

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

**Philip:** [00:00:30] Hi everybody! Welcome to today's Art of Procurement interview. I'm here at the Sig Spring Summit in Washington DC. I'm joined by Tom Beatty, the founder and CEO of Insight Sourcing Group & SpendHQ. So, Tom, thank you very much for joining me.

**Tom:** [00:00:45] Thank you very much for having me.

**Philip:** [00:00:46] No, it's a pleasure. One of the things I wanted to talk about first and it's actually not necessarily procurement related but whenever I see--. Well, not whenever but I see a lot about Insight Sourcing Group. Kind of your approach to being an employer of choice - I know that you've won a number of awards in Atlanta area, and that's something pretty unusual to the procurement space. We don't see that kind of thing come along. I wonder if you could just explain how--. What are some of the... One, why is that so important to you, I guess. But two, what are some of the things that you do to really focus on making Insights Sourcing Group an employer of choice?

**Tom:** [00:01:22] Yeah. Well, that's a great question, and you know one near and dear to my heart. We've actually won a recent one - a national award where we're named the number one boutique consulting firm to work for in the whole country.

**Philip:** [00:01:32] Congratulation!

**Tom:** [00:01:33] Thank you! By vault.com. But yeah, we are fortunate that we're here recognized for that and a lot of those are based on employee feedback so it's pretty real as to what's going on. When I started my firm in 2002, I've worked for several other companies. I really never found the culture that I was looking for personally. I wanted one with high integrity that was highly client oriented and was not all about the money, it was all about the outcomes and the results. It was really all about pursuing excellence for the sake of excellence itself.

[00:02:03] And so, we started the firm - my dog and I in my basement. We came up with four core values. One of them was excellence in execution. One of them was people matter most. One of them was integrity above all. And the fourth was focus on client results. Those have been our guiding principles and really have not changed. We make a tremendous investment in the people on our team both--.

[00:02:27] So, first of all, we have a very rigorous recruiting and screening process. A lot of it comes down to fit. You've got to be able to--. There are plenty of people that can do the job but they're not a great fit because we spend so much time at work

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

you really need to really enjoy the folks you work with and be having a good time. So, then we also invest to create those opportunities. So, we may take everybody out to play whirly ball, which is crazy game in bumper cars on Wii. We may have a party with a band in the office. We'll have music come in. We'll have almost a lounge set up. And so, it's very common to see folks form close friendships and be playing foosball in the afternoon or whatever. Part of that is we expect a lot of our folks. We expect them to work really hard, but we don't, you know we want them to be balanced as well so we try to create those opportunities. That's a big part of it.

**[00:03:12]** And the second piece is particularly our younger staff. We're hiring some of the best folks out of undergrad. We compete with the big strategy firms for talent. We have a different model that's more compelling for certain folks. And so, it's almost a moral imperative when you bring somebody with that agile of the mind and capability to really develop them and create opportunities. So, we do a lot around career development. There's a lot of clarity around how do I get to the next level. We get tons of feedback.

**[00:03:37]** And then, we've recently launched what I think will be fairly unique leadership development program. One of our goals is to be world class in leadership development. So, we launched the two-year effort to get really get it done. We're getting ready to roll that out this summer.

**Philip:** **[00:03:50]** Interesting. So, what does world class in leadership development look like?

**Tom:** **[00:03:53]** Well, one of the things that is different about us is we don't have any outside funding and we don't have any debt. That's very unusual in the technology side. And on the consulting side, it's maybe a little less unusual. We don't know what our future holds but we're not building the business to sell it. And so, the question then becomes "Well, gosh our leadership team are mostly relatively young like 40's, early 50's but what happens in 10 years?" We have extremely low turnover. So, we had 3.3% last year and 0% the year before in our consulting group. And so, we've got the folks that we hired years ago that have been with us 10, 12 years doing nothing but strategic sourcing and procurement and as well as in some of our other business units. And so, it's how do we prepare them for the next level. Worst case, we get, you know they become better leaders just in the short run but the hope is that both in the long run in their professional life but also maybe even in their personal life.

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

**Philip:** [00:04:49] What do you think a CPO, procurement leader listening in today could actually take from the way that you've built your organizational culture and kind of apply that to building the culture within that procurement organization?

