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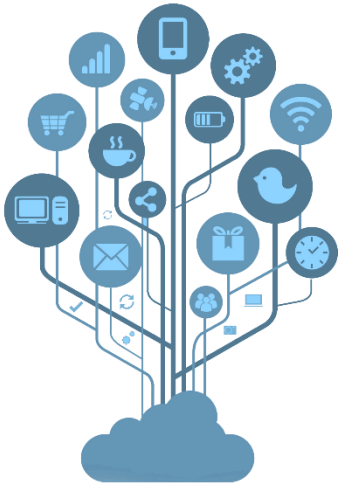


Digitization in Procurement

Procurement 4.0: Examples how digital solutions can boost your performance

Zoltán Werle
Dávid Pásztor

CEE e-procurement Summit, Somorja , 11.04.2019

Agenda

Our value proposition:
Why Horváth & Partners for Procurement Topics?

Our Expertise

Long-term consulting experience & latest know-how

Our service offering for procurement

Latest Knowhow confirmed by scientific studies

Performance Measurement Einkauf
Den Wert-beitrag im Einkauf aktiv steuern und optimieren (2011)

Mit Controlling die Chancen & Potentiale der Digitalisierung im Einkauf nutzen
(Controller Magazin 2016)

Einkaufs-controlling
Instrumente und Kennzahlen für einen höheren Wertbeitrag des Einkaufs (2016)

Renowned expert network & cooperation partners

SOFTCONCIS Einkaufscontrolling mit System
HORVÁTH & PARTNERS MANAGEMENT CONSULTANTS
Horváth Akademie
Universität Stuttgart
UNIVERSITÄT HOHENHEIM
Cordence WORLDWIDE
FACTON INNOVATIVE COSTING

Our References

Renowned customer trust us - every day anew

Performance Management & Reporting

Strategic goals, KPI, success measurements, reporting & planning

Lufthansa, SSB, greiner bio-one, Bonafarm CSOPORT

Procurement Strategy

Mission & Vision Statement, Strategy Map, BSC, Steering Concept & Roadmap

Bonafarm CSOPORT, LAPKER, mym

Procurement Organization & Employees

Degree of (de)centralization, TOM, Outsourcing, roles & responsibilities, Change Mgt.

ThyssenKrupp Anlagenservice, Giesecke & Devrient, LAPKER, KRONES, BASF

Category Management

Cross-functional concepts, cost engineering, Benchmarking, RFI/RFQ, BCC-Sourcing

ENERCON, hessenwasser, PETROM, MT AEROSPACE, SIEMENS

Processes & Systems

Reference Process Models & Process Map, SIPOC, tools, templates & workshops

Bonafarm CSOPORT, Richter Gedeon, mym

Supplier Management

Supplier selection, evaluation, classification and development, risk management and transfer

