



Photo by Malia Hullfish
Kearney, Chicago

From categories
to capabilities:
rethinking
procurement
through the
business lens

KEARNEY

For decades, centralized category management has been the backbone of procurement strategy—centralized teams, pooled spend, standardized contracts, and strategic supplier relationships. For a time, this made perfect sense. The goal was leverage—driving costs down and control up.

That model worked well in stable environments but what if it is now holding procurement back?

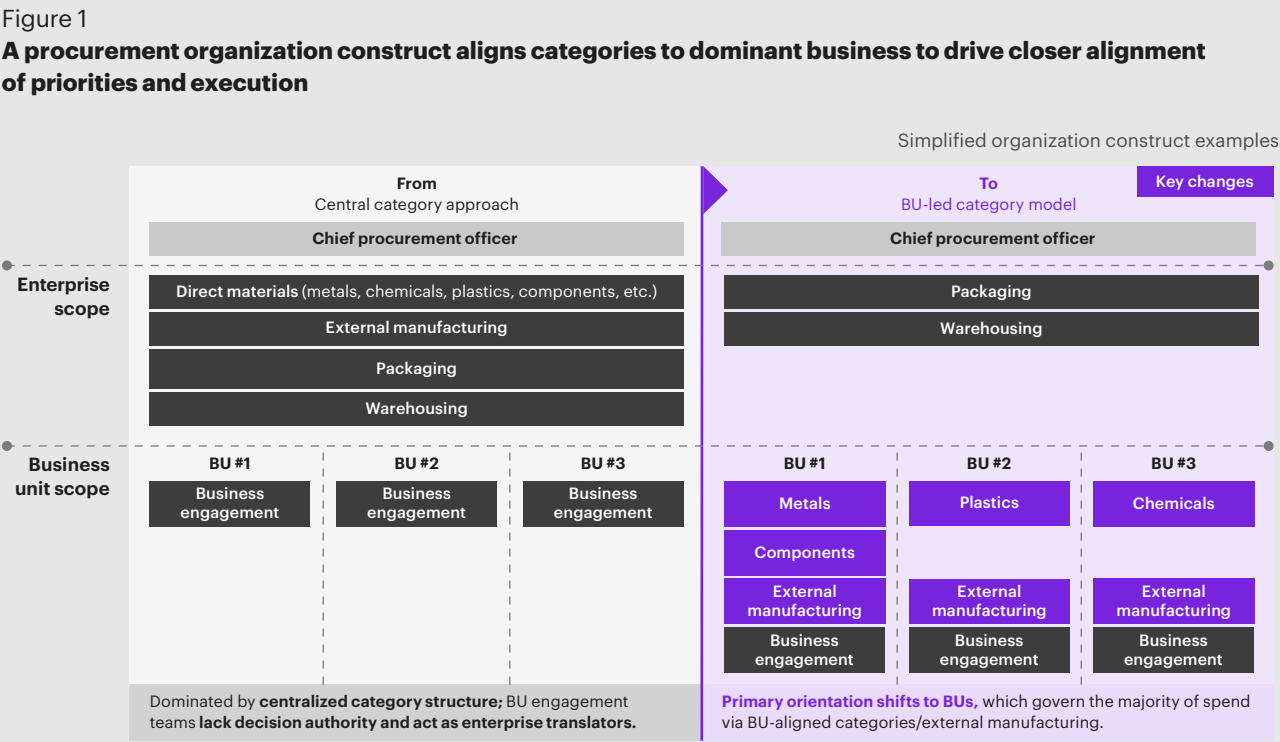
Today, business environments are more fragmented, volatile, and innovation-driven than ever before. From regulatory changes to geopolitical shifts and supply shortages, procurement leaders are navigating a new landscape, one where scale is often less important than speed, flexibility, and technical depth. These challenges are especially acute in engineered, regulated, and rapidly innovating sectors such as medical devices, pharmaceuticals, semiconductors, and telecommunications, where unlocking value depends on more than price—it requires tight collaboration with engineering, R&D, and quality, as well as deep supplier relationships tailored to product-specific needs.

Many category models are straining under the weight of nuanced business priorities and are no longer fit for purpose. Instead of enabling value, they are becoming bottlenecks.