**Tom:** [00:05:03] I think that's a great a great question. I think it's probably easier than they would think, right. They think they're overly influenced by the main culture but at the end of the day the primary impact on an employer are the people they are managing, the people around them. So, creating an environment that's heavy on mentoring is creating an environment where there's a lot of feedback, a lot of desire for people to improve and develop, where even the leader--. Like for example I often ask for feedback. If I go in a sales call with the newest person in the company, afterwards I say "Hey, tell me what I can work on because I can't see myself." And so really creating an environment of that culture.

[00:05:39] Secondly, creating events and activities where you can just have fun. The key I think, I should have said first is make sure you hire folks that are all sort of point in the same direction. Right? They're not 9 to 5ers. They're trying to achieve and trying to grow. And then, put them in a position to do that. I think if I were a CPO, I think I would. I would celebrate when I took one of my folks up a couple levels in procurement and then maybe they exit into another part of the organization because I think that's going to happen anyway if you do it right, so you might as we'll celebrate.

**Philip:** [00:06:10] Yeah. kind of give--. And say stuff up to proactively give people the opportunity to do that.

**Tom:** [00:06:15] Yeah, because if you don't, then you have trouble attracting the next wave in. Right?

**Philip:** [00:06:19] When we chatted before we started to record, we're talking a little bit about digitization in procurement. We're here at a conference and I've been to a few conferences. I'm sure that you have recently where digitization is a big theme. But you have some interesting opinions which I think I probably share most of them around what digitization actually means. I'd love for your perspective on, you know is this the next big thing or is it just a new name for some marketing, some hype but maybe not that much behind it.

**Tom:** [00:06:49] Right. Right. Yeah. It does feel, in my view, kind of like a wrapper. I think a lot wrapper around some things that already exist. The concept of digitization in procurement, the way it's been talked about is not a lot of, I guess if you will specifics

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

that are new. And so, there's a little bit of hype to it. I think the other thing is in my career, despite the fact that I have a technology firm and I actually built a technology prior to this firm as well, I've become a bit of a technology minimalist. Part of that is doing--.

**[00:07:19]** One of my first sourcing projects when I was at a Big four consulting firm was a software selection for division of Lockheed Martin. I just remember that they had their requirements in these they were trying to solve but once they began to see the new software their requirement lists increased exponentially. And so, it created this really complex set of requirements that I had to hammer down by something like 90% to make it viable. But all of that new functionality and capability created tremendous execution risk on the deployment. And so, it made it less likely to have success because they were saying "Oh, that module. Yeah, we want that. We want that." And so, that's part of it, right, is the breath in the complexity of what you're trying to achieve, I think is increased because the software providers need to create new stuff to buy.

**[00:08:01]** But the second thing is I'm not a technology minimalist because I'm a lewd, all right, or you know some sort of skeptical person by nature. We've met with -- Gosh, 1500-2000 companies with Insight Sourcing Group and we've worked with about 800 of them and never ever had a client where we walked into to perform strategic sourcing that handed us sourcing ready data the day we arrived. Those folks owned every software under the sun. Some of them were mature. Some of them were immature. They were everywhere on the spectrum. For whatever reason, it seems to me that the technology that's already in place is not necessarily fulfilling the promises of good data. And so, then that raises the question of what else is potentially a challenge?

**Philip:** **[00:08:49]** Yeah, my view is I think it's evolved and mature, perhaps even as I've been doing the show because it's easy to get blinded by some of the marketing and all these wonderful things that technology will be able to do for. I do fundamentally believe that technology is going to reshape what it means to be a procurement professional. How we do our job? Where we need to focus? So, it's not that it's something that I'm against but it's just about thinking about a way to prioritize as well for me. I spoke to companies who are interested in how do they take advantage of a PA, for example. And then asked the question about spend data. Well, you know show me your spend data. Do you have good spend data? And the answer is you know not really. We're still struggling. We don't really know what our spend looks like. I always encourage companies to really think about the basics and focus on the

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

basics first. Get them to a position where technology can take them to the next level rather than looking at technologies being the solution to all their problems.

**Tom:** **[00:09:42]** I would agree with you completely. I think it's actually a bigger landmine issue than some people recognize. Have written a white paper on this. Basically, it's a CPO's kind of the first hundred days or whatever things to watch out for. For whatever reason, new folks that take on the role seem to turn their attention to the technology first. I think part of it is they hear all the marketing stuff and they hear all their peers and everybody talks about technology but there's also I think a desire to get your hands around things and control. There's a sense that technology is the way to do it.

