

# Going through changes

Purchasers can find restructuring a daunting prospect, but there are ways to help ease the transition. Robin Parker looks at how three companies met the challenge

**As organisations develop and strategies realign, restructuring has become a fact of life for business. Unfortunately, reflecting these changes in procurement is often perceived as an upheaval and may be met with resistance from staff who fear job cuts or unfamiliar working practices.**

But if purchasing's objectives are to tally with an organisation's goals, restructuring is necessary. And if handled carefully, change can bring benefits for staff and their work.

## **Nokia's local approach**

Nokia re-examines its purchasing structure every year as part of its strategy review and Alf Noto, procurement director, says that while change for change's sake is not acceptable, so is standing still for too long.

In spring 2003, Noto dismantled the company's global category buying structure for indirect spend. The worldwide approach had been put in place for direct spend, which has global markets. But as the market for indirect spend varies from region to region, Noto set up a local group for each of Nokia's four global groups in London, Finland, Singapore and the US. Last summer, category governance was established within each region, and he now plans to add dedicated category heads to look at future demand and resource deployment.

"The main driver is not cost, but needs changing over time," he says. "Organisations today are complex and global so issues change frequently. You can't assume everything is working and will stay the same, and you have to ask 'is the status quo okay?'"

Changes affect three groups: internal customers; anyone who uses the deals secured - in Nokia, 30,000 of the 50,000 global staff can place orders - and the supplier base.

The first stage, realigning the global structure, looked at the last two of these. Now that Nokia is tackling category governance and ownership of the planning of purchases, the first, and to an extent, the second, are set to benefit. Noto says this was the right way round, as the primary duty of the purchasing team is to maintain continuity of business - whatever is going on behind the scenes. For the public face of the organisation, it has to be business as usual, if not better.

Noto faced initial scepticism from staff, which he sought to overcome with competency development and assessment. From the start he has had a member of HR on the purchasing management team, and says staying adaptable can ensure staff continue to develop. Nokia's purchasing headcount has doubled to more than 350 in the past three years and the challenge now is to build more flexibility into sourcing, allowing those who are happy to be "generalists" the chance to add value.

## **Barclays aims for flexibility**

At Barclays, purchasing has had to respond fast to changes in overall strategy, and the team has been reorganised several times in the past few years.

One of the aims was to get more out of the sourcing team - and for the team to get more out of their work. "People had been aligned to specific areas of spend, and it became difficult if someone wanted experience of another category," says Kim Godwin, chief procurement officer. "If they'd worked in one category for a long time, the value they could get out of it was low as supplier relationships were already mature."

To maximise staff capabilities, Barclays decided to move into a flexible resource team. "We now know individual's skills and experiences and what they want from their careers. There's no substitute for a focus on people's capability and we have two staff dedicated to building skills. Purchasing is also expanding in scope and influence. It is becoming more mature and more varied."

Market managers now handle the sourcing strategy and are responsible for making sourcing proactive by looking for developments such as new technologies and fresh suppliers. This leaves buyers to focus on deal-making and contract management.

The structure prepares Barclays for further changes, such as the recent acquisition of the South African banking group Absa. Having flexible people adapted to change is crucial, says Godwin. "The extra subsidiary will mean greater volumes of goods and services, with unique local requirements in South Africa, and we have to make sure we have a single voice for those global suppliers."

The four areas of sourcing - Barclays Global Investors, Barclaycard, Barclays Capital and the Barclays retail and corporate banking division - were combined this summer into a single global organisation with £4.5 billion combined spend. A regional team was set up in New York as part of a global sourcing structure that includes offices in London, San Francisco and Singapore. The move meant losing some staff, recruiting others and helping the rest to adapt.

"Retention is really important, and talent is a big issue for the sourcing function," Godwin says. "Clearly, we'll sometimes have more people than jobs, but over the course of a year, the rate of

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attrition is quite small." The key, he says, is to communicate "openly, early and often", with stakeholders, unions and staff. But he cautions that managers should also look at the wider issues.

"Don't think about organisational change as just head count; it's quite a small part of the overall change," he says. "It's more about asking 'what can we do better?' It's not just arranging who works with whom, but reviewing your vision for procurement."

Timely communication will also help managers deal with any resistance from staff, says Godwin. "Reorganising the team brings with it apprehension and uncertainty. Some will see this as a threat to their employment - others will see opportunities to advance their careers. There will also be issues about new ways of working and possibly a new boss."

Engaging staff in the design and operation of the new organisation, he says, is essential to success. "This needs to cover rationale, process and timescales early on, and there is no substitute for frequent face-to-face communication. The whole organisational change needs to be completed at pace too - to quickly get through the uncertainty. It is also good to get people engaged on the new way of working - enable the team to shape how things will work, and minimise the impact of change being 'done' to people."

## **E.ON takes the lead**

At E.ON UK, the operating company behind Powergen, Colin Davis, head of procurement, was challenged to create a "procurement re-invention plan". When he began in January 2004, he says staff worked in "silos", and a third of the organisation had no procurement at all. It focused on engineering, with little attention paid to corporate, marketing or retail buying.

Davis sought to develop staff, create value and extend purchasing's influence, introducing clear leadership lines. A category management-oriented team now handles the strategic side of buying on behalf of departments' individual contracts, although deals are still made centrally for cable and IT.

New roles were created to cover underdeveloped spend areas. These included a procurement manager to buy goods and services exclusively for the retail side of the business, from energy and telecoms to direct goods. Another new role was a strategy and analysis manager to standardise processes across the function. The team grew by a third to 60.

"We're training the department beyond traditional procurement skills, so that they see themselves as internal consultants," says Davis. "Progression within the organisation is also clearer. As we've developed, we're now focusing more on risk management, particularly for outsourcing arrangements."

As Davis was new to the role, managing the switch was not easy. "Every organisation has its own culture and I've made mistakes," he says. "At first I jumped in and dictated the way we did things, which people weren't ready for. It's not about compromising but, with the help of the management team, understanding how to present ideas."

Purchasing's influence is measured by the company's "Penetration Index", which is the amount of spend through third parties professionally managed by the procurement function. It stood at 50 per cent when Davis joined; it is now at about 70 per cent and on target to grow by 10 per cent this year.

"The perception of purchasing used to be that it was about cutting costs, and our chief executive centred our first-year targets around this," he says. "Now it's about analysing opportunities and aligning them to the business strategy, sourcing appropriately and going through contracting and negotiation. The chief executive is now more concerned about spreading procurement's value around the organisation."

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