Trends In Procurement And The Excellence Opportunity For CoEs

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2016
The New Normal

COMMODITY PRICE INDEX

Source: IMF Commodity Database, 2016
The Digital Transformation: Opportunity Or Threat?

INTENSIFYING COMPETITION
- Global competition
- Margin pressure
- Merger and acquisition

DISRUPTIVE INNOVATION
- Digital disruption
- Product and service innovation
- Business model innovation

AGE OF THE CUSTOMER
- Omni-channel
- Digital Customer Engagement
- Individualisation
- Segment

THE INSIGHT IMPERATIVE
- Big data
- Analytics
- Predictive modeling
- Artificial Intelligence

THE DIGITAL IMPERATIVE
- Cloud
- Digital Ecosystem
- Universal connectivity
- Mobility
- Social media

Design Thinking

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“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

Charles Darwin
Agility Defined: The Three Leading Characteristics

1. Ability to identify, make and implement decisions quickly
2. Ability to detect and respond rapidly to changes in business demands and priorities
3. Ability to maintain or improve cost levels under volatile business conditions

Source: The Hackett Group 2016 Agility Study
Agile Organisations

ADAPTIVE

Be flexible and adaptable to the rapidly changing environment around us

AGILE SERVICE EXECUTION

Execute in a more responsive, customer centric and agile way

INFORMATION NAVIGATORS

Make information, knowledge and intelligence centric to all what we do
**Agile Service Execution**
**Execute In A More Responsive, Customer Centric And Agile Way**

- Execution Platform
  - The digital backbone
  - Global Business Services
  - Continuous transformation: The TMO

- Service Delivery Orientation
  - Mind-set shift from function to service
  - From end-to-end to beginning-to-end
  - Global service ownership is a must

- Service Partnering
  - Customer value service catalogue
  - Scale multiplier: “Captive +”
  - The rise of the centre of expertise
Knowledge-Based Centres

Top 5 Services Enabled In Procurement CoE’s (% Of Respondents)

- Specialised sourcing support (eg. RFx, eAuctions)
- Analytics
- Supply Market Intelligence
- Regulatory Compliance
- Knowledge Mgmt. (eg. templates, policies/procedures)

- In place now (working fine)
- Focus area
- Not a Focus Area

Source: The Hackett Group CoE’s Poll
Market Intelligence Example: Onshore CoE’s Report The Greatest Return On Market Intelligence (MI) Investments

The ROI of MI

- Onshore COE: 343x
- Outsource: 183x
- Offshore COE: 190x
- Category Managers: 326x

Source: The Hackett Group 2016, MI ROI
Cost Savings Expectations Are Met, But Expectations On Quality Of Services Need Improvement

- **Importance**
  - Delivery of operational cost savings in Procurement
    - 56% Critically Important
    - 33% Very Important
    - 22% Most Important

- **Effectiveness**
  - 52% Highly Effective
  - 15% Mostly Effective
  - 37% Effective

Source: The Hackett Group 2014 Key Issues Study
Taking An Inventory Of Today’s Customer Experience

Areas To Explore:

**CHANNEL MANAGEMENT** - What’s the most effective path to access your internal customers?

**DEMAND MANAGEMENT** - Do you understand the demand your customers have for your services?

**CUSTOMER SUPPORT** - What level and what type of support do you provide them?

**CUSTOMER ACCOUNT MANAGEMENT** - Have you defined account management roles and are they designed to optimise the customer experience?

**BRAND MANAGEMENT** - What’s your Brand? Do you have a brand for Procurement? Is it widely understood by your customers?
A Structured Approach To Improving The Customer Experience Is Needed. Mapping Out The Influence And Importance Of Key Stakeholders An Initial Step

Improving The Customer Experience

- Identify customers
- Measure success
- Analyse results
- Take action

Mapping Out The Influence And Importance Of Key Stakeholders

- Key Players
  Engage Actively and Keep Satisfied
- Monitor and Inform Occasionally
- Minimal Effort
- Keep Informed

Occasionally
Importance
Influence

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Over Time, Build A Holistic Approach Should Be In Place

- Strategy
- Governance
- Communication

- Relationship Mgmt.
- Service Design
- Channel Mgmt.

- Training & Education
- Knowledge Mgmt.
- Talent Mgmt.
Closing Remarks

- Organisations are today **using the opportunity** to make long-lasting, sustainable changes

- There is an opportunity to shape the Procurement’s Service Delivery Model to *deliver the services and become more agile* from Source-to-settle

- **Current Centres are expanding their scope** of services up the value chain. From Source to Settle!

- Cost savings expectations are met, **quality of services require improvement**

- Procurement Organisations needs to **become customer centric**, moving from “Process Orientation” to “Service Orientation”
Questions?
THANK YOU!

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