

# The Value Creation Observatory an EIPM Laboratory



Are we ready?

Fostering an Innovation Culture  
in Purchasing



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## About EIPM

EIPM is at the intersection of the business and academic worlds, with an approach to education established in the reality of business.

Currently, with branches in Geneva and Shanghai and partnerships in Brazil, Mexico, USA, Canada, the United Arab Emirates and India, the Institute has developed a complete range of solutions to meet the training needs of its large base of international clients in all sectors of industry and service.

## About South Westphalia University of Applied Sciences (SWU)

SWU is a highly-ranked research institution located in the state of North Rhine-Westphalia, Germany. With more than 14,000 students, it is one of the largest of its kind in Germany. It has five campuses in the area of South Westphalia which is home to more than 150 world market leaders in the automotive, machinery and building technologies. The SWU offers a total of about 52 bachelor and master courses in the fields of Engineering, Natural Sciences, Information Technology, Business Management and Agriculture. The university is known for its innovative, future-oriented study programmes and good student-faculty ratio. Its research is focused on applicability in real-life contexts.

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## The Value Creation Observatory

EIPM has embarked on a major Research project to measure the progress of the Purchasing profession towards Value Creation. The ongoing research project consists of a series of surveys, workshops, case studies and publications.

We thank all the interviewees and the participants in our events who have provided input for this Observatory Report.

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## Icons

We thank the designers from The Noun Project ([thenounproject.com](http://thenounproject.com)) for the icons used on this report: Explore by Jugalbandi; Climbing by National Park Service; Paper People Cutout by Andrew Koszkalda; Protest Hand by Viktor Ostrovsky; Idea by Adrien Coquet; Run by Gregor Cresnar; Sport by Adrien Coquet; Leader by Icon Solutions.

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### **Hervé Legenvre, PhD**

Hervé blends the best of the academic and practitioner thinking to create a unique learning experience and engaging articles. He continuously looks at the trends that will shape the business world in the future. He believes that the competitive edge of companies will increasingly be co-created with suppliers as innovation needs to be seized outside. He builds on his wide knowledge of invention, innovation and business excellence to create new tools and practices that help engage everyone on what counts most in a fast-changing world.

Hervé worked for Renault Consulting where he transferred some of the first lean six sigma programmes to Europe. He later joined EFQM where he led the latest major revision of the EFQM Excellence Model and the European Excellence Award. At EIPM, he was responsible for the EIPM Executive MBA from September 2011 to 2016. Today, Hervé acts as an assessor for the EIPM-Peter Kraljic Awards and is the Director of the Value Creation Observatory. Hervé is a regular speaker during in-company and public conferences, he is also the author of two books and he frequently writes articles and research reports.

## **METHODOLOGY**

The present report builds on the experience and past research conducted by both authors. It is also the result of a large group exercise that took place during the 2017 EIPM annual conference. Through a recent survey, data was also collected to assess where the Purchasing profession is in terms of Innovation Culture. We also collected interviews with CPOs on the topic.

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## **INNOVATION CULTURE!**

When it comes to innovation, culture is an essential ingredient of success. If purchasing teams around the world want to seize opportunities, they will need a different mindset that embraces creativity, risks, failure and curiosity.



# CONTENT

<b>1. Executive Summary</b>	page 08
<b>2. Why do we need an Innovation Culture in Purchasing?</b>	page 09
<b>3. The Eight Determinants of an Innovation Culture in Purchasing</b>	page 13
<i>Interview – Anders Carlsson, CPO at SKF</i>	Page 17
<b>4. Assessing your Innovation Culture in Purchasing</b>	page 19
Discovery	page 21
Diversity	page 22
Risk-Taking	page 23
Autonomy	page 24
Leadership	page 25
Creativity	page 26
Perseverance	page 27
Challenge	page 28
<i>Interview – Elvire Régnier Lussier, CPO at AVRIL</i>	Page 29
<b>5. Developing your Innovation Culture in Purchasing</b>	page 31
<i>Interview – Aurelien Rothstein, CPO at ESSILOR</i>	Page 36

# EXECUTIVE SUMMARY

The rapid pace of changes induced by Digitalisation, the Internet of Things, Artificial Intelligence, Robotics etc. require companies to innovate more, to innovate faster and more efficiently. In 2014, we showed that companies with outstanding financial performance excel at integrating suppliers in a diverse set of innovation projects.

In these companies purchasing teams have embraced a culture of innovation and they contribute to instil an open innovation spirit throughout the company. Peter Drucker told us that “Culture eats strategy for breakfast”. We can build all the plans and strategies we want, in the end it is a company’s culture that determines how things are executed and how results are achieved. Therefore Culture needs be on the agenda of Chief Procurement Officers in the years ahead.

Our research, enlightened by extensive literature reviews, 6 workshops involving 105 Executives and Professionals, as well as a survey with more than 90 respondents shows that an innovation culture within a procurement context can be described using the following eight dimensions.



In this document, we describe how Purchasing can develop an innovation culture using these eight major components. We show a development path from today’s Purchasing culture towards a more innovative one.

To develop an innovation culture we encourage Executives to reflect and communicate on the values and behaviours that make a difference: to act as a role model, to craft and disseminate the stories that enact such values and to establish rituals that encourage everyone to adopt new attitudes.

We hope that readers will be inspired by this new edition of the Observatory and we wish you good luck on your journey to an Innovation Culture in Purchasing!



