Capgemini

Is your Procurement function ready to bring the next wave of your Renewable Enterprise vision to life and drive Business Transformation?

The renewable enterprise: is your procurement function ready?

High-performing purchasing organizations have improved their efficiency and effectiveness by analyzing their spending in order to identify and realize cost savings. Measures include outsourcing tactical work to low-cost countries, automatic processes, identifying strategic suppliers, reducing tail spend, and leveraging e-sourcing, e-procurement, and other business tools. All of these are now standard practice. They are no longer considered innovating strategies and capabilities.

The next wave of value creation for leading purchase organizations will begin with new strategies, tools and approaches to help stretch their reach, expand their influence, and increase their impact. It will provide business advantages by building a sustainable transformation roadmap and harnessing technology to generate value and achieve strategic goals.

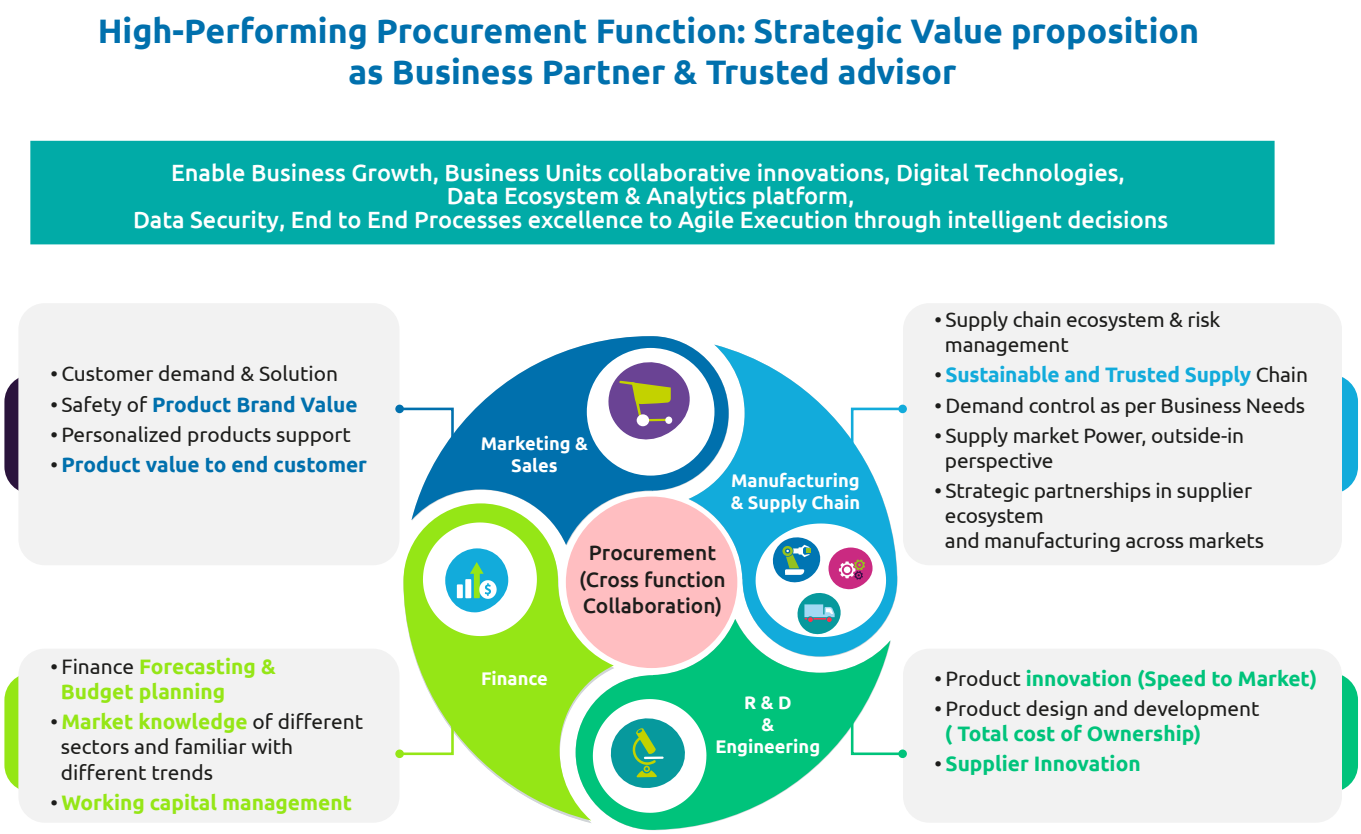
Let's walk through the changed role of "procurement function" for high-performing organizations, and consider the strategic value proposition of business partner and trusted adviser in the organization. We'll also discuss how chief procurement

officers (CPOs) and their leadership teams can introduce new (or modify existing) strategies, solutions, and capabilities to increase the impact.

