

Professional guide into the belly of procurement

 By [Shan Raddiffe](#)

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Leon Steyn, CEO of IT sourcing and procurement specialists Dante Deo, takes us on a dive into the procurement industry.



Leon Steyn, CEO of Dante Deo

Steyn has 20 years' experience in the IT industry, working across a variety of sectors including supply chain, logistics and mining. He spent nearly six years with Anglo American as a global category specialist and manager before breaking away to found Dante Deo.

Here Steyn shares with us his expertise, weighing in on the career potential as well as knowledge gaps in the procurement industry, while offering insight to small businesses looking to make it as a supplier.

■ ***When people talk of procurement, it may seem a bit vague to those not in the industry. Break down what it means to be in procurement and why young people should be excited about getting involved in the sector?***

Leon Steyn: Procurement is the opposite side of the sales process. However, unlike the sales process, the procurement professional gets exposed to many different suppliers in the industry. It's also important for the procurement professional to specialise in a particular industry vertical, such as technology, facilities management, or industrial equipment.

A specialisation is essential to ensure that the procurement manager is able to deliver the best product at the best price at the right time to stakeholders. Unfortunately, many procurement professionals believe that they only need to follow the process, for example, tick-box procurement. This leads to poor deals that ultimately cost stakeholders a significant amount of money, time, and valuable resources. It can also ruin the relationship between the company and the supplier.

The procurement industry plays a critical role in facilitating the relationship between supply and demand, making it a key driver of economic activity. And since procurement sits at the core of all economic models, the sector also promotes the growth of countries and regions.



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Procurement has two high-level streams, namely tactical and strategic. The tactical procurement process deals with the process of buying goods and services. The tactical side of procurement involves buying items or services that a company requires to operate at a basic level. These are not strategic for the company, and usually, many suppliers can supply them, for example, nuts and bolts or recruitment services. Tactical procurement is admin-intensive and requires skills that focus on both routine and attention to detail.

On the other hand, strategic procurement (often called strategic category management) involves a significant amount of experience in a specific field, such as IT, mining equipment, or utility transport. The supply and demand of the goods and services that need to be procured by the strategic procurement manager are critical to the organisation. Therefore, it is important that the right product is bought at the right price and delivered at the right time to ensure operational stability and success. Procurement professionals in this stream need to understand the market drivers, influences on the supply of goods and services, and the relative risks that persist. In short, these are the dealmakers that sit behind the executives.

When I was growing up, I wanted to be the CEO of a large multinational organisation and make all the deals. But today, I'm doing exactly that in the procurement industry. The sector is very dynamic and mentally challenging – it requires continuous learning and keeping up to date with global events and trends.

📊 *What are the available opportunities and earning potential in the field?*

Steyn: Every organisation needs to procure something since no company can operate in a vacuum. Within small and micro enterprises, the owners or management team are responsible for procurement. However, for medium and large businesses, procurement becomes even more of a critical role.



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Whether it's the buyers on the ground, the category managers, or the chief procurement officer, there are many opportunities at various levels. You can stay in the fundamentals of procurement for your entire career or move around and grow every two to three years, learning new skills, industries, and technologies. Besides IT, I think that procurement is the fastest-changing career in the employment market now.

Given the wide variety of options, a potential procurement candidate can earn anything from R200k per year as a junior with minimal experience to a seven-figure salary as a specialised professional.

📊 *What experience gap is the procurement and supply chain industry currently facing, and how do we bridge that?*

Steyn: The fourth industrial revolution is fundamentally changing the way we work and buy goods in the market. This means that most things today have some technology and licensing impact. In South Africa, we find that the knowledge and skills relating to the usage and risks associated with edge computing and smart tech are scarce.

Universities and training institutions tend to focus on procurement and supply processes, but specialisation in a particular field is unfortunately lacking. In addition, I also find that very few procurement professionals understand the operational and business impact of legal terms on the organisation. This is usually left to a lawyer or legal group. As important as these professionals may be, they don't have the skills to bridge the gap between legal terms and business needs. This must be done by a procurement professional.

To remedy this, I look for individuals with good business acumen yet are currently in a different career, such as software development or engineering. It's relatively easy to teach a person the fundamentals of procurement but very difficult to find someone that can bridge the gap between what the business needs and what the supplier offers. However, negotiation is a gift, and not everyone is born a negotiator. Often, those that claim to be great negotiators are just bullies.



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30 Jun 2021



■ *How can big corporates make a difference to small businesses through procurement and supply chain?*

Steyn: All large corporates started small. They became big because someone gave them an opportunity. Large businesses should remember this fundamental fact when they evaluate their supplier base. However, giving everybody an opportunity is not feasible. Therefore, it is important for procurement professionals to continuously scan the market for good small- and medium-sized organisations that can make a difference.

While it may be convenient to use a single large, diversified supplier to deliver different products and services, it can also be risky. For example, you may pay premium prices, not necessarily get the best resources, and may have to deal with a lot of red tape. On the other hand, small businesses have the advantage of being extremely agile. They are also often focused on a particular product they do very well, if not better than larger suppliers.

However, having thousands of small vendors comes at a massive administrative cost. Therefore, you shouldn't focus on dealing with these small businesses on a one-on-one basis. Creating a panel of suppliers that includes one or two small companies is a good idea or implementing a service integrator model where an organisation is appointed to deal with the complexities of integrating diverse suppliers to deliver a particular product or service.

Therefore, large businesses should formulate a clear strategy to develop small organisations, and this should be seen in the same vein as succession planning and risk management.

■ *What should small businesses do to get noticed by big businesses?*

Steyn: The single biggest stumbling block for small businesses is a lack of proper financial management. It is a well-known fact that many small companies fail because of cash flow issues, and therefore, they need to ensure that their businesses are managed sustainably. No large organisation can afford to change suppliers regularly, so if a small company is perceived to be a risk, it will be removed from the supplier base.

Therefore, every small business must have a proper strategy in place, a clear focus on its offering, good financial management, and be seen as a trusted vendor that is sustainable and will continue to deliver. A small enterprise's fundamental advantage is being agile, but that should never be at the cost of proper business management principles.



ConCourt ruling creates further confusion regarding Preferential Procurement Regulations

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■ ***What does the Constitutional Court's recent ruling on Preferential Procurement Regulations mean for the industry and job creation?***

Steyn: In my opinion, the Constitutional Court's ruling won't harm the industry. However, it will result in public procurement relying on a greater pool of suppliers and more competition in the market. We believe that the fundamental problem was that the regulations were exclusionary, meaning certain market participants were disqualified based on racial make-up. However, I don't think that that was the intention when the constitution was drafted.

Given this, we can expect the various spheres of government to procure goods and services at a lower price point since a greater number of companies will be allowed to compete for government spend.

From an employment perspective, this will be beneficial. If the government spends with a greater number of organisations, employment opportunities increase too. Therefore, the ruling can have a positive impact on competition in the market and boost job creation, in turn aiding South Africa's economy.

ABOUT SHAN RADCLIFFE

Shan Radcliffe is the editor of Bizcommunity HR, Education and Legal.

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