**[00:10:11]** My experience is that's not the way to do it. I have seen a lot of CPOs get flipped out after two or three years because they took all their internal equity in relationship capital and focus it on getting approval to buy something expensive, implementing something that forced a bunch of people to change the way they do stuff that they didn't like. And then they got to be the procurement cop to have people in the hand when they didn't do something correctly so. And by the way, it takes a year and a half, two years, and then you've got to wait another year to get the data. So, all that time there's a lot of sourcing opportunities that were laying there latent just wasting money.

**[00:10:44]** And so, as an example, at breakfast this morning, I was sitting next to a brand new chief procurement officer who had moved into the roll out of a technology which is unusual but more common these days. He was asking everybody about the technology they used. My comment to him was "Well, have you consolidated all your spent?" Right? Now much less know what it is but if you have 75 template providers it probably doesn't make sense to try to automate that until you've consolidated, sourced it, put contracts in place and structure those contracts so that you can then manage them well in the back end. And then you know he was asking about contract management. Well, why would you want to load in 75 contracts instead of two maybe?

**[00:11:23]** And so, it just doesn't make any sense to me to go tech first. And then of course from a career perspective, if you get a bunch of wins, if you're a CPO that walks in and says I don't want to spend a ton of money on this complex enterprise procurement system, I think the CFO probably sit back and go "Huh. You're a little different. I like what you're saying."

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

**Philip:** [00:11:43] You mentioned actually about CPO. You talked about being new from technology into procurement. Do you see that more often now that CPO of procurement at the exact level that the organizations are bringing folks in from the outside rather than just promoting up from within?

**Tom:** [00:11:57] Well, in this case it was from outside the procurement organization but inside the company. So, I'm seeing that more and more of where folks are bringing in non-procurement professionals into leadership roles in procurement. I don't know that it's necessarily a reflection of the talent that's currently in procurement. Maybe they're just immature. But for example, we have a client where the CFO moved into the CPO role.

**Philip:** [00:12:17] Interesting.

**Tom:** [00:12:17] Which you don't see very often.

**Philip:** [00:12:19] No. I see more and more people from the outside but as you say I think my experience is the same. It's still from within an organization just a non-procurement role, which speaks to alignment, doesn't it? That perhaps the person who's making that decision or the committee that's making that decision, don't necessarily see the procurement function today as being one that's aligned with the business and so they're bringing people in from the business to better bridge that gap.

**Tom:** [00:12:45] I think that's very true because if you look at the average procurement organization, they're somewhere on the spectrum of tactical to strategic. Generally, they get overwhelmed by the tactical activities, so they tend to be a little bit more tactical. The second thing is they don't have great data and can answer very basic questions like you know what do we spend with the spenders also now we're doing a proposal for. Right? It takes you know things... You get the data. It doesn't make a lot of sense. Whereas, if you have a good spend analytics solution. We have clients that say yeah. The number one thing is a CFO calls and you answer while on the phone to them, right. And so, you've got to have that as just table stakes.

[00:13:23] You know we talked about the hype around digitization and around AI and machine learning and all those things of which by the way I'm pretty heavy into machine learning and AI right now because of the technology work we're doing. Candidly, in some cases it's great, in some cases it doesn't make any sense at all. I've gotten deep, deep, deep in the weeds to try to understand it. It just isn't the panacea for everything. But the number one thing if I were running a procurement

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

organization that I would want if I didn't have before about technology is really good data analysts. I would get... That's one of the things I see missing are really hard-core data folks that can get in and make sense of this unstructured data that's terrible. Because how can you design your requirements for future technology system if you really haven't got to the point where you know what really good looks like? You can't know what really good looks like if you're just taking the data coming out of your systems. So, it's almost like there needs to be a cleanup. There needs to be that skill set more heavily promoted within procurement in my view.

**Philip:** [00:14:20] Do you see more people hiring for data scientists, or for analysts in procurement than in the past? Do you think we're not there yet?

**Tom:** [00:14:29] I see procurement leaders struggling to attract that type of talent. The challenge is that procurement is--. Despite the fact that I think it's amazing, a lot of people don't think it's sexy. And so, and because of what you said maybe earlier where procurement maybe is not looked upon as aligned with the business it just doesn't draw in the level of talent in some cases. In my universe in the consulting world, we bring in people all the time who are like "I never thought I would be in procurement." I'll say "You know what? I didn't either."

