



Procurement Transformation to achieve Internal Collaboration

The Deloitte Global Chief Procurement Officer Survey 2018
The CoE Club @ UCB, Brussels September 2018





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Global sourcing & procurement practice overview

Capabilities Overview

Leverage cognitive analytics and optimization modeling to rapidly identify & execute opportunities	Execute global sourcing strategies using latest market intel	Enable sustained value realisation through global organisational design
Enhance sourcing functions through training & knowledge sharing	Drive value realisation through enhanced governance mechanisms	Enable efficient procurement processes through technology solutions

Our Global Practice

1,500+
Practitioners

10-20%
Savings per Category

>100
Projects over last 3 yrs.

250+
Category Strategies

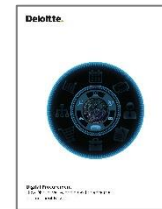
Investing in Procurement Leaders

CPO Transition Labs are one-day experiences for new Chief Procurement Officers, designed to enable newly appointed executives to hit the ground running with the right focus on prioritised objectives, relationships, resources and time.

Next Generation CPO Programme combines our experience and extensive network of clients and contacts to support the next generation of leaders to fully understand how they can conquer all capabilities of a highly successful CPO.

Digital Procurement Labs enable clients to utilise an agile approach to identify, prioritise and plan value from digital procurement. Tailored, immersive sessions show the application of technology solutions including predictive spend analytics, unstructured data extraction, product design / cost engine, secure supply chain, robotic process automation, and blockchain.

Insights & Thought Leadership (illustrative)



Digital Procurement: How Disruptive Technologies Impact the Procurement Mission



Global CPO Survey



Cloud-enabled buyer-supplier collaboration



What is strategically important & where people are needed



The Secret to Ending the CPO Failure Cycle



Why procurement must transform itself by 2020

CPO Survey 2018 Findings

Market outlook

- Cost reduction (78%), new products/market development (58%) and managing risks (54%) remain the top business strategies for procurement leaders
- 61% of procurement leaders delivered better year-on-year savings performance than last year (2017)
- 48% are focussed on expanding organically compared to 20% by acquisition
- Uncertainty regarding the outcomes of trade negotiations is the most cited risk (33%)

Talent and leadership

- Over half of survey respondents believe their teams do not have the necessary skills to deliver their procurement strategy, and the recruitment market is becoming more challenging; yet there is less spend on training and deployment of talent development strategies
- There is a direct correlation between stronger leadership capabilities and higher performance
- Training spend is reducing with over 72% of functions spending less than 2% of their budget on training



Value and collaboration

- Procurement alignment to executive and business priorities, measured through mutually agreed performance metrics, will continue to enhance the effectiveness of procurement as a strategic business partner
- Organisations are leaving themselves exposed to potential supply chain disruption and margin erosion with 65% of respondents having little or no visibility below tier 1 in their supply chains
- This year saw a reduction in the use of supplier collaboration and reducing demand as strategies for value delivery