Some of the key strategic propositions for high-performing purchase organizations are:

- New operating model: Align on a center-led operating model to translate supply market value into product value for end customers, providing support in organic growth and in M&A.
- Product design: Work with product managers/engineers and provide early visibility into the components and cost impacts, by driving material specifications and bills of materials to make decisions that support business needs (demand control) for direct-spend sourcing activities
- Shared targets: Put in place shared and comprehensive targets for procurement that encourage cross-functional collaboration to drive value. Build a coherent approach between multiple internal business units and functions, and develop metrics to track and report on business benefits.
- Hub for innovation: New approaches to the supply market, support to companies' sustainability agendas, and radical process automation. Ensure technological enablement is in place so users or stakeholders can self-serve as much as possible.
- Data hub: Work towards providing a single data hub for companies and their suppliers to work collaboratively by building in-house/external cloud-based analytics platforms.

Figure 1: High-performing procurement function: Strategic value proposition



New trends

In a research note published in September 2018, "The Impact of AI on Procurement Software Applications," Gartner argues that while the benefits of intelligent automation are significant, they are not able to deliver sustainable competitive advantage.

As large procurement technology providers focus on broadening the coverage of end-to-end sources-to-pay for wider functionality, the focus of clients will remain on the content and depth provided by third-party holistic solutions.

Organizations will transform their ERP suites into an internal ecosystem platform and AI data hub/procurement data hub, by integrating existing ERP/non-ERP/SAP SaaS systems together with best-of-breed SaaS solutions from third parties and plug-ins into a single data hub. This will become an analytical system that functions as a decision-making tool tailored for their needs.

With new solutions constantly coming to market, organizations need to select the most appropriate third-party solutions with AI-driven insights. Organizations can add the third-party solution to their data hub, and continue to compete for years to come by comparing the benchmarking data from the ecosystem.

Leveraging data for real-time decision making will accelerate for a growing number of business functions. Through intelligent platforms and network ecosystems, companies will access more and more data sets for making intelligent decisions in business processes.

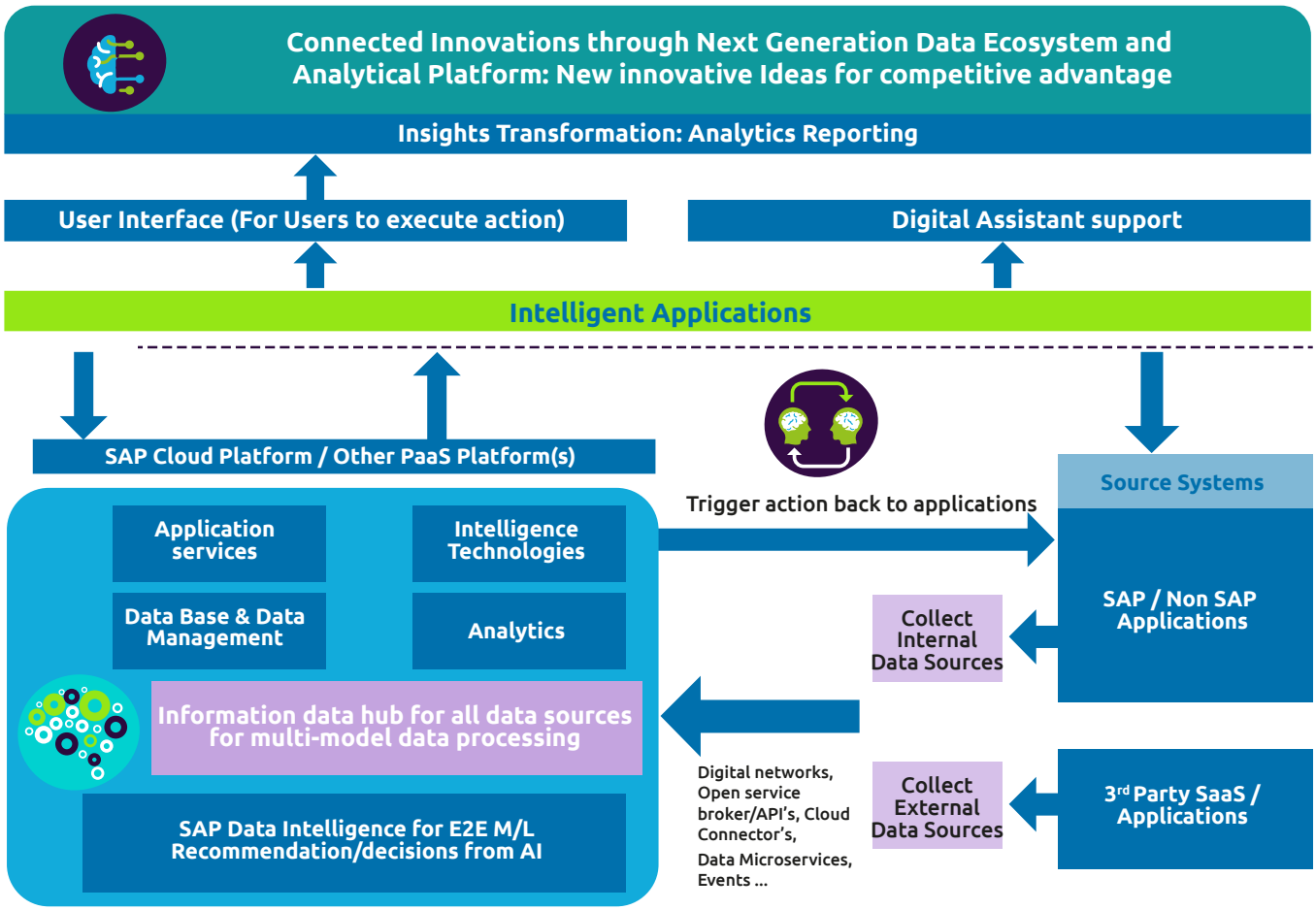
Another trend is an increasing emphasis on ensuring that decisions, recommendations, and actions regarding applications will deliver real-time benefits to users.

