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PROCUREMENT SHARK TANK: HOW TO PITCH INTERNAL PROCUREMENT TRANSFORMATION

Disruptions have become the new normal of today. Amidst disruptions, procurement disruption goes beyond simplistic calibrations and calls for a more extensive ecosystem reboot. The article elaborates on how procurement heads can enable this transformation while prioritising the company's customers and finances

Supply and procurement chains have been tested to the brink and beyond in the aftermath of the pandemic. These disruptions have shed a spotlight on the inefficiencies and leakages within the value chain, and procurement officers across industry segments are pinning their hopes on the company leadership to redress these seminal problems as soon as possible.

Procurement transformation is a continuous process evolving with technological leaps and digital revolutions. However, companies that wish



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to stay ahead of the curve must execute a fundamental, comprehensive procurement transformation that can lay the centre stone of the company's future progress in the coming decades. Touchless procurement, ease of discovery, catalogue-based buying, sustainable procurement, catalysed ESG policies, and visibility across the value chain are some benefits that can emerge from a procurement transformation if executed with precision and fastidiousness.

However, pitching for procurement mutation can be a tricky task. One would require the prudence to pitch the benefits strategically to the procurement team for them to envision the benefits arising from the exercise.

PITCHING TO MANUFACTURING HEAD

A presentation is more likely to succeed with the manufacturing chief if it pivots around the overwhelming importance of digitisation and decentralisation. Say, for instance, that a pitch for procurement transformation is being made to the head of manufacturing affairs. With digitalisation in play, the manufacturing department can maintain a bird's eye view of activities across a widespread plant network while simultaneously ensuring that in-





put goods are sourced at the most economical rates without compromising quality. A catalogue-based purchase platform will tabulate and digitise the list of reliable vendors, which will, over time, aid in filtering out suppliers whose performance and cost-effectiveness outmatch others. An integrated dashboard can continuously update the manufacturing department on the goods in the pipeline, effectively ensuring that no factory should suffer through a stock-out situation.

PITCHING TO CFO

If a pitch must be made to the CFO, the procurement transformation is more likely to come to fruition if it emphasises the anticipated cost reductions that will accompany the weeding out of teams engaged in non-value-generating activities. The presentation could also advocate for outsourcing processes that are cost and time accretive while simultaneously laying out a blueprint for the digitalisation of supply chains. Digitalisation, in effect, will lead to fewer macro-interventions and errors while boosting the working capital at the company's disposal.

PITCHING TO CEO

Lastly, if it is the CEO instituting a procurement chain transformation, one would do well to etch out clearly how these changes can spell immense benefits by dramatically improving customer experience.

Procurement transformation as an exercise is inextricably tied to improving the customers' receptivity to the product. Irrespective of whether the firm runs on a B2B or a B2C model, for a procurement evolution to be successful, different departments involved in the value chain will have to align and work seamlessly to elevate a customer's convenience, comfort and ease. A procurement transformation prioritising customers and their responses will draw greater attention from the CEO.

WHY DOES YOUR COMPANY NEED PROCUREMENT TRANSFORMATION?

1. Evaluating Topline and Profitability Impact Of Procurement Transformation

Let us sample the commercial application and efficacy of procurement transformation in the food industry that improved touchless POs by 63% and a 90% ratcheting in PO compliance. This particular company, one of the largest in the world, had its smooth operations thwarted because of lags in purchase requisitions, consequently leading to higher customer disgruntlement and a sizable toll on revenue. The situation was remedied by employing a service processing model with assimilated standardised desktop procedures and a catalogue that helped the company streamline customer interaction. The

incorporated procurement transformation heralded a new phase for the company, which saw a dramatic drawdown in customer complaints and a spike in on-time supplier payments.

A procurement transformation can help script a superlative sales proposition for the customer, provided that the company is committed to implementing it in its full measure. At a preliminary stage, procurement transformation exercises can spell prodigious expenses for a large-scale company. Still, their cost benefits can easily outmatch the expenditures sustained in the long run. Actionable insights emerging from end-to-end value chain visibility can plug leakages and zero in on unreliable partners and vendors who cause cost overruns.

Within a few months of a procurement re-engineering, incremental additions to the top and bottom line become apparent. The top line becomes stronger primarily because of a tightly run procurement chain that is digitally optimised and powered by a consolidated roster of high-performing vendors. On the other hand, the bottom-line leaps from strength to strength as wastages, be they of resources or funds, are nipped in the bud.

2. Measuring Success At Each Milestone

Procurement transformation, at its core, is a monitored initiative embedded with parameters that deliver insights into its effectiveness and impact on the company's finances. For firms that have their KPIs in place, changes, especially those that strengthen work culture and profit margins, become visible quickly. Procurement officers have also reported high productivity as principles of scientific management steadily replace outmoded hap-hazard and impromptu management norms. However, one must be mindful of chalking out the KPIs one seeks to achieve before setting off on such an entrepreneurial journey.

3. Avoiding Common Roadblocks

It is a commonly tragic occurrence that a company that sets its eyes on a lofty goal of re-imagining its supply chain often focuses on the unique challenges while tripping over small and manageable obstacles. One of these roadblocks witnessed with somewhat alarming frequency is that of multiple plants operating as if they are silos unto themselves with little or delayed responsiveness to the central hub. This level of

decentralisation, in one fell sweep, damages the company's operations and economics. Cost savings that could have been easily implemented thanks to an integrated digitised ecosystem are absent in an undigitised factory network. At other times, manufacturing units add unnecessary overheads by opting to manufacture goods that they could easily outsource, leading to some impressive reduction in operational expenses. However, the temptation of comfort zones is such that these processes continue for years, saddling value chains with time and cost drag. Only when a company's managerial leadership decides to shake off these unoptimised processes is a company better placed to engender a transformation.

4. Getting Quick Wins

Anyone vying for a procurement transformation must present a list of quick wins for the managerial leadership to see meaning in financing its procurement pipeline re-design. Thankfully, these quick wins aren't hard to score. It is easy to pull off some changes, such as outsourcing expense-inducing protocols, consolidating a vendor base, or digitally centralising factory operations in a short time window. The company's top echelons can appreciate the results. What's more, data insights can light up all the operationally opaque areas where the organisation has no choice but to rely on local vendors from informal sectors. Logistics and transportation activities often suffer from such blindness. With end-to-end digitisation in place, such concerns will become a thing of the past and pave the way to a more profitable future for the firm.

THE FINAL WORD

Disruptions are, ironically, the new order. In the new scenario, a procurement officer will have to forego the old matrix's reliability, stability and predictability and anticipate new seismic shocks to the procurement chain from all corners. These shocks could be systemic, as was the case with the pandemic or financial, as is the case with inflationary pressures or triggered by larger geopolitical tensions. The work of tightening the nuts and bolts of a procurement pipeline is seemingly unending and is a part of the business hygiene of a company. However, a procurement transformation goes beyond simplistic calibrations and calls for a more extensive ecosystem reboot by fixing alignments and remoulding the company's priorities to best serve its customers and finances. 