



IT Sourcing

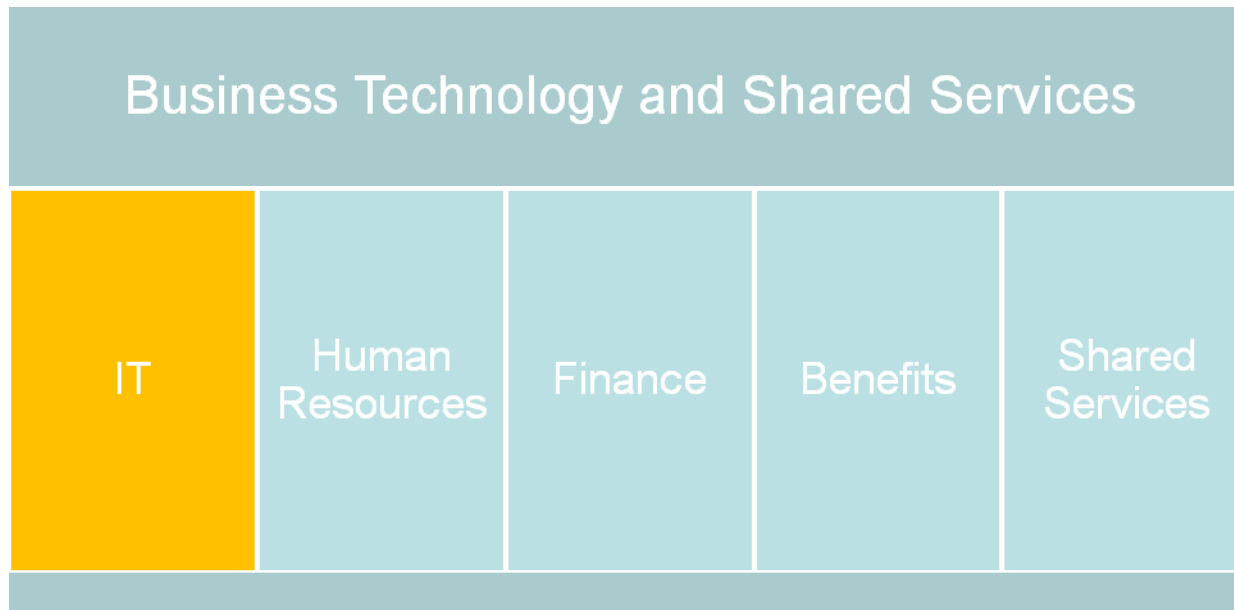
**FUNCTIONAL KNOWLEDGE, RELATIONSHIPS, AND
SUPPLIERS – HOW THEY AFFECT YOUR SUCCESS**

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Business Technology and Shared Services



9 years of IT experience

- Consulting
- Network design
- Data security
- Helpdesk support
- Start-ups to Multinationals

Business school

- Career change (get out of IT)
- Focus on corporate strategy and supply chain management

26 months in procurement

- Inherited IT responsibilities during MillerCoors joint venture reorganization



What to expect from this presentation

A few building blocks to successful IT sourcing

- Increase sourcing influence within IT
- Simple common-sense approach

Insight into the mind of the IT organization

- Believe it or not, not everyone thinks like procurement



What defines success in procurement?

- Processing more purchase orders?
- Negotiating more contracts?
- Managing more supplier scorecards?
- Participating in sourcing projects?
- Running sourcing projects?
- Sitting at the strategic decision table?



