CPO Summit 2023: Procurement Reinvented

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Arjan Van Weele

Supervisory Board Member

The Randstad, Netherlands · Contact info

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TU/e Technische Universiteit Eindhoven

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Procurement reinvented

- **Geopolitical changes** have created unprecedented challenges in securing supply of critical materials and strategic components
- At the same time global supply chains have become **more transparent** raising issues in terms of sustainability, labor conditions and business ethics
- Causing significant changes in procurement's priorities and sourcing strategies.

Should procurement be reinvented? Or not?

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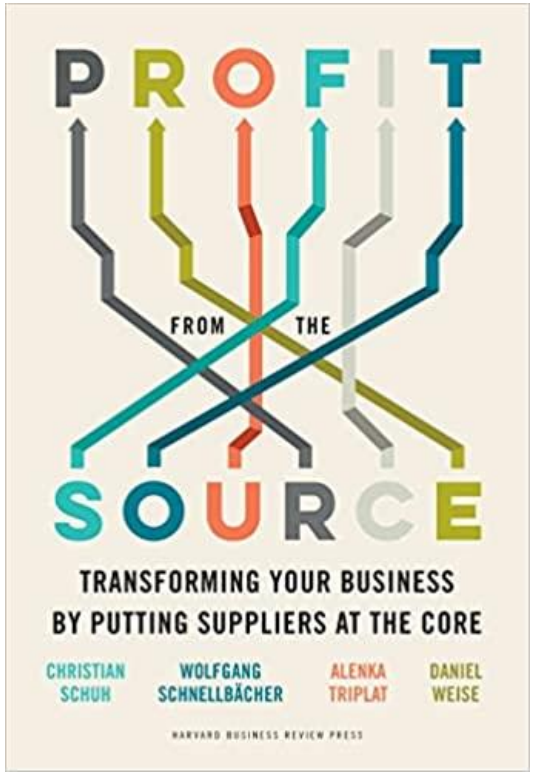

Schuh (a.o)(2022):

'In our view…the CPO and the procurement function, by virtue of the fact that they 'own'the corporate relationship with suppliers, should be positioned at **the heart of a company**…' (p.4).

'There is **no time to lose**…CEO's and their leadership teams need to take **swift, radical action**'…(p.7)

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Objectives

- Allow a Meeting of Minds among Procurement Leaders

- Around **hot topics** in Procurement:
  - Procurement, markets and inflation
  - Procurement digitalization
  - Responsible sourcing: driving sustainable supply solutions
  - Procurement leadership and talentmanagement

