Sales Skills for Procurement Professionals

Vantage Partners
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How-to Lab: Selling skills for procurement professionals

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About Vantage Partners

We partner with clients to help them achieve world-class outsourcing and supply chain management performance through strategic advice, organizational transformation, hands-on advisory support, and design and delivery of training and coaching programs.
Introduction

Alliances

Sales

Contracting & Procurement

Sourcing

Strategy
Objectives

Learn skills for how-to:

- Understand more clearly what matters to your stakeholders and why
- Develop strategies that add value, in and outside the business
- Engage more effectively with your counterparts
- Build a roadmap for your team’s development
The Evolution of Procurement
There is a new sourcing continuum where Procurement is shifting from order-taking to problem-solving.

<table>
<thead>
<tr>
<th>Problem-solving</th>
<th>Order-taking</th>
<th>Core Value of What is Being Sourced</th>
<th>Key Strategies &amp; Skills Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sourcing Innovation</td>
<td>Sourcing Goods</td>
<td>Ideas, Investment</td>
<td>Joint problem-solving &amp; co-creation</td>
</tr>
<tr>
<td>Sourcing Solutions</td>
<td></td>
<td>Integrated expertise</td>
<td>Communicate context, Apples to oranges comparison</td>
</tr>
<tr>
<td>Sourcing Services</td>
<td></td>
<td>Human talent, Discretionary effort</td>
<td>Creative compensation &amp; incentive structures</td>
</tr>
<tr>
<td>Sourcing Services</td>
<td></td>
<td>Process, Scale</td>
<td>Competition, Tight specifications</td>
</tr>
</tbody>
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As this shift occurs, the way procurement operates and the skills required are also changing

<table>
<thead>
<tr>
<th>Traditional Procurement</th>
<th>New Procurement Paradigm</th>
</tr>
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<tbody>
<tr>
<td>Leverage over suppliers</td>
<td>Engagement with suppliers</td>
</tr>
<tr>
<td>Focus on internal stakeholder compliance</td>
<td>Trusted advisor to internal business partners</td>
</tr>
<tr>
<td>Analytical skills</td>
<td>Soft skills</td>
</tr>
<tr>
<td>Primary value is cost reduction/management</td>
<td>Primary value is competitive advantage</td>
</tr>
<tr>
<td>Manage transactions</td>
<td>Manage relationships</td>
</tr>
<tr>
<td>Source goods and services</td>
<td>Solve business problems</td>
</tr>
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</table>
Still, significant potential value from suppliers goes unrealized

Global leaders are twice as likely to realize the majority of potential value from suppliers, compared to the bottom 10%.

Global Leaders are defined as the top 10% of all performers in terms of SRM value delivered.

Source: 2018 Vantage Partners Procurement & SRM Benchmark Study
Most commonly reported barrier to maximizing value from suppliers

Procurement’s perceptions of *internal* barriers to maximizing value in negotiations

- Lack of internal shareholder alignment within our company about requirements and priorities
- End-users/technical staff work around sourcing and procurement process
- Lack of adequate negotiation skills among those at our company who are involved in supplier negotiations

Over 80% of respondents reported these barriers were significant

Note: Significant includes “Very Significant, Significant, and Somewhat Significant” responses

Source: 2018 Vantage Partners Customer-Supplier Negotiation Study
Competency framework

Analytical Skills

Business Skills

Behavioral Skills

Functional Skills

Soft Skills

Technical Knowledge

Functional Knowledge

Attitude/Mindset

Enabling people to accept, internalize, and apply new knowledge and skills
Four dimensions of communication

**INQUIRY**
Asking how they understand it

**ACKNOWLEDGMENT**
Demonstrating understanding of their story and empathy with their feelings

**ADVOCACY**
Explaining how you understand it

**LISTENING** – Attentively, and with an open and curious mind
Lesson 1: It’s All About the Customer
Taking it all in

- Take a look at a short video clip
- Consider how often we are in a situation like that of each of the parties in the video
The Ladder of Inference explains how people reason and move from observations through the filter of their experience to conclusions.

**Conclusions**
(What action to take)

**Interpretation**
(What it means)

**Data**
(What we notice)

Why we see things differently:
The Ladder of Inference

The Ladder in action

Inquiry:
Explore their story

Their story

My story

Advocacy:
Explain my story

What I notice

Their conclusions

My conclusions

Their interpretations

My interpretations

Data they focus on

To them

Information available

To me

In the face of different opinions or perspectives, first work to understand each other’s story

- Each of us tells a story about what happened.
  - Different information.
  - Different interpretations of ambiguous information.
  - Different assumptions about missing information.

