collected is only as good as the specifics in the job description and depending on employer and/or writer of the job listing the keywords can vary from employer to employer as well as province to province. The number shown highlighted by font size in Figure 13 indicates the actual times the keyword is used in the body of the job description excluding the title and any other extraneous verbiage that is not focused on the job description. The job description for the most part captures profile, roles, responsibilities, qualifications, and education, extrapolating this data by usage of keywords as illustrated by an example job description and TagCrowd keyword snapshot in Figures 14 & 15 shown below. This example shown illustrates the methodology used to capture the data in Appendix C which is tabulated in Appendix A and Appendix B. Where similar words come up such as Strategies or Strategic and Supplier and Vendor the resulting numbers have been combined and totaled to indicate similarity of function.

Strategic Sourcing: A Paradigm Shift in Supply Chain Management

<p>The Strategic Sourcing Manager (SSM) for Global Services (Systems Integrators + ITO) is a critical and senior role within the Global Services Procurement team. The SSM has enterprise accountability for developing, prioritizing and successfully negotiating holistic sourcing strategies and agreements within the Global Services (Systems Integrators + ITO) spend category which will optimize cost and flexibility, drive ongoing performance from the supply base, and maximize overall value for money to TELUS throughout the sourcing life cycle.</p> <p>The SSM for Global Services (Systems Integrators + ITO) will use their in-depth market knowledge in IT Systems Integrator Professional Services sourcing to develop and disseminate world-class approaches to spend management. Additionally, the SSM will provide counsel and leadership to other Procurement team members.</p> <p>In addition, the SSM for Global Services (Systems Integrators + ITO) will support the Director – Global Services Procurement in all aspects of strategic category and supplier management and optimization, creating strategy development and evaluation in close collaboration with the leadership team, responsible for other spend categories as well as, with all senior business stakeholders of the Global Services (Systems Integrators + ITO) spend category -- primarily TELUS DT and TELUS CTO. The role also includes corporate-wide and proactive, internal sourcing opportunity identification, development – realization through leadership of high-priority RFI, RFP, RFQ, and other relevant sourcing, pre-sourcing and post-sourcing activities throughout the procurement lifecycle.</p> <p>Responsibilities: Accountable as a single owner at TELUS for key strategic sourcing spend in the spend category of Global Services (Systems Integrators + ITO) (both internally to business unit leaders and externally to service suppliers) Create and lead medium to large, medium-complex strategic sourcing initiatives to optimize category spend and minimize related risks (7-10 major projects per year, plus many smaller ones) Provide strategic and market insights on transactional movements in annual spend associated with the specific category and/or with strategic suppliers within the Global Services (Systems Integrators + ITO) sourcing category Identify/drive/deliver/manage strategic approach to achieving annual Total Value of Ownership and value-for-money targets, track and manage results, take remedial actions, present updates, analysis and recommendations to senior management Accountable for successful delivery of all strategic sourcing, event spend negotiations objectives and outcomes, incl. benefits realization, regular performance reviews, additional business development Maintain and disseminate latest category related market trends and insights Mentor and educate other team members in procurement concepts, financial analysis, strategic sourcing techniques and practices, and world-wide market local practices Lead junior category team members in day-to-day execution of contracting + smaller negotiations + contract approvals + supplier contract/ negotiations related issues resolution, in alignment with TELUS sourcing and other relevant policies, standards, templates, etc.</p> <p>Qualifications Required Knowledge: Deep knowledge of Strategic Sourcing principles in IT Services/ Systems Integrator Services, other Professional Labour Services across towers and business process functions/ transactions, preferably in global or dual/multi-shore sourcing context; contractor Program (MSP/VMS) sourcing + management experience + plus, to allow overall, collaborative Labour Services optimization with Contractor FMO peer/ other category peers</p>	<p>Superior ability to influence and build relationships (both internally and externally) at all levels. Experience with formal Services Supplier Governance Experience executing against a Sourcing Execution Framework + developing + subsequently executing against a category-specific S2E Source-to-Pay Strategy IT Software + Hardware procurement experience and insight plus Required Skills & Abilities: Superior negotiation skills Superior organizational, prioritization and time management skills Proven leadership, consultative and motivational skills Strong project management skills; ability to effectively lead, manage and facilitate small to medium size, cross functional project teams. Strong quantitative and analytical skills; demonstrated data analysis capability Strong financial and financial modeling acumen Ability to work effectively and comfortably with executives in an organization Excellent problem solving, strategic thinking, planning and decision making skills Ability to maintain perspective and confidence in local difficult contract negotiations, tight deadlines, and client expectations Strong verbal and written English communication skills Required Professional Designation/Certification: PMAC (if applicable) or comparable certification plus Formal training + working level experience on sourcing tools, SAP or another similar ERP system Formal training + working level experience with Procurement Procure-to-Pay systems/ processes/ policies/ solutions Experience in Account Management or Business Development related positions, plus Experience working on Business Development/ Sell side of Global Services for a major IT/ Systems Integrator or BPO Services Provider + plus Education: Bachelor's degree (MBA preferred) and 0+ years of equivalent experience in sourcing/ procurement/ vendor management or line function or sourcing/ procurement related consulting/ advisory Required Experience: Relevant experience in large consulting firm + plus Strategic Sourcing training and experience Negotiations and Contracting training and experience Proven experience in buying, deal and leading major end-to-end sourcing events Experience creating and leading the implementation of a medium to large offshore initiative (related to IT Services outsourcing, external major IT staff augmentation, or the outsourcing of a critical business process/ transaction), preferably to an offshore or dual-shore delivery center Strategic sourcing experience Supplier development/ management/ monitoring experience Risk management experience Relevant experience working in a fast-paced, complex environment within a large corporation Procurement/ Sourcing experience in telecom/ communications provider setting a definite differentiator plus; financial services industry also interesting</p>
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Figure 14 – Strategic Sourcing Manager – Telus Job Description

There are additional limitations in that we are not looking at the entire verbiage in the job description nor are we looking at all requirements as some of the words may only be used one time, or twice so it is important to understand that the roles and requirements certainly focus on more than the keywords.



Figure 15 – TagCrowd - Keyword Search by Frequency

As you can see in Figure 15, all one has to do is drop in the content into the Paste Text box, pick your parameters such as number of words shown and frequency (not shown) and then hit the Visualize button. The program TagCrowd will then extrapolate the words from the content and display the frequency in which they appear. Our example

chosen in Figure 13 – Appendix A correlates the data displayed in Figure 15, from the content pulled in from Figure 14, also shown in Appendix C.

We will look at the elements of SS and its key success factors and correlate how the introduction of new analytical models have put demands on purchasing professionals to be more educated and skilled at their profession. We will show that SS is not just about saving money or understanding your spend but that it is also about your customer and your supplier. And that understanding your supplier requires an understanding regarding market intelligence leading to the use of a SWOT analysis, where Porter's Five Forces Analysis comes into play and how we use the value chain to our advantage. Finally we will look at where this takes us presently, where it takes us in the future and whether SS has contributed to purchasing becoming a discipline that is trusted and understood at the highest ranks of an organization.

