



Driving Value Through Supply Chain Innovation

January 2011



ADVISORY + TALENT YOUR WAY

AN APPROACH UNHEARD OF IN TRADITIONAL CONSULTING AND STAFFING FIRMS

We give clients access to unbundled resources, plus the ability to selectively add value through leading-edge methodologies, the latest best practices, and specialized insight and advice.



Agenda

Procurement & The Value Creation Model

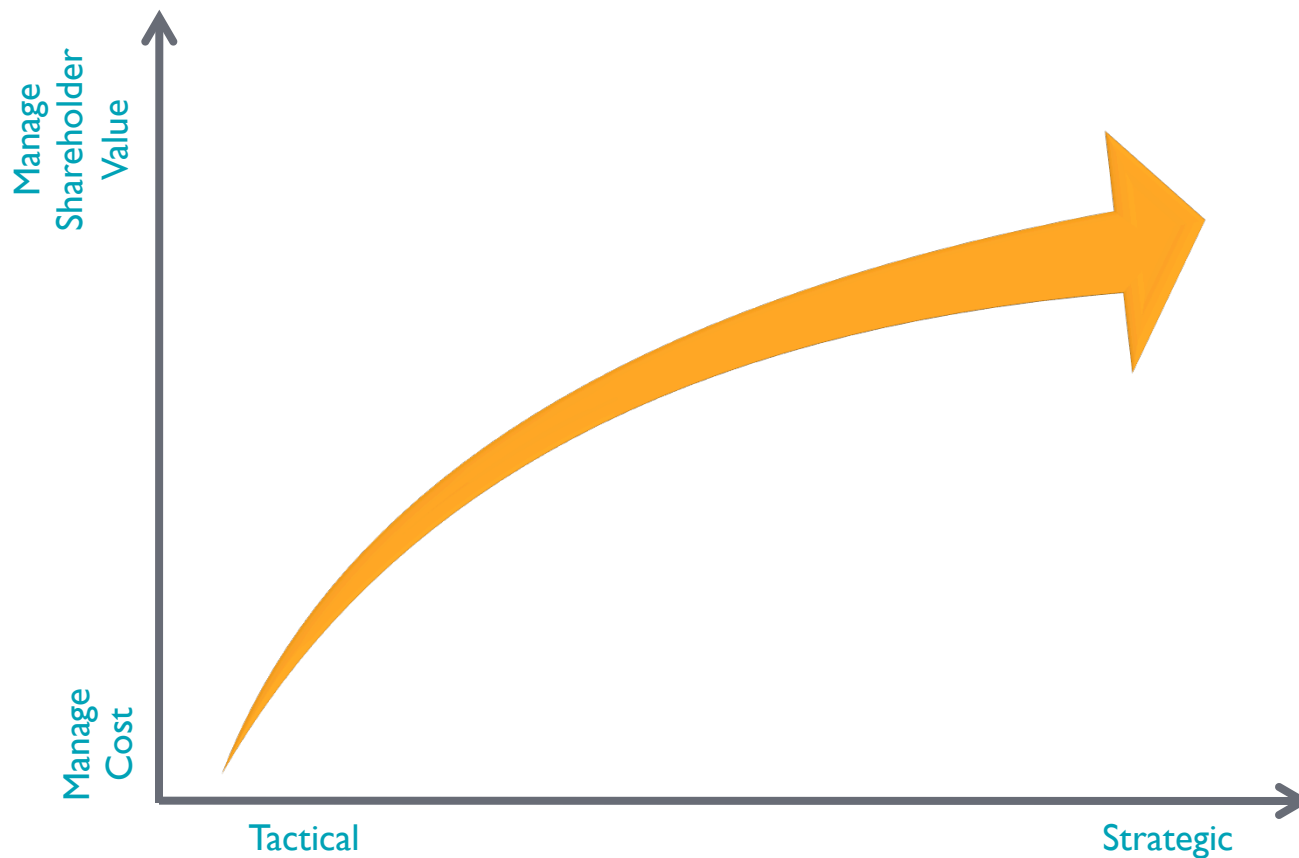
Our Approach to Discovering Innovation

Insight into Next-Generation Procurement

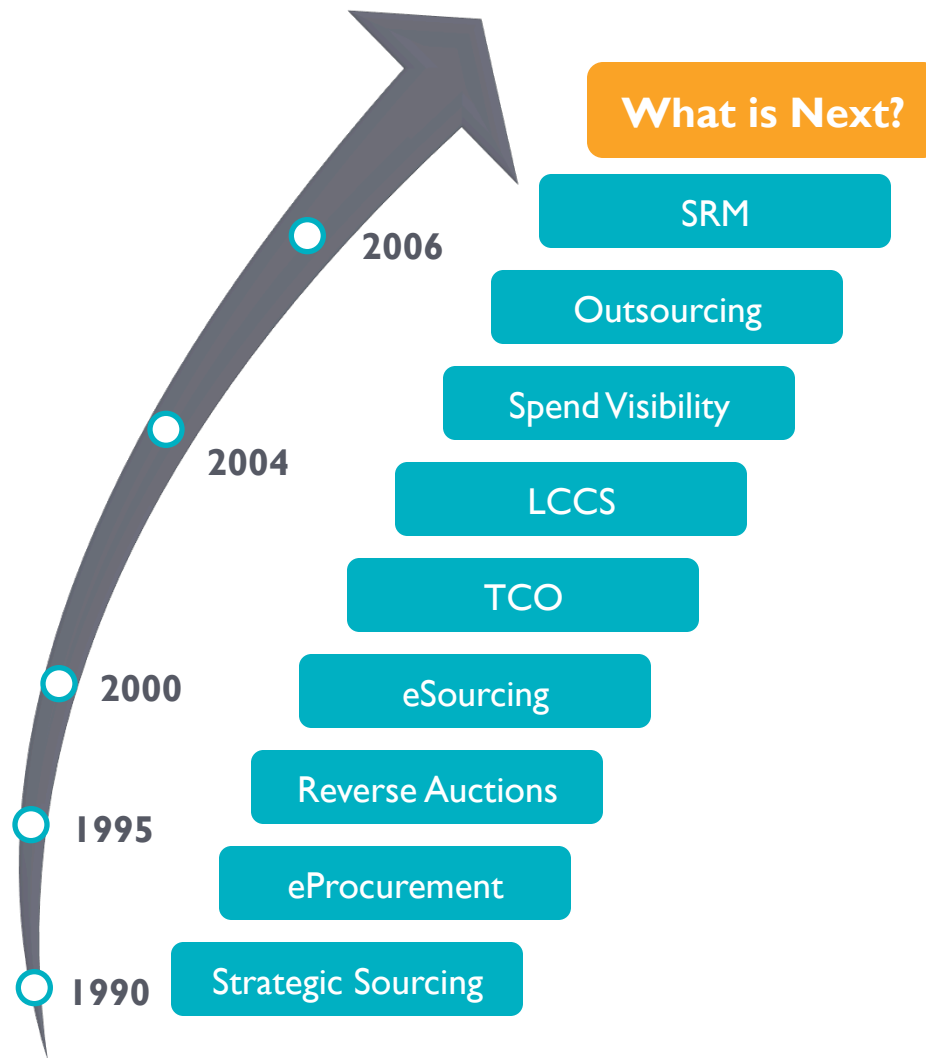
- Emerging Trends
- Innovation Predictions

The Evolution of Procurement

Over the last 20 years, procurement has shifted from a back office clerical function to a strategic one that creates shareholder value

