

PROCUREMENT BUSINESS PROCESS SERVICES

Unleash breakthrough value from spend

with Closed Loop Spend Management

accenture

The future of procurement is waiting

Getting there takes change

It used to be clear cut: Procurement organizations were expected to deliver cost savings in sourcing and purchasing. But today their scope of responsibility has expanded well beyond this.

Procurement is also watching markets, building ecosystems, informing broader business decisions and protecting reputations. In fact, a full 90% of chief procurement officers say that their organizations are under extreme pressure to extend innovation.² This statistic would have been unheard of a decade ago.

Yet even with all the opportunity for Procurement to be a true strategic partner to the business, fully embracing this role is not easy. It doesn't have to be this way if procurement relies on data. Data-driven procurement organizations don't have to settle for the status quo—held back by old notions of what spend management is and how to do it. They can do more than get the basics right to lower costs. They can unleash breakthrough business value.

But it is difficult to get there without the right operating model that provides access to right data, insights, technology and talent. The data that supports real-time decision making is often trapped in pockets across the business. It can be hard to know what technology tools to invest in and when. And funding shortages hinder the promise of transformation.

More than
66%
of procurement organizations struggle with lack of long-term investments to transform processes and technology.¹

From managing spend to unleashing value

Procurement can fully embrace the promise of transformation and become truly data driven with closed loop spend management (CLSM).

CLSM is a new, data-powered operating model for managing the source-to-pay lifecycle that targets indirect and direct costs for meaningful and sustained transformation. Powered by digital, data and AI, CLSM systemizes and infuses bold ways of working across the procurement function. It makes Procurement more efficient, resilient and agile. And the method is grounded in responsibility to the environment and suppliers—always aligned with the business strategy.

This is very different from how Procurement traditionally tackles costs. It takes a forward-looking approach to planning and decision making. Which means that CLSM creates a virtuous circle of cost savings and reinvestment across every spend category—and with surgical precision. That's how Procurement delivers value beyond cost savings for the enterprise. Value that lasts.

The sustainable savings³ that companies can realize with CLSM speak for themselves.

10 to 15%

sourcing reduction across direct and indirect spend

More than 15%

SG&A reduction

3 to 5%

COGS reduction

20 to 50%

reduction in operating costs

With closed loop spend management, you can identify excess spend across the enterprise and reinvest it to power innovation and responsible growth.

Driving change at scale

A major global consumer goods business wanted to transform procurement on a global scale. The ambition? Work towards the whole organization had a procurement function that was data-driven, responsive to change—and able to support the needs of a truly digital business.

The company moved to a CLSM model by tapping into Accenture's SynOps platform to orchestrate the improved combination of data, digital technologies and procurement talent. The new operating model delivered major business outcomes including more than **\$1 billion** in savings through rapid sourcing and increased business buyer satisfaction scores that are consistently above 99%.

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Two core elements

As impressive as these savings are, the results don't stop here. The value here is not only financial. Think of it as 360-degree value that widens Procurement's sphere of influence and impact. There is value for the enterprise, stakeholders and the community—and across risk mitigation, sustainability, stakeholder experience, talent, and inclusion and diversity. It's breakthrough stuff made possible thanks to the fundamentals of CLSM: spend transformation and new ways of working.

01 Spend transformation

Procurement organizations often focus on pricing as the prime lever to improve how and where money is spent. This is important, of course. But greater and more sustainable cost savings can come from pulling other levers too. Procurement has a golden opportunity—one made possible by real-time data insights, predictive analytics and new technology tools—to double down on other key levers across direct and indirect spend like inventory and consumption of goods and services to lower spend and drive value.

02 New ways of working

It isn't just what Procurement does—driving savings across pricing, consumption and inventory—that impacts value. It is how Procurement works. The roles, skills, processes, tools and business relationships it has. There's also Procurement working as a trusted business partner through the annual process, collaborating across the enterprise to understand current and future business needs and providing insights. By working in new ways, the procurement organization can deliver more durable savings. Consider the impact of technology enablement as just one example. When an appliance manufacturer deployed a technology suite to manage compliance in several US facilities, the company boosted savings by 11%.⁴

A woman's hand is shown holding a pink lip gloss tube. The background is a blurred display of various beauty products, including bottles and tubes, in a store setting. The lighting is warm and focused on the hand and the product being held.

A global beauty products company adopted a CLSM model and generated over **\$50 million** in savings

Boosting future growth

A global beauty products company adopted a CLSM model and generated over **\$50 million** in savings while radically streamlining experiences for business buyers and suppliers. It's a key step in the organization's ambitious digital transformation—a new foundation for future business growth.

