



Getting you guys in early, never benefitted anyone. Recently I heard that statement. It made me think about the "why". Welcome to episode 10 of the ProcurementZen podcast. My name is Phil Kowalski, and today's show is all about early involvement.

We have all been there. Demands that seem to arise out of blue skies. Although you talked to your coworker yesterday, a new demand appears. Super urgent and of course only one supplier.

In today's episode we discuss procurement early involvement. I will give you 10 reasons why it makes sense for all people involved.

I have prepared a nice presentation for you that you can copy and paste into your corporate design. Go to [procurementzen.com/010](https://www.procurementzen.com/010) and download the PowerPoint file or use Google Slides.

So here are the 10 reasons for procurement early involvement.

1. Reason #1 - The earlier, the better the price
2. Reason #2 - Market Know-how
3. Reason #3 - Identify risky suppliers right away
4. Reason #4 - Fast execution
5. Reason #5 - Let negotiators deal with tough conversations
6. Reason #6 - Prepare the battlefield of negotiation
7. Reason #7 - Standards, standards, standards
8. Reason #8 - Less friction
9. Reason #9 - Less work for demand owners
10. Reason #10 - Fight unethical tactics

Are you ready? Then let's start with reason number 1 "the earlier, the better the price".

Why should this be true? A question I often get asked when "marketing" to inform me upfront.

Think about this: when procurement know how gets in early into a project, it can support demand owners. Show them potential suppliers, they didn't think of.



A good strategic buyer has a good grasp of his material field. She knows about recent developments. About suppliers that the product owner is not aware of.

We buyers have executed many RfPs. We have a decent catalogue of KPIs, definitions, infos about the products we buy.

Why not leverage what we have done before?

From my personal experience I was able many times to give demand owners hints. Hints about what they should consider in a shopping list. Or in a specification. Or both.

I remember examples where plastic parts did the same job than a brass part. And for a fraction of the price.

Or where an availability of 95% in a service demand was still good enough for us. And so much less expensive.

Once all these things are final, it gets difficult to change them.

This brings us to the second reason for early involvement, market know how.

This knowledge of the market conditions helps the company to introduce new suppliers. I often times introduce new suppliers to projects. This does not mean a supplier change per se.

I am happy to give any existing vendor a bonus for being with us for a long time. But the question is "is this worth 30 to 50% higher prices" in some cases?

New suppliers introduce themselves on a regular basis to negotiators. They want business, they are hungry, they want to build relationships. An experienced strategic buyer can leverage this to improve costs.



As in "you want a deal? Then I ask you to invest in the relationship." We know of the promises they made, when we had first contacts.

And we also know of existing suppliers that may be good challengers.

Chances are pretty high, that they at least have a positive influence on conditions. An enterprise should not leave these opportunities unused.

The next one is a topic, no one really wants to speak about - risky suppliers and how to identify them.

I experience quite often that I am confronted with specialist suppliers. Small companies with only a handful of employees. Small capital base and very limited options for liability.

Working in an enterprise with 350,000 employees it is quite important for us to secure our bottom line. This includes the classic term supply chain management.

And this in return contains a risk evaluation for every supplier. If an agency gives a supplier a bad rating, we should think twice about a contract. At least this must result in a malus from my point of view.

Also, we need to look at how their financial situation is. I hardly deal with vendors where one order from us makes 60% of their revenue. Yes, this gives me usually a position of strength. But what happens if this supplier folds?

And we also need to consider so called head monopolies. Where the know-how of a specific solution is only in one head. Never a good idea, if you ask me.

So, evaluating these risky suppliers is a pro for involving procurement early on.

Reason number 4 for procurement early involvement is the topic of fast execution.



What does that mean. In general, it means, that the earlier you involve me, the less questions I ask afterwards.

Why less questions? Because I know the topic inside out. Because the demand owner updated me where necessary. Because it gives me clarity. And - this is important - because I have a stake in the demand.

If I am involved, was able to negotiate and we came to a joint conclusion, I fight for it. My own decision, my own reasoning went into it.

As easy as this.

Reason 5 is all about conflict - let me be the one who deals with tough negotiations.

Without doubt, negotiations are conflict situations. I want something that the supplier doesn't want. A better price. More service for the same money. Or a lot of other stuff like higher liabilities or increase security for my company.

This leads to situations that a lot of people don't want to be confronted with. I chose this profession by purpose. Not saying, that I look for dispute, but I don't shy away from it either.

I always say, that if you can't stand conflict, procurement is the wrong profession.

And this is what I stand in for when my colleagues ask me. I tell them that they later on have to work with the chosen supplier. Hence it is better, if they keep the good relationship. But procurement sometimes needs to be the bad cop.

So, let me take over this task for you, my colleagues. It's not about sacrifice but about roles. Having experienced some conflicts, I have a good standing at it.

The next one is also labelled in a somewhat aggressive way. I called reason number 6 "prepare the battlefield of negotiation".



