

AVOIDING THE 'CATMAN BADGE'

How to make sure your organization doesn't fall into an all too common trap

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Category Management

The same old buying approach badged as Category Management will fail to deliver results. How to make sure your organization doesn't fall into an all too common trap.

Category Management is a core strategic procurement approach in modern organizations. Well implemented, it is a game changer and is essential to securing substantial benefits and building competitive advantage. However, many organizations fail to realize the true extent of the benefits possible. They fall into the trap of investing heavily in training and adopting new approaches, yet the expected results do not materialize. This is a common problem faced by organizations all over the world and arises from the failure to adopt the right approach to category management implementation. If the chosen approach is to simply 'bolt it on' to an existing procurement function to get the 'CatMan badge', the results will be disappointing.

Category Management has been around for 30 or so years. When well implemented, it holds the potential to deliver breakthrough benefits – cost reduction and profit improvement of 10%, 20%, 30% or higher, reduced supply base risk, increased efficiency and access to greater innovation from the supply base – all benefits that most organizations chase hard. And why? Simply to build competitive advantage. A worthy ambition, and also our first insight into why category management implementations fail.

BELIEVE

Building competitive advantage doesn't originate solely from within the procurement team; instead, it is the concern of the entire organization. When people believe in a goal they will naturally pull together to meet the challenge head on and will work cross-functionally to do what is necessary to make their company successful. So, for procurement and category management to be effective, it must be an organizationwide concern. Yet this is not easy to achieve.

In many organizations, procurement is still regarded as the function that buys goods and services, with little connection seen between the role of procurement and building competitive advantage. Consequently, a procurement function trying to lead the charge on a new initiative such as category management will fail to secure the level of intense support it needs.

Successful implementation of category management needs the business to understand and believe in the approach and recognize procurement as a key enabler of business success. Moreover, they need to believe to the point that they will be ready to get involved and be part of cross-functional teams to identify and implement new sourcing strategies.

How do we do this? Through ongoing high-profile communications to the business and key stakeholders, by educating the wider business around what strategic procurement is and why it is important, and by setting out the goals and ambitions of the company - ambitions beyond the procurement function but owned by all. This step is frequently missed, yet it is vital to success.

Remember that those outside of procurement rarely receive any training on what effective strategic procurement comprises, so could be forgiven for believing it is only about buying things. Changing how an entire organization perceives procurement and their role to support demands a small communications program, managed in the same way as a product or brand marketing campaign would be managed.

THE WOUNDS OF CHALLENGE, THE PAIN OF CHANGE

No pain, no gain! Category management is not easy and it's not about just doing a bit more of what we did before. It is about doing something fundamentally different that changes the game to determine and implement new sourcing strategies. Some of the biggest organizational benefits from category management are not, as

you might think, a product of finding a new supplier, negotiating harder or running a competitive process, but instead come from challenging what has gone before and asking such questions as “Why do we buy it like that?”, “What if we did it this way?”, or “Why do you need it to that specification?”.

With this challenge comes conflict, internal push-back, resistance and dispute – all signs of change and the current norms being shaken up. This is good! It means we are on the right track to breakthrough benefits. But it is also an uncomfortable position for procurement people to find themselves in if they are not prepared for it – and one that suppliers will exploit with their relationships with those across the rest of the business. When this happens, it can be tempting to keep the peace and take the easy way out by diluting down the potential breakthrough or settling for something closer to the status quo. Worse, if a lone procurement person causes ripples throughout an organization by suggesting we could do things differently but fails to get any senior support, they will soon give up.

Those in organizations that have implemented category management successfully and have secured significant benefits by doing things differently bear the wounds of challenge and have experienced the pain of hard change management. Furthermore, these organizations are those where there has been a clear executive mandate for category management and visible support and encouragement for challenge and the pursuit of breakthrough.

GOING THE DISTANCE

Category management is also difficult because it demands a lot of effort to deploy it effectively. Working through the tools from the safety of a desk and ticking the boxes once done will fail to cut it. Instead, deep-dive market research and understanding is essential to search out all possibilities, intensive internal stakeholder engagement is critical and understanding everything about the suppliers we use, or could use, is key. Category management success is proportional to the degree of good process rigour applied. If no expectation is set here, it is all too easy for a Category Manager to do the minimum and present a nice sourcing strategy.

Good category management projects can be extensive, long and involve many steps and activities. The category management process and toolkit could easily run to 60 individual steps, tools, activities or items to do and consider. All working together to determine and implement a breakthrough sourcing strategy. Yet an all too common question is “What can I leave out?”.

Companies seek a ‘light touch’ alternative claiming the ‘business is not ready’ for anything more. There are times where a light touch can be enough (eg low complexity categories with few stakeholders), but generally these are few. Trying to find things to leave out to appease a busy organization will do little to secure breakthrough benefits. At best, it will do a bit more of the same and probably is not worth the investment.

The hard reality here is that good category management is a lengthy activity that demands significant resource and is usually the only way game-changing benefits can be secured. Cutting corners slashes potential.

Another common problem is a category team delivers some good quick wins at the outset of a project which are well received. Liking what they have seen, senior individuals are quick to demand more and then keep demanding delivery of more immediate quick wins, all the time stalling the bigger category management project and preventing reaching a greater potential sourcing strategy.

Once again, these issues can be prevented by a clear executive mandate and positioning category management as a business-wide concern. So too is good governance - structured and organized management of category projects. Here, teams report progress and are subject to stage reviews at key points in the process to validate adequate process rigour, with the real penalty of being directed to do it again if corners have been cut.

IT IS ALL ABOUT MAKING SURE WE DO THINGS DIFFERENTLY

Success in category management is about firmly embedding it as a core, strategic enabler to business success, understood, supported and embraced by all, and driven in and managed effectively. It is about driving change and teams having the strength to push hard to find and implement new breakthrough sourcing strategies. Ultimately it is about helping an organization change the game and do something differently. And here is the key to success and avoiding the ‘CatMan badge’ - unless you do something differently you won’t ever do anything differently.

This Insight originally appeared as a Community article on Public Spend Forum.

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