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Evolution Before Transformation:

How Procurement Will Best
Leverage Digital On-Demand
To Achieve Real Change

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Abstract

"Digital advancements have put incredible computing power at our fingertips, promising results within weeks if not days as opposed to months and years. But there is often a big gap between technology promise and said realisation, that has little to do with the technology itself." - **Colom Colbert, Head of Procurement Services at Paddy Power Betfair plc** (May 14th, 2019)
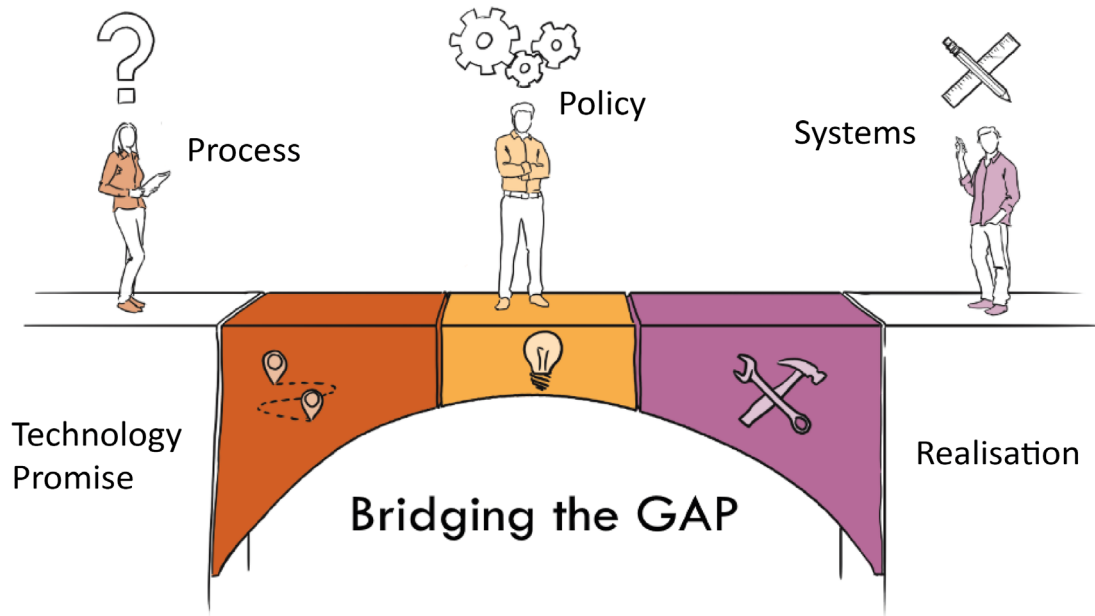
There is no question that technological advancement has moved well beyond the days of multi-million dollar overarching initiatives in which implementation towards expected outcomes took years. In many instances, the realization of the anticipated returns never fully materialized if at all.

Despite the promise of the digital age to finally transform businesses, including procurement practices, most organizations seem to be "stuck" in a perpetual holding pattern of uncertainty. A McKinsey survey of 1,600 companies globally found that there is a universal belief in the digital promise; only 23 percent of executives indicate that they currently have an actual digital strategy in place. Of those, just 2 percent have a strategy regarding the digital transformation of their supply chain.

There are several reasons or obstacles regarding the reluctance to move forward with the digital transformation of the supply chain including the growing talent gap, perceived risk and the ability to manage it, as well as the paucity of clean data to drive digital capabilities including AI.

However, and based on the findings from the Evolution Before Transformation webinar, in this Knowledge Note, we will attempt to look beyond the above individual obstacles and focus on the strategic approach to leveraging cloud-based SaaS technological capabilities to achieve change and realize measurable outcomes. Specifically, the assess-develop-implement progression model to digitally transform your procurement practice.

With the opposite model in mind, this Knowledge Note will provide you with the guiding framework to;

1. Assess the maturity of your current procurement practice relative to its digital readiness and determining the best "point of entry" for a SaaS solution;
2. Develop a longer-term integration strategy to expand the digital procurement footprint within your organization;
3. Implement a continuous measurement protocol to ensure ongoing alignment with procurement policy and strategy, including maximizing returns.