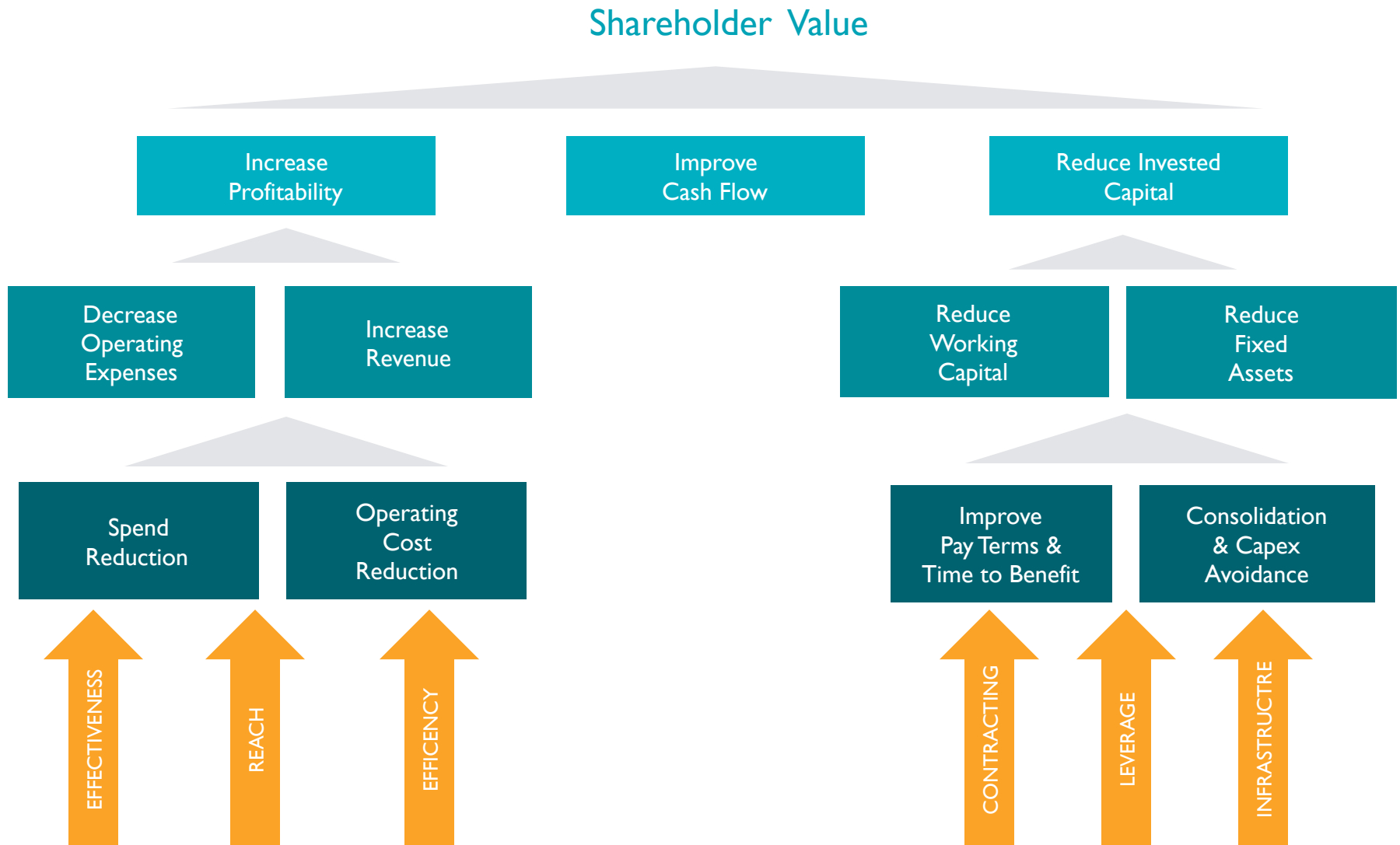


History of Innovation in Procurement



Technology and process innovations have facilitated this increase in value

