Why Digital Procurement Transformation Itself Must Be Transformed
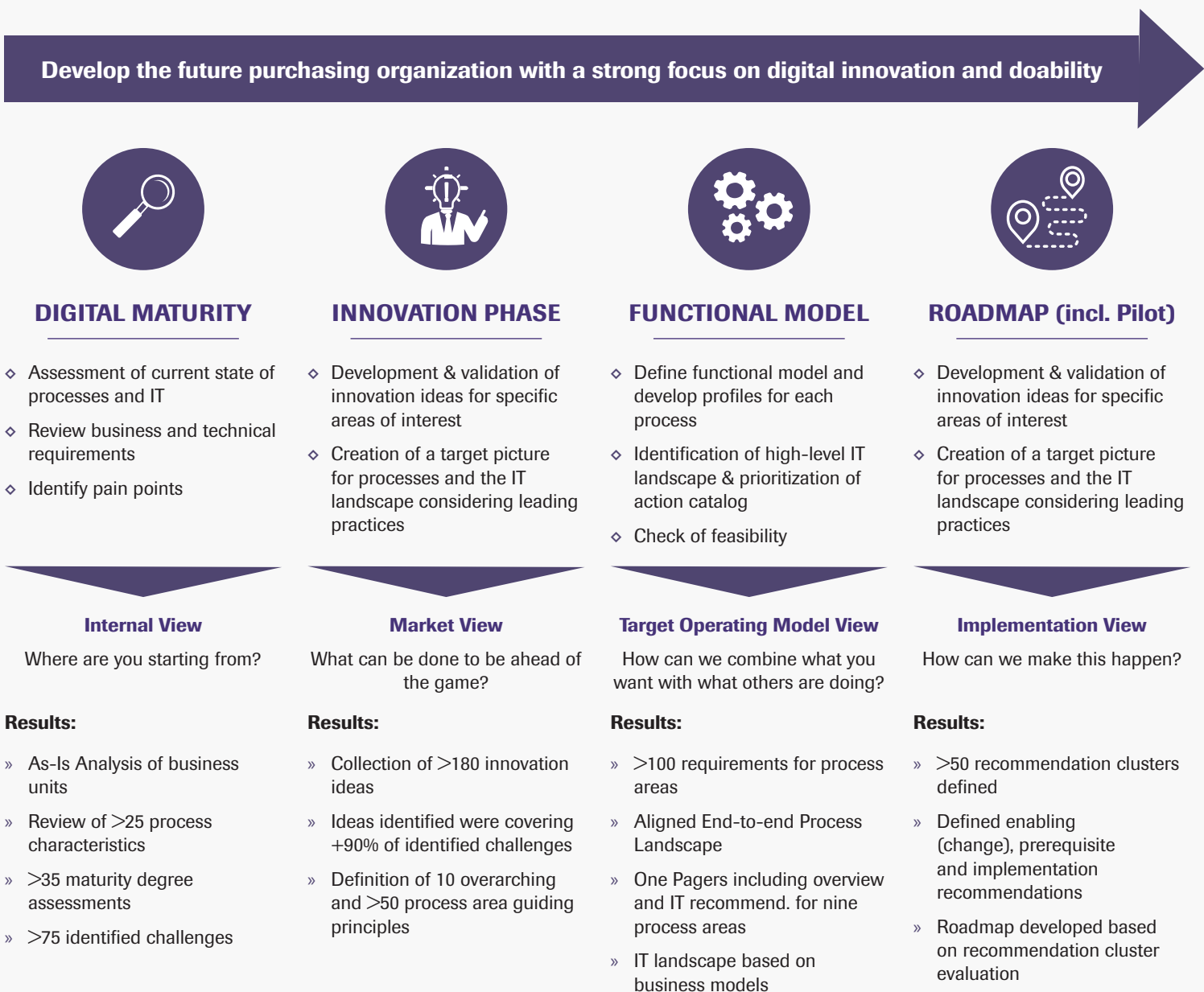
Problem: While there's plenty of new technology available to CPOs for digital transformation, the transformation process itself is getting disrupted

Although "digital transformation" has become familiar to many procurement executives, and various new digital capabilities have emerged (e.g., AI, RPA, etc.), the transformation process itself has remained remarkably business as usual:

- Poor operating performance and old technology leads management to hire management consultants who drive up the school bus with young consultants to document as-is processes and interview stakeholders

- Consultants apply their traditional maturity assessments and best practices checklists -- and then recommend tactical improvements that can be implemented with their favorite procurement solution suite partners and perhaps a smattering of some technology pilots using data science, blockchain, RPA, and so on.