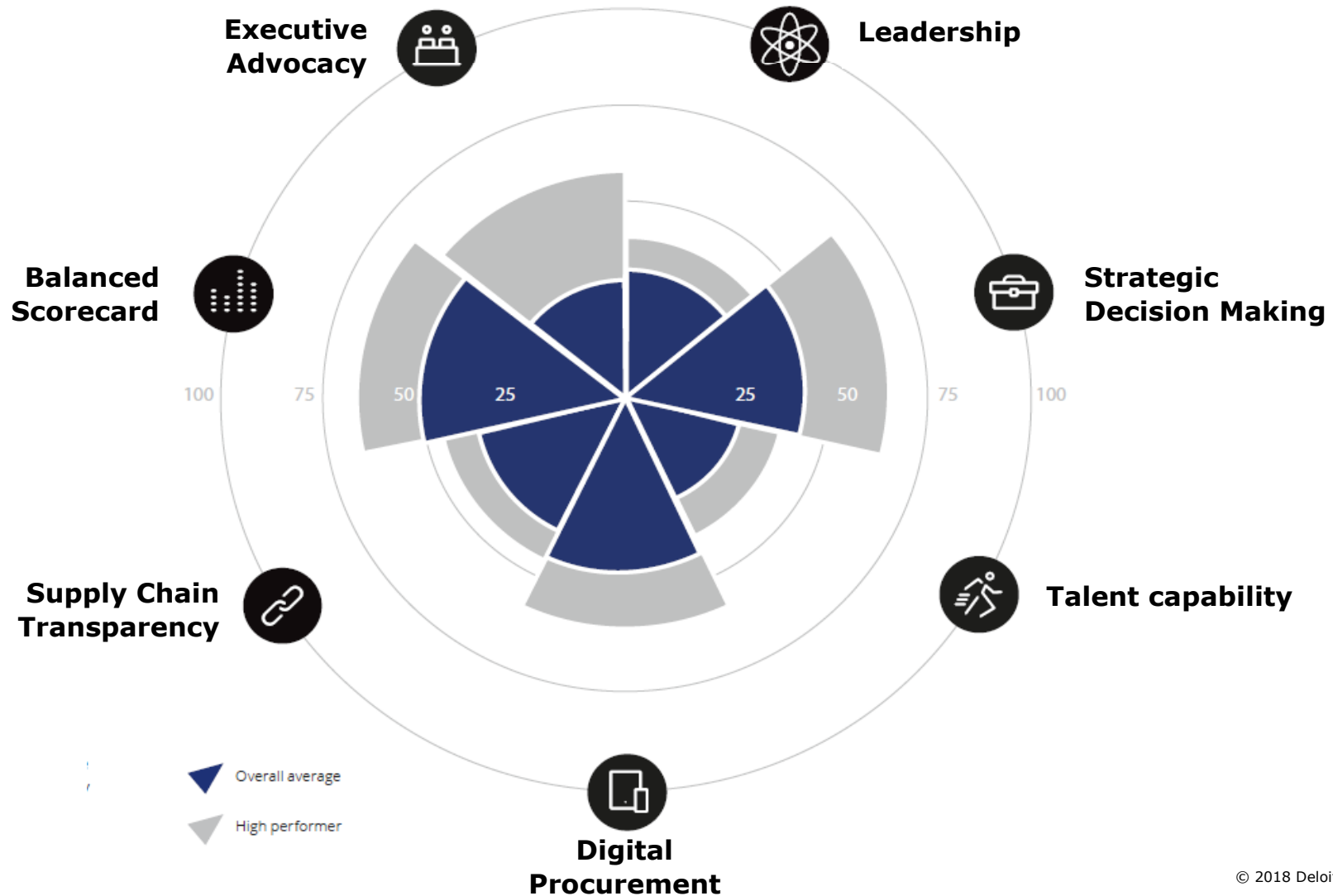
Digital procurement

- The proliferation of digital tools and applications will continue to grow in importance and impact for procurement leaders
- Progress and adoption has been low over the past year, procurement leaders remain hesitant about investigating new technologies
- Digital transformation is inevitable and high performing organisations are leading the way on adoption
- Only 3% of procurement leaders believe their staff possess all the skills required to maximise use of digital capabilities