The Procurement Value Creation Model



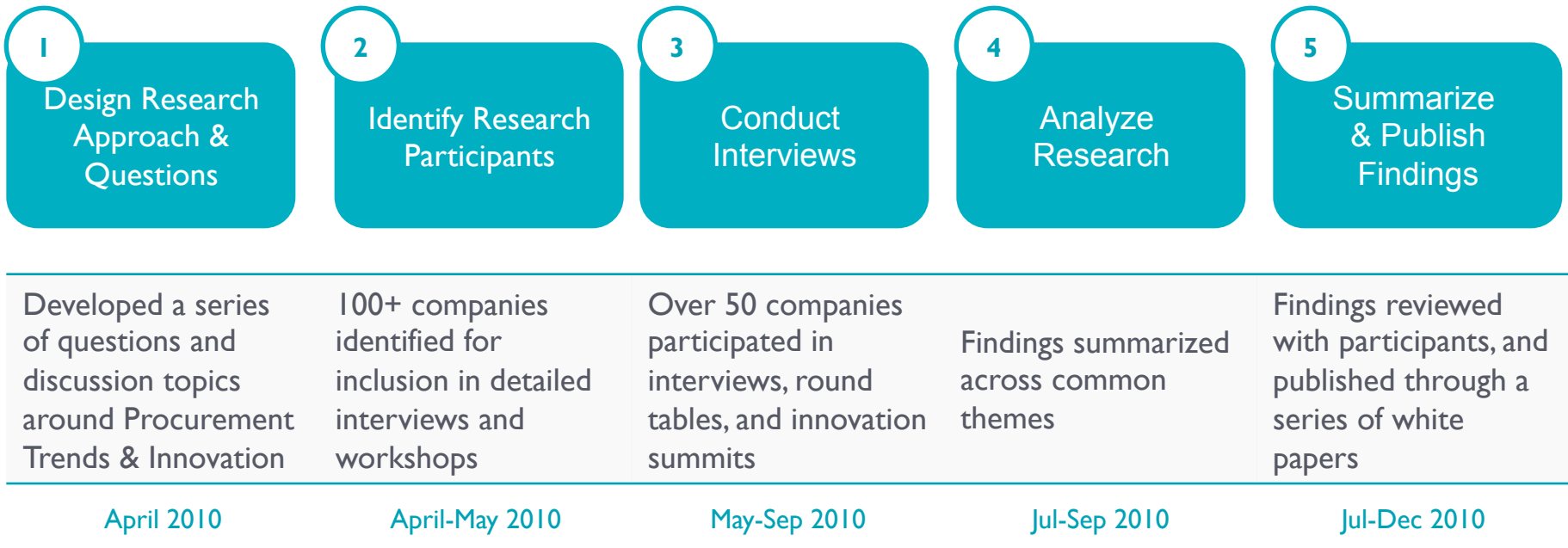
So, what's next?

What Will Create Procurement Breakthroughs Over The Next 5 Years?