Assessing Your Procurement Practice

Supply chain maturity is a critical element for being digital ready.

When we talk about the "maturity" of your supply chain, it is not a question of existing policies and process, but the establishment of policies and processes to better position your organization to leverage technology fully.

In our first poll from the webinar the response to the question; when looking to implement eProcurement technology which area of your procurement practice should you assess first? was telling. 87.50 percent of attendees identified process and policy as being the critical starting point for developing a viable digital strategy.

Poll #1

When looking to implement eProcurement technology which area of your procurement practice should you assess first?

Policy	31.25%
Process	56.25%
Systems	12.50%
Other	0.00%
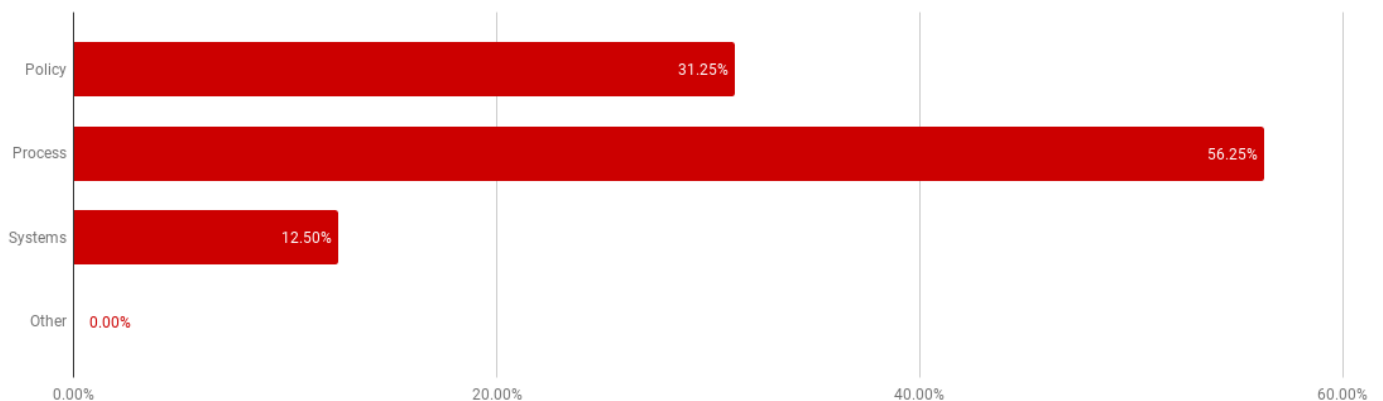
The results reflect a changing view of technology's role in today's global enterprises. Traditionally, the basis for a transformation strategy was often dependent on the selection of a specific technology. The thinking then was that the technology would drive the needed process changes to realize the strategic objectives established by the organization, including its policies.

Experience shows that leading with technology rarely delivers the anticipated change or results. The relatively small 12.50 percent of responses indicating that the assessment of technology should be the first step towards digitization, represents a major shift from the technology-first approach to digitally transforming procurement.

The question then becomes one of policy or process – including the order of assessment. Paddy Power's Colom Colbert provided an example of how they led with policy regarding the creation of an effective sustainability strategy. But, he as well as the other panelists' share the belief that you need to look at the transformation of the supply chain in the context of a "strategic" and simultaneous approach involving all three elements of the assessment cycle as opposed to a set in concrete sequential order.

Given the success of the Paddy Power transformation of its procurement practice, a simultaneous policy-process-systems assessment framework establishes a solid foundation on which to introduce and expand a digital supply chain strategy.

