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Beyond The Bolt:

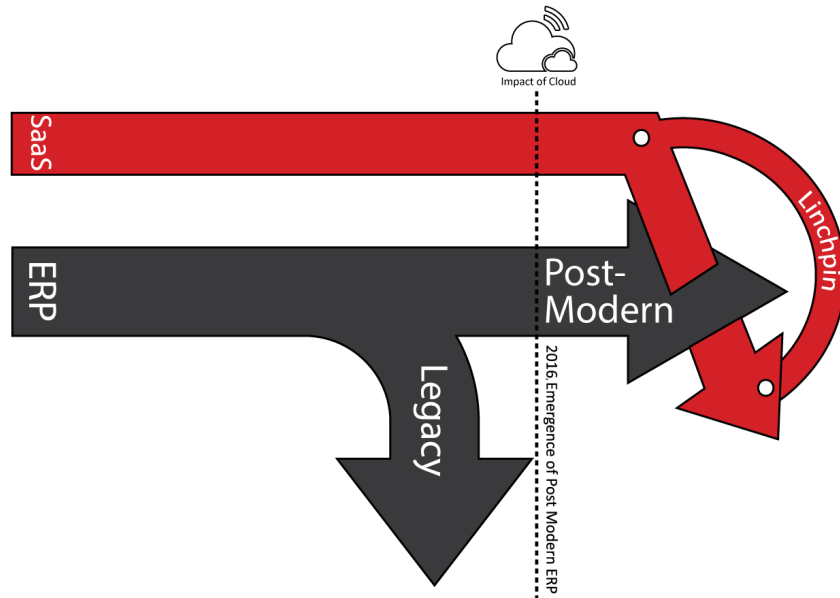
How digitally-driven, cloud-based solutions will transform your procurement practice



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Abstract

“Gartner Says By 2016, the Impact of Cloud and Emergence of Postmodern ERP Will Relegate Highly Customised ERP Systems to “Legacy” Status” - (January 29th, 2014)



Five years after proclaiming the beginning of the “*Postmodern ERP Era*” how has Gartner’s prediction regarding the transition from ERP-based procurement platforms to cloud-based solutions impacted your procurement practice?

More specifically, how have today’s cloud-based “*by the drink*” solutions, achieved the needed flexibility to dynamically interface in real-time with a robust, global supply chain to deliver dramatically improved results? In other words, has your procurement practice been digitally transformed and with it procurement’s impact on your organization’s bottom line?

In a recent Market Dojo webinar a guest panel of industry experts that included IACCM President Tim Cummins, and CIPS Knowledge Manager Sheena Donaldson sought to answer not only these questions but identify the next steps that procurement professionals and organizations as a whole must take to be competitive in a digital world.

The focus of this Knowledge Note:

- Provide a brief yet important insight into where procurement technology was, is today, and most importantly where procurement technology is heading;
- How you as a procurement professional can begin to leverage this increasingly powerful digital capability to transform both your procurement practice and organization.

Understanding The Past

“Those who cannot remember the past are condemned to repeat it.”

The word condemnation is somewhat strong and perhaps extreme when talking about the continuing reliance on or utilization of ERP-based procurement solutions. However, Gartner’s 2014 proclamation that the *“impact of cloud and emergence of postmodern ERP will relegate highly customised ERP systems to “legacy” status”* implies a degree of inefficiency that warrants a new direction in thinking.

Citing a need for increased agility and real-world responsiveness, Gartner advised that in the postmodern ERP era, the traditional ERP suite would be *“deconstructed”* into what they called a more *“federated, loosely coupled ERP environment,”* in which much of the functionality would be *“sourced as cloud services or via business process outsourcers.”*

Whether or not the Gartner 2014 prognostication has played out exactly as expected in 2019 is still up for debate, especially in areas such as the predicted move to the cloud. According to a recent article that cites a November 2018 IDC Report, those organization’s with an over-arching digital mandate, saw their cloud initiatives either stall or revert to the old way of doing things. In short, after making a move to the cloud 80 percent of customers were repatriating workloads from public cloud environments to hosted private or on-premises locations.

Such findings do not undermine the veracity of the Gartner prediction of a postmodern ERP era when you consider the analyst’s qualifying assertion that *“70 percent of organisations adopting hybrid ERP will fail to improve cost-benefit outcomes unless their cloud applications provide differentiating functionality.”* The reference to *“differentiating functionality”* is a critical observation and an important *“first step”* for transforming your procurement practice. Specifically, that while technology, i.e., the cloud, AI, IoT, is an important element of change, success is determined more by a strategy surrounding the utilization of specific and powerful functionality within the cloud and beyond (to the edge), than the architecture alone.