REHAU, FRÄNKISCHE, BMW, MINI, HHLA

Training & Qualification

Skill assessment, in-house training, competence management

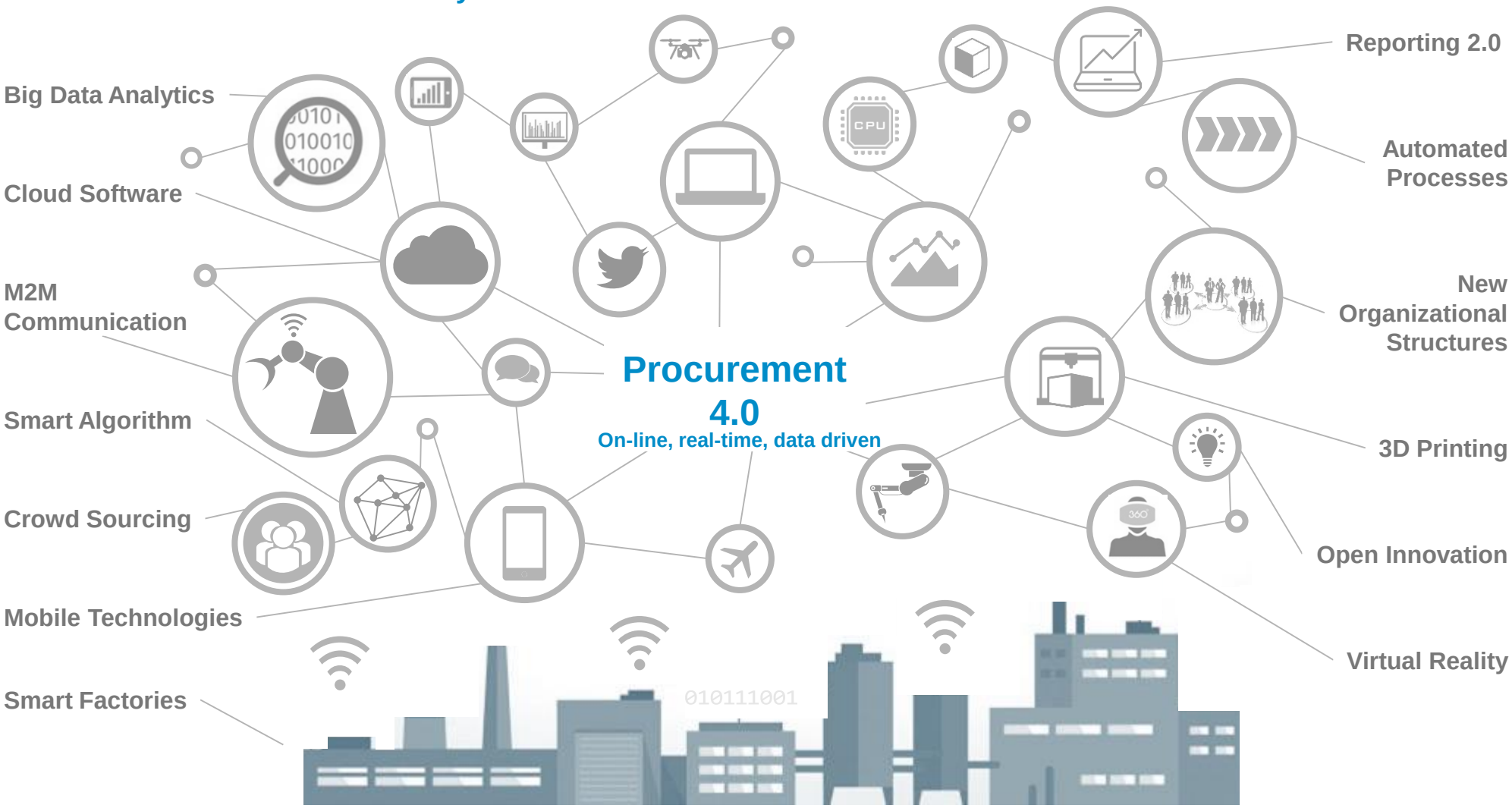
LAPKER, ENERCON, hessenwasser

* Excerpt

Horváth & Partners Vision of Procurement 4.0

Several new technologies & methodologies will shape the procurement function of the future and drive innovative use cases

Procurement in context of Industry 4.0



Horvath & Partners view on Digitization in Procurement

Based on local and global surveys and practices there is an increased focus on RPA solutions

Overview of emerging technologies in procurement

M2M Communication

Automated Processes

Open Innovation

3D Printing

Virtual Reality

Crowd Sourcing

Smart Algorithm

Automation (Robotic Process Automation)

They interpret, trigger responses and communicate with other systems in order to perform on a vast variety of repetitive tasks. Only substantially better: an RPA software robot never sleeps, makes zero mistakes and costs a lot less than an employee.

The usage of RPA solutions are less infiltrated into procurement than into other functions. Implemented practices are emerging.

