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Putting Customer Experience at the heart of Procurement Transformation:
Learning from other functions

Putting Customer
Experience at the
heart of Procurement
Transformation

Introduction to The Hackett Group

Let's not talk about Procurement

Human Resources

Information Technology

Finance

Global Business Services

Closing thoughts

The Hackett Group is the world's leading IP led consulting firm, offering unparalleled insights into shared service practices

Fast
Accurate
Unbiased and
Actionable



Skilled consultants powered by IP



End-to-end transformation support



Data & insights from the world's best performers



Digital tools, insights & capabilities

What is different about working with The Hackett Group?



Intellectual Capital

Unrivaled Global Benchmarking Data
Base and Best Practice Intelligence
Centre that will provide you with hard data
to evaluate your function and quantify the
potential benefits.



Every team member adds value

We operate in small teams resourced with
hands-on experienced consultants drawn
from our truly global talent pool. This
ensures you get high value from every
single staff involved in the project.



We look to complement not to replace

Our engagements are designed to
complement your team during periods of
significant change. Our contribution can
be through a fresh perspective, a
specialised skill not available in your team
or a connection to a high value reference
point. We are not looking to take over.

The Hackett Group difference; empirical insights derived from an unrivalled set of intellectual property assets on SG&A performance

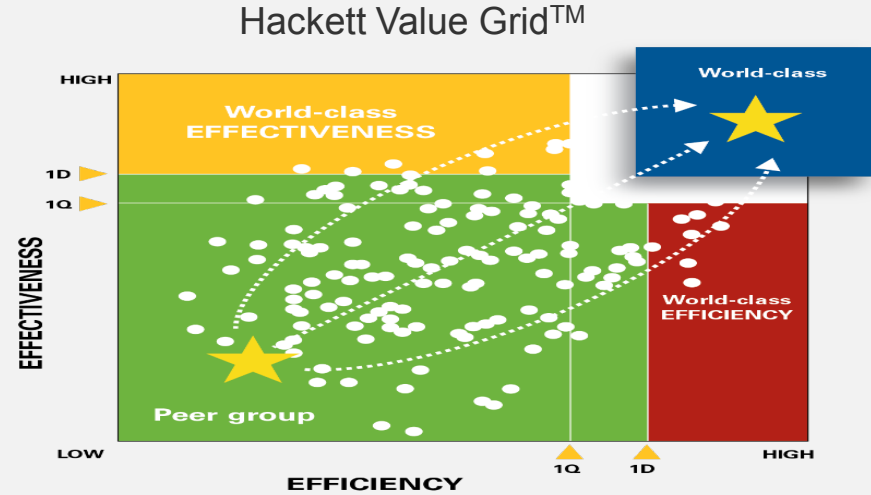
Hackett has empirically defined World-Class

EFFECTIVENESS

- Effective decision support
- Better alignment to the needs of the business
- Higher quality & accuracy

EFFICIENCY

- Lower total costs
- Faster cycle times
- Higher productivity
- Optimised FTE deployment



Hackett's intellectual property explains how to close the gaps

46%
of ASX 50

89%
of Fortune 100

90%
of Dow Jones
Global Titans


- | | |
|--------|---|
| 30,000 | Performance metrics |
| 15,000 | Benchmarking studies |
| 2,000 | Best practices |
| 700 | Process maps |
| 330 | Implementation and configuration guides |
| 35 | Best practices scorecards |

Our “hands on” experience in delivering procurement transformation allows us to work with our clients to develop and deliver actionable recommendations



Hackett's capabilities span across all non-operational functions

We have a structured approach to ensure consistency in data collection and comparison