Successful Procurement strategy requires aligning;

- **Policy**
- **Process**
- **Systems**

Don't forget any of these!
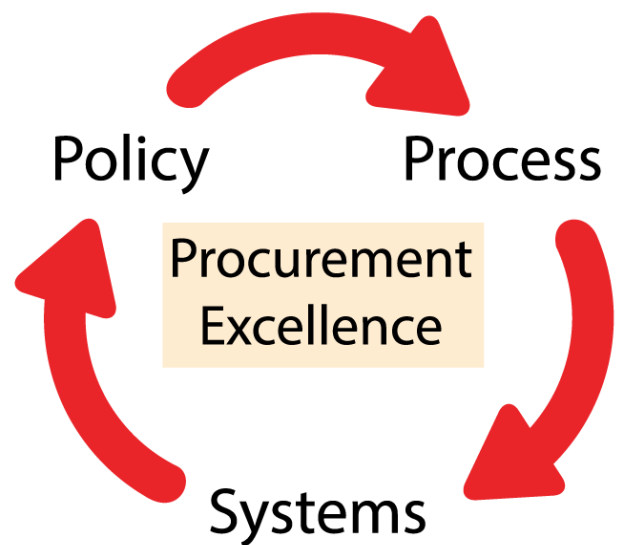
SOURCE: Paddy Power Betfair plc

It is also worth noting that while the strategic introduction and incremental progression of a digital strategy make sense, the precursor and therefore the basis for such a transformation is what panelist Andre Le Lerre called a "bold leapfrog jump forward in ways of working and doing business." In other words, the overall strategy and objectives must be broad in scope in which there is the strategic focus on the execution in critical areas of priority.

Your key takeaway: *Achieving end-to-end alignment within a policy-process-system assessment framework is not a static exercise.*

Change is inevitable and having a model that enables you to adapt and maintain alignment between policy and process is essential to ensure that your introduction, utilization, and expansion of a digital supply chain capability, i.e., systems within the enterprise will continue to deliver maximum results both now and in the future.

Developing A Long-Term Strategy

Once you have achieved the necessary policy-process-systems alignment, the focus then shifts to the more strategic exercise of what to automate first.

In this regard, the results of the second poll provide insight into one of the key obstacles to digital transformation resulting from the paucity of clean data.
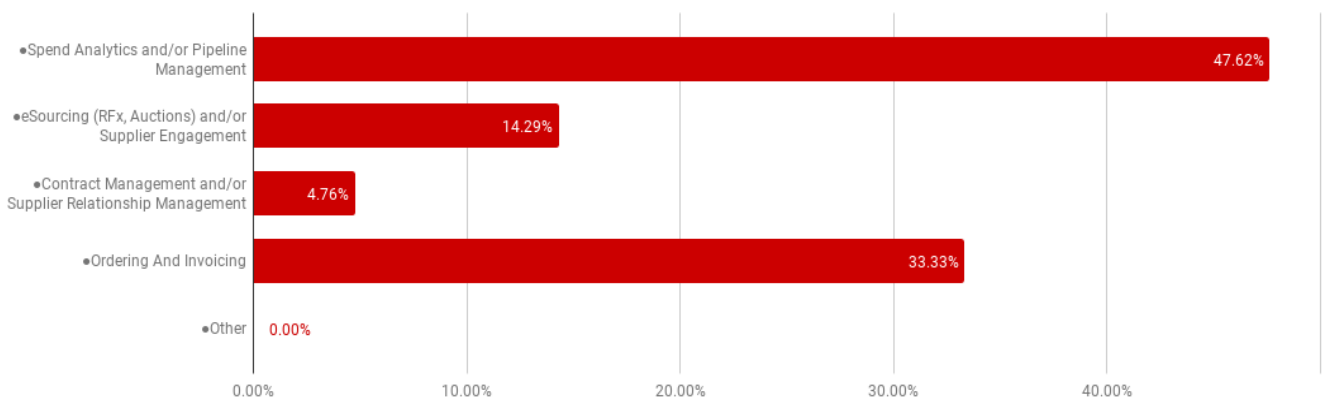
Clean data is critical to your being able to leverage digital technology to its fullest potential effectively. However, getting to the point of having reliable or clean data is a monumental task which is difficult to accomplish within a short window of time. Based on an interview with a former CPO for the Scottish government, procurement does not have the cycles or necessary resources to go through a cleansing process alone.

Fortunately for Colum, his company had good data, and therefore, the procurement practice was at a level of maturity that gave him many options regarding areas to automate or transform digitally.

Most organizations do not have the luxury of good data, which explains why close to 48 percent of poll respondents indicate that Spend Analytics should be the first point of automation.