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Universiteit Twente

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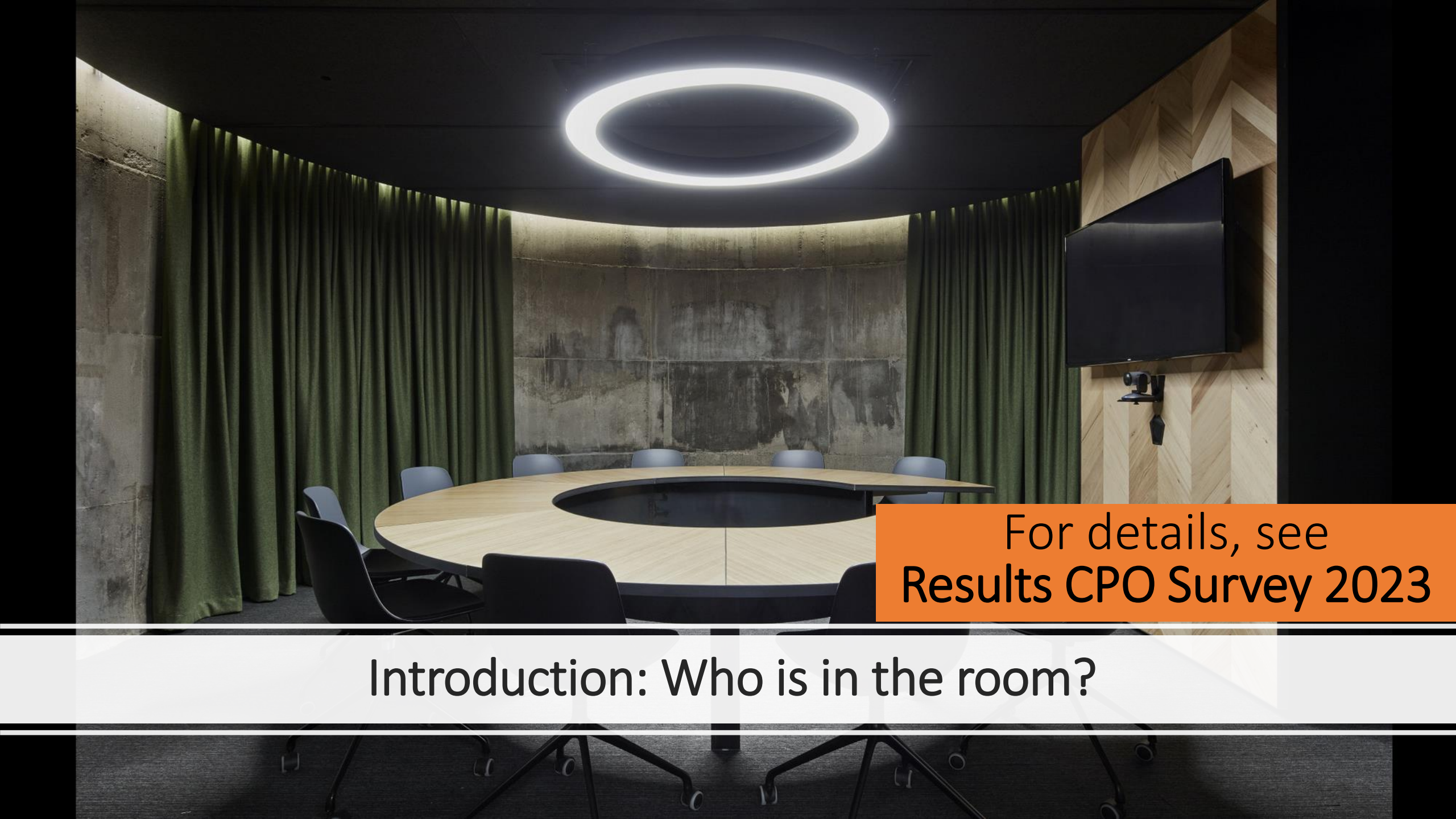

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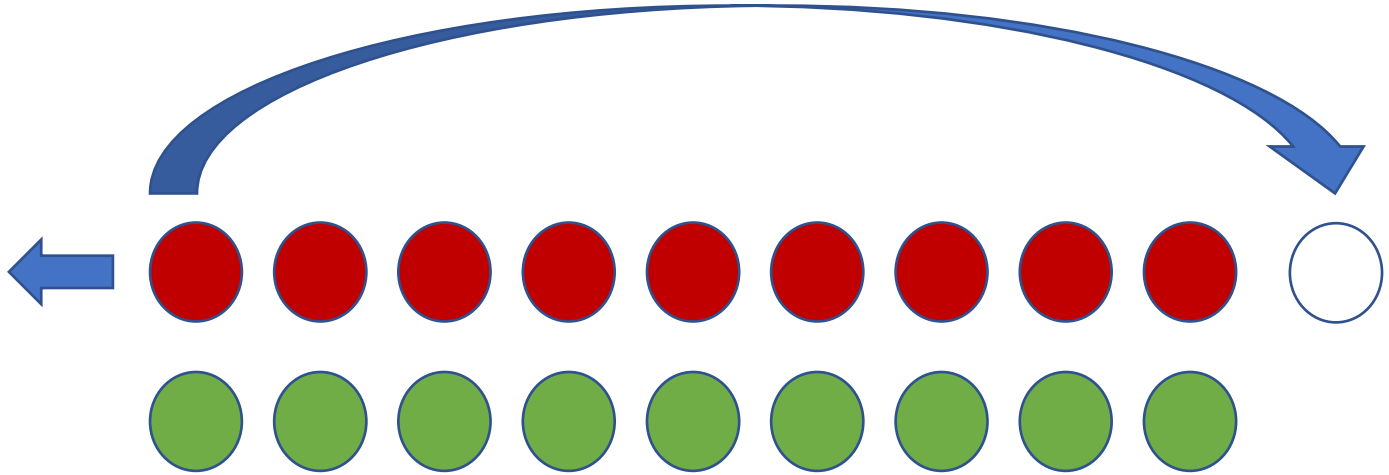
Introduction: Who is in the room?

