



DRIVING BUSINESS VALUE WITH CLOSED LOOP SPEND MANAGEMENT

AUDIO TRANSCRIPT

Kai: The beauty of closed loop spend management is, it's the beauty of that data, of that forensic detailed data and factual discussion it drives.

Tricia: Welcome to our Spotlight podcast series, where we will share insights on how we are reimagining our corporate landscape. I am Tricia Miller, the managing director at Accenture leading the digital transformation of our Procurement Plus organization, and I'm happy to welcome Kai, Accenture's Chief Procurement Officer. Today, we're here to talk about closing spend management and the role it's playing in Accenture's procurement transformation. Kai, welcome. I'm thrilled to have you here today.

Kai: Thank you, Tricia, and I'm really happy to be here and looking forward to our dialog, and I'm sure it will be an interesting discussion we're having today.

Tricia: Let's start at the beginning as we help listeners understand the journey. Several years ago, Accenture recognized that there was a need to reimagine our procurement function. Kai, it might be good if you can help set the stage for the listeners and give them a glimpse of the initial thinking and the initial recognition that allowed us to understand that transformation was necessary.

Kai: This is one of my most exciting topics that

I'm happy to talk about and the reason why I like this word transformation. I think let's look back four or five years. The time was right to imagine the purpose of the procurement function because considering also the time I'm spending with my CPO peers, we always talking a lot about what are we here for? And thinking five years back when we started our transformation, the whole thing was, what is the purpose of the procurement function and what are we here for? And I always like to talk about two big roles procurement plays. There's one role which I call the hygiene of the house, which it's really making sure that by supply pay works pretty well so that the process how you interact with third parties is running well and that is not to be compromised. But then there is something broader. There's a different value that I think we started in our transformation to imagine for the procurement function and the value that you need to think about, and we started in our transformation to think about is what's the business value, right? There is no value for the sake of procurement. There is a value for the sake of the business. And we started to really spend a lot of time to think about what is the value we want to bring to the business? And being the CPO of Accenture, imagine the value was pretty simple. We thought we need to watch how we help the company to continue on the growth path. We also looked into, as the company is doing, quite significant acquisition. How do we integrate the acquisitions and how



do we, how do we make it all work in a procurement function? How do we embrace the sustainability agenda? I always like to talk about procurement as the custodian of a brand and the sustainability and responsible business for me in responsible buying for me is so significantly important, and it also includes managing the supplier risk and the third-party risk in general. But I also think when looking five years back, we had to embrace the digital disruptions right? And digital disruption have happened on the dimension of how do you transact? How do you look at data? But they also started to happen on how do your categories look like that you are buying? Isn't there a point that you shouldn't think about buying in the future the same way you bought in the past? That is, for me, the value to basically be ready for the growth of the business, the new acquisition, but also disruption the new technologies are bringing to the table. And with that, I think we as a function, we're able to redefine a purpose and extended our value promise and our value proposition.

Tricia: Clearly very much on the same page with you here. And I think it's important that what we're really talking about is the traditional procurement doesn't go away. That hygiene side of the house, historical function of by supply pay, that has to be done. That is procurement. That's our bread and butter. But it is the recognition that a procurement function can be more than that, that if procurement done right, it can support the strategic initiatives, the corporate priorities of the organization, like sustainability, as you mentioned, just fundamentally third-party risk. And so as we think about where we started and where we are now, what kind of would you call out is those big highlights of, of the transformation? Where, where and what have we done when we consider success in transformation?

Kai: I think the success is the moment you are sitting at the table. And if I really reflect a little bit the last years that we jointly went through that transformation, every year it felt a little bit, we got closer to that table. And we got closer to what really matters. And for me, I think what

really mattered is how do we act with our partners in the market? So how do we responsibly buy? So how do we walk the talk? But it is also how do we help the business to compete better in the marketplace? And the moment a procurement function is asked to join for the sake of competitiveness, that's the moment when you made it. And I think all our focus is how can procurement drive a value chain idea? How can we drive ideas? How can we bring through insights that we have partners to the table? And you hardly hear me talking about suppliers, and you hardly will hear me talking about suppliers to bring them to the table, facilitate real networks and relationships, and really leveraging that ecosystem to really bring innovation to the table and most importantly, every day, disrupt your thinking. You almost need to start every day as it as it was a green field. And to do that, you really need to challenge every day the demand you're putting in the market, the specification you put in the market, the technology you are buying, the process, you are buying with. If you think about all that, I think we had also a quite strong closed loop spend management idea behind that to bring this all together in a very data driven mindset and in a very disruptive mindset.

Tricia: Yeah, I agree. This realization that the power of procurement sits within our data and the enablement of that ecosystem, the recognition of the partners that should be managed to an ecosystem comes through data and closed loop spend management as an approach has been critical to us to really bring all of that together and then to bring the value that a closed loop spend management approach can deliver to life. It's probably valuable to spend a few minutes explaining what we mean by closed loop spend management, and as we do that, the role that it's played in transformation.

