

REIMAGINING PROCUREMENT FOR THE NEW NORMAL



An Insight Whitepaper

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Procurement Transformation

This paper is a 'must read' for anyone trying to figure out how to adapt and prepare for the future of procurement in the new normal. COVID-19 has accelerated many of the changes already underway, compelling us to completely reimagine procurement in order to survive and thrive.

Leading procurement expert Jonathan O'Brien provides a thought-provoking update to his acclaimed insight paper, *The Future of Procurement in 2030*, now that the world has changed post COVID-19. This whitepaper helps organizations prepare for what we must be doing now, and how to prepare for the future in order to survive, beat the competition and realize a new generation of competitive advantage.

THE ROCKET SHIP OF CHANGE

18 months ago I published an insight article titled 'The Future of Procurement in 2030.' It was widely downloaded and outlined the 'unprecedented change' procurement was about to undergo, with consideration of what organizations must do to be ready, and what procurement must do to become a future contributor to competitive advantage.

We were already on a new trajectory of change, aboard a rocket ship steadily climbing to a new place. Then two things happened. First, the world finally woke up and realized that unless we act, we are facing a very real threat to the extinction of the human race, then second, another wave of COVID-19 hit and everything changed. The main booster engine ignited and we instantly found ourselves fighting back the G-force; clinging aboard our rocket ship of change, accelerating at an eye popping rate towards a whole new future of procurement and a new normal. A new world, permanently altered in terms of economies,

suppliers, supply chains, behaviours and how we live our lives, work, interact and shop was upon us.

There has been no shortage of articles on this subject, and what is clear across all the commentaries is that simply adapting what we have always done won't cut it. It is time to reimagine procurement and take bold steps; not only to respond to immediate threats, but to lay the groundwork for something very different. We must seize the unique opportunity procurement is being given, lead the change and be the key driver of future competitive advantage in a very different world.

WHAT COVID-19 HAS TAUGHT US ABOUT THE THINGS TO COME

Whilst every individual and organization has had to react and adapt in some way, it seems there are two mindsets for what happens next. The first is the 'when things return to normal' belief, as if we have simply pressed the pause button. The second is the belief that we are heading towards a new normal and it is this scenario that has become almost certain.

"Until there is a vaccine or herd immunity, the base case scenario is a continuous up and down of disruptions in how we work and live for the coming 2 years, resulting in new habits long after" (De Mey, N. and De Ridder, P. – 2020a). Vaccinations begin in 2021 and will be the first opportunity to fight back. However, vaccines will neither eradicate the coronavirus from our world or prevent transmission, and they are unlikely to guard against future mutations, strains and potential new viruses that jump from animals to humans and may spread more rapidly than COVID-19. SARS should have been the warning to us all to take the risk of global pandemics seriously however we did not heed this. The reality here, at least for the near term until there is full herd immunity, is a high level of unpredictability with shifts in the degree to which a virus has a grip around the world. It is

likely to trigger multiple cycles of changes to health measures, fuelling economic disruption which will drive new behaviours.

The covid-19 outbreak has also revealed new possibilities. During the height of the lockdown we benefited from 11,000 fewer deaths from air pollution in Europe alone, and 2020 saw the biggest ever percentage drop in CO² emissions. Commercial air traffic fell by 73.7% compared to 2019 (Cuthbertson, A. 2020). Despite this reduction in air travel, much of what we do continued in one form or another. The media started to run stories suggesting that it might, after all, be possible to function OK and reverse environmental impacts. Covid-19 became the catalyst of change to how we will live, work and interact, but brought with it a hidden upside revealing a new window of opportunity for us to address the critical issues facing our planet and the human race.

It will take until mid 2022 to reach a steady state transition to the 'new normal' (De Mey, N. and De Ridder, P. – 2020b). Until then, and even beyond this, we can expect the aftershocks to continue for many years. This might suggest the level of uncertainty makes it impossible to plan for the future, however the future is in fact more certain than we realize, and the signs of where things are going and how behaviours are shifting are all around us. Pay attention to these and we can figure out how to reimagine procurement.