Speeddate



Procedure:

- 2 minutes to exchange…after 2 minutes: stop the discussion!
- Next, last person Red Team moves to the front…
- Only the Red Team moves one step to the left
- The **Green Team does not move an inch**!

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Trends in purchasing and supply chain management

Procurement in a changing world…



Jeroen Hinloopen · 2nd

Deputy Director at CPB, Professor of Economics at University of A...

Amsterdam

Experience: CPB Netherlands Bureau for Economic Policy Analysis, University of Amsterdam, and 12 more

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Procurement in a changing world…

Discussion:

1. What do you do in your company to fight inflation?
2. How successful are you in doing this?
3. Is procurement in your view sufficiently positioned to take charge in all of your challenges ahead? What change, if any, is needed?

Please, nominate a **chairman/woman** + **secretary** who takes notes and reports at the end of the session…

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Results

Results of the discussion:
What do you do in your company to fight inflation?

Cost intelligence and transparency:

- Dashboards showing cost price developments vs. 2020 (create awareness)
- Building should cost-cost model (case-by-case analysis)
- Data analytics & trainings (internal)

External relations and communication:

- TRANSAPRENCY (keep trust in relationship with customers/suppliers)
- Use supplier relationships
- Push-Backs (to suppliers based on cost analytics)
- Learning from other regions (e.g., Brazil)
- Get supplier and customer in the same room

Internal relations and communication:

- Influence Sales (influencing contracts that sales do with our customers)
- challenging data: looking for other cost factors (together with marking & sales)
- Improve governance internally: make inflation a shared issue
- Process Efficiency (E2E)

Tactics:

- Demand management / **Stop Spending!**
- Bring competition in (alternative sourcing)
- Move to alternative regions and/or suppliers
- Hedging materials earlier in the chain
- Differentiate (trying to avoid to get inflation into your cost prices – take them out through surcharges / indexing)
- Increase of re-use (regulation, environmental etc.)
- Redesign of products / changing specs
- Consortium buying
- Volume bundling (increase partnerships)
- Delay pricing discussions

Results

Results of the discussion:

Is procurement in your view sufficiently positioned to take charge in all of your challenges ahead? What change, if any, is needed?

- Established CPO
- In case of no CPO – global leadership / coordination is needed
- Governance is to be dealt with
- Teams are burdened
  - → change is needed (focus or more resources needed)
- Leadership of staff to manage value chain (to take lead in managing challenges)
  - → Shift in skills needed (takes time to train skills)
  - → “War for Talent”
- Organizing data sources (to support function)
  - → Leap into new procurement function (professional direction for procurement organization is missing
  - → Align the procurement, IT and analytics function within companies)

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Digitalization in purchasing and supply chain management



Andries Feikema (He/Him) · 2nd

Procurement Transformation Leader | Digitalization Advocate | Procurement Excellence Professional | Change Management & Digitalization Keynote speaker

Talks about #digitalization, #changemanagement, #futureofprocurement, #procurementdigitalization, and #procurementtransformation

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2,376 followers · **500+** connections

DSM

University of South Wales

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Procurement at the forefront of innovation

The technology landscape is affecting and will change procurement in many ways….

1. What would you assume to be the impact on:
    a. **Procurement's role and position** within your company's organization ie structure (Group 1+5)
    b. **Procurement leadership, roles and talent**?(Group 2+6)
    c. **Procurement processes and procedures**? (Group 3+7)
    d. Procurement systems and solutions? (Group 4 + 8)
2. Do you consider AI within procurement? If so, how do you use it today?

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Results

Results of the discussion:
Procurement's role and position within your company's organization structure (Group 1+5)

- Re-design of process will lead to different role for procurement
  - → End-to-end responsibilities
  - → Procurement will get new tasks: master data, supplier alignment, supplier onboarding
- Role + Position
  - → Strategic & Business-oriented
- Structure
  - → You need to add new skills & knowledge for this transformation

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Results

Results of the discussion:
Procurement leadership, roles and talent?

- Leadership:
  - → More connected, influencing, change management (sell it!), belief in yourself, actionable insights and C-level engagement
- Future roles:
  - → Tech-heavy, information and business analysts; efficiency
  - → Less operational (delegate more to the business)
  - → Change management & training (more strategic)
- Talent:
  - → Challenge to get talent
  - → More innovative, strategic thinking, communication
- For suppliers:
  - → Positive impact but an initial effort needed (onboarding)
- **Overall need for new skill!**

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Results

Results of the discussion:
Procurement processes and procedures?