5. STATEMENT OF RESULTS

As the saying goes "With knowledge comes power", author unknown. We may make assumptions around the KPMG study that elude to a slow but sustained shift occurring leading to more adoptions of SS throughout the business world. Given that it can take years to implement a change, technically and culturally, it is not unrealistic to assume that change will continue. There will progressively be more adoption of SS in procurement field throughout industry and the skills to provide the deliverables will continue to grow with procurement personnel at all levels.

The research focused on business job description needs that support a substantiated viewpoint that certain skills are being asked of procurement professionals. It is meant to at least point to the procurement professional today being a multi-faceted individual, well-educated, who understands that SS is only beginning to be nurtured by business, and aligned as a driver to achieve the strategic business goals of an organization. The research has pointed to key words being used such as management, procurement, supplier, sourcing, experience, strategy and in the case with CM a focus on the word category as well as both espouse contract knowledge. But as our key word search has shown using Tagcrowd, other words come in our visualization of keywords, such as systems, execution, development, team, business and ability to name a few. Each adds further to the identification of a broader skillset to support SS or CM. This research has revealed evidence that employers are asking frequently through their posted job descriptions that the procurement professional must have certain skills be part of any SS or CM role. We may be able to infer from such data that we are moving away from a traditional, transactional purchasing acumen. Today's procurement professional is more attuned to being a business professional with a focus on procurement.

6. ANALYSIS

There are limitations to this research. Did we provide enough historical data that would tell us that there is a movement to SS and CM? Again we did not look at the other job descriptions in procurement field that did not use SS or CM in their title. And there are definitively jobs like this out there, but all they extoll to the writer is that we still have

some distance to go before organizations in general become more proactive in their adoption of SS and CM. That yes...some organizations are stuck in the past and are unsure of the value a strategic shift brings to an organization or simply are unaware of the value strategic procurement can bring to the organization. Given the number of various procurement type positions, the nature of the industry and the search algorithms used it would be difficult to pinpoint the percentage of SS and CM positions as a percentage of the total procurement positions being offered. This is another limitation of the process being used.

Our analysis has brought forward key words that are more pronounced at various levels of an organizational chart. A Strategic Specialist does not have or need the same skillset as a manager and a Manager does not need or have the same skillset of a Director. But we can also see that the skills tend to be evolutionary and growing as an individual moves up the organizational divide. From our research we can start the development of a competency framework that will allow us to see the key words and their relevance at each level of a career.

THE COMPETENCY FRAMEWORK

We can show how our research has led to a Competency Framework but are limited in that we cannot show the evolution of this framework over time, as we would need historical data over a decade to clearly indicate a pattern and shift in competency requirements. Therefore the Competency Framework subject of our research will show a moment in time.

The literature review also provides information to support the keywords that are being used as part of our Competency Framework. We can develop criteria that show that at each stage of the development of procurement professional, from Level 1 to 5 additional skills are required in order to meet the needs of fulfilling the role in question. We have devised our Competency Framework looking at SS individuals starting at a buyer/specialist and moving our way along the evolution to a Manager and ultimately a Director, all focusing on Strategic Sourcing. The same can be said for CM but we have not provided a Competency Framework for such given that CM in essence is a subset of SS further delineating categories and their spend.

This competency framework will set out the core and technical capabilities that are expected of an SS or CM practitioner and some if not all the positions they apply to. It is not the intent of this paper to cover off all procurement positions as it is a vast field that is in flux and continual changing. And this framework is only meant to be a guideline but does go beyond mere qualifications focusing on competencies which are a requirement to master the positions being offered in SS and CM. A competency framework will assist an organization to identify competencies required to perform SS or CM. As well it will help identify the competencies for career development. And lastly provide a basis for identifying competency gaps for the purposes of planning so that an organization will

understand the skill sets required when upgrading to a SS or CM model. The competency framework is illustrated in Figure 16.