To us, that’s a warning sign that procurement must shift from a central category mindset to one aligned more closely with business units and product life cycles.

The change needed is not about abandoning category management but rather reorienting procurement to align direct supply chain categories (direct materials and external manufacturing) more closely with business units (BUs). This approach ensures that procurement strategies are directly connected to the specific value-creation objectives and supply base realities of each business unit. This fosters greater collaboration, efficiency, and value creation. As figure 1 details, this need not entail “breaking up” procurement but changing the primary organizing principle to execute category and supplier management by business unit while still pooling truly shared categories (which could include packaging, warehousing, and so on) as well as strategic external manufacturing partners supporting several business units.

The era of “what’s next” in procurement is here—and for many companies, this will mean embracing a new orientation: procurement through the business unit lens.



Source: Kearney analysis

Cracks in the category model

Over the past few decades, procurement functions have matured from decentralized, site-based operations to centralized, category-driven structures. But as supply chains have grown more global and more volatile, and companies are challenged to deliver high-margin scalable innovation on faster timelines, the weaknesses in the category model have become more visible.

In many large, diversified organizations, we hear similar frustrations:

- “Procurement isn’t aligned with what our business actually needs.”
- “Category strategies feel disconnected from product development.”
- “We’re missing opportunities to improve margin through design changes—not just supplier negotiation.”
- “Our buyers don’t understand the technical depth of our products.”

The procurement–BU engagement model in a central category construct is at the root of these symptoms.

Procurement teams typically generate cost-saving and supply-resilience ideas through sourcing new suppliers or materials with alternative specs in partnership with the business, but many of these ideas do not get the funding or resourcing to fully implement and complete the technical work required to bring into manufacturing. This ends up frustrating everyone, as time is lost and the company’s credibility with the supply base erodes.

Why does this happen?

The challenge is nuanced. Too often, ideas from procurement lack external business sponsorship, arrive late in the process, and are out of sync with the product life cycle or technical requirements. This is a failure of execution, structure, and ownership. Not only is procurement too far away from the business and product strategy in a centralized model, but their different performance criteria may mean the level of urgency may not match how intently a business may need to address cost or supplier issues. There may also be challenges with the attention directed to suppliers in a centralized model, where smaller BU’s see minimal investment in their strategic suppliers if category teams focus on larger spend areas.

Too often, we see global category models fall short. They prioritize standardization over specialization. Efficiency over agility. The result? Procurement teams that feel out of sync with business imperatives and miss opportunities to develop, launch, and scale innovative products successfully. Supplier partnerships are focused on cost and scale, typically with a narrow subset of the largest suppliers by spend, and neglect opportunities to partner on product and cost innovations that could fuel future growth. It is not hard to see how the situation precipitates frustration, and we believe until procurement is more explicitly focused on driving business unit value this leakage is difficult to remedy.

**Too often,
we see global
category models
fall short.**

It's not about breaking the model—it's about rebuilding it

Kearney's perspective is clear: the solution isn't to dismantle category management, but to reimagine it.

Leading organizations are doing just that—executing what we call category management through a BU lens. This model maintains the discipline and structure of category management but recalibrates it around product and business unit priorities.

