

Global procurement: The ‘human element’ in going all digital



Of all the business operations that have come under scrutiny as a result of COVID-19, none may have been more important than a firm’s supply chain and procurement, specifically, the need for firms to move quickly into the digitization of this critical operation. But, the key to unlocking proficiency and impact in global procurement lies not simply in data technology investment but in the symmetry and alignment of people and processes behind that technology. Deploying a single cloud-based technology platform using artificial intelligence (AI) and machine learning (ML) models with unambiguous data visualization may facilitate digital procurement transformation, but the system won’t succeed without the correct focus for that old-fashioned intelligence model: the human.

“If a digital transformation fails, it is not because of the technology. It is due to an underestimation of the change management required,” says Ninian Wilson, Global Supply Chain Director and CEO of Vodafone Procurement Co.

Wilson is currently guiding the second phase of a digital procurement transformation at Vodafone, where a mix of technologies is used to manage roughly 800,000 purchase orders and five million invoices a year, across 23 operating companies.

The Hackett Group has ranked Vodafone’s digital procurement operation as “above world-class.”

Forced disruption to forever digitized.

Without a doubt, the impact of COVID-19 has created new awareness and appreciation of the enterprise value impact that procurement brings to the business and raised the profile of the function. “As a consequence, the appetite for companies to now invest (or continue to invest) in digitizing their procurement is high on the agenda, as this will help support businesses to have not only agility, but full visibility of their Tier 1 suppliers, and most critically their Tier 2 and 3 suppliers to increase their resilience,” says James Day, Practice Leader, Supply Chain, Operations, and Procurement Center of Expertise, Professional Search in Europe, the Middle East, and Africa.

While the ability to get things done in a crisis has created a burning platform for companies that are only now adopting digital procurement, many are still struggling with understanding how to implement, while others have failed to deliver a return on investment, says Cheryl D’Cruz-Young, who leads Korn Ferry’s Chief Procurement Officer Center of Expertise. “What we have seen is when

A recent Korn Ferry Chief Procurement Officer (CPO) Effectiveness review with top Gartner-ranked supply chain companies and Korn Ferry partners delivered succinct and important guidance:

- Establish why change is needed with clearly documented processes.
- Select the right change agents with the right mindset, as well as the skills and talent necessary to accomplish the change.
- Create a multi-phase program that clearly meets internal and external stakeholder needs, then use real-time data visualization to show it.



firms put digitally ready leaders in charge, they deliver ROI and propel their functions forward. It may sound simple, but it is a critical enabler to deliver results through AI and ML.”

So the answer lies in a strong talent strategy that includes a redefined skills profile, a training and development program, and a recruiting strategy, reported The Hackett Group in its research paper *2020 Procurement Key Issues: Achieving Procurement Excellence in the Age of Digital Disruption*.

Understanding the why and leading change.

Given that buy-in and company support is essential, how can CPOs get the support they need for success? Joseph Martinez, Global Chief Procurement Officer for BNY Mellon, says it starts with understanding the “why” behind a digital procurement transformation. “What we did to build our case for change was conduct internal and stakeholder surveys,” he says, adding that the goal of any digitization program is to understand what the company, its suppliers, and its customers need to serve them more effectively.

Wilson says technology has to serve a purpose. “Corporate jewelry is nice to wear, but you don’t use it very often. You have to get to the point where people see the technology, see it helps them in their job and see that it works, so they go to it every time,” he says.

As part of its approach, Vodafone created a process to ensure everyone is clear about what the business wants. “We go out and scout the business and bring them what they need to support it,” he says.

Day says leadership buy-in is critical to driving a cultural change when transitioning from an analog procurement function to a digital one. “Businesses need to ensure the leadership creates an environment where there is an appetite to pilot projects, be prepared to fail in some of these initiatives, and quickly change direction if

“Corporate jewelry is nice to wear, but you don’t use it very often. You have to get to the point where people see the technology, see it helps them in their job and see that it works, so they go to it every time.”