10 MAJOR SHIFTS WE NEED TO TAKE NOTICE OF

At the start of 2020, procurement was already facing significant change, with the dawn of some fundamental shifts in the global supply base, use of data, digital, and a new strategic opportunity. Now we can overlay these with a whole new set of changes; the fundamental changes to our lives and the world in 2020, many of which are set to remain. Behind all of the changes impacting procurement are a series of seismic shifts creating a new urgency for action. Together, these shifts set the scene for us to reimagine procurement, but first we need to understand them.

The ten major shifts we need to take notice of are:

SHIFT #1 - DIFFERENT, MORE 'CONTACT ADVERSE' LIVES

Post-pandemic we will see new behaviours emerge that avoid touch and contact. When we are no longer required to socially distance, few will rush to go back to where we were before, opting instead for a degree of distance. Our personal space will, and will perhaps permanently be, more important than before. We will expect new visible hygiene measures, seek low contact interactions

with others, stop using cash, and we will avoid or reject handshakes and kisses on the cheek. De Mey, N. and De Ridder, P. (2020a) define this as the new 'Low Touch Economy' that will define our lives for years to come. Industries that are built around 'people being close' are already on their knees. Airlines, performing arts, restaurants, concert venues and so on will have a tough job making people feel comfortable being in close proximity to others without a complete redesign on what we knew before. Perhaps the future airline cabin will hold fewer passengers, with seating organized so as to feel less close to fellow travellers.

Health transparency will become the norm and we will be used to this being scrutinised. Perhaps we will carry a Covid-19 immune passport, or be health check screened at airports with our data being shared far and wide. We will travel less and even if we wanted to travel more, it may not be as easy as before, with countries keen to restrict travel, or at least screen travellers more for the medium term. All of these changes will take their toll and we can expect to be dealing with increased mental health issues, anxiety and loneliness.

SHIFT #2 - NEW ONLINE ECONOMY

We have already seen massive shifts in consumer behaviour and many of these will remain. The need or desire to go to a physical outlet will continue to decline beyond any imposed restrictions because either we won't want to, or those who are reinventing retail will offer more attractive alternatives. Get ready for the next generation of retail shopping with a new immersive experience to win our attention. Whatever you thought couldn't be replicated online, will be. We can expect to browse virtual stores, have our own digital avatar try on new clothes in a setting of our choice, and connect live to a personal shopper to show us around and help us choose. Get ready for a personalised experience where you can order what you want and have it delivered quicker than ever with fully automated delivery systems and robot and drone deliveries commonplace within 5 years.

SHIFT #3 - A NEW ERA OF THE 'WORKPLACE'

As companies all over the world sent everyone home in the early months of 2020, once the initial panic subsided, most workplace activities carried on just fine. The flagship headquarters of giant corporates, used to housing many thousands of employees, fell empty. Whilst we may have expected this to be the end of the physical workplace, we actually saw most business operations continue and we became thankful for no longer having the dreaded morning commute! We learnt that many of the things we used to do in the workplace could be done remotely, and that Zoom, Skype and MS Teams are effective ways to

keep in contact once we got used to them – we even found ourselves excited by how we could add a personalised background! We also found new ways to balance work and family demands in a difficult time. Some employers rushed to monitor ‘screen interaction’ and enforce hours of work, whilst others realised the need for new approaches and created space to deal with family needs by monitoring performance through results, rather than time at work being the key measure.

What started as enforced lockdowns soon heralded the dawn of a new era of workplace. All of a sudden, for those not directly associated with manufacturing or service delivery which required people to be there, it became possible and plausible to eliminate the daily commute, reduce pollution, save on real estate and travel costs, and create a better home/work-life balance, whilst still running the business effectively. Activities we hadn’t previously considered doing remotely were being done just as before. Frontline radio broadcasters were, and still are, presenting their shows from their spare rooms with just a few bits of specialist kit and no one noticed the change. The TV news interview with guests in their dining rooms became commonplace, whilst musicians erected acoustic panels inside wardrobes and climbed in to record their new albums. Some companies even had specialist laboratory equipment transported to the homes of their staff so they could continue to conduct research from their garages. Although triggered by Covid-19, all of these shifts and many more revealed a significant new opportunity for businesses and individuals.