- Standardization / uniformity in how you interact with your tools (easy to work with)
- End-2-End process
  - → processes and procedures to ensure that data is correct
- Shifts in governance (roles and responsibilities)
  - → Important: training & support
- Process more managed by business (embedded)
  - → Needs an alignment with other departments / stakeholders (internal and external)
- Process will shift towards more reliable data (e.g., reduce maverick buying)
- The aim of new processes is **“to get better”**

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Results

Results of the discussion:
Procurement systems and solutions (incl. AI)?

- Reduction in system complexity
  - → Standardize systems / configuration
- Easiness to find best in bread
  - → Eliminate, simplify standardize and automate
- After a majored systems (p2p, s2p) are transformed, there is the possibility to implement specific/tailored systems according to the firm's needs
- **System innovation!**

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JP Lauer · 2nd

Vice President Consulting at GEP

United Kingdom · **Contact info**

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GEP Worldwide

Chartered Institute of Purchasing & Supply

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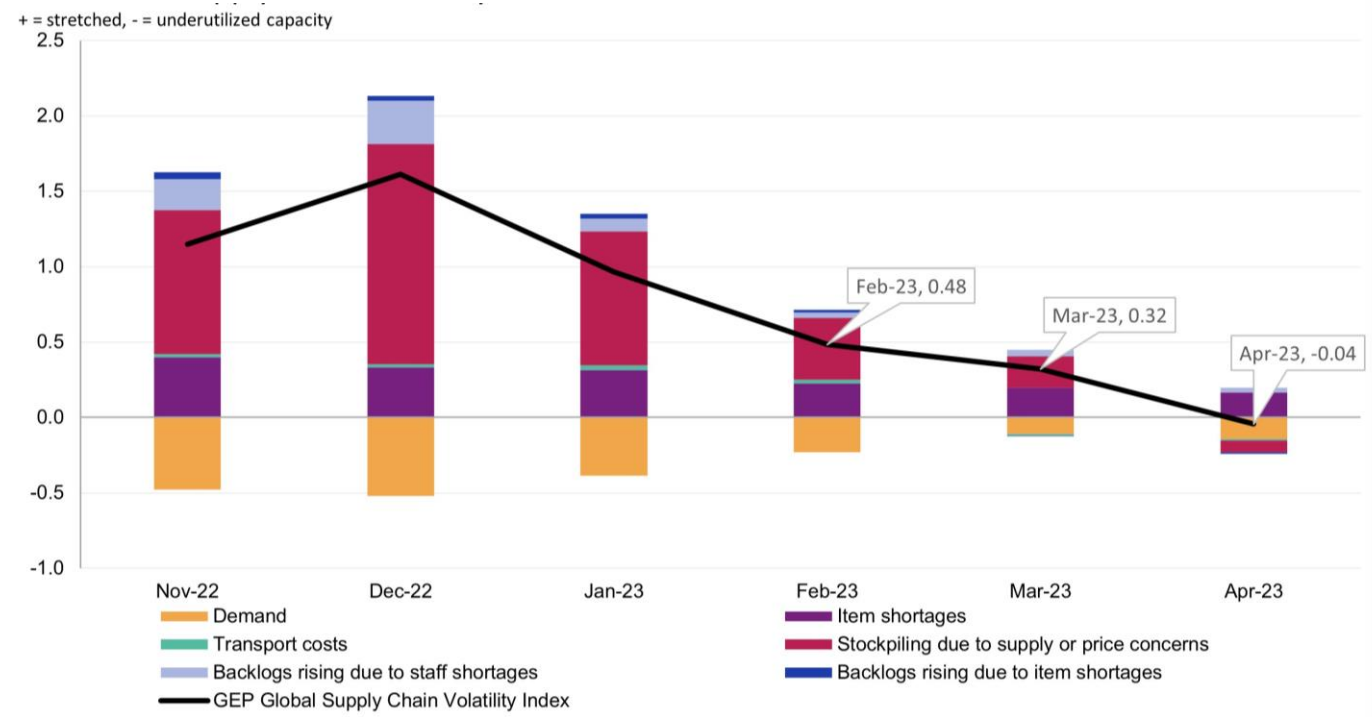
GEP Global Supply Chain Volatility Index



Sources: GEP, S&P Global.