There could be several recommendations and decisions from machine learning (ML) technologies, enabling end users to decide through a user interface; or the decision can be taken by the application, enabling continuous improvement. These can also be supported in combination with conversational platforms (e.g. chatbots, smart assistants) to improve the user experience.

In future, updates could be triggered back to the application using APIs without manual intervention. For example:

- Sourcing, RFI/RFQ: A decision will help in sourcing because of a change in the status of a supplier, and that supplier's updated performance score card can be used during the creation or updating of an RFQ
- Contracting: Potential supplier capability to fulfill the contract, reference contract terms at the points in which they need to be referenced, based on supplier risk assessment and supplier performance score
- Supply chain risk: Determine whether the policies of potential suppliers adhere to international laws and social ethics, and if suppliers concentrated in a region are vulnerable to weather or to man-made disasters.

Figure 2: Connected Innovations through a next-generation data ecosystem and analytical platform



The solution shown in Figure 2 uses a range of services from SAP Cloud Platform (SCP) as well as external data obtained from third-party SaaS. Fiori-based UIs can be used for business users with NLP-based chatbot interaction. The user gets a unified Fiori-based user experience, regardless of the origins of the underlying data (ERP, SaaS, cloud persistence).

Let us now look at a few examples that demonstrate the impact of connected innovations through data ecosystem hubs and analytical platforms in enterprises, and at the key factors that influence this – that is to say, people and data.

Example 1: Supply chain risk management dashboard

With many organizations still using Excel spreadsheets to manage suppliers' risk, a large part of supply chain risk management requires data from multiple internal and external sources. It will ensure business continuity by monitoring external events that may impact supply to their customers, and thereby provide competitive advantage.

There is a need to have a single data hub within the organization, integrated with third-party data sources, to capture and evaluate risk data and determine mitigation actions to manage risk. Suppliers may potentially cause reputational and business risk. Additionally, timely information on risk events will enable customers to request visibility into how sustainable and ethical organizations' processes are.

Companies can achieve a 360-degree view of the supply chain risk dashboard with a score card from real-time internal and external data analysis.

The weightage of risk indicators can vary by industry. Organizations can assess their own circumstances, and set benchmarks with their supply partners.

Figure 3: Supply chain risk categories, indicators, and potential risk events

Supply chain Risk Events – From identification to mitigation through 360 View

Supply chain Risk Categories, Indicators and Potential Risk events		
Risk Category (Examples)	**Risk indicators (Examples)**	**Potential Risk Events (Examples)**
Financial Risk	Supplier's revenue or profit margin, Revenue / growth outlook, Supplier structure – ownership, Credit rating, Key Employee stability, Mergers & Acquisitions	Financial liabilities, slow growth or poor revenue outlook, major ownership structure changes or major product recalls, Unstructured – news sources, social media, Supplier bankruptcy, Financial solvency of suppliers, Diversity indicators, # of suits, judgements, Tax issue
Logistics Risk	Likelihood of natural hazard, Delays from customs, On time delivery performance, Capacity shortage Anticipating supply and demand - protect yourself against sudden spikes in demand for materials or part	Environmental disaster, Man-made risk (fire, explosions), Power outage, Climate change or natural disasters, Supply volatility, Geo-political issues, Strikes Geopolitical or weather events that could impact suppliers in particular areas or could impact supply paths as goods are moved from suppliers to manufacturing sites, Keep abreast of the news in your supply chain's key geographical regions, Deeper details on Tier 2 and Tier 3 suppliers relationship
Cost related Risk	Material price increase, Labor price increase, Currency fluctuations	Price volatility, Market changes that might affect prices in supply chain, Unfavorable currency movements
Regulation and Legal Compliance Risk	Environmental violations Legal or regulatory violations, Likelihood of corruption or bribery	Supplier environmental practice, Loss/Theft of sensitive data, Supplier fraud, Non-compliance Reputational and compliance risk: FDA warning letters to human rights violations, Presence of Government control list - screening for OFAC, FBI, BIS, United nations sanctions, EPA (Environmental Protection Agency) violations, OSHA (Occupational Safety and Health Administration) violations, Exposure of unacceptable supplier practice, Ethics issue, Decertification Sustainability & CSR: Labor and Human rights, Supplier Social practice, Conflict minerals, Unethical practice
Sustainability and CSR related risk	Sustainability and CSR related risk indicators	
Quality Risk	Quality of goods delivered, Site relocation or closure	Number of quality defects, Quality failure leads to product recall

A 360-degree view of the supplier chain risk dashboard can be created using analytics. Companies should also determine the cost associated with each mitigation activity, including the time needed to mitigate the risk, and to see the impact of risk at regional and global level, so business units can take appropriate action when faced with potentially risky scenarios.