Finance 	Procurement 	Supply Chain 	Marketing 	Sales & Service 
<ul style="list-style-type: none">▪ Transactional Finance<ul style="list-style-type: none">– Accounts Payable & Travel & Expense– Revenue Cycle– Accounting and External Reporting▪ Control and Risk Management<ul style="list-style-type: none">– Tax Management– Cash & Working Capital Management– Capital & Risk Management– Compliance Management▪ Planning & Analysis<ul style="list-style-type: none">– Strategic Business Planning Support– Annual Planning– Forecasting– Business Performance Reporting– Business Analysis▪ Management & Administration<ul style="list-style-type: none">– Finance Function Management	<ul style="list-style-type: none">▪ Operations and Compliance<ul style="list-style-type: none">– Supply Data Management– PO Processing– Supplier Scheduling– Receipt Processing– Compliance Management▪ Sourcing and Supply Base Management<ul style="list-style-type: none">– Customer Management– Sourcing Execution– Supplier Management and Development▪ Planning and Strategy<ul style="list-style-type: none">– Sourcing and Supply Base Strategy▪ Management and Administration<ul style="list-style-type: none">– Function Strategy and Performance Management– Procurement Function Management	<ul style="list-style-type: none">▪ Plan<ul style="list-style-type: none">– Demand Planning– Supply Planning– Inventory Management– Integrated Business Processes (S&OP)▪ Make<ul style="list-style-type: none">– Manufacturing Strategy– Production and Resource Management– Production Management– Maintenance Management– Quality Management▪ Deliver<ul style="list-style-type: none">– Define Logistics Strategy– Manage Inbound Transportation– Warehouse Management– Manage Outbound Transportation– Reverse Logistics	<ul style="list-style-type: none">▪ Marketing Operations<ul style="list-style-type: none">– Marketing Communications/Demand and Lead Development▪ Marketing Brand Management<ul style="list-style-type: none">– Brand and Product Management▪ Marketing Planning and Strategy<ul style="list-style-type: none">– Planning and Strategy– Market Research and Analytics▪ Management and Administration<ul style="list-style-type: none">– Marketing Function Management	<ul style="list-style-type: none">▪ Selling<ul style="list-style-type: none">– Sales Execution– Sales Operations▪ Sales Operations and Management<ul style="list-style-type: none">– Sales Planning and Strategy– Sales Function Management▪ Transaction Management<ul style="list-style-type: none">– Order and Contract Management▪ Service Operations and Management<ul style="list-style-type: none">– Service Execution– Service Operations– Service Planning and Strategy– Service Function Management
Human Resources 	Corporate Services 	Information Technology 	Global Business Services 	
<ul style="list-style-type: none">▪ Transactional HR<ul style="list-style-type: none">– Total Rewards Administration– Payroll Services– Data Mgmt., Reporting, & Compliance▪ Employee Life Cycle<ul style="list-style-type: none">– Staffing Services– Workforce Development Services– Organizational Effectiveness Services▪ Planning and Strategy<ul style="list-style-type: none">– Total Rewards Planning– Strategic Workforce Planning▪ Management and Administration<ul style="list-style-type: none">– Human Resources Function Management	<ul style="list-style-type: none">▪ General Administration<ul style="list-style-type: none">– Administrative Services– Travel and Transportation Services– Catering Services & Mail Services▪ Real Estate & Facilities Management<ul style="list-style-type: none">– Real Estate Management– Facilities Management▪ Control and Risk Management<ul style="list-style-type: none">– Corporate Communications– Government Affairs– Legal– Risk, Security & HSE▪ Executive<ul style="list-style-type: none">– Planning and Strategy– Executive Office	<ul style="list-style-type: none">▪ Plan<ul style="list-style-type: none">– IT Business Relationship Management– IT Demand & Portfolio Management– Enterprise Architecture▪ Build<ul style="list-style-type: none">– Infrastructure Development & Deployment– Application Innovation Development & Deployment– Information Data Sourcing & Integration	<ul style="list-style-type: none">▪ Run<ul style="list-style-type: none">– Data Centre Management– Network Management– IT Operations Management– End User Support– Risk & Security Management– Information & Data Management▪ Function Management<ul style="list-style-type: none">– IT Oversight– IT Procurement Support	<ul style="list-style-type: none">▪ Support processes<ul style="list-style-type: none">– Service Strategy– Service Design– Service Transition– Service Operations– Continual Service Improvement– GBS Contact Centre▪ Delivered processes<ul style="list-style-type: none">– Scope tailored from the taxonomy areas shown



Let's not talk about procurement

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Human Resources

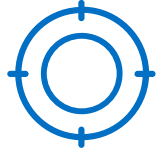
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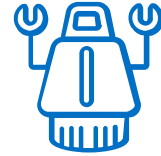
Closing thoughts

Key attributes of next-generation HR



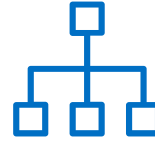
Refocused HR vision & purpose

- Business planning and people strategy
- Innovative people programs
- Employee ownership of their work experience



Smart automation & analytics

- HR technology delivering a personalized experience
- Robotics and AI to enhance work
- Predictive analytics to inform people decisions



Agile organization design

- Simpler, flatter structure
- Streamlined roles & governance
- Distributed decision-making



New breed of HR professional

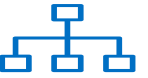
- Strategic & proactive
- Intellectual curiosity & agility
- Digital & analytics savviness
- Change leaders



Culture of innovation

- Challenge traditional assumptions
- Creative thinking within constraints
- Mindset of continuous improvement