Large corporates were quick to see the upside from eliminating, or at least minimizing, the need for employees to travel to meet colleagues. Many had been trying to do this for years without success but 2020 was the year the impossible became the possible. Corporates have either already fully cut, or significantly downsized, their future travel budgets and most have started rethinking the future of their real estate too. Get ready to ‘work from anywhere’ and be fully remote - the next generation of workplace won’t have desks or set spaces, and people won’t attend daily. Rather, workplaces will become brief touch points where people come together once every one or two weeks to interact, share, create and innovate. Even spaces where manufacturing or service delivery takes place are now being reconsidered, because ‘where’ and ‘how’ things happen or get delivered is changing in response to bigger shifts in the world, consumer behaviour and our supply chains. Studies show that working from home yields numerous benefits for both individuals and their organizations (Choudhury, 2020).

Companies are now actively rethinking policies and arrangements around rewards, benefits, performance evaluation (more towards results

based) and security. There is also consideration of how to overcome the challenges of socialization, engagement and knowledge, whilst figuring out how to ensure the health and wellbeing of a more remote workforce.

It is not just the large organizations who have been rethinking, as individuals we all reflected on what our future work life might look like with some starting to make changes. In the UK, demand for houses in beautiful Cornish villages went off the scale as those who were previously tied to say, a London workplace, suddenly recognized the opportunity to work remotely as a permanent change. Others began to consider the possibilities of ‘work from anywhere’ to live where their salary would buy a better lifestyle.

Workplaces are changing and this shift will redefine both how procurement teams work and how our suppliers will be organized.

SHIFT #4 – SUSTAINABILITY IS NOW CENTRE STAGE

Sustainability is no longer a pursuit by the few organizations seeking to ‘do the right thing’ or those who have been forced to in order to head off brand reputational damage. A dramatic shift is now making this an obligation as well as an opportunity.

The rhetoric around the now very real risk of extinction of the human race has become difficult for individuals and organizations to ignore, unless we take action to address the key issues of climate change, biodiversity, population growth and use of resources. Greta Thunberg shamed the inaction of world leaders and became an overnight symbol of what needs to change. In doing so, she created the momentum for change, fuelled quickly by a series of media stories, landmark films, and documentaries by high profile experts. These all sparked a change in mindset and at last, triggered new action and buying behaviours. Immediately there was a lack of trust in governments and corporates having ‘all the right things in place’ and we realized that the situation might actually be serious, suggesting that perhaps it was time to start doing things differently to make a difference.

However, what remains a ‘choice’ of whether to act today will become an obligation. Get ready for new legislation that requires companies to be responsible for everything that happens in their supply chains, most likely starting in Europe with much of the rest of the world following. Whether we like it or not, sustainability is now centre stage and we can expect a succession of new legislation and ‘impossible to meet, new green targets’ getting rolled out in the coming years. If the organizations we work for are behind the curve on this, there will need to be a rapid refocus on how the organization operates. Whilst we are witnessing yet another

dawn of a very different way of thinking for business, they don't have all of the answers today. The good news here is that procurement can play a key role in helping figure this out.

SHIFT #5 - SUSTAINABILITY IN THE SUPPLY CHAIN

As companies grapple with the urgent need to realize new sustainability obligations, the scale of the difficulties surrounding achieving this in the supply chain quickly becomes apparent. Sustainability in the supply chain has always presented the biggest challenge, especially where entities in the supply chain or the original producer, raw material, plantation or factory are many contractual steps removed. They may exist in other geographies where attitudes, standards and compliance is very different.

The process of becoming more sustainable within the confines of an organization is relatively straightforward. The first step is figuring out where the organization is causing detrimental impacts, and then develop a program to address these permanently. Organizations can boast all sorts of initiatives around energy reduction, minimizing waste, environmental protection, social projects and use of resources. This is all good, however, doing this in the supply chain is less than straightforward. In fact, the handful of organizations that have managed to do this with any credibility quickly learnt that it was only possible by prioritizing which supply chains to work on, building new close relationships back up the supply chain, and finding new ways to manage cash flow. Organizations that have begun to do this well only really manage to devote resources to the handful of suppliers and supply chains they deem the most critical. Yet the rest of the supply base, in particular the lower tiers, may well hide the biggest risk areas.

When other shifts in the nature of global supply bases and workplaces are added, it soon becomes clear that realizing sustainability in the supply chain presents significant challenges. It is possibly the biggest, single-most unconquered territory facing procurement today and there is now a seismic shift towards having to do this.