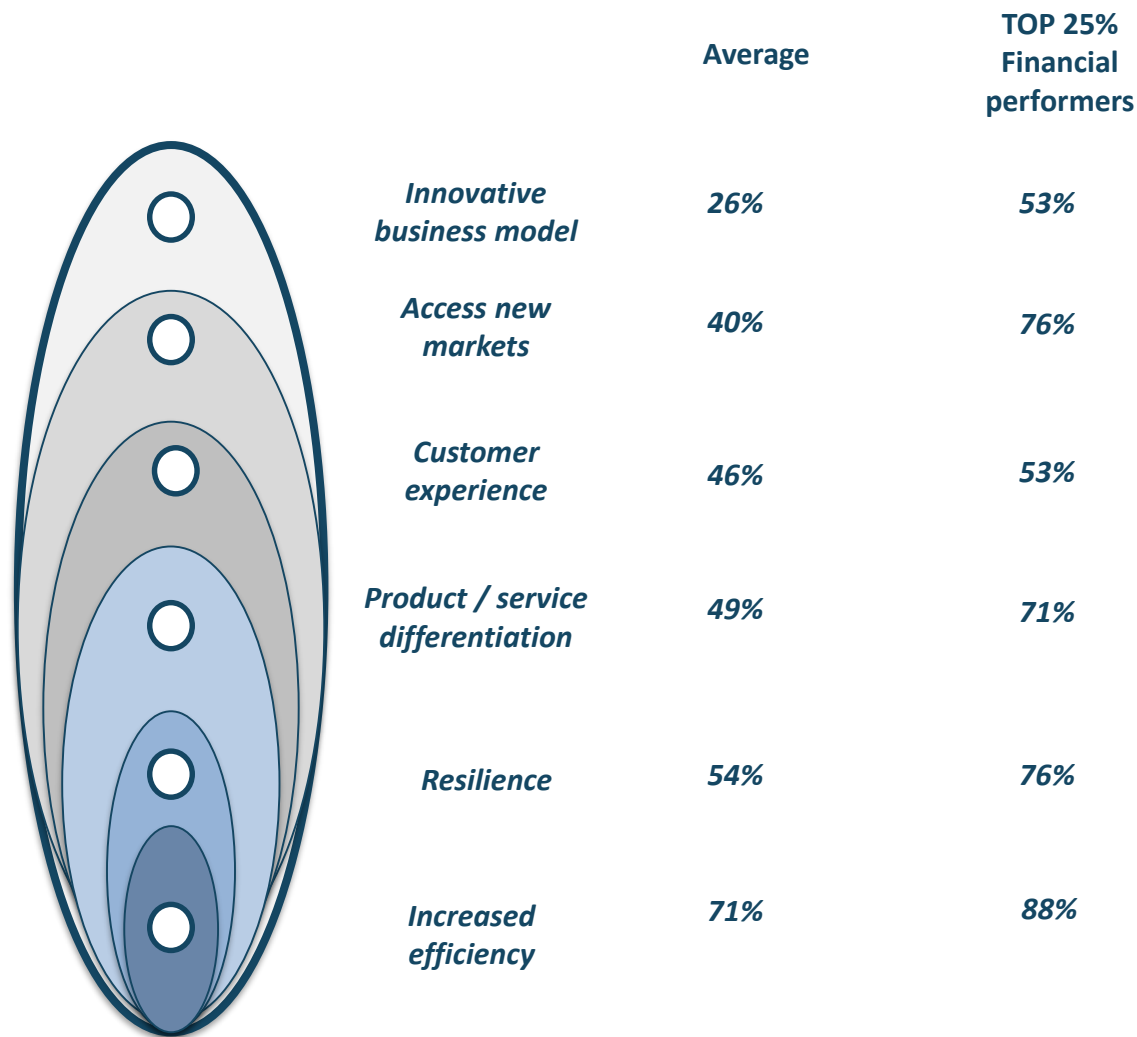
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## **WHY DO WE NEED AN INNOVATION CULTURE IN PURCHASING?**

# A CULTURE FOR INNOVATION NEED

Digitalisation, Internet of Things, Artificial Intelligence and Robotics amongst others are powerful forces that will keep transforming the way we work and live in the coming years. Such trends change how companies create value and gain a competitive advantage. Across most industries, the adoption of these new technologies and their integration into new business models is more important than their invention. Seizing such opportunities at the right time and integrating them into a winning vision for the company is what will make the difference between winners and laggards.

In 2014, we already showed that companies with an outstanding financial performance involve suppliers in a diverse set of innovation projects. It is not just about product and service innovation. It also covers processes, market access, customer experience and Business model innovation. With the transformation mentioned above, this will become even more crucial.



Source EIPM Value creation Observatory, 2014

# CREATIVITY, INVENTION AND INNOVATION

Creativity, invention and innovation are among the most popular business terms of the 21st century. Let's spend some time defining them. Creativity is about conceiving new ideas. It requires seeing the world around us through new lenses, to make connections amongst unrelated events or unrelated knowledge fields. It is very similar to the term invention which consists of new items or solutions that are not yet market-ready or implementation-ready. Innovation, by contrast, refers to the implementation of creative ideas. The boundaries between these three concepts are nevertheless blurry and innovation often appears as a cyclical process of idea generation and implementation.

Innovations are often classified according to the impact they cause. The two extremes are incremental and radical innovation. Incremental innovation consists of adjustments to something that already exists. Industries are not transformed by incremental innovation. For example, the introduction of a new flavour for a drink is an incremental innovation for the beverage industry. Radical innovations require greater investments and are made under higher degrees of uncertainty and risk. The innovator enters uncharted territory and the impact on the market might be significant. The radical can change the structure of the market, create new markets or render existing products obsolete. For example, music streaming has totally changed the music industry.

The concept of disruptive innovation was introduced by Clayton M. Christensen (Christensen 1997). Disruptive innovations are somewhat similar to radical innovation. However, they first appear on the lower end of new markets. Due to their originally small market volume and technical inferiority, they are often ignored or abandoned by established industry players. Despite their original lack of attractiveness they might progress very fast. The digital camera was a disruptive innovation that has almost fully replaced traditional cameras.

Companies can innovate in different areas – product, process, or business model. When people consider innovation, product innovation is usually the first type of innovation they think of. This includes incremental or more radical evolution of product offerings. Process innovation aims at improving how some activities are performed within a company or across a supply chain. A business model innovation requires changing some components of a business model: What is the value delivered? To whom it is delivered? How it is delivered? And how is revenue generated for the value delivered? An example of business model innovation is Roll Royce's total care initiative by which airlines do not pay for the engine but for their usage (power-by-the-hour).

Fostering creativity and innovation needs a certain mindset or culture. Without the right culture, it is difficult for a company to innovate. Today Purchasing teams need innovation within their cultural DNA. They also need to become an agent of change for the rest of the company. They can cultivate incremental innovation with existing suppliers and open the doors for more radical innovation developed with the support of existing and new suppliers. Cultural change should be on the agenda of many Chief Procurement Officers in the years to come.

# AN INNOVATION CULTURE

Peter Drucker, a Business Professor coined the phrase “Culture eats Strategy for breakfast” What did he mean by this? Culture distinguishes the members of one group or category of people from others. Organisational culture is therefore strongly related to the values, beliefs and hidden assumptions that are shared by the members of an organisation.

