2 Important Steps to Drive Action From Your Procurement Policy

Many companies spend countless hours developing or revising their procurement policy just to have it sit on the shelf. This blog shares two important steps to get the behavioral change from business stakeholders that your policy intends.

Writing a procurement policy is critical to establishing a procurement function. Once developed, however, don't fall victim to a common policy pitfall … putting it on the proverbial “shelf.”

If you are drafting your policy or refreshing your current policy, use Gartner's policy template and sample policies to save time, but don't treat this as a check-the-box exercise.

The problem for many companies is that all the time and effort put into creating the policy does not deliver the intended benefits. The creation of a policy itself does not change behavior and ultimately the business does not comply with procurement's policy mandates. The subsequent role of procurement as a “compliance cop” only hurts procurement's brand across the organization.

Best practice in procurement policy goes beyond the development of a document and strives for behavioral changes in decision making across the business. Leading companies implement policy effectively with these two techniques:

No. 1: Humanize change communication to promote stakeholder adoption.

Don't rely on an email blast to all employees, notifying them of the new or updated procurement policy. Gartner research suggests that stakeholder adoption of an organizational change can be twice as effective by “humanizing” change communication, defined as: relevant, authentic and intuitive.

- Relevant: Make communication relevant by speaking to the individuals who are affected by your new policy guidelines. For example, rather than burying thresholds or approval limits in latter pages of your policy, which are common stakeholder questions, ensure they are prominent and easy to find. Use business language rather than procurement jargon in communications. One company Gartner works with empowers select stakeholders to own certain change communication with firsthand experience for how they adopted the change. Additionally, consider both the “carrot and the stick” by incentivizing stakeholder compliance. This includes positives for adopting the policy (one company donates savings generated by policy compliance to a charity of the employee's choice) or highlight negative
To meet the speed of business today, leading companies don’t expect the business to search for and read the procurement policy before each buy. Rather they create guardrails for the business by embedding policy into the process, making it easy to remain compliant with procurement’s policy. See how KCP&L achieved increased spend compliance by implementing a single entry point for all buys, which they called a “Project Start Button.”

No. 2: Create self-sustaining cultural change by applying culture hacks supported by nudging techniques.

Procurement leaders should apply culture hacks and nudging techniques that reinforce wanted behaviors and longer lasting policy compliance through cultural change. Keep in mind that company culture is how employees really behave in their daily work. While cultural change is a long evolution, you can reduce the friction between current ways of working and the desired behavior by applying “culture hacks.” Culture hacks are defined as small or low-effort changes that are visible to others, driving emotional connections that lead to new actions. These provide the right signals for desired behavior and can be reinforced long term through “nudging techniques.” Nudging techniques are a subset of cultural hacks that makes the hack more habitual. Take for example the amount of food waste in the cafeteria. A culture hack to substantially decrease food waste may be to offer smaller plates and no trays. To encourage recycling behaviors, a nudging technique could be to make recycling bins eye-catching and easy to use. This is an idea that can be applied across industries and functions.

So how does this relate to procurement policy? Put simply, architect choices for people, steer them in the right direction and make compliance easy. For procurement, the policy may indicate an intent to increase diverse suppliers. While ultimately the decision for selecting a supplier may be held in the business, procurement may prime stakeholders with available diverse suppliers to meet the need. Maybe there is some social recognition for selecting a diverse supplier that promotes that decision. American Family Insurance did this with their sourcing pitfalls cheat sheet to promote the right level of information impacts for the stakeholder to dissuade noncompliance. A good litmus test is to ask yourself if you have described the “why” for this change from your stakeholders’ perspective.
sharing with a supplier prior to the negotiation (see Sourcing Pitfalls Cheat Sheet (American Family Insurance)). Procurement at AmFam Insurance created an index card with what information should not be shared with the supplier (budget, deadlines, etc.) that may sacrifice their leverage in the negotiation. One company has taken this idea and added a clever marketing angle by taping a lollipop to each index card and distributing to business stakeholders with the message “don’t be a sucker.”

Ultimately, procurement leaders should incorporate culture hacks and nudging techniques to continuously reinforce positive behavioral shifts toward improved policy compliance.

The goal of a procurement policy is to drive the right purchasing behaviors across the business, which requires more than a document that is published on your company intranet site. Look for opportunities to drive adoption of your policy through your change communication by setting guardrails in your process and reinforcing a culture of optimal behaviors.

Recommended by the Authors

Procurement Policy Template

Procurement Policy Sample 3

Procurement Open Source Change Management

Best Practices to Make Buys Feel Faster to the Business

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