INSTITUTE FOR SUPPLY MANAGEMENT

Materials Management Group

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MATERIALS MANAGEMENT NEWS

Inside this issue:

Like to Buy Stuff? 1

Making Meetings Matter 3

Category Management 4

Call for Articles 1

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Like to Buy Stuff? Have I got a Job for You!!

Terry R. Volpel, CPSM, C.P.M., SCMP

When I started my working life it was a very different world. Purchasing departments operated at a different pace with different ideals, KPIs and goals. I say Purchasing because back then it was purchasing, not "Supply Management". We had a separate traffic department to handle logistics, a separate planning department to plan production and a separate Accounting department to handle the payments to suppliers. No one in my department ever used the term "cash to cash cycle". It wasn't our business to know.

To survive and thrive in that environment the successful people (many are today's leaders) molded their skills and practices to meet the requirements of the Company. After many years I noticed that my colleagues in Supply Management are getting older and I came to the realization that I was getting older too. When I first started out in Supply Management we had junior buyers just out of school, senior buyers with some time in grade and leaders who took seriously the task of making sure the junior people were learning from the senior people.

Most people tend to think in terms of generational classifications like "baby boomers" "Gen Y" "Gen X" and "millennials". For this article I'd like you to think in terms of communicating a Purchase Order to a supplier.

When I started we still mailed (yes, snail mail) POs to suppliers. Why? Well, the PO was a signed contract and a phone call (yes we had phones, dial phones, but phones) wasn't acceptable. The big technological innovation that came along was the Telex machine. I remember encoding the paper tape and then running the strip through the sending unit.

When the Facsimile (fax) machine came out there was such a fuss made as to whether a faxed signature was a "legal" signature.

The Materials Management Group (MMG) promotes professional development, best practices and networking opportunities within ISM affiliates, Groups and Forums, and within our broad profession. In alignment with our mission, we are inviting our members to provide us with articles and best practices that may be shared among our readers. The content should be application focused and may cover all aspects of procurement, production planning, inventory management, warehousing, traffic, transportation and other related activities. Articles selected will be published in the MMG Newsletter, a bi-annual publication. MMG reserves the right not to publish articles it does not deem relevant or appropriate.

Guidelines for articles:

- ⇒ The article(s) may be submitted in a Word, Excel, or PowerPoint format.
- ⇒ Articles that reference supplier names and/or pricing will not be accepted for publication.
- ⇒ Submission deadline is August 3, 2015 @ Midnight ET
- ⇒ Please submit your articles to Terry Volpel at tvolpel@shaw.ca

We look forward to receiving your article.

Like to Buy Stuff? Have I got a Job for You!!

Terry R. Volpel, CPSM, C.P.M., SCMP

When e-mail first surfaced it changed the way we communicated with our suppliers. Like snail mail except way faster and we could attach a PO as a document and get immediate delivery to the supplier's order desk. Years of jurisprudence followed until finally emails are considered ok for business.

EDI was the next step and this went through many phases and stages until running an MRP in a factory meant an automatic Purchase Order being generated, sent for authorization and electronically entered in a Supplier's portal directly into their production queue.

Now we are starting to hear more about the "Internet of Things" where we can automate an MRP run and build in the whole process so that a human doesn't even need to see the open order.

"Resistance is futile"

(Star Trek Voyager)

Now think about how we are attracting the next generation of Supply Management professionals. Are we still teaching them about how we need to follow up orders with a fax? Are we still manually approving invoices? Are we still asking them to do things the way they were done 10-20-30 years ago? How many times are we handling a supplier invoice before the cheque is sent to them?

In the Mid-90s Gordon Mackenzie published one of my favorite business books of all time. It was titled "Orbiting the Giant Hairball: A Corporate Fool's Guide to Surviving with Grace".

The book was built around the idea that as Companies grow and evolve their basic systems (accounting, HR, Procurement, Sales, Production etc.) remain based on the same foundational systems that the Company started with. Over time the overall system grows to resemble a giant hairball with each strand an individual policy or process or procedure, all intertwined to the point where a change in one often causes unintended consequences in other strands.

