

Transforming Procurement into a Global Powerhouse: The McCormick Journey

Tapping into the “Power of People,” McCormick takes procurement from regional to global in three years. The SCOR framework serves as a foundation for success by providing a shared vision between procurement and supply chain.

Goals

- Transform procurement from a regional to a fully global process
- Position procurement as a strategic component of supply chain
- Create efficiencies through new processes and by deriving greater value from existing processes

Approach

- Develop a vision and strategy in alignment with business leaders and execute against a roadmap for execution that captures immediate value and builds momentum
- Make strategic investments in people, processes, organization and technology
- Promote the “Power of People” through team building and training
- Support supply chain’s alignment to the SCOR framework

Results

- Incorporated a total supply chain perspective in procurement’s operations
- Delivered bottom-line value through sustainability and innovation
- Doubled procurement cost savings in three years
- Generated tens of millions of dollars in free cash flow
- Drove the corporate agenda and served as a catalyst for the entire enterprise

Since its founding in 1899, McCormick & Co. has become a household name in flavor, spices and seasonings with more than 10,000 employees, facilities in 26 nations and products sold in over 140 countries. McCormick recently completed a 10-year initiative that built a globally coordinated and aligned supply chain—an initiative driven in part by APICS training and the Supply Chain Operations Reference (SCOR) model.

Until 2013, McCormick's procurement function was regionally focused, operating as an organization separate from other parts of the supply chain. Less than three years later, the procurement process has transformed into a streamlined, fully global function, achieving substantial cost savings that contribute to the company's bottom line.

The SCOR framework serves as a foundation for success by providing a shared vision between procurement and supply chain. SCOR enables a universal language and the alignment of people, process, organization and technology, and provides a global scorecard, creating a seamless approach to working across functions and facilities.

Procurement as a Core Element of the Business

The transformation initiative began in early 2013 when Vice President of Global Strategic Procurement Brant Matthews joined McCormick upon his predecessor's retirement. He came to the company at a time when the business environment was changing—procurement was facing unrelenting pressure to generate more cash savings that would fund business expansion and offset agricultural commodity price increases.

Matthews had a bigger vision for procurement, intending for it to expand its footprint and become a more strategic component of the supply chain. To him, procurement was about much more than cost savings—he saw procurement as a central element of the business, since it manages 80% of the total cost of goods sold. He recognized that procurement was capable of delivering business and brand value through sustainability, innovation and greater resilience.

Matthews also knew that setting lofty goals would not be enough. A transformation such as this would require fundamental change. To succeed, Matthews looked to McCormick's companywide Five Pillars of Success, particularly the "Power of People" pillar, and set out to apply a people-first culture to propel four key areas—category management, supplier integration, business engagement and sustainability—forward.

Central to this was identifying and making strategic investments in people, processes, organization and technology that would support supply chain's alignment to the SCOR model.

Fast Track to Success

Matthews and the procurement team felt it was important to quickly organize around a plan and begin a grassroots program that would drive near-immediate results, ideally within a single quarter. In Q1 2013, 40% of the procurement team was quickly engaged to directly participate and define how to execute this transformation project, with the goal of attaining preliminary progress by early Q2 2013. After extensive consideration and analysis, the team identified five areas that would make up the first wave of global category management.

The team adhered to a "deliver results with the end strategy in mind" approach, allowing it to maintain a balance between achieving short-term results and ensuring the long-term sustainability of this major change initiative.

Matthews noted, "As the initiative got underway, we saw firsthand how team members really stepped up and led. They shared feedback and weren't afraid of the unique organizational challenges that come with trying to change ingrained behavior."

"I remember an email I received from a buyer in China. He wrote, 'Thank you for the training and trusting me that I will do my job. That means the world to me.'"

— Brant Matthews, Vice President of Global Strategic Procurement, McCormick

But simply giving people power is not enough. McCormick brought in outside educators to provide category management training for its teams of buyers. More than 70% of buyers were trained in person, with sessions conducted in the United States, France and China. The executive team saw to it that each regional session had global participation.

All the while, Matthews kept his focus on the "Power of People" and assembling a strong team. Investments were made in training, development and team building that provided significant return. The training was a great opportunity for buyers to interact informally, build relationships and learn from each other—worthwhile exchanges that yielded dividends down the road. Senior leadership was fully supportive of the training and global procurement meetings that brought the majority of the team together for two days of learning and team building.

McCormick also invested in additional training, technology and processes. Beginning in 2014, it offered “Procurement University” courses to global procurement team members around the world via an online learning platform. This became a model that is now spreading to other supply chain functions, and McCormick is evaluating additional training modules that will provide a more end-to-end view of the supply chain organization.

Grace Woo, Director of Supply Chain Strategy, said, “We recognized that we had to find ways to build new processes, streamline, and get more value out of standard processes such as requests for proposal, procure-to-pay and contracting, so buyers could free up their valuable time to focus on managing the category.

“We deployed new e-sourcing tools that improve the RFP and contracting processes. Procurement was one of the first in the enterprise to invest in a full-time analytics resource that gave us access to advanced tools such as data visualization. Successful category management requires global data that everyone trusts; this sets a strong foundation for success,” she added.

“McCormick’s “Power of People” culture was a key enabler for embedding Category Management throughout the global team, resulting in greater and broader value across the supply chain and enterprise.”

— *Grace Woo, Director Supply Chain Strategy
Procurement, McCormick*

The procurement team rallied around the vision and expectations that leadership provided. Team members produced analyses of outstanding depth and quality, and showed great passion in using tools and technology in new and unexpected ways. In so doing, procurement demonstrated that it hadn’t just learned, but had adopted outside knowledge and tools and shaped them into its own.

Within the larger supply chain organization at McCormick, procurement has gained tremendous support for its transformation journey, and has been acknowledged as the driving force that moved the supply chain strategy and agenda from a business unit to a global approach.

Procurement earned recognition at the highest level when, during a quarterly earnings call to the investment community, the McCormick CFO mentioned that procurement’s effectiveness was a contributor to the overall success of the business.

Procurement Becomes a Team of Choice

As a result of the transformation initiative, procurement has become a destination of choice for high-potential individuals at McCormick. Team members are joining procurement from departments like planning, engineering and manufacturing, and their expertise in and relationships to broader supply chain operations have proven to be another key to success. At the same time, procurement has built stronger relationships with cross-functional teams, especially the quality and product development team, to overcome the bottlenecks of cost savings that can arise during the approval of alternate specifications.

Procurement always keeps an eye on the long-term outlook, focusing beyond the upcoming quarter and even the upcoming year. Woo noted that long-term thinking is absolutely critical, especially when dealing with agricultural materials with long growing cycles.

“At McCormick, we invest in sustainability, helping farmers to farm better and provide a technology platform for us to track and optimize crop performance,” Woo said. “This sophisticated approach to the procurement of raw materials is a driver for other areas of the business to invest and innovate.”

Matthews added, “Of course, none of this is as memorable as the feedback I received from the procurement team on how the new tools, processes and culture have allowed them to look at doing business in a whole new way, even when they’ve been managing the same category for years. In particular, I remember an email I got from a buyer in China. He wrote, ‘Thank you for the training and trusting me that I will do my job. That means the world to me.’”

Today, the McCormick global procurement team has a renewed sense of confidence—just one of many results of the new strategy’s successful execution. The team knows it plays a part in driving the corporate agenda and serves as a catalyst for the entire enterprise. Procurement’s cost savings dollar figure has doubled in three years, and it is generating tens of millions of dollars in free cash flow for the organization.

About ASCM

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