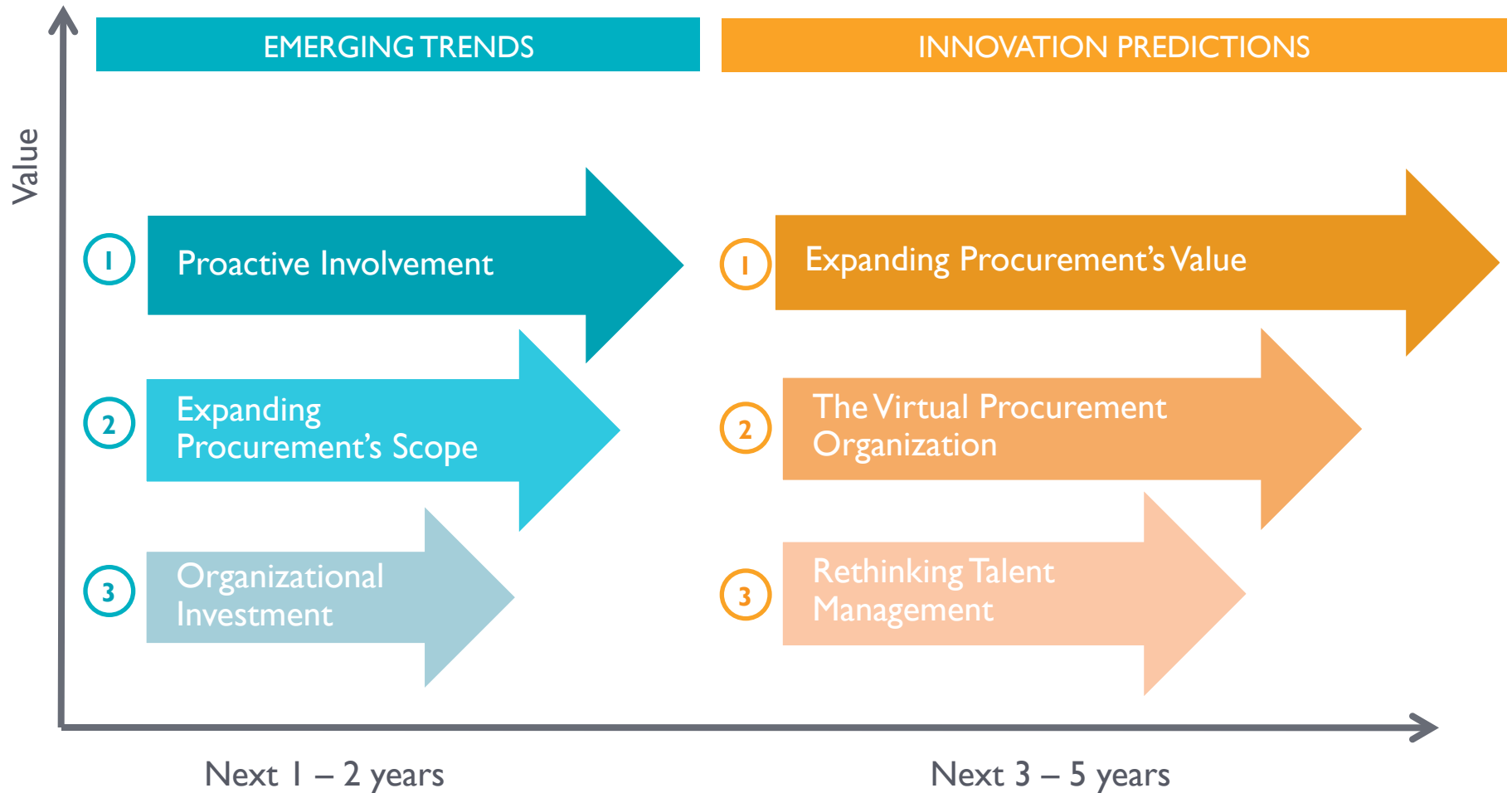
Our Procurement Innovation Research Process

Approach



Our Next Innovation Summit is Scheduled for April 13-15, 2011

Insight into Next-Generation Procurement



Trend #1: Proactive Involvement

Procurement will begin to take a more proactive role with regard to spend visibility, forecasting, and management

Proactive Involvement

- Having spend data at your fingertips to make informed sourcing decisions that will bring more value
- Evolving spend visibility into spend & budget forecasting
- Having a tighter integration with finance to influence budgeting to convert savings to bottom line results
- Being involved up front in planning for contingent workforces, especially with the expected increase in outsourcing & use of contingent labor
- Influencing demand management to decrease usage
- CPO's spending an increasing amount of time building relationships across the organization



And, There is More CXO Collaboration

Procurement stepping up to *co-lead cost transformation*

CPO Wishes from Other Execs

CFO

- Provide visibility into line-of-business planning, beyond cost savings
- Support for tying savings and accomplishments back to P&L
- Increased sponsorship and champion for a fiscally responsible culture

CIO

- Current integration level is not at a desired level: Elevation to C-level
- Try collaboration models as they emerge, e.g. “Embedded Procurement”
- IT is the subject matter expert but needs Procurement to drive process