Get ready for a ripple effect of change

Broader scope. Bolder moves. Breakthrough outcomes.

There are clear benefits that come from CLSM model in procurement. Think of it like a ripple effect of change running from reducing costs to driving topline growth.



Deliver sustainable cost savings

With CLSM, you can go beyond traditional cost savings. You can deliver more and different value considering other levers such as reducing consumption and optimizing inventory. At the same time, you can identify new opportunities to reinvest these savings across the business. This reflects a mindset where cost decisions reflect what costs “should” be, not what they were in the past.

Take how companies manage travel spend as an example. When business travel picks up again, procurement organizations would have to make complex travel spend decisions. They can negotiate rates with providers as always. But they can also look at demand and consumption in new ways. Collaboration tools could likely minimize trips. And ridesharing provides a lower cost alternative to rental cars.

Harness real-time data insight

In analyzing pricing, consumption and inventory levels, there is a night-and-day difference between relying on forecasts and developing a deeper understanding of what's actually happening right now. A CLSM model provides real-time data and analytics that help you make better business decisions to outmaneuver risk and uncertainty.

Consider how a manufacturer can use real-time insight for a commodity-based resource like copper. By connecting its consumption and demand patterns to market activity in hedging and pricing, the manufacturer can identify the appropriate time to buy, improve cash flow and reduce costs.





Be a responsible business

Procurement has an undeniable role in supporting a company's responsible business commitments. CLSM threads sustainability into procurement activities—designing for circularity, building trust and supporting net-zero operations. This isn't just good for people and the planet, it's good for the business too.

When Procurement steps up to meet this twin imperative, the results are significant. For example, consider that CLSM can deliver 5 to 15% cost reduction through energy procurement. An energy player found this out firsthand. By optimizing its energy consumption at its natural gas facilities, the company realized more than \$4 million in annual cost savings and 1.46 terajoules in savings a day.⁵

Support enduring growth

When client teams work with business process services providers, there is an opportunity for them to elevate their outcomes with new insights and tools that advance ways of working for retained work. Yet the reality is that this kind of new skilling does not always happen.

Making the client team more efficient and effective is foundational to CLSM. It is delivered in a hybrid model where the client workforce gets the tools, skills and confidence they need to excel now and in their jobs and prepare for future needs. This goes a long way to closing an acknowledged skills gap—just 32% of procurement organizations say they have the right resources and competencies today.





Anticipate what's next

To deliver value beyond cost takeout, you have to be more flexible than ever. The pace of business—in everything from how markets move and how competitors pivot to how consumers behave—is too fast for competitive companies to be anything less than nimble.

Being nimble takes lock-step alignment with the business strategy and strong relationships with business stakeholders. The more engaged it is with the business, the less reactive Procurement has to be. Imagine a drug manufacturer with a research breakthrough that could one day lead to a blockbuster drug that saves millions of lives. It simply doesn't happen without procurement at the table at every phase. Procurement can assist with ensuring on-time delivery of supplies, identifying alternate sources of supply and on-boarding suppliers onto systems.

Moving at market speed

A fast-growing global medical technology company needed a new procurement model to keep pace with market demands—one that could replace its increasingly outdated, expensive and fragmented operations. We assumed full responsibility for the company's procure-to-pay process in four key areas: implementing and running a procurement help desk; conducting quality checks on purchase requisitions; resolving invoice-purchase order mismatches; and executing spot buys.

Through these activities, as well as numerous other value-adding programs, the company has gained extensive visibility into its procurement operations, vastly improved the efficiency and quality of procurement, and boosted requester compliance with procurement policies and contracts. It resolved over **\$115 million** in invoice mismatches, preventing overpaying.

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How to get from here to there

The journey to CLSM is different for every procurement organization. That's why there's a highly flexible approach that moves along three critical phases.

