PTP LEADING PRACTICES: LESSONS LEARNED FROM THE FRONT LINES

Pam Rhoads

November 2018
AGENDA

Lessons Learned From The Front Lines

Case Study A

Case Study B

Case Study C

What’s next for PTP?
PTP LESSONS LEARNED

DIGITAL IS DISTURBING EVERYTHING

We are embarking upon the most fundamental change in what Procure to Pay does and how it does it.

• Uncertainty and volatility are now the new normal.

• The expectations of procurement and finance are being redefined.

• Digital is disrupting traditional models and enabling new ones.

• And it’s all happening at warp speed.
EVERYONE IS TALKING DIGITAL, BUT WHAT DOES IT REALLY MEAN FOR PROCUREMENT?

What value can “the new” digital solutions generate for procurement?

**Digital Value Levers**

**Reduced Procurement Operating Costs**
- Boost asset utilization
- Reduce supplier and part proliferation
- Decrease P2P transactions

**Improved Policy Adherence**
- Expanded self-enabled sourcing and Amazon-like experience

**Improved Quality and Speed of Decisions**
- Fully transparent master data
- Greater cross-functional and business area collaboration

**Increased Reach of Procurement Eco-System**
- Visibility to uncharted suppliers
- Enhanced performance management

**Common Benefits**
- Expanded self-enabled sourcing and Amazon-like experience
- Fully transparent master data
- Greater cross-functional and business area collaboration
- Visibility to uncharted suppliers
- Enhanced performance management
The convergence of multiple emerging technologies is disrupting Supply Chain processes enabling unprecedented operational and financial performance.
SHIFT TO NEW MODEL

Procurement can take advantage of these new solutions to create a different model that attains higher levels of performance.

- **Access insights through advanced, real-time analytics**
- **Make decisions using single source of data**
- **Exception management approach based on alerts**
- **Compare, simulate, investigate...**
- **Near-real-time data and transaction processing**
- **Consistent merging and cleansing of enterprise-wide data**
VALUE DRIVERS FOR PROCUREMENT

Common Challenges

Limited visibility into spend, supplier performance, and internal metrics

Lengthy req-to-fulfillment cycle time

Labor-intensive market, industry, and macro-level trend and risk analysis

Inadequate TCO / should-cost modeling

Cumbersome master data management

Reactive vs. proactive contract management

Digital Value Levers

Zero data gaps and prompt access to insights via advanced analytics

Automated PTP transactions leveraging RPA and Blockchain

Real-time predictive and prescriptive supply analytics leveraging RPA

Streamlined catalog management enabled by machine learning

Automatic compliance with business rules through smart contracts
JOURNEY TOWARDS A DIGITAL PROCUREMENT

Quartile 1-0
- Self-Services
- Spot Buy Tools
- COMPANY MALL

Quartile 2-1
- E-Buying Channels
- Procurement Portal
- E-Mall

Quartile 3-2
- Online Catalogue
- Spend Reporting
- Transactional Network
- e-Invoicing
- EDI

Quartile 4-3
- Reporting Solution
- EDI
- Knowledge Exchange (powered by SharePoint)
- Supplier access to relevant systems
- e-Sourcing

Things every supply chain should have in place
Already available
On market roadmap

Source: Accenture
WHAT CHARACTERISTICS DOES A DIGITAL PROCUREMENT OPERATING MODEL HAVE?

OPERATING MODEL COMPONENTS

Organization
- Structure to leverage digital holistically while maintaining close collaboration with business unit and functional customers

Process
- Processes redesigned and rethought completely to embrace and optimize digital innovations
- Digital workforce
- Digital training and skill development
- Focus on higher-value add activities
- Transactional work is automated to the extent possible

People
- Digital workforce
- Digital training and skill development
- Focus on higher-value add activities
- Transactional work is automated to the extent possible

Culture
- Flexible
- Collaborative
- Rapid prototyping and iteration
- Design-thinking
- Agile

Technology
- Digital Strategy and roadmap
- Alignment with IT and business units

KPI
- CPO Dashboard
- Business reviews
- Spend and contract transparency
- Real-time data feeds for category management impacts

Other Digital Enablers (e.g. Cognitive Computing, Mobility, Collaboration, etc.)
GETTING THE ORG STRUCTURE RIGHT

OPERATING MODEL COMPONENTS

From a siloed hierarchical structure...

To a networked, collaborative and flexible model

Organization

Analytics
RPA
Collaboration
Mobility
Cloud

Digital Hub (data mgmt., RPA oversight, etc.)

Leadership & Governance

Category Mgmt.

Sourcing Support/Value Tracking

End User / Customer Interface

Procurement Buying Operations

Analytics Team

Buying Ops
Regional Dir
Buyer

Leader

Site Proc.