According to Edgar Schein, a famous professor of management, organisational cultures can be operated over three separate levels:

- Artifacts: tangible, overt or verbally identifiable elements (Architecture, furniture, organisational structures)
- Espoused values: stated values and rules of behaviour (vision, strategy, policies, procedures)
- Assumptions: embedded, taken-for-granted behaviour (tradition, unwritten rules, beliefs)

Many aspects of an organisational culture are invisible and buried deep within the collective habits of people working in the organisation. Culture determines “how things are run in a company”. It impacts decision making and the day to day course of actions. It defines what is accepted, ignored or valued by the members of a department or a team. It frames how people react to external events and to new situations.

Even if a new strategy is developed and communicated, day to day working practices will be hard to change. To transform a company, culture needs to be taken into consideration. A conflicting company culture can thwart any strategy; even the most sophisticated and elaborated ones. Nevertheless a culture can be changed. Leaders who manage to craft new cultures within an organisation often leave a lasting influence... that will impede later transformation.

Crafting the “right” culture is crucial for a company aiming to become more innovative. Many organisations focus first their efforts on plans, tools, processes, measurement and incentives to change past habits and create new ones. This is key, but they also need to consider harder-to-measure, people-oriented determinants of innovation cultures such as autonomy, attitude to risk, creativity etc.

Re-drafting a strategy can be completed rapidly. Incentives can be quickly aligned with the new plan. However, developing a culture that supports the new strategy requires patience and determination. Leaders must be aware of the culture at work around them. They need to understand how they can influence and shape their team so results can be unlocked. For top management, it is easy to believe that everything is in place when in fact most people in the organisation still think according to a simplified version of yesterday’s recipes for success.

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## **THE EIGHT DETERMINANTS OF AN INNOVATION CULTURE IN PURCHASING**

# THE INNOVATION CULTURE

Building on a review of scientific studies and on interviews conducted with practitioners, we describe an innovation culture using eight major components. These are relevant for purchasing teams and also for collaboration with internal and external business partners. Developing an innovation culture requires bringing together people with different experience and backgrounds so they can actively discover new solutions from a diverse group of suppliers and partners. Developing an innovation culture requires creating an environment where people are willing to take risks especially when benefits are promising. To bring innovative solutions, people should have some autonomy in defining their own goals and the means to achieve them, and need to persevere when facing adversity. This requires a solid leadership that encourages creativity and welcomes the possibility to challenge the status quo.



Eight Determinants of an Innovation Culture

As part of the 2018 EIPM Value Creation Observatory Survey, we questioned Purchasing Executives on the 8 cultural determinants.

Agree or strongly agree with...



*Discovery*

Exploration and discovery are part of the way things are done in the Purchasing function

**33%**



*Diversity*

In the Purchasing team we have a mix of creative individuals who can work with some degree of uncertainty and conflicting views

**36%**



*Risk-Taking*

In the Purchasing team we encourage people to take risks associated with innovation

**38%**



*Autonomy*

A degree of freedom in setting objectives is provided to the team

**40%**



*Leadership*

The Purchasing team can challenge its own rule and free some resources to seize new opportunities

**49%**



*Creativity*

People in the Purchasing team are comfortable with solving complex problems and making fresh connections between different concepts

**51%**



*Perseverance*

People in the Purchasing team can deliver results in challenging first time situations through personal drive

**53%**



*Challenge*

In the Purchasing team we are comfortable with questioning and challenging new ideas

**56%**

These results should be regarded as a call to action. A thin majority of Purchasing Organisations have built a culture where challenging new ideas, persevering and tackling complex problems is part of their ways of working. These determinants are of value whether a company is focusing on cost, innovation or growth. They should certainly be a priority for all respondents to our survey.

On some of the determinants that can be regarded as more specific and relevant to innovation: discovery, diversity and risk taking, we have only approximately a third of the respondents who claim that their teams clearly master these cultural determinants. For companies who face turbulent environments and for companies who expect open innovation to become more mainstream, these cultural determinants need to be nurtured. Everyone within strategic purchasing teams needs recognised when and how such cultural determinants need to be activated.

The forthcoming pages can help with this. They provide statements that can help purchasing leaders assess the existing culture. They offer suggestions on what behaviours should be encouraged. As they go through these pages, they can list together with their team, what they should “keep doing” and what they should “stop doing”.

This is a good springboard to start influencing a culture. Building on this, Leaders can act as role models for specific behaviours, they can think differently about recruiting and rotating people within their organisation. They can craft stories that will help them to communicate new values and behaviours. They can create new rituals where such behaviours are recognised and praised.

Changing a culture is a challenging journey but this is the only way to make a lasting change, to make a difference for all stakeholders that rely on you. Crafting a new strategy is a business issue, but changing a culture is all about people, about creating enthusiasm and curiosity for new ways of working. Purchasing leaders need to challenge people as well as to develop them and they also need to guide them safely through major transitions. Releasing a new strategy without helping people deliver it only creates anxiety. Helping people to do things differently and to enjoy doing things differently is the only way forward. This is a challenge, but those who succeed will never forget the value of helping others tackle challenges to reach success.



## **CPO interview – SKF**

with Anders Carlsson, Chief Purchasing Officer at SKF

### **EIPM: Can you outline the role of Culture in your Purchasing transformation?**

**Anders Carlsson (AC):** The SKF Purchasing organisation started its transformation in 2012. We have been through a successful journey, as we have improved our performance by a factor of three to four over the years. At the start, we focused on the strategy and on establishing the right organisation. Now, looking back at our journey, we realised that three factors have been essential and Culture is one of them.

Let me take you through these three factors: The first factor is the strong leadership we expect from every purchasing manager; The second factor is the focus on continuous improvement; The third factor is culture. This is a key success factor that we should always consider. Peter Drucker said 'Culture eats strategy for breakfast'. Culture is the foundation that ensures accountability and trust, so results are achieved.

### **EIPM: So, why is the Culture so important for you?**

**AC:** Our values really help us coordinate our Purchasing activities across the company. We have 150 factories around the world; we have a mix of centralised and decentralised decision making. So, to ensure results are delivered, you need a strong Culture. Our Purchasing Managers and our teams everywhere in the world need to be empowered. We can set directions from the centre but, at factory level, implementation is key. We need to manage our top suppliers in a coordinated mode. We also need to manage our local suppliers effectively.

