

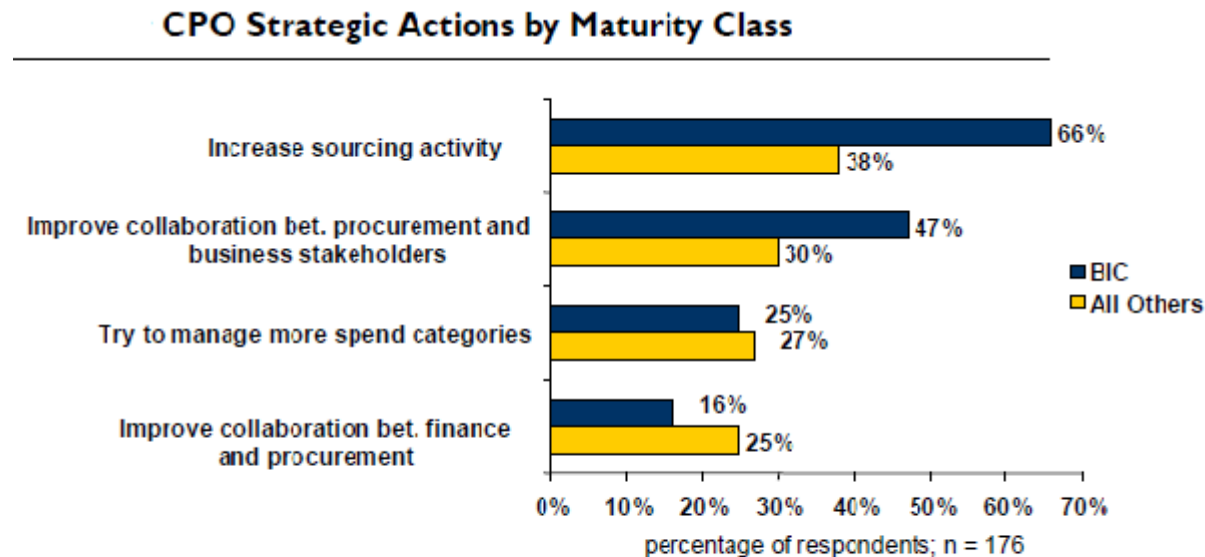


# Procurement Redefined: Best Practices in Procurement



# Increasing importance of procurement

- ❑ Key involvement in decision making
- ❑ Crucial to the bottom line of any business
- ❑ Strategically important to an organization

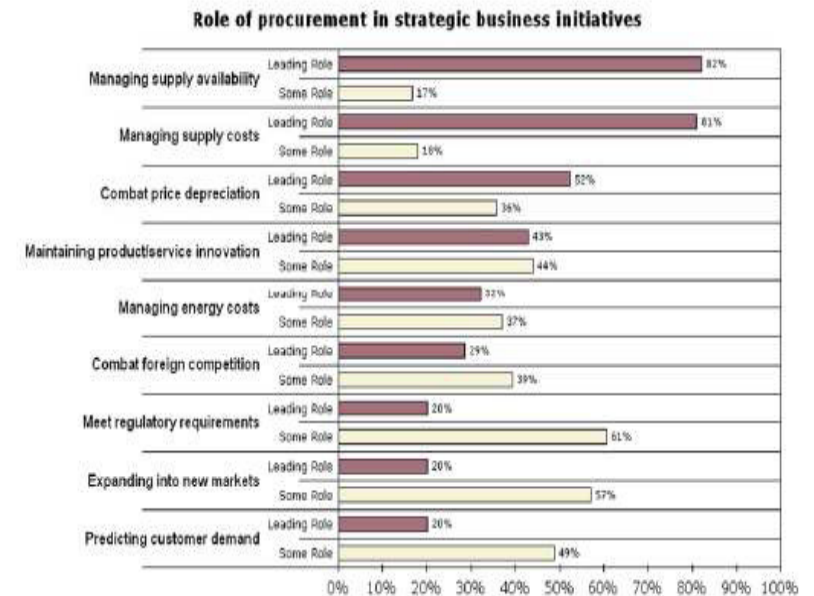


Source: Aberdeen Group, November 2009

# Why the need for Procurement Transformation

- ❑ Increasing role of procurement as an enabler for several strategic business initiatives
- ❑ Customer demand prediction, new market penetration etc.

Figure 1: Role of procurement in strategic business initiatives



Source: Aberdeen Group, March 2005

# Procurement Challenges

- ❑ Lack of standardization in procurement process
- ❑ Need to leverage the benefits of centralized procurement
- ❑ Benchmarking of process maturity with industry peers
- ❑ Need to manage commodity risk

# The role of automation in Procurement

- ❑ Automation in procurement is not a new concept
- ❑ Solutions not harnessed to full potential
- ❑ Beyond operational efficiency

## The Need

***Automated solutions which are seamlessly integrated and aligned with organizational objectives***

## 4 Procurement Best Practices

- ❑ Entail central level management support & utilize automation
- ❑ Integrate and automate supplier management
- ❑ Ensure easy to use solutions and easy to adhere processes for effective change management
- ❑ Ensure seamless integration between your automated systems

# Center led procurement transformation

- ❑ Top level executive support ensures that initiatives actually translate into repeatable processes .
- ❑ Helps to align central organizational level objectives with procurement objectives
- ❑ E.g.- Contract Authoring in a contract management solution provides workflows that help executive level involvement in contract creation and execution
- ❑ Central management needs to have visibility into potential benefits.