Reporting 2.0

New methodologies to analyse and visualize spend data and the combination with sales planning forms the basis for innovative reportings & scenario analysis

A harmonized company-wide spend cube is still a challenge for many SME's

Big Data & Analytics

Big data & Predictive Analytics enable strategic buyers to further extent their information about prices, suppliers and potential risks in the supply chain

In procurement the usage of Big Data & Analytics still suffers from creative use cases

Still the potential of new technologies & methodologies is not fully exploited

Agenda

For existing Global Business Services organizations we see four key levers to further leverage potentials

4 efficiency levers for optimizing existing shared service centers

Speed up Performance

- Implement Performance Steering
- Establish Excellence Culture
- Build up Capacity Management
- Apply Robotics and Business Process Mining

Build excellent End-2-End Processes

- Define cross functional processes according to End-2-End Model (Purchase-to-Pay, Record-to-Report, Hire-to-Retire, Data-to-Insight, Source-to-Contract)
- Realize digital potentials via optimized IT Strategy

Establish Global Delivery Model

- Develop location footprint for Global Business Services
- Change Impact on local retained organization

Expand Global Business Services Scope

- Add customers to Global Business Services (countries & legal entities)
- Define roadmap for rollout of Global Business Services

Pulling the right levers of Performance Optimization generates additional value for GBS

Efficiency increase of

~ 25%

due to process automation

Between 10-30%

Cost reduction through the implementation of Lean Management

4-5%

annual savings

due to improved capacity planning

Robotics allows savings of

up to

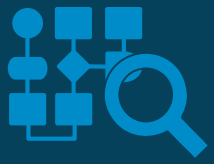
30%

The integration of order control leads to an increase in productivity

of up to 4% each year

Stronger focus on operational management increases annual productivity by 1-3%

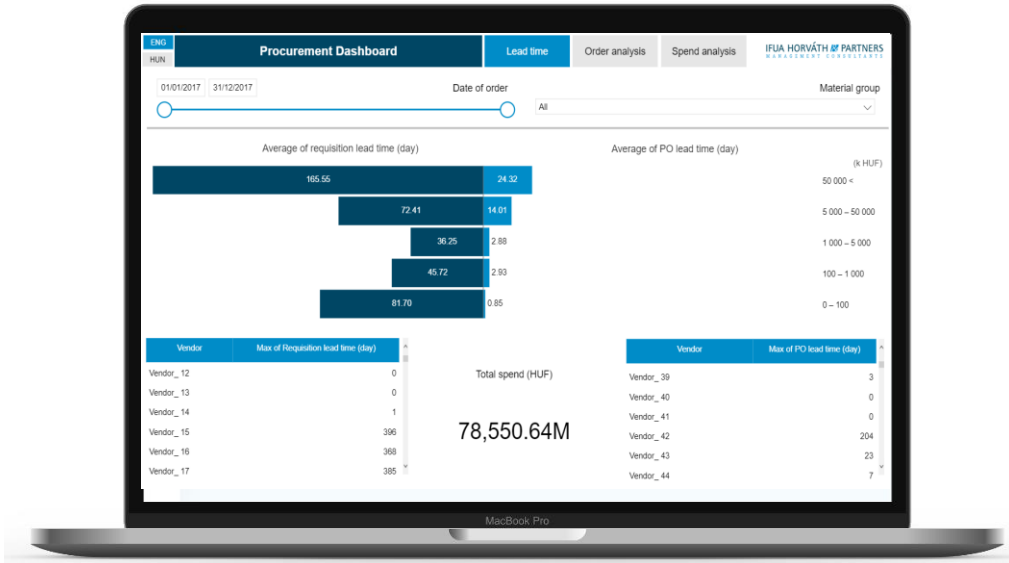
Process analysis using process mining shows potential savings of between 10-20%

