Procurement Organizational Transformation: Standardization, Centralization, Automation

May 4, 2017
ABInbev’s Global Procurement Journey

- First step in centralization in 2010 – Global Procurement Office (‘GPO’)
- Increasingly agile determination and realization of M&A synergies
- Global transformation (‘Project Denali’) in 2015-2016
- New setup allowed quick integration of SABMiller’s Procurement organization
Reflections & Key Learnings: Denali project

The dream..

• Leaner, more efficient organization
• Spend control with compliance to terms & policies
• Increase Procurement coverage of tail spend
• Improve business interface with Procurement
• Better reporting analytics
• Overhead cost control
• Capture additional tax efficiencies
• Implement excellence program
• Standard state-of-the-art Tech platforms
• ‘Plug & Play’ M&A readiness

… dependent on

• Strong leadership and change management in the Zones
• Process & org. design standardization
• Clear & aligned Collaboration Model
• Investment in automation (POs in SAP, platforms)
• Cross functional support (People, IBS)
Keys to Success

• Change Management
  • Over-communicate
  • Organization needs to believe in the model
  • Quickly identify blockers & supporters, address the blockers & recruit supporters
  • Build multi-functional local teams to deal with day-to-day logistics, and a central team to ensure consistency of approach (and fund adequately)

• Invest first in learning (benchmarking, fit-gap), then plan
• Transform before “Lift & Drop”
• Knowledge management – document & train
• Hyper-care is critical
• Service level will be different – focus on KPIs
• People & Leadership are (as usual) KEY
## Clearly Defined Procurement Offices Roles

<table>
<thead>
<tr>
<th>Front Office (Managerial &amp; Strategic)</th>
<th>Middle Office (Tactical)</th>
<th>Back Office (Transactional)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global</strong></td>
<td><strong>Regional</strong></td>
<td><strong>Global</strong></td>
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<tr>
<td>GPO</td>
<td>RPO</td>
<td>GPSS</td>
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<tr>
<td>Global Procurement Office</td>
<td>Regional Procurement Office</td>
<td>Global Procurement Shared Services</td>
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<tr>
<td>1 Global</td>
<td>1 per Region</td>
<td>1 Global</td>
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<tr>
<td>• Global Category Management</td>
<td>• Regional Category Management</td>
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<tr>
<td>• Category strategy</td>
<td>• Category strategy</td>
<td>• PO creation</td>
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<tr>
<td>• Sourcing execution</td>
<td>• Sourcing execution</td>
<td>• Continuous Improvement</td>
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<tr>
<td>• SRM strategy/exec</td>
<td>• SRM strategy/exec</td>
<td>• Analytics Engine</td>
</tr>
<tr>
<td>• Global Planning &amp; Performance Management</td>
<td>• Regional Planning &amp; Performance Management</td>
<td>• Compliance &amp; Value Tracking</td>
</tr>
<tr>
<td>• Risk Management</td>
<td>• Regional Capabilities</td>
<td>• Centralized Operational &amp; Financial Reporting</td>
</tr>
<tr>
<td>• Global Capabilities &amp; Compliance*</td>
<td>• Operations</td>
<td>• Global BuySell support</td>
</tr>
<tr>
<td>• &quot;Smart Value Creation&quot;***</td>
<td>• Stakeholder management</td>
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<tr>
<td>• BuySell</td>
<td>• Contract implementation</td>
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<tr>
<td><strong>Language-dependent activities</strong></td>
<td><strong>Non-language-dependent activities</strong></td>
<td></td>
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<tr>
<td>• Spot Buy desk</td>
<td>• PO creation</td>
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<tr>
<td>• PR/PO follow up</td>
<td>• Continuous Improvement</td>
<td></td>
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<tr>
<td>• Content management</td>
<td>• eSourcing Factory</td>
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<tr>
<td>• Supplier enablement</td>
<td>• Analytics Engine</td>
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<tr>
<td>• Contract admin &amp; optimization</td>
<td>• Compliance &amp; Value Tracking</td>
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<tr>
<td>• Continuous Improvement</td>
<td>• Centralized Operational &amp; Financial Reporting</td>
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<tr>
<td>• BuySell support</td>
<td>• Global BuySell support</td>
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<tr>
<td>Provides Services to RPO</td>
<td>Provides Services to RPO</td>
<td>Provides Services to RPSS</td>
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</table>

* S2P Process ownership, Compliance, Tech Agenda, Learning and Development
** Supply chain consulting, Design to Value, Sustainability
Design Source to Pay Process Framework

- All activities are process-oriented in an efficient end-to-end procurement organization
- Allows focus on the right KPIs and tracking Procurement performance from source to pay
- Processes split into different levels of complexity:

<table>
<thead>
<tr>
<th>Managerial processes</th>
<th>Tactical processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Performed by procurement Management team</td>
<td>• Repetitive value creation activities</td>
</tr>
<tr>
<td>• Includes target setting and ownership</td>
<td>• Focuses on process commonality</td>
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<tr>
<td>• Drives the development of the procurement function</td>
<td>• Managed through defined service requests</td>
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<td></td>
<td>• Data and analytics enabled</td>
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</table>

<table>
<thead>
<tr>
<th>Strategic processes</th>
<th>Transactional processes</th>
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</thead>
<tbody>
<tr>
<td>• Core to the company strategy</td>
<td>• Repetitive processing activities</td>
</tr>
<tr>
<td>• Drives business value agenda</td>
<td>• Efficiency driven</td>
</tr>
<tr>
<td>• Specialized and category specific</td>
<td>• Low-interaction activities</td>
</tr>
<tr>
<td>• Requires stakeholder proximity</td>
<td>• Language and location neutral</td>
</tr>
</tbody>
</table>

All activities are process-oriented in an efficient end-to-end procurement organization, allowing focus on the right KPIs and tracking Procurement performance from source to pay. Processes are split into different levels of complexity.
# Designed Procurement Processes from Scratch – Level 1 to SOPs

## Managerial processes

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Strategic processes</strong></td>
<td></td>
<td></td>
<td></td>
<td>Manage Technology &amp; Tools</td>
<td>Manage Stakeholders and Communication</td>
</tr>
<tr>
<td>2.1 Define &amp; Approve Category Strategy</td>
<td>2.3 Define &amp; Execute Category Risk Management</td>
<td>2.5 Define and Execute Supplier Management Strategy</td>
<td>2.6 Define Contract Management</td>
<td>2.8 Define and execute sustainability &amp; BW strategy</td>
<td>2.10 Execute Budgeting cycle</td>
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<tr>
<td>2.2 Execute Sourcing Project</td>
<td>2.4 Execute Value Engineering Project</td>
<td></td>
<td></td>
<td>2.9 Define &amp; execute innovation strategy</td>
<td>2.11 Execute PPM activities</td>
</tr>
<tr>
<td><strong>Tactical Processes</strong></td>
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<tr>
<td>3.1 Execute Spot Buys</td>
<td>3.2 Execute Contract Implementation</td>
<td></td>
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<tr>
<td>3.3 Manage contracts</td>
<td>3.4 Execute predictive analytics</td>
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<tr>
<td>3.5 Execute performance</td>
<td>3.6 Perform VE analytics</td>
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<tr>
<td>3.8 Execute Inventory Optimization</td>
<td>3.9 Execute Continuous Improvement</td>
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<tr>
<td><strong>Transactional Processes</strong></td>
<td></td>
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</tr>
<tr>
<td>4.1 Perform Supplier Enablement</td>
<td>4.2 Perform Contract Administration</td>
<td>4.3 Perform Requisition to Order</td>
<td>4.6 Perform eSourcing support</td>
<td>4.7 Perform Helpdesk services</td>
<td>4.8 Perform Operational Reporting</td>
</tr>
<tr>
<td>4.4 Perform PO Mgmt.</td>
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<td></td>
<td>4.9 Perform Master Data Management</td>
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<tr>
<td>4.5 Perform Accounts payable</td>
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<td></td>
<td>4.10 Perform IT tools Management</td>
</tr>
</tbody>
</table>

- **GPO/RPO**: GPO/RPO
- **PSS**: PSS
- **BSC**: BSC
Some Processes are not Trivial to Centralize

**Spot Buys**
- PR triangle
- PR quality check
- Analyze Specification
- Identify & Conduct RFx
- Negotiate agreement & Select Supplier
- Update Requisition & Create PO
- PR/PO follow-up
- Handle order acknowledgements
- Reduce Spot Buy

**PSS suitable spend Sourcing & Category Mgmt.**
- Strategic Sourcing
- Follow up strategy category implementation

**Supplier Enablement & Management Support**
- Quality suppliers
- On-board & Enable suppliers and e-Invoices
- Support performance, collaboration, development and phasing-out

**eSourcing Factory**
- Check Completeness of Request
- Register Supplier
- Develop eSourcing event
- eSourcing set up & supplier enablement
- Manage eSourcing event

**Service Management**
- Execute Tier 2 helpdesk
- Execute SLA/KPIs corrective actions
- Identify and implement continuous improvement actions

**Contract Administration & Optimization**
- Create contract in SAP
- Enable catalogues
- Retain Contracts in Repository
- Monitor contract expiration dates

**Analytics Engine**
- Commodity analytics
- Inventory optimization
- Value Tracking
- Budgeting
- Contract analytics (compliance)
- Supply risk analytics
- P2P analytics
- Should-Cost model
- VE analytics
- Supplier performance analytics

