

WHAT THEY SAID

“Over the past five years, we’ve seen incredible leaps in technology and what it can do. And while there are still challenges [...] it’s driven a lot of good benefits”

Lee Jackson, deputy head of procurement, Abu Dhabi Investment Authority

“The target is not ‘top-down’. We agree the working capital reduction targets and they are then distributed among the team”

Murat Saglik, CPO for not for resale good, Tesco

“We can add value through relationships with stakeholders, but they are built up over a number of years”

Mark Lewis, head of procurement for Europe, AstraZeneca

“We’ve had a process over the past six years of changing the way that we purchase power as a business”

Stuart Hayward-Higham, technical development director, Suez UK

The rise of real time

The seeds of what we will experience in our future day-to-day and business lives are being sowed now. And for procurement it means instant decisions



BOARD TALK

Tom Linton
CPO
Flex

THE FOCUS on process improvement by management teams began in the 1980s. However, with the birth of enterprise software, its expansion in the 1990s and the establishment of internet-based software, the process is about to be disrupted again.

Business history is littered with disruption. Industrial revolutions dating back to the 17th century are full of examples where one trigger started an avalanche of change: the printing press, cotton gin, telephone, automobile,

aeroplane and computer. But what they all have in common is that the trigger was often pulled decades before full-scale adoption took place.

So to find out what is happening now, we need to go back a couple of decades. Today it is clear that the establishment of the internet led to the explosion of information and the subsequent procurement tools and applications that are now harvesting data. I believe this disruption, though, has not yet fully matured; in fact, it is really only just beginning.

Traditional enterprise software accumulates silos of data. This data is then called upon by managers and pulled up in reports that can be used to make decisions. It provides information in chunks or batches, which by definition is historical. In fact, almost all decisions in procurement today are based on information

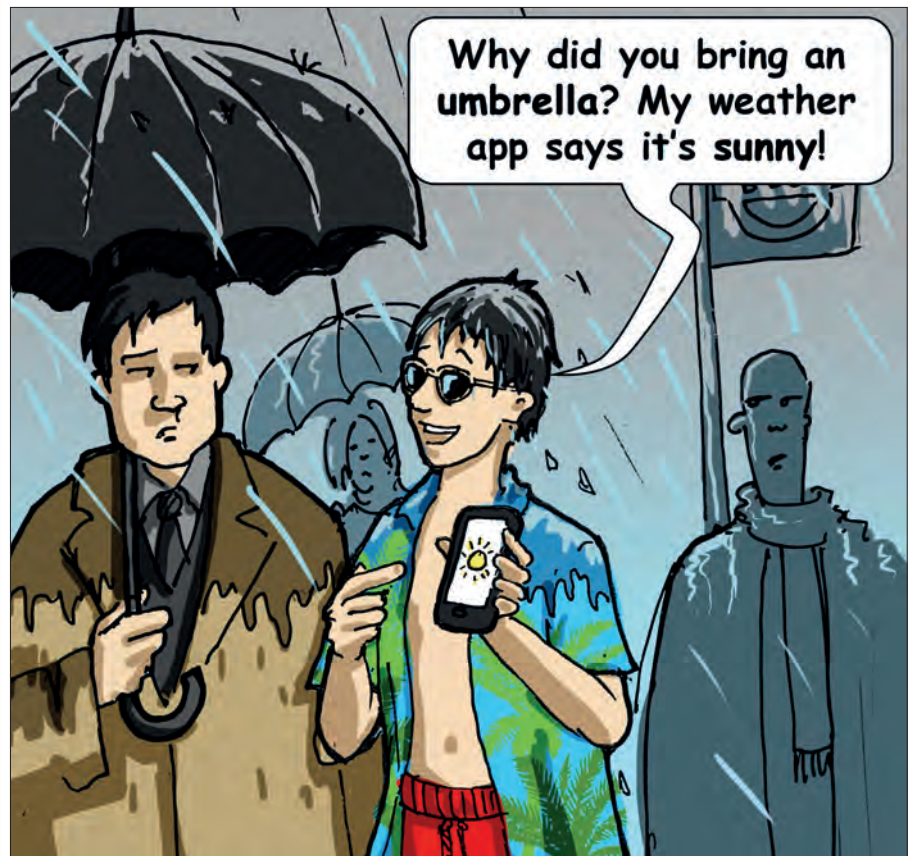


Illustration: Leo Delauncy

about things that happened in the past.