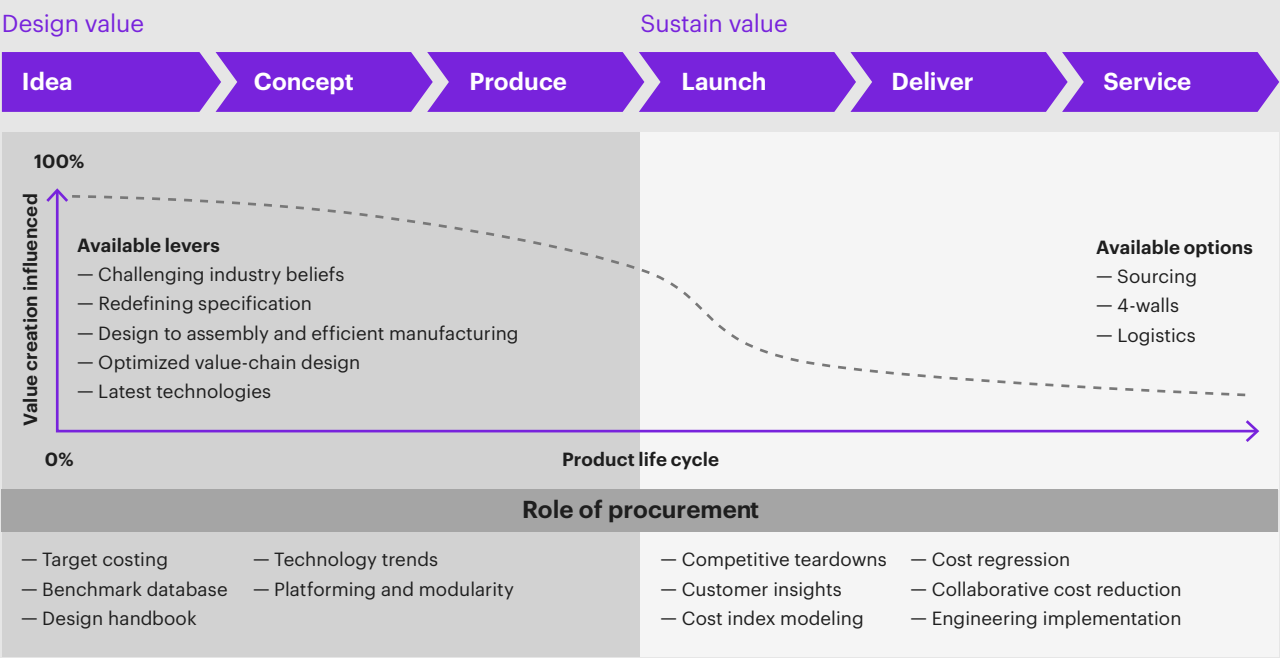
This shift enables:

- **Dedicated supplier ownership** where it matters most
- **Product-aligned teams** with the technical fluency to drive material productivity
- **Collaborative innovation** with R&D and suppliers, not just commercial negotiation
- **Faster decision-making** on sourcing changes and supplier qualification

In some cases, this means restructuring categories entirely—splitting “catch-all” groupings into more focused domains. In others, it means managing “hosted spend” models, where one BU leads a category that also supports other BUs. Crucially, strong governance ensures key suppliers don't fall through the cracks.

In this approach, procurement is more directly integrated into the product development life cycle, partnering with R&D and engineering to influence design decisions that impact cost, scalability, and supplier compatibility from the start. As figure 2 outlines, this is where the real value opportunity lies: not in direct negotiations with a locked-in supply base, but in shaping products that are efficient and sustainable from the outset. Once design decisions are locked in it becomes much harder and time-consuming to move the needle on value.

Figure 2
Procurement's greatest value opportunity is early in the life cycle



Source: Kearney analysis

From idea to value: enabling the shift

Category management through a BU lens builds on foundational procurement capabilities in leading organizations. The ability to successfully orchestrate competitive market events and robustly qualify suppliers is still crucial to success. However, as figure 3 details, the new orientation also creates value in new ways by taking a more involved role in supplier collaboration and driving value across the life cycle.