IT departments tend to recognize this fact and try to understand the hairball when implementing systems like ERP and Data Analytics. Untold millions are spent to "customize" ERP systems like Oracle, SAP, Navision and others so that a company can carry on after the implementation pretty much as it had before the ERP. A couple of years ago it was widely reported that the number one reason that ERP implementations fail is because people won't give up their spreadsheets.

One company I worked with proved this by installing an e-Sourcing solution from a well-known third party. We made the decision going in that we would trust that the third party knew enough about how to e-source that we could just use what they brought to the table, just adding our logos and company specific information. In six weeks from the time the contract was signed we held our first e-auction and saved over 30% on the subject of the auction. It impressed the Boss to no end, he even smiled for about half a second, I swear I saw it.

OMG!!!

What can we do?

Now think about the type of person coming into your Company just out of school. How interested do you think they would be in doing what you do in the same way you do it? Having trouble attracting younger Supply Management staff? Wonder why?

What can Leaders do to overcome this? We are essentially giving the corporate cheque book to these young people. Are we going to try and train them to send faxes in an age where texting and Twitter are rapidly becoming obsolete? Or can we see if we can cut through the hairball and redesign our systems to work in the 21st century and beyond knowing that communication methodology will change at least every 5 years or sooner?

Let's look internally at taking our systems and cutting through the hairball, weeding out all the redundant, obsolete processes and procedures that are only existing because they are expected to be done. Why are we still only running cheques periodically and not continuously? Why are we getting the same authorizations over and over for the same goods and services from the same supplier at the same price week after week? Six Sigma calls this analysis a DMADV process and it means designing from a blank piece of paper after figuring out what has to be done.

How is this to be done? First, get your Executives fired up about the next generation of workers in all aspects of the business. Learn about what drives Millennials and Gen x, y and z. Start a cross functional team approach to looking at how Supply Management touches Sales, Production, Warehousing, Logistics, Accounting, etc. **Get at least 3 or 4 junior staff at the table** and invite them to talk about how they would like to see things done. Are they always going to see the "big picture"? No and that is why you are at the table. Remember, no one should "own" a system or process or policy; everything should be on the table. Without the CEO/CPO/CFO level backing, don't even try because everyone will protect their little silo.

Finally please remember we are often talking about ego here and a huge part of this is to work with older senior staff to make sure they understand that it is not them we are changing or critiquing, just the way they were trained years ago is perhaps not the way things should be done today or next year. Be kind to them; they got you to this place pretty well and they deserve a seat at the table too. □

Making Meetings Matter

Kathleen Allen, CPSM

Many articles have been written about how to hold effective meetings, often reiterating the same information in slightly different formats. However, since so much of our professional time is spent in meeting, much of this information bears repeating. The key to learning how to make the most of your professional time spent in meetings, is making meetings matter.

Set an agenda: This is probably the number one thing every article about holding effective meetings will bring up first and foremost. And there's a reason why! Every meeting should have an agenda, a list of topics to be covered and an expected outcome. Set time limits for each agenda item and stick to it. Start and end on time.

Limit the agenda: Keep the agenda focused. Pick the top two or three priorities and stay focused on achieving these. Don't try to bite off too much for one meeting. Stay focused on the things that matter, so the goals the team sets out to accomplish will be realized.

Introductions: Always remember basic manners. Start with introductions. First and last names. Allow participants to introduce themselves and give a brief overview of their job function and role. This is also a good time to identify roles and responsibilities. If it is appropriate, this is also a good time to identify the subject matter experts as well as the decision makers

Preparation: A little preparation goes a long way. Send out the meeting agenda and all relevant materials in advance. If you are scheduling via Microsoft Outlook, consider attaching the agenda and materials to the invite. If you are hosting a meeting online, get set up early so you'll be prepared before other participants arrive. If hosting a meeting in person, arrive at the meeting room early to make sure it's clean and the chairs are set up for the participants.