2018 CPO Survey - Executive Summary

High performing procurement teams have superior capabilities in seven key areas

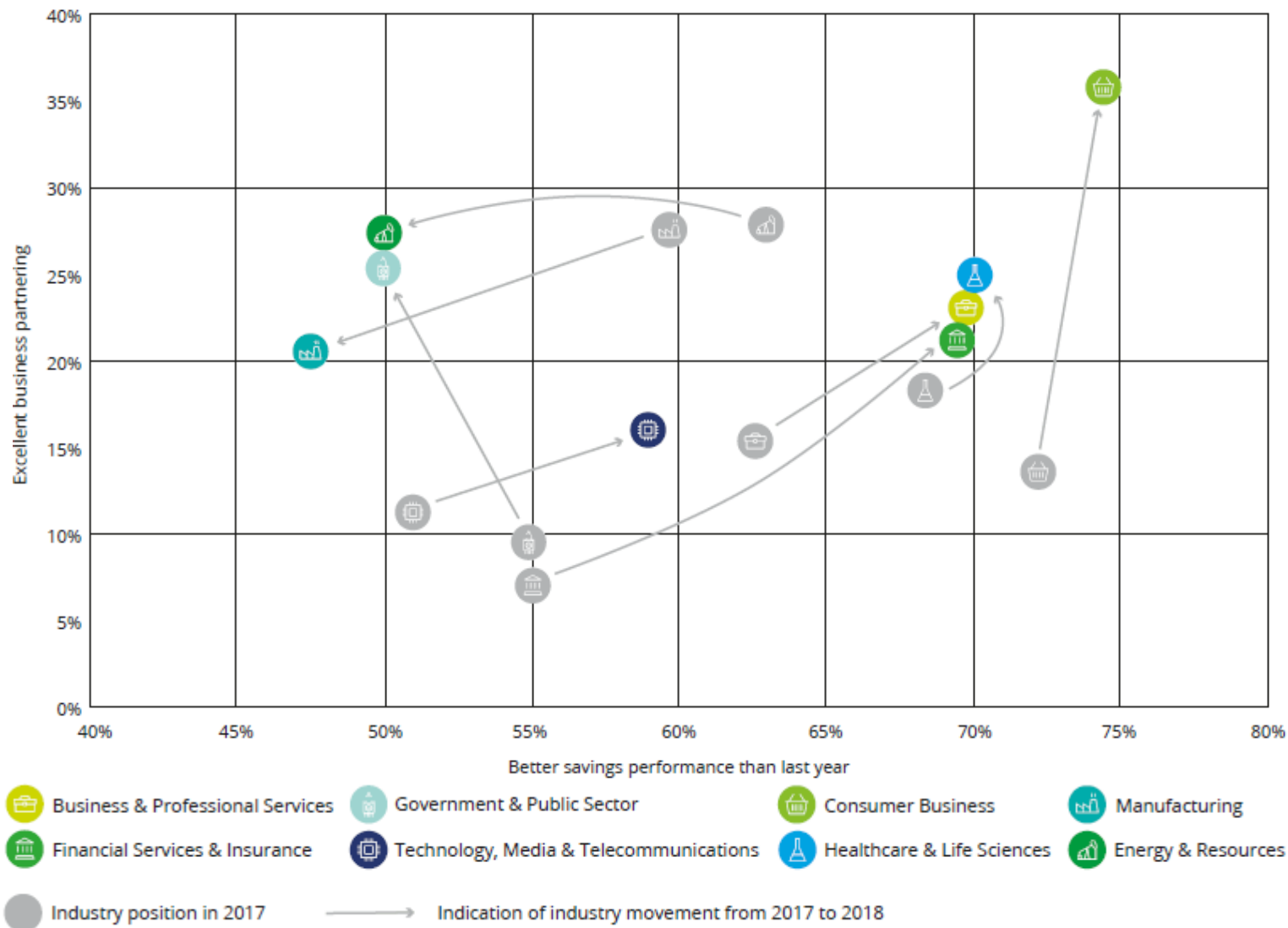
High performing capabilities



Value and collaboration

Savings performance improvement year on year has been linked to improvements in business partnering in most sectors

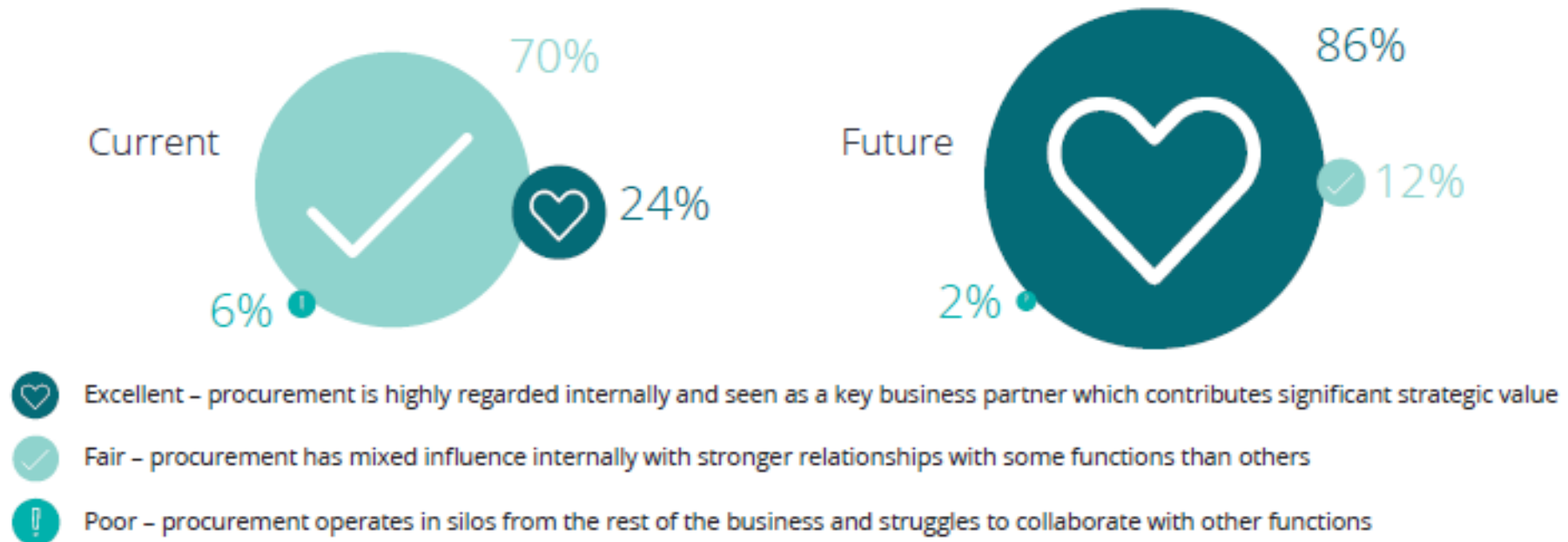
Comparing savings performance to business partnering across industries



