

Gaining benefit from corporate purchasing power

If there is one type of business change project which always manages to stretch the capabilities of even the best Project Manager let alone those new to the discipline it is those relating to changing an organisation's customs and practices. In particular the type of project (or programme as we claim later in this text) we are talking about relates to the realignment of a company's purchasing strategy in order to maximise the effect of buying in bulk or buying on a regional or global basis. These projects deal not just with the logic of procurement and harnessing of common supply routes and centrally negotiated deals, but they also crucially deal with the hearts and minds of all those affected by them. Perhaps they represent one of the ultimate challenges for business change?

In business today reducing costs while delivering the same outputs is becoming more and more necessary to ensure long-term success. Many major national and multi-national companies have attempted to flex their corporate purchasing muscle in order to reduce the cost of purchased goods and services. **Most will have been successful in delivering the capability to buy goods and services on a best-value basis, but our experience is unfortunately that many have found it incredibly difficult to translate this new capability into a realised business benefit.** Realising the benefit requires that the new arrangements are USED and not ignored. Inadequate internal agreement will almost certainly lead to deliberate avoidance and subsequent reduction in promised benefits. So how does this happen?

Some companies go about this purchasing muscle flexing without any consideration of the changes that any new contract will bring about. Changes are inevitably needed to ways of working and habits. Changes often challenge the very heart of business relationships

and friendships putting people in situations that are uncomfortable and difficult to manage. Some companies attempt to tackle this with the use of project management. Sometimes a trained and capable project manager is deployed to manage the changes, sometimes not. Only the wisest companies have adopted the discipline of programme management and a deployment of project management specialists alongside business change managers to ensure a focus on the realisation of benefits rather than just delivery of capability. Such wise companies know that there is little point in investing in developing capability to which there is no commitment on an ongoing basis.

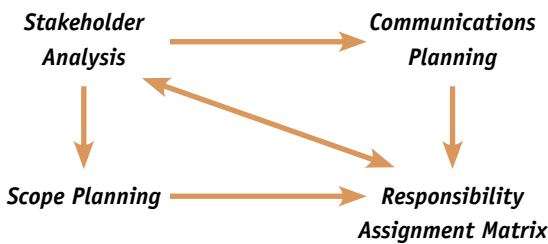
We have personally witnessed a number of instances where organisations who are undertaking major programmes of corporate muscle flexing to save money find themselves compromised by behaviours that result in:

- *A contract for the provision of mobile phones being undermined by people buying phones via the internet, advertisements in newspapers or from high street shops.*
- *A retrospective discount contract with a national airline being undermined by the purchase of low cost flights via the internet.*
- *A hard fought contract for the provision of project management training being undermined by 50% of the organisation buying from their favourite providers and not the selected supplier.*

We are currently working with a major multi-national company helping them work through the challenges of saving millions of Euros by harnessing their purchasing power. The business benefits of the programme are tangible and very attractive to senior management but the company is struggling to find a way of buying in all the

people that matter to the realisation of the benefit. Without skilful management the programme could easily become an expensive flop.

If such instances are common, what might be the answer? One suggestion we offer is a **return to some basic tools and techniques, but applied with rigour**. The techniques that follow will hopefully not be news to anyone reading this, but you might consider how they could be applied anew.



- **Stakeholder Analysis** to identify all those who will be affected by the new contract; those who have an interest and the influence to help or hinder its success. This is a simple, but extremely powerful technique, that change projects and programmes pay lip service to at their peril.
- **Communications Planning**, informed by stakeholder analysis, to make provision for appropriate communication with stakeholders to build and maintain their support. Obviously communication is two-way - transmit and receive! - but we often forget this fact in our enthusiasm to press ahead.
- **Scope Planning** to identify all the management and technical products that need to be delivered and the work that needs to be achieved to deliver objectives. Undoubtedly many of the activities that will consume resources for the project will be associated with winning 'hearts and minds' to supplement the more tangible procurement related work. Most will know the principles of the use of the Product Breakdown Structure (PBS) and Work Breakdown Structure (WBS), but how often are these techniques really

deployed effectively?

- **Responsibility Assignment Matrix** to clearly show who will be involved in achieving and agreeing the work and the extent of their involvement. Some people may be more familiar with the term RACI here and there are many other acronyms used for this simple but hugely effective communication tool.

These tools and techniques are clearly applicable to every project and programme of work but in our experience they are of particular value in situations where the scope of work to achieve solutions that will be widely accepted within a business is not immediately obvious.

Time and again, our Lucid Thoughts challenge people to think and go back to basics. There is little new in the world. Detailed application of the techniques described above to projects that exist within a wider programme focused on business benefits and staffed with suitably experienced and credible business change leaders might just work?!

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