**Philip:** [00:14:59] Because you have a natural career path to be in a consulting or around consulting.

**Philip:** [00:15:03] A consulting firm. Yeah. You can learn different skill sets. That's where procurement organizations I think need to begin to create a different value proposition for the employees other than "Hey, you know we're going to buy stuff, we're going to save money." How can you be developed here that maybe is unique and different? How do you get a lens on the business nobody else has? How do you get skills nobody else has? And so, those are the kind of things I think that are important, but I don't see procurement organizations hiring data scientists. I do see a lot of third parties popping up with data scientists because it's clearly a need. The one thing that we see, and this is a little bit of a value proposition from our side is most of those third parties are just crazy smart. Technically, MIT guru of this but they don't have any procurement experience. And so, a lot of the analysis we're seeing coming out now is really cool technically but isn't necessarily actionable because it's not informed by deep expertise.

**Philip:** [00:15:54] Right. It's still just... It's not intelligence. It's information but it's not necessarily intelligence.

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

**Tom:** [00:15:59] Yeah. Yes, exactly. I mean even... It's really funny because it's this weird disconnect and it's the greatest aha I've had probably. I've had two major aha running this business and I was one of them. It was I just could not understand how there was so much hype around the technology and how so many folks were so excited. I just didn't get it because I would go out and see the output and it just didn't make any sense. People just kept making the same mistake over and over and over and investing their careers and money into these technology solutions. Then, I finally figured it out. If you do go out and research any of these solutions there's almost no data out there except that provided by the providers, by the sales people.

[00:16:37] And so then the second question comes up. Okay, if they're controlling the narrative, right. If the software firms are controlling the narrative, I'm not suggesting it's like some evil conspiracy. It just is what it is - that they've got big budgets. But the question is why then does--. Why are they promoting something that doesn't work? That doesn't make any sense, right? That's not a sustainable business model. And so, the conclusion that I came to, the big aha was they don't know it doesn't work because they don't use it. Right? They think it works.

[00:17:02] I mean I've interviewed folks that talk about how great the implementation was at a client. I've been into that same client and seen and that's not too great. And it's because they don't fully understand how to utilize the data for its intended purpose. That's why I think if I can kind of position this further our value prop, that's why I think SpendHQ is so unique is because if you walked around my consulting company, you'd see SpendHQ up on the desktops of a third in any given day of our consultants because we use it every day for its intended purpose. And so, we think that expertise is what's really missing in the industry because basically what you have is a bunch of really smart people who say "Hey, there's a nasty problem I want to solve. Let's go apply ourselves to procurement." But they don't necessarily have the depth.

**Philip:** [00:17:46] Right. You mentioned about... You know for example software... The big players in the industry kind of controlling some of the narrative because they have the marketing budgets to do that. Part of that to me is because as procurement organizations, we're not necessarily investing in independent research. I wonder if you have any view or perspective on perhaps why we allow that to happen versus there's value in independent research or value in getting different perspectives or whatever it may be. Because it just doesn't seem like a business model has emerged yet where procurement leaders are willing to make that investment.

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

**Tom:** [00:18:25] To make pay. Yeah. I mean clearly when you say We, right, there's got to be a We. It can't be done company by company. It has to be an organization that made that choice. The only way it would ever work is if that organization didn't take any money from the software industry because no matter what the initial intentions are ultimately you build an organization that organization burns off cash and you've got to replace that cash from somewhere, right. The vendors typically are you know are much more aggressive. Yeah, and then you got to... And this is just a little bit of an aside, but you ask yourself why are they willing to spend so much more money than a procurement organization. If you put 100 procurement organizations what they would spend is because the valuation differential on the software side so great that it's just the payback is just so huge if they can win.

**Philip:** [00:19:09] They get a bigger multiple by just being a software firm.

**Tom:** [00:19:12] Yeah. Yeah, that's right.

**Philip:** [00:19:14] I want to just kind of segue into today, in the session that you have today. I wonder if you could share a little bit about what you're actually presenting at Sig.