### **EIPM: Can you describe your values?**

**AC:** We have built on SKF values. They fit perfectly with our transformation. Our values are High Ethics, Empowerment, Openness and Teamwork. They help us reach the level of trust and transparency needed to deliver results.

High ethics is supported by a strong code of conduct. If a supplier blows the whistle, we act immediately. Our suppliers would not follow us in some countries without our high standards on Ethics.

For Empowerment, Category leaders and stakeholders take decisions together. We need people who are empowered across the organisation to ensure these decisions are implemented. In fact, we get the buy-in from stakeholders and suppliers because the decisions we take together are implemented.

Openness is about being transparent and fact-based. For our internal stakeholders, this is key to achieve a good level of trust. We can put the facts on the table and have some open discussion. Same for suppliers; as the economic perspectives vary across our businesses, we communicate this to them, so they can be prepared and adapt their ways of working. The more strategic and important the supplier is, the more openness and trust we need. During the regular meetings we have with senior people, we openly discuss business outlook and long term plans. We need to focus on having the right discussions with them. This is key if we want them to invest and to support us in the future.

Teamwork is essential to achieve the right level of coordination within factories and across the company. All values reinforce each other, so we become more accountable and effective.

**EIPM: How do you help people live by the values?**

**AC:** First, it is essential to have discussions about our values. For instance, we have organised workshops dedicated to Culture in all major sites on the same day. Our aim is to reflect together on what we do well and what we can improve. This helped people recognise our strengths and think positively about the future. This was very well received in the organisation. It boosted the level of energy across our teams.

Second, it is important to walk the talk. Our daily actions and behaviours speak for us. We need to continuously share good examples. When we recognise or promote some people, we must communicate about it and say why we did it. This helps us promote the values and behaviours that are important to us. When we recruit people, we need competent people, we also need people who act in line with our values.

Third, we need to communicate. We use 'yammer' as a means to promote success stories. We have quarterly sessions to share key messages with the team. This is a forum where people can openly ask questions. We also have Purchasing teams who get recognised in the SKF Excellence award and we make this visible.

**EIPM: What should come next on Culture?**

**AC:** In the future, we will keep focusing on communication. Recognition and sharing best practices is very important. People should be encouraged to "steal good ideas with pride". When we see the sales team doing something relevant, we copy them. We will also continue to have workshops where we can discuss openly our values. Our people appreciate these opportunities to reflect on our experience.

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## **ASSESSING YOUR INNOVATION CULTURE IN PURCHASING**

The forthcoming pages provide statements to help purchasing leaders assess behaviours that should be encouraged. As they go through these pages, they can list what they should “keep doing” and what they should “stop doing”.





## Discovery

Discovery involves obtaining insights and knowledge that can lead to new opportunities. This includes testing assumptions and developing proof of concepts for new ideas.

To explore new fields, buyers need to look beyond the existing supply base and its current capabilities. They have the means to obtain access to relevant information and people. They actively share significant information that can help identify opportunities. They organise different types of workshops that involve diverse participants. Furthermore, they can actively test new ideas using experimentation, prototyping and other means of validation.

### Avoid

- Purchasing is sometimes stuck in analysis paralysis
- Purchasing does not often take delight in being spontaneous
- Purchasing is sometimes too obsessed with rules, policies, and rigidity
- Purchasing is sometimes too slow in moving promising ideas into prototyping
- Purchasing has not enough time and budget to meet experts and suppliers

### Foster

- Buyers use social media and business intelligence tools effectively to gain access to new people or ideas
- Buyers look for opportunities beyond and aside their existing supply base
- We reach out to academia and innovation clusters to find new opportunities
- Buyers gather new knowledge from inside and outside and they share it with others
- Buyers organise workshops, challenges and competitions that stimulate new thinking and action.
- Buyers encourage experimentation; simulation and prototypes are used to validate assumptions

### Keep doing

### Start doing

## Diversity

Diversity in Purchasing means that it is composed of people with different professional, cultural and personal backgrounds. They are also able to take advantage of different tools and practices depending on the context. The concept of diversity can also be extended to suppliers of different sizes, antecedents, industries, technological bases.

This may, for example, be achieved by encouraging mobility and the use of a broader set of practices. Regarding suppliers, diversity may be achieved by integrating suppliers from different industries, sizes (for example, more small and medium sized suppliers), and ages (for example, more start-ups) into the supplier base.

### Avoid

- Purchasers tend to apply the same tools and levers to all situations
- Most People have a career solely within the Purchasing function  
A “good” buyer has a technical or a commercial background
- A “good” supplier has to come from a certain industry
- A “good” supplier is one we have already worked with extensively

### Foster

- Purchasing is one step in a broader career path, mobility is encouraged
- A “good” buyer can come from diverse background (e. g. natural sciences, humanities etc.)
- We select the right tool, practices and levers depending on the context
- Purchasing accesses innovations along all stages of the value chain and from various industries
- In a specific context, we can consider a small, new, innovative company as a potential partner
- We strive to understand differences and we proactively adapt our behaviour to who we work with

### Keep doing

### Start doing



## Risk-Taking

The ability to take risk is essential to generate ambitious plans that can deliver significant returns on investment. However, such plans can also lead to unpleasant or undesirable outcomes that need to be effectively managed.

Developing an innovation culture within purchasing can, for instance, lead to working with new suppliers such as start-ups. The company might therefore rely on a rather fragile partner. It can also require working with an existing supplier on an innovative project without all the required capabilities at hand. This can create uncertainty that needs to be properly addressed.

Such risks should be accepted when no viable alternatives exist and when the overall benefit for the business is worth it. In such cases, Purchasing has to adopt the right attitude towards risk to support innovation. Playing safe does not empower experimentation and the pursuit of promising opportunities.

### Avoid

- Purchasing tends to solely focus on commercial risks
- We treat all risks in the same way
- Buyers focus on avoiding risks
- We do not learn from our failures or other's failure
- We take time to start projects and stick to them although they are already in bad shape

### Foster

- Buyers prioritise risks from a business standpoint, we develop a positive view of acceptable risks
- We even challenge our own standards and practices if the reward is promising
- We accept certain degrees of failure and we learn from them
- We want to understand why others have failed or succeeded
- We can stop bad projects
- We quickly test assumptions and we seek new information as needed
- We always consider the risk of doing nothing

### Keep doing

### Start doing



## Autonomy

Autonomy refers to having a certain degree of freedom and independence from external control and influence.

