CPO Summit 2022

The menu to procurement excellence

Results from Discussions

Silke Herold (Maastricht University) & Fanny Chen (Rotterdam School of Management, Erasmus University)

Dear summit participant,

Please find **an overview** of the discussions covered in the **four sessions** at the Nevi CPO Summit, supported by GEP.

We provide you with discussions points from the white boards and notes taken during the CPO summit. The classification into different categories is an attempt to improve readability and understanding.

With kind regards,
Silke Herold (UM) & Fanny Chen (RSM)

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1. Survival of the fittest

Silke Herold (UM) & Fanny Chen (RSM)

1. What would you consider procurement's extended phenotype (i.e., the effects of procurement behavior on the world)?

Phenomena: lots of transportation

- Start become a collaborator, focus on people and planet, and then on profit.
- Focus more on long-term impact
- Signed contracts
- Lack of redundancy
- Prosperity
- Geopolitical influence / differences / threats
- Waste (non-reusable): more or less?
- Selection pressure
  - Low-cost country sourcing
  - Globalization of trade
  - Consolidation of supply markets
  - Price volatility and deflation
  - Competitive markets
    - Too much competition: e.g., exploitation of people and natural resources
  - Quick spreading of innovation

2. What are the three 'must do's' to survive as a CPO?

- Keep smiling, keep breathing, and stop panicking
- Create transparency on the challenges being faced: both internally and externally
- Security of supply
- Margin management
- Value engineering: look at the functions of the materials
- Connect with internal stakeholders as well as with suppliers
- Risk management: protect
- Innovate new business models, ecosystems
- Agility: being able to adapt to changing environment
- Drive cross-functional collaboration
- Form partnerships with external suppliers (strategic partnerships)
- Value proposition of procurement: from transactional function to strategic function
- Governmental interventions (or guidance rather than interventions?)
- Need to understand implications of ESG framework
- Move from linear economy to circular economy

3. What do you consider the three most important threats for your tenure?

- Availability of key talents
- Balancing short-term and long-term goals
- Too slow transformation
- Staying in control for too long
- Over-regulation
- China
- Corporate politics: managers blame the people rather than looking for solutions
- Climate change
- Information security
- Lack of feedback loop
  - From the business
  - From the suppliers
  - From the talents
  - …

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Nevi

2. World Cafe: ESG & Innovation

Silke Herold (UM) & Fanny Chen (RSM)



1. What are your best practices in creating sustainable supply chains?

Internal / Strategic decisions

- Define what exactly a sustainable supply chain is
- Define your ambitions
- Target setting
- Raw material passport
- Rolling forecast aligned with customers
- Design to waste responsibility
- Renewable covenant / plastic
- Engineering for re-use (of subcomponents)
- Enable supplier innovation
- Building balanced chains
- Steer on *human rights* criteria
- Measure performance: sustainability in supplier score card
- Nearshoring of activities, local sourcing, and circularity

External / Supplier

- Renewable covenant / plastic
- Top-X supplier commitment to reduce CO2
- Rolling forecast aligned with customers
- Design to waste responsibility
- Engineering for re-use (of subcomponents)
- Enable supplier innovation
- Building balanced chains
- Go back to the roots: educate your suppliers (all tiers).
- Pay a fair price (check margin of your supplier)
- Create sustainability guidelines for your suppliers
- Take a long-term view on supplier relationship (e.g., instead of perspective of 1 year, change to 5 year)
- Organize open sustainable innovation challenge

2. What are your best practices to secure supply from scarce resources?

Internal Set-Up:

- Supplier relationship management (SRM); build long-term supplier relationship (including shared forecasting, CAPEX / investment planning)
- Contingency management
- What if high risk but you're not considered important to your supplier? Make yourself important or look for alternatives.
- Move away from scarce resources: reformulation (Ukrainian example) ; change design, develop alternatives (i.e. reduce OEM)
- Develop tiger team: dedicated task-force team
- Re-stock
- Change designs (re-design)
- Use of innovation programs: Have engineering & primary process knowledge in procurement team (buying)
- Buy materials (= reduce supplier risk)
- If you still earn, you can pay more. Pay more than the rest

External / Supplier Collaboration:

- Help suppliers develop (co-develop), must get this out of your supplier relationship management program
- Extend commitments: longer-term commitments (instead of contract for 6 months, contract for 2 years)
- Discuss needs of suppliers
- Let suppliers develop internal knowledge (less dependent; insourcing)
- Find the unique reasons zo become customer of choice / Make it easy to do business with yourself
- Build supply market (incl. buying supplier): sufficient quantity requested; hedging?
- Buying consortium
- Put in the joker: CEO to CEO conversation (Top-to-Top conversations)

3. What are your best practices in engaging suppliers in innovation?

Internal / Organizational focus:

- Organization readiness + processes in place;
- Implement innovation board
- Involvement from functional departments (R&D)
- Product development specialists teaming with innovation (not procurement)
- Share roadmaps
- NDA's and trust → stimulate information sharing
- Research Group

External / Supplier-focused

- Be specific but open for supplier's ideas
  - Share Roadmaps
  - Create transparency
  - Organize workshops
- Be open for new suppliers / incumbents
- Create incentives for suppliers to participate (and invest)
- Early supplier involvement → co-innovation
- Relationship mgmt.: Be a strategic customer
- Limited group of suppliers
- Product development specialists teaming with innovation (not procurement)
- NDA's and trust → stimulate information sharing
- Conduct Innovation Challenges (fixed budget; time limit on exclusiveness use of innovation
- Reward innovation during contract
- "Contract" innovation hours / support & make it SMART
- Open platform for problems / solutions
- Involve engineers in SRM

