

The Purchasing Chessboard

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64 Methods to Reduce Costs and Increase Value with Suppliers

Third Edition

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“Our success as consultants will depend upon the essential rightness of the advice we give and our capacity for convincing those in authority that it is good.”

Andrew Thomas Kearney
(1892 – 1962)

Preface

There are many reasons why people write books. For us, there are only two: We are passionate about procurement, and we want to help executives answer the three most common questions about procurement:

- How do we reduce costs and increase value with suppliers?
- How do we get suppliers to change their behaviors to help us capture a competitive advantage?
- How do we build a world-class procurement organization?

This book, along with *Supplier Relationship Management: How to Maximize Vendor Value* and *Opportunity and The CPO: Transforming Procurement in the Real World*, completes an A.T. Kearney procurement trilogy. Together, the three books have enough information to allow readers to introduce the concepts without any outside help.

The Purchasing Chessboard is inspired by the logic of supply power and demand power—a concept that governed the dynamics in the bazaars of Babylon, raised trading powers such as Venice to greatness, and formed the basis of the British Empire. Since publishing the first edition in 2008, we have seen that it works in any industry, for any category, anywhere in the world. Because it is intuitive and easy to use, it has become the main procurement strategy tool for most leading companies around the world.

The 64 squares in the Purchasing Chessboard® provide a rich reservoir of methods that can be applied either individually or combined to help companies reduce costs and increase value with suppliers. Because many of these methods are not customarily used by procurement, the Purchasing Chessboard is also the perfect tool for helping buyers to think and act outside the box and find new solutions.

Perhaps the most gratifying outcome is that the procurement profession has embraced the Purchasing Chessboard so widely. We never expected to be working on the second edition, much less this third edition, or for our work to be published in so many languages. So why did we set out to write this new edition? There were three compelling reasons.

First, following Porsche's lead in keeping its 911 fresh over many generations, we wanted to update our case studies. The examples from our client work are always growing in number, and we and our clients like to push the envelope in terms of better, faster, and bolder. We have also incorporated lessons learned across geographies and industries. The explosive growth in analytics and the rise of category specialists in our Procurement Practice have taken the Purchasing Chessboard to new levels. And our firmwide network of people who want to share their successes has enriched the assortment of examples. So chapter 4, although structured in the same way, has been refreshed with new examples.

Second, we wanted to make this book more relevant to the C-suite. We take the view that to be successful in deploying the Purchasing Chessboard, procurement needs to closely collaborate with cross-functional stakeholders such as product marketing, research and development, manufacturing, sales, and finance rather than operate alone. Ultimately, only the chief executive can unleash the full potential of the Purchasing Chessboard and turn the company into a fearsome competitor.

Third, we want to inspire practitioners to experiment with the Purchasing Chessboard. Using it to identify the right method to reduce costs and increase value with suppliers is only the beginning. There are many ways to reach other levels. Some have been unlocked by us, and some by our clients, with or without our help. And some levels are still unknown to us. Perhaps you will be the one to unlock them.

Another motivation for us is to strengthen the standing of procurement people. At A.T. Kearney, we have trained more than 100,000 procurement people who are still active in our engagements. As we want to do more, all royalties from this third edition will go to grants supporting the academic achievement of outstanding procurement talent. If you consider yourself qualified for this grant or if you want to sponsor a candidate, please email us at procurement.grant@atkearney.com.

We are confident the book will be equally useful to all those involved in the business of procurement—from the CEO to the staff in the field. We hope it will encourage our readers to make tangible improvements in their procurement procedures. We invite you to join these ranks and, when you are done, let us know how it went.

Enjoy the chess game!

Acknowledgments

As we publish this new edition we continue to recognize that we stand on the shoulders of giants. Without the work of Tom Slaight, Larry Kohn, Manfred Türks, and Niko Soellner decades ago, A.T. Kearney's Procurement Practice would not be what it is today. Our gratitude also goes to our editorial team, especially Patricia Sibó, without whom this book would not have been possible.

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