Poll #1

What level of involvement did your procurement organization have with regard to selecting your current procurement solution?

Poll Results:

Significantly involved	17%
Moderately involved	33%
Somewhat involved	28%
Not Involved	22%

During the live webinar, attendees participated in 3 different polls. The above attendee poll result, in which the CIO role in procurement platform technology selection was limited, would seem to support the Gartner *“differentiating functionality”* position. Specifically, and based on my interpretation, the importance of differentiating functionality linked to a strategic and measurable outcome as opposed to the introduction of hybrid technology alone is the critical factor for procurement transformation success, and thus makes procurement platform selection more strategic than technical.

As a result, and coupled with the implementation simplicity of on-demand digital platforms, IT involvement is not as dominantly essential as it was during the ERP era. I will provide a deeper analysis of the redefinition of IT’s role in the digital era in a separate paper.

Embracing the Present

The IDC FutureScape: Worldwide IT Industry 2019 Predictions report estimates that *“by 2022, 60%+ of global GDP will be digitized, with growth in every industry driven by digitally enhanced offerings, operations, and relationships and almost \$7 trillion in IT-related spending in 2019–2022.”*

In 2010, the IoT device ratio to person globally was 1.84. By 2020 it will be up to 10 web-connected devices per every person. According to IDC’s Global IoT Decision-Maker Survey, this explosion of devices is one of the reasons why 43% of IoT decision makers want to build on edge computing.

When you read these reports, it is very easy to get lost in the possibilities associated with the digital age. However, the reality of a recent McKinsey survey of 1,600 global executives tells us that the gap between promise and realization remains wide. The survey to which I am referring found that while there was a unanimous recognition on the part of executives that the digital era is upon us, just 23 percent indicated that they had a digital “*reinvention*” strategy in place, and just 2 percent of those had a strategy involving the transformation of their supply chain. Is this 2 percent a true representation of what is happening from the standpoint of digital procurement initiatives?

The results of our second poll may draw that latter result into question.

According to those who responded to the webinar poll, 29 percent have a procurement platform based on the on-demand SaaS or cloud-based model, while the majority 57 percent have an ERP-based platform. The remaining 14 percent is at various stages of transformation between the two – although the clarification regarding the specific nature of said transformation was not part of this poll.

Poll #2

Who had the greatest influence on the decision to acquire your current procurement platform(s)?

Poll Results:



In the context of the McKinsey survey, and given that 43% of our respondents indicated that there is a procurement transformation that has either happened or is happening within their organization, it appears that a significant number of procurement transformation initiatives are small and locally focused; therefore not registering on the radar screens of the majority of senior executives. At least this appears to be the case although admittedly the poll results are based on a much smaller pool of respondents than the McKinsey survey.

If these numbers are in fact representative of a much larger trend, then being off the radar screen from the standpoint of not being recognized as a part of an overarching company-wide digital transformation initiative has its obvious advantages.

In a just-released Activate Digital 2019 article by Nutanix's Robert Yelenich, the Country Head stated that the *"companies that are most successful with digital transformation take on smaller more strategic projects through which they build a progressive transformation strategy that has the necessary agility to respond to diverse, often changing needs and new technological advancements."*

Not surprisingly, Yelenich's article is titled *"With Digital Transformation, It Is Better To Go Smart Than Go Big."*

