

# PLANNING TO PARTNER WITH PROCUREMENT

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This article is the first in a series prepared by the members of the Worldwide ERC® Procurement Task Force, which is dedicated to discovering and promoting best practices and education for mobility and procurement professionals.

**ILLUSTRATED THROUGH A FICTITIOUS CASE STUDY OF ACME CORPORATION, CAMERON, WILLIAMS, AND SCULLEY OUTLINE AN EFFECTIVE PARTNERSHIP BETWEEN CORPORATE HR AND PROCUREMENT DEPARTMENTS.**

**N**ew business needs drive staffing strategies. Even those companies with proven effective relocation programs can find it tough to keep up with their changing people needs.

ACME Corporation (our fictitious example) has been quite successful over the years in attracting high-caliber employees and moving them wherever needed, primarily within the United States. Staffing and relocation costs have become an accepted overhead expense. Policies and relocation service arrangements have been stable and largely unchanged in recent years.

However, ACME's own business environment now is shifting rapidly. Emerging offshore competitors are beating ACME into international markets, crimping its growth, and threatening accustomed profits. Investors lately have a bearish view of ACME and doubt its turnaround capability. In response, the ACME board of directors named a new chief executive officer (CEO), a dynamic

leader with a reputation as a change agent and global marketeer.

## **The Challenge: Creating a Strategic Relocation Program**

Among her first actions at the helm, the new CEO hosted and led a senior management strategic planning retreat.

She announced that ACME will expand into new products and geographic market areas, and will undertake the requisite financial and human capital investments largely through its own resources.

The leadership team then



brainstormed potential growth strategies for ACME's existing businesses and planned expansion into new ventures and market areas.

Joe Hart, senior vice president of human resources (HR), and Jill Dinero, director of procurement, have just left the meeting, taking along a list of crucial joint initiatives for the coming year. Hart knew that the new ACME strategies would demand more people, new skill sets, and added employment sites—a complex mix of transferring employees and accelerated new hires. Dinero already realized that procuring the services Hart needed could not be done simplistically. While costs would be important because much of the investment will be funded by ACME's existing cash flow, costs also must be balanced with the HR reinvestment element of the company's overall strategy.

At the top of Hart and Dinero's list were service "buys" for recruitment and retention tools and expanded administrative outsourcing contracts:

401k plan administration, recruiting and staffing outsourcing, awards and incentives program, and relocation services. While all these were designated annual objectives, Hart and Dinero knew that relocation would be the most complex and mission-critical of the initiatives, and they considered it urgent to ensure that a strategically aligned, high-performing relocation program was in place. Neither Hart nor Dinero had participated in a past relocation services strategic review or a request for proposal (RFP), so they did not have templates or past experience to guide the joint HR and purchasing project. They both agreed to develop an action item list and meet the following week to begin the process.

### **The Questions: How to Build a Collaborative Process**

Hart and Dinero discussed first how they would orient their new task force members toward the company's needs and goals. Among their

pre-project considerations were:

- How well does the team understand ACME's strategic intent and how the relocation program fits into the strategic plan?
- Do the team members understand their and their departments' roles within the company?
- How do we ensure that the task force understands relocation service processes and, therefore, can make good decisions on what to outsource?
- How do we educate the team members on the industry and the options available to us so we can begin to ask the right questions?
- What are the key focus areas to get us started?
- What are the key decision points for continuing/not continuing the time investment in the relocation project?

### **The Deliverables: More Than Supplier Selection**

Hart and Dinero wisely defined their relocation project broadly. They immediately agreed that the

**TYPE****HUMAN RESOURCES****PURCHASING/STRATEGIC SOURCING****GOALS**

To contract for...

- superb service for the employee

- lowest cost and/or best value to the company

No noise from...

- the employee or HR management or corporate

- HR or purchasing management or corporate

**SKILLS & CAPABILITIES**

In-depth experience in...

- relocation

- sourcing

Understands corporate strategy as it relates to...

- HR and associated business needs

- purchasing and associated business needs

Has developed...

- relationships with suppliers

- industry knowledge

Liaisons with...

- line HR and individual needs

- technology, payroll, legal, due diligence, and the like

Special skills

- people

- negotiation, analytical

Expert knowledge

- relocation process

- contract development

Understands strategy for...

- relocation services

- purchasing

Understands and knows...

- the relocation-related supply chain

- supply chains in general

enhanced relocation program they envisioned would require rethinking ACME's policies and procedures,

buying the right services at competitive terms, and installing better ongoing management controls on

performance and cost.