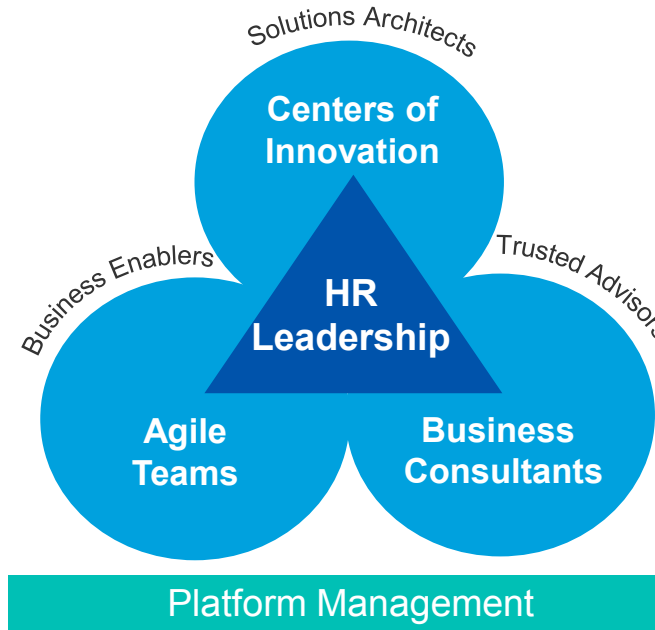
Creating a leaner, more agile HR organization



Next-generation model

Move to strategic business advisory, continuous innovation and automation enablement

- Trusted advisor to senior leadership on people strategy
- Designers of an enabling, high-performance workplace culture
- Change strategists, catalysts for continuous innovation



- Agile, cross-disciplinary resource pool to develop fungible HR talent
- Smart automation & advanced analytics to support people decisions/investments
- Efficient, user-centric, highly automated delivery of services

Service-centric digital services, micro-services, smart automation, analytics

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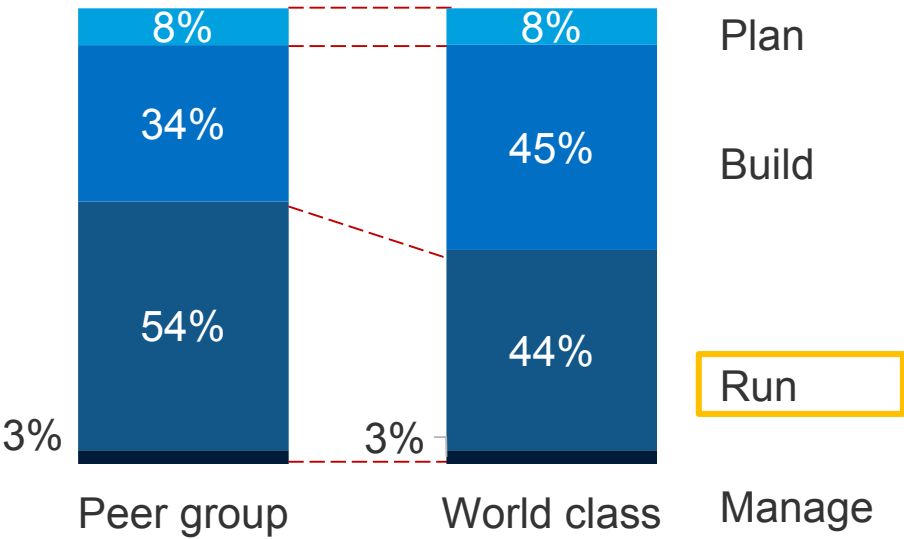
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Closing thoughts

Reductions in operational costs fund IT's transformation, which further reduces run costs

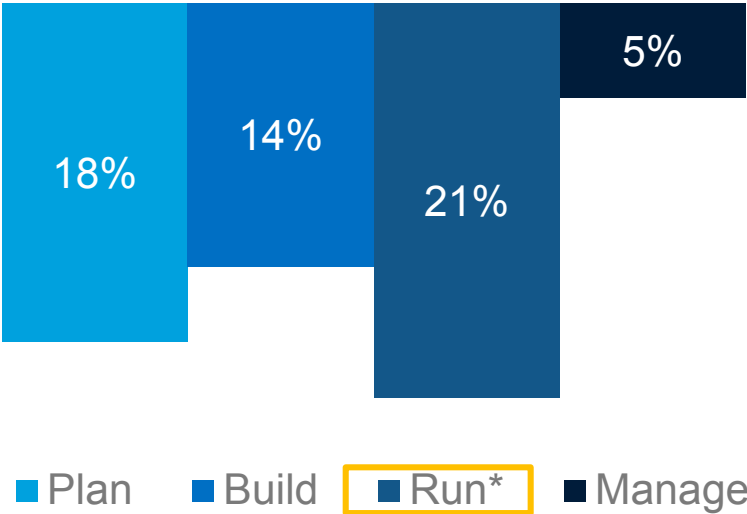
IT process cost allocation - 2019



Keys to Run cost reduction

- Automate and outsource Run processes and tasks
- Reduce infrastructure complexity
- Disciplined asset management and compliance

