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## How to Streamline Your Procurement Procedures

While a company is small, procurement is simple. As the organization grows, however, the process gets muddled and becomes less efficient. For example, the federal government has grown to the point of inefficiency at which it spends \$800 per American per year on goods and services! If your procurement processes seem cumbersome and inefficient, here are some steps to take to reign it back in.

### Create a Flowchart of the Process



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How exactly does your procurement process look as it moves through the organization? How does it begin, move forward, and end? Map the process from beginning to end, including all personnel and departments involved in the process. It's impossible to improve a system until

you're absolutely sure how it's currently working. Examine the bidding, negotiations, and current contracts. Flowcharts are the best method for mapping such processes.

## **Identify Areas for Improvement**

Once your flowchart is complete, you can identify areas for improvement. Find all redundancies in the system, and examine each element for efficiency. Also, determine what parts of the process can be automated. Some steps might be eliminated entirely, while other areas may need additional workers or resources to become more efficient. Gather input from all parties involved during this process. You'll be amazed at the wonderful ideas workers have for improving the status quo.

## **Centralize Procurement Operations**

Some companies work more efficiently when each department handles their own procurement, while others function best with a centralized procurement department. Either way, make sure procurement procedures are clearly defined and those responsible for procurement are aware of their responsibilities. Depending on the size of the company, a single person from each department might be assigned procurement duties, or a central procurement department can be established to handle the needs of the entire organization.

## **Invest in Procurement Software**

Automating the procurement process saves time and money. First, it eliminates much of the human error associated with the task. Second, it provides a better platform to work with vendors. In fact, many vendors charge fees to companies without automated processes, so you can save these fees with the right software systems. Most companies can find off the shelf software to meet their needs. However, larger companies and specialized businesses might need to hire a software development firm to design a custom-made system.

## **Tweak, Tweak, Tweak**

Streamlining the procurement process isn't a one and done affair. It pays to revisit your software, policies, and procedures regularly to identify areas for improvement. Keep the original flowchart you designed and update it with the changes you make during the streamlining process. Regularly review the current flowchart with key personnel to identify areas where you can eliminate redundancies and further automate processes. Be sure to keep all levels of workers in the loop during these reviews. Everyone involved in the process probably has good ideas to contribute.

With the procurement process streamlined, you'll be wasting less work hours, getting the most out of the contracts you enter, and eliminating costly mistakes. This makes the entire company more productive and efficient.

## [Case Study] How the Talent Shortage Will Affect Your Business

If you conduct a Google search of "U.S. talent shortage" you're going to get approximately 6.5 million results. What does this mean for your business? It means the talent shortage is real, and you need to take steps to assure your company's success in the coming years. You can fill your offices with top talent and keep them, if you start the process right and keep the ball rolling.

### Review Your Ad Process



Image via [Flickr](#) by photologue\_np

When you need new personnel, do you pull the same shelved ad you've used for the past 15 years? This canned ad isn't going to cut it now. Review the qualifications you're asking for in the ad, and make sure you're asking for what you want.

A good ad also tells candidates who you are as a business. For example, "Green technologies firm seeks eco-minded individual to oversee new development projects." This ad tells potential applicants who you are and what you're seeking. Make sure these ads aren't stuck in newspapers. Put them online where today's top talent is seeking work.

### Review Your Selection Process

Is it really necessary to hire only candidates with a master's degree and 10 years' experience? Perhaps someone with a bachelor's degree and three years' experience is acceptable. You can further weed out poor applicants with a scan of their social media use.

The human resources person in charge of the process should have a clear picture of the job in order to select the best candidates. Make sure your HR department is fully aware of what this job entails, then trust them to narrow the pool to the best possible matches.

## **Review Your Negotiations Process**

Highly ambitious job candidates aren't solely money motivated. Today's generation of employees want to feel like they're making a difference, not just earning a paycheck. Sure, a good salary is desirable, but never assume this is all your best talent prospects are after. Make sure you stress what contributions the employee will make to the company. Top talent needs to be paid well and be valued by the employer.

## **Review Your Training Process**

This is where the entire process can break down. A poorly trained employee becomes frustrated, feels undervalued, and can't possibly perform well on the job. If you've gone to the trouble to select and hire the best, make sure they're armed with the best possible training once you get them. This training empowers them, enables them, and gives them a sense of worth to the company.

