

PROCUREMENT'S NEW ERA

Driving Value Through Strategic Category Management



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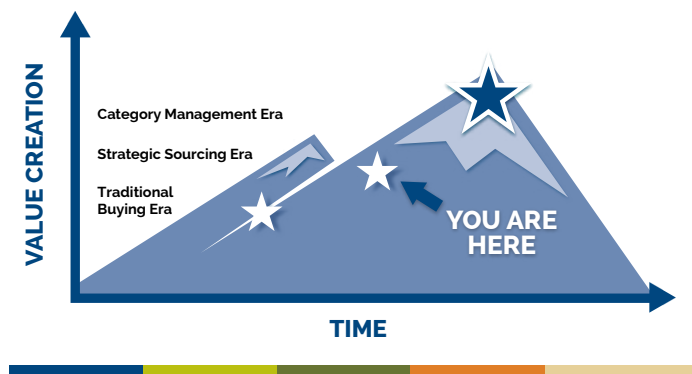
Introduction

In the past decade, the impact of procurement's role within organizations has become increasingly profound. No longer is procurement considered a tactical arm of the enterprise whose key tasks are purchasing and brokering deals. We've entered a new era of category management where category managers are evolving as leaders, and stakeholders are recognizing procurement for the significant value it brings to the table.

However, change never happens easily, and with change comes a new set of challenges. The question is: *How can you best ensure that your team is prepared for the new era of procurement?*

Recently, Denali released [Tactical to Strategic: Retooling for Better Category Management](#), a whitepaper that discusses essential components of procurement's shift from a tactical mindset to one that is more strategic through better alignment with business goals and a proactive approach to get involved earlier with stakeholders.

This whitepaper further expands on these concepts by 1) identifying what strategic *looks* like and 2) delineating more clearly the challenges and changes required to close gaps between current and ideal performance for a more strategic future.



The Times, They Are A-Changin'

Procurement's evolution has been a fascinating transition, starting with the "buying era" prior to the 1990s. At that time, procurement was often a back-office tactical function whose primary objective was purchasing and ensuring cost savings. Starting in the mid-1990s, technology created options and new processes, giving way to an era of strategic sourcing. Technology solutions and streamlining

processes helped to improve efficiency and effectiveness, prompting a shift towards a more strategic mindset. This new set of eSourcing process and technology solutions highlighted the importance of increasing market visibility as well as competition in the marketplace to drive more substantial cost savings.

Today, procurement is at the threshold of a new era. Most procurement organizations have driven efficiency successfully through strategic sourcing efforts. However, in order to take the organization to the next level, the first critical step is to advance skillsets, mindsets, and modes of operation—shifting focus to category management in order to achieve breakthrough value. To transition from a role of tactical provider to a strategic partner within the enterprise, it's essential to develop strong, long-term category strategies that dovetail with corporate, stakeholder, and procurement strategies.

Most procurement organizations are now examining the types of people in category management roles and assessing whether or not these individuals are equipped with the tools, templates, and technologies for success. While many are making the investment to take their procurement team's skillsets to the next level, some are not sure exactly where to begin.

Identifying Category Manager Challenges

The first step to determining how to prepare your procurement team for this new era is to fully understand what challenges impede a category manager's ability to act strategically today. Key bottlenecks include:

Resource Limitations: Most category managers today feel as if they're buried under too much tactical work. They are so busy putting out tactical, but urgent, fires on a daily basis that there isn't time to pursue strategic initiatives.

Lack of Soft Skills: Category managers may be excellent negotiators, but they aren't necessarily used to working in cross-functional teams. The ability to work effectively in those teams—and to get early involvement and strong buy-in from stakeholders—is key to success. But building that involvement requires them to leverage soft skills such as stakeholder management and change management. While most category managers would like to be more proactive, many don't feel that they're equipped with the necessary skillsets.

Unfamiliarity with Tools and Templates: Most category managers are aware that there's a new set of tools

available, but don't quite know where to start. Many have a sense as to what a category plan or playbook is but don't know how to start building one of their own.

Management Incentives, or Lack Thereof: There are inherent structural issues in developing incentives for category managers. Performance expectations and metrics need to be adjusted to measure the strategic contribution and unique value they bring to the organization. Too often there is a disconnect between what's being asked of the category manager and what's being measured by management and other stakeholders. Depending on how the incentives are set, the focus and behaviors will follow. The organizational mindset needs to shift to supporting long-term strategic initiatives while also rewarding cost savings.