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3. Digitalization

Silke Herold (UM) & Fanny Chen (RSM)

1. What are your major achievements in procurement systems and digitalization? (I/II)

Spend analysis / reporting
- Full spend becomes transparent
- Combining it with market forecasting to stay ahead of market developments
- Coupa
- Cost driver analysis

Data
- Reliable and clean data
- Forecasting data
- Data visualization system (e.g., Power BI)
- Performance data per product or group
- Use market insights for price increase discussion with customers
- Created own dashboard with lots of data
- Automated dashboard including value, process and people

P2P
- Guided buying including high no touch %
- Automatic PO creation
- No PO, no pay
- Wegautomatiseren van directe inkoop po's via rpa
- E signature
- Digital approvement of invoices

ESG
- Robust and detailed CO2 footprint measurement including tiers
- Procurement governance webforms

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1. What are your major achievements in procurement systems and digitalization? (II/II)

Strategic

- Saying goodbye to old e-procurement system
- Good strategy approved by the board
- Digital Roadmap
- Scenario building
- Integration of legacy entities and new acquisitions
- Tool as a service
- Value tracking

Management

- Contract management
- Funnel (project) management system
- S2CSLM Risk Management including Ecovadis, d&b, name screening
- Monitoring
- Close to 100% compliance
- Use of Helios supplier platform across the financial industry
- ERP standard

2. What procurement functionality is on your bucket-list?

AI
- Knowing what to ask your AI to interrogate the data lake
- AI on future material price developments & scenario building
- AI enabled spend visibility
- Buyer bot
- Predictive raw material forecasting

Processes and systems
- Purchase data storage
- Spend analysis
- P2P system → 95% compliance
- Global harmonization of processes
- E-tender, E-contract management
- Master data alignment finance @ procurement
- SAP S/4HANA, Coupa, Celonis
- Value tracking
- Central system iso local solutions

Transparency/visibility
- Transparency on supply chain risks
- Transparent data
- Global data pool
- Product/source location level

ESG
- CO2 footprint measures
- CO2 monitoring
- Carbon footprint data set

Risk Management
- Future oriented risk management
- SRM tooling / E-SRM
- MES systems integration with suppliers
- 360 supplier intelligence

OTHER
- Behavior (change)
- Supply base adapting to our digital agenda

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3. What are the three major challenges to overcome in procurement digitalization?

Internal / interpersonal challenges

- Capabilities / Capacities: people who can work with it / digital talent
- Culture
- Changing behavior of employees
- Other departments
- Business case / prioritizing genuine ROI, genuine usability
- Delivering on the sales promises

External

- KYS: know your supplier , e.g., global UBO register

Technical challenges

- Clean reliable data
- Masterdata
- Integration of systems and data
- ICT systems & resources
- Low/high on IT priority
- Underinvestment in tooling
- IT complexity system and processes
- Veranderen/systeemadoptie
- P2P, no PO no pay compliancy
- Legacy systems



3. Procurement Talents & Leadership

Silke Herold (UM) & Fanny Chen (RSM)

1. What are major challenges in your organization to attract new procurement talent? What do you do in person to attract procurement talent?

Challenges

- Changing Role ("Spider in the Web")
- Limited resources available / Getting new talent
- Recruiting budget / No budget
- Career path long-term
- Gap in expectations between employees & employer
  - Mindset
  - Compensation & Benefits
  - Learning & Development
- Constrains due to nature of company profile (NS NL-based)

Actions to overcome challenges / attract talent

- Positioning of Procurement
- Be there / visible as manager
- Social Media / Share within network / LinkedIn Networking ("Fish from multiple pools") →not only procurement
- Sell the full value proposition of procurement
- Self-involvement in job interviews
- Guest lectures
- Uni Network / University contact
- Attend events
- Provide Internships
- NEVI

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NEVI

2. What are major challenges in your organization to develop and retain procurement talent and leaders? What do you do in person to develop and retain procurement talent and leaders?

Major Challenges in developing & retaining talent (organization)

- Finding balance value-add non-value workload
- Training budget

Actions taken by your organization to develop and retain talents:

- Talent forum / rotation program (Increase frequency of rotation)
- In-house Training (Soft & Hard Skills)
- External Training (NEVI / CIPS)
- Buddy-Program
- Training budget
- Time to develop / Gap-Analysis → Development Plans
- Leadership program – personal coaching
- New skills definition
- Procurement Academy

Personal actions taken to develop and retain talent

- Expat Assignment
- Do not try to design career paths
- Give Talent quickly special assignment
- Make employees responsible for own success
- Take risks

→ **People spend on average 20-30% of their time on this topic**

3. Do you know how fit and healthy your procurement team is? What do you do to keep them fit and healthy?

Engaging with employees

- Lead by Example
- Frequent calls to check on employees / 1-1 meetings
- Visit employees' locations → to show you care!
- Give flexibility
- Get rid of rigor salary scale
- Attention is mot important!

Survey / Reviews

- Talent Review
- Conduct pulse review
- Conduct employee engagement survey
- Measuring "Stress"

Health-Check

- Company marathon / triathlon
- Free Fruit
- Check sick leaves
- Facilitating Work-Life-Balance