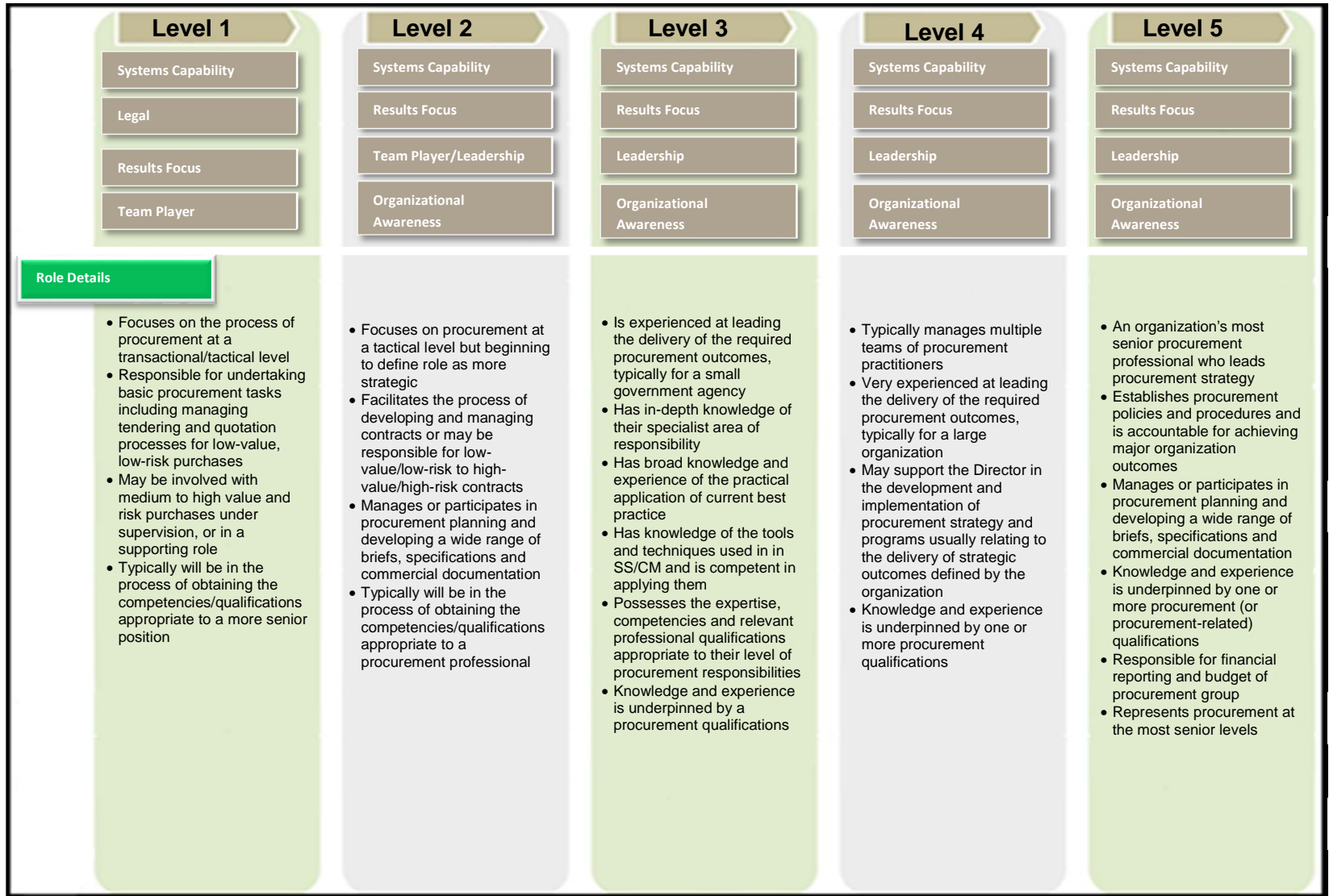
Figure 16 - Competency Framework

	Level 1	Level 2	Level 3	Level 4	Level 5
Profile	<ul style="list-style-type: none"> ➤ Strategic Sourcing Specialist ➤ Buyer, Strategic Sourcing 	<ul style="list-style-type: none"> ➤ Senior Procurement Officer 	<ul style="list-style-type: none"> ➤ Manager, Strategic Procurement 	<ul style="list-style-type: none"> ➤ Senior Manager, Strategic Sourcing 	<ul style="list-style-type: none"> ➤ Director of Strategic Procurement
Sourcing	Focuses on procurement from a transaction/tactical aspect but is beginning to understand strategy. Takes on small to medium sourcing requests.	Understand tactical but also understands the sourcing needs of the organization. Can follow process as defined and can do most of the steps required, although may need guidance. Sourcing requests are large in nature and tend to be complex.	Understands the sourcing strategy from start to finish. Can develop process, provide tutoring on all aspects of process, contribute to and write policy and evaluate performance of subordinates.	Well-developed skills around sourcing strategy. Understands process end-to-end and can be an advocate for other manager needs. Also a mentor around process providing guidance where needed.	Develops the process and provides strategic sourcing overview for the organization. Is considered the expert around sourcing strategy and therefore is always looking for updates and trends in the field.
Strategic	Rudimentary input into strategy. May have taken some courses	Starting to think critically, looking to understand how to tie things together around procurement and the business needs.	Has a thorough strategic viewpoint by providing insight. Works strategically with all categories and suppliers.	Leads and develops strategy by providing insight and direction advise. Seen as an experienced team player with strategic knowledge.	Develops strategy and makes sure that the procurement plan and strategy is aligned with the business needs. Espouses to subordinates the strategic sourcing viewpoint.
Supplier	Works with suppliers on projects, develops relationships and troubleshoots problems or escalates.	Further develops relationship with suppliers. Starting to look at supplier as crucial link in the evolution of strategy and procurement.	Understands the complex arrangement between procurement and the supplier Promotes/encourages supplier development	Looks to continuous improvement and development of supplier as a partner Beginning to understand the strategic implication	Understands Supplier relationship management Look at supplier as a key member of the team, a partner for innovation and strategic to procurement and organizational needs.
Procurement	Awareness of procurement processes. Involvement in supporting/administrative capacity, in line with pre-determined rules and under close supervision. Able to place orders within the framework of national/local agreements. Obtains two to three written quotes for low value goods or services where no contract exists.	Apply basic procurement processes to routine procurement situations. Some experience of negotiation, but requires support. Experienced enough to know when to seek help or advice. Draft basic tender documentation ensuring appropriate terms and conditions and pricing requirements are included. Ensure tender queries are answered accurately and promptly & evaluated fairly.	Familiar and comfortable with all aspects of procurement processes. Understands the components of an output based specification and take the lead on procurement aspects as part of a cross-functional team. Experienced in negotiating high value contracts, commanding credibility and respect externally. Mentors, advises and leads team.	Expert on all aspects of procurement processes, through experience and knowledge. Apply judgment to determine how best to apply processes to secure best value in any particular set of circumstances. Direct and coach others, command credibility with stakeholders and suppliers. Determines most appropriate procurement strategy and makes recommendations to senior stakeholders.	Writes policy, sits on senior executive team. Understands and directs overall procurement strategy. Advises where appropriate to stakeholders. Sits on committees and builds the organizational structure and training to accommodate the skills as required on the procurement team.

	Level 1	Level 2	Level 3	Level 4	Level 5
Management	<ul style="list-style-type: none"> *Very little management skills although interfaces with transactional staff *Does not manage directly *Recognises wider priorities, can plan work (of a small team) accordingly to meet team or departmental objectives *May seek guidance 	<ul style="list-style-type: none"> *Beginning to develop management skills *Has delegate experience when manager on holidays *Understands the need to support colleagues in ensuring that team objectives are delivered *Prioritises own, and any team workload in line with the overall management needs and priorities 	<ul style="list-style-type: none"> *A good team player that can effectively prioritize workload across a department or number of procurement teams *Monitors progress and adapts plans to ensure objectives are met *Aware of the need for, and contributes to, continuous improvement 	<ul style="list-style-type: none"> *Possesses complete understanding of how procurement is aligned to the organization's business strategy in terms of priorities and needs *Is able to agree plans and ensures pro-active performance management against milestones 	<p>Overall responsibility for the procurement team or category</p> <p>Management experience honed by experience and delegates responsibility to managers</p> <p>performance review of senior staff, overall budget and responsible for meeting business goals</p> <p>Has high levels of knowledge and understanding of the deliverables and performance of procurement both within and outside the organization in order to meet strategic outcomes</p> <ul style="list-style-type: none"> *Responsible for management of change within the procurement function
Qualifications	Working on Supply Chain Management Designation (SCMP) – taken core courses Degree or equivalent experience	SCMP Designation complete Degree or equivalent experience	SCMP Designation Undergraduate degree Working towards Master's in Business Administration (MBA)	SCMP Designation Undergraduate degree Completed Master's in Business Administration (MBA)	SCMP Designation Completed Master's in Business Administration (MBA) Taken Strategy courses - advanced level
Experience	1 -3 years	3 – 5 years	5 – 7 years Can apply Trade Agreements to daily work	7 – 10 years Understanding of all Trade Agreements and can provide advice on topic	10 + years Thoroughly familiar with all trade agreements, Agreement in Trade (AIT), New West Agreement, NAFTA & WTO
Decision Making	<ul style="list-style-type: none"> *Can make tactical decisions that impact on their own work directly, while not deviating from agreed procedures *Displays sound judgment 	<ul style="list-style-type: none"> *Considers broad tactical issues, and takes input from others in the development of tactical decisions that impact a work group *Displays sound judgment 	<ul style="list-style-type: none"> *Applies analytical techniques in decision making process *Can resolve more complex issues that cross a number of work groups *Displays sound judgment 	<ul style="list-style-type: none"> *May be a key decision maker for a department or organization *Will make internal or external policy decisions within scope of legislation *Displays sound judgment 	<ul style="list-style-type: none"> *Key decision maker for a department or organization, or public sector Centre *Will make internal or external policy decisions within scope of legislation *Displays sound judgment

