

# Managing change in the purchasing function

The most successful organisations are those that can manage change in the business environment. The purchasing function must adapt, to maximise its contribution to organisational effectiveness.

**Change is the only constant in business – change in the external environment and change within the organisation. This article suggests a number of change indicators and assesses its impact on the supply function. Comment is then made on procurements anticipation of and reaction to the changing environment.**

## Change indicators

It is important to recognise that change occurs in business; and that change needs to be managed effectively to mitigate against risk and deliver continuous improvement to the organisation. If procurement is at the heart of the organisation, the business drivers will impact upon the procurement function.

The reader is invited to consider the following drivers of change:

- Increasing customer demands in a customer focused organisation
- Changes in the availability and use of technology
- Innovation and creativity
- Competitiveness
- Profits
- Consolidation within industry, especially with the increase in the number of mergers and acquisitions taking place.

The business drivers will impact the organisation which in turn prompts procurement to react and adapt.

Managing change effectively will depend on having 3 pillars of success, these being firstly robust processes, secondly systems and thirdly people in place. Before assessing these, the reader should consider John Kotter's 'Change Phases Model', which suggests eight steps to successful change management:

## The Change Phases Model

1. Establish a sense of urgency
2. Create a coalition
3. Develop a clear vision
4. Share the vision
5. Empower people to clear obstacles
6. Secure short-term wins
7. Consolidate and keep moving
8. Anchor the change.

## Impact on the procurement function

Recognising that the business environment is changing should alert the procurement department to focus on the strategic alignment between the organisation and the department.

There are many books written on the subject of managing change in business. When applied to the purchasing function, the CIPS Purchasing & Supply Management Model (available [www.cips.org](http://www.cips.org) under Professional Resources) is a useful framework for consideration.

There is no right or wrong way to structure a procurement organisation in light of strategic change. It will depend on several factors including how developed the procurement function is (benchmarked against other private and public sector organisations), and where the department wants to get to as part of its strategic plan. The main consideration is to give sufficient planning to the systems, processes and people that form the foundations of successful planning and implementation of the change.

Underpinning the function will be information technology systems appropriate to the needs of the department to enable information to be collected to allow key decision making.

Performance metrics would be used to measure progress. This could be use of balance scorecards. Operational processes will also have to step up a gear. An increasing number of organizations are aligning their supplier base along commodity lines instead of supplier alignment. The reader is encouraged to refer to the CIPS practice guide on *Category Management*.

The third pillar of success, people, to complement good processes and systems is the requirement to have trained procurement professionals in place, who can be specialists in their field but also have a good round business knowledge.

Change needs to be managed within the purchasing function. Its success will contribute to the ability of the organisation to survive and thrive.

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