Be a Hero in Boom Times Not Just in Bust Times
BE A HERO IN BOOM TIMES NOT JUST IN BUST TIMES

Patrick Connaughton
Research Director, The Hackett Group
The Hackett Group
Agenda

- The Evolving Business Environment
- How Procurement’s Role Changes in Boom Times Versus Bust
- Where Are We Going Next? The Future of Procurement Is Digital
  - Setting a foundation of analytics-driven insights
  - Building an omnichannel, personalized stakeholder experience
  - Creating a digitally enabled workforce
  - Orchestrating a “smart” portfolio of digital procurement services
  - Unlocking value through an ecosystem of networked procurement solutions
- Wrap-up and Q&A
The ROI of world-class procurement and Hackett procurement themes through the years

Source: The Hackett Group, 2017

World Class

Enable Success in Any Economy
Excel in a Volatile Recovery
Accelerate Global Growth
Optimize Global Performance
Integrate the Enterprise for Sustainable Success
Accelerate Growth from Innovation
Creating a World-Class Internal Customer Experience
Creating Agility in a Digital Age

Digital Excelleration
The unemployment rate hit a 10-year low of 4.4% in April.
According to the National Association of Realtors, the median price for an existing home was $236,400 -- up 4% from the start of the year.
The major market indexes are near all-time highs

Dow up 2,600 points since Trump victory

Dow closes above 19,000
Dow hits 21,000
Dow hits 20,000
Dow suffers rare 8-day slump

Trump wins
Trump takes office

Nov 6, 2016
Nov 22
Jan 2017
Mar 1, 2017
Mar 27, 2017
Apr 2017

Source: FactSet
How Procurement’s Role Changes in Boom Times Versus Bust
In 2017, agility continues to gain momentum; digital transformation is also top of mind

% who ranked each item a higher (versus lower or unchanged) priority in 2017

- Improve procurement's business agility: 53%
- Support enterprise digital transformation objectives: 53%
- Obtain more value from purchase-to-pay (P2P): 49%
- Deepen influence on complex indirect spend categories: 44%
- Expand purchasing's scope/influence: 41%

Source: 2017 Key Issues Study, The Hackett Group
What is digital transformation?

New Ways of Doing Things
- Move beyond just automating existing processes
- Define completely new ways of doing things
- Enable with new technologies (e.g., cloud, big data, RPA, social media)

A Customer-Centric Approach
- Move beyond internally focused transformation
- Design from the “outside in”, starting with customer needs
- Design new ways to engage the customer (internal and external)

Velocity of Change
- Embrace a fail fast philosophy
- Execute pilots in targeted areas and scale up rapidly
- Shift focus from discrete projects to continuous transformation
Digital transformation is poised to fundamentally change procurement…but few have the strategy or resources in place to make it work

84% Report that digital transformation will fundamentally change the way procurement services are delivered over the next 3-5 years

… but only 32% have actually developed a strategy for getting there.

89% of respondents say that digital transformation will fundamentally change the talent and leadership needs of our business

… but only 25% report having resources and competencies in place today

Source: 2017 Key Issues Study, The Hackett Group
Where Are We Going Next?
The Future of Procurement
Digital Business Strategy Objectives: A function’s digital strategy must align to overall business strategy.

1. Customer value maximization
2. Product and service innovation / digitization
3. Business model innovation
4. Cost reduction

Digital Business Capabilities: Digital Capability pillars to support the digital strategy.

1. Digital Customer Engagement
   - Customer 360
   - Omni-channel integration
   - Personalization

2. Digital Workforce
   - Digital worker enablement
   - Knowledge management
   - Unified knowledge worker collaboration

3. Digital Service Optimization
   - Content and process digitization
   - Smart Automation
   - Service orchestration

4. Digital Ecosystem
   - B2B Network
   - Knowledge network
   - Internet of Things

Analytics-Driven Business Insight
- Market analytics
- Customer analytics
- Operational analytics
- Financial analytics

Digital IT Capabilities: Enabled with IT as a Partner with requisite Digital Capabilities.

1. Technology innovation
2. Modern digital architecture
3. Cybersecurity
4. Accelerated service delivery
5. Advanced data and analytics
Let’s distill it down and talk about what digital transformation really means to procurement…

1. **Analytics-driven insights**

2. **Omnichannel, personalized stakeholder experience**

3. **Digitally enabled procurement workforce**

4. **“Smart” orchestration of source-to-pay services**

5. **Ecosystem of networked solutions**

Four pillars support procurement’s digital business strategy.