Key Trends

- **Demand for raw materials and components trend improves**, suggesting we are past the trough seen in 2022
- Reopened Chinese **economy has improved demand across Asia**
- Global supply chain **volatility falls to lowest** level since July 2020, and negative for the first time suggesting **Global Supply Chains now have spare capacity**
- **Addressing non-indexed agreements becomes necessary** as inflation decreases.
- A reset is required to account for the indirect consequences, as the **Covid baseline no longer holds relevance.**

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CSR in purchasing and supply chain management

Sustainability and integrity in global food systems



Marianne Van Keep · 1st

Chief Sustainability Officer at Verstegen Spices & Sauces B.V., MVO manager van het jaar 2020/2021

Breda, North Brabant, Netherlands · Contact info

500+ connections

Verstegen Spices & Sauces B.V.

Nyenrode Business Universiteit

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Sustainability and integrity in global food systems

Discussion:

1. What three sustainability practices of Verstegen would you consider to be most useful for your company?
2. How do you actually measure your R.O.S. (Return on Sustainability) and to whom do you report?
3. How do you proceed in meeting Europe's CSRD requirements and securing the resources for this?

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Results

Results of the discussion:

What three sustainability practices of Verstegen would you consider to be most useful for your company?

- Opportunities that sustainability can give you
- Return on Sustainability (ROS) as a measurement in the organization
- Innovative procurement
  - → Source for solutions rather for specification
- Take ownership of the supply chain
  - → Vertical integration / upstream
  - → Sell sustainable solutions to your customers (downstream)
  - → Circularity (customer focused)
- Diversifying
- Battle of priorities? (outside-in and inside-out)
- Governance creates complications
  - → Standardization needed
- Approach: soft-skills (motivating, sell it, asking questions, inviting ideas)
- **Management as key sponsors for sustainability → ownership**

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Results

Results of the discussion:

How do you actually measure your R.O.S. (Return on Sustainability) and to whom do you report?

- Addressing the Paris act company-wide
- Ecovadis rating for large suppliers
- Report on target items CO2, water and waste
  - → costs are rather low; biggest effort is to get suppliers rated
- Use true-pricing (have consumers pay for it)
- Ecovadis annual review is needed
- Collaborate with universities to develop a formula for measuring sustainability initiatives
- **Ideal solution does not exist yet!**

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Bring Your Own Topic – Networking!

We are going to work in Triads… just find two colleagues whom you want to exchange with…

- Find a comfortable spot…
- Exchange each one's topic…
- Start exploring…



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Avantium

Utrecht University

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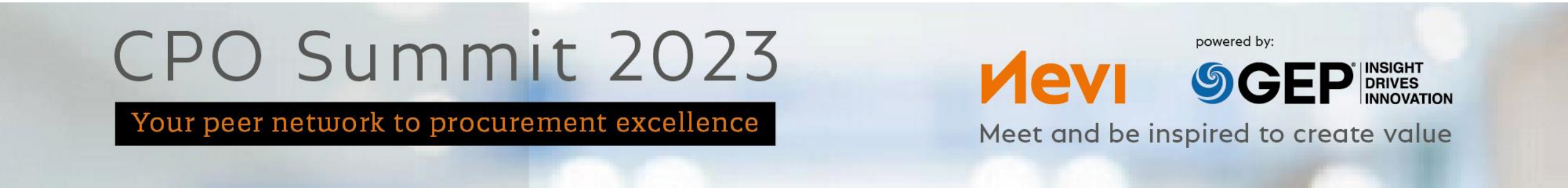
Day 2!



Results

What did we learn during day 1? (1/2)

- All the topics (inflation, digitalization, sustainable etc.)
  - → How can you tackle these topics all at once with the people in your procurement organization? (shared topic by all CPO Summit participants!)
  - → Make hard choices and act upon
- Three cycles of Inflation (to be continued because of energy prices, product demand and wages)
  - → Inflation will continue longer than we expect (12-18 months from now)
  - → Sometimes transparency pushes prices up (how much information are you willing to share?)
- Three learnings from inflation:
  - →1. avoid transparency, 2. stop spending, 3. consortium buying
- Innovative Products (PEF):
  - → Seems to be a promising solution replacing plastics (product safety, bio-based)

Results

What did we learn during day 1? (continued 2/2)