- Ninian Wilson

required,” he says.

For Wilson, change starts with the procurement officer. “It has to start with you as an individual leader,” he says. When pushing change, he says, it is critical to have a culture where it is okay to try new things and fail, as long as you learn from it and it is contained. “You try it quickly and, if it doesn’t work, stop. Take the lessons you learned and make sure you don’t make the same mistake twice,” he says.

Wilson adds that time-bounding experiments are vital. “Give yourself time to say ‘this is great and we’re going to continue,’ or ‘it is not and we’re going to stop.’ You have to go in and have a trial. If it doesn’t work, package it up and move on to the next one,” he says. “Learn and value people who keep trying things.”

Building a team.

When kicking off a digital transformation at BNY Mellon roughly a year and a half ago, Martinez focused on the talent he would need to drive behavioral and procedural change. “I made sure the people on my management team had a curiosity and passion for process and customer delight. Without those, you are going to fail,” he says. “One of the things I feel is really important in building for the future is making sure you have the right players in your organization.” Those people who can make procurement digitization a success exist, and it is imperative to get the right team with the right competencies in place.

Wilson says he hires people with data science acumen to ensure day-to-day success as well as sustainable transformation.

To build the most effective team, Martinez had employees take assessments with objective third-party organizations. From there, he identified talent gaps, as well as which skills and training were needed.

When companies seek to elevate their digital competency from manual to automated, connected, and smart, they need to realize that their human capital is the linchpin to transforming from current to future state. “By using our procurement COE experts, our KF4D technology, and our skilled organizational consultants, we define and access the competencies, experiences, traits, and drivers that are mission-critical for the team driving the procurement digital transformation and implementation at our clients,” says D’Cruz-Young.

“What was important to me was to get the right



leaders in place who have the right skills and tools behind them,” Martinez says, adding that he focuses on training for all his staff because it “builds a common framework of understanding of how we want to build the supply chain.”

Creating ownership

A sustainable digital transformation requires strategic planning and a successful program that includes a clearly defined multi-year project with metrics and a communication plan.

Vodafone started with a vision, then brought together people with the correct capabilities and a continuous improvement mindset, Wilson says. For most transformations, whether digital or not, he recommends giving the activity to the person who receives the most significant benefit. “That will drive its success,” he says. At Vodafone, that responsibility was with Vodafone Procurement Company’s Chief Operating Officer (COO) because it gives the COO visibility of the whole business to ensure the organization meets its targets and objectives.

What’s more, success breeds success, and Wilson says the company’s leadership has to show they support a digital transformation. They can do this by using the same tools as everyone else. “When others realize the leaders are using them, you get more usage of the tools through the organization,” he says. “It becomes a virtuous cycle.”

In addition to investing in software, Wilson purchased a 16-by-6-foot touch screen his data scientists could use to display information. “They felt they were getting invested in, another important visualization tool,” he says. “Suddenly, they could show every single purchase order for the last three years. They owned it. They loved showing this off to executives.”



Drawing on data.

Once digital procurement is in place, it is tremendously factual and accurate, which advances the business, Wilson says. “You can see where you are, where you’ve been, and where you’ll be in a few weeks,” he says. “The level of

“What was important to me was to get the right leaders in place who have the right tools behind them.”

– Joseph Martinez

data and analysis you can get and the speed at which you can get it is tremendous.”

At BNY Mellon, Martinez has utilized tools with machine learning and AI capabilities for contract life-cycle management. “I was able to show I could decompose the data, extract the data we needed to have, then build a model, and go back to our key suppliers,” he says.

As a result, Martinez recovered close to \$20 million by going back to master agreements, statements of work, invoices, and, where applicable, timesheets to ensure all obligations were met. His team just put the bots to work and they came back with the savings.