Kai: I always like to make closed loop spend management very simple, in my words. Closed loop spend management is data driven, decision making and replacing gut feeling. It is also very much addressing all dimension of a value that you can generate. To create that value, you



need to use some sort of comparing spend patterns. You need to compare specifications that, for the same purpose, are bought across the company. How are they comparable and why do you buy them differently? You need to challenge almost every day. What you bought in the past is they're still responding to the need of the future. Take an example, cleaning services for office desks is an interesting one, but the moment the desk becomes smart probably need to embrace and rethink the way you do frequency on cleanings. And if you think about all of that, spend management has a lot to do with data on being on top of data, but also tying your spend decisions or your buying decisions into some sort of the budget link because otherwise. And for me, that's the, that's the other beauty of closed loop spend management savings become real and not staying at an Excel spreadsheet level because you can tie them back to where you started with. You can tie them back what you bought before. You can tie it back to a consumption, you can tie it back to a price. So you basically can tie it back to the total value of ownership. And that's as the word closed loop, that it closes the loop, right? It starts with knowing something and it goes down to monitoring the behaviors, the pattern, the spend that you wanted to change and to monitor it and basically then drive with that profitability.

Tricia: I love that and your reference to gut feeling. I do believe one of the biggest barriers to transformation is the gut feeling. The what ifs. The beauty of data driven. Decisions is you can bring the right stakeholders to the table and have factual based conversations. I think closed loop spend management enables a community and through that community drive change. It's the community of buyers who are buying similar items and may not be aware of it, bringing them together to understand that macro view of what we're buying of that type. And but it's also the community of functions. You talked about how closed loop spend management is not just about traditional procurement savings, where we renegotiated a price that was lower. It's about really recognizing where that money can be extracted from the budget and how that savings

can be applied back to the corporation and used to be invested at the senior leader levels in whatever area of the corporation that's needed. I think over and above that, as much as it's transformed procurement and how we partner with the buying groups and with finance, it's also been significant in how it's enabled procurement as a function to support Accenture's sustainability agenda. We have as a procurement function, it is incredibly important that we bring diverse and responsible supplier base to the table, to the company for them to be leveraged. You want to spend a few minutes talking about one that sustainability agenda and priority, but then how closed loop spend management has really allowed us to influence that?

Kai: I think this whole notion on sustainability and responsible buying is probably worth the complete podcast, right? Because this is something that is really, really big. I haven't mentioned the word Procurement Plus yet. It might be a good moment to mention it. When we started our transformation, we also thought about, do we want to be known as the procurement function or do we want to think about renaming that fits the repurpose that we were driving? And we did a little bit of ideation and came up with, oh, why don't we call the procurement function Procurement Plus? And since then, we had always discussions about the plus. We hardly talk about the procurement side. We talk a lot about what does this plus mean. And that's why I think this responsible buying framework is a good one to describe a little bit what we mean with a plus. The responsible buying framework has four to five critical dimensions. It has a dimension on sustainability, as highlighted by you. We need to be aware of what our spend does in the market in terms of water e-waste carbon footprint. You need to just be aware and you need to be thinking, and that's why closed loop comes into that play again. You need to think about how can you do it differently? And I think we started a lot of discussion on do we always need to fly around the world to run project? We started to have this as a closed loop discussion. Are there different



ways of delivering the same service by traveling less? I think COVID has now taught us

how to do it and accelerate it, but we started much before to think about that one. Are we one hundred? We are committed. Are we one hundred twenty twenty-five target? We are on a super strong trajectory to get there. So that's one dimension of responsible buying sustainability. Another one is diversity. I'm a strong believer that as a corporation and as a CPO, I have to look into all type of business partners that we can buy from. And I think sometimes we have the tendency big buy from big. I think what we have found is big is not always innovative. So big is meaning or buying from diverse people and diverse businesses has helped us to accelerate an innovation agenda. But if we and again tying it to closed loop, if we were just looking into how can I buy more commercially competitive from the established partners? We probably have missed a lot of the boat and a lot of opportunities and innovation we brought to the table by challenging ourselves every time on, it's a clean field. Is there a different supply base and can we look into diverse suppliers? So second dimension. Third dimension, everything around human rights. I don't think it's important or it's now needed to explain what that means because human rights, they are not to be discussed, they are not to be compromised. They are just basics of how we act every day with our partners. And last but not least, ethics and compliance also something not to be compromised. What I said at the beginning, we have four to five dimensions, one that I want to throw in, but probably not debate today is future of work. When we think about our responsible buying framework, the way we want to work in the future, the way we want to engage our partners in the future, the way we want to embrace digital in our working environment and the future, that's probably worth another completely different podcast. But it is also embedded into our responsible buying framework. So I hope I got a little bit across that closed loop spend management and this mindset of challenging every day how and what you are buying is a super strong enabler to also

revisit your sustainable agenda, your diversity agenda and how you operate as a business and for procurement, how we operate as a procurement function in the market.