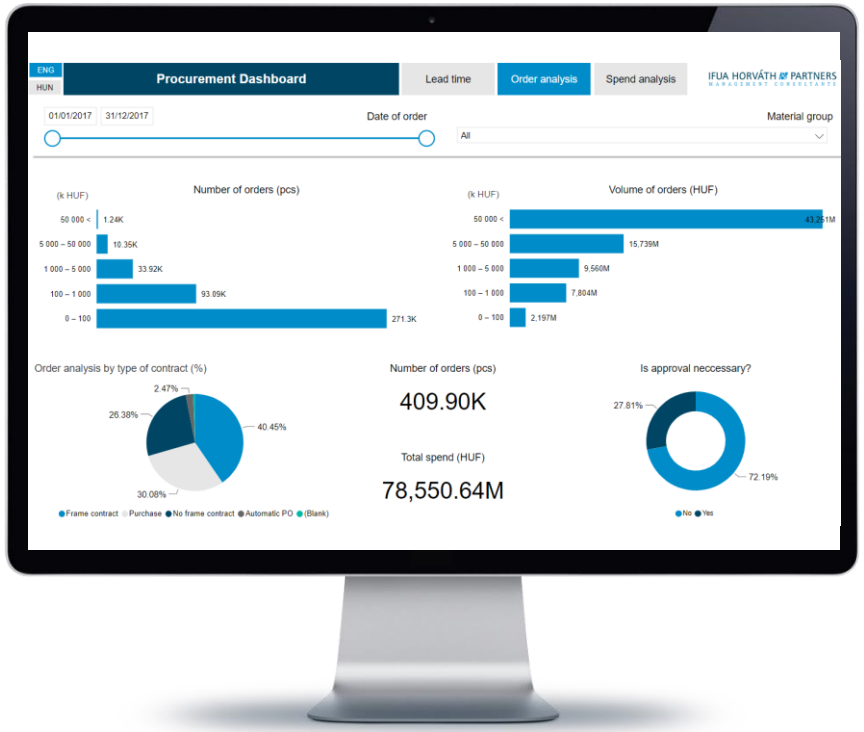


High customer satisfaction

More than 80% of the customers are extremely satisfied with the use of automation capabilities

Procurement dashboard demo – available at www.horvath-partners.com





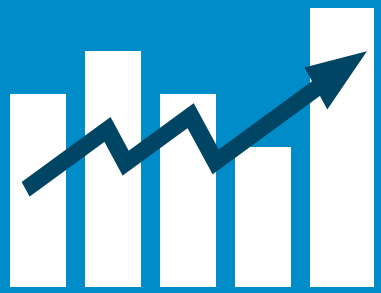
PROCUREMENT STUDY - 2018

„What really matters to the CFO – The CFO's expectations towards the procurement function

- The empirical data collection took place in the **fourth quarter of 2017** with the help of a standardized online questionnaire comprising **20 questions**. The study was conducted as part of the CFO panel of Horvath & Partners. The survey results were evaluated using descriptive statistics.

- The panel sample **of 203 participants** consisted of **CFOs and executives** from the finance and controlling departments of various industries. The majority of the participants came from Germany, Austria and Switzerland. The sector diversity of the companies surveyed ranges from manufacturing industries and financial services to the public sector.

  - The **consumer and industrial goods** industry was most strongly represented with a 33 percent share. Other participants came from the fields of **chemicals, oil and pharmaceuticals, utilites, financial services, transportation and logistics, automotive manufacturers** and suppliers, the **public sector** and other sectors.