IT lifecycle cost reductions from digital transformation



*Includes technology costs as well as labor and outsourcing costs

The business relationship manager role is the conduit of culture change to stakeholders and is pivotal to becoming a valued business partner

Traditional BRM charter

- Interpret/communicate needs and plans of business stakeholders to IT and vice versa
- Vet and/or prioritize stakeholder project requests
- Ensure IT technology and process standards are followed



Updated BRM charter

- Repair or establish IT-business trust and respect
- Position IT as a strategic, valued business partner
- Inspire innovation and art of the possible for stakeholders
- Anticipate stakeholder needs or opportunities
- Provide a conduit or connection to business external customers

What are the three technology mega trends where innovated investments are expected to drive benefits?



Analytics

Converts existing data into insights

Using data science and software to derive value from large/complex datasets

Barriers to data-driven insight are disappearing



Automation

Embedded in work steps eliminating manual intervention

New cross-functional technology to do work that could be done by humans

The price of automation is dropping



Artificial Intelligence

Human like problem solving

Software and systems that imitate human thought processes

Plentiful non-human expertise will be available

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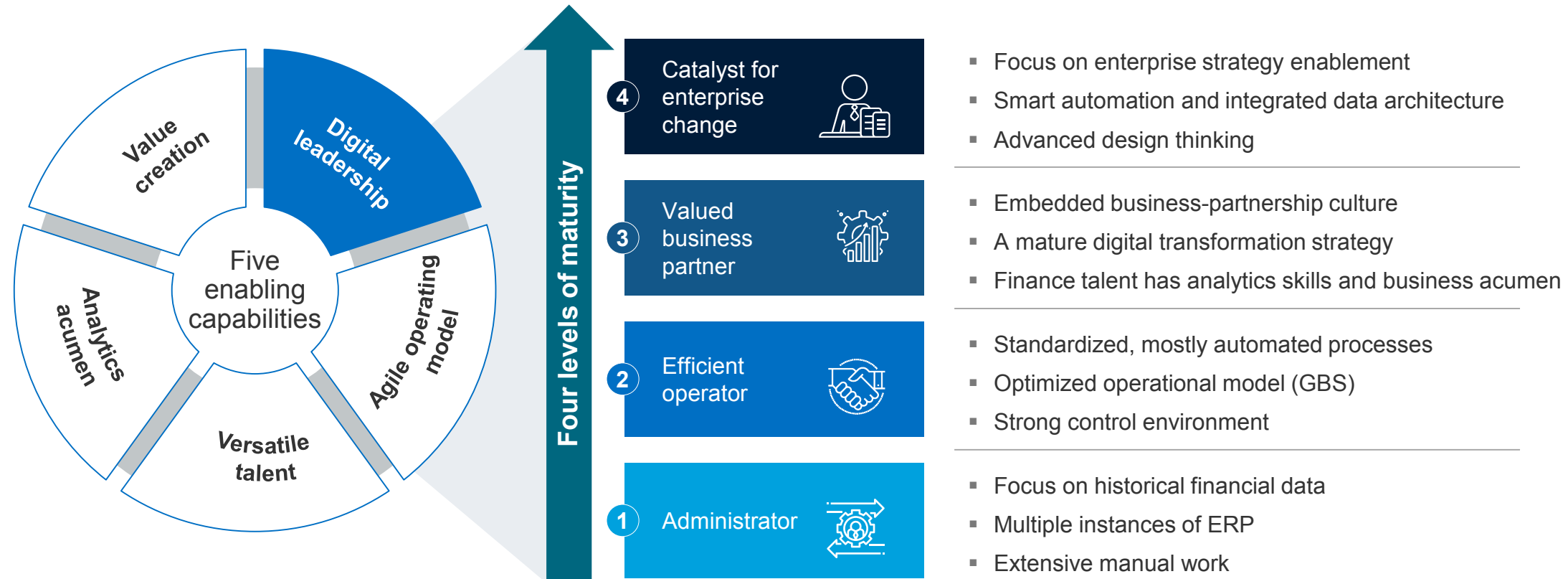
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Closing thoughts