	Level 1	Level 2	Level 3	Level 4	Level 5
Category Management	Limited role within CM as does not understand the complex relationship around categories.	Understands the principles and processes of category management and the benefits and constraints of taking a category approach. Organize requirements into appropriate categories and undertake basic spend analysis.	Understands the principles of market shaping and developing supplier capability. Is aware of the importance of data analysis, stakeholder requirements, and category management tools and techniques. Assist in the preparation of category strategies	Undertakes Strategic analysis including suppliers, supply markets and category research to develop and inform category management plans. Identifies risks and issues. Identifies and instigates collaborative opportunities. Prepares detailed category strategies.	Experienced in all aspects of category management. Effective in promoting the benefits of category management to senior stakeholders. Implements category management solutions and drive through benefit realization plans. Strategically influences the requirement, challenging want over need.
Project Planning	Basic understanding of the formulation, key components and use of the project plan.	Able to contribute to the development of a project plan, including identifying risks, key outputs and deliverables. Able to use basic project planning tools e.g. Gant charts	Competent to oversee all facets of the project cycle, ensuring proposals are realistic and manage processes to accomplish full completion of the project. Understand the formulation, key components and use of the project plan. Establish the minimum time necessary to complete a project by calculating the longest sequence of activities.	Able to develop and review a project plan. Applies project management methodology Able to identify resource requirements. Feeds back lessons learnt.	Suitably qualified and experienced to act as a single focus point and manage the department's interest in the project. Assess performance costs and outputs independently against project plan and take necessary measures to improve future outcomes. Encourages the application of the necessary project management approach and puts necessary steps in place to ensure staff are sufficiently trained
Relationship Management	Limited awareness/understanding of supplier / customer relations. Supportive/administrative involvement only, under close supervision.	Interface with suppliers and customers in a professional manner on basic issues under guidance. Understands the principles of strategic and non - strategic customer and supplier management. Knows when to seek support.	Identifies resolves and records any issues in supplier performance and escalates where necessary. Provides a consistent, professional, and quality service to customers. Able to use and generate reports on supplier performance using Supplier Performance Management.	Experienced and skilled in dealing with customers and suppliers at all levels, so that they feel both valued and satisfied. Commands customer respect and creates confidence that excellent service will occur. Manages strategic and non - strategic supplier and customer relationships effectively. Ensures that benefits to the organization are fully realized.	Experienced and skilled in all aspects of pro-active supplier and customer management. Effective in promoting procurement influence. Develop and implement high level relationship management strategies that deliver benefits to the organization. Measure the value added service provided. Develops strategic partnerships with key suppliers





Competency Framework. Adapted from Morley, Vivienne. (2011). Competency Framework. Procurement.Govt.NZ. Retrieved on May 30, 2014 from <https://www.business.govt.nz/procurement/pdf-library/agencies/procurement-academy/Competency%20Framework%20-%208%20Nov%20final.pdf>

7. RECOMMENDATIONS

“Strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. Strategy requires you to make tradeoffs in competing---to choose what not to do.” (Porter, 1996)

An analysis and understanding of our research questions requires that we develop a number of recommendations leading to SMART objectives utilizing tools for developing strategy (Grant, 2008). Most organizations simply put, make money by increasing revenue usually through price increases or through increasing volumes. They decrease costs by decreasing the number of employees, reducing the cost of processes/waste and of course from a procurement perspective, by reducing the cost of goods and services.

MOVING TO A STRATEGIC SOURCING MODEL

Recommendation #1	
Senior management needs to understand the benefits of SS and a broader CM model versus a traditional purchasing model.	
Key Component	Objective
Specific	Identify the key benefits that would be derived if an organization fully moves to a SS or CM model.
Measurable	The benefits are quantifiable and measured through a return on investment (ROI) and Key Performance Indicators (KPI's)
Achievable	Yes – if the organization wishes to provide support in terms of initial resources and funding.
Realistic	More and more organizations moving in this direction so yes this is realistic
Time-Bound	3 months to complete

Before considering a SS model an organization’s senior executive must understand the benefits and advantages of procurement’s role in general and what this model brings to the table. The development of a business case in this regard can help clearly identify the cost/benefit to any decision being made. The overall goal of any strategic sourcing initiative is to achieve large and sustainable cost reductions, long-term supply stability and minimization of supply risk (Deloitte, 2014). SS is not a new process having evolved from the mid 1990’s but what clearly needs to be pointed out to executive at all levels is there are clearly defined benefits to an organization over time with the view of maintaining a competitive position. To be successful with this model a buy-in is required at the highest levels of the organization and an understanding that SS leadership is viewed as a driver and equal to any member of the senior leadership team. Many organizations use SS as a tool to optimize process in order to gain a competitive advantage, deriving benefits such as follows (QME, 2014):

- Goods and services purchased at lowest possible price or based on best overall value
- Price stability through reduced cost overruns on contracts in progress
- Assurance of being able to count on solid, reliable suppliers that will not tarnish your business reputation
- Better utilization of specialized internal sourcing resources
- Concentration of business intelligence on supplier markets, both domestic and foreign, leading to better decision making
- Implementation of a more efficient process thanks to standardization according to best practices and to the use of customized information systems
- Development of a three- or five-year strategic sourcing plan integrated in the company's overall business planning and objectives
- Definition and reinforcement of a competitive advantage by sustaining the innovative process
- Structured planning of business continuity and supplier risk management
- Sourcing stability reducing risk of disruption in flow of materials

Therefore SS drives dollar savings, process improvement, improves stakeholder, user, customer buy-in to results, improves service levels, quality and availability and fosters supplier innovation and capability. The SS impact on profitability is undeniable in today's competitive reality but the success of SS hinges on senior management's commitment and on the SS team's know-how and leadership.

Should the organization wish to go beyond SS and define a broader scope using CM, Port Macquarie, 2013 indicates that there can be more defined benefits that can be derived as listed.

- Detailed spend analysis;
- Deliver initial savings typically in the range of 5% - 7% dependent on the category;
- Ensures all benefits from any awarded contract are realized;
- Reduction or elimination of avoidable spends;
- Consolidates spend across the supplier base per category;
- Highlights the criticality of certain categories to the delivery of outcomes for the organization;
- Improved ability to manage and exploit changing market conditions;
- Supplier consolidation;
- Leveraging of internal resources;
- Creates value and minimizes procurement risk through increased procurement planning;
- Improved service levels from suppliers to the organization;
- Stakeholder buy-in to the process and results;
- Enables supplier capability development.

Many of the benefits are similar and are somewhat dependent on where you place your emphasis, either SS or its sub-category CM. Achieving the maximum benefit from CM

model may depend on whether you move from a decentralized to a centralized model if your organization has multiple facilities or business units. CM seems to thrive on a centralized model by allowing an organization to leverage their corporate spends across the entire organization, drive standardized purchasing while ensuring standard tendering and contract processes. Of course a centralized model does have some disadvantages and will not meet the needs of all organizations. One major disadvantage is the lengthened procurement process cycle due to the number of requests being envisioned and complexity created by doing process on a larger scale. In actuality, most effective models tend to be a mix of centralized and decentralized models.