- Implement solutions in a target process area (e.g. "upstream" sourcing or "downstream" P2P) and geographic region - and don't get bogged down with trying to fix thorny issues like master data quality

- Repeat the process and hopefully some real results will be delivered - even though underlying organizational/talent, performance, and data issues remain poorly addressed

The problem here isn't a technology issue, but a transformation issue. As such, perhaps the transformation process itself needs to be overhauled.

As it turns out, BearingPoint is actually finding success working with clients to transform and digitally enable the transformation process itself. We took a look at BearingPoint's approach to see what was really different based on some actual client examples. The one that stood out most to us was a Fortune 100 automotive supplier where BearingPoint's four-phased approach (shown below) exemplifies its approach of incorporating innovation methods into the transformation process itself rather than just implementing innovative digital tools.

Develop the future purchasing organization with a strong focus on digital innovation and doability

DIGITAL MATURITY

◇ Assessment of current state of processes and IT
◇ Review business and technical requirements
◇ Identify pain points

INNOVATION PHASE

◇ Development & validation of innovation ideas for specific areas of interest
◇ Creation of a target picture for processes and the IT landscape considering leading practices

FUNCTIONAL MODEL

◇ Define functional model and develop profiles for each process
◇ Identification of high-level IT landscape & prioritization of action catalog
◇ Check of feasibility

ROADMAP (incl. Pilot)

◇ Development & validation of innovation ideas for specific areas of interest
◇ Creation of a target picture for processes and the IT landscape considering leading practices

Internal View

Where are you starting from?

Results:
» As-Is Analysis of business units
» Review of >25 process characteristics
» >35 maturity degree assessments
» >75 identified challenges

Market View

What can be done to be ahead of the game?

Results:
» Collection of >180 innovation ideas
» Ideas identified were covering +90% of identified challenges
» Definition of 10 overarching and >50 process area guiding principles

Target Operating Model View

How can we combine what you want with what others are doing?

Results:
» >100 requirements for process areas
» Aligned End-to-end Process Landscape
» One Pagers including overview and IT recommend. for nine process areas
» IT landscape based on business models

Implementation View

How can we make this happen?

Results:
» >50 recommendation clusters defined
» Defined enabling (change), prerequisite and implementation recommendations
» Roadmap developed based on recommendation cluster evaluation

Phase 1 - Getting a rapid deep dive on the Source-to-Pay "process factory"

In phase 1, a digital maturity assessment is performed that doesn't just develop current-state process maps and interview stakeholders about their technology challenges, but rather, provides a fact-based view into processes, data, systems, and organizational (structure, roles, metrics) issues.   All of these elements are required to develop an integrated "operating model" for process management, performance management, and data management.

What's innovative: The use of process mining analysis from providers like Celonis provides a digital assessment of current state end-to-end processes (not just isolated process segments of sourcing, purchasing, and AP) in visual form to show all of their gory complexity, errors (rework loops), and bottlenecks. Back office system 'overlays' diagrams and integration analysis also show the impact of various systems on process performance (which helps build the business case for digital simplification and standardization). BearingPoint uses this with client teams to immediately gain top-to-bottom awareness and to quickly shift the discussion and effort towards root cause analysis (e.g., governance, resource leveling, unclear roles, reporting, data issues, etc.) and problem solving. What's also interesting is how BearingPoint uses the challenges uncovered in Phase 1 to become 'design problems' and challenges to solve by the teams in Phase 2.

Phase 2 - Applying Digital Innovation: outside-in mindset, strategy, and methods before outside tools

Too often, traditional consulting organizations may bring their vendor specific practices to perform this work, and as a result, there is a rush to simply and map the client's current state processes to a vendor's "best practice based configuration".   This can certainly shorten the time to implementation, but not necessarily improve business outcomes. It also doesn't make procurement staff (or their stakeholders) any smarter in terms of learning and applying new problem solving approaches -- nor does it get them deeply bought into the initiative.