Evolving to Finance 2.0: A new finance maturity framework



Evolving experience with digital

Moving finance from business partner to enterprise enabler



Today's world

Centralized function support, standardization directed by people and automated through best-fit platforms

Transaction processing

- Operational excellence through coordinated management of people, process, and technology
- Continuous improvement mind-set; triage activity based on pain points grounded in finance needs

Planning and strategy

- Period-based insights and events; “served up” model
- Financial partners support internal stakeholders’ strategic decisions through codified subject-matter knowledge

Control and risk management

- Integrated controls and risk management
- Procedural clarity that supports function management



Tomorrow's reality

Customized BU/Geo/role support, people and automation resources orchestrated on a standard platform

Transaction processing

- Touchless processing with labor focused on exceptions; making informed decisions based on prescriptive analytics
- Transformation mind-set; evolving end-to-end processes with diverse stakeholders in mind

Planning and strategy

- Real-time monitoring, dynamic alerts, and recommended prescriptive actions sent to key personas
- Enterprise stewards providing analytics-driven advice attuned to internal and external stakeholders

Control and risk management

- Proactively monitoring and detecting patterns of interest where weaknesses may occur
- Data-driven actions/ frameworks supporting the enterprise

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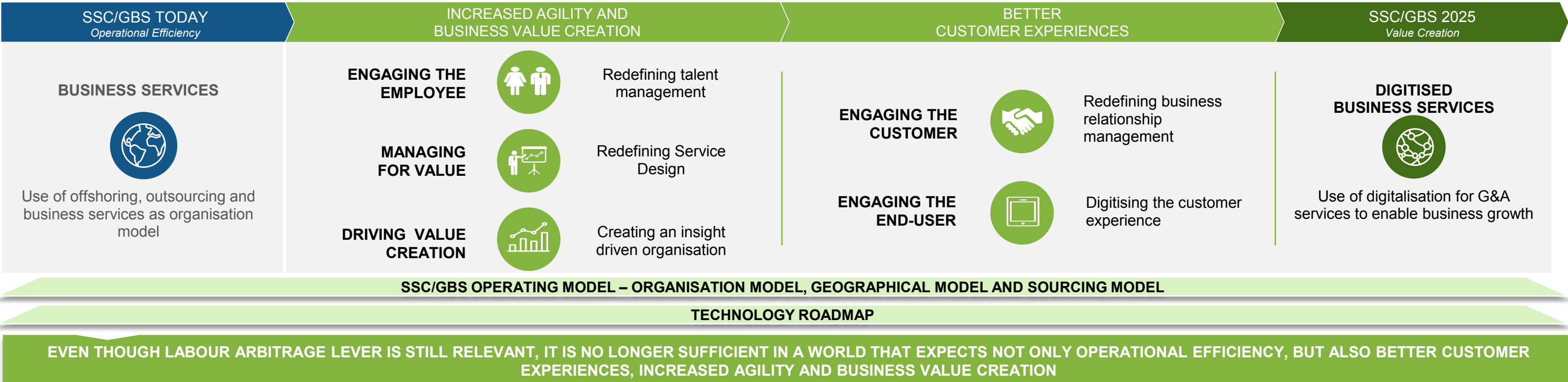
Global Business Services

Closing thoughts

Your customers may be captive, but not necessarily captivated...

Innovation of service design is the key to a better customer experience

Business services organisations are evolving to enable business growth



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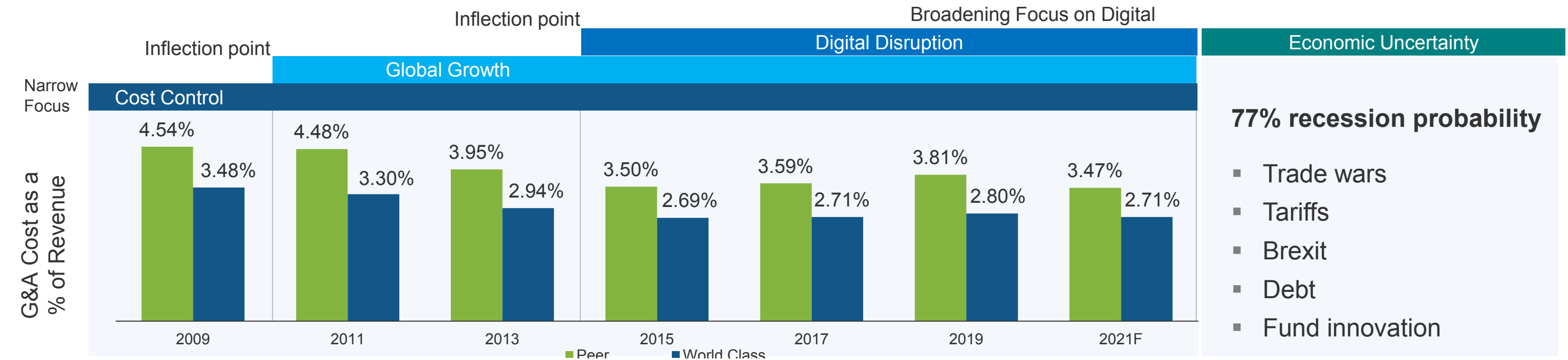
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Closing thoughts