SHIFT #6 - EXPECT INCREASED VOLATILITY

We were all impacted to some degree by the massive supply base disruption early to mid 2020 in response to the COVID-19 restrictions. 94% of Fortune 1000 companies experienced supply chain disruption and 74% reported negative impacts on their business (Accenture, 2020). Whether it was sourcing PPE, gypsum, active ingredients for drugs, or flour, many procurement functions were forced into crisis risk management and damage limitation mode. This was due to a combination of demand spikes in some sectors,

the widespread failure of some suppliers that lacked the resilience to come through the crisis, and forced shut downs and restrictions in the movement of goods. Whilst we have moved beyond this, supply base volatility is here to stay and the risk of widespread failure of suppliers is heightened. Despite advances in technology, productivity growth has declined and this is largely due to companies not being able to adopt new technology at the rate necessary. Political instability, restrictions in the movement of people and goods, constraints in supply and production, and new cash flow challenges, all present new challenges that will remain for the short-to-medium term at least.

SHIFT #7 - A RETURN TO LOCAL

Globalization once ruled, now, its new uncertainty presents risk we cannot ignore, with a shift towards how organizations can regain assurance, control and visibility of their supply chains. Not so long ago, the fact that our suppliers existed half way around the world did not matter. We found ingenious ways to have factories and service centres that put the Western world to shame and we figured out how to move things around the globe inexpensively. We even began to think about the welfare of those working in such facilities. Now there is a shift in how we view remote entities. What we once saw as an opportunity we now see as a risk, exposed by COVID-19 and other political instability. We are seeing a shift away from globalization and instead, we should embrace 'slowbilization' and welcome back localization, reshoring, and even vertical integration of supply chains in order to regain control and transparency.

SHIFT #8 - WELCOME THE 'NETWORK OF TALENT AND EXCELLENCE'

There is another emerging trend in how suppliers exist and operate around the world that got a boost from COVID-19.

This shift is toward a new highly efficient 'network based' supplier operating model, enabling access to the best global talent with every contributor to the network in the optimum physical location. This model will see fewer companies being 'housed' in one entity with a handful of physical locations, and instead, more connected global networks, made up of agile groups and individuals. Many of these will 'work from anywhere' or be working out of new home-based workstations, together with key nodes where physical goods get produced or services get performed, all working together.

The key to the success of the network of talent and excellence will be the ability to overcome the traditional constraints of attracting and retaining the best talent when those people have to be in a specific geography or must attend a specific

location. It prevents talent drain and opens up access to talent elsewhere in the world that we previously could not take advantage of. This could be something we need to instigate or we may find our suppliers have reorganized themselves.

SHIFT #9 - RISE OF THE SUPERSIZE CORPORATE

This shift is well underway, and it is the new generation of huge companies in terms of wealth, size and crucially, power, that we will all depend on for the essential products or services they provide, access to data, and the routes to market they control. Today these include Amazon, Alphabet (who own Google), Microsoft, Facebook and Alibaba followed by future players in this space. If we want to be effective, we will have no choice but to rely on these players and manage our relationship with them to maximize our position.

SHIFT #10 - AUTOMATION OF ROUTINE BUYING

The future of procurement is strategic and not about the routine, reactive, generic or non-differentiated spend but rather, managing the systems and the transactions that do this with the full support and engagement of the wider business. This will happen as we use data and digital to connect what our businesses need, with new supersized 'Amazon type' virtual marketplaces/collaboration networks or the next generation of ERP systems that are better connected to marketplaces in real time. Individual procurement functions 'going to market' and running RFPs will be a thing of the past for non-strategic spend as there will be no need for this with a more data driven function. With the right management, we will be about to have confidence that our routine spend is fully compliant and optimized to realize best price points.

AN INCREDIBLE OPPORTUNITY, NEVER TO BE REPEATED

Together, these ten shifts help us understand the drivers of change and determine a meaningful way forward, but what do they tell us? **There are four things we need to consider:**

1. Overall, procurement is being presented with a 'never to be repeated' opportunity to lead organizations through this change and help build a new type of competitive advantage.
2. Reliability and certainty of supply chains, future volatility and a shift in what our supply base looks like will move organizations to fundamentally change how they source. Risk mitigation, assurance of supply, and full transparency of confidence in what happens in the supply chain will become the primary pursuit.