At their organizational meeting, Hart and Dinero thought about the

resources they needed for the upcoming process. Their list included:

**People.** The task force reporting to them would include ACME's relocation manager, the staffing/recruiting manager, a payroll representative, a global information technology (IT) liaison, and a procurement professional. The procurement professional also would be accountable for coordinating involvement of tax, legal counsel, and finance staff in qualifying investment/cost aspects of their decision-making. They also felt that including several "users" of relocation services would be advantageous, so they noted the possibility of inviting a sales manager and a manufacturing manager to join the task force.

**Informational items.** Information that Hart and Dinero will require include the company's strategic plan, the current (and past, if available) relocation policy, supplier contracts, supplier pricing sheets, program communication pieces, and the company's



procurement process and practices.

**Relocation program facts and data.** Hart and Dinero will need three years of reporting on numbers, locations, and types of transferees; cost and performance information; exception reporting; and the like.

### **Complementary Skills: Why an HR/Procurement Partnership Makes Sense for Relocation Management**

At the beginning of any business relationship, developing and solidifying a team environment depends on

understanding the involved individuals' respective goals, skills, and capabilities they "bring to the party." This is especially important when purchasing and HR meet to investigate relocation services, as teamwork demands an atmosphere of open-mindedness and trust based on mutual understanding.

Reviewing their initial resource list, Dinero spoke frankly. "Look Joe, I know it can be uncomfortable to have purchasing involved in the core services your department manages, but I don't want you to feel singled out for extra scrutiny. ACME's just following the lead of other companies in using us for all kinds of service purchases. Other companies may call it purchasing, procurement, or strategic sourcing, but it means that the firm's professional buyers don't just order hard goods or commodities any more. Our CFO thinks of us as a SWAT team of financial management with the mission of improving the value of significant 'spends' anywhere in ACME's purchases of materials or services."

Hart listened thoughtfully, and then replied with equal candor. "Thanks Jill, I have to admit that shared ownership of any project makes me a little uneasy, and some experiences of my HR peers elsewhere have raised my wariness. It just seems that HR, and relocation services in particular, have become favorite 'targets of opportunity' for procurement teams. I'll grant you that reducing the costs of these staff functions and programs seems to offer attractive direct bottom-line improvements... but if we make imprudent changes we can hurt ACME's staffing, mobility, morale, and productivity in costly ways."

Dinero nodded in agreement. "You're right, Joe. ACME's future is on the line, and if we don't get the most service value we can afford, then we won't get and keep the people we need to succeed." She added, "I know some companies have some barriers to collaboration between HR and procurement. These departments see business challenges with differences in their respective missions, pro-

cesses, and perceived business needs. They have varying subject matter expertise. Procurement more often is a process facilitator while HR more likely is in a program owner role.”

Hart offered a constructive approach. “I think, Jill, that maybe because of those differences you described, together we can bring great collective strength to this project and ongoing program. I’m going to make sure my HR people solicit your purchasing team’s ongoing involvement in relocation program management beyond this year’s RFP. With your quantitative skills and metric tools, I think we can strengthen ACME’s relocation performance and compliance monitoring, and we’ll mutually develop both our staffs faster.”

At ACME, Hart and Dinero assessed their departments’ separate and mutual goals, skills, and capabilities for the relocation services project. This advance effort enabled them to use their staff resources more appropriately and effectively on the project and to minimize issues of control and authority. Purchasing and HR bring very different capabilities, skills, and goals to any such effort, and this sampling does not necessarily capture all those of another company.

### Effective Partnership

As you see, HR and purchasing work together most effectively when:

- their integrated common goal (such



as “best all-in cost”) includes service, price, return on investment, and risk management elements; and

- the company recognizes and acknowledges its need to employ both the HR and purchasing skill sets and capabilities to reach success.

The synergies available from HR and purchasing collaborations are powerful. Abilities and talents of each can be used selectively for the greatest effect. Efficiency improves as redundant work and steep learning curves are eliminated. Final recommendations have a broader staff consensus, expediting management approval and implementation. The possibility of critical errors, generally made when departments make wide-ranging decisions in a vacuum, is lessened by broadening the collective experience base, subject expertise, and analytical skills. Altogether, an HR/purchasing partnership can produce faster,

stronger, and ultimately more valuable relocation solutions.

Here are a few recommendations for making proactive partnering work for relocation services at your company:

- Do not outsource what you do not know.
- Start early and work at it often.
- Work hard in developing internal relationships and in understanding each others’ business objectives.
- Measure departmental contributions to the work involved and the results achieved.
- Keep the interaction between departments ongoing, even after supplier selection and implementation are a distant memory. //



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