Peers and World-Class recently made modest investments in G&A and the benefits are anticipated to be realised over the next couple years



With the shift to a digital environment Hackett is redefining efficiency and effectiveness value, and expanding value to include experience

Efficiency



Minimisation of Cost
of procurement services by optimising
resource productivity and eliminating waste

Effectiveness



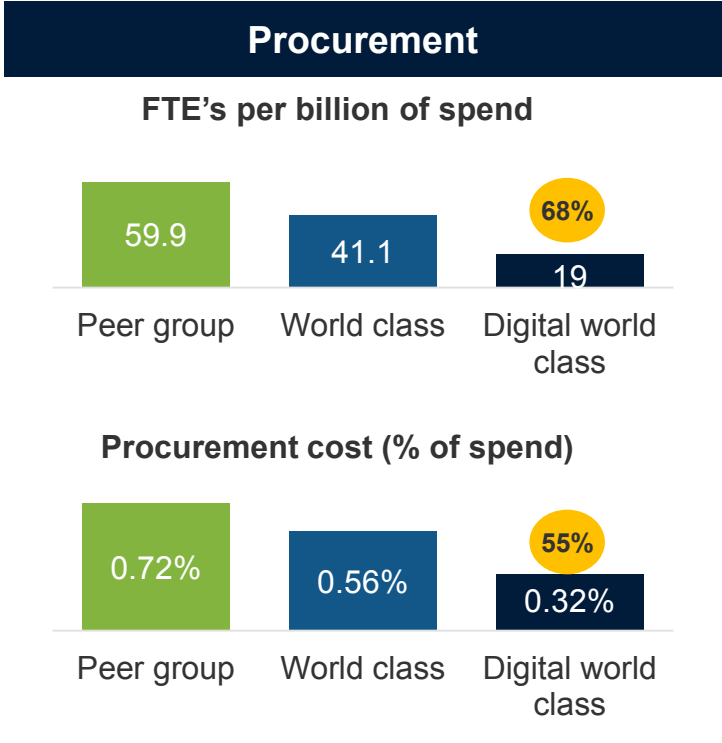
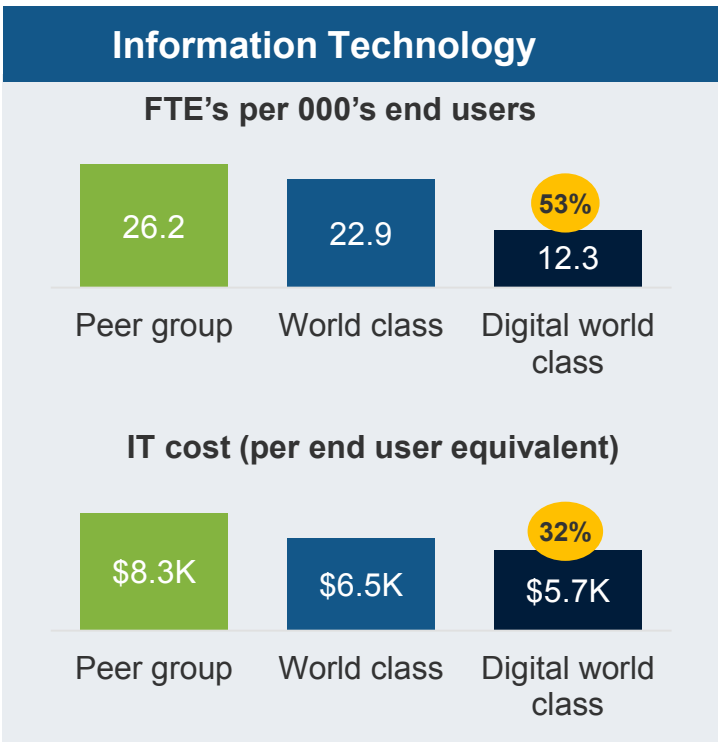
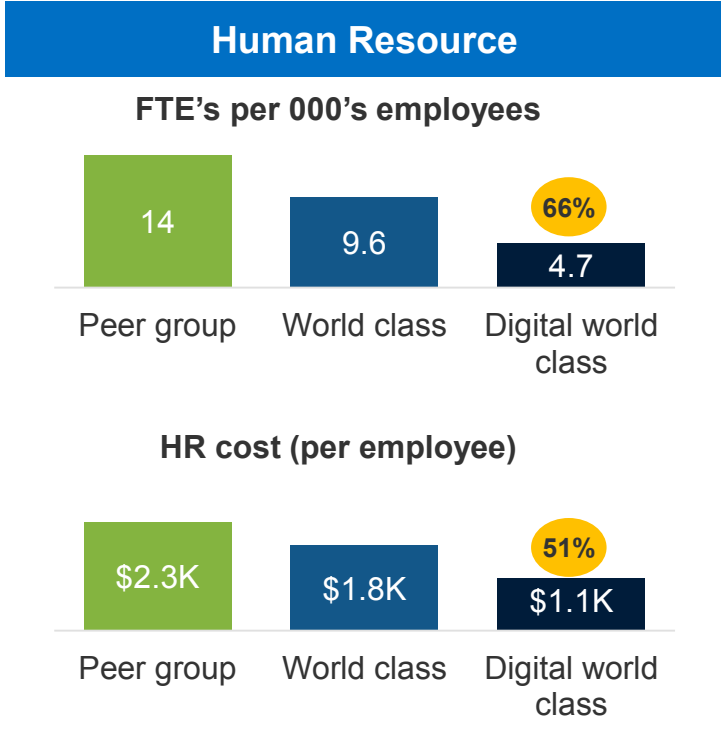
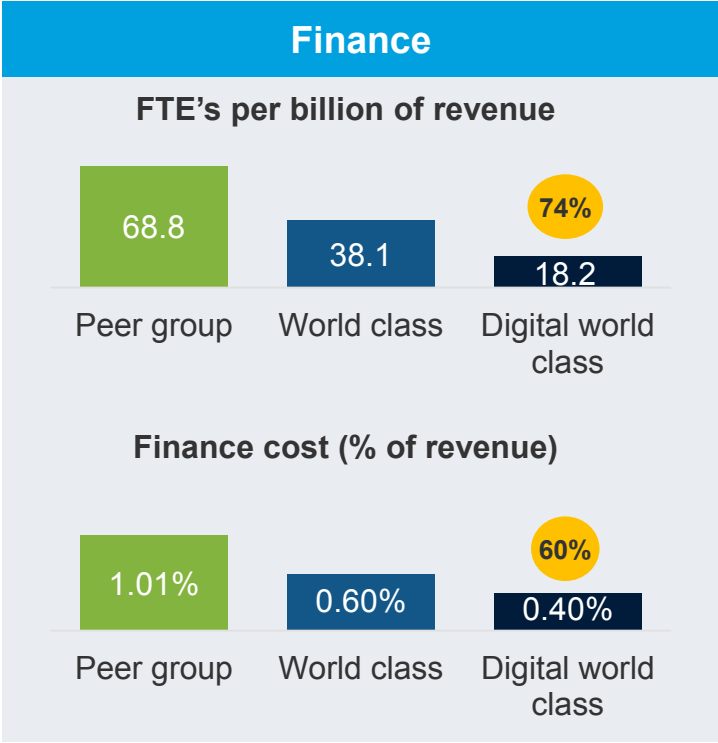
Maximisation of Business Value
by aligning procurement services with
business needs