Figure 4: 360-degree view of a supply chain risk dashboard with real-time internal and external data

Supply chain Risk Events – From identification to mitigation through 360 View

360 View of Supply chain risk dashboard – With Real time internal & externa data		
Evaluation Criteria (Examples)	**Deciding Factors and evaluation score points (Few examples)**	**Mitigate Risk actionable plan – What if scenarios associated with cost implication based on final risk category (High, Critical, Stable, Low) – Few Examples**
Product and Product Cost - %	• Materials constitutes the product • Raw material constraints and scarcity • Raw Material Price variation • Currency Fluctuations • Price competitiveness with supplier & Payment terms	• Plan for re-source of part • Assist the supplier to mitigate risk events • Add a second source of supply pullup all contracts and spend associated with that supplier so that company can make decisions • Carry extra inventory • Do nothing • Financial Hedging for currency fluctuation • Strikes/ factory shut down due to high pollution • Category strategy risk KPI's management for source suppliers getting impacted from natural disaster events in same region • Likelihood of delay of deliveries from suppliers, mitigate risk of disruption to production flows
Product Dependency - %	• Purchasing volume and number of parts supplied from a supplier, Labor force issue, IP, supply shortage • Geography impact to suppling plants to ship by suppliers, single source supplier, Tier 2-3 supplier	
Supply Partnership - %	• Strategic commitment (Long term agreements), Buying power negotiations, R&D capability for Product design/ Innovation support , Global supplier to many regions, Percentage of Business	
Financial score based on financial health - %	• Ownership structure, credit ratings	
Quality- %	• Quality defects, Quality Certificates	
Logistics – Delivery - %	• On time delivery for different shipping routes (global supply lines) • Fulfillment Capability to deliver as per demand fluctuations including urgent request	
Overall score - %	• Based on weightage and actual performance	

Organizations can start at selected production sites as part of their proofs of concept. The data sources typically include a client-approved supplier network, a third-party cloud platform through APIs, and private company information supplier networks. Organizations can decide the category (high, critical, stable, or low) for suppliers, in order to mitigate risk events based on impact.

Typically, there might be several recommendations, and the end user will decide based on which of these makes the most sense. These decisions drive machine learning in an artificial intelligence application, which returns information on these decisions to the application set, enabling continuous improvement.

The Ariba Supply Risk module has now been integrated (included in the license) with third parties. Some of the third parties include D&B for "enriched corporate information," the World Economic Forum for "country risk rating," semantic visions for government databases, "monitoring real-time alerts on positive or negative events," and GDACS for natural disaster notifications including earthquakes, floods, and tropical cyclones. Additionally, third-party content provider subscriptions (not part of the license) can be made available as per SAP roadmaps for additional monitoring in areas such as regulatory and compliance violations, forced labor risk determination and mitigation , and financial risk with add-ons via API.

These third-party platforms could help in multiple ways, for instance, provide a detailed heat map of risks per sub-product component down to raw material per category purchased – multiple tier level forced labor prevalence analysis, through drilldown to raw material levels, so as to achieve visibility from which to determine root cause at tier level.

Example 2: Supplier information hub

It makes sense to centralize and consolidate data by collating all supplier-related information and KPIs into one supplier information platform hub. This is a challenge for organizations, as their supplier performance data could exist on multiple systems. Similar quality data may be only at site level, rather than at regional and global level. Also, supplier evaluation reporting templates may not be harmonized across all global and regional business units.

All supplier information can be integrated into one data hub for analytics, enabling organizations to make decisions and take corrective action. AI will be integrated fully into the supplier management process, which will help to identify high-risk suppliers before creating a long-term contract, and to ensure that suppliers are financially, environmentally, and ethically sustainable.

Figure 5: Supplier information hub – global platform

Supplier Information Hub – Global Platform

Supplier Information Hub – Global Platform		
Supplier Information Hub		
Internal data	**3rd Party External Data**	**Other's**
Spend Data, Identify Savings Opportunities	Global Compliance	Supplier's qualification
Contracts	Financial Risk	Workflow approvals
Cost, Quality, Delivery	Sustainability	
Audit & Claims		
Supplier catalog management		
Data Bases of RFQ's		

360 View of Supplier data and corrective actions to improve	
Supplier performance	Improve Suppliers by systematic, fact based supplier performance measurement and quality KPI's Review of supplier performance per zone directly in global platform
Sustainable supply chain target	Use the data to build basis for sustainable supply chain target
Compliance monitoring	Compliance monitoring for missing quality certificates and environment management certificates Track by compliance of contracts and optimization of supply chain
Supplier collaboration	To support strategic and Operational decisions for supplier collaboration
Harmonization	Global harmonized process and system

Example 3: Global category strategy management dashboard

Centrally consolidating data will also help organizations to address the many variable parameters for their commodity sourcing strategy. With one central information hub, category sourcing managers can navigate a large set of variables with different parameters, and use back-end machine learning to improve scenario planning and to determine sourcing strategy in a dynamic manner.