Levels of Procurement

Strategic Sourcing

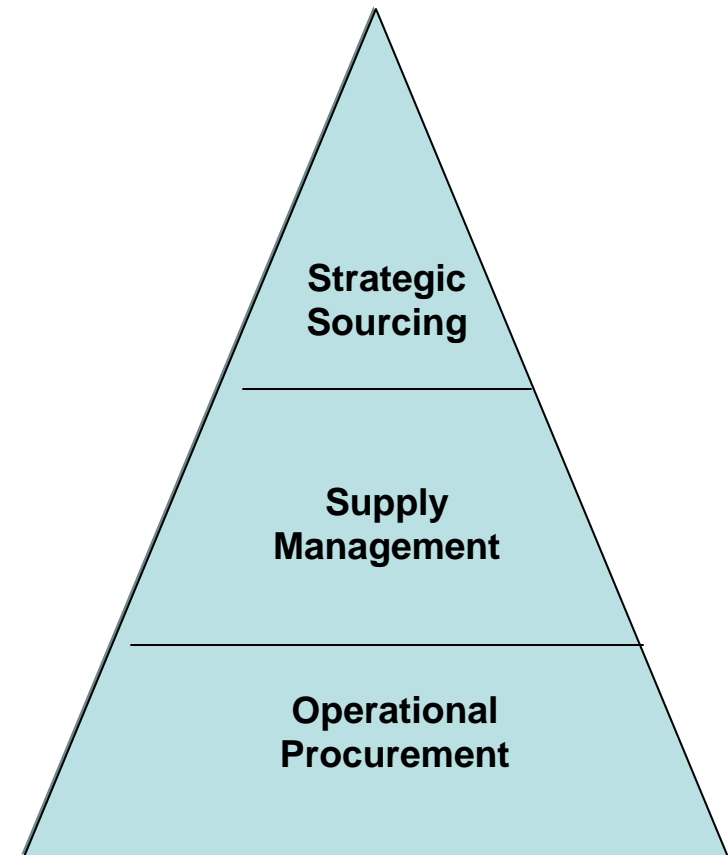
- Leads sourcing projects utilizing consistent tools and methodologies
- Responsible for supply market analysis, project leadership and commodity management
- Has input into category strategy

Supply Management

- Takes sourcing projects through to implementation and execution
- Responsible for supplier performance management, supplier continuous improvement activities and ongoing business relationship

Operational Procurement

- Day-to-day tactical execution of buying, expediting and supplier administration



IT Sourcing Barriers

Category is very technical and complex

- This barrier can be the most difficult to overcome

IT does not easily embrace “outsiders”

- Technical knowledge is large factor
- IT groups are used to being self-sufficient, access to everything

Suppliers tend to see procurement as an impediment

- “Procurement doesn’t understand our value proposition”

Time is always of the essence

- IT cycles are faster than most other categories



Procurement organizations relegated to a more tactical role in IT sourcing

- Process purchase orders
- Track down accounts payable information
- Quick amendments to contracts, etc.

Decisions are already made when procurement is engaged

- Which supplier
- What will be purchased
- Price

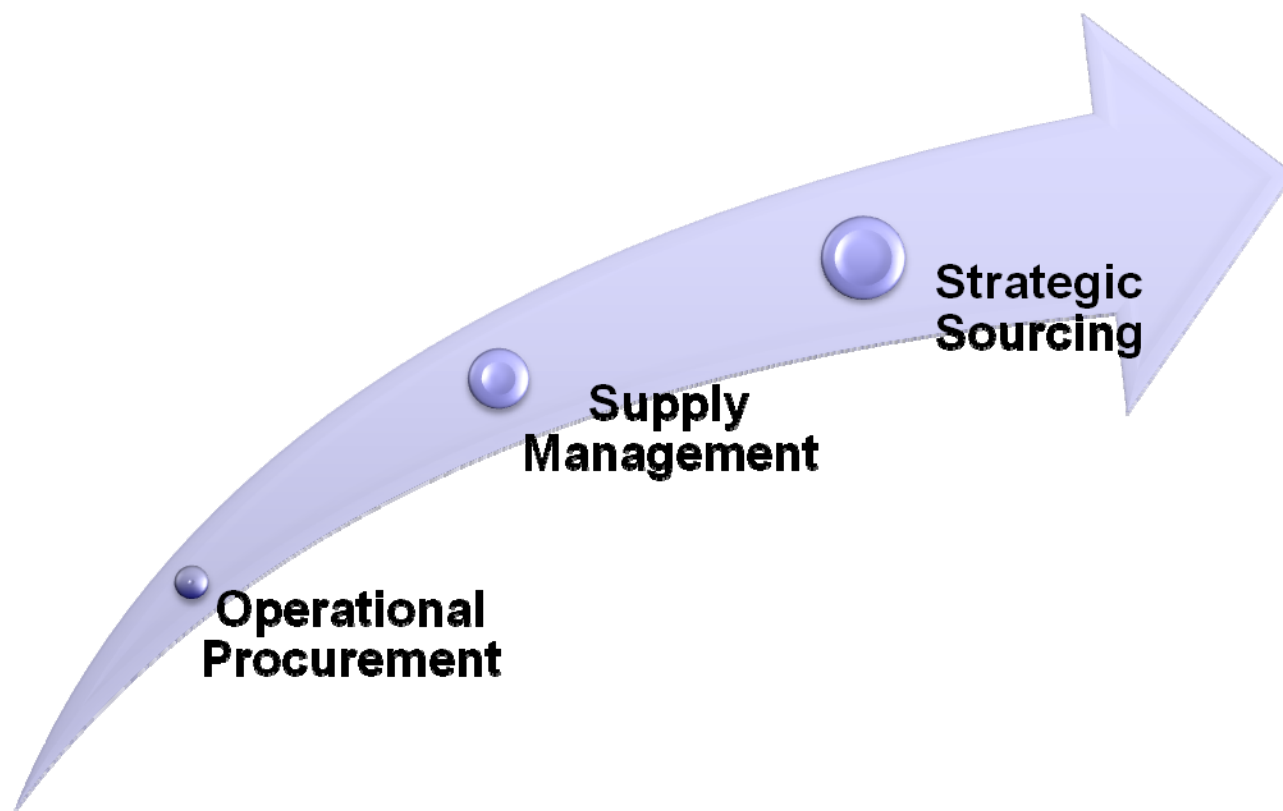
Not able to add **value** to the process