2018 CPO Survey - Value and collaboration

Procurement leaders are continuing to expand the role of procurement in the wider supply chain

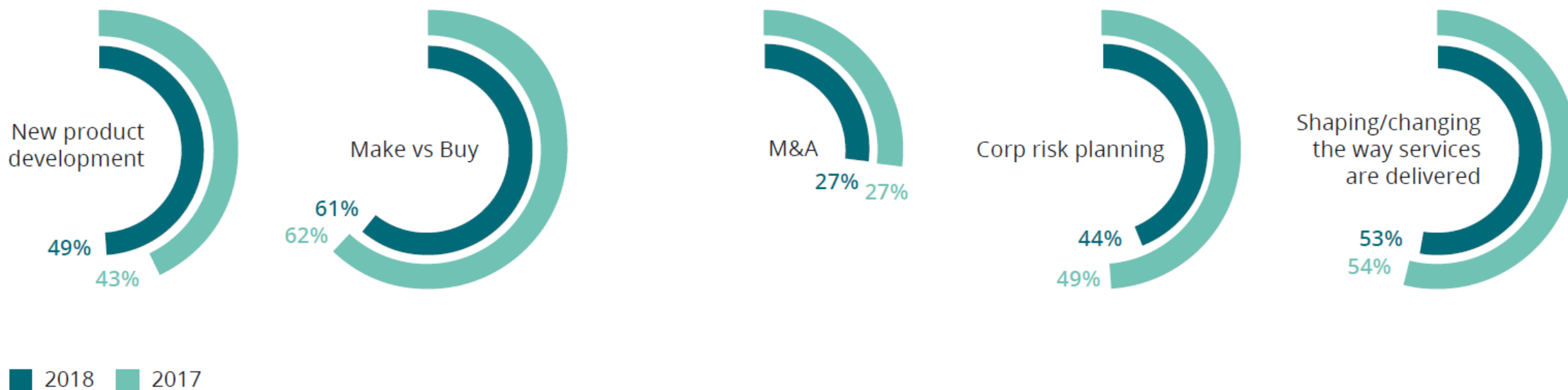
Current effectiveness of the procurement function as a business partner, in comparison to where procurement aspires to be



2018 CPO Survey - Value and collaboration

Procurement leaders are continuing to expand the role of procurement in the wider supply chain

Extent to which procurement plays an active role in strategic decision making



Different business models –different Procurement approaches

Many enterprises require different functional Procurement strategies depending on their lines of business – there is no “one size fits all” solution

Business model characteristics

Operational excellence	Product leadership	Customer relationship management	Market making
<ul style="list-style-type: none">• Emphasise economies of scale and efficiency• Proprietary capabilities that lower total value chain cost in a differentiated way• Management of high volume, routine processing activities	<ul style="list-style-type: none">• Focus on innovation, being first to market• Brand or proprietary technology that allows the company to charge a premium• Introduction of changes to which competitors must react	<ul style="list-style-type: none">• Focus on economies of scope and customers• Intimate focus on delivering best total solutions to customers• New combinations of boundary-spanning products, services and information	<ul style="list-style-type: none">• Focus on economies of mass and reach• Main facilitator between consumers and producers• Integration of vertical products and services