The right tools provide the ability to see through data and create information, Wilson says. “Presenting to the Board and showing them the digital capabilities and dashboards we’ve got allows us to have the conversation around what is next,” Wilson says.

Ultimately, that data can be used to uncover inefficiencies or mitigate risks the company didn’t even identify in the early phases of the transformation. “This is where the fun begins,” says D’Cruz-Young. “The category managers become data geeks and the data scientists increase their business savviness.”

Wilson says the transformation and visualization journey at Vodafone has been phenomenal. “The truth is in the data,” he says. “Our people are demanding more and more richness of the data and more visualization, so they can walk into a meeting and say this is the area we need to focus on next.”

Mitigating risks

In today’s world, procurement’s role has gone far beyond controlling costs. Third-party governance is a critical component of managing supply chains that helps companies manage the risk of the third parties, meet regulatory obligations and forecasts, and improve the overall ecosystem, which results in improved non-comp costs and improved earnings per share, Martinez says.



Digital procurement also provides a deeper level of control. “If a regulator comes in and says, ‘Show me all of your contracts and their obligations,’ we can pull that in seconds. It used to take weeks,” Martinez says, adding that banking regulators focus on risk management. “They’re looking at financial institutions, but then that extends to our third and fourth parties. Those strategies in digitization become important to think about from an extended perspective.”

BNY Mellon has built dashboards to create transparency across the supply chain ecosystem for its supply chain stakeholders. “We can look by engagement risk, which has allowed me to create a more complete view at the C-level. This enables me to start thinking about what my organization has to do to be well-positioned in the next 12 to 24 months, so I can get the gains and go up that evolutionary curve in terms of supply chain complexity,” Martinez says.

Wilson says the next wave of data information will allow the company to see through the Tier 1 suppliers into Tier 2 and Tier 3 suppliers, which can help companies further manage risk. “For most people in most companies, their operations and risk management departments will have more conversations about how they manage risk now,” Wilson says. “I think the requirement from audit committees and boards to have more resilience will be higher.”

Recognizing organizational structure and talent.

In speaking with CPOs, it is evident that the difference between a successful and unsuccessful digital transformation centers around the people involved. The leadership identifies the required changes, processes, and technology, while the right team members with the required skill sets bring the change to fruition. “When you talk about digitization and transformation, underneath that are the people and the processes, which need to be optimized if a digital transformation is to be successful,” Martinez says.

“Success is seamless when digital procurement contributes not only to cost savings but also to revenue growth through innovation,” says Charlotte Duthoo, a former CPO herself who joined Korn Ferry to advise executives on their organizational strategy. “This disruption is driven by truly collaborative behaviors, value-based cross-functional processes, and new ways of working with suppliers much more effectively than by a simple change of systems.”

It often takes a drastic cultural transformation and a thorough revisit of the most significant procurement interactions internally and externally to foster the behaviors that will make procurement a catalyst for innovation, Duthoo says.

Martinez adds that it is essential for the procurement function to hold itself accountable for the value it is driving on behalf of the enterprise. “For me, it is about creating an ecosystem that is structured in a manner that will give us the efficiency and effectiveness while managing risks and costs,” he says.

Creating and nurturing an ecosystem presents both a challenge and an opportunity. Ultimately, the procurement function’s success will evolve from a holistic approach of digital procurement, which includes the talent, leadership, processes, and cultural dimensions as much as the data and systems.

Authors



Cheryl D’Cruz-Young

Senior Client Partner, Chief Procurement Officer, COE

Cheryl.DCruz-Young@kornferry.com



James Day

Practice Leader, SC, Ops. & Procurement Professional Search

James.Day@kornferry.com



Charlotte Duthoo

Senior Client Partner

Charlotte.Duthoo@kornferry.com

About Korn Ferry

Korn Ferry is a global organizational consulting firm. We work with organizations to design their organizational structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward, develop, and motivate their workforce. And, we help professionals navigate and advance their careers.