What's innovative: BearingPoint uses an innovation-based approach where concepts from design thinking (and even agile development to create custom applications) are brought into the equation. This is where real impact can be delivered to business units, suppliers, and functional partners (e.g., Finance, Legal, IT, GRC, etc.). BearingPoint works across these stakeholder groups and sometimes deploys what it calls its "Digital Development Lab" that ultimately drives towards an integrated digital service model shown below (e.g, an IT sourcing operating model that is woven into both IT service management and procurement category management).

Service Model Design   Integration

1	2	3	4	5
Design Thinking	**Digital Service Challenger**	**Business Model Canvas**	**Value Network Modelling**	**Service Model Integration**
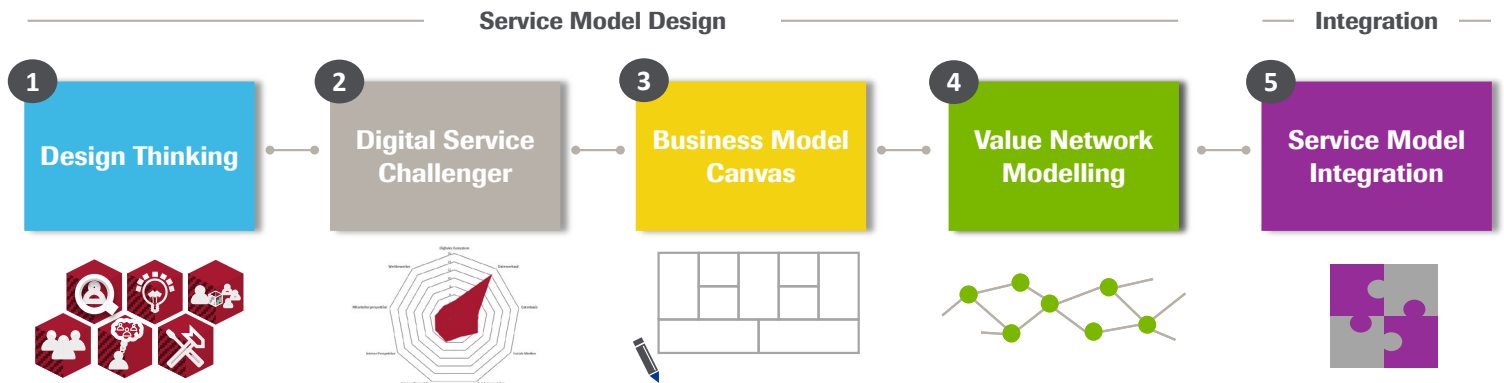
It's also where the client can think about performing some quick hit innovative projects to tie into broader enterprise initiatives (or just within procurement) or to work it into a larger S2P transformation and digitization project (where more traditional S2P application technology providers can be evaluated and brought into the process in different ways).

Advanced technologies (beyond just Procurement) can be deployed such as artificial intelligence (e.g., to deliver predictive analytics in spend analytics, contracts, cost/price forecasting, risk scoring, etc,) and "intelligent automation" to enable RPA use cases and concepts such as guided sourcing/contracting rather than just guided requisitioning.

The notion of an innovative change process that drives the selection of the right tools (rather than just picking a good tool and having IT help install it) was actually the key to unlocking almost $15M in savings that occurred AFTER a previously implemented procurement solution failed to deliver enough value. The chosen solution itself was fine, but the implementation didn't take into account things like supplier buy-in/self-service, data quality/governance (and process/tool governance to gain business ownership of the systems), document integration (e.g., legacy contracts and supplier invoices), and the untangling of complex process variations. Interestingly, by working cross-functionally through to the root causes and needed "root solutions", some fairly sophisticated technology did get adopted in a focused way:

• An intuitive supplier portal with supplier self-service to help fix data at the source -- combined with Master Data Management (MDM) and market intelligence data feeds to keep the data cleansed and enriched.

