

Why it's time for timesheets

by Guy Strafford and Harbir Sidhu

Unless CPOs know how long particular tasks are taking, they can't begin to measure their team's productivity

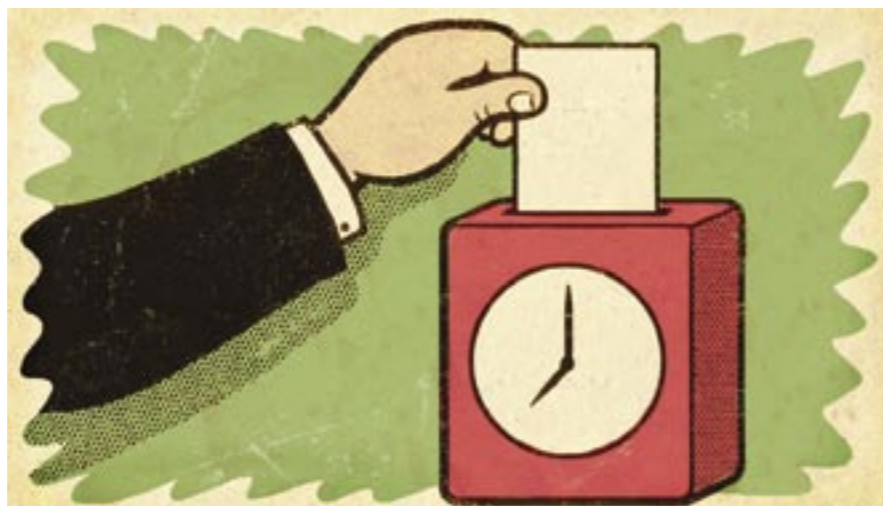
DO YOU, AS A CPO, REALLY KNOW what your people are doing and how effectively they are doing it? While you can prioritise your own time and set team objectives, if your team is large and dispersed then keeping track of its activities and understanding actual and relative performance is a major challenge.

Procurement teams are not self-regulating, self-optimising automatons. The CPO's guidance and intervention is a key determinant of whether they can be managed to deliver more. The perennial challenge is how to make the team more effective and more efficient, often against a background of ongoing organisational change.

Yet, in many procurement functions, there are people at a similar level who seem to churn out the results and others who do not. It is not necessarily about how hard they work, but often the relative difficulty of the tasks being undertaken or simply people's capabilities. Many CPOs measure the *outputs* of their work, but how many are effectively measuring *inputs*, without which actual productivity is impossible to assess?

Several management thinkers have pondered the issue of getting more out of knowledge workers – most notably the late Peter Drucker, who as long ago as 1969 wrote: "To make knowledge work productive will be the great management task of this century, just as to make manual work

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productive was the great management task of the last century."

As Drucker and other authors, such as Thomas Davenport, have noted, driving improvements in knowledge worker productivity is hard. This is a complex subject without simple answers. Some of the tried-and-tested options include improved:

- knowledge management;
- technology investment;
- internal customer management;
- prioritisation/strategic focus (ie, Pareto).

Let's focus on the last of these. In order to understand where particular resources (defined as people, skills, time, budget, energy) could be more effective or efficient, CPOs need to clarify who is achieving what and why. After all, what gets measured gets done and objective reference points are better than gut instinct.

Most functions keep an eye on what is being sourced and managed and what

stage this sourcing is at, but actual individual and team productivity remains unclear. This is an anomaly in so much as the structure of many functions is based around teams and individuals taking responsibility for particular categories. The demands on those categories vary throughout the year. As a result, there is under-utilisation at different points in any typical year. If this is combined with the fact that certain activities deliver greater marginal benefits than others, then the fixed level of people and technology available may prevent the prioritisation of all but the highest marginal benefit activities.

How do CPOs know whether they are deploying their procurement team to best effect or whether it can be improved? To know this means identifying what is performing well and what isn't, and reallocating resources away from areas of weakness towards those that are going to deliver

more. This means tracking not only the *outputs* (savings, supply base rationalisation, spend under management, stakeholder satisfaction, and so on), but also the *inputs* – in other words, the resources deployed.