***75 % of procurement executives mentioned that their organizations are already center led or changing to center led procurement initiatives in the next year***

# Poll Question 1

**Q. What is key role of procurement within your organization?**

- ✓ Managing supply availability
- ✓ Managing supply costs
- ✓ Demand forecasting
- ✓ Maintaining product or service innovation

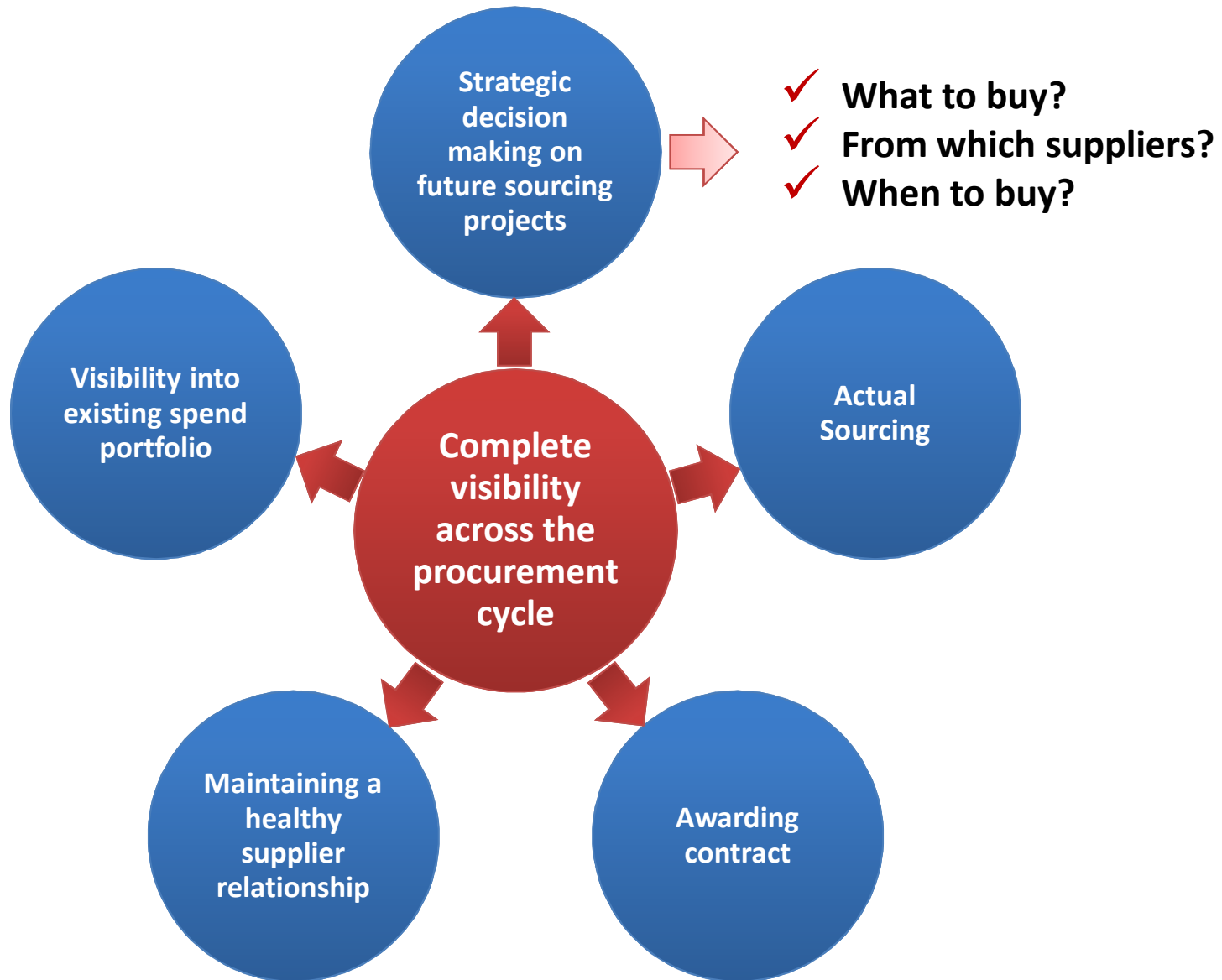