01 Blueprint

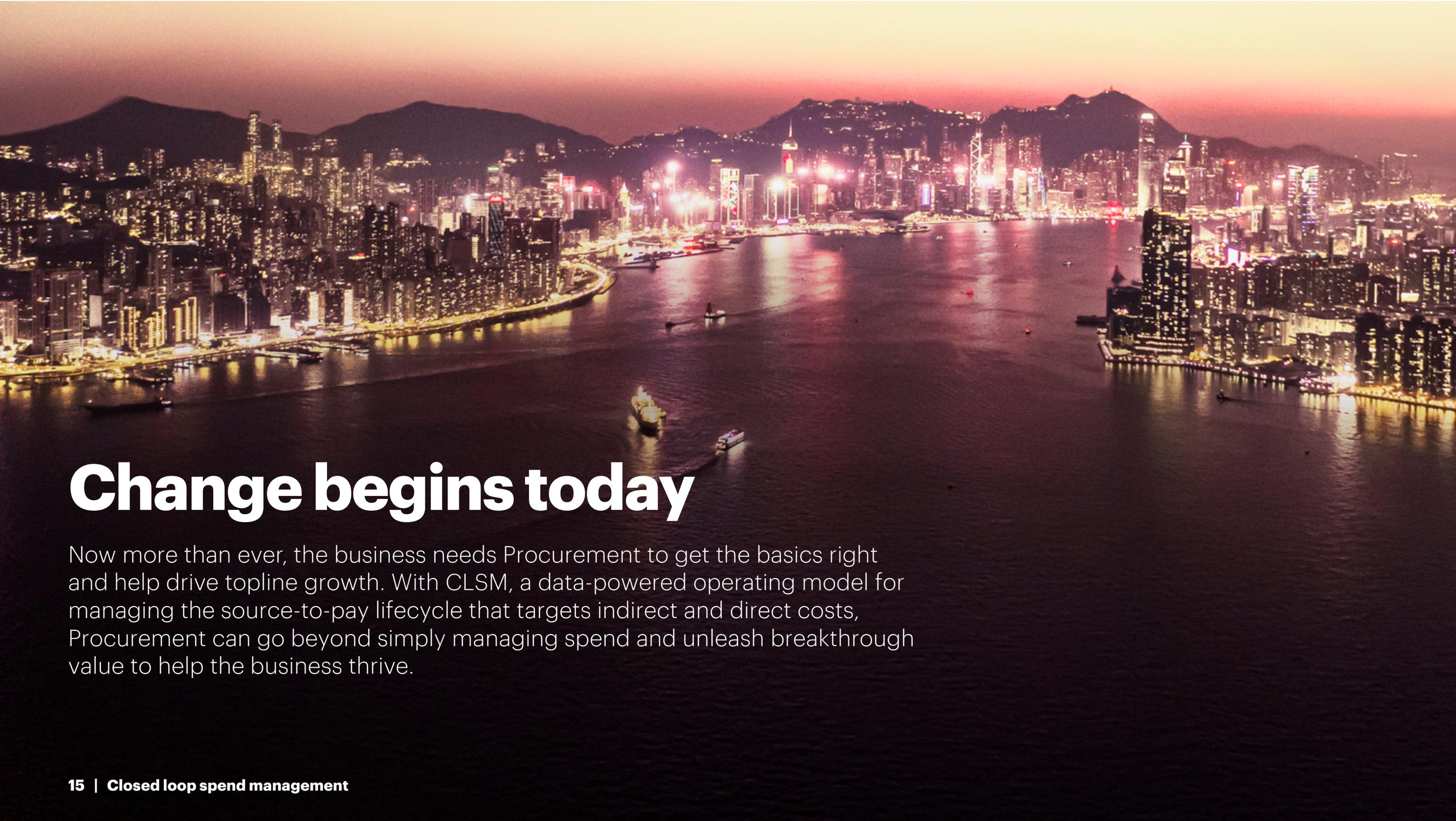
Take a hard look at the procurement organization to identify and prioritize changes. Evaluate spend, operating model and sustainability metrics against price, specifications, consumption and operational benchmarks. Target quick wins and follow fast with transformation "sprints" to get leadership buy-in and investment for more substantive transformation programs later. Use digital tools to identify priorities and understand trade-offs and impacts.

02 Transform

Prepare the procurement organization to deliver consistently on the blueprint. Evolve the operating model, roles and responsibilities and skills as necessary. Focus on the plans for digital transformation. Identify what, if any, assistance is needed from a partner in any of these areas. Be sure to create accountability across executive leadership for all CLSM interventions.

03 Operate

Make all the changes part of the organizational DNA to keep delivering value over time. Focus on sustaining change and seeking out new opportunities for improvement. Operate as an agile and resilient organization with variable cost base and a fast-twitch structure that can flex with change. Embrace a continuous improvement mindset. Implement a robust control tower and reporting to verify that Procurement is consistently delivering on all opportunities to multiply value.



Change begins today

Now more than ever, the business needs Procurement to get the basics right and help drive topline growth. With CLSM, a data-powered operating model for managing the source-to-pay lifecycle that targets indirect and direct costs, Procurement can go beyond simply managing spend and unleash breakthrough value to help the business thrive.

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¹The Hackett Group, "The CPO Agenda: Keeping Pace with and Enabling Enterprise-Level Digital Transformation," 2018

²Accenture Strategy Procurement Mastery, 2017

³Accenture client experience

⁴Accenture client experience

⁵Accenture client experience

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