**Tom:** [00:19:19] Sure! Well, the title of it is "What comes after sourcing?" The talk is inspired by just a massive amount of data that we have and the insights that we've drawn from them. We've got 1.5 trillion dollars. Trillion with a T spend data. This is from all kinds of companies. We work with Fortune 10 companies. We work with a lot of brand names that you'd be familiar with. We work with major universities. We work with private equity firms. We probably have over 150 private equity portfolio companies we get data from on a regular basis. So, we've got hundreds of companies that we're receiving data from.

[00:20:01] We're very careful with that data from the confidentiality perspective. However, on behalf of our clients who've done analysis to try to see for example compliance rates, what percent in a category of spend is supposed to go to vendor X actually goes to vendor X versus goes to a rogue vendor or a maverick vendor. In indirect spend, it consistently is around 60% goes to the correct vendor. We've got different ways that we model that and looked at it. We've torn it apart. We've interviewed clients to validate on it, you know sampling basis. And that data is pretty consistent with other research firms have seen but 60%. You think about that and it's like "That's crazy!" You never... Someone tallied it will let's say 10 million in savings and they delivered at best six, right. But it's so consistent across different companies regardless of the maturity level that you just have to begin to wonder what's going on.

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

**[00:20:53]** And then secondly, we are not an outsourcing firm. We don't take over jobs. We don't take over the roles of internal employees. We generally are brought in to help with strategic sourcing when there's categories they don't have the expertise in or they just need to move faster than they can--.

**Philip:** **[00:21:09]** Yeah. Just can't touch because they don't have bandwidth.

**Tom:** **[00:21:12]** They'll have the bandwidth for it just maybe they built a tactical organization and just strategic sourcing. It's a learning opportunity for them to see a firm like ours do that. But anyway, we have over the years a couple clients that have said "Hey, we want you to stay involved to manage these categories and teach our people how to do it." We've chosen to do it. It's frankly expensive because they pay us like a consultant in the past, right, and that's what we're fixing now. But anyway, so the lesson learned from that was this one company resource about 48 categories which is a lot on the indirect side, 2000 location retailer. They had about... They would have had a much lower compliance. We got it up to close to 100% just by monitoring the spend analytics, right. And then doing a couple best practices.

**[00:21:57]** The second thing that was fascinating though is we got the vendors during the sourcing process had to give us reports in a certain format by a certain date and they were significant liquidated damages if they messed up. And so, the vendors were giving us the data we needed to manage the category. The data coming out of our client system was not usable, right. And you think, why would that be? Well, part of it is the vendor doesn't want you to have that data. You can only get in the sorting process. The other part is their P2P system or whatever is designed for all categories, not one category. The vendor systems are designed for their own. So, anyway we get all that data and we developed all the hooks at a category level of how you really analyze it. One of the things we found was just massive in vendor gamesmanship. It's almost as if sourcing professionals have gotten too good at their job and vendors are taking deals that they really can't afford to take with the intent of not honoring the contract later because it was so consistent across different categories. Not every vendor but it was dramatic.

**[00:22:51]** And so, we found basically 15 to 17% savings leakage that we were able to recapture from things like they, you know charge on price. One location didn't implement the new pricing right out of 40 or whenever. One vendor was supposed to charge X per hour and use this kind of resource used an upgraded resource for a lower task and they would just--. They would charge trip charges that contractually we eliminated and that you know they probably didn't even know they were doing it, right. It's just they normally charge trip charges. And so, nobody was minding the

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

store and the way the data comes in from the internal systems or from the traditional data that comes in from the vendor is just... It's hard. It's byzantine. It's a project to go through.

**[00:23:35]** And so, what we're trying to create and what we're building is a model that I'm presenting today. Not as a solution that we offer but a solution people could develop themselves but essentially is to leverage the sourcing process to get data rights from the vendor to negotiate the exact data that you need. Kind of begin with the end in mind to manage the category at a world class level. And so, you get the data to come in. And for example, we're doing a project for a company that has cell towers and there are 782 vendors that we're getting data from every month just for one category. It's complex. The data comes in. We create using tools, you know off the shelf tools to consolidate the data and then using it - in this case, it's too big for Excel but using something like an Excel or tabular or whatever to basically perform the analysis that you need to perform to pop all the insights.