As mentioned a CBA is another management tool that can be used when developing a business case to support a go/no go decision. CBA is a useful tool in aiding the decision making of a project (O'Grady, 2013). Positive factors minus negative factors equals project viability or the project success probability, equally as important when making a decision amongst the many other uses this tool has. It can help define objectives and put in place metrics to define success. And we must be clear that although there are many benefits to moving to SS and there are certainly costs as well. The expectation is that procurement will derive benefits almost immediately for any organization even as they build this new model. We will need to understand the following (The Management Tip, 2014):

- Understand the cost of status quo. You need this to measure the relative merit of an investment against the "do nothing" option.
- Identify costs. Consider up-front costs as well as any in future years.
- Identify benefits. Ascertain what additional revenue will come in from the investment or other quantifiable benefits.
- Determine the cost savings. What can you stop doing if you make this investment?
- Create a timeline for expected costs and revenue. Map out when the costs and benefits will occur and how much they will be, and lastly
- Evaluate non-quantifiable benefits and costs. Assess whether there are intangible benefits such as strengthening your firm's position with your stakeholders and/or suppliers, or costs such as creating unnecessary complexity.

Whether a private or public organization, organizations have been forced through a loss of revenue, budgetary constraints or through recession to tighten their belts. And look to other means to provide better overall efficiency or to reduce costs. And this is where a change to SS or CM can be very beneficial to an organization assuming we can get senior leadership to understand the positive impact SS can have on their budgets and costs over a short period and that there is no gain without a little bit of pain, sometimes a great deal of pain. As we have mentioned, SS can rationalize the sourcing process from a holistic total cost perspective (Accenture, 2012).

Recommendation #2	
Undertake an assessment of the current state of the organization’s procurement capabilities.	
Key Component	Objective
Specific	Are we prepared to move to an SS model under the current organizational structure?
Measurable	Provide a high level SWOT analysis of current state and undertake a gap analysis.
Achievable	The tools should provide guidance and allow us to ascertain our capabilities logically. By providing workshops, surveys, questionnaires and a capability assessment.
Realistic	A realistic view will be achieved allowing for a plan and structure to be put in place to move us forward.
Time-Bound	6 month target for completion from start

A capability assessment can be determined by asking questions around a number of building blocks in order to gauge maturity of the organization’s capabilities. The building blocks would represent the following and be graded from 1 to four with 4 being the highest level of maturity. The building blocks looked at were: 1. Leadership and influence, 2. Procurement strategy and organization, 3. Process and Governance, 4. People and Skills, 5. Supplier Management, 6. Use of technology, 7. Sourcing and Collaboration and 8. Triple Bottom Line (TBL) (Port Macquarie Hastings, 2013). Figure 17 provides a visual representation of the grading.

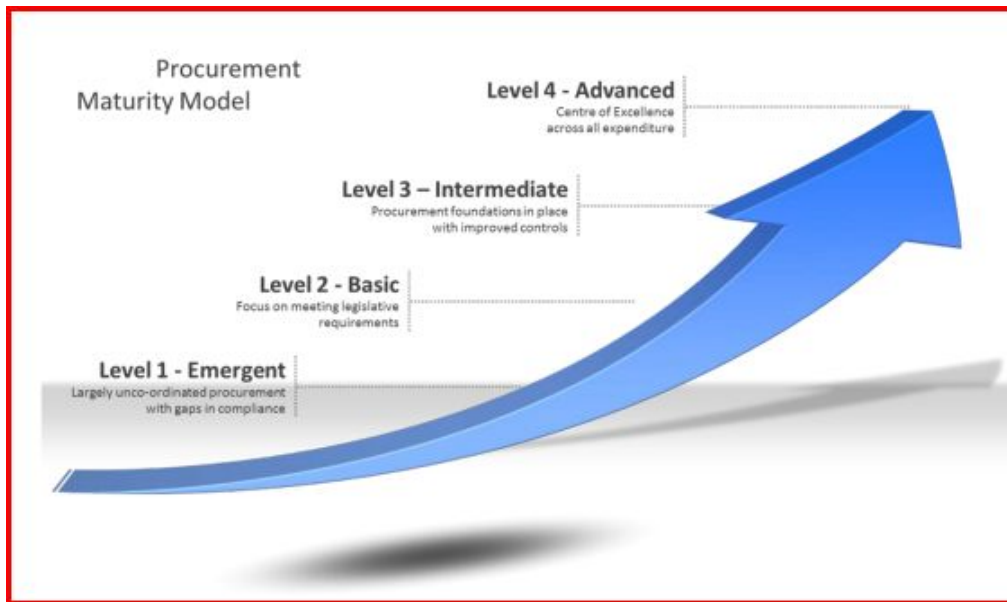


Figure 17 – Procurement Maturity Model

Port Macquarie Hastings. (September 2013). Procurement Strategy. Retrieved on August 12, 2014 from <http://www.pmhc.nsw.gov.au/files/assets/public/about-us/what-council-does/working-with-business/procurement-strategy.pdf>

Further to this point, a full capability assessment must be developed using a SWOT analysis of the current procurement practices. Given that most organizations have varying procurement models in place in some form, some simple and traditional and some very complex, the situational analysis as part of this research paper is general in nature. It does however provide insight into the type of SWOT analysis that may be envisioned. Remember what we are trying to do is determine the current state of an organization’s procurement department in order to derive a strategic procurement plan going forward. In order to do so we need to know where we are presently and what we will need to put in place to get us to the next level, in terms of processes, tools and capabilities. The below analysis can help us to answer some of these questions.

		Positive	Negative
Internal	Strengths	<ul style="list-style-type: none"> * Established processes & procedures; * Existing centralised procurement model; * Political support; * Senior Management support; * Robust budget development process; 	Weaknesses
			<ul style="list-style-type: none"> * Large number of suppliers to manage; * Large number of staff to re-train; * Poor use of technology; * Regional location; * Lack of procurement planning; * Limited performance against contract reporting available; * Limited visibility on total procurement spends; * Limited understanding of & experience in operating with a commercial focus
External		<ul style="list-style-type: none"> * Savings in dollar terms; * Productivity gains; * Improved use of technology; * Supplier rationalization; * Improved contract management capabilities; * Supplier development at a local and regional level; * Potential to collaborate with other organizations; * Leading edge to drive greater commerciality throughout the organisation 	
	Opportunities		Threats
			<ul style="list-style-type: none"> * Staff resistance to change; * Lack of internal political will to support implementation of the strategy; * Limited time to achieve long-term results; * Lack of resources to implement the procurement strategy; * Lack of competition between suppliers;

Figure 18 – Traditional Procurement SWOT Analysis

Recommendation #3	
Develop a SS/CM implementation and procurement plan for the organization	
Key Component	Objective
Specific	To make sure a SS or CM model can be implemented successfully and strategically
Measurable	Milestones will be determined and monitored to ensure progress.
Achievable	Yes – achievable but requires a plan and commitment by organization and is time based.
Realistic	Yes – but may need the help of a consultant as support or project manager
Time-Bound	Completion over 3-5 year plan.