# A generic procurement setup



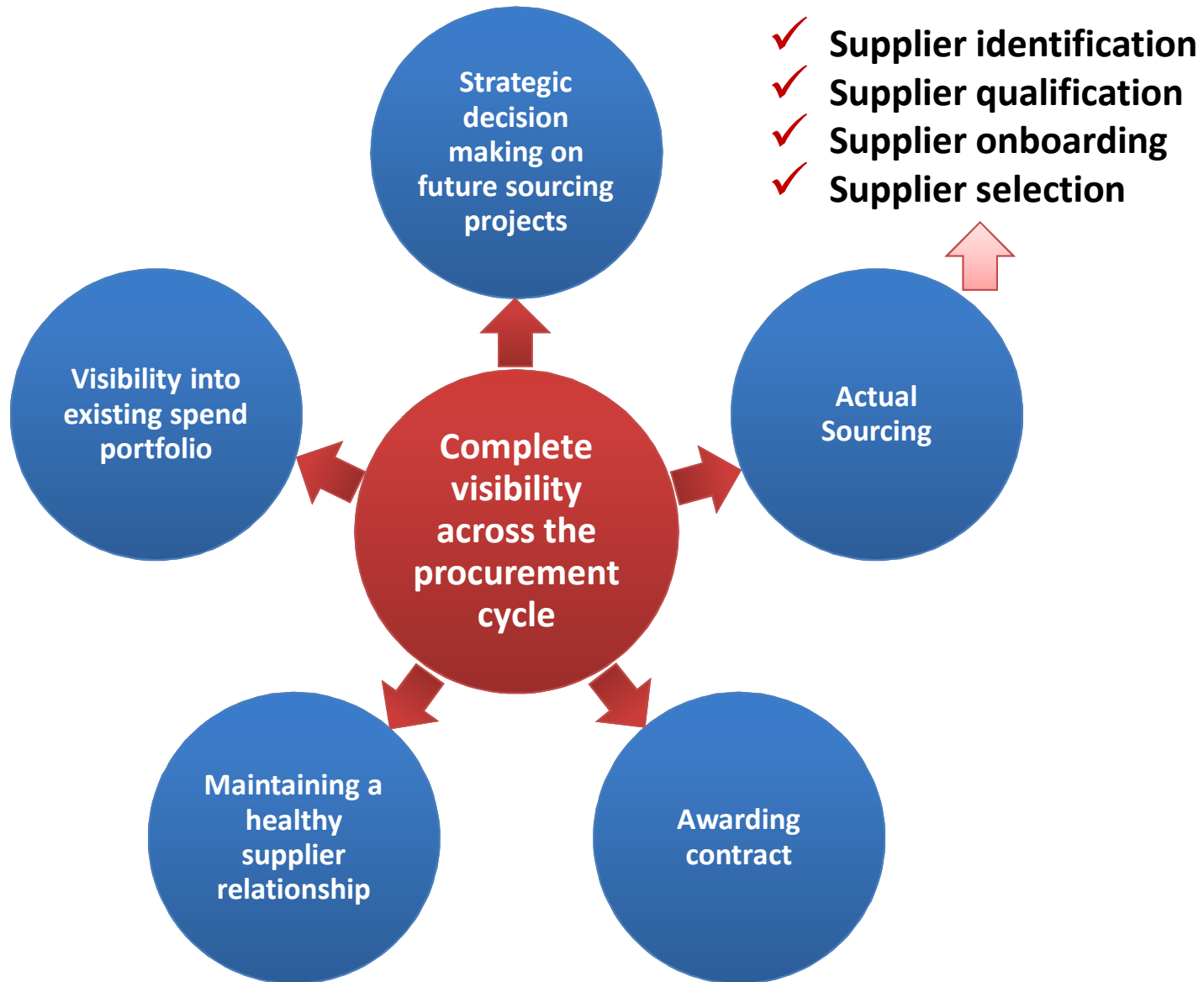
## Focus on

- ❑ Delivery of supplies on time
- ❑ Effective quality control on procured items
- ❑ Minimized risk of supply chain disruption
- ❑ Timely supplier payment and contract renewals
- ❑ Sustained savings generation
- ❑ Procurement process efficiency
- ❑ Complete visibility across the procurement cycle