- Cost-Savings are not the priority anymore
  - → sustainable now focal driver (KPI): Are we at a turning point now in procurement?
- Complexity of truly sustainable supply chains
  - → Transparency calls for massive data gathering from different parties in the chain
  - → Strength of family businesses (interest in value as opposed to short-term profit)
- Cost increases must be passed on (to customers)
  - → Fighting cost increases!
- Digitalization:
  - → Resources that are freed up today for ProcureTech seem not to be sufficient (more fire-fighting than clear investment plan)
  - → Lessons learned are missing? What can we learn from fuck-ups that you made?
  - → Ways of Working is the same as we had in the past (ERP; E-procurement): process is the same but the way we handle it, is different

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Leadership in purchasing and supply chain management



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SOLVINT

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Procurement leadership and talent management

Results not documented

Discussion:

1. What are key skills and competences for assuming future leadership in procurement in your company?
2. What are the three major challenges in your company to attract procurement talent?
3. What are the three major challenges in your company to retain procurement talent?

Please, nominate a **chairman/woman** + **secretary** who takes notes and reports at the end of the session…



What did we learn?

Ideas, inspiration, questions from CPOSummit2023

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Reflection – CPO Summit 2023

- Procurement seems to be at an interesting turning point….from serving the business to shaping the business…
  - It is a core business function…
  - Should we still consider the term ‘Inkoop’?
- Book ‘Profit from the Source’ puts Procurement next to the CEO….
- Survey (30 respondents!) shows that:
  - Sustainability goals seem to have more priority than cost savings….
  - Inflation continues a major challenge for the years to come…
  - Disbalance between IT solution challenges and IT procurement budgets
  - Even stronger need for attracting talent…procurement career paths need to be in place

12-18 months ripple down affect



Reflection - Inflation

- There are too many people today **with fat wallets**….they **want to be served** instead of serving them themselves…
- **Price transparency** should serve the buyer interests…be careful to share this with your suppliers…as this will drive prices up!
- **Frietkraameffect** will stay for ever…is apparent particularly in competitive markets (Greek Islands)… (1: 43%, Many: 100%)…

COST TRANSFER PARADOX!….

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Reflection - Sustainable procurement

- CEO Verstegen: I want to leave a company behind **without guilt**…this requires a **mindshift** from Profit to Impact…from CFO to Chief Value Officer…from Command to Collaboration!
  - Key Value Drivers (7R's)
  - Focus on ROS rather than ROI (4Ps/Investment)
- Marianne's CV: be careful of your CPO **only has its own job** to take care of
- Consumers in general are not willing or able to pay for sustainability…sustainability offers **a future license to operate**
- Think about what will happen if your transfer your knowledge to your business-critical suppliers… (Nespresso, Nestle, Unilever, Verstegen)

Swinkels Circularity Index

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Reflection - Digitalization

- ‘We expect AUTONOMOUS PROCUREMENT to be there by 2025….’
- Procurement IT solutions foster discipline in data and processes…
  - focus on new roles in procurement
    - Master Data Management, Data Analyst, Process Automation, Content Management, Supplier Onboarding, System (IT) Innovation Scouting …
- Driving IT solutions calls for effective Transition Management…
  - Procurement is in a constant flux of change
  - Procurement calls for effective transition managers

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Reflection – Leadership

We live in an ambiguous world

- Procurement transition requires a **combination of different types of leadership**: from **administrative to adaptative and enabling leadership**
- Marielle: 'Everybody **can be right** depending on her/his perspective'… if there is **no shared perspective** this will prevent effective solutions
- Differences and dissonance are a source of inspiration to discover new paths insights…rather than something that you should avoid or hide from

<u>If the future is to **hard to predict**, there is no other way than to engage, inspire and offer vs seeking support</u>

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“We live in an ambiguous world…”



Advice: read Ollie B. Bommel…

- OBB is a man of the world…he knows best…
- OBB always runs into problems…
- OBB always is warned by people around him…
- OBB doesn’t listen…he goes on his own…
- OBB got stuck…and then he seeks for Tom Poes…in desperation…

‘TOM POES VERZIN EEN LIST!’

- Next: he listens and follows up…
- The story end happily

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Final advice



PLASTIC



PEF

!



PET

TREASURE YOUR SIVERWORKERS!



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A BIG THANK YOU TO….

- Silke and Vincent…!
- Our great guestspeakers and inspirators…!
- Our great sponsors!
- And our Great Audience!