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From the CFO's perspective headcount reduction is not the primary goal of digitization initiatives in procurement

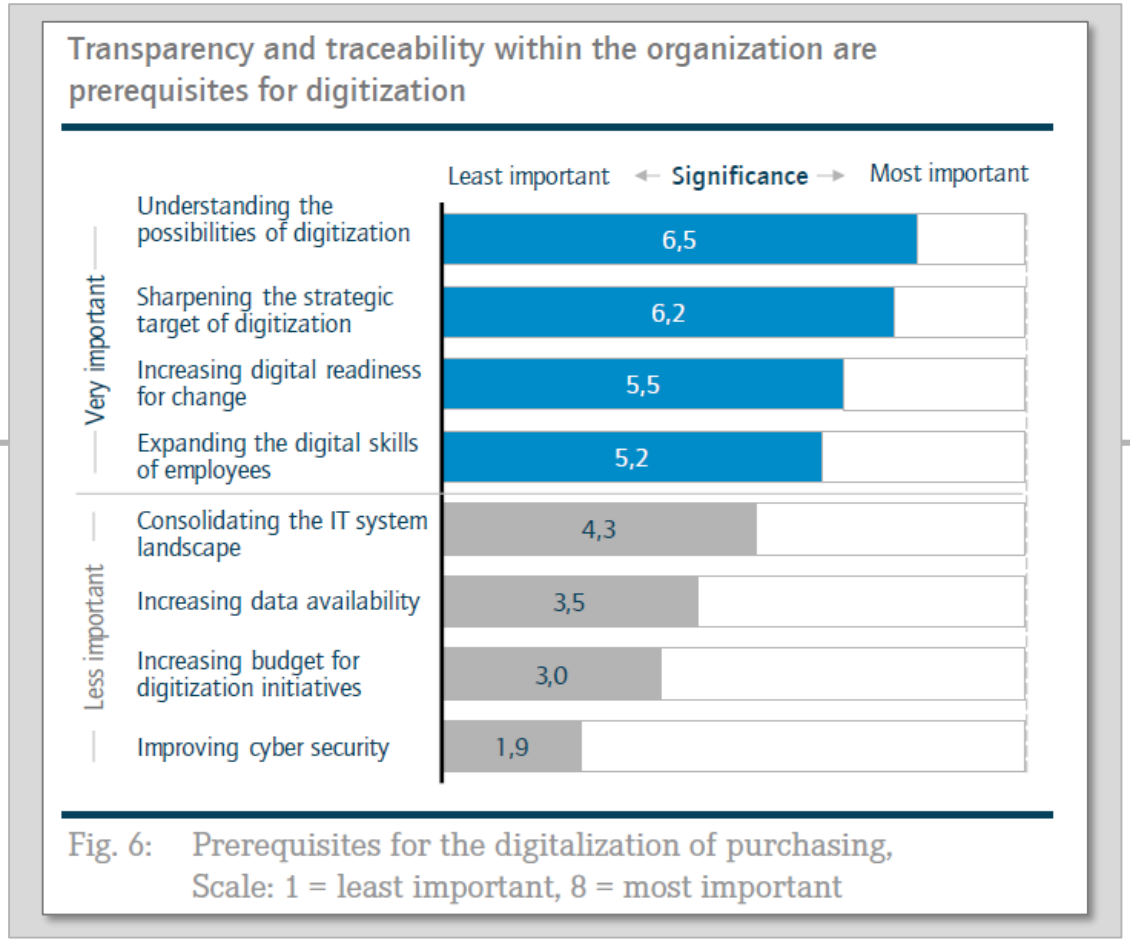
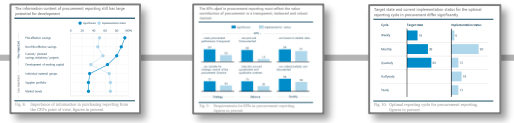


Fig. 6: Prerequisites for the digitalization of purchasing, Scale: 1 = least important, 8 = most important



For CFOs, information and P&L-effective and non-P&L-effective savings is one of the central requirements for procurement reporting