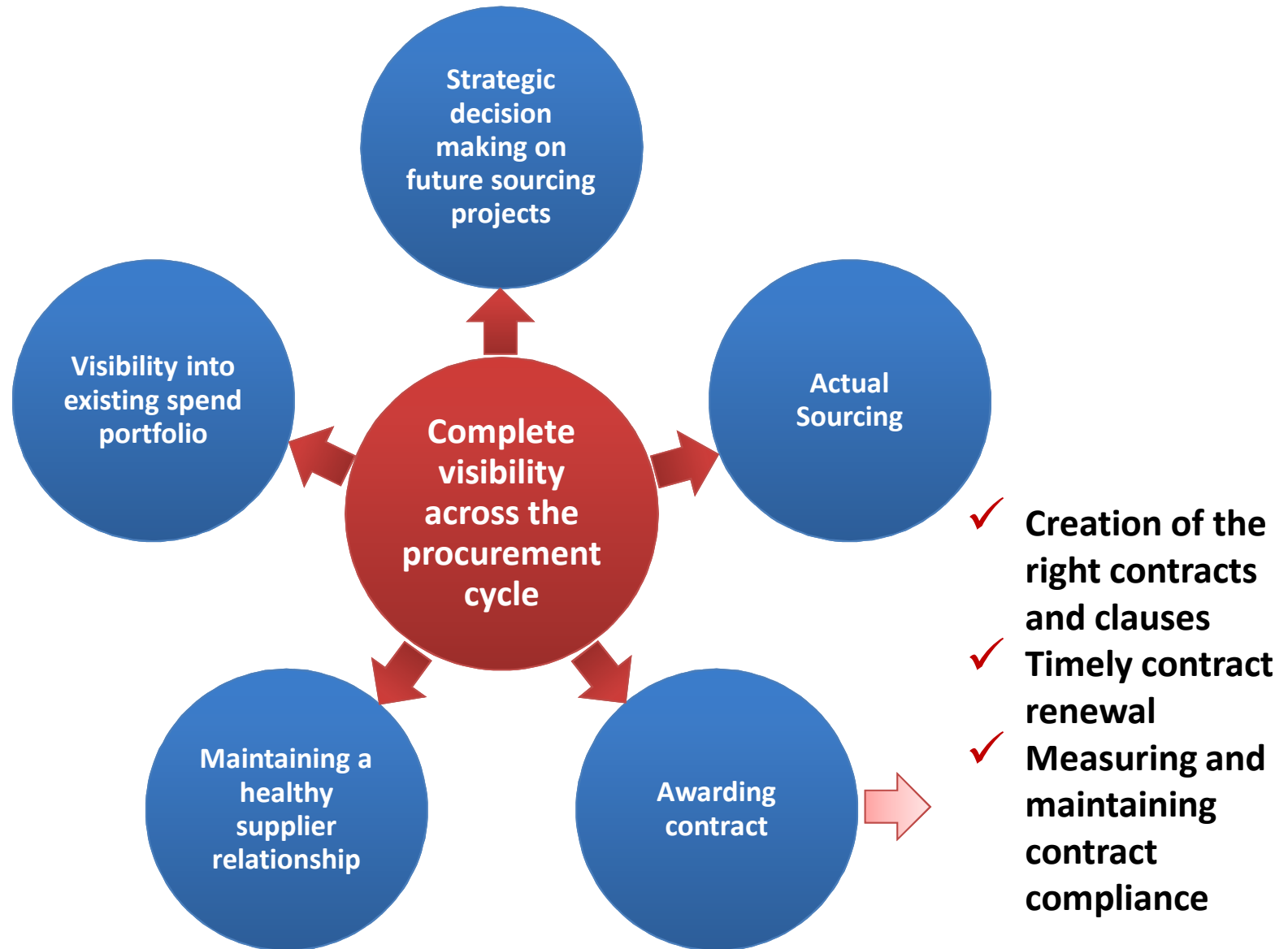
# An efficient procurement setup



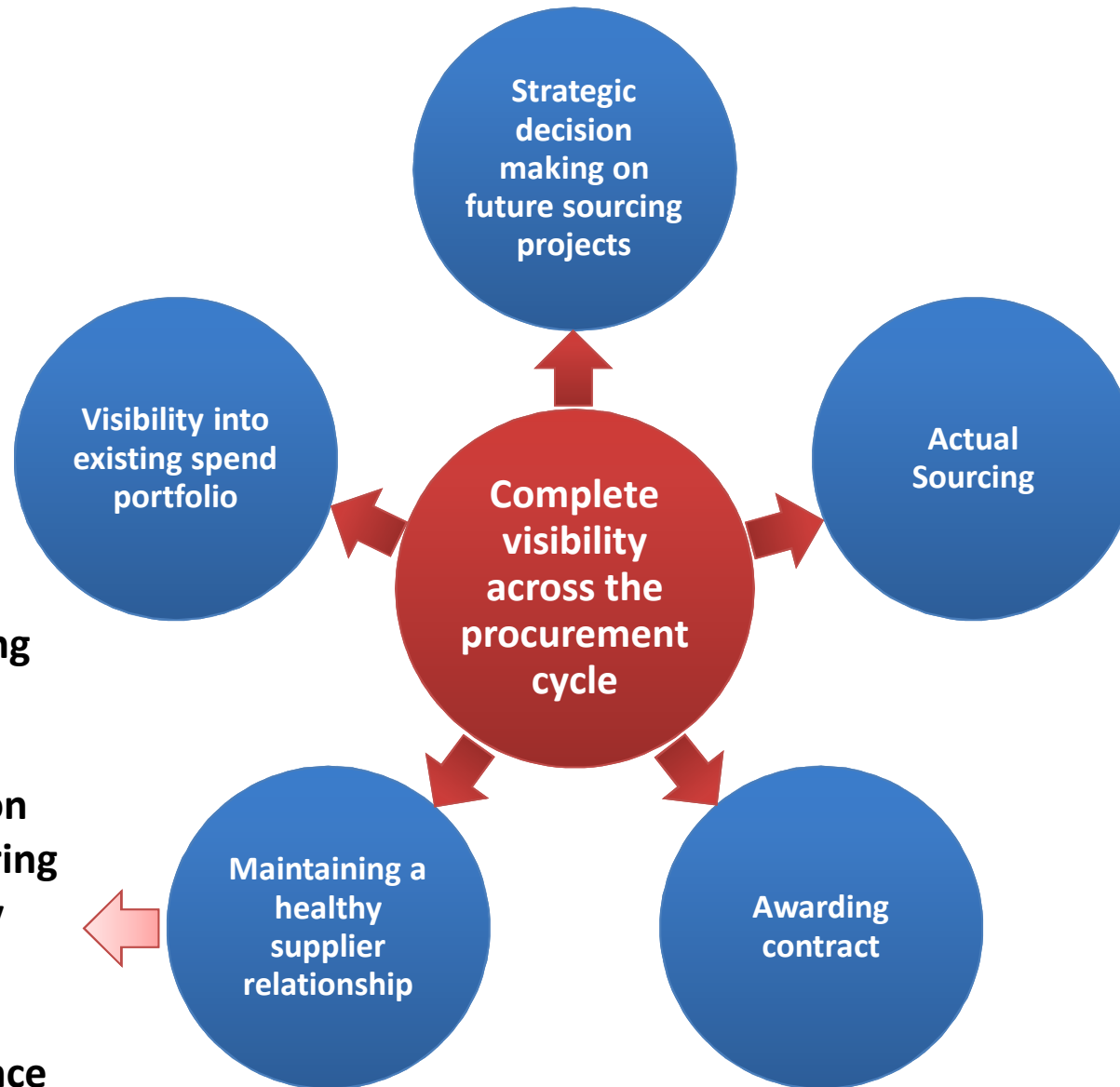
# An efficient procurement setup



# An efficient procurement setup



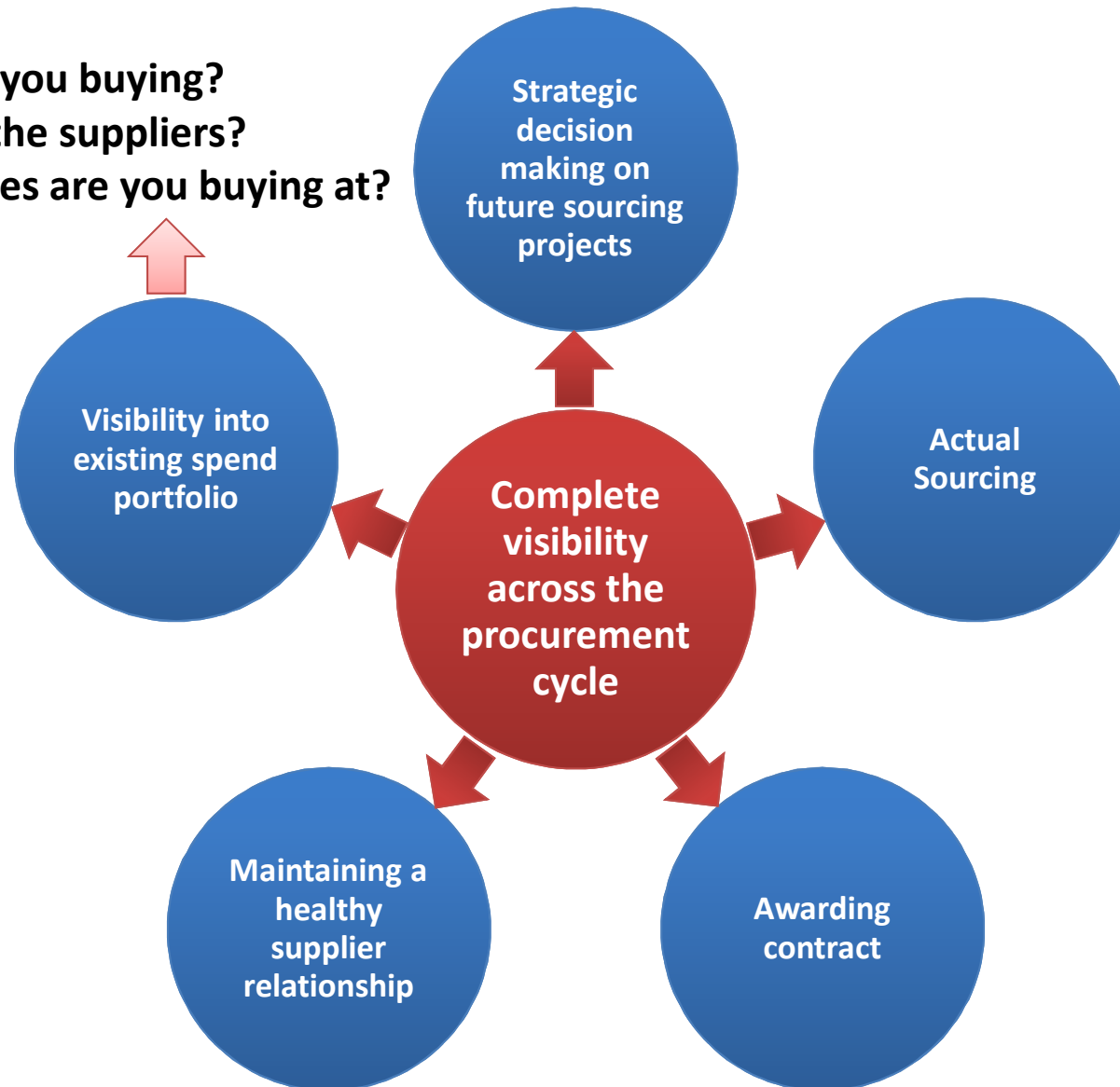
# An efficient procurement setup



- ✓ Maintaining updated supplier information
- ✓ By measuring and timely reviewing supplier performance

# An efficient procurement setup

- ✓ What are you buying?
- ✓ Who are the suppliers?
- ✓ What prices are you buying at?



