1. The Process
We introduced ProcureAbility’s Fast Track Procurement Transformation Process in Part I of this series. Illustrated below, the process accelerates Procurement Transformation utilizing a flexible and innovative construct that focuses and prioritizes collaborative efforts.

This paper will discuss key enablers, innovative approaches to Procurement Transformation, as well as present a case study and address building the infrastructure for a transformed procurement organization.

2. Key Enablers
Fast Track Procurement Transformation is enabled by a number of factors both within the organization and with team members’ talents, attitudes and perceptions of the process.

Develop and nurture as many of these key enablers as possible:

- Focus on the future state of procurement more than the present or past
- Prepare a strong executive team and sponsorship to mobilize the organization
- Assemble a team that is willing to challenge existing capabilities and procurement processes
- Tap the talent of those capable of working cross-functionally and collaboratively
- Create teams that focus on major transformation areas in parallel
- Kick off work streams that will deliver short-term results first (i.e. sourcing and in-flight negotiation)
- Set up an effective governance structure that tracks and reports progress weekly
- Encourage an organizational appetite to challenge existing supplier relationships and adopt new contract/pricing structures

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**The Fast Track Procurement Transformation Process**

- **Planning the Program**
  - Program Design & Assessment
    - Program Design & Business Case
    - Spend Assessment
    - Procurement Effectiveness Assessment
    - Organizational Assessment

- **Future State Design**
  - Process Design
  - Organizational Design
  - Training & Staff Development Plan
  - Technology Roadmap
  - Insource/Outsource Analysis
  - Performance Metrics

- **Creating Sustainability**
  - New Process Rollout
  - Creating Centers of Excellence for Process Standardization & Continued Improvement
  - Hiring & Development of Staff
  - Technology Rollout
  - Tracking Performance & Results

- **Fast Paced Results**
  - Sourcing Waves
  - In-Flight Negotiations

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Additional enablers related to the business environment include:
- Business unit willingness to help realize savings and allocate budgets accordingly
- The urgent need to improve a difficult financial position
- Top-down pressure to improve earnings per share
- Aggressive leadership that understands Procurement’s impact on bottom-line results

3. Innovative Approaches
Generating fast-paced results requires a mix of traditional and RAPID Sourcing approaches, including In-Flight Negotiations. Following are recommended approaches for various sourcing situations.

High-Potential Sourcing Categories
- Use traditional Strategic Sourcing teams for high-potential categories with few past sourcing efforts

Contract Renegotiations
- Leverage RAPID Sourcing techniques by focusing on contracts where market intelligence indicates variance between current and market prices

- Use In-Flight Negotiations by targeting contracts and purchases in process that are most likely to yield savings
- Utilize formal, structured negotiation approaches
- Ensure that the negotiation team is trained on effective negotiation approaches

Category Re-Sourcing
- Focus on categories where market competition will likely drive price or product costs down, another RAPID Sourcing Technique
- Categories that have already been sourced in the past will likely require less effort, and allow for more compressed timing
- Utilize eSourcing tools (eRFX and reverse auctions) for increased competitiveness and decreased cycle time

Indirect Categories and/or Those in which Company is not a “Major Player”
- Consider use of pre-negotiated, leveraged group contracts
- Can allow for very fast realization of savings

Following is more information on the RAPID Sourcing process and In-Flight Negotiations.
**RAPID Sourcing**
ProcureAbility’s RAPID Sourcing methodology is based on a formal, fact-based approach that quickly optimizes value creation to deliver significant return on investment. RAPID Sourcing accelerates both time-to-savings and Procurement Transformation initiatives.

**In-Flight Negotiations**
RAPID Sourcing includes the use of In-Flight Negotiations – the quick review and renegotiation of contracts and purchases in process that are most likely to yield savings. In-Flight Negotiations are lead by a negotiation expert who works to get deals done quickly and generate fast-turn savings.

The process taps ProcureAbility’s in-depth supply market intelligence to support fact-based negotiations. Contracts ripe for renegotiation include those with price-adders, premiums, surcharges, and index-based increases during the past two years.

In-Flight tactics used may include:
- Requesting lower prices from suppliers, threatening to go to an RFP if an incumbent doesn’t lower a price
- Down-selecting to two suppliers and having them compete with one another for the bulk of the awarded business
- Changing the scope of awarded business to cut costs

In-Flights can and should occur across business units and spend categories. Speed and the ability to work cross-functionally, as well as to quickly build relationships with internal stakeholders, are important attributes for success.

Efficiency is important to managing the In-Flight sourcing process. Key milestones should be tracked for each sourcing category and managed by a designated subject matter expert. Key milestones include:
- Data and Background Summary
- Stakeholder Agreement
- Negotiation Plan Status

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**Track Booked Savings by Category**
(Example)

<table>
<thead>
<tr>
<th>Sourcing Category</th>
<th>Contract Spend (SM)</th>
<th>Savings Booked (SM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill Payment Processing</td>
<td>35.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Bill Print</td>
<td>10.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Capital management Software</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Cell Cite Test Equipment</td>
<td>2.0</td>
<td>0.2</td>
</tr>
<tr>
<td>G&amp;A Software</td>
<td>1.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Handset Accessories</td>
<td>13.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Insurance Protection Plan for Handset</td>
<td>6.0</td>
<td>0.8</td>
</tr>
<tr>
<td>IT Infrastructure Testing</td>
<td>0.9</td>
<td>0.1</td>
</tr>
<tr>
<td>IT Support Services</td>
<td>7.9</td>
<td>4.1</td>
</tr>
<tr>
<td>Network Monitoring Consulting</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Network Operation Center Software Management</td>
<td>0.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Spend Management Software</td>
<td>1.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Tier 1 Infrastructure Staffing Support</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80.0</strong></td>
<td><strong>28.4</strong></td>
</tr>
</tbody>
</table>

**% of Total Spend Saved**
35%
Furthermore, savings targets should be set for each sourcing category, along with estimated savings timing. Finally, actual savings booked should be tracked by category as illustrated in the following chart.