Aligning business models with functional Procurement strategies

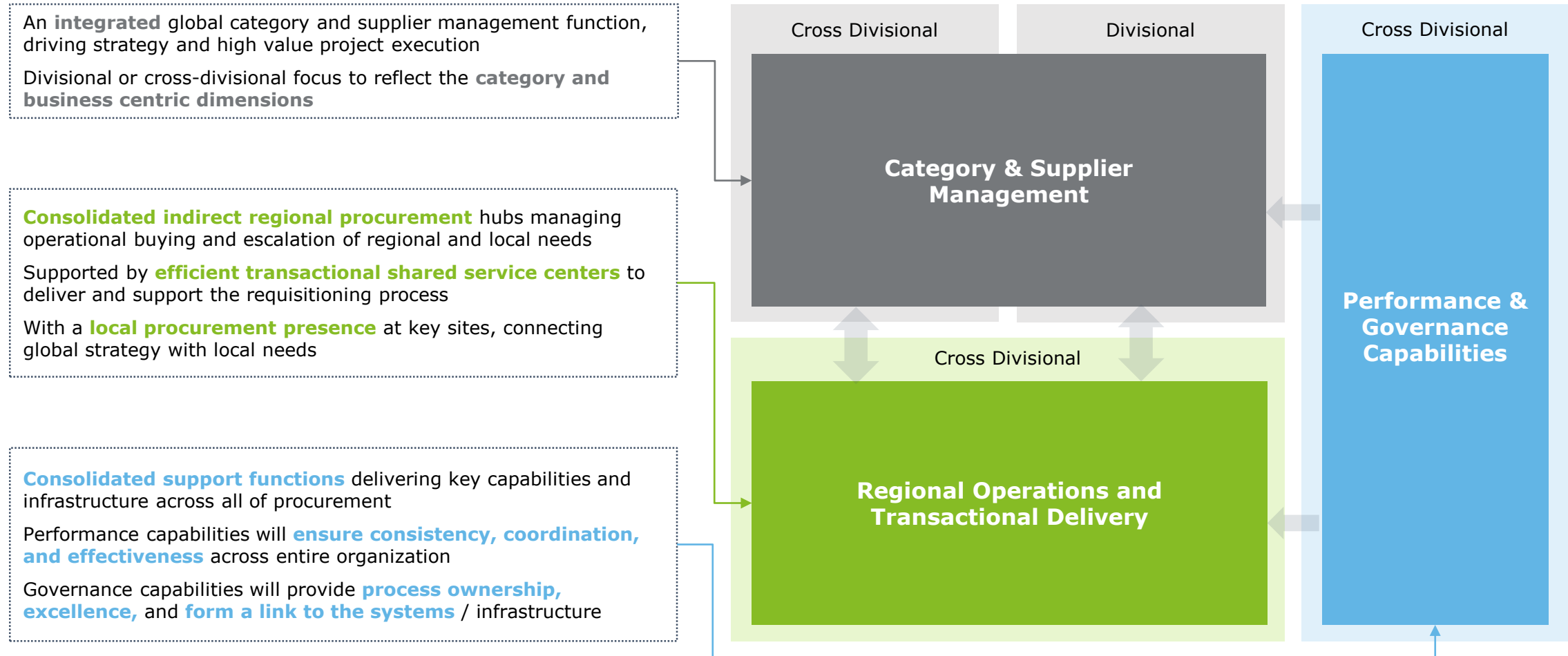
Different functional Procurement strategies require not only different stakeholder engagement models but also

Typical
Procurement
strategy
levers

Operational excellence	Product leadership	Customer relationship management	Market making
<ul style="list-style-type: none">• Increasing competition• Reducing transaction costs and TCO• Managing commodity price volatility• Restructuring the supply base	<ul style="list-style-type: none">• Improving specifications• Increasing level of supplier collaboration• Developing new products• Restructuring the supply base	<ul style="list-style-type: none">• Building up business partnerships• Increasing levels of supplier collaboration• Managing corporate risk and planning• Shaping/ changing the way services are delivered• Restructuring supplier relationships	<ul style="list-style-type: none">• Creating new business models• Developing subscription, on-demand economy opportunities• Increasing transparency through supply chain (economic and transactional)• Restructuring the supply base

