

# How to implement a procurement transformation project successfully

More South African organisations are starting to recognise the value that procurement transformation initiatives bring to the bottom line. Transformed procurement departments provide organisations with a competitive advantage in that the entire source-to-pay process is efficient and highly collaborative.

Inefficiencies and a silo'd approach between the procurement and accounts payable departments can lead to significant loss in shareholder value. Successful procurement transformation projects reposition the source-to-pay process for success across the entire organisation.

Procurement transformation can be defined as a process, with an element of flexibility, in which an organisation's capability and procurement behaviour is altered in such a way that desired results, such as the achievement of maximum value through the procurement function, are attained and long term sustainability is ensured.

In the course of our years of implementing procurement transformation programmes we've detected key themes that we believe can make or break your success.

## Critical success factors – or pitfalls, if not considered

### 1. Have a business case

- How many projects fail because they lose track of what they are trying to achieve?
- Develop a business case approved by stakeholders and/or sponsors
- Keep referring back to the business case when the scope, stakeholders and/or sponsors change.

### 2. Assess internal skills and capabilities required to achieve the business case

Understand the business case and assess current internal skills and capabilities against the required outcome. You don't necessarily need consultants to run the entire procurement transformation project but here are some areas where we have recognised their value:

- Support with external best practices comparisons
- Change leadership support for sponsors and middle management
- Subject matter experience where organisations lack capacity in terms of technology, business and people
- Support where temporary resources are required due to full-time employee constraints

Additionally, one of the greatest benefits we have been able to provide our customers has been external support to supplement internal capability in terms of category sourcing efforts. In many instances your entire procurement transformation project can be funded by providing a competitive bidding platform combined with deep-skilled resources.

### 3. Active visible leadership and sponsorship

Essential for any project to remain sustainable is active visible leadership sponsorship:

- Senior executives should provide active and visible leadership and support within the wider organisation.
- Sponsors should be educated, coached and supported by change management resources to enable them to clearly understand their roles and responsibilities in order to influence the transformation successfully.
- Procurement also requires active and visible leaders who can orchestrate change and build a coalition of sponsors.

### 4. Establish an end-to-end process ownership

Regardless of the organisational model –decentralised, centralised or hybrid –accountability and ownership of the source-to-pay process must be established. Typical governing expectations can be:

- KPI reporting and ownership across both purchasing and accounts payable
- Continuous updates to technology and process improvements to ensure end-to-end performance optimisation
- The process owner must be a good facilitator who can involve and align across various entities and functional silos.

### 5. Employ change leadership

This is the ability to lead an organisation through the full life cycle of transformation. It contains critical elements such as:

- Change engineering: analysing and visualising the anticipated outcome from the outset.
- Change management: a project-based discipline that manages and optimises the human behavioral side of the change execution process.
- Change integration: change result becomes reality.

### 6. Know your customers' requirements

Too often procurement individuals are so focused on meeting financial targets that internal customer requirements are neglected and the focus shifts from doing things to them instead of for them. The procurement department should be having regular engagements with key customers -with support from senior sponsors –to communicate and incorporate feedback from middle management.

### 7. Determine foundational mechanics required to achieve success

Source-to-pay execution relies heavily on the input of timely and accurate information. What are the mechanics that need to be improved in order to optimise this outcome?

Some of the key aspects we have helped our clients to unpack have been:

- Does the procurement department have a clear and concise mandate that is shared by all functions and aligned and supported by the overall company strategy?
- Which functions need an investment in new systems in order to improve on accuracy and speed so that procurement service level agreements can be met?



- Do policy, process and procedures reflect efficient and effective procurement outcomes for both internal and external parties?
- Does the procurement operating model support the business objectives?
- Do the procurement personnel have the right amount of resources, with optimal skill set, clearly defined job descriptions and capability expectations?
- How do you sustain this capability when the consultants leave? How can you ensure that your own team has the necessary skills to sustain and exceed the transformation objectives?
- Which risks should be managed closely with great visibility?

## 8. Consider what other world-class organisations are prioritising

Once you have understood your own environment, look outside your organisation to see what other world-class organisations prioritise.

Top initiatives include the following:

Improve visibility of information for both your internal and external customers to enable better decision-making.

Increase your end-to-end procurement efficiencies by assessing the following key aspects: business strategy alignment, process improvement, behavioral change and technology optimisation.

### Detailed functional areas to review include:

- How you define business requirements.
- Source-to-pay automation (includes strategic and tactical sourcing).
- Contract lifecycle management automation (easy access to workflow, supplier performance monitoring, risk management, inflation management of price adjustments and supplier relationship management)
- Master data and content management standardisation.
- Apply end-to-end process integration across the entire supply chain environment.
- Cost benchmarking, engineering and simplification.
- Understand and mitigate supply chain risks across all functions within the organisation.
- Integrate and empower your procurement organisation.

## 9. Once you get going, identify, execute and communicate quick wins.



Quick wins are an easy way to gain support and buy-in. Reverse auctions, also referred to as competitive bids, are great tools that can gain support quickly as they generate measurable benefits immediately. These auctions can range from very simple to incredibly complicated and assistance of experienced professionals may come in handy at first.

## About Supply Chain Partner

Supply Chain Partner is a specialist supply chain service provider that enables companies to realise sustainable and value-generating procurement solutions. We work alongside our clients and partners to create fit-for-purpose solutions while enhancing employee efficiency and effectiveness.

Interested in finding out more?

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