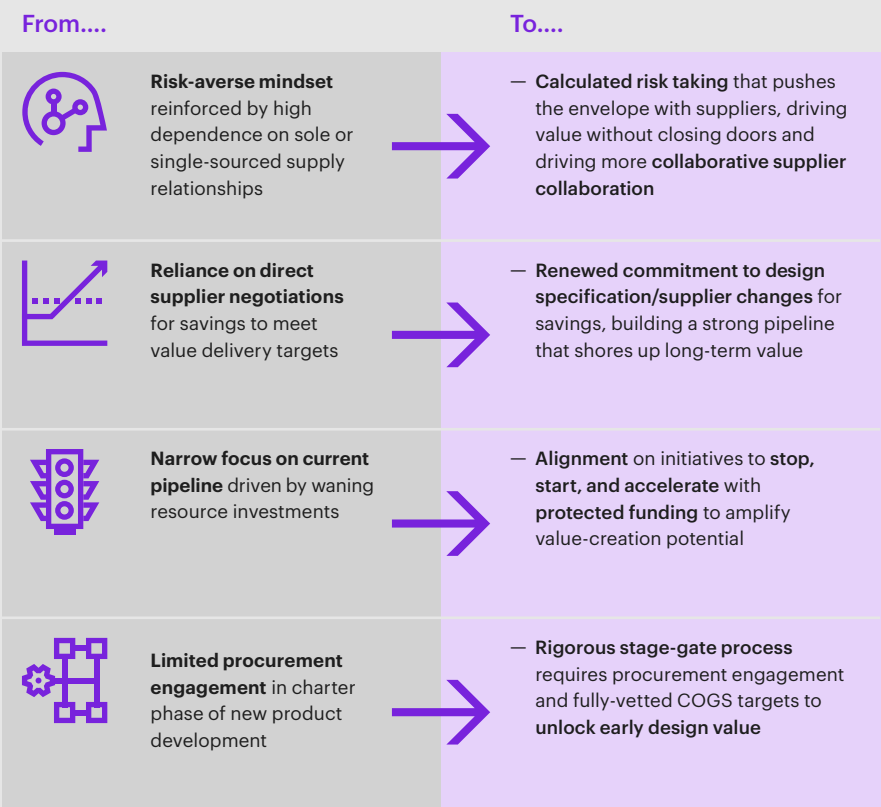
It’s a bold redefinition of procurement—and one that unlocks real competitive advantage.

What good looks like

In our experience, top-performing procurement functions in this approach share common traits:

- **Deep talent capabilities** with BU supply chain leaders able to fully leverage procurement’s value potential and procurement leaders who are intimately in-tune with the business and its products
- **Product-based orientation** that aligns category work to product road maps and ensures a shared agenda between procurement and each BU to focus on tackling difficult challenges and drive significant value
- **Embedded collaboration** across engineering, R&D, quality, and procurement, especially early in the life cycle process
- **Supplier engagement models** that emphasize innovation and resilience, engaging more as strategic partners than for price negotiations
- **Technical change capabilities** to align and drive margin and sustainability changes to the right phase of the development and product life cycles

Figure 3
**A BU-led approach
enhances collaboration
and value execution**



Source: Kearney analysis

The business-unit lens will place greater demands on procurement talent. The days of rotating generalists across categories are over. Today's procurement professionals need to be closer to the business to build alignment to timely, high-impact decisions. They must have deep product knowledge and affinity to the product, strong technical fluency, and the ability to collaborate cross-functionally with R&D, commercial, and quality partners. These cross-functional experts aren't just buying parts—they're shaping products.

Organizations adopting this approach are not abandoning central categories, but they are augmenting them with stronger local alignment, deeper expertise, and clearer accountability. The business-unit lens gives companies the structure and relationships to respond with agility. Without it, procurement will struggle to drive meaningful change.

The category model is not dead. It's evolving.

What's next for the procurement category model?

Let's be clear: the category model is not dead. It's evolving. It has served its purpose and will continue to play an important role. But it is overdue for reinvention, and we believe the center of gravity is shifting.

Leading organizations aren't walking away from the structure and rigor of category management—they're evolving it to meet the demands of a more complex, dynamic world. Procurement must evolve from an enterprise partner focused on cost control to a strategic business partner focused on enabling the business and creating value. It must align to the business, speak its language, and be present at the moments that matter, from product concept through launch and beyond.

The companies that make this shift will not only unlock more value from procurement, they will also build stronger, more resilient product portfolios that can be more easily adapted to future supply shocks.

What's next for procurement is already here. The category model lives on, but it must evolve and better prioritize a business-unit lens to survive and flourish.

Authors



Alyson Potenza
Partner, New York
alyson.potenza@kearney.com



Mike Piccarreta
Partner, New York
mike.piccarreta@kearney.com



Craig Hebert
Partner, Boston
craig.hebert@kearney.com



Michael Carr
Consultant, Toronto
michael.carr@kearney.com

The authors wish to thank Tait Kaplan, Franziska Neumann, and Jennifer Xu for their valuable contributions to this report.

Since 1926, Kearney has been a leading management consulting firm and trusted partner to three-quarters of the Fortune Global 500 and governments around the world. With a presence across more than 40 countries, our people make us who we are. We work impact first, tackling your toughest challenges with original thinking and a commitment to making change happen together. By your side, we deliver—value, results, impact.

kearney.com