The key to any successful change in an organization is to develop a concise action plan with a roadmap that will allow you to successfully implement your strategy. Without this, success cannot be guaranteed and a roadmap in itself will also not guarantee success, just allow us to estimate completion times for each segment of the project. As well, any organizational plan requires a timeline and above all senior management buy-in for the long term. Meaning, there will be occasions when things may not seem to be going well but the organization must persevere in order allow the plan to run its course. Should the obstacles become too great than management may need to re- evaluate and reconsider the change or change direction.

To start with an organization must understand their value proposition. A value proposition increases the chance of senior management support and of funds being provided, reduces the resistance of stakeholders and possibly the most important aspect, provides clear direction to procurement staff has to what the organization is trying achieve. As an example Health Shared Services BC's (HSSBC) value proposition spoke to reduced cost, reduced risk, increased predictability, increased capacity and increased opportunity, all noble attributes to strive for (HHSBC, 2012). In addition they added service quality, customer focus, continuous improvement, value for money, evidence based improvements, outcomes oriented and a commitment to employees. This value proposition is aligned to the vision and business goals of the organization. Therefore the objectives of a business-wide procurement strategy include:

1. Alignment of purchasing objectives and outcomes with the approved organizational vision,
2. A focus on value for money being sought through purchasing activity, and
3. Robust probity and accountability for purchasing outcomes (NZ Transport Procurement Manual, 2009).

This strategy will ensure that procurement practices contribute to the organization's vision and objectives, help obtain value for money from all purchasing objectives, help manage suppliers, manage risk around purchasing activities, and allow for the best quality of goods and services to be obtained.

According to Lynch (2013), procurement planning is the process of deciding what to buy, when and from what source while the Procurement Plan is the product of the procurement planning process. It is developed for a particular requirement, a specific project or for a number of requirements for one or more organizations.

The NZ Transport Procurement Manual broadly implies that a procurement strategy should be dynamic and updated regularly. It should consider the following areas:

- What is being purchased and why?
- What is the extent of competition in the market?
- What is the capacity and capability of the market to deliver the outputs?
- What is the capacity and capability of the approved organization to manage the procurement activity?
- How is it to be purchased, including the selection of a procurement procedure and its components (i.e. delivery model and supplier selection method)?

A procurement strategy should not be complex; it should be fit-for-purpose and must achieve the desired outcomes. A step-by-step process for achieving this goal would look something like this.

1. What are the organization's strategic objectives and its desired outcomes and where can procurement fit in to achieve them. Procurement planning must reflect the organization's vision, mission and value proposition as we previously discussed. Other key objectives are to enable continuous improvement, provide efficient and effective processes, implement effective risk management practices, enhance procurement capability, be accountable, establish economic and sustainability targets and put in place effective performance measures. Define the barriers to competition and understand how to reduce them.
2. Plan the upcoming procurement understanding the requirements and demand. Depending on the volume and type of demand you may require a complex or expedited process.
3. Understand the procurement environment by initiating an environmental scan of the market. There are three important areas to analyze.
 - The supplier market,
 - The organization's current spend, and
 - The impact on the competition that uses the same supplier market.

As well does the market have the capability and capacity to supply your needs? Who is in the marketplace? Are there any impediments to supply based on physical geography and will your outcome enhance or provide efficiencies in the market place over the long term. A procurement strategy will address the risks and benefits that the market may provide and there are multiple ways to acquire this information whether from current and potential suppliers, other organizations or by drawing on past experiences.

4. Understand the delivery methodology for the requirement being anticipated. All of the information gathered to date should be brought to bear including outcomes, characteristics and the environment. In a CM model you may categorize the requirements based on the type of demand. At this stage we need to understand how to bring value for money. We can do this by looking at the TCO instead of the lowest cost, by reducing the number of suppliers

thereby driving efficiency of selection, help others to enter the market thereby increasing competition, identifying the optimal delivery option for the good or service, reduce the total costs incurred by the market in responding to tenders and leveraging other organizations spend by aggregating volumes. We may also use procurement to drive a sustainable competition by just not looking at price but also innovation and better service levels.

5. Implement the procurement strategy. An implementation would need to consider the following:
 - Consideration of the approved organization’s capability and capacity to deliver its procurement process consistent with the strategy,
 - Consideration of the approved organization’s internal procurement processes,
 - Implementation of a performance measurement and monitoring framework,
 - Establishment of a communications plan, and
 - Obtaining internal approvals for the strategy.

We must understand that in order to obtain best value for money, an organization must have the right skills in order to deliver the procurement requirement; otherwise an organization could face financial and operational issues due to complex and lengthy requirements processes. Where appropriate, procurement should engage the supplier market from the onset of any strategy as a partner.

There is much to consider when developing and implementing a procurement strategy and no one plan fits all requirements. But as an organization who is developing a model there is a plan that will work for you and provide the results to drive the benefits that come from such a strategy.

PROCUREMENT SKILLSET AND THE SS MODEL

Recommendation #4	
Develop key employee skill capabilities concurrently with SS processes and tools.	
Key Component	Objective
Specific	Train employees at all levels to ensure capabilities match processes being put in place.
Measurable	Milestones will be determined and monitored to ensure progress.
Achievable	Yes – achievable but requires a plan and commitment by organization.
Realistic	A professional organization has been engaged and training for various processes being developed.
Time-Bound	Completion over 3-5 year plan.

An effective SS requires that an organization balance processes, organizational capabilities and technology (Rose & Oser, 2005). In other words you need to make sure that you put in place standardized processes with the tools to deliver them effectively

and efficiently while making sure you have the appropriate number of skilled personnel in place.

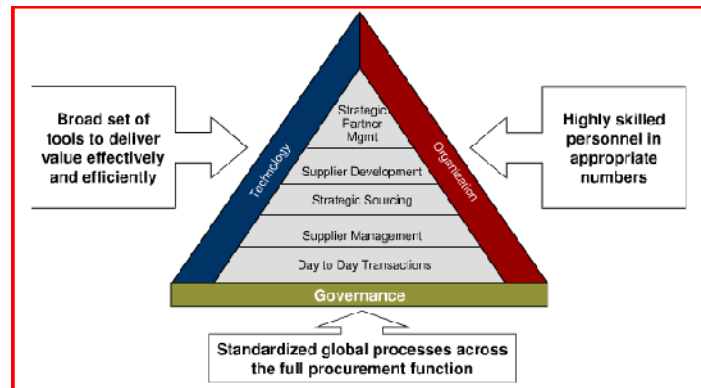


Figure X – Processes, Organizational Capabilities and Technology

Archstone Consulting. (November, 2005). Advances in Strategic Sourcing and Procurement. Slide 4. Retrieved on August 1, 2014 from <http://wenku.baidu.com/view/fb2d8f53f01dc281e53af0f2>

Few strategic procurement groups achieve this balance. Over 40% of organizations cited organizational capabilities as a significant obstacle to driving value. So why are capabilities lagging? Many organizations have developed processes and technology at the cost of organizational capabilities. In order to alleviate this issue an organization must focus processes and analytical skills, deploying the right people at the right level and by extending the procurement footprint throughout the organization. It is important firstly to strengthen supply market analysis and supplier relationship management skills while building consistent analytical tools, Secondly there should be focus for the workforce on strategic initiatives and a cross-functional team structure driving efficiency within the organization. And finally procurement needs to extend its reach across the organization forming relationships with not only the supplier but also constituents like stakeholders and customers.

