

## Name Change: Procurement Department to Accountability Department

The ANA has a new task force to improve the image of procurement.

On the face of it, that might be like trying to improve the image of the IRS.

For years, agency CEOs, associations like the 4As and an endless number of agency financial people have complained that procurement “just do not understand or have learned about the agency business”. It was a knee-jerk reaction and it’s somewhat understandable since procurements initial and primary job was to cut agency fees and reduce cost. But now we also know that CMOs need to get a dose of procurement image re-evaluation since only 49% think their own procurement departments were knowledgeable about marketing.

Therefore, this “task” that the task force has been empowered to study and look at for the ANA sounds like a good idea – at least in principle.

My guess is that education, communication and training procurement can and certainly should attack the problem. But, before getting started, why not deal with the core problem by redefining the initiative and taking the solution up a few notches by repositioning procurement.

As the old saying goes, “you can’t make a silk purse out of a sow’s ear.” But you can provide new purpose and benefits that procurement can deliver to both the CMO and agencies.

### Here is how:

1. **Change the mission** — Instead of being viewed as those money grubbing, cost cutting bean counters, be the result guys. Help develop programs with both the agencies and CMOs that focus on results and encourage waste reduction. Look and get involved in defining the scope of work needed by the brand and try to focus agency resources on successful development vs. volume of work. It will be less stressful for the people doing the work and will save both parties a ton of money. For example: Get the client to stop asking for 5-7 campaign choices, but instead THE BEST choice. The agency still may provide alternatives, but quit asking for extra work just for the sake of extra work. If both

the CMOs and agencies focus on a well-defined brief and avoid 17 rounds of creative development (and procurement creates that environment) you have redefined yourself.

2. **Stop trying to estimate man-hours** — By paying based on man-hours you get into the endless debate of how many people it takes to change a light bulb. Agencies will always over-estimate and procurement will be viewed as not understanding what is needed to get the job done. Try paying based on what you need (from SOW) and only pay based on output, not FTEs or man-hours. Just look at other industries or fields. Clients are up in arms with lawyers overcharging on billable hours. And no one in their right mind pays for time and materials in the construction field. If the agency and procurement department develop a rate card based on the dollar amount required for each project on the SOW, you will encourage a more focused and efficient agency. But here is the kicker. You need to be specific about estimating the number of rounds needed, rework and level of experience required for each project. And also accept the fact that if the agency gets it done with less rounds, less rework and with less expensive teams, they are simply being efficient and should keep any savings they achieve. Again, you redefined the role of procurement to be less about cost savings and more about efficiency.
3. **Change the profit portion** — Guaranteeing the agency a 10-20% profit margin without knowing if the work will work is like buying a car and never turning over the engine. Agency profits must be earned and while procurement might see this as a cost saving tool (and it is somewhat), it is really to ensure you have the complete and undivided attention of the agency players. Agencies love the term “skin in the game” and they develop bonus plans that allocate 5-10% of their profits to that goal. That is not “skin in the game.” It is simply covering your bets. Agencies must focus on results and only earn their profits by generating measurable and meaningful results in the marketplace. Procurement can again play a meaningful role by being part arbiter and part referee in establishing how much an agency gets if goals are met. Both the CMO and agency will have a strong opinion in this area, but procurement can define its role to a much greater degree.
4. **Change your name** — Re-branding or name changes only work when the product itself warrants such a change. If you want to improve the image of procurement, change the function away from “the buyer of services” to “the accountability department.” From the very start you will change the viewpoint of the people you are working with and who you represent. But don’t kid yourself, by becoming the accountability department the role will be much harder because you are now responsible not just for cost containment, but making sure everyone is truly accountable for their recommendations. You will become the point person that bridges the gap between marketing and the agency and the person directly responsible to make sure both parties live up to the goals and objectives established at the beginning of the relationship. While your main focus is still to save your company money, it should not be at the expense of what the brand needs to be successful in the marketplace.

If this new task force just works around the edges to simply improve “the image of procurement” some things may be accomplished. But by pushing the envelope and redefining the focus of procurement toward accountability, you will carve out a much greater and more positive role for the department.

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