## **Continue to Support Your Top Talent**

Keeping an employee for the long term means revisiting the negotiations process and training process over and over as time goes on. Many successful companies schedule face-to-face meetings once or twice per year. These meetings shouldn't be focused only on the employee's performance, they should also offer the employee a chance to evaluate their fulfillment within the company.

Is the employee satisfied at work? Does she feel she's in the best position to make a positive impact? Is she treated fairly by her manager? What can the company do to help her be successful within the organization? All of these questions should allow her to freely express herself. If your top talent isn't happy, rest assured they'll find somewhere else to contribute their skills.

If your talent efforts are proactive and ongoing, you'll have satisfied, hardworking employees to drive your growth in the years to come.

## What You Need to Know About Procurement and the Transportation Industry

Truckers have a saying, "If you've got it, a trucker brought it." To a large extent, this is true. Many finished products take several truck rides, beginning when the raw materials are brought to the supplier, then when the supplier sends parts to the manufacturer, again when the manufacturer ships the product to a distribution center, and finally when the distribution center sends the product to the retailer. So, if you're in procurement, you need to understand how changes in the trucking industry will affect your supply lines.

### Lack of Qualified Drivers



Image via [Flickr](#) by LandscapeReport.com

The exorbitant costs of insuring fleet vehicles and drivers is forcing many trucking companies to take experienced, professional truck drivers off the roads. Lawsuits are driving up claims costs for insurance companies, which are in turn passing those costs onto the trucking companies. This problem, combined with stricter government regulations on trucks, trailers, and drivers, is causing a shortage of qualified truck drivers to transport goods.

Though truck driving schools are graduating more CDL licensed drivers than ever, a large percentage of these new graduates never get hired due to past convictions or a poor driving record. For insurance purposes, companies loathe to employ a driver with any significant

accident on his record, regardless of fault. Qualified, insurable drivers are hard to find, and harder to keep. This makes procuring goods more difficult.

## **Higher Fuel Costs**

Trucking companies get paid by the mile and the weight of the cargo, but they're incurring fuel costs far beyond what it takes to travel from point A to point B with X weight. Traffic jams, highway accidents, and trucks idling for breaks or mechanical issues drive up fuel prices for trucking companies even more. As consumers whine about prices at the pump, these costs are literally driving trucking companies out of business. Trouble in the oil rich Middle East is another concern. These elevated prices are passed to their customers.

## **Government Regulations**

The government is cracking down on trucking companies, long blamed for poor environmental performance. High fuel consumption combined with high emissions means stricter policies for fuel-efficient, low emissions vehicles. According to a recent Equipment World Infographic entitled *Greening the Fleet*, diesel truck emissions have fallen 95 percent since in the past 20 years. However, trucking companies are paying for these new technologies.

Most national trucking chains are investing in new vehicles to meet government deadlines for compliance. But the money for this equipment has to come from somewhere - so it gets passed to the shipper. While trucking companies are cleaning up their environmental acts, expect to pay more for shipping services.

## **Border Patrol Policies**

Due to the rise in terrorist acts, ongoing debates on immigration policies, and the war on drugs, it's harder for trucking companies to service North America. Travel across the U.S.-Canadian and U.S.-Mexican borders is becoming more difficult. Additionally, truck drivers with any felony convictions aren't allowed to cross into Canada, further limiting the available drivers to make these deliveries. If your shipping needs cross borders, expect to pay more while receiving slower service.

Procurement professionals need to get involved politically to protect their interests when it comes to issues in the transportation industry.

## **[Case Study] How Unisys Fought Back to Survive the Worst Procurement Fraud in the History of the Pentagon**

In the late 1980s, things looked good for the newly formed corporation Unisys. The company was boosting its workforce, increasing its product offerings, and acquiring other companies, such as Timeplex. It seemed Unisys would soon be challenging the computer giant IBM for top spot among U.S. computer manufacturers.

### **Scandal Rocks Unisys**



Image via [Flickr](#) by Cesar Rincon

However, in the late 1980s, a serious scandal rocked the company, already on shaky ground from failing to properly assimilate Burroughs and Sperry. An internal investigation began, but was soon overshadowed by the long arms of the Department of Justice and the Naval Investigative Service. After four long years of close inspection, top executives of Unisys were convicted of serious infractions in their procurement practices.

Nicknamed "Ill Wind," the scandal involved executives buying influence within the Pentagon and Congress, engaging in high level corporate espionage, cheating their competitors, and defrauding the U.S. government. Executives of Unisys and key military personal pled guilty to charges of bribery, as schemes were revealed of executives rigging defense contract bids, creating secret slush funds, and hiring corrupt consultants.