“People side” factors contribute to, or limit, the value a change delivers to an organization (Prosci, 2014). Once again a cost-benefit analysis can be a powerful tool when discussing the value and importance of change management and its return on investment (ROI). We have pointed out that that new skills will be required to drive SS and CM, skills that may not currently be imbedded in an organization considering a change. A change requires individuals to do their jobs differently, it is how effectively those individuals make the change that determines the business value a change to SS or CM delivers to an organization. From a people perspective there are three ROI factors to consider:

- Speed of adoption - How fast do people adopt the new processes or behaviors?
- Ultimate utilization - How many impacted employees made the change (and how many did not)?

- Proficiency - How effective were employees at following the new processes or behaviors?

Armstrong & Daft in their book *Organizational Change and Theory* indicate that when an organization goes through a change in structure that the planned change based on Theory E which speaks to economic value, or shareholder value (Wheatley, 2006) can lead to downsizing and dismissal of employees. Ironically while workload increases in order for an organization to achieve competitive advantage, develop human resources skills and to emphasize to stakeholders and customers alike that the commitment to change will continue unimpeded. It is only in the latter years of the change cycle that organizations move to a Theory O model which addresses the organization's human capability where they focus on organizational development by integrating the interests and needs of the individuals to the collective interests of an organization. By this time they have weeded out the resources that will not be able to fit or succumb to the change occurring and this is where training and development begins to kick in full throttle. Again the writer experienced such a change management at HSSBC, an innovator in healthcare.

The demands for procurement professionals will increasingly become more complex (CIPS, 2012) with greater analytical and technical requirements. They will need to be competent internal networkers, data analysts, developers of global supply bases and attractors of innovation. CM will require an entrepreneurial streak and strong leadership skills. The profession will need people who are culturally aware, collaborative and who have developed strong leadership teams capable of spanning all needs. As procurement becomes more firmly embedded in the organization leadership programs will be needed and job rotation will become a requisite in order to become cross-functional. Having the right people in the right place with the right skills allows an organization to gain a competitive advantage and defines the organization's strategy. Some liken a procurement role in today's world as a culmination of several roles (Kohler, 2006).

8. CONCLUSIONS

Innovation in procurement has taken us away from traditional, reactive purchasing, to tactical purchasing and then moved us towards SS and CM. The future will lead us to further innovation down the road in order to make the "strategic" in SS and CM count for more.

This paper has shown us that there is a great deal of information available on the internet to support the direction of our paper and the relevance of our questions. There is a vision for procurement but as we have seen in this paper there is not wide-spread acceptance of the new norms and what they bring to the table, but instead we see a slow evolution to SS and CM. There obviously is reluctance or a total disregard to the potential benefits. Senior management from small to mid to large companies must begin to realize the important benefits that a SS or CM strategy can bring to an organization not unlike many progressive organizations have already done.

KEY FINDINGS

Our paper went to the marketplace in order to come up with some data that supported a shift to SS and CM. There is no question that many procurement positions focus on SS and CM, but we were unable to quantify how many positions in procurement as a percentage SS or CM contributed. This was definitively a limitation, however we were able to quantify the propensity of keywords used that pointed to SS. Our findings tell us employers are looking for advanced skillsets and a competency framework helps to back up these findings. Procurement has evolved to become more strategic and where there is a need to categorize, has done so through CM. We were also able to point out that a skillset in SS or CM is much more broad and requires more attributes and higher knowledge and that there are key benefits to an organization should they begin the journey to move to SS or CM, depending on their requirement.

STRATEGIC COMPLEXITY

Any SS plan goes well beyond the norms that traditional purchasing would envision. And therefore requires a thorough analysis of SS from initiation to final outcome. This total management concept requires that the purchasing professional use tools that currently exist in order to facilitate this process. As mentioned in our paper and by this writer this may encompass an analysis using tools such as a SWOT analysis, Porter's 5 Forces, the Kraljic matrix (segmentation analysis), CBA, GAP analysis and environmental scan as well as understanding risks any organization may face should they move to a SS model or the risks faced should they maintain status quo. Our results have shown that moving to an SS model garners any organization a more modern view of procurement, its strategic input, its role moving forward, and the essential contribution to the value chain potentially encompassed in a SS framework. Dominick, 2011 states that SS is not just about saving money, although it is important. To truly be strategic you must focus on the following:

- Reduce Risk – As a procurement professional you must ensure continuity of supply in the face of unexpected disruption due to natural disasters, political upheaval or any other event.
- Improve Supplier performance – Strategic sourcing is successful when you achieve cost reductions and an improvement in supplier performance.
- Innovate using the Supply Base – through a good sourcing process suppliers can facilitate innovative ideas.
- Support the organization's social responsibility goals – Any strategic sourcing should consciously support the organization achieve these goals.

PEOPLE AND WORKFORCE

Given the risk regarding human capital any recommendation needs to address how we are to deal with people and the workforce. As we have shown, all organizations must assess competency, identify shortcomings through a gap analysis with the development of a competency framework. We have identified potential gaps and therefore in order to

achieve maximum benefit a concise SS model inclusive of CM we must address the development of standard roles and responsibilities with an organization. It is important to maintain, sustain and ensure continuity of procurement capability by providing procurement professionals with a career path in order to mitigate attrition and knowledge loss while maintaining the development of our human capital, something that is crucial to long-term procurement sustainability. We understand that procurement does not have all the skills needed but we have also tried to mitigate this by showing how we can obtain them, where they are needed and what kind of skills are required. Clearly as we migrate our strategies as a business and anticipate a larger role with procurement, any strategy needs to enshrine People, Processes and Technology as they are critical to each other.

THE FUTURE

This paper identifies why organizations continue to move to a SS model, what inherent limitations are exposed, what benefits are produced through this evolution, whether procurement professionals are ready to adapt or for that matter what are the shortcomings. And will the return on investment produce a sustainable model going forward that meets the needs of the organizations, their customers and the procurement professional who will inevitably lead the charge. But what is the model beyond this paper. Well we have touched on supplier relationships as being important. Minter, 2013 says that we need to look beyond Strategic Sourcing, not that it is not a successful model. But he espouses that an organization, specifically procurement should engage suppliers in order to benefit from a more collaborative and transparent relationship, from cradle-to-grave so to speak. Chad Autry, Professor at University of Tennessee writes:

“Developing collaborative relationships with suppliers and customers is a game changer because so few firms really accomplish true win-win partnerships. But the few that do have experienced dramatic and even breakthrough improvements in product availability, cash flow, cost, and shareholder value.”