BPO

- Few organizations have BPO leads, mostly functional PMOs
- Engage Procurement early, prior to make vs. buy decision
- Procurement should be leading a right sizing initiative for all labor projects

Bottom Line: *Collaboration can be increased through earlier involvement and better transparency on corporate objectives*

Trend #2

Expanding Procurement Scope

Procurement's role is expanding beyond category management and strategic sourcing

Expanding Procurement Scope

- Run by a CPO with a seat on the executive floor
- CPO's expect more outsourcing, both within and outside of Procurement
- Sourcing will evolve from category management to broader global portfolio management
- Supplier Relationship Management will be governed by Procurement, executed at the business level
- Procurement will be more collaborative with managing key vendor relationships
- Procurement will play a more strategic role in cash management (payables), through use of payment terms, disbursement processes and technology enablers

**CPO
Wants
More!**



Trend #3: Investing in Next-Generation Organizational Capabilities

Organizations are made up of People, Process and Technology. What about Knowledge?

Organizational Investment

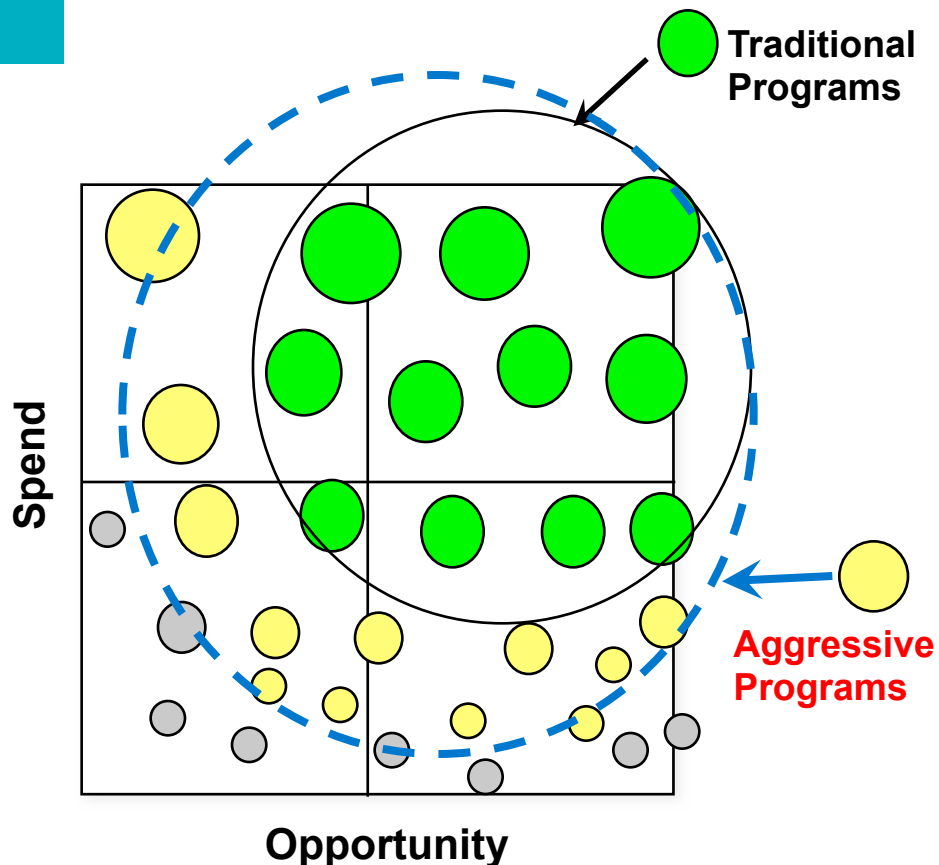
- Dedicated Center of Excellence that focuses on capture and use of knowledge:
 - Process Knowledge
 - Technology Know-how
 - Market Intelligence (External and Internal)
 - Category Knowledge (templates, learnings etc.)
- More creative training approaches to support talent management programs