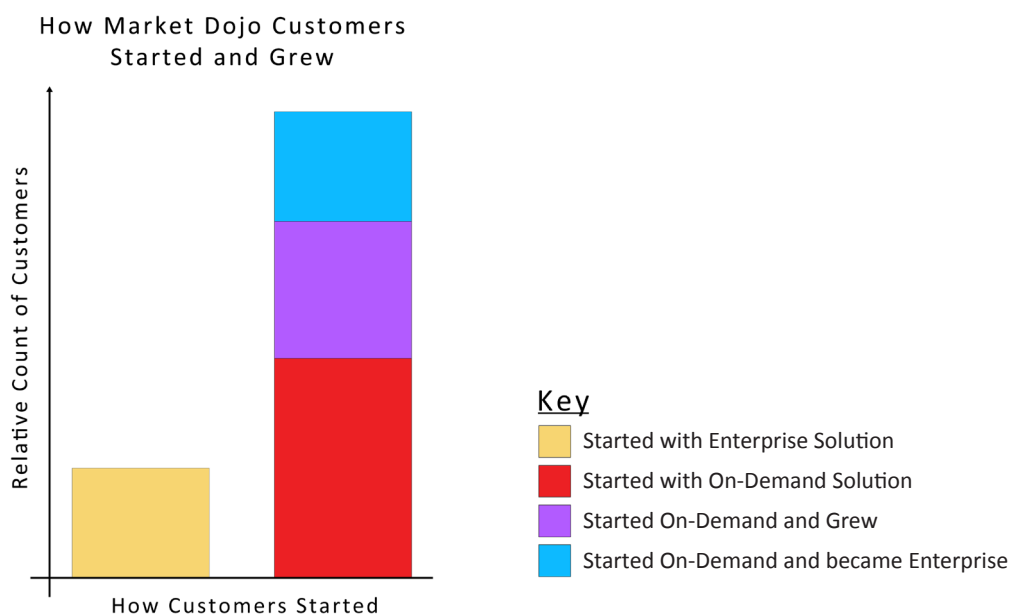
The obvious question is what does it mean to *"Go Smart?"*

Going Beyond The Bolt

According to Market Dojo's Alun Rafique, before the proclamation of the postmodern ERP era, *"cloud-based procurement solutions were considered to be little more than a "bolt-on" application as opposed to being the linchpin of a dynamic and global digital procurement practice."*

In this context, and based on the data from Market Dojo the reflection of which is in the following *"Transformation Graph,"* the effective transformation of an organization's procurement practice and broader supply chain continues to have humble beginnings. Initially starting as a focused on-demand implementation, the smaller, strategic initiative gradually progresses into an enterprise-wide adoption. Rafique cites this as an example of the *"transcension"* regarding the perception or status of today's cloud-based procurement solutions from being an adjunct or bolt-on *"transaction only application"* to one with a potentially broader and more strategically significant impact across the entire organization.

Transformation Graph



There are many reasons for this transformation including as Rafique puts it *"the ability to recognize and adapt to the real-time demands of a global enterprise in the digital age"* which as it turns out is *"the defining characteristic of the postmodern ERP era."*

I would agree with the above assessment. However, I would also add that other important factors have contributed to the transformation.

To start, and as reflected in our third and final webinar poll, a significantly greater number of procurement professionals are now involved in the assessment and selection of their organization's digital procurement platform.

Poll #3

On what is your procurement platform based?

Poll Results:

On-Demand (SaaS)	29%
Bridge...	14%
ERP	57%
Not Sure	0%

Dissimilar to year's past, 78 percent of the procurement professionals we asked indicated that they had at least some involvement in the selection of the procurement solution they are currently using. Poll #1 provides a similar trend given the level of CPO involvement in the platform selection process.

The poll results suggest that with procurement's increasing involvement in the digital transformation of their organization's supply chain, there is the recognition of strategic, highly functional applications being more than an adjunct to a core or central ERP platform.

This recognition has also led to a major shift in both the expectation and the immediacy of return on platform investment as well as the service provider landscape. Specifically, rather than taking years and millions of dollars to realize the promise of what had become an elusive over-arching ERP-centric eProcurement initiative, today's on-demand procurement platforms deliver value within months if not weeks at a fraction of the former's cost.

These results have also reshaped the service provider landscape in that smaller, more nimble and technically advanced providers have come to the forefront of the market by stimulating greater innovation and a much faster transformation of an organization's procurement practice.

In essence, and once again referencing both the Gartner and Yelenich findings, solutions such as the ones offered by Market Dojo, are the epitome of the going smart means going small mindset resulting from their ability to offer focused points of initial transformation under the auspices of a smaller strategic initiative.

Next Steps And Conclusions

As each long journey begins with a single, small step so too does the understanding of what the postmodern ERP era means from a practical, on-the-ground basis.

With this Knowledge Note, I introduced you to the existing and emerging mindsets and technologies that are dramatically redefining the digital transformation of your procurement practice today, as well as providing you with an introductory overview of your organization's pathway to overall digital supply chain transformation.

In a future Knowledge Note and webinar, I will review and assess the framework for the specific step-by-step methodology or process for making the transition from an on-demand entry level initiative to a full enterprise transformation strategy.

Watch the Beyond the Bolt Webinar **here**.