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APPENDIX A: STRATEGIC SOURCING JOB DESCRIPTION KEYWORDS

Strategic Sourcing Keywords											
Procurement Position	Employer / Headhunter	Location	Sector	Sourcing	Strategic (Strategies)	Supplier - Vendor	Management / Managing	Experience	Skills	Procurement	Contracts
Buyer, Strategic Sourcing	Atco	Alberta	Construction	5	7	5	5	4	4	-	-
Director of Strategic Procurement	Michael Page	Ontario	Financial	6	5	-	2	4	-	2	-
Director, Enterprise Procurement	Economical	Ontario	Insurance	-	7	-	9	-	4	9	-
Director, IT Procurement	RBC	Ontario	Financial	3	3	-	6	-	-	8	4
Manager Sourcing-Procurement	MD-Physician services	Ontario	Healthcare	11	3	-	8	6	4	3	2
Manager Supply Chain Management	Enbridge Pipelines	Alberta	Oil & Gas	-	6	-	13	-	-	-	17
Manager, Procurement - Strategic Sourcing	Johnson & Johnson	Ontario	Pharma	6	5	-	9	-	5	5	-
Manager, Strategic Sourcing	Bank of Montreal	Ontario	Financial	27	24	17	20	-	13	-	-
Manager, Strategic Sourcing	Scotiabank	Ontario	Financial	11	4	7	8	5	-	-	-
Manager, Strategic Sourcing	Johnson & Johnson	Ontario	Healthcare	3	3	3	8	2	5	4	-
Procurement Specialist	Bayer Inc	Alberta	Pharma	3	4	10	8	-	4	5	2
Procurement Specialist	Brookfield Johnson	Ontario	Real Estate Management	-	-	8	7	4	-	8	4
Senior Manager, Strategic Sourcing	Ontario Power	Ontario	Energy	9	8	5	11	5	-	-	-
Senior Manager of Strategic Sourcing	Michael Page	Ontario	Financial	8	3	2	6	3	6	3	2
Senior Procurement Officer	First West Credit Union	British Columbia	Financial	5	-	5	8	6	5	15	10

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Strategic Sourcing Keywords											
Procurement Position	Employer / Headhunter	Location	Sector	Sourcing	Strategic (Strategies)	Supplier - Vendor	Management / Managing	Experience	Skills	Procurement	Contracts
Sourcing Manager - Capital Equipment	Maple Leaf Foods	Ontario	Food	9	4	-	9	5	4	5	4
Specialist – Strategic Sourcing Indirect	SNC-Lavalin	Quebec	Construction	4	-	-	4	-	4	7	4
Strategic Sourcing Buyer	Price Industries	Manitoba	HVAC Manufacturing	2	3	4	-	5	2	3	4
Strategic Sourcing Manager	telus	Alberta	Communication	22	12	6	14	20	8	10	-
Strategic Sourcing Manager	JD Irving - Cavendish	Alberta	Food	4	-	5	1	2	-	-	-
Strategic Sourcing Specialist	Pembina	Alberta	Oil & Gas	7	13	4	12	4	7	5	4
Strategic Sourcing Specialist	Shared Services	Ontario	Healthcare	2	-	-	6	4	5	-	3
Strategic Sourcing Specialist	River Rock Casino	British Columbia	Gaming	-	-	14	-	6	-	7	-
Strategic Sourcing Specialist	Avcorp	British Columbia	Manufacturing	4	-	12	6	5	5	-	6
Strategic Sourcing Specialist - Technical	Avcorp	British Columbia	Airline Manufacturing	6	4	12	7	4	4	-	6
Supply Chain Manager	Aveda	Alberta	Transportation - Energy	-	2	4	9	-	3	3	2

APPENDIX B: CATEGORY MANAGEMENT JOB DESCRIPTION KEYWORDS

Category Management Keywords												
Procurement Position	Employer / Headhunter	Location	Sector	Category	Product	Strategy	Supplier - Vendor	Management	Contract	Business	Sourcing	Procurement
Category Development Manager	Safeway	Alberta	Retail	6	-	-	-	5	-	3	3	-
Category Lead 2 – Acute Surgical Intervention	Health Shared Services BC	British Columbia	Public Sector - Health	15	-	-	26	31	16	-	-	-
CATEGORY MANAGEMENT, TRANSPORTATION	Cameco	Saskatchewan	Mining	6	-	-	4	8	-	-	-	-
Category Manager	Rexall Pharma	Ontario	Retail	10	7	5	7	9	-	-	-	-
Category Manager	Metrolinx	Ontario	Public Sector - Transportation	13	-	6	4	16	9	-	8	9
Category Manager - Household, Pet and Stationary	Shoppers Drug Mart	Ontario	Retail	12	9	-	-	11	-	-	-	-
Category Manager - IT	Workplace Safety & Insurance	Ontario	Public Sector - Safety	19	-	-	25	24	-	9	11	12
Category Specialist	InSync	Alberta	IT Solutions	20	-	11	7	21	7	9	8	-
Category Specialist	Staples	Ontario	Retail	4	9	-	8	7	-	-	-	-
Director, Category Management	Ehealth - Ontario	Ontario	Public Sector - Health	8	-	7	9	10	6	3	7	8
Global Category Manager	KGHM	British Columbia	Mining	-	-	5	3	3	-	5	6	3
Manager Category - Procurement	Sobeys	Ontario	Retail	7	6	5	-	7	-	-	-	-
Manager Category - Procurement	Holcim	Ontario	Construction - Building Materials	9	-	-	5	5	-	-	5	4
Procurement Category Specialist	Ontario Lottery & Gaming	Ontario	Public Sector - Lottery & Gaming	6	-	-	7	12	15	-	6	10
Product Category Buyer	Davies Turpin & Associates	Alberta	Industrial products	6	16	-	10	12	-	-	5	6
Senior Category Manager	CIBC	Ontario	Financial Services	7	-	-	-	12	-	5	7	-

Strategic Sourcing: A Paradigm Shift in Supply Chain Management

Category Management Keywords												
Procurement Position	Employer / Headhunter	Location	Sector	Category	Product	Strategy	Supplier - Vendor	Management	Contract	Business	Sourcing	Procurement
Senior Category Manager	Loblaw's	Ontario	Retail	12	6	-	-	8	-	-	-	-
Senior Category Manager - Indirect Spend	WestJet	Alberta	Transport & Logistics - Airline	3	-	6	10	3	5	3	-	6
Senior Director, Supply Chain and Category Management	Saskatchewan Liquor and Gaming Authority	Saskatchewan	Public Sector - Liquor/Gaming	4	5	3	5	8	-	-	-	-
Senior Manager, Category Management	Metrolinx	Ontario	Public Sector - Transportation	6	-	6	6	11	5	3	6	6
Software Category Manager	Aviva	Ontario	Financial Services	19	-	7	15	29	11	19	11	7
Strategic Category Manager	Graham	Alberta	Construction	5	-	5	7	7	3	5	4	-
Strategic Sourcing and Category Specialist (Technical)	Shaw	Alberta	Communications	3	-	9	4	7	4	9	6	-

APPENDIX C: DATA ON JOB DESCRIPTIONS



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