**[00:24:22]** So, in the retailer case, across 2000 locations, let's look at spend per location per square foot for store supplies. What that does is it gives us a metric that we can use to see outliers. And so, we're able to pop the outliers to run that analysis and pop "Hey, these 42 stores, there's something going on. There's waste. There's theft. There's something." And so, we're able to pop that. And then it's a lot of hard work to build that analysis and it takes a lot of expertise in the category to understand the levers but what we're creating is once you build it once then you just dump in data and the insights pop out. And so, our framework has analytics, insights, and actions. And so, the thought is the insights pop out. The procurement professional then takes that data, right, which is... I mean it's got it right there. They convert those in action steps that need to be performed by some stakeholders. Say for example, you know go to the vendor and you know the new items they introduce that are not in the contract, you know take those out of the program or whatever or negotiate a better price. This location is not using the proper supplier to fix that. And so, then you get an actual list with dollars associated. You know exactly what you can do. We typically we're building that as a business. We're typically getting CFO, CEO level visibility that list and so the list gets done.

**Philip:** **[00:25:35]** Yeah.

**Tom:** **[00:25:36]** And then, you're really able to understand what savings looks like at the end. And the one piece I didn't mention in the beginning is you've got to negotiate with finance to say "Okay. Here's what we can do. Is this acceptable? If I show you this, will you accept the savings?"

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

**Philip:** [00:25:49] So, they were on board as opposed to pushing back because 60% of the savings... Because you have some big savings leakage where saving is going to save you 10 million really saving you six money, let's say. Then I'll believe our numbers. So, at least making sure our finance is really involved bring some accountability, some buy in from their perspective, so I actually believe the numbers when they see them.

**Tom:** [00:26:12] That's right. And so, if you do it right it's pretty lean. It's fairly inexpensive. You don't need a large staff. You need some analysts and you know obviously we're offering it as a service, but you get the analysis done once and then it's relatively repeatable. But the other thing that comes out of it is demand management opportunities. And so, you have an opportunity to get a second bite of the savings apple through that.

**Philip:** [00:26:35] And you can look at... So, in the rankings now you can look at those locations in that example by doing really well. And those outliers in the top end that actually then model those behavior along the rest but even though actually identified who those are.

**Tom:** [00:26:48] Exactly. Yeah. And the other thing you'll see like in the case of maintenance of equipment, you'll see the value metrics around service calls for certain pieces of equipment. Maybe it's time to replace them, right? And it feeds into your break fix and capital equipment strategy.

**Philip:** [00:27:02] It was interesting to me that you're talking... when we think about leakage, the first thing that usually comes to mind is it's rogue spend, so it's somebody within... It goes to our old policeman hats of going and telling the organization they should be buying the contracts that we'd put in place. And obviously there's reasons why folks inside an organization may not be doing that because we may have put the wrong deal in place but also because they just don't want to go along with it. But it's interesting to think about there are so much of that which could actually come from the supplier side. That's not something that I'd particularly thought about. I've always thought about it being an internal management perspective versus actually the suppliers aren't doing what they said they were doing and what they contractually on the hook to do.

**Tom:** [00:27:39] I mean it's commonly is brazen. And you know again, we're talking indirect spend primarily but one of the just a little funny anecdote is we figured out it takes seven to nine months for them to finally figure out that they're not going to get away with it anymore. Well, like magic it stops. And so, that's what leads me to

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

believe that there's some intent behind it. The second thing is we track pricing errors. Oftentimes, pricing errors are in favor of the client. But the net balance, all of it is unfair with the vendor.

**Philip:** [00:28:08] Right. They're always coming out ahead. As we think about wrapping up, I have a question about category strategy and cash crew management. I'm sure that you're involved in the building of a lot of strategies. I've been involved in a lot before. I just wanted your opinion because I see so many times you know we build category plans, but we do it in isolation of ourselves. Then we go to a stakeholder and say "Okay. Here's my plan. It's got a nice bow on top. These are all the things we're going to do." And then we wonder why it's difficult to get buy in, which makes me question category management in of itself you know. Is there really any value in us doing that? Should we be going, and should we be making sure that we have the alignment or not doing it at all? I just wonder what you see in day to day whether you see now more and more organizations taking category management as more of a collaboration or you still see a lot of examples. It's very much we're going to push a strategy on you stakeholder base and all the things that we know.