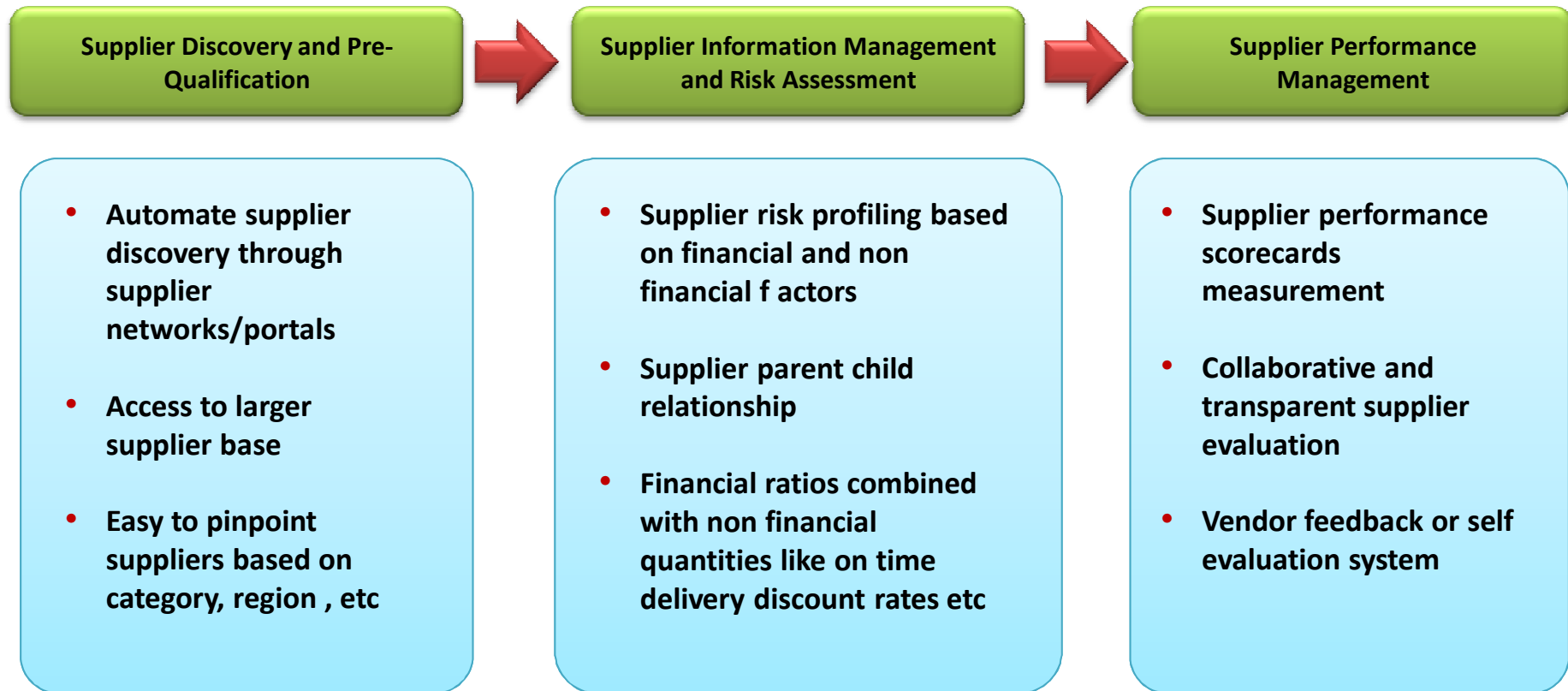
# Supplier Management: Automated and integrated

## Objectives of Supplier Management

- ❑ Minimize supply chain risk – prevent delays and disruptions
- ❑ Supply base optimization – maximize discounts
- ❑ Maintain healthy business relationship with suppliers

Firms that experience supply chain disruptions end up with an average of 6.92% drop in sales growth, 10.67% increase in overall costs and 13 % increase in inventory.

# Supplier Lifecycle



# Effective change management

- ❑ Focus on end user buy-in
- ❑ Change management process should be simpler

## SOME STEPS TO ENSURE EASIER AND QUICKER ADOPTION

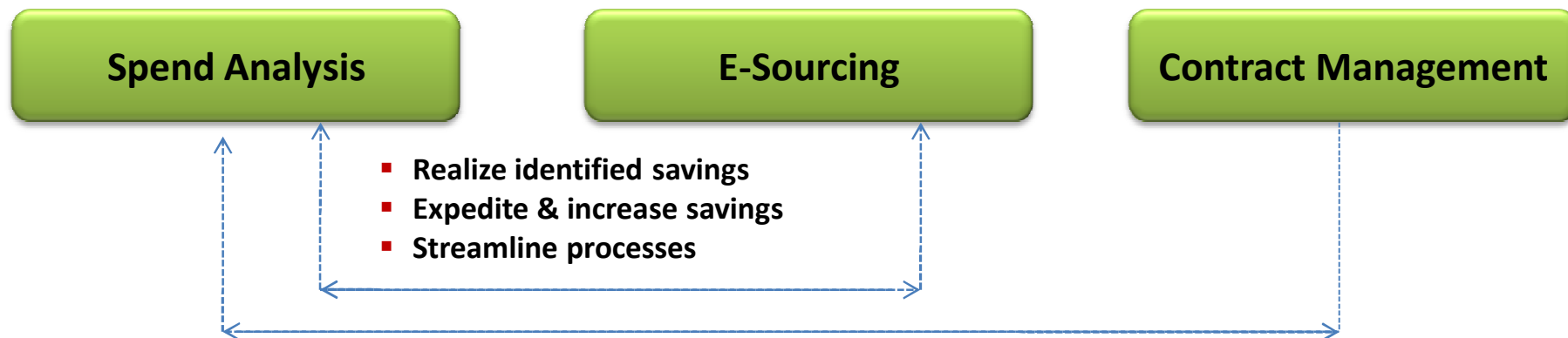
- ❑ Focus on the people not just the software and the systems.
- ❑ Focus less on complex features and more on ease of use during evaluation
- ❑ Incentivize and reward adoption
- ❑ Adoption metrics and systems a must.
- ❑ Incorporate user feedback

For automated solutions to be drivers of increased process efficiency it is essential that the necessary steps are taken to increase their user adoption.