Figure 6: Global category management tool – global platform

Global Digital Category Management– Global Platform

Global Digital Category Management Tool – Global Platform - All information together in a single dashboard

Digital Category Management – Global Network	
Internal data (Dynamic in nature)	**3rd Party External Data / Other's data**
Product: Product development team requirement for more value-added components from Suppliers. Need for new specification due to change in customer demand	External market intelligence
Supplier: Disruption in category and availability of new suppliers, Supplier Negotiation Leverage power etc., Supplier compliance management, supplier risk exposures, Supplier performance	Supplier solvency data, Trade war/Tariffs, Supply base market dynamics Change in Macro economic conditions of country and supplier country situation due to Labor unrest
Price: Raw material price predictions Landed cost for all alternate countries of origin, Value engineering, Total cost of ownership	Supply-market-specific time-series data for commodities, Currency and inflation rates fluctuation, Tax and tariff data
Organization design: Recognition of the importance of the need of business units and regional locations for business criticality, Organization structure data	View from other internal stakeholders - Take all inputs from stakeholders business requirement

360 View of Categories and corrective actions for category manager, Lead buyer	
Global category strategy	Automatically generate recommendations for implementation of global category strategy
Centralized Category Model	Centralized procurement across it's business units and international locations
Combine category	Combine similar categories dashboard to see and highlight opportunities across a wide range of categories, commonality of category
KPI's of Category	Uses digital solution to generate and track KPI's for each category including supplier side risk management into KPI's, Category level risk, Saving opportunity assessment from spend analysis, Track ongoing performance in a saving dashboard
Supplier collaboration	Improved transparency in supplier development and improve supply chain efficiency across countries
Standardization	Standardized processes on the same platform across all regions

People, processes, and real-time data needs

The procurement function needs to combine technology with processes and people to make a sustainable, scalable, and high-impact solution approach.

We have already explored the need to bring together internal and external data in a central layer so that users can enable continuous improvement.

This can be illustrated with an example of process data needs for one end-to-end e-sourcing process for an automotive manufacturing company, from request through to awarding a contract to a supplier.

e-sourcing

To bring more intelligence in end-to-end business processes, it is necessary to add real-time experience data, based on the knowledge and experience of people from product engineering, product cost control, suppliers, and in-house innovators. All this cross-functional team knowledge and experience needs to brought together with operations data (current, ongoing, and historical data from back-end ERP systems) in a digital format.

Managing spreadsheets could be a significant obstacle to digital transformation. People-based processes as guardians of corporate knowledge will have to move to automated libraries to easily gather, store data, and build knowledge in the experienced economy to determine what happened last time, and what the best next actions might be.

The function of procurement is to identify run-time data requirements so as to achieve the desired business outcome.

Figure 7: Experience and operation data example in the end-to-end e-sourcing process

Experience and Operation data in End to End E Sourcing Process – An Example			
Experience (Procurement and Cross-functional employees, Supplier)	**Processes**	**Inside and outside the system: Experience and Operation Data**	**Data Management (outside the system) - Examples**
• Purchasing Program Managers • Project Leader • Product Manager • Product Design Engineer • Commodity Buyer • Product Buyer • Cost controller • Quality Assurance • Supplier Support Manager • Manufacturing Lead • Logistic Manager • Suppliers	• Sourcing Requirement • Sourcing Project - Planning and Sourcing implementation approach • Quotation (RFI/RFP) • Supplier Responses • Award: Supplier selection (Sourcing decision) • Align on supplier agreement with suppliers	• Sourcing Tracker to source need, Impacted commodities • Commodity strategy plan - Strategic and Potential suppliers • Target price estimation from Cost control • Finalize Make or Buy decision • Requirement for Supplier development • Early supplier involvement • Engineering Bill of material versions in different stages of RFP process • Engineering statement of works versions in different stages of RFP process • Supplier Agreement • Product drawings and specifications • RFI - Supplier briefing on design specification • Preparation for RFP document for sending sourcing request specifications and details to suppliers • Finalization of Volume and Take rate • Supplier capacity check to deliver the supply • Supplier pre-checks by Quality team • Cost Split-Up, Cost Models and Rate sheets to arrive Target cost • Calculate Total cost of ownership (TCO) for a part / Product • Awarding of Supplier - Supporting decision material • Saving forecasting estimates and spend savings • Total spend analysis on cost to develop and Run phase • Supporting documentation for negotiation (against cost target) , Quote analysis including landed cost • Quality Assurance Manager input - on suppliers	• Excel / VB • Lotus Notes / Share points • Access DB • Cots (commercial off-the-self) Apps • Self developed portal and platform • Manual / Paper based offline Processes

Data management

Master data management is no longer just about simply managing data. Rather, organizations need to be data-enabled, so as to gain insights and make data-informed decisions. Organizations will gain insights across the enterprise and unleash potential for their employees, by providing them with accurate and real-time information.