Poll #2

Which area of the procurement practice should be automated first?

Area	Percentage
●Spend Analytics and/or Pipeline Management	47.62%
●eSourcing (RFx, Auctions) and/or Supplier Engagement	14.29%
●Contract Management and/or Supplier Relationship Management	4.76%
●Ordering And Invoicing	33.33%
●Other	0.00%

If you are indeed going to lead with the automation of Spend Analytics, the critical question then becomes one of whether the solution you choose will be able to clean up not only existing data but maintain a "cleaning" process going forward. Or to put it another way, you cannot put the brakes on your procurement practice until your existing data is clean and ready to use. You will have ongoing transactions from which the data must be captured and managed cleanly.

Alun Rafique's reference to the importance of a proper governance model is particularly noteworthy from the standpoint of effective and consistent data capture. However, this takes not only solid technology, but it also requires talented people within the enterprise, which leads to the second obstacle, concerning the growing talent gap.

Regarding the latter, Andre Le Lerre talked about success extending beyond the technology

to include the expertise of your people. You need the right people to identify the right technology and then leverage it. Based on this, a mature "digital ready" supply chain encompassing the end-to-end policy-process-systems framework requires the right people in the right positions doing the right things. The need for clean data and quality people is further verification of the earlier assessment that leading with technology alone will not deliver maximum returns.

Given the concerns regarding the data-people challenge – we will leave the discussion regarding risk management for another day, the holding pattern associated with the Mckinsey survey results now makes sense.

Against this backdrop, how do you move forward with the digital transformation of your supply chain?

All the panelists agreed that simultaneous to automating Spend Analytics, most organizations will realize quick and cost-effective wins through the introduction of an eSourcing – supplier engagement platform.

What makes eSourcing a good first entry solution is the fact that it has a relatively short and uncomplicated implementation timeline that can deliver tangible ROI almost immediately. eSourcing offers a quick win for digital transformation with a solid integrative capacity for enterprise-wide expansion down the road.

Again, and like the simultaneous assessment and management of each element of the policy-process-systems framework, the automation of specific areas of your procurement practice is opportunity driven not sequentially driven.

Your key takeaway: *Make sure that the area of your procurement function that you automate is digital ready. To be digital ready, you must have a clear understanding of what is required and have the right people in place to drive the initiative forward. Most important of all, you need clean data. Having clean data opens many opportunities for transformation in multiple areas.*

If you do not have clean data, then leverage spend analytics to get you there. In the interim, you do not have to sit on the sidelines as eSourcing provides an easy to implement, quick win solution. This quick win can serve as a building block toward validating a broader, enterprise-wide digital strategy.

Implementing Change

Disrupt or be disrupted is a term that is gaining significant traction in the emerging digital era.

The biggest mistake that organization's make is to try to effect change within the familiar confines of an existing practice. The contradiction here is that if the existing practice worked in the first place, then there would not be a need to do anything more than to automate it. As discussed earlier, leading with technology has rarely delivered the expected results because it cannot fix ineffective policies or processes.
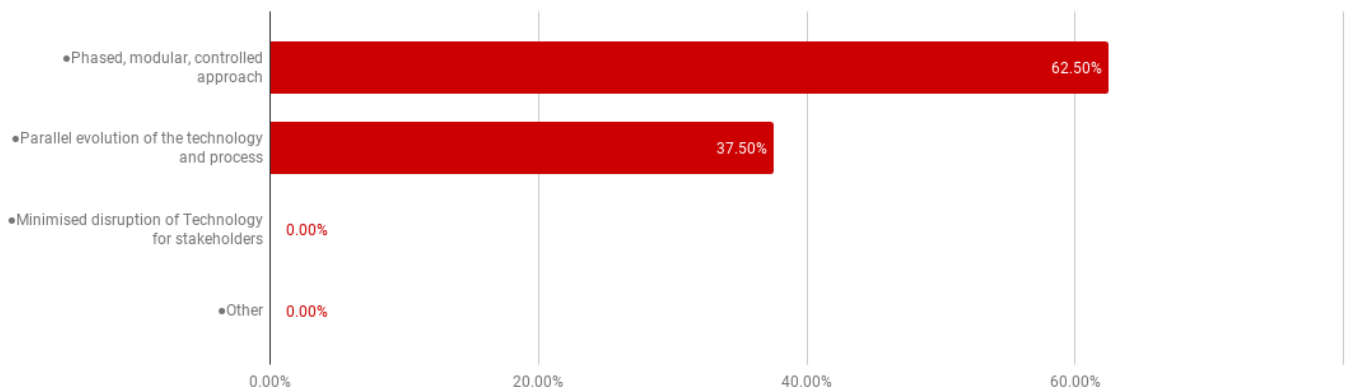
Therefore and in line with Andre's assertion that besides embracing change, you must think of how to do things differently is the essential and often overlooked element of a digital implementation strategy. More to the point, your implementation process begins long before you make the final decision regarding which supplier solution you want to use. Once you have reached the point where you have made a selection of a provider partner's solution, what are the next steps to ensure a successful implementation?