Easy to use solutions, incentives and rewards for early adopters, proper adoption tracking and user training create increased adoption and help derive accelerated ROI from these solutions

# Ensure seamless integration between your automated systems to ensure maximized savings

- ❑ System integration is the first step to enabling effective and sustainable savings mechanism
- ❑ Identifying more savings opportunities >>> executing on these savings to realize all potential opportunities as well >>> as complying to processes that will ensure further savings.



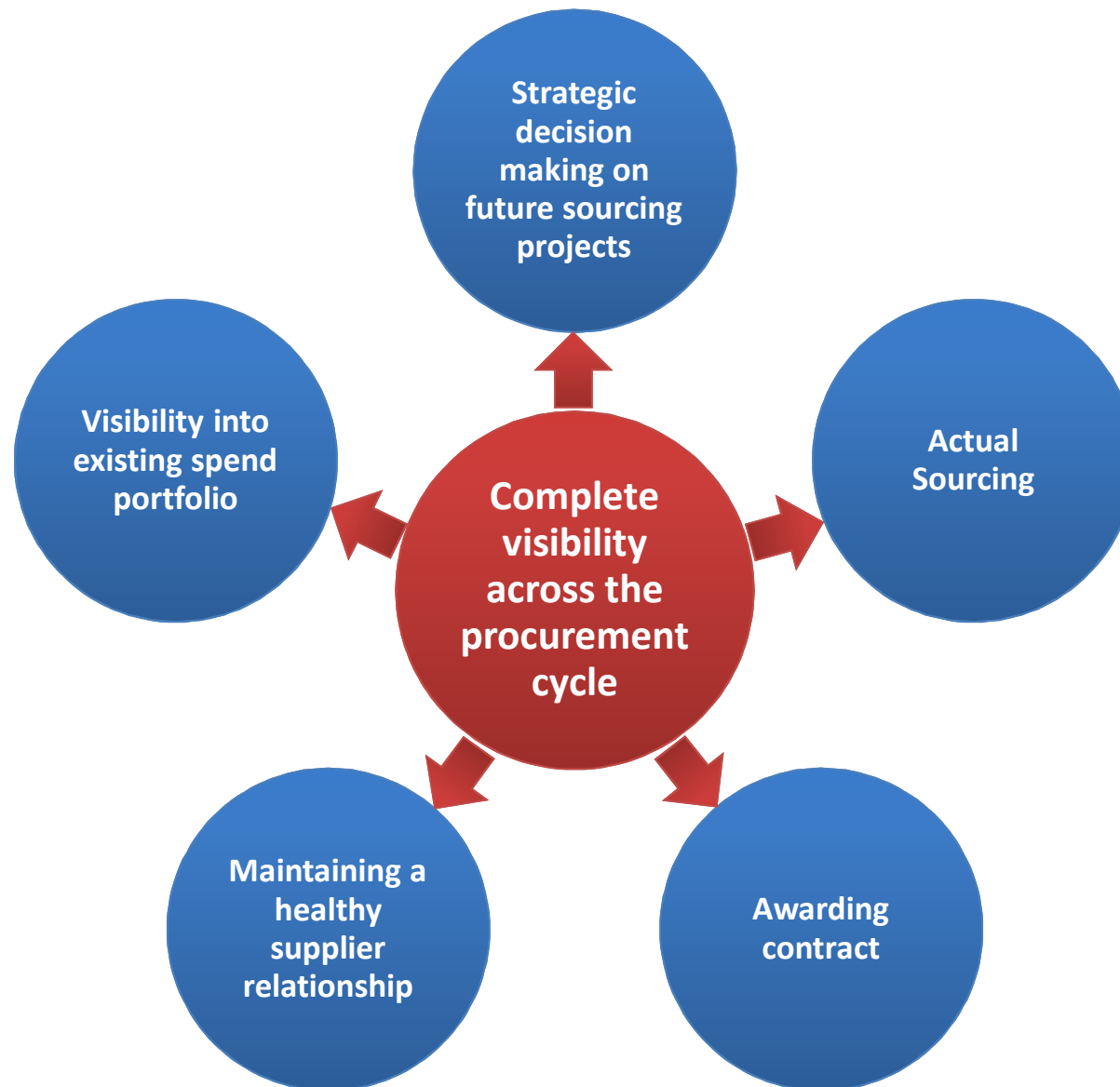
- Measure and drive contract utilization based on actual spend
- Negotiate better with effective contract utilization
- Monitor compliance to price & non-price contract terms

