

FIVE KEY STEPS TO A QUALITY CATEGORY MANAGEMENT IMPLEMENTATION

How to ensure Category Management is successfully embedded across an organization

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Category Management

“What benefits will Category Management deliver to my organization?” This is a question I am regularly asked. It is expected that I will produce a magic savings number, backed up by hard evidence to justify the claim, and form the basis for a business case. My answer is simple, “It depends!”

It depends upon many factors, but at the heart of these is the organization’s ability to effect a quality implementation. There is no doubt that Category Management can deliver dramatic benefits to an organization. It has proven its’ ability to deliver double-digit savings, as well as reduce risk and unlock other sources of value and innovation from the supply base. Yet, realizing a worthwhile return on the significant investment it can bring requires much more than tasking the procurement function to adopt the approach. It must become embedded as an organization-wide philosophy, embraced and supported with active participation by all.

FIVE KEY SUCCESS FACTORS:

I. A PHILOSOPHY NOT A PROCESS

Category Management is often represented as a process—a series of steps and activities that lead to a result. Whilst the process diagram provides the route map, the journey will be problematic unless the organization has fully embraced and supports the concept, making it ‘the way we buy’.

At the heart of Category Management lies a strategic approach to sourcing: moving beyond traditional tactical contracting and tender purchasing to one of maximizing the value from the supply base to achieve corporate goals and aspirations. This cannot be done from the confines of a procurement function, but rather is a business-wide concern.

If organizations wish to realize the dramatic benefits that Category Management is proven to deliver, then

they must attend to putting in place the business-wide arrangements to enable it.

2. BUSINESS-WIDE APPROACH

The importance of ‘business-wide’ cannot be underestimated. Category Management requires cross-functional teams to work on category projects to identify and implement new breakthrough sourcing strategies. It is cross-functional working that breaks down the walls between functional silos and creates a shared and aligned understanding of the total needs of the organization and its customers.

Yet cross-functional working isn’t easy to pull off to any degree. A procurement function asking people from business functions to give up precious time to work on a Category Management project will get only so much airtime before other business priorities take the floor. For cross-functional working to be truly effective, it must be agreed as an organizational imperative by the executives who oversee all functions and turned into action through a mandate to ‘get involved.’

Where ‘participation in a Category Management team’ becomes part of people’s personal objectives, perhaps linked to reward-based pay, then business-wide participation can truly happen. This does, of course, require training and perhaps coaching for cross-functional team members for them to support and contribute.

3. IT’S ALL ABOUT ORGANIZATIONAL CHANGE

Category Management is more about organizational change than it is about procurement. At the heart of the Category Management process lies a business improvement approach and here change is about changing hearts and minds to new ways of sourcing that will challenge what has gone before. In essence, we are seeking to create a ‘felt need’ to make the change.

This is no easy feat, but one that requires visible executive support. Those affected must feel they have, in some way, participated in designing the change and

are fully aware of 'what, why, how and when' in relation to the changes. Clearly cross-functional working is part of this, but so too is an active, planned and systematic communication throughout the Category Management project.

4. EXECUTIVE MANDATE

Category Management requires a clear executive mandate. An initiative that appears to only be backed by procurement will struggle to gain the gravitas it needs to be successful, but if the CEO and the executive team cite Category Management as a business initiative that 'everyone needs to be part of' then it provides the authority to get on and do it. That will also create a buzz of excitement about the 'next big thing' that will in turn attract people to be part of it.

Category Management involves challenging what has gone before and exploring new ways to satisfy the needs and wants of the business. Internal conflict can arise here and functions can question Procurement's role to 'interfere' in how suppliers, goods and services get specified. It is this resulting tension that leads to change and dramatic benefits, but without an executive mandate to this, doors can get shut and what was done before will prevail. The executive mandate is not just about affording the necessary permission to drive change; it is also about setting the expectation and actively promoting a game-changing mindset.

5. ROBUST GOVERNANCE

The final key success factor is putting in place robust governance. The phrase 'governance' doesn't seem to

have universal meaning, but essentially we are talking about the arrangements to ensure how the organization can govern Category Management and ensure its effectiveness in the organization. It therefore demands resources, processes and defined ways of working. A good project manager is essential. Someone needs to oversee the management of all category projects against an overall plan, with expectations set in terms of timing and deliverables, and project reporting linked to a benefits-tracking system which in turn shows visible success and demonstration of ROI.

Regular stage reviews of category projects at key points in the process help ensure process rigor and prevent 'box ticking' applications. A planned and managed creative approach to business-wide communications about the program is essential and a steering group can meet regularly to review all aspects of progress and ensure the necessary support and enablers are in place. Without these, or if anyone is not provided for, then the chances of success are diminished and we risk the initiative being one that only exists in the procurement function, expending lots of effort to deliver the same as before.

Organizations who attend to these five key enablers, however, can accomplish a quality implementation for Category Management, and by doing so can adopt the philosophy effectively and bring about game-changing benefits.

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