A Realistic Transition into the New Era

For procurement to take on a strategic category management focus, major shifts need to occur within the organization. Often, the three main category management roles—stakeholder management, strategy development, and procurement execution—are the responsibility of one person. This typically results in the category manager being buried in tactical activities and execution, with no time to assess what might be done over the next three to five years to help procurement increase value for the enterprise. Too often, identifying ways to be more strategic and proactive ends up on the back burner.



The ideal means of moving into the era of category management is for the procurement organization to shift its mindset to an operating model based on a division of labor. By moving tactical work away from the category

manager and delegating it to a qualified execution-focused team (internal or third party), this model allows the category manager to focus on stakeholder management and category strategy development, the two key strategic elements.



Building Strategy through Category Management Enablement

Initially, most category managers struggle with how to transition from tactical to strategic. They often ask: What does it actually mean to be strategic with regards to day-to-day activities? Providing category managers with proper enabling elements is key to helping them become more strategic. These elements include:

Category Management Training: Category managers need specialized training to better manage the strategic elements of their job. They need to build skillsets—including soft skills—to shift to a strategic approach.

Spend Analysis: While good category managers need to stay “deep in the data” of their categories, the tactical work of collecting and preparing deep analyses of spend should be managed by a centralized team that specializes in data analysis and visualization.

Market Intelligence: Category managers require current market research. Access to information and data on their category will enable them to understand what's happening in their category on a larger, global scale, not just what's going on within their organization.

Processes & Tools: Category managers need proper tools and methods for easily managing their projects, such as

category plans, category playbooks, and standardized templates. Category plans and playbooks are a central reference that help guide activities and actions of every strategic category manager.

Tactical Resources: Category managers need “force multipliers” to help them get more done. Large centralized procurement teams can help manage the tactical execution of procurement projects (sourcing, contracting, supplier

management). Category coordinators are like junior category managers, and may make sense for larger teams.

Category Strategy Network (CSN): Category managers need access to an outside network of subject matter experts when they find themselves outside their depth on their category or subcategory. These resources can be available on-demand (hourly) to help guide a category manager through unknown territory.

Enabling Category Managers to be Truly Strategic



Building Skills and Closing Gaps through Category Management Training

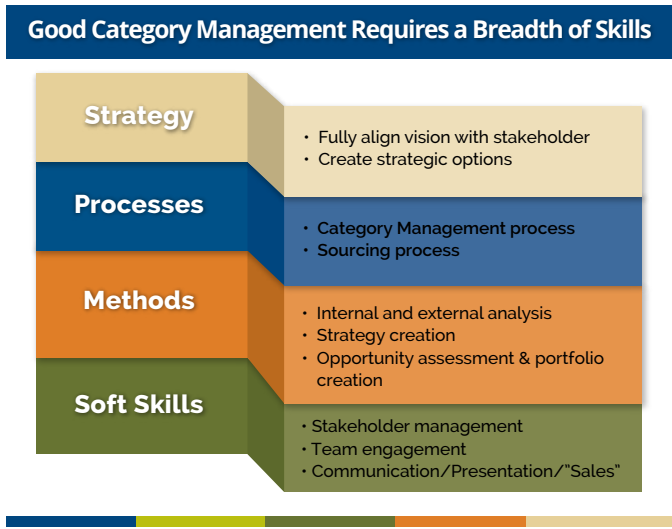
Equipping category managers with essential skillsets will not happen instantaneously. In fact, it first requires significant change within the organization to shift mindsets and perceptions toward the value that these new skills bring. Training is most effective when it is an integral part of a comprehensive organizational process for change management.

Successful training first identifies both the desired competencies of the successful category manager and

the necessary skills (as well as the gaps that must be closed) in order to achieve the desired result. The preferred outcome is that a category manager is able to align focus with stakeholder strategies in order to drive the most value from the category management process and category strategy.

The reality is, however, that category managers don't always know how to create strategic options. It's an area in which they need actual hands-on experience to learn which approach will work best over time. A good category manager will come to understand the process and seek ways to integrate sooner into stakeholder work flows in

order to become viewed as a strategic partner. Key skills that category managers should be looking to adopt or enhance include:



To become more strategic, move your organization in the same direction, and achieve learning goals, it's essential to:

Create Skills Profile: This defines a breadth of skills and identifies the desired result.

Perform Skill-Gap Analysis: This determines what skills are lacking in an individual or the organization.