- No ability to negotiate
- Not able to integrate purchase into overall corporate strategy



Overcoming the Barriers

How do we overcome these barriers?



Tool 1: Functional Knowledge

The key to winning their hearts

Functional Knowledge

IT is very complex and often confusing

- IT has a language all its own
- Concepts are abstract to most
- Often takes a technical ability to understand fully

The pace of change in IT is staggering

- Unlike many other areas, technology can change during a sourcing project
- Many different competing technologies can make it confusing to pick the correct path
- Consolidation makes it difficult to keep up with relationships

Functional Knowledge

You don't have to know it all, just most of it

- The best capital that you can gain is by showing that you have attempted to understand the technology
- Keeping up-to-date on industry trends and new concepts is essential to winning champions within the IT organization
- No need to understand each acronym, programming language, or hardware platform – general knowledge will go a long way
- No one will ask you to make a technical decision, but they do not want have to explain the concepts throughout the sourcing process
- Once the organization trusts that you understand the industry at least at a high level, doors will open



Functional Knowledge

Functional knowledge can be garnered in several ways

- Experience
- Trade shows, industry conferences
- Classes
- Spending time with IT staff
- Industry web sites (CNET, Wired, Slashdot, etc.)



Tool 2: Internal Relationships

The building block to bigger things



Internal Relationships

Relationships with key IT influencers can help to build credibility with the rest of the organization

- Making efforts to connect with these influencers is of utmost importance
- They are the building blocks of building your own influence

These influencers can be skeptical of outside expertise and the value proposition of procurement

- This is where technical knowledge pays off
- Proving that you understand, or have attempted to understand the technology goes a long way



Procurement must adopt a sales mentality

- Policies are important, but customers should want to use your services, not be forced to use them
- Successful procurement organizations sell themselves and their services to their internal customers
- Procurement organizations should make regular “sales calls” to their customers to sell the value that procurement can provide above transactional procurement
- Readily available process and procedure information is also important so that there is share of mind when questions arise or when a customer is unsure how to procure something

Tool 3: Supplier Relationships

Often overlooked strategic tool



Supplier Relationships

Supplier relationships are often overlooked

- Can be a strategic tool if maintained correctly

Suppliers can influence the internal customer's view of the procurement organization

- Both positively or negatively – want to make this positive

Strong supplier relationships can provide a pipeline for procurement activities

- Strategic suppliers can provide insight into new ideas or technologies that can benefit the company
- Having a seat in those discussions can provide strategic opportunities



Supplier Relationships

Building strong supplier relationships takes similar steps to internal relationships

- Showing a supplier that you have functional knowledge validates your seat at the table in their eyes
- Suppliers prefer to work with a procurement person who “gets” the language and nuances of their craft
- Connecting with the supplier also shows internal stakeholders that you are capable of the job
- Quarterly strategic supplier meetings to maintain these relationships
- Incent suppliers to bring new ideas to these meetings



Key Take-Aways

Building influence in IT is more difficult than other areas

- Pace of change, complexity, culture

Procurement must take a sales mentality

- Sales calls, work relationships

Must concentrate on relationships

- Both internal and external

Functional knowledge is important in building influence

- Key to internal and external strategic relationships

Must back up the sales pitch with results

- Make these results part of the “sales calls”



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