• A "guided" negotiation tool that included real-time reporting, saving predictions, and performance dashboard. Process mining was also used here not just streamline the processes, but also to "hold the gains" through ongoing monitoring

• Automatic and integrated contract management with digital signatures, digital clause-scanning, alerts, and compliance monitoring

• Automated Procure to Pay that included machine learning to assist in supplier invoice digitization and pre-submission validation... and even some chatbots to help users that were getting stuck who needed in-line guidance.

Phase 3 - Getting real and planning for the change beyond just procurement

Doing a capability assessment and generating a gap analysis is what most consulting organizations do to generate capability improvements that can then be thrown onto an "effort vs. impact" analysis that then feeds a bunch of projects executed on their own or bundled together for a larger effort (e.g., as part of a S2P technology implementation). However, this is a very mechanistic effort that doesn't build capabilities and momentum.

What's innovative: One of the advantages of taking a design thinking approach is that coming out of Phase 2, organizations not only generate a portfolio of "innovation" ideas that solve the design challenges coming out of Phase 1, but they also generate a set of formal "guiding principles" that help finalize the design of the operating model and specific processes/data to then "build" (in a design/build run model). One of these principles that BearingPoint pushes for inclusion is meaningful alignment to the corporate vision and culture as a "north star" to keep the transformation on track. Another example of a design principle is to never build a process that creates nor consumes bad data (i.e,. don't design a house with plumbing that pipes in toxic water). BearingPoint spends a lot of time with clients on improving master data management (e.g., enabling Supplier Information Management) as a business process and capability (rather than technical data integration) that itself requires a clear operating model and governance. BearingPoint says that this type of foundation building is one key set of actions that must accompany the more process/domain focused digital capability building that will be needed to deliver the desired performance results.

So, to re-cap, if phase 1 is about what's Desirable (from a customer-in and top-down perspective), and phase 2 is about Outside-in perspectives to supply innovation to the "solution" design (with a capital "S"), then, phase 3 is about what's Doable to implement those solutions. Phase 3 delivers an initial target operating model: process design, org/metrics design, data flows/governance (and data quality/remediation plan), and system integration design/plan -- but the plans can be adjusted later as conditions change. BearingPoint also takes a more open innovation approach with external technology/service/content partners rather than just scaling up a vendor-specific implementation practice.

Phase 4 - Turning the Design into Action

Traditional consulting approaches usually involve taking proposed capability-building work streams and shoehorning them into either vendor-specific project templates (for packaged based implementation "waves") or internal IT development methodologies. This can be efficient, but it's not terribly nimble and can also strip out the real innovation being sought.

What's innovative:

- Closing the loop with stakeholders is critical not just in terms of hard performance delivery, but also in terms of lasting commitment. BearingPoint strongly encourages a "roadshow" (virtually or physically depending on the client) to socialize the transformed operating model and the finalized roadmap.

- BearingPoint brings a large innovation toolbox to the table: customer journeys, hackathons, development sprints, proof of concepts (POCs), and other tools that are "fit for purpose" rather than the proverbial hammer looking for a nail

- Going beyond project/program management and performing "capability transfers" for clients to perform the transformation work themselves with each other using the new methods and tools.

- Change management is very explicit and higher level capability improvements are translated to individuals' skill/competency development to support the new operating models.

- Change is also explicitly accommodated via checkpoints for the roadmap to revise and improve as requirements change.

Summary

Overall, we find that BearingPoint brings a fresh approach focusing heavily on the human aspects of the transformation by trying to involve as many relevant stakeholders as possible to gain buy-in and then "help them help themselves". By using a design thinking approach, BearingPoint also helps re-frame the transformation effort as an innovative and participative process that is inherently "customer" centric. It also immediately empathizes with stakeholders and gets them to coalesce around shared problem statements that the teams can then design the new processes to support -- along with the needed information, tools, and organizational governance and metrics.

In essence, BearingPoint is changing how we might think of the term "innovative solution" not as a new technology tool, but rather, as a participative, iterative, and innovative transformation approach. This approach uses design thinking to first identify the right problems to solve (which we find is where so many projects go off the rails), and then using an iterative approach like agile development to quickly solve those problems with a new class of digital strategies and tools. Perhaps the transformation process itself can indeed be transformed!