Why battlefield? Well, because negotiation is very dependent on tactics and strategies. These need to be well prepared.

I see it a lot that my colleagues go completely unprepared into negotiations. On the other side, everyone expects preparations and strategy from a sales person.

Here's where I come in. I know a lot of tactics and strategies - operational and psychologically - that sales reps use. And I know how to counteract them.

Reciprocity, scarcity, good cop - bad cop, using emotions, you name it. This is where the real value add of procurements begins. We professional negotiators cannot only counteract them. We also can turn them around and use them in our favor.

And all this needs preparation. It starts with very easy preparation measures. Pleasant environment such as a nice meeting room with some food and drinks. An upfront briefing on who takes over which role. Or a negotiation playbook.

The latter is an amazing tool I introduced to you in there very first episode of ProcurementZen. Go to [procurementzen.com/001](https://www.procurementzen.com/001) and sign up for the VIP club. You'll find this - and a lot of other things - there.

These preparations will increase the possibility of your desired negotiation result big time.

Topic #7 why anyone should involve procurement early on is standardization.

It is amazing to always have the latest and greatest tool in your arsenal. But this also comes at a cost.

Imagine you are running a pool of cars for your company. Over the years it grew up to 50 cars. What do you think is easier to handle? All cars from the same brand and even the same type? Or all 50 cars different?



For the latter you would need a lot of knowledge (or pay for it, if you do it externally).

Standardization can play a huge role when it comes to product development. Do not reinvent the wheel over and over again. Build upon what is already there.

And we as strategic buyers, we procurement people know the market pretty well. We know, which standards apply to a certain material field. And we - of course - know the standards our company has implemented.

Yes. The newest feature might be shiny and interesting. But is this added feature so important for us that we give up on standardization?

If it is, I'm happy to support you in your demand. But I at least expect my demand owners to answer this question honest and open.

Now for reason number 8 for procurement early involvement. I called this one "less friction" in my list above.

What I mean by that is that I'm happy to take over administrative tasks for the demand or the project. This includes but is not limited to

- document management, such as RfP documents, NDAs, responses and more
- organizational management like booking rooms, organizing catering, aligning on agendas
- general management like writing meeting minutes, reminding people on their duties

This is a controversial topic in some procurement departments. A lot of my colleagues don't see it as their duty to take over these tasks. I have a different opinion. For me it is an opportunity to have influence on the frame conditions in which a negotiation takes place.

This topic of less friction has a close relation to the another one: Less work for demand owners, reason number 9.



Somehow these two ideas overlap. Yet, less work this very topic has an extended scope. In my business - buying and negotiating services - I have a huge collection of best practices.

I work with service and works contracts as well as service level agreements (so called SLAs). Often times my colleagues ask me what to put in such a SLA. Which KPIs and what measures?

Here's where my experience starts to shine. I have prepared a library of several hundred items. For example, clauses for availability in IT. Or clauses for customer satisfaction surveys.

They don't have to start staring at a blank sheet of paper. I give them something to work upon. Most of the times it needs refinement because nothing matches by 100%.

But it's so much better than creating everything yourself.

Templates is the magic word here. Big savings in regard to time. Helps to save a lot of redundant work.

Just combine the last two reasons - less friction and less work. Your colleagues will immediately see your value.

The next one is reason number 10, fighting unethical tactics.

In episode number 4 of the ProcurementZen podcast we talked about ultimatums. And we talked about how they are sometimes used against you as an unethical tactic.

See [procurementzen.com/004](https://www.procurementzen.com/004) for more details.

This is only unethical tactic, there are a lot more. Experienced negotiators like us usually have a good grasp on what's going on. Unfortunately, not all demand owners have the same view.



Here we can help them and name unethical tactics upfront. Some of these methods are classics, such as

- reciprocity: Suppliers give you something. In return you feel obliged to give me something back
- scarcity: Reduction options or timelines to impose false scarcity.

I talked about this a lot in our recent focus week on expensive sentences. See procurementzen.com/008 for more details.

This does not mean that those tactics never work. But naming them is already a big step forward.

Robert Cialdini discusses these tactics in his classic book "Influence". We will very soon have a detailed review of this masterpiece. Make sure you don't miss it and sign up to our VIP club over at procurementzen.com

So, these are the 10 reasons why every business should early involve us negotiators.

Remember the initial statement? Getting procurement in early never benefitted anyone. I still remember my colleague saying this. What about millions of savings? All due to procurement early involvement. Would that qualify as a benefit for our company? I bet it would.

Again, if you need to fight this battle in your organization as well, make sure to get my slides. I have prepared a one pager, which you can download when joining our VIP club over at procurementzen.com/010.

I also created a short animated video for this. I visualized the 10 reasons so let me know, if you like it. Leave a comment over at procurementzen.com/010.

This was it for today, always successful negotiations, this is Phil signing off.