3. The need for sustainability puts procurement in a position of leadership and what happens in the supply chain will need to be as much of the story as what we buy. Not only will this demand new skills and systems, but new ways to gain transparency. Add to this the heightened restrictions in our ability to visit or audit suppliers, and it becomes clear that truly understanding our supply chain will be quite a challenge.
4. Get ready for the fully remote, fully digital strategic procurement function.

REIMAGINING PROCUREMENT FOR THE FUTURE

It is time to reimagine procurement and the scale of the change upon us is such that for most, we need to start with a clean sheet of paper. Doing what we did before using traditional buying skills or making incremental changes will not cut it. Instead we need a complete redesign to build a new agile, resilient, intelligent, sustainable, data driven function, supported by the best talented people. **There are five strategic areas to focus on:**

#1 - REIMAGINE THE STRATEGY

A new procurement strategy developed with and aligned to a new wider organizational strategy.

Procurement cannot begin to reimagine itself without first knowing the future direction of the wider organization and what the future 'new normal' organization will need from its supply base. Therefore, procurement strategy must be developed with and aligned to, the wider organizational mission and strategy. Right now, this is not straightforward.

Whilst it is business as usual for some organizations, for many others the future corporate direction of travel may, at best, be hazy as these companies hastily determine how they need to adapt. Procurement should not wait for the wider organization to figure this out as it may be too late, but this presents an opportunity for procurement to step up and help shape this. **Doing this needs creative strategic thinking and there are five steps that can help here:**

1. Short-to-medium term drivers of change – Identify what these are and the near-term impacts.
2. Long term drivers of change – Identify the anticipated long-term trends and changes that are relevant to our organization. The PESTLE tool here can help and research can soon uncover predictions by credible futurists for example we can expect one billion climate

migrants by 2045, car free cities, humans living to 150, the swallowing of nanorobots for cell repair, 3D food printing at home, AI controlling financial markets and a cap on resources used over our lifetime (Future Scan, 2020).

3. Redefine 'what' we are – Redefine 'what' we are today and 'what' we must be in the future, by considering the needs we satisfy now and for the future. One common mistake by organization's engaged in future visioning is to limit future possibilities in the way the organization defines itself. In the 1950's the then buoyant companies operating shipping liners rejected the notion that aviation was a threat to them and clung to defining themselves as shipping companies. By the early 1960's, 95% of passenger traffic across the Atlantic was by aircraft and the era of the long-distance liner was over. Clinging to what defines our organizations based upon what we do currently can restrict thinking. Instead, by focusing on the current and future end-customer needs we can open up new strategic possibilities. If the shipping companies had defined themselves as 'moving passengers across the Atlantic', things might have turned out differently.
4. Determine future direction - Determine the future direction the company needs to take and what procurement needs to do to support this. There are four fundamental strategic directions possible (and many variations within each). The Ansoff matrix helps here and Figure 1 shows the different areas of strategic focus for procurement according to wider organizational direction.

MARKETS	Future	<p>ORGANIZATIONAL STRATEGY Market development</p> <p>ROLE OF PROCUREMENT Focus on ensuring current or new supply base is equipped to support market development and/or growth. Develop existing or new key supplier relationships</p>	<p>ORGANIZATIONAL STRATEGY Diversification</p> <p>ROLE OF PROCUREMENT Focus on understanding and connecting end customer needs and aspirations with supply base possibilities</p>
	Current	<p>ORGANIZATIONAL STRATEGY Market penetration</p> <p>ROLE OF PROCUREMENT Focus on risk and assurance of supply. Optimize procurement and pursue new value from key categories and supplier relationships.</p>	<p>ORGANIZATIONAL STRATEGY Product development</p> <p>ROLE OF PROCUREMENT Focus on new suppliers and supply base innovation to build next generation of products and service. Establish new sourcing and strategic supplier relationships</p>
		Current	Future
PRODUCTS AND SERVICES			

Figure 1 – Type of strategic procurement focus according to organization future strategy

5. Build a new strategic procurement function – With the organizational strategy and where procurement needs to focus in mind, design the new procurement function. Consider structure,

people and skills (more on that later), and the systems needed to focus on developing and implementing new strategies for key categories of spend and key supplier relationships. Equip the teams with the next generation of intelligent category management and supplier relationship management systems where teams collaborate entirely online and begin to connect and drive strategies from wider, dynamic data. Then build solid plans to automate routine spend and drive in supply chain sustainability.