Developing an innovation culture in purchasing requires providing a certain level of autonomy to individuals and teams. Buyers need to have some freedom to set their own goals and to define the means to achieve. They can allocate time and access resources to pursue promising opportunities.

Autonomy needs to be encouraged. It is not something one simply gives to people.

### Avoid

- We often encounter barriers across purchasing segments
- We do not have the time and the resources needed to help bring in innovation from suppliers
- Innovation is seen as a responsibility for Research & Development or other specific departments only
- Great ideas come from the top in our organisation
- Resources tend to be allocated to departments rather than to specific promising opportunities

### Foster

- In purchasing, we look beyond categories and think solutions when relevant
- Buyers have some freedom to define their own goals and the means to achieve them
- Our management provides freedom to pursue new opportunities that we judge interesting and appropriate
- In our organisation, people at all levels can take initiatives and innovate
- We can have access to specific financial resources to pursue some promising opportunities
- We rapidly allocate resources to test ideas or to scale initiatives that show market promise

### Keep doing

### Start doing





# Leadership

Leadership refers to providing a group of people with a sense of purpose and some direction which they will actively and voluntarily follow afterwards. Leadership goes back to John P. Kotter (1990) who distinguished between leaders and managers. Whereas leaders can inspire and motivate their followers with a vision in changing times, managers are good at organising and implementing. This distinction does not mean, however, that leaders are better than managers or vice versa. Rather, both types of characters are needed in companies.

To establish an innovation culture in purchasing, leaders need to communicate on innovation, they should act as a role model and a coach for others. They create a safe environment where anyone can express ideas and concerns.

## Avoid

- Innovation is not part of the leader's agenda
- Managers tend to solely focus on cost, efficiency and control
- Leaders never provide guidance that helps others contribute to innovation
- Failure is not regarded as an opportunity for learning

## Foster

- Leaders share a vision where innovation is a cornerstone
- Leaders instill a desire to do new things and to do things differently
- Leaders create a safe environment where people can speak up
- Leaders offer people a fun and engaging work environment
- Leaders act as role models and use stories to inspire people to do things differently
- Leaders devote time to coach people, they provide feedback on innovation efforts
- We support people when they have to go out of their comfort zone

## Keep doing

## Start doing



## Creativity

Creativity refers to the ability to compose novel and useful solutions to problems. Creativity is a crucial antecedent to innovation. Therefore, Purchasing has to foster creative thinking when working with internal and external partners. This involves looking at problems from different angles, applying lateral thinking and offering employees a work environment conducive to creativity.

Fostering creativity does not mean that buyers should be the only ones who come up with new ideas. Fostering creativity is also about creating the right context so all stakeholders can propose innovative ideas.

### Avoid

- Creativity is not seen as being connected to the role of buyers
- Purchasing views problems according to a limited number of prisms
- In purchasing, we tend to work in our own silo

### Foster

- We offer our people some freedom to think and act differently
- We foster lateral thinking and we encourage teams to learn from different companies and industries
- We have access to facilities, facilitators and tools that encourage creative thinking
- We use different formats of workshops with suppliers and business partners to come up with innovative ideas
- We leverage the broad collective intelligence within the company to find and contribute to new ideas

### Keep doing

### Start doing



## Perseverance

Perseverance refers to the ability to pursue effort despite difficulties, failure, or opposition. Persevering requires personal drive, and confidence; it also needs to be done in a transparent and constructive way. Persevering requires actively listening to concerns, demonstrating flexibility when necessary and identifying a positive way forward.

To contribute to innovations, buyers should not always give-up promising ideas too easily. Sometimes they should persevere and convince others of the overall benefits of their ideas for the company. They should do this by taking into account the feedback provided to them and by continuously adapting their communication to their audience.

### Avoid

- Buyers sometimes gives up promising ideas too easily when facing opposition
- Buyers avoid ambiguity when pursuing new opportunities
- Persevering means that we are right and that others need to adapt

### Foster

- Buyers are regularly encouraged to pursue their intuitions and unconventional ideas
- When they pursue promising ideas they demonstrates personal drive and self-confidence
- Buyers show patience, commitment and determination
- Buyers respect other's ideas; they build on their feedback and input
- Purchasing shows tolerance for ambiguity when pursuing new opportunities
- Buyers keep track of the balance between positive and negative, but they focus on what is essential
- Buyers can adapt their communication to their audience

### Keep doing

### Start doing

## Challenge

Challenge refers to the freedom in boldly confronting or defying prevailing practices or new ideas. Challenging is a bi-directional process. It encompasses internal and external partners. Challenging each other requires an atmosphere of openness and trust. This encourages participants to voice their views and concerns while actively listening to each other.

As practices and ideas are challenged in a transparent and constructive way, the pace of change increases. Teams actively work together to frame, reframe and solve problems. They consider multiple options to address demanding issues. This leads to the discovery of new, pertinent and innovative advantages for the company.

### **Avoid**

- Challenge tends to be unidirectional
- People, ideas and practices are challenged from a silo mentality
- Due to power imbalances, there is limited freedom to voice opinion
- Purchasing is focused on realising pre-defined ideas

### **Foster**

- Challenge is bi-directional and constructive
- Internal partners, buyers and suppliers are free to voice their opinions, including unconventional or controversial ideas
- In Purchasing we question the status quo and we welcome new ways of approaching problems
- Buyers actively listen to ideas and feedback even if they go against their own views
- Buyers, together with internal and external partners look at multiple options and solutions to solve challenging problems

### **Keep doing**

### **Start doing**

## **CPO interview – AVRIL**

with Elvire Régnier Lussier, Chief Procurement Officer at Avril

### **EIPM: When did you realize that behaviours are key in a work environment?**

**Elvire Régnier Lussier (ERL):** During the 90's I worked for a French company. It had a hierarchical way of operating. It was quite a stressful environment and we were working long hours in the office. At that time, American companies were admired for their management. So, I was delighted to be hired by Colgate Palmolive, a global but very American Company. I was lucky to move to the New York office where I discovered how the company was managing people. Over there, if you were leaving the office late, it meant you were not well organised, and you were expected to automatize repetitive activities. It was very different from what I had experienced in France. We had a program called "Managing with Respect" for everyone in the company. You were expected to manage yourself, your team, your colleagues, the customers, the suppliers, your business, everything... with respect. This was a very pragmatic program. One aspect of it was Managing Ambiguity. In France, with the cartesian way of thinking, everything had to be either black or white. There, we recognised contradictory forces and different shades of grey when we were discussing how we could meet our goals. It took me time to understand this but when you get there, this is very powerful. Another aspect was about Valuing Unique contributions from employees. In France, we were expected to work on our weaknesses but here we had to build on our strengths. So, if some of your employees had great analytical skills and poor negotiation skills, you would expect them to broaden their use of analytical skills. This program was a great learning experience for me. When we faced major business challenges, we were not feeling the stress. We were very well organised and ready to address the issues.