Buyer
Regional Dir

Copyright © 2018 Accenture All rights reserved.
AUTOMATION CANDIDATE PROCESSES ACROSS BUSINESS SERVICES

**Finance / Accounting**
- OTC
  - Maintain A/R Ledger; Apply Cash
- General Accounting
  - Intercompany
  - Budgeting
- FP&A
  - Master Data Maintenance
  - Forecasting

**Procurement**
- PTP
  - Vendor Management
  - Spot Buys
  - Vendor Portal Management
  - Travel Expense Processing
  - Receipt Processing and Scanning
  - Contract Management
  - Decision Support Analysis
  - P-Card Processing
  - Decision Support Analysis
  - Payment Processing
  - Spot Buys
  - Invoicing
  - Travel Expense Processing
  - Catalog Management
  - Contract Management
  - Contract Management
  - Contract Management
  - Spend Analytics
  - Requisition Processing

**Reporting**
- Report Types
  - Management Reporting (FP&A)
  - Financial Reporting (R2R)
  - Support Center / Helpdesk
  - Tax Reporting (R2R)
  - Specific Business Function Reports

**Procure to Pay Use Cases**

**Contract Management**
- Systematically vetting contract details and populating appropriate metadata is captured in source to pay systems

**Invoice Processing**
- Scanning invoices and automatically preparing payment file using logic and rules to ensure invoices are valid and route to appropriate teams to manage exceptions (no middleman)

**Reconciliation**
- Automatic evaluation of open orders or non-receipts through business logic and rules route to appropriate team for resolution or close item

**Spend Analytics**
- Robust spend analytics tools to allow for a single stop for supplier management, contract
DIGITALLY-ENABLING YOUR PEOPLE

OPERATING MODEL COMPONENTS

SET ASPIRATIONS

• Define the digital skill gap within the workforce
• Create a digital skills catalog by defining required skills and required level of competency by job

OUTLINE FUTURE ROLES

• Develop required digital competencies within the workforce
• Be data-led and distill insights early (data, ecosystem mapping, etc.)

DELIVER TRAINING DYNAMICALLY

• Use ubiquitous training and new ways to learn via social learning platforms and other online forums

LEAD BY EXAMPLE

• Foster leadership behaviors that fuel a digital culture

ENCOURAGE USAGE

• Engage with the workforce using collaboration technologies, actively encourage innovative thinking, and push out decision making to the edges of the organization

REINVENT AND REDEFINE

• Create higher-value roles for people, embedding new technologies into everyday roles

People
INSTILLING A DIGITALLY SAVVY CULTURE

OPERATING MODEL COMPONENTS

FROM DIGITALLY DISRUPTED
Culture of perfectionists
Organised in a traditional manner
Endlessly analysing the answer
Unclear of required skills
Limited visibility of ‘superstars’
Bureaucratic governance
Traditional “high achievers” recognition
Low Digital IQ and EQ

TO ‘DIGITAL ON THE INSIDE’
Culture of innovators and willingness to fail
Rapid product prototype & iterative mentality
Flexible in approach of day-to-day activities
Collaborative workforce
Decisions empowered workers
Recognition reinforced digital behaviours
Digitised Talent Management and HR
High Digital EQ and IQ
Procurement comes of age

1990s

Procurement Themes/Focus
- Contract Management
- Strategic Sourcing
- Category Management
- R2P
- SRM
- Strategy

Global recessions change everything

2007

- Hedging and Cost Reduction
- Requisition to Pay
- Risk and Regulation

Procurement begins to reinvent their core capabilities

2014

- Contract Management
- Demand Management
- Digital
- Ecosystem
- Insights Management

Procurement evolves

2017
WHAT IS AGILE CATEGORY MANAGEMENT?

- Reputational Risk
- Quality & Performance
- Compliance & Image
- Operational Risk
- Business Viability
- Financial Risk
- Market Volatility
- Delivery Failure
- Operational Risk
- Quality & Performance
- Compliance & Image
- Operational Risk
- Business Viability
- Financial Risk
- Market Volatility
- Delivery Failure
HOW READY ARE YOU FOR AGILE CATEGORY MANAGEMENT?

Laggard

- No defined risk appetite that has been implemented.
- Potential 3rd party risks are not defined in a consistent manner across the organization.

Contender

- Risk appetite is managed, maintained and tracked by procurement with input from the BU's.
- A consistent definition of all potential risks exists across the organization with clear understanding of areas of potential risk to the organization (financial, reputational, operational).

Master

- Cross organizational groups actively dedicated to profiling of risk within an organization.
- Risk appetite varies based on business unit. It is guided and monitored by Procurement, but the business unit is responsible for managing the tracking / reporting.