Experience



**Optimisation of Procurement
Relationship and Engagement Value** for
employees, customers and suppliers

Impact of digital technology improves efficiency creating capacity...



...and positively impacting the performance of the overall organization

Effectiveness

Percent of Finance FTEs time spent analyzing performance vs. scrubbing data



Peer group Digital world class

Time spent by Procurement analysts collecting and compiling data versus analyzing



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Percent of total spend influenced or managed by procurement



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HR staff are highly involved in organizational change



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Experience

Finance Perceived as Valued Business Partner by Stakeholders



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HR is perceived as a valued business partner by stakeholders



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Customer Service Orientation



Peer group Digital world class

HR Perceived as Agile in meeting the changing needs of the business



Peer group Digital world class

Why digital transformation is changing the way procurement evolves



New Ways of Doing Things

- Move beyond just automating existing processes
- Define completely new ways of doing things
- Enable with new technologies (e.g., cloud, big data, RPA, social media)



A Customer-Centric Approach

- Move beyond internally focused transformation
- Design from the “outside in”, starting with customer needs
- Design new ways to engage the customer (internal and external)



Velocity of Change

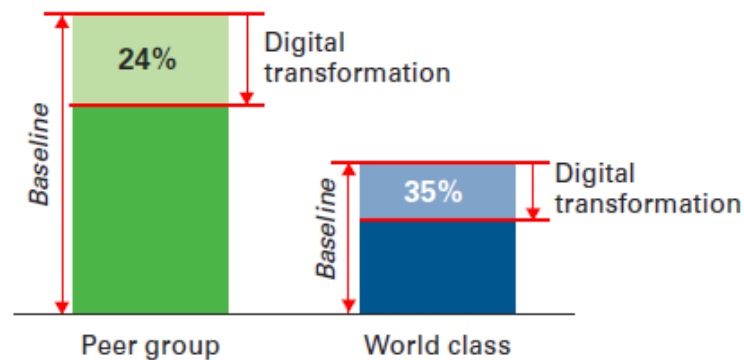
- Embrace a fail fast philosophy
- Execute pilots in targeted areas and scale up rapidly
- Shift focus from discrete projects to continuous transformation

What is the digital opportunity in Procurement?

Improving customer experiences, operational efficiency, agility and business value contribution by fundamentally changing the way procurement services are delivered using digital technologies as the enabler of holistic transformation.

At its Core, Digital Transformation will reduce the cost to execute business services functions....

Percentage procurement process cost reduction attributable to digital transformation



.... for Procurement the value of digital goes far beyond cost savings to better business enablement

Value beyond cost savings: Enhanced value above spend cost reduction

Decision support: New insights and intelligence

Shift effort: Commercial and supply relationships

Business alignment: Enhance agility and internal customer experiences

Why haven't things changed already?

- Lack of investment
 - Spend Management not the priority
 - Executive buy-in
 - Economy is good, M&A growth over organic growth
- Organizational change
 - Redefining roles to shift time away from routine tasks has proven difficult
 - Talent shortage means we're building skills internally
- Tech adoption
 - Market is complex, moves fast, and can be hard to navigate
 - Gravitational pull is toward ERP, which doesn't always meet our needs
 - Many systems have been "half implemented" – leaving parallel manual and automated processes

"Day to day work interferes with our ability to move the needle on the strategic"

- CPO

"Minor-seeming gaps in our recently selected technology are holding up our automation roadmap"

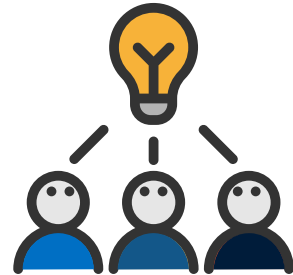
- CPO

For most organizations it takes a massive inflexion point to overcome inertia, often driven by external forces or a significant internal disruption.

What will it take to change?

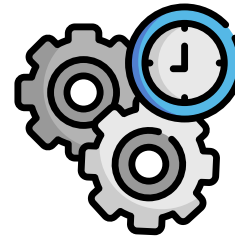
1. Reset the Culture

- Change management and upskilling
 - Fast fail methodology
 - Prepare for the digital age
 - Talent focus to attract and retain the best
 - Long-term & ongoing learning



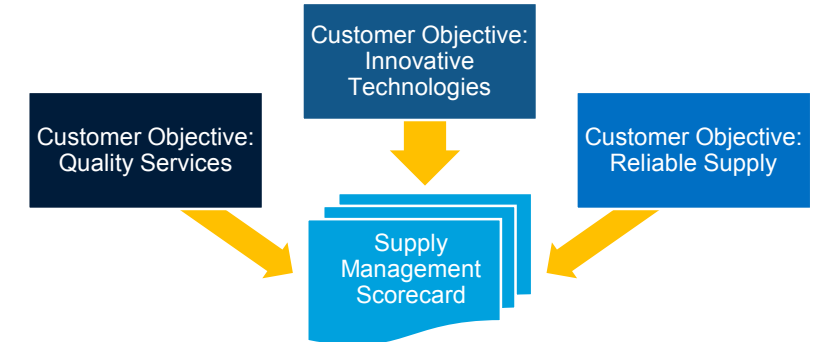
2. Digitize

- Fast and flexible adoption of new technologies
 - Platforms with open access API
 - Best of breed solutions where needed
 - Looking outward at the network instead of inward at process automation
 - Focus on things adjacent to savings like maverick spend reduction via a modern eProcurement UI, guided buying



3. Define Value

- Take an external view
 - Start with the customer
 - Budget owner priorities should drive category activities, not savings targets (savings will come along the way)
 - Supplier value matters too





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