Data and analytics form the foundation.
42% say that collecting new forms of category market intelligence is the top use case for big data in procurement.

1. Setting a foundation of analytics-driven insights
Defining ‘Big Data’

Big data is high-volume, high-velocity and/or high-variety information assets that demand cost-effective, innovative forms of information processing that enable enhanced insight, decision making, and process automation.

**Value**
- Patterns, trends, associations

**Volume**
- Scale of data

**Velocity**
- Analysis of streaming data

**Veracity**
- Uncertainty of data

**Variety**
- Different forms of data

Top three Big Data use case that have the greatest potential in procurement:

- **Collect and analyze new forms of category market intelligence** (42%)
- **Conduct spend analysis leveraging unstructured sources (e.g., maverick and tail spend buying)** (39%)
- **Track real-time supplier risk and performance metrics** (34%)

Source: Big Data Case Studies in Procurement, March 8th Webcast, The Hackett Group
There are many sources of market intelligence coming from both internal and external sources

Strategic sourcing teams should be creative when finding resources for supply market intelligence as information can come from any public source.

**Internal Sources**
- Internal stakeholder interviews
- Performance reporting
- Supplier relationship management (SRM) program

**External Sources**
- News feeds and alerts
- Price index forecasts
- Blogs and social media
- Peer companies
- Research services
- Hackett Advisory Program

**Suppliers**
- Company websites
- Financial statements / reports
- Request for information
- Supplier interviews
By taking advantage of new sources of data, forecasting models will begin to improve
Only 2% of organizations have an explicit customer management organization, formal service delivery model, and set of engagement processes.

2. Building an omnichannel, personalized stakeholder experience.
Few have an explicit customer management organization, despite the importance of having a structured approach to improving the stakeholder experience.

How do you get "the voice of the customer" from internal spend owners?

- Explicit customer management organization, formal service delivery model, and set of engagement processes, 2%
- Do not do it (ad hoc only), 24%
- Ensure alignment through "stakeholder management" processes in the strategic sourcing processes, 56%
- Formal customer management roles, processes, and tools to measure customer satisfaction, 18%

Improving the stakeholder experience:

- **Identify key stakeholder** groups and individuals, their interactions and general attitude
- **Develop measurement approaches** tailored to key stakeholder groups
- **Analyze stakeholder feedback**, plan for action by leadership to own and deliver
- **Provide feedback** to key stakeholder groups on customer satisfaction and action plans to address identified improvement needs

How can I help you today?

I'm looking for a portable scanner.

Here's our most popular scanner we have in stock.

$89.99  Epson Workforce DS-30 Color Portable Scanner

Shop Now
The travel industry has undergone its own digital transformation. How can we apply these practices to procurement’s stakeholder experience?
31% of organizations consider access to critical talent an area of high risk and they expect that risk to grow 20% in the next year.

3. Creating a digitally enabled workforce
Current and projected business risk

Cybersecurity risk tops the list overall while competition and talent are forecasting the biggest projected increase

Percentage of companies ranking as “high risk”

<table>
<thead>
<tr>
<th>Category</th>
<th>2016 (current)</th>
<th>2017-2018 (projected increase)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyber / information security</td>
<td>47%</td>
<td>20%</td>
</tr>
<tr>
<td>Intensified competition</td>
<td>41%</td>
<td>17%</td>
</tr>
<tr>
<td>Disruptive innovation</td>
<td>32%</td>
<td>24%</td>
</tr>
<tr>
<td>Access to critical talent</td>
<td>31%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: 2017 Key Issues Study, The Hackett Group
Creating a digitally enabled workforce

**Data Analysis and Modeling**
- Process data and extract relevant information
- Knowledge of analytical tools and methodologies
- Translates analyses into actionable plans

**Business Acumen**
- Understand key business drivers
- Knowledge of factors, priorities and business demands
- Identify problems and prioritize alternatives

**Strategic Mindset**
- Develop strategic frameworks and visions
- Anticipates market changes
- Address challenges and outline future direction

**Relationship Management**
- Advanced interpersonal skills
- Positively influence decisions
- Open and approachable

**Savings and Financial Analysis**
- Translate savings and value improvements to P&L impact
- Develop tools to track, measure and forecast savings
- Analyze supplier financial statements for detailed insights

**Supply Risk Management Expertise**
- Assess and prioritize business and category-specific risks
- Measure, prioritize, and address risk
- Develop risk mitigation plans for high-priority drivers

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New procurement roles: Head of Cognitive Procurement and Digital Sourcing

What makes a head of cognitive procurement?