**Operational Reporting**
- Generate set of standard reports
- Create ad hoc reports based on available system data
- Distribute reports to stakeholders

**Content Management**
- Manage/Update Buyer Portal Content
- Maintain catalogues

**Offshore services**
- Supplier Enablement & Management Support
- Content Management
- Operational Reporting
- Service Management
- Contract Administration & Optimization
- eSourcing Factory
- Spot Buys
- PSS suitable spend Sourcing & Category Mgmt.
## Tackling Tail Spend

<table>
<thead>
<tr>
<th>Type</th>
<th>Strategic Sourcing (~80% of spend, few suppliers)</th>
<th>Tail Spend</th>
<th>Tail of the Tail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibility</td>
<td>GPO &amp; RPO</td>
<td>PSS</td>
<td>Business User</td>
</tr>
<tr>
<td>Keys for Success</td>
<td>• Centralization</td>
<td>• Process Standardization</td>
<td>• P-Card (Visibility &amp; Control)</td>
</tr>
<tr>
<td></td>
<td>• Separate Sourcing vs. Operations</td>
<td>• Catalogue/Contracts Automation</td>
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</tr>
<tr>
<td></td>
<td>• Business Insights &amp; Market Analytics</td>
<td>• eSourcing</td>
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<tr>
<td></td>
<td></td>
<td>• Knowledge Management &amp; Training</td>
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<td></td>
<td></td>
<td>• Global Supplier Portal &amp; Clean Master Data</td>
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<td>• Analytics for Continuous Improvement</td>
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Roles & Responsibilities – GPO CM

The role of the GPO, is to develop and implement procurement strategy and own relationships with suppliers

- Ownership of overall category strategy
- Ownership for specific sourcing strategies
- Select suppliers
- Evaluate suppliers and negotiate Contracts/ key Terms & Conditions
- Follow compliant Contract management process (approval, signature, retention)
- Provide market intelligence, manage innovation, manage commodity risk and lead Value Engineering activities
- Manage overall procurement knowledge, tools and technology

Local procurement/PSS support the management of daily transactional activities with the suppliers

- Undertake transactional purchasing
- Manage supplier performance monitoring/ reporting in line with GPO guidance
- Manage budgeting and value tracking
- Undertake material planning and execution
- Ensure inbound logistics management
- Escalate any chronic supply issues or major disputes to GPO Category Managers
Roles & Responsibilities – GPO Led CM

The role of the GPO is to develop and own the overall category strategy, and retain overall responsibility for the category:

- Ownership of overall category strategy
- Retains overall responsibility for the category and provides DAG approvals in line with global requirements

The role of the RPO is to support the procurement strategy implementation and own relationships with suppliers:

- Ownership of specific sourcing tactics
- Select suppliers
- Evaluate suppliers and negotiate Contracts/ key Terms & Conditions
- Follow compliant Contract management process (approval, signature, retention)
- Provide market intelligence, manage innovation, manage commodity risk and lead Value Engineering activities

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RPO Standard Structure

GPO/CPO

Zone President

Regional Procurement VP

PSS Director

Regional CatMan Director(s)

Category Mgrs

Local Operations Mgrs

Regional PPM

Variable Costs

Fixed Costs

WAPT & e-sourcing

Procurement Capabilities

Sourcing Specialists

PMO

Supplier Dev.

Compliance

Procurement Shared Services Zoom follows
Compliance Process: GPO Example

It is the responsibility of GPO to collect and store required compliance documentation for GPO categories, regardless of who produces the Compliance ‘deliverables’.

Evidence that GPO is accountable for the category strategy

Evidence that GPO is leading and delivering the value should be collected throughout the end to end sourcing process (e.g. meeting minutes, negotiation summaries)
Set Routines to Track, Monitor, Sustain, & Improve

Tier 0
- EBM

Tier 1
- GPO Leadership Meeting
- Procurement Leadership Meeting
- Global Commodity Meeting

Tier 2
- Global S2P Committee
- Commodity Coverage Tracking
- Procurement Review
- Regional S2P Committee
  - Category T&M RAU
  - Category T&M Packaging
  - Category T&M Logistics
  - Category T&M Indirect

Tier 3
- GPO Category Routine
- RPO Category Routine
- Global PSS Mgmt Routine
- Regional PSS Mgmt Routine
Sustain & Continuously Improve: Procurement Excellence Program

Focus on process excellence while not losing sight of delivering financial results

- Enabled by a global standardization of processes and centralization of transactional activities
- System-measured KPIs (no physical audit required)
- Leveraging standardized global KPI program with aligned targets Finance & Shared Services organizations
- Quarterly results centrally compiled & reported by GPSS analytics