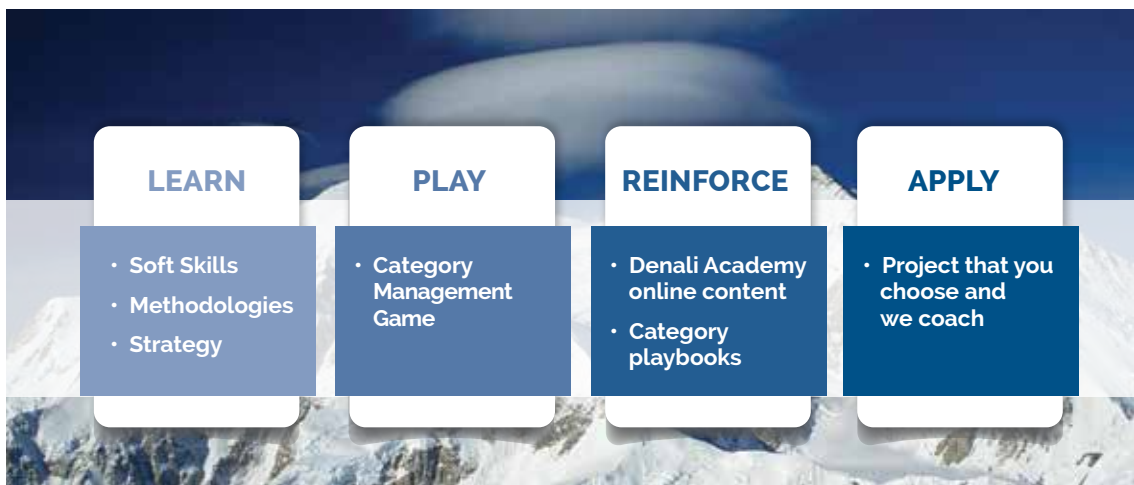
Design Training Course(s): Training is most valuable when gaps in skillsets are identified and the course content is geared appropriately to address them.

Develop a Learning Path: The outcome is an actual learning path designed to provide the desired skill level to achieve desired goals.

Closing the Gaps and Shifting Knowledge into Application

While traditional corporate training can help close some gaps, it's not always effective at addressing the evolving aspects of organizational category management. Today's procurement training should go beyond traditional means of methodology training and focus instead on mindset shifts, including soft skills like stakeholder engagement, communication, and business case development. Equally

important, it should provide a context for participants to relate to their daily environment. To help bridge skillset gaps, a category management game can be introduced to test new skills and present management with a work product so that team members aren't sent back to work without reinforcement. Driving desired behavior with a mix of tools, templates, and real-world application is essential for new skills to be implemented easily within the organization.



Setting Realistic Objectives for Category Management Training

To receive the full value of training, set clear learning objectives so that you can measure the overall return on education. Here are a few examples from real-world situations:

Goal: Create a baseline for the team regarding common terminology, processes, and templates.

Key Performance Indicators: Category managers consistently use processes and templates.

Successful Outcome: Tollgate meetings and spot checks show that this team was using the same terminology, processes, and templates.

Goal: Enable category managers to develop category strategies in the next 6 months.

Key Performance Indicators: A number of category strategies developed and validated.

Successful Outcome: The top category was presented in front of the procurement leadership team and CPO, demonstrating the successful application of the training.

Goal: Reinforce links between different process steps and improved stakeholder engagement.

Key Performance Indicators: Identify the number/percentage of category strategies that are implemented successfully to increase stakeholder satisfaction.

Successful Outcome: Went to stakeholders, asked perceptions, and received positive results.



About Denali - A WNS Company

Denali, a global sourcing and procurement solutions provider, is now a **WNS** (Business Process Management leader) company. Denali – A WNS Company supports Global 1000 companies by offering an array of best-in-class procurement solutions, including Category Management, Analytics, Strategic Sourcing and RFx Management, Supply Market Insights, Contracting, Supplier Management and Procure-to-Pay. With a team of more than 2,000 procurement specialists worldwide, we have helped our clients source and procure more than USD 75 Billion worth of materials and services across direct and indirect spend categories. For more information, you can visit us at www.denaliusa.com. You can also contact us directly at **844.633.6254**.

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Conclusion

In this new category management era, it's essential to ensure that your procurement team of tomorrow has the people, skills, processes, and tools/templates that best drive success. Organizations need to build skillsets and close performance gaps so that procurement can better focus on a strategy that is cohesive and sustainable and adds value for stakeholders. Transforming procurement to operate more strategically needs to be addressed as a change management effort; to drive success, careful planning and execution is essential and must address essential skillset gaps as well as performance expectations. The benefits can be numerous and far reaching.

Category Management Benefits the Entire Organization

- Raises the strategic contribution of procurement to business
- Improves stakeholder buy-in to results
- Improves total cost of ownership
- Reduces risk in the supply chain
- Uses resources more effectively
- Fulfills stakeholder requirements in terms of availability, quality, and service levels
- Fosters supplier innovation and capability development