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DIGITAL PROCUREMENT: AN EYE ON THE FUTURE

AUDIO TRANSCRIPT

Empowering the rise of Procurement from gatekeeper to strategic enabler.

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Picture a future in which organizations use leading-edge digital technologies such as advanced analytics, robotics and artificial intelligence (AI) to create powerful experiences for those who work in and with procurement.

The future is closer than you might think.

Digital is a major force of change for procurement organizations. Our study reveals that over the next three to five years, rapidly evolving digital platforms and technologies will create a seismic shift in the way procurement is organized in India. We envision radical transformation will take place at the very core of the relationship between internal business

stakeholders and the external supply base. And, this will give rise to a new procurement function that will not just drive down operating costs but emerge as a new center of value creation for the organization

Our vision of the new procurement has these components:

1. Information over process
2. Emphasis on Experience
3. AI & Information support stakeholders
4. Process integration

What do each one of these mean?

1. INFORMATION OVER PROCESS

- Readily available and transparent markets, supplier performance and pricing.
- Virtual procurement agents-led sourcing processes.

2. EMPHASIS ON EXPERIENCE

- Amazon-like buying experiences for buyers.
- Real-time application of compliance and process criteria based on risk profile and market conditions.

3. AI & INFORMATION SUPPORT STAKEHOLDERS



- Artificial Intelligence manages all but the rarest exceptions.
- Accurate and automatic payments.

4. PROCESS INTEGRATION

- Digital technologies breakdown functional silos, making the process faster and more effective.

The big question is— are Indian companies ready to take the next step required to rebuild procurement with digital technologies?

Let's get real. The definition of value that procurement delivers is changing—from an exclusive focus on cost reduction and savings to work that creates strategic differentiation for the company. This also means a change in the way the function is evaluated as companies use more advanced measures, ones that are tied closely to their overall strategy and financial metrics. It's time for procurement to respond to this new set of demands.

BRACE YOURSELF FOR A WAVE OF CHANGE.

According to our research, the answer lies within a virtually integrated enterprise where the line between buyers and suppliers blurs and innovation flourishes. It is founded on intimate relationships with a smaller group of strategic suppliers that allow buyers and sellers to derive greater mutual and strategic benefits than in the past.

In a virtually integrated enterprise, supplier relationships become tightly intertwined with the company as they become sources of new ideas for maintaining a competitive edge.

Four digital technologies—cognitive computing, analytics, Industrial Internet of Things (IIoT) and cloud—will act as both catalysts and enablers for this new way of doing business.

While cloud computing will serve as a foundation

for procurement's digital strategy, real-time analytics, paired with the advanced use of IIoT, will generate deeper and more valuable insights that can greatly enhance decision making. And, cognitive systems will serve as digital agents integrated into the fabric of procurement, eventually handling not just transactional activities, but also more strategic pursuits.

The future will give rise to a procurement organization of one smaller, central procurement core team enabled by CLOUD, COGNITIVE COMPUTING, ANALYTICS, INDUSTRIAL INTERNET OF THINGS.

Together, these digital technologies will make it possible for procurement to reimagine everything it does including the archaic purchase order (PO) process and deliver the strategic, high-value results that senior executives now expect it to deliver.

THE NEW PROCUREMENT IN A PACKAGE

To build a successful procurement organization of the future, companies will need. The 5 Apps bundle as the underlying infrastructure supporting their procurement needs:

1. VIRTUAL COMPANY MALL

This features private and public shops for internal customers to select goods and services.

2. SUPPLY ANALYTICS APPS

This recommends decisions and opportunities for procurement to capitalize on.

3. VIRTUAL SUPPLIER ROOM

This provides transparency and collaboration with the right suppliers at the right time.

4. VIRTUAL CATEGORY ROOM

This allows category managers to track their projects and find relevant market intelligence data for their category.



5. SUPPLIER NETWORK APP

This connects a company with supply markets for POs and invoices.

Organizations need to take the next step today and build a new digitally powered procurement function.

Chris Toomey, Senior Vice President, Coatings Solutions, North America, Former Senior Vice President of Procurement, North America BASF said: "The whole traditional procurement process is going to be dead...all will be dramatically different if not wholly automated in 10 years."

To accelerate procurement's transformation to the next frontier, companies must make a steady march toward cloud-based solutions. These solutions offer superior usability and mitigation of risks and use the content in the cloud to facilitate core procurement activities. As more "things" become connected to the internet and to one another, IIoT will help companies challenge the status quo.

Doing so can lead to disruptive innovations that will dramatically boost procurement's performance. We found that by pairing analytics technology tools with procurement, analytics and technology, experts can make more effective, data-driven business decisions. Also, if companies can apply cognitive computing to routine, manual work and complex activities, they will end up with a dramatically different procurement workforce. A workforce that focuses on more strategic pursuits to unlock far greater enterprise value at a significantly lower cost.