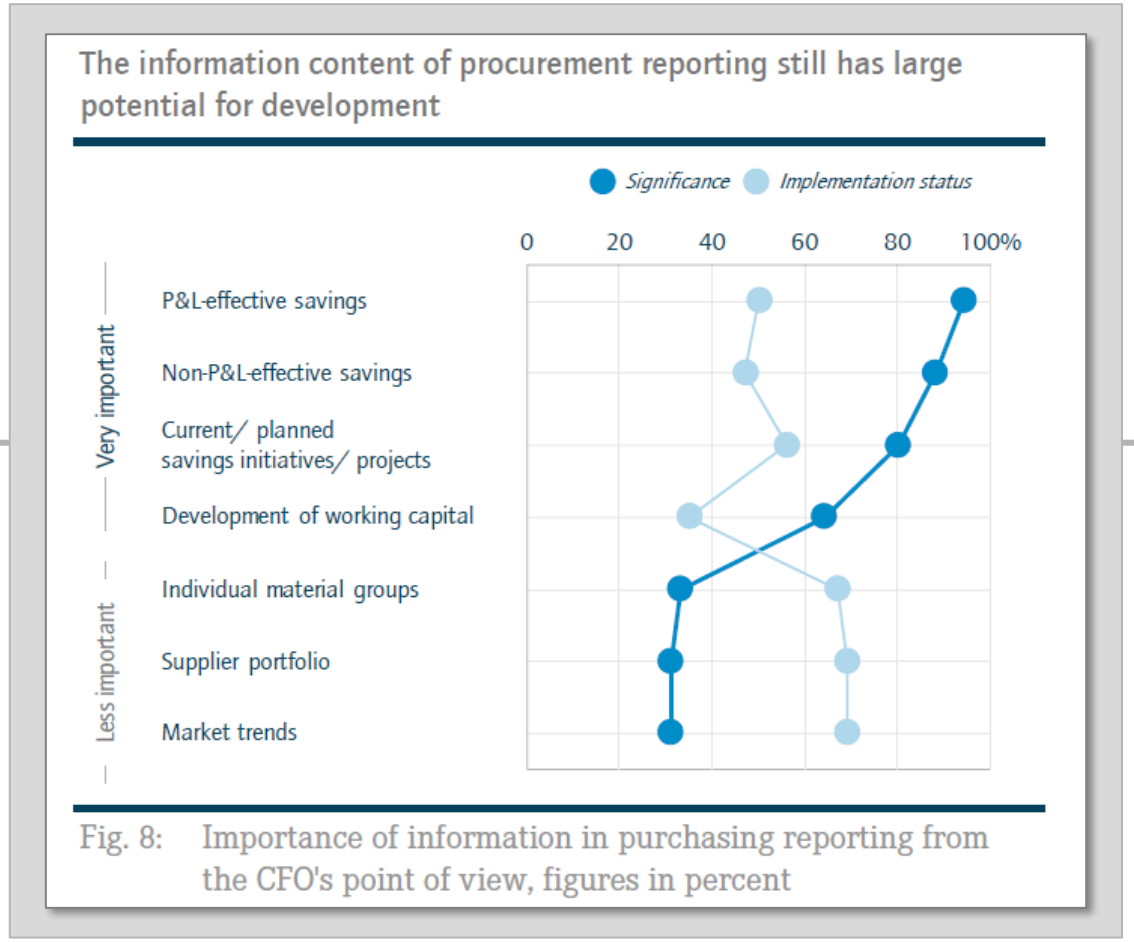
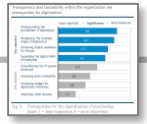
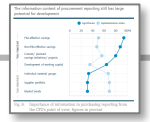


Fig. 8: Importance of information in purchasing reporting from the CFO's point of view, figures in percent

CFOs consider a monthly or quarterly reporting cycle for procurement reporting as optimal

Target state and current implementation status for the optimal reporting cycle in procurement differ significantly