Experience

HEAD OF COGNITIVE PROCUREMENT AND DIGITAL SOURCING - Operations & Enablement SCM
Vodafone Procurement Company
janvier 2016 – Aujourd'hui (1 an 2 mois) | Luxembourg

Newly created function within Vodafone One SCM with aim to:
- create and implement a cognitive procurement strategy across Vodafone
- drive Vodafone ambition towards a digital driven company

Senior Innovator - Watson Industry Value Creation
IBM
Jul 2015 - Present • 1 yr 10 mos
Greater Chicago Area

Establishing value and solutions in key industries by leveraging the power of cognitive computing:
- Working along-side sales and delivery executives to co-develop cognitive solutions and pairings across the product portfolio
- Driving net-new revenue while simultaneously delivering multi-million dollar ROI for clients along a cognitive journey
- Pushing the boundaries of bleeding-edge technology to change the world in Electronics, Automotive, Financial Services, Oil & Gas, Travel & Transportation, and much more...
23% of P2P organizations are piloting or have partially rolled out robotic process automation.

4. Orchestrating a “smart” portfolio of digital services
A small percentage of P2P organizations are just getting started with RPA; RPA is ranked one of the top 4 transformational areas in the next decade.

RPA Adoption in P2P

- None: 77%
- Piloting: 16%
- Partially Rolled Out: 7%
- Fully Adopted: 0%

Trends that will have the greatest transformation impact on P2P in the next 10 years

- Digitalization of B2B connections and transactions: 75%
- Predictive analytics and forecasting tools: 59%
- Process ownership and link to procurement: 57%
- Robotic process automation: 45%
- Cloud computing: 43%
- Mobility: 39%
- Global economy: 27%
- Millennial workforce: 23%
- Prompt payment regulation: 18%
- Enterprise social networking: 5%

Source: 2016 P2P Key Issues Study Results
Orchestrating a smart portfolio is not just about automation; service placement is also a key consideration.

Percentage of company spend managed using each approach:

- **40%** Global category strategy
- **25%** BU / region / large country sourcing strategy
- **10%** Local / country sourcing strategy
- **10%** Tactical sourcing
- **15%** Non-procurement managed spend

Hackett’s perspective: *Global by design, regional as appropriate, local when required*

Source: Global Category Management Study, The Hackett Group, 2016
Thoughts on orchestration and intelligence augmentation

“Over time I think we will probably see a closer merger of biological intelligence and digital intelligence”

- Tesla CEO Elon Musk
5. Unlocking value through an ecosystem of networked procurement solutions

32% of organizations plan to consolidate to a single source to pay platform, but only 8% have achieved that goal today.
The ecosystem of available solutions are all at different levels of maturity

Source: 2016 P2P Key Issues Study Results
Benefits of e-sourcing and contract lifecycle management software

Top three e-sourcing software benefits
- Increase the use of standard templates by: 46%
- Reduce data collection errors by: 35%
- Reduce total sourcing cycle time by: 30%

Top three contract lifecycle management (CLM) software benefits
- Reduce the amount of time required to find a contract by: 52%
- Reduce the number of lapsed contracts (via expiration alerts) by: 39%
- Increase the use of standard T&Cs by: 38%

We have highlighted several objectives and actions for becoming a digitally savvy organization – but your strategic leadership will facilitate all

**Stakeholders First**
Understand your customers’ strategy and priorities for achieving their overall digital goals.

**Strategy and Roadmap**
Revisit the strategy with a digital eye – define overall roadmap of initiatives, digital and native.

**Continuous Alignment**
Talk to stakeholders about your plans to ensure alignment and support. Be open, adjust and refine.

**Pilot and Learn**
Rapidly evaluate activities suitable for pilot to test and learn before deploying for scale – demonstrate wins!

**Education**
Educate the organization on emerging digital technologies and their potential impact.

**Know your Talent**
Assess talent (be honest). Determine the digital talent you need for the new model.

The Digitally Savvy CPO
YOUR FEEDBACK IS IMPORTANT

Please take a few minutes to complete this brief survey.

Survey link:  www.instituteforsupplymanagement.org/ISM-17-BOOM
or  Scan the QR code on your smartphone.