#2 – BUILD A SUSTAINABILITY PROGRAM

In the same way that the overall procurement strategy needs to inform, be informed by, and align with, the overall organizational strategy, a supply chain sustainability program must align with wider organizational goals here. Maybe the organization has set this out, or perhaps there is still work to do. In any case, and as we have seen, sustainability in the supply chain is set to become something no organization can ignore. Procurement may need to step up to help define the overall strategy for sustainability and from this a program can be developed. Once the sustainability goal of the organization is clear, determine sustainability goals for the supply base and supply chains.

It is crucial that you develop a program to realize these goals and here are 5 steps to help with this:

1. Determine and prioritize the current impacts and gaps. Doing this across an entire supply base can be daunting but more typically, impossible. Those who have done this, have often not considered the entire supply base. Instead, pareto principles apply, so focus on building a prioritized program based upon segmenting suppliers and supply chains according to where the most concerns might lie. Here we can use 'Hot Spot Analysis' to initially look for those supply chains that are most likely to harbour areas of concern. This might include known suppliers, known problematic products or services, or where products are likely to originate from certain problematic geographies, involve certain processes or chemistry etc. Hot Spot Analysis helps to target which supply chains to focus on.
2. Map out all the steps in each of the supply chains we have prioritized in order to understand them in terms of impacts, risk and opportunities.
3. Develop a series of prioritized individual managed programs for driving improvements and securing greater transparency, including how we will provide support (financial or other) for key entities in the supply chain.

4. Secure resources and implement, monitor and measure individual supply chain improvement programs.
5. Put in place new arrangements to monitor and measure the supply chains we are most interested in. The key here is obtaining reliable and real-time visibility of what is happening in the supply chain. It is easy to set the standards and metrics that remote entities must meet; it is harder to make them happen in practice. Sustainability starts from the bottom up, along with data about what is actually happening at the original factory, plantation or raw material supplier. This data must be more than just questionnaire based, it should be based upon what is happening locally. It is possible such data does not exist today.

There is one final thought on sustainability and that is how we must confront the reality of what is and what is not possible today. We may know we have issues in our supply chain, some of which may even be very serious, however we may not be able to fix all of these overnight. The key here is prioritization with solid action.

#3 - BUILD A DATA AND DIGITAL STRATEGY

Data and how we use it will make future procurement more effective, by removing the uncertainties that hinder it today. Supply chains will become much more agile, efficient, and transparent, and sustainability will be a given, assured by the knowledge of knowing everything about every step of the supply chain. In fact, data has the potential to connect the customer experience to the original plantation or producer. Whether its building a more strategic procurement function, managing supply base volatility, working with a new supply base, or realizing supply base sustainability, it's all about data. We need access to lots of it and the next generation of digital systems that can use it in order to interact and collaborate. This starts by building a data and digital strategy.

Perhaps you are lucky enough to have robust internal data from an ERP system, but many don't yet have this. Regardless, what is typically available today in progressive organizations pales into insignificance against the future need for data and digital if we are to embrace the potential strategic opportunity procurement can offer. We need to build a data strategy with new data driven systems that can provide access to more internal data and considerably more external data. We need new approaches that will obtain more data, combine these with other big data sets, apply machine learning algorithms and predictive analytics to drive strategic procurement and effectiveness, and make supply chains more agile and transparent.

Precisely what we need and pursue is down to us to decide but this might include:

1. Predictive demand driving automated routine procurement-to-pay e.g. using machine learning that combines historical end-customer buying behaviour, seasonality and macro environmental situations, trends and factors and validating 'best price' if combined with other price monitoring, then tracking the data.
2. Dynamic price modelling by combining data sets about commodity pricing, market conditions and what is happening with current suppliers.
3. Faster, more agile, efficient, and fully transparent supply chains based upon obtaining and connecting real-time data and information from each player.
4. Real-time routine supplier performance monitoring based upon multiple data sets with predictive analytics to flag problems before they happen.
5. Real-time key and strategic supplier dashboards using multiple data sets that create the KPIs that help track forward progress to agreed goals.
6. Dynamic category management with strategies developed using AI, informed by combining market, internal, demand, supply chain and other data sets, underpinned by category management processes and principles.