### **EIPM: What made you want to bring this in Avril?**

**ERL:** First, this is a much nicer way to work than what we see in many companies and I wanted people working with me to experience it. In France, we have strong procurement schools, but we need to develop the soft skills and the emotional intelligence of our people. In any job but even more in procurement you need people to be good at it. This year we had three days of training with my whole team on Non-Violent Communication (NVC). This makes a difference.

### **EIPM: What behaviour did you focus on?**

**ERL:** Few years ago, we identified five different behaviours and we have compiled them in a small booklet entitled "A guide to Procurement Leadership". This describes how we need to develop and to manage relations with both suppliers and in-house partners. They are essential to create value. The first behaviour is "Carry the vision". Members of my team need to embody the goals of the company, so they can develop their own strategic thinking. They need to explain to suppliers why something is important, what is the context of a discussion if they want them to bring value. The second one is "Have political judgement". In procurement, we need to understand influential relationships, so we can anticipate the impact of our recommendations. Within my team we identify how and with whom important decisions need to be discussed.

Another behaviour is “be aware of our impact”. It helps to improve our ability to convince and influence others. I expect everyone in my team to look for feedback and to take responsibility for actions. Another behaviour is “Communicate”. We need to use diverse modes of communication to motivate people to work with us to gain collective efficiency. Finally, our team “Creates Value”. This is about bringing innovative solutions and practices. We challenge the status quo, accept failure and gain inspiration from people or business fields distant from us.

**EIPM: How do you help people to live by these behaviours?**

**ERL:** We started with a training session to ensure that my team would understand what these behaviours meant. We used role play and the DISC profile. People had to put themselves in the shoes of someone with a profile different from theirs. This was a great success. After the training, they started to have quarterly reviews with both their dotted-line and straight-line managers as we have a matrix organisation. They get feedback on the five behaviours. The managers can only assess what is visible to them. They refer to very specific situations to give tangible feedback. This is critical, employees know this works like this, they welcome the feedback. They know this is solely a feedback, there is no written evaluation, it is done outside of the performance measurement process. It helps them to make the behaviours visible; it works very well.

**EIPM: Do you have other ways to make these behaviours visible?**

**ERL:** Yes, sometimes during meetings, we ask our people to have someone they trust acting as their buddy. After the meeting, the buddy provides feedback on the person’s attitude, so they realise better how they make an impact on others. They realise that some of their attitudes were different from what they wanted to express. This is a great way to get feedback. Also, we have developed some short movies with two characters: Olga and Alex. Alex is from Procurement and Olga from Operation. They work together to create value for the company. This is a simple and engaging way to show the behaviour in action to everyone in the company.

**EIPM: Do you see tangible results?**

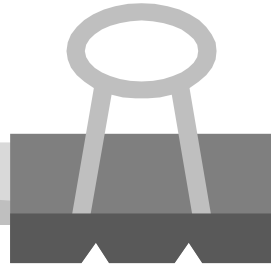
**ERL:** On the stakeholder side, we have been able to develop collaborative approaches that helped implement innovative solutions for Avril. With suppliers, adopting these behaviours allowed us to create real relationships with them. We encouraged them to develop innovative solutions for us. For instance, on safety, SAP has developed an innovative application for us and Arval, our car leasing supplier is providing us with safe-driving training. These are two examples amongst many. We had our Supplier Day this week. The theme was ‘Collaboration Makes the Difference’. We had five teams awarded, each of them included people from Avril (one Stakeholder and one Procurement Manager) and people from the supplier. The teams had to illustrate the collaboration on stage; they were doing role-plays with a great sense of humor. I was so glad to see my team on stage with so much charisma, so much self-confidence; they could laugh about their experience. It was great. They were taking risks, engaging their colleagues and suppliers and exposing themselves. It meant a lot to me!

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## **DEVELOPING YOUR INNOVATION CULTURE IN PURCHASING**

# DEVELOPING AN INNOVATION CULTURE

## A Classic to-do List



*Communicate about the company vision and how we contribute to it in procurement.*



*Present the values, the behaviours and how we act according to them. Get people to discuss what they mean.*



*Act as a role model for everyone and implement a system of feedback around the behaviours.*



*Craft a book of stories and share them to help everyone understand the values and behaviours.*



*Create rituals where behaviours are fully expressed. Share stories and good practices; recognize people.*











# THE BEHAVIOURS

In order to work on the to-do list of the previous page, we invite you to focus on three actions:

- Define the behaviours you intend to encourage and act as role models for,
- Craft and share the stories that will help you communicate important values
- Develop the rituals that will help you recognise and praise others for their actions

First to define the behaviours you intend to encourage and act as role models within and beyond the purchasing team, you can use the table underneath. To do this, review the vital signs you have already identified, see what is missing and focus on a few key behaviours.

	<i>Within Purchasing</i>	<i>Inside &amp; Outside</i>
 <i>Discovery</i>		
 <i>Diversity</i>		
 <i>Risk-Taking</i>		
 <i>Autonomy</i>		
 <i>Leadership</i>		
 <i>Creativity</i>		
 <i>Perseverance</i>		
 <i>Challenge</i>		

