

Let ROSMASM Take Your Organization's Vital Signs

ROSMASM Performance Check allows you as supply chain leaders to quantify your organization's financial contribution.

Supply management's stature has grown substantially over the past several decades as business leaders turn to procurement to tackle the increased risk and complexities in today's global supply chains. Supply management has come a long way as it shifts from a tactical to a more strategic role — but most practitioners agree it still has a long way to go.

As the profession continues its journey for increased recognition, we must demonstrate our efforts to make an impact on the company and shareholder value to the C-suite. "As a profession, we need to be better at thinking outside the cost savings mind-set and selling what we do far better to our customers," explains David Noble, group CEO, The Chartered Institute of Purchasing & Supply (CIPS).

However, measuring procurement's contribution to the bottom line has been an ongoing challenge, admits Joseph Raudabaugh, partner, A.T. Kearney in Chicago. "People have been trying to measure procurement forever and every organization has its own way," he says. "And that is not helpful to the profession." What's needed are a couple of common standards in everyone's mix of KPIs, he adds.

In an effort to meet the need to consistently track and measure procurement's contribution and performance universally, A.T. Kearney, Institute for Supply Management[®] (ISM[®]) and CIPS have launched the first of several initiatives aimed at increasing the professional recognition of procurement — the ROSMASM Performance Check. It's a short benchmarking assessment pinpointing procurement's efficiency in delivering financial contributions to the business. It helps supply management practitioners understand the ROI of procurement.

An Entry Point

Given the importance of evaluating and reporting supply management's financial impact, the assessment is being offered to supply management organizations globally through the ISM[®] (www.ism.ws/rosma) and CIPS (www.cips.org/rosma) websites.

"To meet the intricate mandates now required, the profession needs a mechanism for communication with the C-suite to increase its recognition, connect to shareholder value, and to consistently and universally track and measure its contribution and performance," says Thomas W. Derry, ISM[®] CEO.

"ROSMASM is the entry point."

"The 30- to 45-minute complimentary ROSMASM Performance Check is a way to get your organization's vital signs," Raudabaugh says. It is based on a framework co-developed with CPOs and CFOs from multinational companies. The Performance Check is designed to:

- Target and marry components important to both procurement and finance.
- Address a powerful component of an overall balanced scorecard.
- Supply feedback on procurement's value based on CFO measurement standards, allowing procurement to demonstrate its value to the business.

John Blascovich, CPSM, C.P.M., lead partner in A.T. Kearney's Procurement and Analytic Solutions Practice in New York, says ROSMASM is the product of A.T. Kearney's observations that supply management organizations had different ways to keep score of their financial impact on the business and, more important, clients' continued request for a universal means to capture these insights.

"There were discrepancies over whether savings should be reported yearly or cumulatively and whether it was cost avoidance or hard saving," he explains. "Procurement was declaring value, but the CFO was not seeing the results."

The end result was ROSMASM, which stands for Return on Supply

Management Assets. It empowers the profession with a standardized framework and platform to document, track and comparatively assess the financial contributions portion of their performance scorecard. ROSMASM should be one of the financial items in the financial component of a supply management organization's balanced scorecard.

Blascovich and Raudabaugh emphasize that ROSMASM is a derivative of proven, accepted financial frameworks and performance measurements, such as DuPont's classic return on assets ratio (ROA) and economic value added (EVA).

"It is based on sound, widely adopted financial practices. When CFOs see this, they understand it in a nanosecond," Raudabaugh says. "It is familiar to them, as it is framed in a language and mind-set parallel to what CEOs apply to their businesses and are accustomed to."

Procurement organizations' adoption of ROSMASM as one of their financial scorecard elements will start to bring the value conversation to the forefront and raise the stature of the procurement profession.

An Annual Comparison

"Using ROSMASM on a balanced scorecard will make it clear to supply chain leaders what their organizations have to do to get better," Blascovich notes. "It also allows them to make a sensible business case for expanding control of spend or obtaining buy-in from different business partners. If other departments understand procurement's value, it will build credibility and allow procurement to be more strategic."

The ROSMASM Performance Check is not a typical point-in-time survey, but can be used annually to compare how procurement has

changed. Participants who take the online survey will immediately receive a customized report through email assessing their organization's procurement performance, comparing it to leaders and followers, and identifying improvement opportunities.

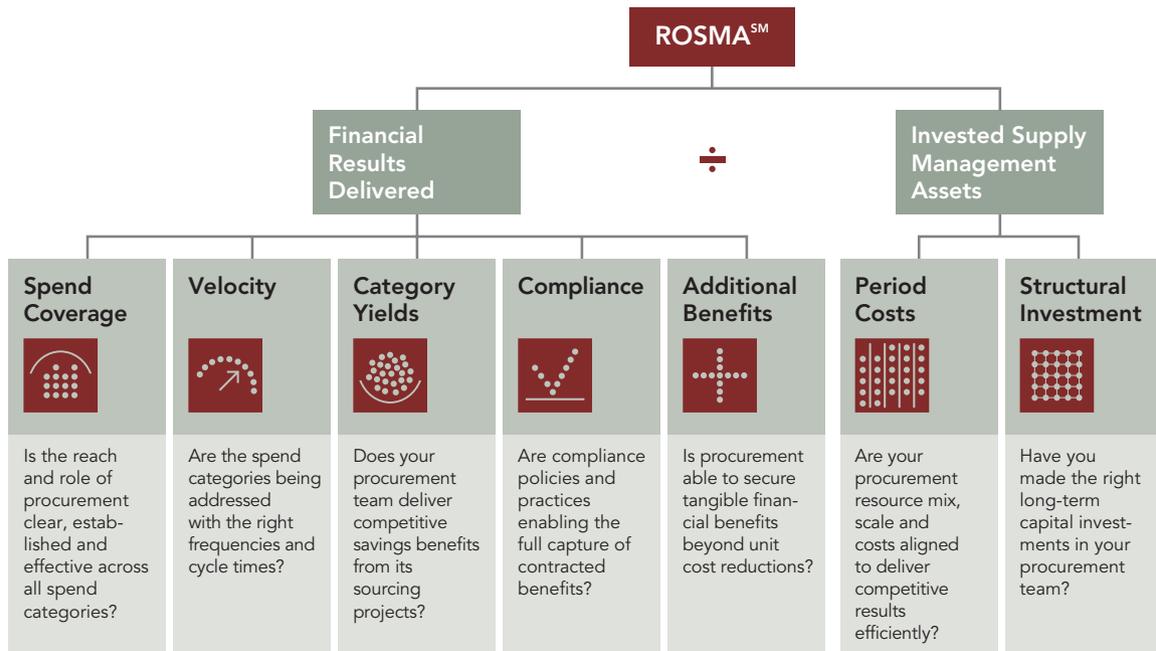
Noble believes supply management's level of authority will continue to grow as it demonstrates the real benefits to their organizations. "That's because there is no question that in this increasingly globalized world, supply chain management is a key differentiator to success from the highest and most strategic decisions right down to the basics of what the company makes and who it partners with." **ISM**

Mary Siegfried is a senior writer for *Inside Supply Management*[®]. For more information, send an email to author@ism.ws.

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Return on Supply Management AssetsSM Performance Check

Source: A.T. Kearney analysis



The ROSMASM score is the output of a financial ratio. Simply put, it's "financial results delivered" divided by "invested supply management assets."