The possibilities are endless, however we mustn't look to the digital providers to offer a ready-made solution here. Today, the providers in this space offer 'islands of technology' - specific solutions that represent the first small steps to change how organizations do procurement. Individually they will begin to give some future direction, however, the future is more about how emerging technologies converge and, more than anything, it is about data. We will need access to huge amounts of robust data derived from multiple sources and processed, combined and analyzed creatively to form unique insights that drive tailored procurement interventions across the supply base - all in real time.

The solution you need won't be available to buy for quite some time, so don't base any future digital and data strategy on what is available today. For this reason, progressive companies are already experimenting with new data, and analytical teams tasked with building in-house models to drive business performance. These companies have recruited mathematicians, machine learning experts and data scientists tasked with searching out the data sets and building the algorithms that will provide game changing insights.

Here are 6 tips for building and implementing a data and digital strategy:

1. Brainstorm and build a future vision around data and digital based upon the premise of 'if we could do anything'. Ask questions such as, what information do we need? What systems would we have and what would they tell us and how often? What things would we automate and how?
2. Convert the future aspirational vision into a series of prioritized future needs and quantify the benefit or urgency for each.
3. Get to know what is available today. Map future needs against what is available today or in the very near term. Update this regularly as new products and suppliers come to market. Determine technology solutions and providers that could be key partners and hold the potential to grow with us.
4. For the gaps, evaluate what data would be needed, what is and isn't available, and what would need to happen to create or obtain this data. For data on specific suppliers or the supply chain, there has never been a better time to collaborate with peer companies who have similar needs and opening up new possibilities. Scope the individual projects needed to bridge the gaps, build the business case and secure the resources.
5. Build a data and digital investment program and identify specific projects short-to-medium term and any aspirational needs beyond that. Review and update regularly.
6. Create new data and digital teams within procurement to deliver the next generation of insight, automation and transparency. Recruit these individuals based upon their ability to work with data and create new data-based systems.

#4 - IMPLEMENT THE NEXT GENERATION OF SUPPLIER RELATIONSHIP MANAGEMENT

As procurement shifts to focus more on the strategic categories and those supplier relationships that are important or even critical, we need new approaches to manage the supply base. For the automated routine spend, supplier management must also become automated using new data driven systems and metrics for performance monitoring and evaluation. This must move beyond the typical approaches we are all used to which are based upon past delivery or quality metrics. Instead, we should shift towards both lagging and leading performance indicators, combining multiple data inputs and predictive analytics to flag problems. Procurement

intervention for routine spend can therefore be directed to head off problems. Some of this is available today, however in reimagining procurement, we need to start rethinking how we will develop the systems that will monitor and provide confidence in our routine spend, and investigate early warnings of potential problem areas.

Another consideration is the supply chain which as we have already seen, will require new data driven systems to see what is happening in real-time and new close relationships with entities where there is risk or opportunity.

Finally, there are the important suppliers and the critical few strategic suppliers that can bring game changing advantage or hold the potential to cause catastrophic harm to our business. More than ever, procurement needs to organize itself to identify and get close to these suppliers, collaborate with them and, in some cases, create shared destinies with mutual benefits. Remember though that these suppliers may be different to those we have today and they may exist and be organized very differently. We may be tapping into a new network of talent spread around the globe.

Also take into account that we can no longer rely upon visiting our suppliers in person to close the deal, audit the factory or discuss new joint innovation. Instead, it is time to build and become proficient in the new ways of engaging, interacting, negotiating and collaborating with our most important suppliers. Old approaches such as running an RFP to find a new supplier for a key area of spend will add little value unless we can be absolutely certain of our requirements, which presumes we know more than the supply base and that they fully understand our need. Instead, we need new ways to get close to and understand the value a supplier could bring to us if we worked with them, and new ways to justify the commercials behind a supplier appointment.