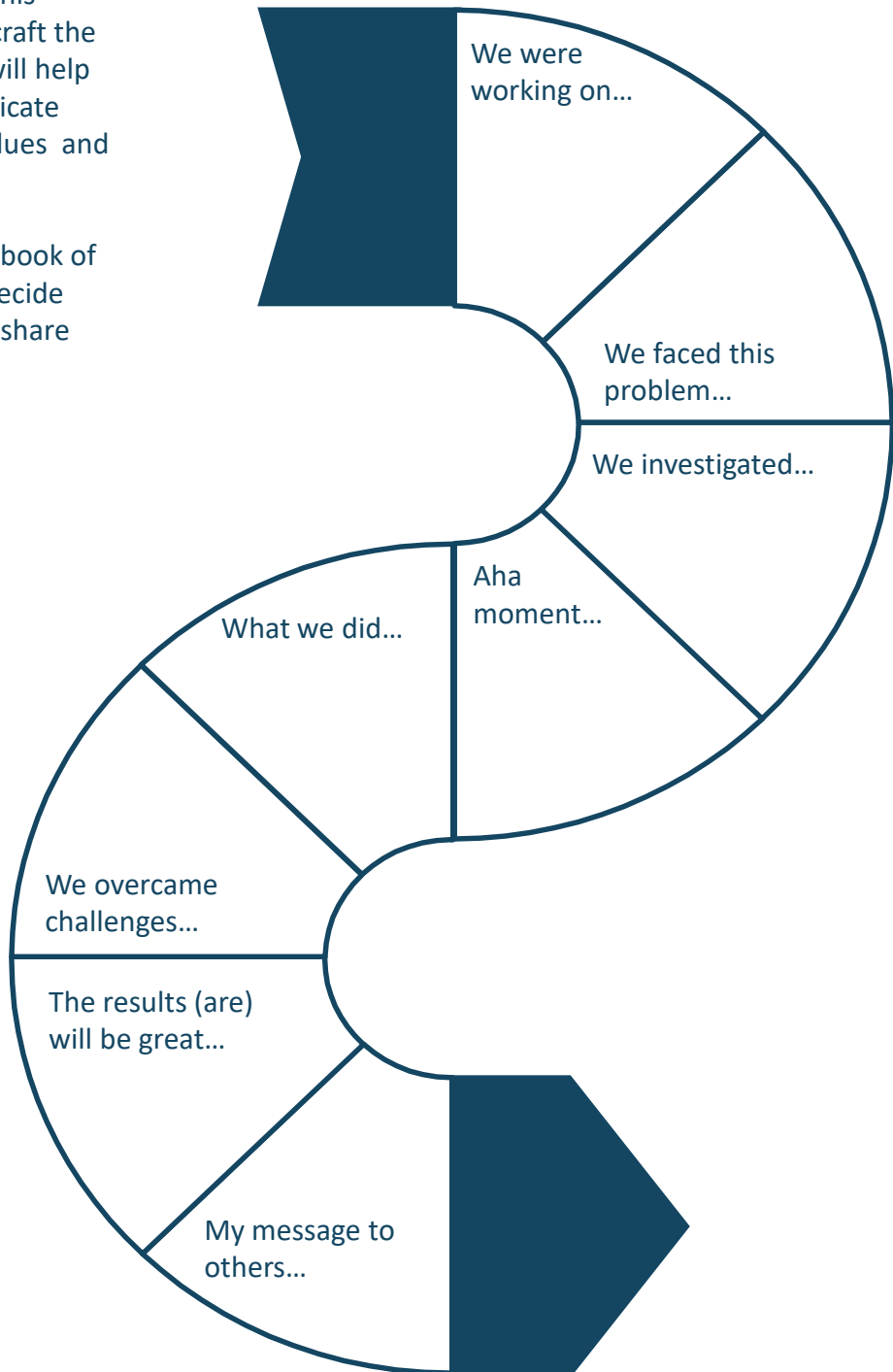
Behaviours you intend to encourage

# Your Story

## Inspire Others to Innovate

You can use this template to craft the stories that will help you communicate important values and behaviours.

Build a small book of stories and decide how you will share them.



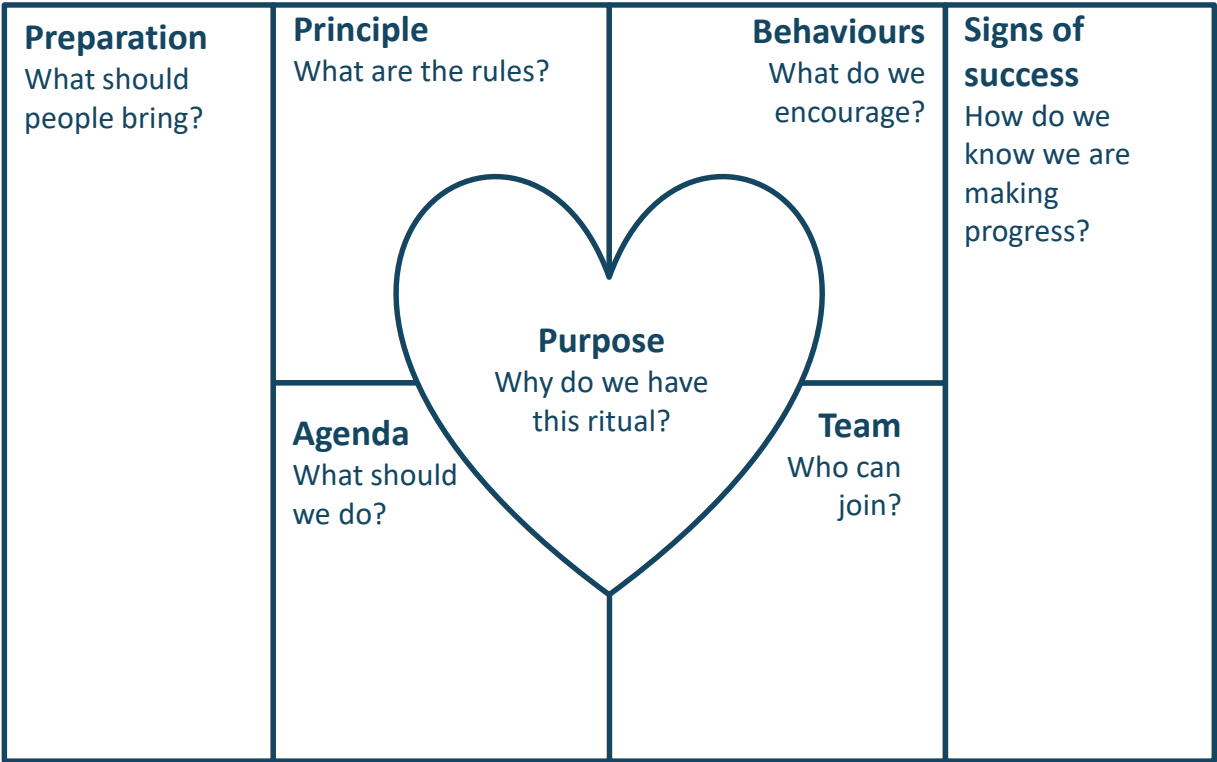
# Design Your Ritual

## Engage Others in New Behaviours

You can use this template design to Develop the rituals that will help you to recognise and praise others for their actions.

