

Book review

Andrew Cox (2014). *Sourcing Portfolio Analysis: Power Positioning Tools for Category Management & Strategic Sourcing*. Earlsgate Press. 316pp., £20.00, ISBN 978-1-873439-54-8

Supply chain management (SCM) is growing as a research subject and as a crucial area of importance for public and private organisations alike. Intertwined with SCM are an organisation's activities relating to strategic sourcing and category management which are gaining increased recognition as fundamental elements of an organisation's strategy. The book 'Sourcing Portfolio Analysis: Power Positioning Tools for Category Management & Strategic Sourcing' by Andrew Cox has been developed to provide guidance to readers interested in category management and strategic sourcing. This book challenges current orthodox thinking about how to undertake category management segmentation and how to develop appropriate sourcing strategies to leverage improved value for money from suppliers and supply chains. More specifically, it critically addresses the shortcoming of the widely popular Kraljic (1983) matrix and Porter's Five Forces (1979) to underpin strategic and operational decisions on sourcing and category management. The author reasons, based on his own extensive research experience, that power has a strong impact on the type of relationship buyers seek to develop and how value in the relationship is shared (Cox, 2015). The book "deconstructs the Kraljic approach" and argues that "the starting place for any segmentation analysis must be an understanding of the current and future potential, power and leverage position between specific buyers and specific suppliers" (Cox, 2015, p. 6). Focusing on sourcing and category management from a conceptual and strategic perspective, this volume introduces the Sourcing Portfolio Analysis by linking criticality and power positioning analyses to create a segmentation of supply categories.

Following the introduction setting out the rationale for this volume, the first chapter explains in detail and critiques the purchasing portfolio analysis by Kraljic (1983). The chapter also introduces the reader to Kraljic's (1983) Purchasing Portfolio Power Matrix, a 3x3 matrix (distinguishing between 'company strength' and 'supply market strength' across low, medium and high dimensions) which indicates the importance of specific power and leverage positions

between the buyer and supplier. Kraljic's (1983) Purchasing Portfolio Power Matrix identified three distinct types of strategic thrust – exploit, balance and diversify – which can be applied to sourcing strategies. While acknowledging the considerable contribution of the Kraljic matrix to category management and strategic sourcing, this chapter then critiques the matrix by drawing out three weaknesses: (i) lack of analytical rigour; (ii) lack of robustness in identification of strategic sourcing options; and (iii) tactical levers and static, non-dynamic logic. Similarly, the chapter critiques the manifold shortcomings of the Purchasing Chessboard (2008), a purchasing positioning tool, before describing and critiquing Porter's Five Forces model in chapter 2. The volume argues that the Five Forces model provides far more analytic criteria for buyers to analyse in relation to supply market complexity than is found in the Kraljic matrix. However, the author argues that the model lacks rigour and robustness as outlined in the following gaps: (i) gaps in the analysis of structural power resources; (ii) gaps in the analysis of information-based power resources; (iii) gaps in the analysis of strategic sourcing and relationship management options; and (iv) failure to identify power positions and appropriateness in sourcing strategies. The chapter concludes by cautioning that Porter's Model was developed for understanding business strategy rather than buyer-supplier relationships and sourcing decisions, but that it may provide a good starting point for understanding organisations' power resources.

Chapter 3 deals with how to create a more comprehensive and rigorous methodology for identifying power positions and a more detailed segmentation of categories in relation to power scenarios, resulting in a 16-Box segmentation methodology called Sourcing Portfolio Analysis. The Sourcing Portfolio Analysis distinguishes between 'buyer and supplier power positions' and 'criticality of categories of supply' along a 4x4 matrix. It is argued that the resulting segmentation offers a much more comprehensive and analytically rigorous specification with regards to categories of supply and power and leverage circumstances for organisations. The resulting 16 sourcing scenarios are discussed in detail in the remainder of the chapter. Chapter 4 then explains in depth how a more comprehensive and rigorous typology of potential sourcing strategies (the volume identifies 32 strategic sourcing options for buyers) can be developed before chapter 5 explores the differences of 'dynamic leverage' and 'static leverage' positions. This chapter

identifies the most appropriate strategic sourcing options and tactical levers with regards to specific supply categories, focusing particularly on power and leverage scenarios. The chapter draws out the importance for buyers to analyse their current power position with regards to key suppliers in the market. This analysis supports the identification of the most appropriate 'static sourcing strategy' for a buyer. Then, buyers should develop their future power position with each supplier, leading to the most appropriate strategy for 'dynamic leverage'. This analysis is then followed up by understanding the importance of the 'category of supply', identifying strategic sourcing options and ultimately linking tactical levers for dynamic and static strategic sourcing options. Detailed sourcing strategies for 'static' and 'strategic' leverage are discussed. The chapter concludes by arguing that the inclusion of static and dynamic sourcing strategies as part of the Sourcing Portfolio Analysis provides a more rigorous and robust methodology for buyers' strategic sourcing options. The book cumulates by offering decision rules for selecting appropriate sourcing strategies.

While the book offers a detailed discussion and critique of extant sourcing portfolios and positions the Sourcing Portfolio Analysis, it could have further supported readers (practitioners and academics alike) with several real-life examples and exercises. Case example or small vignettes would have helped to illustrate the concepts under investigation and offer further motivation to the reader to explore category management and strategic sourcing issues in more depth. This would have also helped to bring the discussions to life and benefited readers to appreciate the value of decisions emerging from category management and strategic sourcing. Similarly, exercises at the end of each chapter could further support a more in-depth understanding of key concepts and their relationships presented in each chapter. This volume may appeal to an academic as well as a practitioner audience interested in challenging extant category management and strategic sourcing tools as well as better understanding the role of power in sourcing decisions. In summary, the book provides a detailed description and critique of key category management and strategic sourcing tools and positions the Sourcing Portfolio Analysis which addresses shortcomings of extant models. Chapters are supported by in-depth discussions of key concepts and their relationships and further references are provided for those

readers wishing for a deeper understanding of key concepts. The book is well-structured and concisely written, but the chapters in this volume could have been further tied together through a variety of examples and exercises.

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