Procurement for the future must implement the next generation of Supplier Relationship Management (SRM). This needs to happen in tandem with building the data and digital strategy as the two are co-dependent. In addition to the data and digital systems we need here, as explored earlier, **the following steps will enable the next generation of SRM:**

1. Segment the supply base with the future state of the organization in mind. Focus on current suppliers but also keep an eye on areas where we will have a future need but don't yet know who the suppliers will be. Determine who is important and what makes them important.
2. Automate routine spend management as much as possible.

3. For each important supplier, determine the specific SRM interventions needed. These may be unique to each supplier.
4. Implement new data and digital systems to provide the information and monitoring we need as these become available to us.
5. Build a new team or develop the existing team so that it has the required resources and capability.
6. Put in place governance to prioritize and track progress against supplier and supply chain management and improvement projects. Link this to the sustainability strategy and program.
7. Equip the team with the skills and systems to work and collaborate with suppliers remotely. Innovate and build new ways to do this as effectively, if not more so, than traditional face-to-face interactions.

#5 - IT'S ALL ABOUT PEOPLE

People are number one and central to realizing our new strategy. I've left this section until last because what we need to do in terms of our people is shaped by everything we have covered so far.

Sadly, the traditional education routes for procurement professionals are completely outdated and unsuitable for the future state. Traditional knowledge of economics, strategic procurement and supply chain, will continue to be a staple building block, however, it is probably the non-procurement people that will make the best future procurement people. The leading procurement teams of the future will add their greatest value to the organization through their ability to use data, and so will be home to a new generation of highly talented individuals skilled in how to do this.

The procurement professionals of tomorrow are therefore more likely to be either highly talented mathematicians, digital experts, programmers, pioneers of AI, experts in cryptography and data security, or strategic thinkers who understand and can connect with the entire organization. The procurement people of the future will have to be highly ethical individuals as their position will make them central in how the organization realizes its ethical and sustainability objectives. They will in effect become the company's ethical compass.

To reimagine procurement, we need to reimagine the procurement team and be prepared to take bold steps in doing this. Perhaps, as you read this, you may be thinking about people on your team and those who you 'definitely want on the bus' and those who 'need to get off at the next stop'. The hard reality here is that many of those who practice procurement today won't have the ability

or desire to transition to the new world. It is time to make changes, empower younger and/or the more 'digital savvy' individuals and restructure the team.

Here are 5 steps to do this:

1. Start by defining how new procurement needs to be structured and organized. which should include the core activities we have covered so far. First and foremost, provide for:
 - a. strategic managing of categories and key suppliers
 - b. managing the systems that take care of and optimize routine spend
 - c. data collection, analytics and digital systems
 - d. implementing a sustainability program
 - e. governance of the function and all strategic initiatives
2. Envisage the perfect 'fantasy league procurement team' and determine the ideal skills and types of individuals you will need. Don't be constrained by the current team at this stage.
3. Assess the current team against the future state and identify the gaps. Look beyond straight competency fit and consider the potential of individuals. Competency gaps can be filled with effective learning and development. Interest, hunger, curiosity or 'natural digital ability' are harder gaps to bridge.
4. Identify a plan to build the new team. Transition key talent across, empower and take a chance on those who are keen and hold potential, especially the younger team members – it is likely the bright ones will have just the right mindset for the future. Deal with those individuals who won't make it and recruit new individuals (or providers) with the skills that are lacking. The good news here is that the 'work from anywhere' culture means we have access to an entire world of talent, not just those who live near us. Seize this new opportunity to access the best of the world's talent.
5. Put in place new ways for procurement teams to work effectively, interact, collaborate, socialize and share knowledge either partly or entirely remotely. Make new provision for the care and wellbeing of the team and actively work to ensure inclusion and prevent isolation.

The future success of procurement is entirely down to our people and the new ways we collaborate in the workplace, perhaps never meeting in person, but together, leading procurement into the new normal. No matter how good our new procurement strategy is, how cutting-edge our data and digital program is, or how ground breaking our sustainability program

will be, none of this is possible unless we can bring together and motivate our people to achieve this. Organizations can only achieve this with exceptional leadership supported by the systems, policies and practices that make our people number one.

Jonathan O'Brien, CEO of Positive Purchasing Ltd, is an award-winning author in this field and a leading expert on procurement and negotiation and works with global blue-chip organizations to help transform their capability.

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