

Session: “Enabling Agility”

This in-depth session discussed the people, process and system considerations that can enable, or potentially derail, procurement’s ability to operate with the agility required in today’s dynamic business environment. At Pfizer, in an ongoing transformation of its Worldwide Procurement organization, organizational structure, market knowledge of the company and talent development were all employed to improve agility.

Presenter:

- *Michael Hoffman, vice president, Worldwide Procurement, Pfizer Inc*

Although Michael Hoffman has spent his entire career at Pfizer, he asserted that, from a procurement perspective, the company’s needs from the function are not the same as they were 20 years ago.

Today, Pfizer places a lot of emphasis on enabling agility, especially in the areas of people, processes and systems. “It’s absolutely critical that we align all these to our internal customers’ differing needs,” Hoffman explained. “I’m not suggesting that what we’re doing is revolutionary, but it is successful, especially considering our acquisition of Wyeth.”

According to Hoffman, one of the biggest challenges to agility in a company such as Pfizer is its size. “Everything is big, but we operate on a spirit of small and the power of scale,” he told attendees. “It all comes down to individuals making it happen.”

Next, he shared Pfizer’s aggressive efforts to engage diverse suppliers, as well as its structure of nine business units, which consists of five biopharmaceutical businesses — primary care, specialty care and vaccines, oncology, established products and emerging markets — and four diversified businesses: animal health, Capsugel, consumer health and nutritional health.

“Procurement, however, is *one* among the supporting functions that enables these businesses,” Hoffman explained. Consisting of approximately 1,000 sourcing professionals across the world, Worldwide Procurement’s purpose is twofold: to set sourcing strategy and manage suppliers (category procurement), and to transact business with suppliers (procure-to-pay). “Our organization has all this under its belt, from multimillion-dollar purchasing down to routine purchase orders,” Hoffman said. “Procurement reports to the CFO, who has responsibility for other enabling functions such as Business Technology and Real Estate and Facilities in addition to Finance.”

Organizational structure played a major role in Pfizer's increased agility — specifically, in four areas: operations, category leadership, business-unit customer-relationship management and business processes. "Underlying all these is Worldwide Procurement," Hoffman explained. "When things come up, it's better to have been there all along than try to wedge ourselves in later."

"So, we're involved in all four areas, with customer-relationship management being the newest area of focus," he continued. Under this paradigm, customer-relationship managers were created so that internal customers would have a single point of contact.

Also in accordance with this dynamic, joint review of procurement strategies with business unit leaders has become critical, and global category managers are positioned around the world. Every manufacturing site has its own local procurement organization, with its own internal stakeholders. While Hoffman admitted this structure can be challenging among procurement team members in terms of deciding who "owns" the outcomes — both positive and negative, he added, "But, we encourage them to embrace the others' involvement and not to be limited by job descriptions. We want everyone engaged," he said. "It's OK. In the end, it helps the business."

In fact, it seems to be more than OK: Over the past few years, Hoffman said, Pfizer's site procurement teams have driven a significant portion of manufacturing site savings. "We're finding out that efforts made on a local level, regional level and global level all contribute," he told attendees. "It works because the strategies are designed to meet the local needs within a larger context and embedded in the local dynamics of the business."

By this, Hoffman refers to Pfizer's procurement operating model, which — at every manufacturing site — is the same. To varying degrees, based on site size, each location's team plays three roles: *strategic sourcing* (identifying new local suppliers, local contract negotiation, local category trends and liaison with the center); *operational sourcing* (spot buying, monitoring spend, managing suppliers, resolving complex issues, implementing strategies outlined by the center); and *transactional sourcing* (purchase order creation, SLA compliance, small contract buying and simple issue resolution).

Process, Process, Process

In Hoffman's opinion, process can be overemphasized in procurement if not kept in check. "In the end, it's all about business outcomes," he explained. "We must use the process, but not be confined by it."

As an example of Pfizer's willingness to make *process* work for *it*, Worldwide Procurement offers an intranet-based application that category and supplier-relationship managers can use to source particular products or services. This tool identifies who has knowledge in a certain sourcing area and even offers templates sourcing professionals can use. "It's about trying to connect the dots among roughly 1,000 procurement colleagues, and creating a seamless organization," Hoffman explained.

Additionally, Pfizer requires procurement executives to regularly develop and deliver presentations detailing team performance to drive accountability. Worldwide Procurement also keeps all savings information in one place using an Ariba application. This way, executives can stay up to date. "Even simple bar graphs are powerful in this regard," Hoffman pointed out.

Also from a systems perspective, he discussed Pfizer's approach to the future-state business model for collaboration between Pfizer and its suppliers and contract manufacturers. Most notably, an online portal will give suppliers at all levels pertinent visibility into forecasts, planning, product and inventory levels; purchase order proposal, creation, review and approval; and supplier change requests and cancellations.

"In other words, from an agility perspective, it gives suppliers visibility into our requirements so they can plan accordingly," Hoffman said.

The People Part of the Equation

Wrapping up his session, Hoffman discussed how Pfizer uses interactivity to increase agility among its sourcing professionals. Specifically, functional competence definitions are outlined online and accessible to all procurement employees at all levels. These competencies range from analytical skills, to project management, to negotiation, to supplier relationship management and supplier development. "Within procurement, they also involve leadership competencies," Hoffman added.

Once an employee has perceived his or her own aptitudes in these areas, they can candidly discuss them with their colleagues and supervisors. The purpose, according to Hoffman, is for sourcing professionals to be able to gauge their status and establish a game plan for advancement.