Utilize Technology: The best way to keep the meeting on track and on schedule is to put the agenda up on screen as the meeting begins and keep a clock visible. Participants will tend to self-monitor under these circumstances. PowerPoint is a great tool to infuse visuals

into the format. Online meeting tools are a great way to bridge distance and bring participants together. Shared document storage is a great way to keep meeting materials organized and accessible to all participants.

Control Controversy: Encourage the use of hard data to control controversy. Conflict is a natural part of people working together. Conflict is not, in and of itself, a negative thing. Conflict is just diversity of ideas colliding. However, as we all know, this situation can often quickly and easily get out of control. Don't let this situation derail the focus of the meeting. Table any irrelevant discussion and encourage the use of data to support points rather the opinions. If people don't have facts at hand, ask them to research and follow up in the future.

Establish Accountabilities and Timeline: On the flip side of controlling controversy is encouraging collaboration. Collaboration increases enthusiasm, encourages creativity and helps to ensure buy-in from team members. It's important to establish accountability for each team member so everyone is clear on the role they will play and the expectations for that role. It is also important for all participants to have a clear idea of the timeline and what success looks like, in order to move forward towards the end goal.

Wrap Up and Next Steps: Give your meeting closure. Wrap up, recap the major ideas discussed and thank the attendees for their participation. Define next steps and expectations for moving forward, if appropriate. Always end on a positive note and the participants will be left with a positive impression of the meeting's outcome.

Around the Room: Leave some time open at the end for an around the room. This will give a chance for any parting thoughts as well as allow for less vocal participants to give their input. Allotting the time for this around the room after the meeting wrap up will naturally encourage participants to keep their comments brief and to the point.

Recap, Archive and Follow Up: Follow up with a meeting recap and again, thank the attendees for their participation. Not only will the recap ensure that all attendees walk away with the same information, it's also a great tool to keep team members who were not able to attend up-to-speed with the discussion. Archive the agendas and meeting minutes or recaps in a shared document storage area. The recap is also a great opportunity to reiterate next steps and expectations as well as allow for team members to add anything that may have been overlooked in the initial discussion.

In most professional work settings, meeting are a fact of life. Rather than view these meeting as a drain on time and a distraction from your daily workload, use the techniques described in this article to make the most of the meetings you attend. Meetings are a great chance for teammates to collaborate and move projects forward at an accelerated pace. The key to success in doing this is making meetings matter.

If you would like to learn more information on holding effective meetings, here are some articles you might enjoy.

http://www.dummies.com/how-to/content/conducting-effective-business-meetings.html

http://www.businessweek.com/stories/2006-09-26/how-to-run-a-meeting-like-google

http://michaelhyatt.com/seven-rules-for-more-effective-meetings.html

http://www.leadersinstitute.com/conducting-effective-business-meetings/

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What is Category Management and What Value Can it Bring to an Organization?

Kathleen Allen, CPSM

Why category management?

In today's complex and competitive business environment, many procurement organizations have hit a brick wall trying to achieve additional cost savings through aggressive negotiations, spend aggregation, waste reduction and diligent adherence to contract compliance. The possibilities for cost saving through these traditional methods are finite. For this reason, many organizations are looking to the concept of category management. Through the category management perspective, organizations have the potential to take their procurement activities to a whole new level.

What is category management?

A category is a grouping of materials, goods or services that share a commonality in how they are used and the value they provide to an organization. The category management role provides a framework for an organization to manage the value chain within a category. Unlike commodity management which focuses on a single product or service, category management is a business outcome that creates value through viewing the full life cycle of the supply chain within the category.

The strategic category management approach goes beyond even methodologies such as strategic sourcing and supplier relationship management through broadening the supply chain perspective to maximize overall category value to the organization.

How does category management work?

The category management framework views the big picture through looking at total cost of ownership, risk to the organization and potential for innovation. This creates a wider, more comprehensive method of building best value solutions to support business goals and objectives. The category management role utilizes tools such as program management, cross functional teams, relationship management and communication and to optimize the value chains created by the goods and services within the spend categories. This integrated outlook allows the procurement function to operate in a way which is strategic instead of reactionary. The category management approach creates a sustainable structure for the category which enables the team to move forward, to build upon their past accomplishments and create a future vision of success. □