- Different conclusions are inevitable.

- Debating conclusions is unpersuasive, escalates conflict, and hurts the relationship.

- Understanding different stories generates new insight, resolves conflict, and strengthens the relationship.

- “And” accurately captures this complexity; “but” denies it.
Reflection

- Take a moment to think about a time when a conversation with an internal stakeholder didn’t go as well as you would have liked (turned contentious, didn’t reach the outcome you wanted, etc.)

- If you had a second chance, how might you use or re-balance Inquiry, Acknowledgement, Advocacy, and Listening to improve the conversation?
Lesson 2: Getting to Value: Find it, Make it, Deliver it
Differences enable value generation

- Create deal structures that capitalize on different Interests
  - Different objectives (trades)
  - Forecasts (volume tiering)
  - Risk (risk-reward sharing)

- Helpful factors to consider
  - Time (short versus long-term ROI)
  - Budget cycles
  - Liquidity
  - Precedent
  - Sensitivity to constituents
Differences enable value generation (continued)

**Interests: Internal Stakeholder**
- Strategic goals (e.g., revenue growth versus increase profit margin)
- Product technical/functional requirements
- Timing (e.g., speed of delivery, project deadlines, time horizon for ROI)
- Risk profile (e.g., what types of risk and how much can be managed)
- Budget cycles
- Price sensitivity

**Creative ways to generate value**

**Interests: Supplier**
- Strategic goals (e.g., revenue growth versus increase profit margin)
- Resources management (e.g., line capacity, staff availability)
- Timing (e.g., speed of delivery, project deadlines, time horizon for ROI)
- Risk profile (e.g., what types of risk and how much can be managed)
- Financial cycles
- Cost profile (e.g., different design or materials used have different costs)
Example ways to generate value (based on varying interests)

<table>
<thead>
<tr>
<th>Potential options</th>
</tr>
</thead>
</table>
| **RE-SCOPE THE DEAL**  
Example: Expanding scope can enable trade-offs across different issues that otherwise cannot be resolved |
| **MAKE HIGH-VALUE/LOW-COST TRADES**  
Examples: Maintenance terms vs volume commitments or faster delivery with reduced order lead time for higher price |
| **USE CREATIVE CONTRACT TERMS**  
Examples: Volume tiering; price floors and ceilings; risk-reward sharing |
| **DEVELOP CREATIVE TECHNICAL SOLUTIONS**  
Examples: Change requirements; material substitutions; component redesign; etc. |
Instructions: Optimizing value exercise

1. Pick an internal customer
2. For that customer, write out their interests and a couple of ways to meet each of them
3. Pick a supplier who works with that customer, and do the same
4. Be the fly on the wall and identify: Where could there be more value for one, or the other, or both?
5. Find a partner, discuss, and give each other 2 more ideas
Lesson 3: Building Relationships and Becoming a Trusted Advisor
“**TRUST** is the new core of leadership. Leaders in the new business world will be skilled in the art and science of **TRUST**.”

Trust defined

- Ability
- Results

- Competence
- Consistency

- Reliability
- Predictability

- Character

- Integrity
- Intentions
Trust defined (cont.)

COMPETENCE

Ability
- Do you have the knowledge and skills to do the job?

Results
- Do you deliver?

CHARACTER

Integrity
- Do you act based on principle?
- Are you honest, decent, and fair in your dealings with others?

Intentions
- Are you committed to do what is right, not what is easy?
- Do you temper self-interest with a commitment to the welfare of others?

CONSISTENCY

Predictability
- Do others know what to expect from you?