Tricia: What I hear there are so many outcomes that if you think about traditional procurement and I need a contract, I need to purchase, I need an invoice. Procurement couldn't possibly been in a conversation that talked about sustainability and how it, as a function would play such a pivotal role in delivering the sustainability agenda. That's where, as we've structured ourselves in this transformation and leverage the mindset of closed loop spend management, we have positioned ourselves elevated essentially the position of procurement into a place where we are a logical business partner for our leadership team in Accenture overall to help with those agenda items. We've talked at a very macro level about how we repositioned ourselves when we look inward and think about how we've transformed. Can you feel confident how you speak to that transformation and how we've been able to showcase that?

Kai: I think the discussion we are having with the business are really away from a procurement discussion into a business discussion. So I think we moved away from cost control complying meetings. I remember five, six, seven years ago some of the meetings with the business happened like, oh, you didn't follow this policy. We have an invoice that has no relation to a PO. That's all what I call the old three or the traditional three C's: cost, control, compliance. And I think we added a lot of C's: core innovation, co-ordination, call operation just to mention three of them. And all of them are basically helping us to start now conversations with the business about business value and business outcome. And I think that for me is a proof of the transformation has worked, our procurement folks that are meeting. And you said earlier, we have a lot of partners like the finance, like the business, even our external partners and platform players. Every time we are going there, we are not talking about, oh, I want to talk to you about the spend, the peripheral of



the suppliers. We rather every time we start talking to the business we talking about, we have seen the following business behavior. We have seen the following business challenges. We have looked a little bit into what our procurement levers, but also our procurement ideas could bring to the table. And here is what we think our ecosystem that we facilitate could bring to the table for you and drive a business outcome. So what I mean is the transformation has worked because we are talking about business outcomes and we've been preparing discussion about business outcomes. We are not preparing discussions about historical data, historical behaviors, or process. We have a discussion about outcome what matters to them, not what matters to me as a CPO. And that for me has proven that the transformation has worked and that the mindset has completely praised and embedded into all our teams across the world. And just a last sentence on that logic. We have come up with this idea of procurement as a franchise. We have never come up with this idea of central versus these central, centrally led versus centralized. We always said Procurement Plus is almost like a license. It's a license to operate procurement across Accenture and Procurement Plus is a philosophy, and it's a mindset that has business outcome at its core. And that's why I said the mindset and this P+ franchise is pretty much embraced by everybody, and therefore everybody goes into discussions with our partners not about having procurement in mind but having business in mind. For me, that's the proof of the transformation, right?

Tricia: Finally, I really hope that as the listeners have engaged in the conversation, we've managed to convince them on the value of closed loop spend management, but we know, like any transformation, it is a journey. Are there any actions that you'd recommend that will contribute to that successful transformation as it's embarked upon?

Kai: I would think about five, six relevant lessons learned. The first one is be bold and believe in the vision. It is hard to move you out of a corner,

to position you with a business when you had some sort of a perception. It needs some bold visions and bold moves, but never lose this path. The second one is have the right team with you. It's nothing that you win or create with trying to have all hundreds of people behind you. They won. You need to have a small troop to build bigger troops that multiplies and multiplies and multiplies. Don't be afraid of disrupting things in the way you have done things. And I think first of all, we have disrupted many, many processes. We have disrupted many, many tools. We have disrupted many, many ways of working where people thought, No, this is not to be disruptive. This has been done like this and it needs to continue like this. It probably plays into my number one, have bold vision, but also do bold moves. Everything like this can only work when you have success. Monitor success, celebrate success. Nothing is more exciting than celebrating a success and being proud of it works, right? And last but not least, and I said it at the beginning, and I'm never tired of saying that. Trust your data. And trust your data really is a big, big thing for people, because there is something that you thought it's true and the data might tell you differently, and therefore you need to even disrupt your own beliefs sometimes, and you need to revisit how you build a strategy before because the data tells you differently. And that's again, the beauty of closed loop spend management is, it's the beauty of that data, of that forensic detailed data and factual discussion it drives. So for me, that are the big ones. Never be tired of being bold, disruptive and accept failures, but celebrate success. It sounds a little bit like the one on one of the Change Management Handbook, but I think there's a difference of saying it and there's a there's a difference to doing it, and we did it.

Tricia: Yeah, it is really the traditional change management versus the new view of living the change. And that's the difference, right? That's where closed loop spend management has enabled us to live the change as we delivered it. Kai, honestly, this has been really fascinating. It's been a pleasure working on the team that is driving this transformation. For all the passion



that has come across from you, I share it and is as equally excited. I'm going to say thank you again for taking the time to chat with me today. It was a pleasure to continue to speak with you about this.

Kai: Thanks for having me. And I'm so glad that you were a part of it and you helped me big, big time to drive this transformation. Thank you very much.

Podcast Close: Thank you for joining today's podcast, visit [Accenture dot com slash spotlight](https://www.accenture.com/spotlight) for more stories and episodes on how we're reimagining our corporate landscape.