Innovation Prediction # 1 – Expanding Procurement's Value

Procurement Will Greatly Expand The Ways That It Adds Value

Expanding Procurement's Value

- Procurement will expand its influence into a broader range of spend management
- Procurement is constrained with the current focus on “savings”, and can add much more value in more strategic areas
- Procurement organizations that can break this mold may find ways to add 2-3 times more value than they do today



Innovation Prediction # 1 – Expanding Procurement's Value

Examples:

- Revenue generation and supplier reciprocity
- Product innovation
- New opportunities to leverage procurement's relationships with suppliers
- Participating in M&A activities
- Using “buying” negotiation skills to train and support “sales” negotiations



Innovation Prediction # 2 – The Virtual Procurement Organization

Procurement Will Evolve Into A Mix Of Strategic In-House Resources and On-Demand Resources

The Virtual Procurement Organization

- Even as Procurement is asked to expand its value contribution and take on more work, resistance to “building an empire” will increase
- Procurement will meet this challenge only through innovative approaches to “doing more with less”



Innovation Prediction # 2 – The Virtual Procurement Organization

People

Process

Intelligence

Policy

Tools

Technology

Knowledge

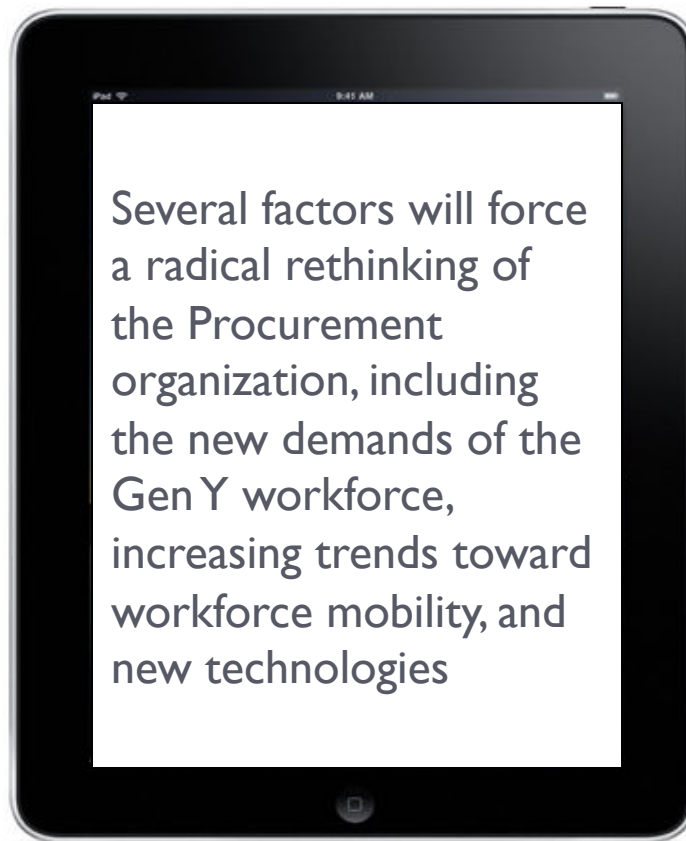
The move toward a “virtual” operation model will be facilitated by a combination of:
Automation, particularly cloud-based technology

- Use of supplier value-added services
- Increased use of outsourcing and on-demand SME contractors
- Increased use of standardized tools & templates
- Further refinement of Centers of Excellence approaches
- Decentralization of some transactional procurement activities, expanding the fiduciary mindset throughout the corporation

Innovation Prediction # 3 – Rethinking Talent Management

Procurement Organizations Will Reshape Their Expectations And Compensation Models for Talent

Rethinking Talent Management



Innovation Prediction # 3 – Rethinking Talent Management

To create a highly functioning Procurement organization, leaders will need to:

- Establish innovative plans for addressing resource turnover
- Develop evolutionary compensation plans
- Establish creative ways for identifying and managing talent



What's Next?

ProcureAbility is continuing our research into Procurement Innovation and we look forward to sharing more findings with you soon...



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