The key rationed input is time. If CPOs can reallocate their employees' time by helping them to perform tasks faster and focus them on the most productive tasks, this will have a dramatic impact. Tracking time usage means timesheets – something that few procurement functions currently use.

An appropriate tool

This may not be a popular option. Critics say that timesheets are not appropriate in a service function, yet they are widely used in other professions such as law and accountancy. The conventional argument that lawyers and accountants track time because this is how they charge is only one reason why they do it. The data also allows firms to assess efficiency and the level of recovery, as many projects are now charged on a fixed-fee basis.

It is true that few organisations outside of professional service firms use timesheets, but the data – if captured effectively – can give CPOs fundamental insights into their team's productivity. Tracking hours worked builds a picture of how long specific activities such as tenders and staff or supplier management take, and which customers or suppliers are more expensive to service than others. Even if CPOs are only able to track hours at a high level, they are immediately able to start to establish how much time is spent, down to the level of each sourcing exercise and even the stage within that exercise. Connect this to the data on what is subsequently delivered and it starts to be possible to value the time allocated to particular projects.

There are two aspects that then make this more interesting. First of all, some members of a team consume more resources than others, in terms of carrying out their tasks and being managed. If team members are banded into salary ranges, it becomes possible to start to assess the relative cost of projects and then to allocate your staff where it is going to deliver the most bang for your buck. And although historical activity doesn't necessarily pro-

vide the best guide to the future, an additional benefit of measuring inputs is that the data can be developed to aid planning through better forecasts.

Stage two is to make better assessments of the likely benefits before commencing a project. This is tough, as the temptation is to forecast inflated benefits in order to secure resources. However, the need to achieve a good return on investment ought to act as a counterbalance, since resources will be taken away once it becomes clear that they are not delivering or are being wasted. (Our experience is that benefits forecasting is often best done via group discussions, so that a suitable business case is agreed and responsibilities are clearly defined.)

Once you know what is going on you can start to gauge more accurately what and who delivers consistently and what and who does not. Accurate forecasting of the inputs required and outputs likely to be delivered allows CPOs to allocate

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their limited resources to where it will have the most impact. There will be resistance to such an approach. Some team members may feel exposed by this level of visibility and scrutiny, and resist the new priorities. If CPOs only measure one thing, this is all that will happen. You cannot just measure inputs or outputs, and you cannot just assess one input. CPOs also need to be careful that they do not use surrogate measures. For example, the number of hours worked does not necessarily equal good output.

'Gaming the system'

Another potential issue is that this process of measurement may encourage some team members to alter their numbers so as to appeal to what they think the CPO regards as important. This is best resolved by anticipating the "gaming" of the system to provide cross-checks and manage potentially competing priorities. When CPOs create and measure multiple metrics, they learn to create forces that start to pull their teams in the direction they want.

CHECKLIST

Tips for starting a timesheet scheme

1. Decide what outputs you really want to measure.
2. Decide how you are going to measure them, in the knowledge that you may only be able to track a surrogate.
3. Decide what level of input is useful.
4. Explain what you are doing and why before you begin.
5. Start simple.
6. Review the data every quarter to make what you track more sophisticated.
7. Watch out for attempts to get around the tracking.
8. Use the data – otherwise it will become unusable.

If CPOs can demonstrate that they are deploying their teams where they are best equipped and where they will maximise their return, genuine resource gaps will be more clearly apparent. This enables them to make better informed decisions around hiring, the use of interims and consultants, and outsourcing. It also helps with discussions about compensation, which are often fraught because of their subjectivity.

With greater transparency of team member performance comes the opportunity to link it to compensation more directly. (It may even allow teams to assess what the marginal expected return from each pound, dollar or euro invested by the function needs to be for a project to go live.)

In practice, all procurement organisations ration their resources, but only a minority accurately track both their inputs and their outputs. The biggest single input CPOs control is their people. Make them more productive and the function will achieve more (with positive implications for the CPO's longevity). This, in turn, sends a powerful message to senior management about the benefits procurement brings to the organisation. ■