**Tom:** [00:29:09] Yeah. Well, I would say that latter is not a good way to do it.

**Philip:** [00:29:11] No. But that's what I tend to see.

**Tom:** [00:29:14] What we do see, yes. Well, we have a procurement transformation practice. We help build category management organizations and you know playbooks and all of this deep, deep stuff. One of the things I see is a lot of category management organizations start with great intent and then that sort of diverts into something else, right. We call it the tyranny of the tactical. They get buried in other areas or they get too sophisticated, right. They are all about tracking indices and things like that which is fine in some categories but sometimes it's sort of... it's just hard to... it's almost like there's a pile of money laying over here that we're ignoring for this little pile over here. But to your point, being a good consultant is important as a procurement person. A good consultant would never... Think of it... I believe procurement organizations should think of themselves as a third-party consulting firm because if they did it will fix that.

**Philip:** [00:30:03] I completely agree.

**Tom:** [00:30:04] You would never shove your thought process down a client's belief or face or whatever. You would instead go see what their point of view is, what their opinion is. You would begin with that. Consultants sometimes get knocked for taking

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

someone's watch and telling what time it is. So, don't do that either, right. You've got to get their point of view and then you've got to inject your own expertise and use the overwhelming weight of facts and logic as we call it to perhaps convince the stakeholder that his point of view is maybe a little bit different than theirs. But if you don't engage them on the front end, your odds of getting in on the backend are very low. And that friction, we see a lot between procurement and other organizations.

**[00:30:40]** Candidly, part of it is there's a style of procurement leader that's just sort of abrasive and maybe more known for beating up vendors. They tend to not do as well on the inside. It's just not a great model. You really need a consultative type person. Candidly, you need somebody with some sales genes. I mean that's the... The greatest irony to me is procurement... The average procurement person in the past, not so much today but ten years ago, was like the absolute opposite side of the coin of a sales person. But who do they deal with all day long? It just really... The art of nuance was difficult because the personality clash.

**Philip:** **[00:31:15]** Yeah. And I think that... And I see there's more acceptance and more understanding of that. Whereas before we as procurement we may have looked at sales as being the enemy. Now, we're realizing that actually we're probably more of a sales person than we thought we were or gave ourselves credit for even want it to be. As aligned a little bit with your comment which I really like because it's something that I strongly believe in having been on the service provider side as well is that every procurement function should see themselves as an independent business within the company. So, you've got to make your value proposition as compelling as you possibly can to the people you want to work with as opposed to just assuming that you exist and so they're going to work with you.

**Tom:** **[00:31:54]** Absolutely. Yeah. The worst thing you can get is a mandate.

**Philip:** **[00:31:57]** Right.

**Tom:** **[00:31:57]** I mean that basically might as well start prepping your resume because you're just going to tick everybody off and the thousand cuts are going to come. Anyway, so that's very interesting.

**Philip:** **[00:32:08]** Well, I know that we're running out of time here Tom, so I just wanted one final question. This is always the easy one. That's if listeners would like to know a little bit more about Insight Sourcing Group, about SpendHQ, if they'd like to reach out to you personally, where will the best place that they could go?

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 183

[How to Stop the Leaks & Maximize Your Savings Potential w/ Tom Beatty](#)

**Tom:** [00:32:25] Sure. Well, we've got our websites. It's [insightsourcing.com](http://insightsourcing.com) and then [spendhq.com](http://spendhq.com). They're welcome to email me. It's at [tbeatty@insightsourcing.com](mailto:tbeatty@insightsourcing.com). which would probably be somewhere on your podcast.

**Philip:** [00:32:36] Yeah. What I'll do, I'll include those in the show notes for the episode. So, those are going to be at [artofprocurement.com/insightsourcinggroup](http://artofprocurement.com/insightsourcinggroup). That's [artofprocurement.com/insightsourcinggroup](http://artofprocurement.com/insightsourcinggroup). So, Tom, thank you very much for taking time out of the event this week. It was great to meet you and have you on the show.

**Tom:** [00:32:54] Absolutely. Thank you so much for doing this and then for inviting me to join you.

**Philip:** [00:32:57] Thank you.

[00:32:58] Thank you for listening to another episode of The Art of Procurement. To find an archive of all past episodes, you can go to [artofprocurement.com/episodes](http://artofprocurement.com/episodes). And to ensure you never miss another show, go to [artofprocurement.com/subscribe](http://artofprocurement.com/subscribe).

To listen go to: <http://artofprocurement.com/insightsourcinggroup>

© ProcureChange LLC