THE NEXT-GEN PROCUREMENT AT WORK

Fast-forward to 2025.

Aditya is a sourcing manager who is driving his company's ambitious new construction project. With the help of the Accenture Intelligent Advisor tool available on the Insights App, Aditya can

get detailed pricing predictions in the categories of construction projects he manages in just a few minutes. Here's how. A robotic process automation (RPA) bot extracts data on suppliers and construction labor rates in India from various sources such as contracts and request for proposals. The machine learning algorithm that powers the tool feeds on this data and continuously updates itself. So, when a new construction project kicks off, the predictive model is updated as changes occur in the market and as previous project results are closed and tracked.

Aided by this data-rich, analytics-driven and AI-enabled process, Aditya can execute his construction project confidently, knowing he has made the best decision for his team and company.

TAKING STOCK

It's no surprise that a slow purchase requisition (PR), PO process can cripple a business. Currently, the existing PR-PO process of many Indian companies is fragmented, leading to limited tracking, control and visibility to stakeholders. In the future, companies must use cloud-based solutions to digitize the end-to-end PR-PO process. This will help them achieve enhanced visibility and tracking, reduce cycle time by automating transactional activities and, most importantly, improve user experience for all stakeholders.

Let's consider the example of a leading Indian company that transformed its end-to-end PO process using SAP Enterprise Resource Planning (ERP) and an e-procurement system.

END-TO-END DIGITIZATION OF THE PR-PO PROCESS

Localized- PR creation
SAP ERP solution

- Enter details of the PR into the system.
- Request is routed to stakeholders.
- Once approved, a PR is automatically



generated.

Centralized- Request for Quotation
E-procurement system

- Send requests directly to suppliers.
- Coordinate with vendors for offers.

Prepare Comparative Statement
E-procurement system

- Prepare a comparative statement or an award scenario.
- Comparative statement uses historical results available for the suppliers in similar categories to correlate, predict and build a comprehensive view across quality, performance, technical and commercial parameters.

CENTRALIZED – COE- Negotiation / Approval
E-procurement system

- Negotiate with vendors on prices and terms and conditions.
- Conduct e-auctions.
- Gain approvals.

CENTRALIZED – SSC- PO creation
SAP ERP solution

- Create POs based on approved award scenario.
- Submit for PO release.

BENEFITS OF A DIGITIZED PR-PO PROCESS
ARE:

1. Enhanced visibility and tracking of the entire PR-PO process.
2. Improved user experience for all stakeholders.
3. Comprehensive capture and easy retrieval of vendor lifecycle history aids predictive analytics.
4. Reduced cycle time through automation of transactional activities.

UNLEASH THE POWER OF DIGITAL

Our research reveals five strategic imperatives that organizations must address to transform their procurement. In their quest to become the next-gen digital procurement, many organizations are already applying some of these

imperatives.

1. MAKE DATA THE ROCKET FUEL

Build an intentional strategy to capture more and more internal and external data. Because data can help predict the needs of employees, know which goods or services are available to meet those needs best, determine which suppliers are the right ones, and identify the right price to pay.

2. LET TECHNOLOGY POWER THE DATA ENGINE

Leverage the power of new technologies such as AI, natural language processing, analytics and bots to make sense of the vast amounts of data collected. When organizations combine relevant data with these highly advanced technologies, they can automate and enhance a wide range of activities and processes—and, in some cases, go beyond simple automation to providing advanced intelligent support.

Using RPA—a.k.a. bots—a company can automatically, with no human intervention, convert a requisition into a PO when all required fields are complete and accurate.

3. BRIDGE THE SKILLS AND TALENT GAP

Closing the talent gap is one of the biggest obstacles for procurement to overcome. To generate true value, organizations should find and hire qualified data scientists, AI experts, category specialists and design professionals. Once the cross-functional team is built, develop deep skills across these areas and combine them in ways that break down old siloed functions and amplify outcomes.

4. UPDATE YOUR POLICIES AND PROCEDURES

To ensure everyone understands their new responsibilities and the new processes in place, organizations must review their operating model and policies and procedures for relevance in the New.

5. CREATE WINNING USER EXPERIENCES



An engaging, intuitive user experience will encourage procurement's stakeholders to use online procurement tools. The more people use these digital capabilities, the more effective they will be in buying, and the more data the business can collect on specific transactions.

THE FUTURE BEGINS TODAY!

Transforming procurement into a truly digital organization is a competitive necessity. Continuing to run antiquated procurement processes can stunt growth and prevent organizations from pivoting to the New—whether that's selling new products, selling to new customers, or adopting new business models. While there is no doubt that digital can help improve procurement's cost savings, visibility, efficiency and compliance and control, these outcomes will not come from digital alone. Digital is a means to an end—not an end in itself. Companies should first assess if they have the vision, time and investments to raise the role of procurement within their organization through digital.

Accenture has been working with organizations globally to define and prepare them for their journey to the future of procurement.

THE TIME TO START IS NOW!

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