# A supplier management case study

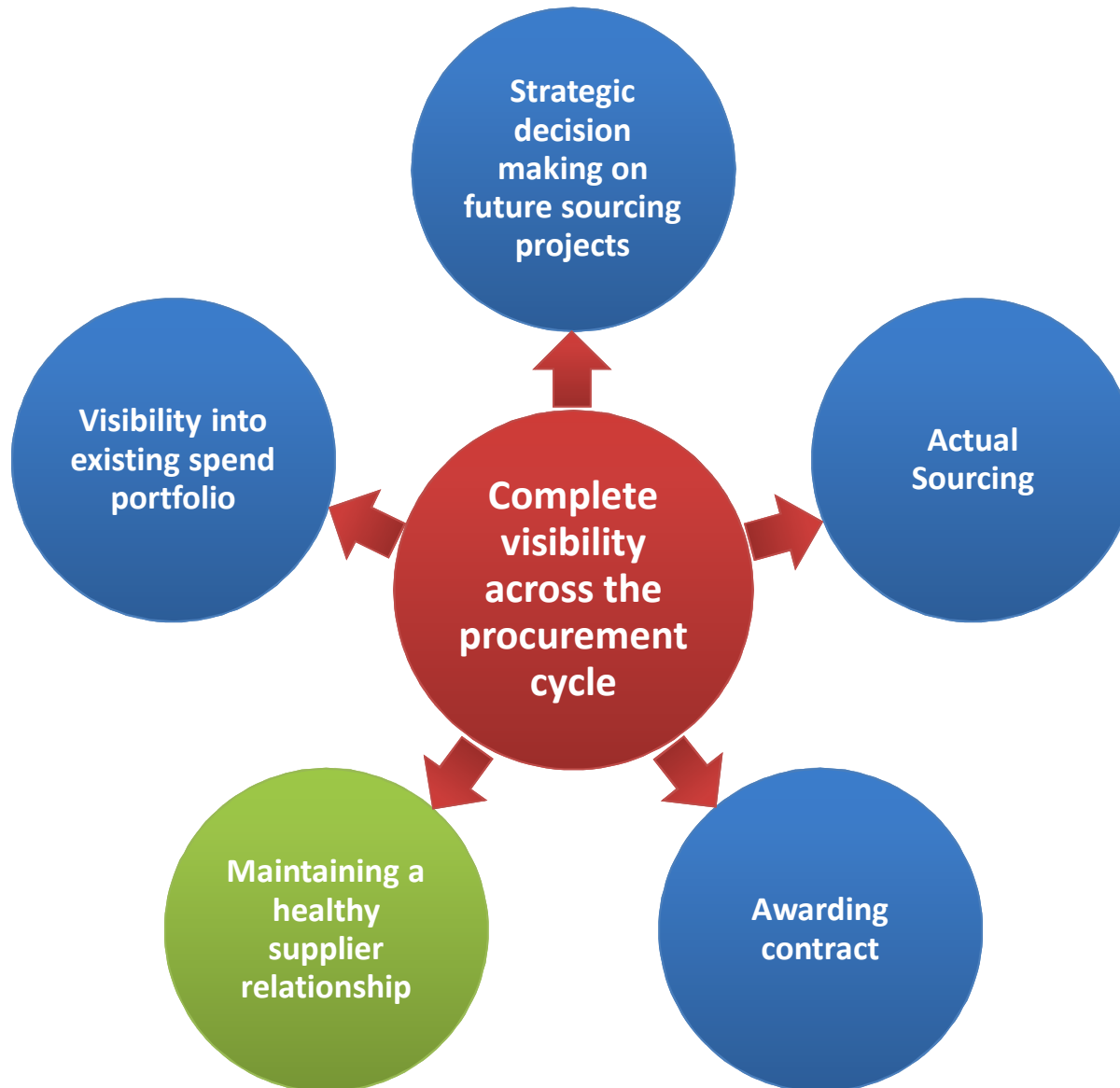
**A globally diversified manufacturing company with revenues of \$11 billion and indirect spend amounting to US\$ 300 million per year**

- ❑ Mitigated supply base related risks
  - ✓ Discovered bidding supplier was a defendant in a law suit during sourcing event, which could have ended in bankruptcy
  - ✓ Supplier blocked from doing business in EU. Supplier notified customers on Monday, but RE already knew on prior Friday
  - ✓ Shored up supply continuity plans for suppliers who show signs of solvency risk
- ❑ More effectively leveraged aggregated spend at parent company level vs. negotiating with each division
- ❑ Obtained greater buy-in for strategic supply contracts by improving stakeholder satisfaction and empowerment
- ❑ Deploy SPM data in sourcing strategy development, event creation, and decision making; make better decisions that account for total costs of doing business
- ❑ Identify opportunities to collaborate with suppliers to drive continuous performance improvement and reduce total supply chain costs

# An efficient procurement setup



# An efficient procurement setup



# Poll Question 2

**Q. What is the current state of visibility into supplier information within your organization?**

- ✓ Minimal, we do not track such supplier information
- ✓ Basic, we track information related to our top suppliers
- ✓ Detailed, we source relevant supplier information from third party (supplier risk, parent child and diversity data)
- ✓ Detailed, we have an internal team dedicated to this

**Thank You for attending this Web Seminar!**

**Zycus Inc.**

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