ProcureAbility also recommends taking an aggressive stance in managing In-Flight sourcing activities. Here are a few tips:

- Focus not only on spending under contract, but also on contracts that are about to be committed
- Work with your executive sponsor to:
  - Send a broad message about the need for savings and how procurement can help
  - Reach out and get involved with ongoing supplier discussions or negotiations
  - Communicate planned or remaining new spending for the quarter
- Define how business units can engage with procurement (create a new email alias such as in-flightsupport@YOURCOMPANY.COM)
- Continue to publicize how the businesses can benefit and get help from procurement via your intranet, company newsletters, and staff meetings
- Prepare your team to work on an increased number of projects, both small and large
- Refresh negotiation techniques for key resources
- Focus on results and time to value (80/20 rule still applies)

4. Case Study: RAPID Sourcing & In-Flights In Action

ProcureAbility helped a Fortune 1000 telecommunications company achieve 40% in savings and transform its tactical purchasing organization to a next-generation strategic procurement group.

Using innovative approaches like RAPID Sourcing and In-Flight Negotiation, ProcureAbility targeted 45 spend
categories. Then, ProcureAbility focused on categories most likely to yield quick savings. In just two months $7.2MM in savings were identified. After just six months, 16 projects were addressed and over $32.8 million in savings was identified based on $81.5 million spend sourced. Additional projects are in process and additional savings are expected to exceed $3.7 million from $35.6 million in spend over the next 12 weeks.

5. Building the Infrastructure

Building a Procurement Transformation infrastructure includes consideration of process and organizational design, staff development, and technology solutions. Following is a sample list of questions to ask and answer for infrastructure planning purposes.

Process Design

• What key processes will the “new” procurement organization include?
  • Category Management
  • Sourcing Execution
  • Transactional Procurement
  • Supplier & Contract Management
• What will be done in-house, what will be outsourced?

Organizational Design

• Based on process decisions, what form will the organization take?

Training & Staff Development

• Based on the skills & organizational assessment, what gaps can be filled by training, and what will need to be recruited?
• What is the plan and source for training and development?

Technology Solutions

• What technology will be required to support and automate the new processes?

• What is the technology footprint and roadmap?

Performance Management

• Based on the organization’s objectives, what are the right metrics?

Addressing both process and organizational design presents an opportunity to increase Procurement’s efficiency and effectiveness. The following section provides some guidelines for exploiting this opportunity.

Separate Strategic Work from Tactical Execution

Separating strategic work from tactical execution, especially within the strategic sourcing function, can help significantly increase your procurement group’s impact and influence in your company.

Benefits include:

• Removing resource and process bottlenecks
• Creating scalable execution capabilities
• Optimizing cost of resources
• Increasing Procurement’s reach, or spend under management
• Provides one unified, centralized voice to talk to the organization
• Simplifying the engagement model
• Allowing category managers to focus on strategic activities and drive more savings

The following model contains optimization approaches for procurement and strategic sourcing, based on the scope of work and characteristics of each. Note the separation of category management from sourcing execution within the strategic sourcing function. This separation can result in the benefits noted above.
# Approaches to Maximize Procurement’s Impact

<table>
<thead>
<tr>
<th>Scope of Work</th>
<th>Characteristics</th>
<th>Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROCUREMENT</td>
<td>• Purchase Requests • PO Hygiene • Supplier Setup • Invoicing • Audit</td>
<td>• Define efficient process • Implement technology to automate • Normalizing requirements • Deliver through centralized shared service model</td>
</tr>
<tr>
<td>STRATEGIC SOURCING</td>
<td>• Spend Visibility • Spend Analysis • Market Analysis • Stakeholder Mgmt • Supplier Mgmt • Rfx Execution • Negotiations • Contracting</td>
<td>• Highly Transactional • Mostly driven by technology automation • Not many variations in process • Doesn't require high level skill set • Scalable</td>
</tr>
<tr>
<td>SHARED SERVICE</td>
<td>• Category Management • Strategic/knowledge based • Not scalable • Relationship based • Requires expertise</td>
<td>• Heavy knowledge based activities • Mostly manually driven • Variations in process by category • Requires unique skill set in each stage • Not scalable • Requires facetime with stakeholders</td>
</tr>
<tr>
<td>DEDICATED SUPPORT</td>
<td>• Sourcing Execution • Transactional • Template driven • Can be automated • Often the bottleneck</td>
<td></td>
</tr>
</tbody>
</table>

## 6. Conclusion

Procurement Transformation can be a lengthy and arduous process, but with focused and collaborative efforts, smart upfront planning, and use of innovative approaches, Procurement Transformation can be simplified and accelerated.

In our next paper, we’ll address sustainability and how to transform your procurement organization into one with processes, people, and technology that lasts.

## About ProcureAbility

ProcureAbility™ transforms traditional, outdated consulting and staffing models by offering our clients advisory and resource support on their terms.

**Our delivery model is unique.** 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—an approach unheard of in traditional consulting and staffing firms.

ProcureAbility’s customer-focused delivery model allows for a wide range of flexibility:

- **Working with strategic or tactical experts** who can deliver a wide range of solutions, from consulting to staffing
- **Scaling a team your way**, from individual resources to complete project teams
- **Adding value as needed** from a deep and broad library of procurement insights
- **Choosing remote or on-site support options** — or both

Since 1996 we’ve focused only on procurement’s success. **It’s all we do.**

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