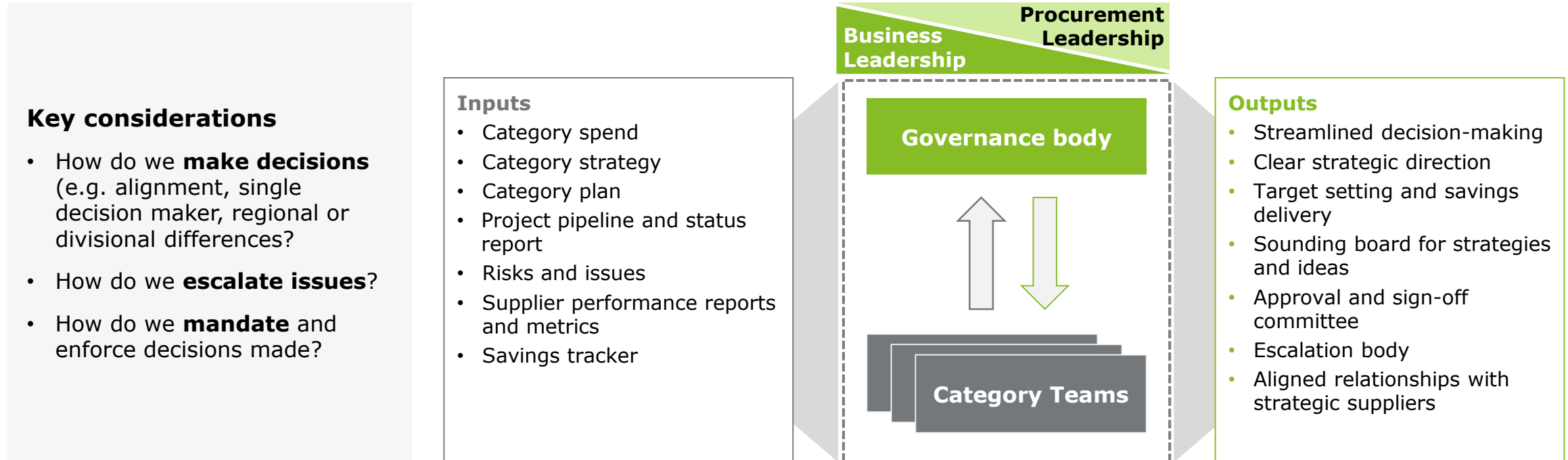
Client example - Operating Model concept

In the future model all Procurement roles will fall into one of three core capability groups, each with standardized roles and job profiles



Client example - Global category governance

How can we shape or strengthen a Governance structure to help maximizing the value within a category?



What is the **ideal Governance structure** that will help to accelerate decision making, resolve issues and ensure full implementation of the category?

Client example - Business partnering

A discrete activity set and capability embedded in a number of roles across the organization rather than a dedicated position

Business Partnering...

- ... is the **interface** between the stakeholders and Procurement
- ... **translates** stakeholders expectations into requirements, and representing Procurement's value proposition and deliverables
- ... requires strong **business acumen**, stakeholder management and influencing skills



Leadership Team

- Elevate Procurement's agenda
- Support business strategy setting and ensure Procurement is heard

Category and Supplier Management Team

- Understand, contribute and align to functional strategy
- Manage demand and influence buying behaviour

Procurement Business Partners

- Gather and escalate site requirements and contribute to site specific planning
- Drive local implementation and support

Client example - Regional operational and transactional delivery

Support project delivery and drive local requirements gathering and implementation to ensure outcomes align to the business requirements

Head of Region	Head of Operational Procurement	Sourcing Manager	Head of Local Procurement	Procurement Business Partner
<ul style="list-style-type: none">Accountable for the overall operational performance and customer service delivery within a specific regionResponsible for oversight of regional resources, and senior regional business partnering	<ul style="list-style-type: none">Accountable for a regional operational procurement hub providing support for reactive business initiated sourcing requestsManages and ensures all day-to-day operational sourcing activities are delivered according to buying guides and policies with a high level of customer satisfaction	<ul style="list-style-type: none">Responsible for delivering low to medium value, ad-hoc, unplanned, business initiated buying activities to ensure maximum possible value and compliance	<ul style="list-style-type: none">Accountable for team management and local Business Partnering, ensuring end-user procurement service delivery and business alignment across the region.Accountable for ensuring that local requirements from all locations and business functions are provided to the Regional and Category Procurement teams	<ul style="list-style-type: none">Acts as the Procurement Business partner for a given location (site, sub-region, country)Accountable for understanding local needs, ensuring these are reflected in above site activity, and calling on the appropriate resources to supportDrives local implementation of projects and ongoing compliance

Discussion

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