Procurement will be the function that can lead the way in establishing a systematic approach to work on data, ensuring:

1. The high quality of data emerging from reconciled process flows to provide real data to the business, enabling close analysis of the current state of operations and the creation of a proactive and informed plan, including setting up alerts.
2. That enterprise-wide data is brought into a consolidated and centralized location, such as a supplier hub.
3. That data sources outside the system can be imported in the appropriate digital format.
4. That the expertise of people in the organization forms part of the picture.
5. That compliance issues in security, in data privacy, and in other regulated areas are addressed consistently, and using best-of-breed solutions.
6. That supply chain service providers and vendors also protect company information. If there is a chink in the armor at any level, it causes a huge problem. Any breach can have huge economic consequences for an organization.

Business processes and agility

The speed and complexity of business continues to accelerate, which means procurement departments need to adapt to new market conditions and react to new opportunities while maintaining discipline and efficiency.

Some examples of dynamic change in managing supply chain risk, supplier relation shipment management, and category management, have been previously covered in the trends section.

Here are some more areas where we can see the dynamic changes to business processes. As complexity increases, and new data is fed through the network ecosystem, so intelligent decisions can be made, and business processes can be continuously re-invented.

Figure 8: Dynamic and uncertain changes in the source-to-pay process – a few examples

Dynamic and Uncertain changes - Few Examples in Source to Pay Processes		
Area	**New opportunities in processes and scope for innovation**	**Dynamic**
Product innovation based on customer requirement/ experiences	• Re-think specification for categories for product re-design vs additional cost. • Product Teardown - Optimize mix of ingredients to reduce costs based on commodity pricing or changing packaging to improve the package to product ratio. Buyer can use negotiation advantage of the alternatives.	• What-if scenario for cost/price fluctuations, demand • Product specifications • Time to market: Cost impact on Time to market due to supplier innovations vs Sales growth on creating new revenue
Spend Management	• Classification of invoice: Capture data classification rules and attributes for a wide range of spend categories by access all spend data sources using M/L. • Spend classification tools - Use NLP to analyze text descriptions, product names, product numbers within invoice to resolve uncategorized/unclassified product names. Tool can predict European standard product classification and US UNSPSC product classification.	• Assign invoices to the correct category
Sourcing – RFP	• Supplier market information for supplier in quotation process to provide right message to Buyer. • Supplier status & Supplier performance rating update to buyer to consider for contract re-new. • Change to contract (any breaches) – To pullup all contracts and spend associated with that supplier to make decisions • RFP complex pack (all information's) to match with available resources	• Sourcing agility as per sourcing needs • Supplier Market Information • Currency fluctuations • Supplier issues • Market price at the time of RFP create / change
Contract Management	• Claim opportunities- Use NLP to analyze and extract complex legal contract (unstructured) and operational contract management (structured) together and convert them into parametric conditions to compare with service-level requirements, compliance clauses, performance indicators and purchasing claim conditions in operational agreements. • Contract write-up - Contract analysis by OCR Optical Character Recognition and learning algorithms to comparing supplier agreements to read unstructured document such as PDF of contracts, specification drawings, BOM and rapidly extract critical pieces of data like pricing tables, payment terms and termination clauses to model agreements or to other supplier agreements in order to maximize terms and conditions.	• Government Regulations • Compliance Clauses • Labor laws to specific regions and countries • Prices • Service-levels

Figure 8: Dynamic and uncertain changes in the source-to-pay process – a few examples