Reliability
- Can others depend on you to do what you say you will do?
The evolving role of procurement

<table>
<thead>
<tr>
<th>Low Trust</th>
<th>High Trust</th>
</tr>
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<tbody>
<tr>
<td>■ Slow decision-making.</td>
<td>■ Efficient decision-making.</td>
</tr>
<tr>
<td>■ Limited communication, misunderstandings.</td>
<td>■ Robust communication and alignment.</td>
</tr>
<tr>
<td>■ Risk aversion and reduced innovation.</td>
<td>■ Smart risk-taking, creative problem-solving and innovation.</td>
</tr>
<tr>
<td>■ Suspicion, defensiveness, and interpersonal conflict.</td>
<td>■ Positive and productive working relationships.</td>
</tr>
<tr>
<td>■ Damaged morale, increased turnover, reduced productivity.</td>
<td>■ Increased morale, reduced turnover, increased productivity.</td>
</tr>
</tbody>
</table>
A critical skill in trust-building: Dealing with emotions

- **AUTONOMY**: Control or no control
- **AFFILIATION**: Insider or outsider
- **ROLE**: Important or unimportant
- **APPRECIATION**: Valued or not valued
- **STATUS**: Up or down
Advice on creating positive emotions

- **BUILD AFFILIATION**: Search out and cultivate sources of connection.

- **EXPRESS APPRECIATION**: Make a point of expressing gratitude — privately and publicly. Celebrate successes.

- **FOSTER AUTONOMY**: Actively create spheres of ownership and agency for others.

- **BUILD STATUS**: Actively promote the capabilities and contributions of others.

- **CREATE FULFILLING ROLES**: Create opportunities for others to contribute. Relate individual roles to a larger purpose.
# Dealing with others’ difficult feelings

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimize</td>
<td>Make their feelings very small.</td>
</tr>
<tr>
<td>Maximize</td>
<td>Make their feelings very big.</td>
</tr>
<tr>
<td>Bypass</td>
<td>Change the subject — don’t talk about feelings.</td>
</tr>
<tr>
<td>Problem-solve</td>
<td>Ignore the feelings and offer advice.</td>
</tr>
<tr>
<td>Empathy</td>
<td>Demonstrate an understanding of their feelings — without agreeing or disagreeing with their story.</td>
</tr>
</tbody>
</table>
Identifying the core concerns

- Identify where you see the core concerns in the following video
- Afterwards, we will share and discuss
Recognizing core concerns to build bridges

- For the situation we just saw, identify what you might say or do, in Procurement’s shoes, to create some positive emotions

- Although you might not use all in a single conversation, write out a line for each of the 5 core concerns
  - Appreciation
  - Affiliation
  - Autonomy
  - Role
  - Status

- Afterwards, we will share and discuss
Earn your audience

**First Earn the Right to Deliver Value**

- Understand stakeholder (priorities, constraints, operating environment, etc.)
- Show respect for their perspectives: *listen*
- Demonstrate a genuine commitment to *their* success
- Deliver on commitments

**Value to the Business**

- Insights about the supply market: trends, risks, opportunities
- Insights about how to motivate and influence suppliers (how they make money; how they make decisions, etc.)
- Identifying and facilitating connections between business needs and supplier assets and capabilities
Closing
Global Leaders make significant investments in training

Global Leaders are defined as the top 10% of all performers in terms of SRM value delivered.

Source: 2018 Vantage Partners Procurement & SRM Benchmark Study
Key skills and competencies

**ANALYTICAL SKILLS**
- Sourcing
- Category management
- Contracting and contract management
- Risk analysis
- Total cost of ownership
- Planning and project management
- Performance measurement
- Financial analysis
- Data analysis
- Holistic/systems thinking
- Problem analysis
- Business case development

**BEHAVIORAL SKILLS**

**INTER-PERSONAL**
- Facilitation
- Innovation exploration and evaluation
- Negotiation
- Conflict management
- Relationship management and trust building
- Stakeholder influence and alignment
- Change management
- Cross-matrix collaboration
- Decision making
- Commitment management
- Communication
- Giving and receiving feedback
- Coaching

**INTRA-PERSONAL**
- Self-awareness
- Perspective taking
- Cognitive biases
- Tenacity
- Learning agility
- Adaptability
- Dealing with ambiguity
- Emotional intelligence

**KNOWLEDGE**
- Business model
- Finance
- Operations
- Quality
- Legal
- Systems and databases
- SRM principles and best practices
Building capabilities to act effectively, consistently, and with integrity

Lesson 1
It’s all about the customer

Lesson 2
Getting to value: find it, make it, deliver it

Lesson 3
Building relationships and becoming a trusted advisor

BEHAVIORAL SKILLS

INTER-PERSONAL
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Developing a capability building roadmap

1. Align on key skills needed for where procurement is headed
2. Analyze gaps
3. Determine ways to address gaps
4. Prioritize focus areas for improvement efforts
5. Develop capability building plan (budget, timing, etc.)
6. Execute capability building plan
Defining target proficiency levels

Not all roles may require the same level of proficiency in every competency.