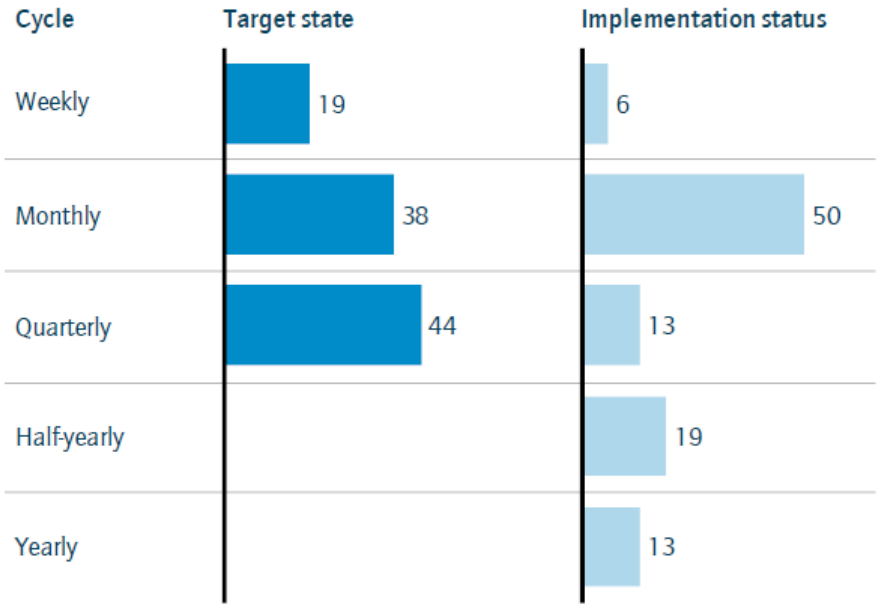
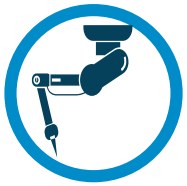


Fig. 10: Optimal reporting cycle for procurement reporting, figures in percent

Agenda

Robotic solutions imitate human behaviour and connect to existing IT solutions through established Frontends



"Robot-based process automation (RPA)", or robotics, denotes the extensive usage of software to simulate operations, normally performed by human employees.

Target

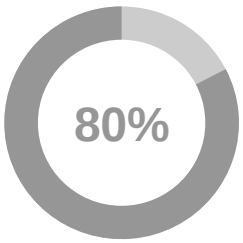
- **The target is the automation of high-grade repetitive and rule-based processes, which rely on structured data.**

Functions

Robotics…

- … **imitates human process** steps in existing applications
- … operates "**minimally invasive**" on existing applications und infrastructure
- … is **controlled** by production control
- … can be **simply implemented** by operations and IT
- … can be a resistant und automated solution, **operating up to 24/7**
- … **requires** like a human workforce a **user ID** and **generates costs**

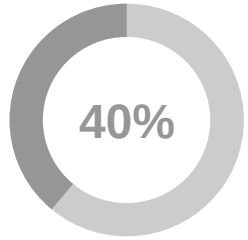
Robotic Process Automation leads to huge savings of time and budget especially when applied to prioritized process areas



Processing costs reduced by up to 80% for highly standard process

Provision of **greater visibility and auditability of transactions**, leading to better control over end to end process.

Average handling times reduced by 40%, with a 24/7 **resilient operation**

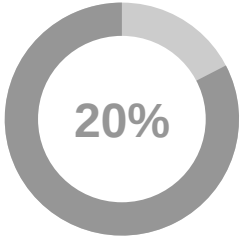


Seasonal demand can be managed by deploying virtual resources at a **fraction of the cost** of an FTE

Increased productivity with the potential to **operate 24/7**. Less FTEs needed to complete repetitive tasks