In our third and final poll, the consensus was that a phased, modular, controlled approach was the best way to implement a digital solution, with the parallel evolution of both technology and process being second.

Colum suggested that while both of these are important, he would have had an "all of the above" voting option.

Poll #3

When implementing an eProcurement solution, which one of the following is necessary for success?

•Phased, modular, controlled approach	62.50%
•Parallel evolution of the technology and process	37.50%
•Minimised disruption of Technology for stakeholders	0.00%
•Other	0.00%

0.00% 20.00% 40.00% 60.00%

When it comes to implementing a digital solution to transform your procurement practice agility and the recognition that changes both now and in the future is inevitable are keys to your success. As a result, your policies and processes must reflect that reality, as does your implementation strategy.

When it comes to implementation elasticity, the service provider must also provide maximum flexibility.

One of the main reasons why Paddy chose to work with Market Dojo is that they provided a single user license. This flexibility enabled Colum to automate the area or areas of the Paddy procurement practice that would generate the fastest ROI while addressing a

pressing need and doing so without the burden of justifying a significant expenditure. As a side note, case history shows that those organizations with a large budget often overreach through a broad as opposed to a strategic or surgical implementation strategy. Success, as stated earlier under such conditions rarely succeed. In short, having a limited budget is an advantage in the digitally driven SaaS world.

Once Paddy had success at the strategic level, additional licenses were added and will continue to be added to accommodate broader enterprise demand. The adaptability of this progression to multiple areas of procurement practice delivers continuous and increasing returns while providing maximum agility to respond to changing requirements.

Your key takeaway: *A successful implementation strategy requires a mindset that embraces change, and looks for ways to do things differently where necessary before the introduction of technology. Furthermore, it is incumbent on those leading the digital transformation of their supply chain to recognize that change is inevitable. As a result, both the implementation mindset and technology provider must operate at a high level of agility to ensure continuous alignment with organizational objectives.*

Next Steps And Conclusions

The main reason why this Knowledge Note and the webinar from which the above data and insights originate is important is that it fully reflects the end-user experience.

In this regard, success began and continues to be driven by the client's assess-develop-implement progression model in which technology plays an important "supporting" role rather than the starring role.

Within the above framework, here are the key things that Paddy Power did and did not do.

What did we do?	*What did we NOT do?*
• "Crawl-Walk-Run"	• "Big bang" on Day 1
• Phased, modular, controlled approach	• Bite off more than we could chew
• Started small	• Start large/Buy Big
• Bought selectively, for highest ROI	• Apply elaborate technology to immature process
• Parallel evolution of the technology and process	• Disrupt stakeholders
• Minimised disruption of Technology for our stakeholders	• Make lives of stakeholders worse
• Used technology to improved service to stakeholders and Procurement's brand	• Make lives of stakeholders worse
	• Damage the brand of Procurement

SOURCE: Paddy Power Betfair plc

In the end, the framework in this Knowledge Note provides the step-by-step methodology for making the transition from an on-demand entry level initiative to a full enterprise transformation strategy.

It is through the utilization of this approach that organizations will be able to bridge the gap between digital promise and digital realization relative to the transformation of their supply chain practice.

Watch the Evolution before Transformation Webinar **here**.