Dynamic and Uncertain changes - Few Examples in Source to Pay Processes		
Area	**New opportunities in processes and scope for innovation**	**Dynamic**
Global Trade & Tariffs rate	• Global trade wars and supply chain uncertainty may drive organizations to restructure their supply chains and to have closer and more collaborative relationships with their suppliers. • Burden of tariffs: Some suppliers will be passing the burden of tariffs to organizations and Business has an opportunity to enhance the strategic relationship by negotiating with suppliers to avoid this additional cost. • Origin of material – Supplier's plant location and their capacity at each plant, to conduct cost/benefits analysis of receiving its supply from one plant to another, ensure that the plant has the capacity to do so. • Switching suppliers: Any supplier switch will have additional costs and lag time. Procurement must sure that the cost of switching suppliers, including all opportunities costs, is less than the additional costs from the tariffs.	• Unpredictability of the trade war on when the tariffs will be implemented and to what degree the trade war escalates • The timing of implementation will affect the way procurement budget its costs, business sets it profit and savings goal, sellers price their goods. • Supply chains are expanding and must reconfigure faster with acquisitions, divestitures and dealing with the impact of global trade policies. • Companies with long supply chains that run through China or depend on aluminum and steel
Perishable goods buying	• Changing dynamic with more competitive in market - different price to customer, Optimal route by real time asset tracking, move to different location • Reduce perishable bed stock and quick decision.	• Cost based on Delivery period, Different split address • Price to customer as per stock
Tax gain, Tax region	• Tax avoidance by combining the total buying needs for multinational organizations working in several global tax regimes	• Tax gain/loss in several regions
Guided Buying	• Self-service procurement- changes based on market dynamics on prices, Supplier performances evaluation in supply market	• Supplier performance in different regions • Productivity and cost-effective data • Innovations in supply market in product categories
Buying channels	• Buying channels to be reviewed throughout the year for critical values based on Buying patterns changes • Buying from B2B online Market place: The market pressures brought by Amazon Business Services for (indirect) goods and services that are produced by multiple vendors and easily sourced from a marketplace. It offer's dynamic pricing and highly competitive shipping rates, which may be better than those negotiated directly under existing contracts. • Add Scope-of work market place in Buying channel strategy on digital service sourcing that serve specialized markets	• Buying channel strategy requires a mix of methods that balance spend control with process efficiency. • Buying from B2B online market place vs additional digitization cost with supplier on sending documents (Purchase order, Invoice)

Supporting the renewable enterprise

Key business innovations can be delivered in a SAP SaaS solution or third-party SaaS solution, and a SAP cloud platform and other PaaS platforms, supported by SaaS solutions.

Implementing an intelligent enterprise with a SAP S/4HANA® system at its core enables organizations to tap into a range of previously unavailable business technology and data options to arrive at quicker ways of adapting to volatile, uncertain, and ambiguous change.

Although S/4HANA plays a pivotal role as solid transaction back end, SAP Cloud Platform and similar PaaS solutions are the real game changers. Capgemini's Renewable Enterprise offering and MPSA framework provide one way to build an organization's business logic on a cloud platform.

Capgemini's Renewable Enterprise and the Multi-Pillar S/4HANA Architecture (MPSA) provide an approach to transforming the core ERP and benefiting from digital innovation.

What is key is the ability to constantly grow and adapt, to renew in an ever-changing technology marketplace, to become lean and agile, to unlock business value, and to outpace competition – evolving with the growing needs of the business and its customers.

Developing a strategy

The procurement function can take different strategic steps to bring the renewable enterprise to life and drive business transformation.

The future of benchmarking is to monitor both the efficiency and effectiveness drivers of procurement functional KPIs:

- Efficiency drivers: Cost per transaction of purchase orders/goods receipts/invoices, transactions per FTE, span of spend control, order and invoice processing cycle time (faster processing enables greater supply assurance and cash management), percentage of electronic transactions, and level of automation.
- Effectiveness drivers: Purchase order creation compliance rate, invoice acceptance rate, first pass invoice match rate, on-time payment rate, level of line item spend visibility, level of centralization, compliance with preferred suppliers, guided buying effectiveness, and supply base consolidation.

Each organization is evaluated on overall efficiency and effectiveness, and is measured against peer benchmarks. Also, different organizations are at different levels of automation in purchasing, supplier, and invoice automation.

High-performing purchasing organizations are already in an advanced stage of P2P automation in areas including:

- Purchasing: Self-service utilities for buying goods and services – maintain catalogs, create requisitions, view catalog content with pre-negotiated prices, find preferred suppliers, obtain approval for purchases, auto-generate PO, manage spend against a budget, and communicate POs to the supplier.
- Supplier operation: Supplier scouting, pre-qualification, on-boarding, community building, and engagement, update receiving status.
- Invoicing automation: Invoice elimination, electronic invoice processing, invoice capture by scan.

Making ready

High-performing procurement organizations should conduct an internal assessment of digital procurement maturity and check their readiness to embark upon the business transformation journey. Considerations include:

1. Is your procurement strategy in place and aligned with stakeholders and with the wider organization's strategy?
2. Can you predict and react to supply chain disruption through a cross-functional, self-directed team?
3. To what extent are information sources from backend SAP transaction data systems and other external third-party data sources brought together in your organization into a single data hub to perform analytics for optimization and decision making?
4. How effective is your self-service process in guiding users to preferred buy/pay channels with the right supplier, price, and purchase method?
5. Are savings achieved by linking forecasting, budgeting, and procurement programs to gauge total cost of ownership and to measure, track, and report realized benefits?
6. Is speed to market on product innovation prioritized over cost savings?
7. What contribution does the procurement function make to increasing revenue and improving product margins?

Adopting the right methodology

The future of ERP will be to optimize (advance operational excellence), extend (create scalable solutions), and enhance (drive innovative growth).

With modest but continuing investment, companies can transform themselves by uncovering new opportunities in their business models that deliver benefits rapidly while also providing safeguards for the future.