**Mastery**

Is able to apply best practices in the most complex and challenging situations, as well as coach and develop others. Mastery-level proficiency can be built with a set of skill building sessions, spread out over time, and integrated with substantial application and real-time feedback.

**Advanced**

Is able to effectively execute best practices in most situations. Advanced proficiency can be developed in a classroom setting for most analytical and knowledge skills, however application sessions with live coaching, from a facilitator or other expert, is often needed.

**Foundational**

Has a working understanding of key concepts and best practices. Foundational knowledge of analytical and knowledge skills can be gained through reading content, however it is often more effective to combine such reading with a context-specific discussion where individuals can ask questions in real-time.
## Determining the right approach to address skill gaps

<table>
<thead>
<tr>
<th>Digital, on-demand training</th>
<th>Virtual instructor-led training</th>
<th>Classroom training</th>
<th>Coaching &amp; Action learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online pre-recorded webinars or packaged information that participants can access on their own schedule, in a single session or over time.</td>
<td>Virtual training programs for small groups with a live instructor asking questions and providing feedback.</td>
<td>In-person training.</td>
<td>Individual or team coaching focused on the ability to apply skills/knowledge to live business scenarios. Learning enabled by peer-supported reflection on assumptions, behaviors, and outcomes. Typically combined with some limited classroom training.</td>
</tr>
<tr>
<td><strong>Best fit for:</strong></td>
<td><strong>Best fit for:</strong></td>
<td><strong>Best fit for:</strong></td>
<td><strong>Best fit for:</strong></td>
</tr>
<tr>
<td>▪ Providing an overview of key topics</td>
<td>▪ Providing an introduction to key topics or as follow-up to other training activities for geographically distributed groups</td>
<td>▪ Building deeper capabilities, especially when combined with digital and/or virtual reinforcement</td>
<td>▪ Developing capability mastery</td>
</tr>
<tr>
<td>▪ Sharing research, case studies, and best practices</td>
<td>▪ Sharing case studies and best practices</td>
<td>▪ Practicing skills with real-time feedback from expert facilitators and peer group</td>
<td>▪ Driving behavioral changes across the organization</td>
</tr>
<tr>
<td>▪ Introducing frameworks and substantive content</td>
<td>▪ Building a working knowledge of tools and frameworks (analytical skills and knowledge areas)</td>
<td>▪ Aligning theory with practice, via application sessions</td>
<td>▪ Where incremental value can be gained through additional support (e.g., coaching on a negotiation or supplier opportunity)</td>
</tr>
<tr>
<td>▪ Providing explicit instructions for how to complete a task</td>
<td></td>
<td><strong>Limitations:</strong></td>
<td><strong>Limitations:</strong></td>
</tr>
<tr>
<td>▪ Topics that can be effectively delivered in short segments (&lt; 30 min)</td>
<td><strong>Limitations:</strong></td>
<td></td>
<td>▪ Can be cost prohibitive across a large population, if the value opportunities are low – although a business case can be built for high-value opportunities where coaching could also accelerate or increase the value delivered</td>
</tr>
<tr>
<td><strong>Limitations:</strong></td>
<td>▪ Ability to apply skills during the session is limited – not ideal for advanced or mastery of behavioral skills which require practice</td>
<td>▪ Higher cost than virtual options</td>
<td>▪ Requires a more significant time investment on the part of the coach</td>
</tr>
<tr>
<td>▪ Real-life application and practice is limited</td>
<td>▪ No feedback loop or opportunity to ask questions in real-time (but can be mitigated with online forums or other formats)</td>
<td>▪ Require stepping away from “business-as-usual” to attend workshops.</td>
<td></td>
</tr>
</tbody>
</table>
Reflection

- Where are the most significant gaps in your team or organization?
- How might you have an internal conversation about addressing those gaps?

<table>
<thead>
<tr>
<th>Key skill</th>
<th>Gap analysis (Major, Moderate, Minor)</th>
<th>Ways to address gaps</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

Work with relevant stakeholders to prioritize gaps, develop a plan (budget, timing, etc.), and execute capability building activities.
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Session information and evaluation how-to’s

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- Your feedback **drives SIG Event content**
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2. Select **Day**
3. Select **Session**
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5. **Complete and submit evaluation**

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