These will be pivotal moments in the transformation you intend to lead.

My Ritual:



Where and when?

## CPO interview – ESSILOR

with Aurelien Rothstein, Group Chief Sourcing & Procurement Officer (CPO) at Essilor

### **EIPM: Why is Culture important for Procurement at Essilor?**

**Aurelien Rothstein (AR):** I see three main reasons for this. Essilor is a decentralised company with a strong entrepreneurship spirit. In procurement, we operate everywhere in the world. We therefore need a strong culture that federate our teams. Then, we have a broad diversity in terms of purchasing categories; culture help us create a sense of community and unites everyone around our vision. Third, our industry is still young and growing fast. Our biggest spend barely existed three years ago. With our pace of change we need a culture that helps people act when change occurs. Culture creates a safe environment and offers a solid backbone to our people.

### **EIPM: How can you describe your culture?**

**AR:** We have adopted the values of the company. They are on the first slide of all my presentations; I always take the time to explain how, in procurement, we act according to them. Let me take you through these values.

The first one is about our entrepreneurial spirit. We need to behave as entrepreneurs who are accountable for their own business. As we aim to deliver value well beyond savings, we need to put ourselves in the shoes of the people who are leading the business. We can then contribute to the company success without any taboo. We can help enhance the reputation of a brand, we can support an acquisition, we can help tackle some risks or generate innovation. All this is a part of our role! This is visible in our dashboards where we cover risk, sustainability, cash and our mission: help the world see better.

The second value is working together. We have a broad range of expertise and we face diverse challenges across the procurement teams. Only 10% report to me directly. To work together, we have created a community that helps us share some tools, some guiding principles and our vision. We have monthly webinars where teams can communicate on best practices and emerging ideas. We have quarterly information meetings, so everyone has the same level of information about the company. We use social media to share community pictures, videos and content. This create a sense of belonging across the organisation. People use it to ask questions such as “who knows a supplier that can do this?” or “Who has encountered and solved a specific problem?”. Once or twice a month, I also post a video where I highlight specific business perspectives and success stories. We all share articles and documents that help create a common thread for people.

The third value is diversity. Here we succeed as soon as our people in Mexico and India start exchanging ideas and experiences on solar energy projects. Diversity becomes an advantage as soon as people are connected. This is also an important parameter for our recruitment. We pay a lot of attention to have a broad mix of people not just in terms of gender but also in terms of profiles.

We need creative people, analytical people. We need people with backgrounds in finance and people who understand technical issues. I encourage everyone to turn diversity to their advantage.

Our fourth value is about respect and trust. As part of our day to day interaction within the procurement teams, this is a given. Beyond this, respect is key when we work with all our internal stakeholders and suppliers. To extract value from any collaboration, you first need to show respect. If you go to marketing and they favour specific benefits above savings, you need to take this into account. This is the foundation for us to act as business partners.

Our fifth value is innovation. In procurement, we need to be value oriented. We have a dedicated team for this, but we also need everyone to think out of the box. This can only be done by actively listening to our partners and gaining their trust. Also, when someone faces problems, people should be ready to come and help. By building on trust and on our collective intelligence we can go well beyond the obvious. As you see, our values are powerful as they are interlinked, they support each other.

**EIPM: How do you influence the culture?**

**AR:** In fact, you cannot decide that a culture is this or that. You can only help make it emerge and flourish. Here I see three main components.

Everything starts with sharing the vision. If something is unclear or if it is hard to decide amongst options, you can always look back at the vision. For me, we are not a support function, we are business partners, these words are important. We need to communicate about their meaning and their implications. We also need to lead by example and share stories. We need to explain how these stories fit with the vision and embody the values we strive for.

Then, the larger the company, the more challenging it is to translate the vision into a reality. Here I favour empowerment over building a system of controls. A vision needs to be generic enough to be adapted locally. People are empowered, they can make it fit with the local context and their current ways of operating. People understand the culture as they see it in action, as they see how it fits their own environment.

Finally, we must build an environment where the culture can grow safely. For instance, we have created special activities where people can speak up and share their views or concerns. Every Tuesday we have a 30 minutes stand-up meeting. People can talk openly, discuss how we work, share some success or some concerns. We need to help our people to become empowered and self-confident. Culture is a frame. It defines how people behave when the leader is not in the room. People can act when they have this frame.

**EIPM: Essilor is a company with a compelling purpose. How does this help you?**

**AR:** Our mission is IMPROVING LIVES BY IMPROVING SIGHT. This is a strong motivation factor for everyone in the company.

When an old lady in India recovers vision, this is something inspiring for all of us in Essilor. This helps us to turn our vision into reality. And we have extended this to our suppliers. We onboard them in achieving our mission. Few years ago, I had this as an ambition, but I never expected it to be such a compelling and motivating opportunity for our suppliers. This helps us go well beyond savings during our discussions with them.

On the world sight day in October, we had 200 events managed by the purchasing team at our supplier sites. We provide them eye-tests, we talk about our mission and we discuss how they could be part of it. We have carriers who asked us to test all their drivers. Some suppliers provide pro-bono work such as a communication campaign. This goes beyond philanthropy. It creates business opportunities. We help with sales and sometimes we even ignite collaborations that leverage our supplier's technology.

When you are lucky enough to have a mission like this... It offers infinite opportunities. This changes the relationship we have with our suppliers. When we discuss our mission with executives at our suppliers, we can see stars in their eyes. They value it because they can communicate something very positive and motivating to their own teams. It is a great way for them to show they are close to their client. For us, it is a great opportunity to build direct relationships with people at our suppliers. We motivate them to work with us. All our people in procurement see this as a unique opportunity to generate positive energy from all sides. Every year I get invited to the board to talk about this. It is great for the function.

**EIPM: Any concluding remarks?**

**AR:** Helping a culture to emerge is not about copying and pasting existing practices from different sources. This is context dependent, you don't decide on it, it is not a procedure that you deploy across the organisation. You can help it to emerge by sharing the vision and by leading by example. This does not happen overnight. It takes time for a culture to fully flourish. You need to be patient and to persevere. Some of the initiatives that I had started three years ago are only bringing value now. But when you see the progress, this is really rewarding.



# The Value Creation Observatory an EIPM Laboratory

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