Productivity improvements would come from:

- The move to SAP S/4HANA
- Application/SaaS platform integration with third-party, best-of-breed microservices
- Improving benchmarking and intelligent robotic process automation (RPA)

Organizations can implement the transition to SAP S/4HANA swiftly and smoothly if they engage comprehensive external support, such as the Capgemini Invent package-based solution, Insight & Data and Business Services. Starting with their best-performing business units, they can transform high numbers of competitive processes by making use of agile enhancement of SaaS, and also by integrating and connecting to SAP Cloud platform or hyper-scale PaaS solutions.

A sound methodology is crucial. For example, Capgemini's own Digital Global Enterprise Model (D-GEM) aims to deliver a new operating model with benchmarked best-in-class performance. It's powered by SAP S/4HANA, and is driven as much by business as it is by technology, so as to improve the commercial case and accelerate ROI.

Skills requirements

Procurement organization leadership teams should have the following skill set:

- Data analysis and data modeling: Processing data and extracting relevant information, translating analyses into actionable plans.
- Strategic and improvement mindset: Anticipating market changes to address challenges and set a future direction.
- Innovation: Recognizing new patterns, prioritizing alternatives.
- Business acumen: Understanding priorities and business demand, ability to deal with ambiguity.

Procurement and environmental sustainability

In a 2018 Purpose Study, Cone and Porter Novelli reported that 78% of consumers said organizations must positively affect society, not just make money – and nearly the same amount (77%) said they feel more emotionally connected to organizations driven by a purpose and values.

Risk, sustainability, and CSR will lead to pressure for global compliance monitoring (regulatory requirements, consumer awareness and customer requirements, and investor focus). The procurement function will need to focus on sustainable sourcing, pay heed to the environmental and social impact of their supply chains, and help businesses turn being green into a competitive advantage.

This is why enterprises are seeking to align their brand values with those of like-minded trading partners, and are reviewing supply chain transportation visibility for impact on the environment, for example reducing their carbon footprint, and reducing the number of deliveries.

Through CSR and purchasing power, there is a huge opportunity for procurement teams to advance their companies' corporate commitment. By focusing on sustainability, social responsibility, and innovation, procurement teams can generate unprecedented value for themselves, their company and their communities more broadly through social impact sourcing – in which the buyer and supplier agree to direct a percentage of the total transaction to a non-profit social enterprise to achieve their company's purpose-driven aspirations. The inclusion of sustainable supply base management could be one of the most significant step-changes procurement can take.

In support of this trend, SAP Ariba has joined forces with the third-party "Givewith Platform" to enable buyers and suppliers to drive social impact through B2B transactions. Companies in the Ariba network can now embed social impact into their RFP processes to fund nonprofit programs aligned with corporate sustainability goals.

The next wave of value creation will use new strategies and tools to help companies increase their reach, expand their influence, and achieve their goals. Due to rapid technology advancement, companies must transform themselves by revisiting business models, focusing on customer experiences, rethinking the brand, and uncovering new opportunities through rapid innovation.

Taking stock

The procurement function needs to combine technology with processes and people in order to arrive at a sustainable, scalable, and high-impact solution. Bringing knowledge and experience to address dynamic complexities in business processes with real-time data is needed, both from inside and outside the source systems.

Complexity is not restricted to business processes. External factors include trade wars and tariff changes, supply chain risk events, and wider geopolitical factors such as Brexit, legislation impacts, taxation impact and other exigencies.

All of these can influence tariffs, the cost structure of products, and the availability of viable alternatives – and there isn't always time to assess threats and opportunities, nor to differentiate between them.

It is necessary to embrace new technologies at the outset and work to adopt currently available individual solutions for quick wins, updating them as they evolve. This path is the least risky, and high-performing procurement organizations will be rewarded for experimentation in the long run. Successful companies do more than simply automate existing processes. They reshape their operations around the new technology, tapping new sources of data value to broader strategic goals.

Experienced service providers can support organizations and improve productivity for procurement functions, and balance getting the basics right with necessary innovation as per the organization's requirements. The brief need not rely too heavily on complex process redesigns, and should bear in mind the importance of reducing the time needed for technical setup and development.

A one-size-fits-all approach is not what companies expect or need, because both solutions and businesses evolve rapidly. It is important that service providers work together with their clients to decide which opportunity to embrace, which threat to fight and which to ignore, and prepare accordingly, equipped with insights and methodologies to craft effective business models, processes, and the right levels of automation and digitization to implement a procurement strategy.

For more insights on Capgemini's own approach, please explore the Digital Core with SAP S/4HANA. It offers a pathway to transformation, enabling organizations to become the renewable enterprise of the future – today.

About Capgemini

Capgemini is a global leader in consulting, digital transformation, technology and engineering services. The Group is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year+ heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. Today, it is a multicultural company of 270,000 team members in almost 50 countries. With Altran, the Group reported 2019 combined revenues of €17billion.

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Macs_May 2020_ST