Can you imagine if your car speedometer told you how fast you were going yesterday? This is our current scenario. We know how much we quoted, sourced, contracted and paid yesterday. What if we could make all our decisions in real time? What would happen to our performance if we had data in real time?

Tools able to provide that view are being developed. New concepts, such as asset velocity will transform business balance and income statements as processes are defragmented and accelerated.

A good example is dynamic pricing: with online shopping, prices can change in a second. Why can't businesses operate that way? As with online auctions, what if the entire economy was live and prices moved based upon the stock market like buyer-seller engagement? Bricks-and-mortar stores have to quickly reduce prices based on what online retailers are offering. The wave is just forming.

As we increase machine-to-machine communications, it is not unthinkable that the invisible hand of capitalism envisioned by Adam Smith will become automated. Buyers and sellers will not reach a price agreement

over days or weeks but instantaneously. Data that forms a price derived from materials, demand, supply, labour and location will form agreements. These agreements, or the meeting of the minds, could be reached quickly and efficiently. Business velocity will increase, leading to rises in productivity and output.

“Can you imagine if your car speedometer told you how fast you were going yesterday? ... What would happen to our performance if we had data in real time?”

But what is today's interim step toward that future? It is the human-machine interface. At Flex, this interface is up and running at the new Flex Pulse Center in California. In this room, 23 touch-panel screens are redefining how decisions are made with real-time information. Using Elementum software, information is not only visualised locally but is simultaneously pushed to mobile devices around the world so everyone from planners and buyers to managers can collaborate in real time. This increases speed and drives new levels of productivity.

■ Procurement professionals who use real-time information will have a head start. Use real-time software that allows visibility so you can speed up decision-making. Think about the human-to-machine interface
■ Look at the business as a whole for ways to accelerate, not just automate. Look at how fresh

data is and where it is slowing the process down.
■ Address new measurements of data freshness, speed and decision-making. Show how improved financial outcomes are tied to this new visibility and velocity of decision-making.
■ Be impatient with old data. Collaborate with the CIO to achieve new levels of data quality in real time.

The world is changing. Procurement managers must exploit new connections and ways of harnessing data to speed up processes and achieve new levels of financial performance. ■

Make 2016 the year of innovation

Forward-thinking companies understand that the nature of procurement has changed. Innovation has taken centre stage



BOARD TALK

David Rae

Content and community director, Procurement Leaders

ALTHOUGH CPOs have a lot to contend with, in 2016, innovation should top their list of priorities.

Of course, it's easy for me to say this because I'm not a CPO – nor do I have a CFO or CEO demanding savings and cash from me 24 hours a day, seven days a week. However, what I do have is the privilege to speak to CPOs on a daily basis about the challenges they face and the opportunities they see.

What has become clear from these conversations is that a shift has taken place. Forward-thinking companies realised some time ago that the real opportunity for procurement lies in supplier innovation, and have invested in order to systemise and formalise their approach.

But equally important is that companies that have yet to invest are realising they risk being left behind if they do not. They have woken up to the fact that their competitors may be more attractive to do business with; that leading suppliers might prefer to go elsewhere; and that innovation is everywhere in the upstream supply chain and cannot be prescribed.

This is a crucial shift, and, as the saying goes, time and tide waits for no-one. Or, to put it another way, procurement is changing and if your function does not react and make the decision to change, you will soon be left behind.

At Procurement Leaders' Ovation gathering last summer, much of the talk revolved around Supplier-enabled innovation (SEI). Some of the CPOs in attendance had an SEI programme in place, others were embarking on the journey and others still committed to doing so after debating it over the course of the two days.

A few months on from that particular event, and momentum continues to build. One of the attendees who spoke on the topic of SEI is

increasing the size of their team from 12 to 16; another guest has built up a team of five from scratch, while others are taking their first tentative steps.

In addition, we see an opportunity and a need in this space, so this year Procurement Leaders will open the doors of its Supplier-Enabled Innovation Centre (SEIC) – a networking and content-driven community and knowledge platform for organisations looking to accelerate their success in SEI.

We are speaking to a number of organisations about helping them to develop their capabilities, and in the second quarter of 2016 we will be launching our first SEI programmes to that effect. If you are interested in finding out more about the programmes, or the SEI Centre in general, please get in touch.



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