## **The Penalties for Unisys' Activities**

The result of the guilty plea led to \$190 million in fines and forfeited profits. Unisys had to pay installments over a five-year period, plus forfeiting profits for an ongoing radar contract with the Pentagon, and make contingency payments based on expected profits and assets. The company was down, but wasn't out of the game.

## **Unisys Fights Back**

Restructuring Unisys and turning it into a profitable enterprise fell on the shoulders of James Unruh, who employed what many describe as "draconian" methods of reviving the ailing corporation. Between the years 1989 and 1991, Unruh slashed its workforce by 23,000, reducing it to half what it was when the company began with the merger of Burroughs and Sperry.

Unruh cut an additional 6,000 jobs in 1992 and reduced its product line of 50,000 by 15,000 after discovering that ten percent of its product offerings accounted for 90 percent of its sales. Unisys cut its mainframe computer offerings from four to two, and divested the unprofitable Timeplex. Seven of Unisys' 15 manufacturing facilities went to the chopping block.

But, the slash and burn policies of Unruh worked. The company reduced its crippling debt of \$3.5 billion down to \$1.4 billion. Part of the restructuring process involved axing its involvement in industries outside its primary focus. It went back to serving the industries where it had built its reputation: banking, government, the airline industry, and communications.

## **Lessons from the Unisys Scandal**

What's to be learned from Unisys' experience? Obviously, it would be optimal to prevent high level executives from engaging in unethical and illegal acts. As Unruh pointed out, the company as a whole paid a huge price for the actions of a few individuals. The most important lesson is how Unisys didn't roll over and die. Though it took extreme, and sometimes painful, measures, the company refocused on its priorities and saved a company on the brink of extinction.

After plummeting from over \$50 per share down to just over \$1 per share, Unisys' current stock value of over \$25 proves it's possible to get the buggy out of the ditch, even after one of the worst procurement scandals in history.

## **Is Your Vendor Working for You? When It's Time to Change**

Businesses build a number of vendor relationships over time, and it's easy to stick with the same one for year after year, even when they're not meeting your needs. Ask yourself these questions to determine if it might be time for a change.

### **Is Your Vendor Becoming Unreliable?**



Image via [Flickr](#) by raymond\_whittaker

Every business has times when customer service lags due to over-booking or staff shortages. Often, this is an indication of some growing pains within the business, and the problem is a temporary one. If you've had an overall positive experience with your vendor, yet they experience a temporary drop in their reliability, it may not be cause to let them go. If, however, the problem continues and it's affecting your ability to get your job done, it's probably time to move on.

### **Is Your Vendor Excessively Increasing Prices?**

It's perfectly normal for vendors to raise their prices from time to time in response to inflation. For example, delivery costs are greater now due to the higher prices for fuel to transport their goods. But if your vendor whacks you with an excessive price hike or you notice a gradual increase in prices over time that seems too high, it's time to shop around for a more reasonably priced one.

### **Is Your Vendor Keeping Quality Consistent?**

Many businesses fall into the temptation to start lowering their quality, giving them higher profit margins without actually raising prices. If you notice a drop in the quality of the goods or services you're receiving, this is probably what's happening. Talk to the vendor and ask why the quality is lower than what you believe you're paying for. If they don't intend to improve quality, shop for a vendor who can offer consistent quality at a reasonable price.

### **Is Your Vendor Offering the Latest Innovations?**

Whether your vendor is offering snacks for the break room or widgets for your high-tech machinery, there are always new innovations coming along. Is your vendor keeping up with the times? If you're still being offered the outdated products or services you received from them five years ago, find out if they plan to offer new innovations. You may need to move on to another vendor to get the latest technologies you seek.

### **Is Your Vendor Openly Communicating With You?**

All of the issues above can be addressed with good communications. Most vendors will notify their customers about changes or difficulties without being asked. Reputable companies will also let you know what you can expect in terms of improvements and when you can expect it to happen. If your vendor isn't willing to work with you openly to find a solution to your concerns, find one who will.

If there's any benefit to our struggling economy, it's that the customer has the upper hand. It's time-consuming and costly to find new customers, so most vendors are willing to do whatever it takes to satisfy their existing client base. If your current vendor isn't meeting the needs of your business, there are plenty out there willing to step up and do it right.