Pioneering

- Collaborate with partners to set up global risk mitigation plans.
- Risk appetite is tracked across tier 1, tier 2 and tier 3 suppliers and leverages predictive monitoring.
SPEND ANALYTICS: VALUE CREATED FOR THE BUSINESS

**Challenges**

- Accounts Payable Data not usable for opportunity identification or sourcing events
- Multiple other systems required to provide usable data
- External market intelligence required in order to make decisions
- Significant time spent on report creation
- Incomplete spend coverage across procurement organization

**Benefits**

**One Version of the Truth**
- “One version of the truth” to accelerate the identification and delivery of savings
- Increased alignment amongst cross-functional sourcing teams

**Focus on Value Creating Activities**
- Less time mining data and creating reports; more time on delivering bottom line results
- Ability to expand spend coverage without increasing headcount

**Improved Negotiation Results**
- Improved negotiations with better knowledge leading to 3 - 5% additional spend reductions\(^1\)

---

\(^1\) Based on Accenture experience
DIGITAL PROCUREMENT IS A GREAT OPPORTUNITY TO ADDRESS SOURCING AND PROCUREMENT CHALLENGES

Sourcing and Procurement
• Difficulties in gaining meaningful insights
• Tail spend is ineffectively managed
• Inefficiencies in supplier management
• Collaboration challenges in global operating models
• Significant IT investments required
• Heterogeneous processes and IT

Digital
• Digital-physical blur
• From workforce to crowdsource
• Data supply chain
• Harnessing hyper-scale
• The business of applications
• Architecting resilience

Create or destroy supply chain models
Shift the level of value creation at each stage of the value chain
Change the nature of control points
Change the role and value of processes, data and infrastructures
Prepare the organization for change
CASE STUDY A

A GOVERNMENT DECIDED TO OVERCOME SILOED WAYS OF WORKING AND.....

ACCENTURE SUCCESSFULLY SUPPORTED THE DEFINITION OF THE DIGITAL PROCUREMENT VISION AND THE OPERATING MODEL,

CREATING THE FIRST DIGITAL GOVERNMENT PROCUREMENT STRATEGY EFFECTING >70 GOV. ENTITIES
CASE STUDY B

LEADING BUS MANUFACTURER STRUGGLED WITH FRAGMENTATION AND MISSING INITIATIVE ALIGNMENT

ACCENTURE CONDUCTED A SPEND DIAGNOSTIC AND LAUNCHED STRATEGIC COST REDUCTION INITIATIVES

COST REDUCTION OF 18% FOR STEEL PARTS AND UP TO 22% FOR FASTENERS
CASE STUDY C

GLOBAL OIL FIELD SERVICES COMPANY HAD A HIGH LEVEL OF AP HELPDESK REQUESTS THAT WERE OVERDUE OR MISSING

ACCENTURE DESIGNED AND IMPLEMENTED AMELIA A VIRTUAL AGENT

ENABLING A NEW AND IMPROVED ACCOUNTS PAYABLE VENDOR HELPDESK FUNCTION
# Digital Sourcing and Procurement Operating Models Will Look Different from Today’s

| Focus is entirely shifted from transactional execution to compliance | **High automation / self-service ratios** eliminates most of operational effort  
  | |  
  | | Procurement instead focused on **compliance** with supplier agreements  
  | Majority of suppliers will be managed via cross-company networks | **Non-strategic supplier relationships are managed through** **supplier networks**  
  | | **Supplier performance** is measured **across multiple companies**  
  | | **“Tail of the tail” spend** is managed through **marketplaces**  
  | Management insight will turn into an asset instead of a challenge | **Visibility** of spend, consumption, compliance and supply risk is readily **available**  
  | | **Future changes of demand, prices … can be easily forecasted**  
  | Seamless collaboration within and across companies | **Internal & external collaboration via social** **media platforms** is business as usual  
  | | **Innovation is significantly driven through** **open innovation networks**  
  | External services replace internal investments in organization, IT and process | **The** **source-to-pay technology** is completely provided as a **service in the cloud**  
  | | Majority of transactions is exchanged entirely “**hands free**” via supplier networks  

---

*Copyright © 2018 Accenture All rights reserved.*
LESSONS LEARNED FROM YESTERDAY ENABLES DIGITAL PROCUREMENT OF TODAY

ACCENTURE PROCUREMENT DEMO
Digitizing PTP and harnessing the power of data

CPOs & CFOs continue to automate routine procurement, accounting, control and compliance tasks. They are increasing their focus on value creation as digital technology empowers them to shape strategy.

As a result, they are increasingly relied upon for higher-level thinking and bringing STP or PTP together to act on insights gleaned from data analysis.
QUESTIONS & ANSWERS
CONTACT

PAM RHOADS

P.RHOADS@ACCENTURE.COM

(267) 216-2005