Consistent quality guaranteed as human error is eliminated

Approximately **6 weeks** required for a **cost effective implementation**

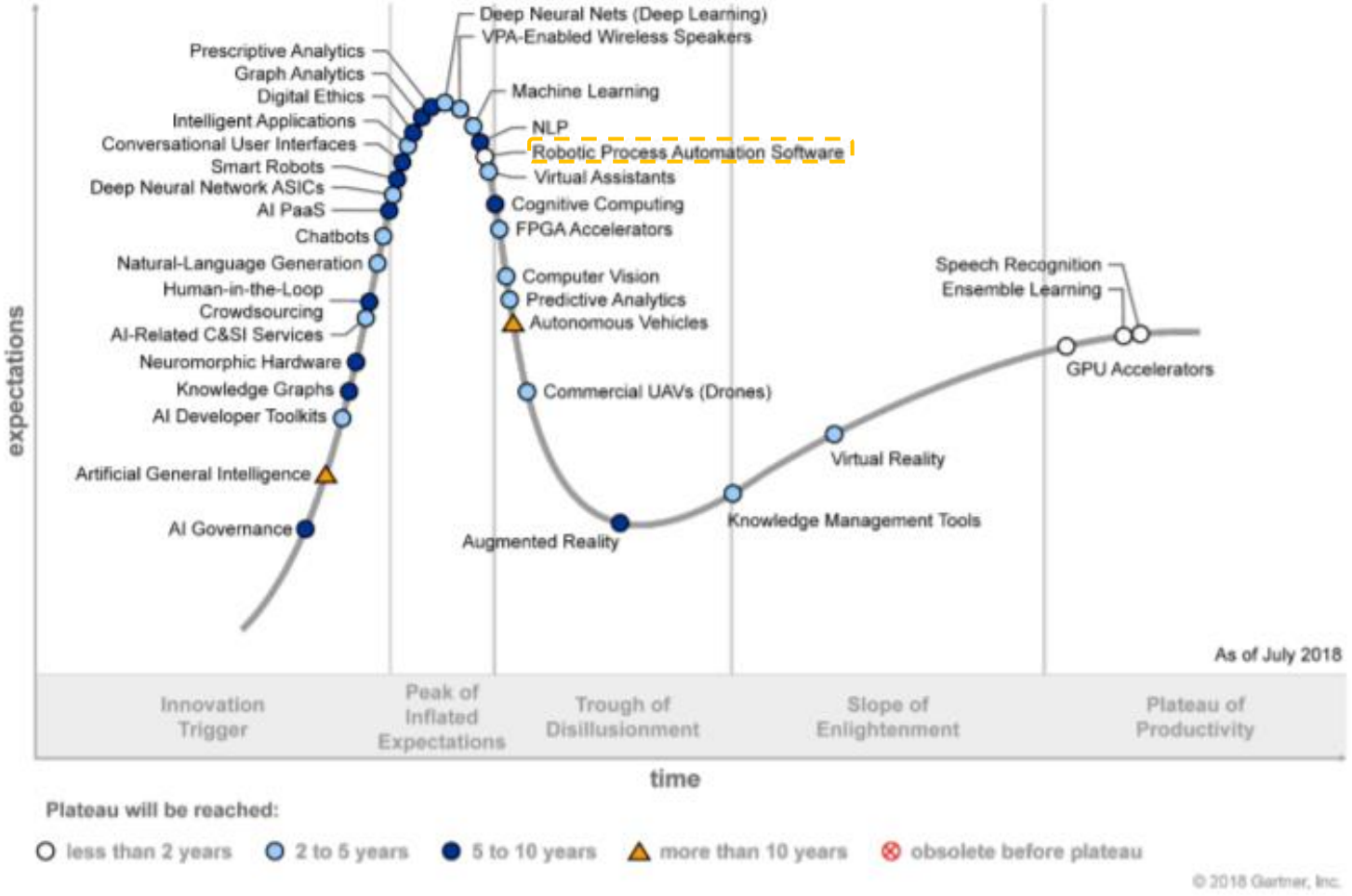


FTE reduction by up for highly standardized E2E processes

Higher staff satisfaction by eradicating monotonous tasks allowing individuals to focus on higher value work

RPA is on its way to mainstream

Figure 1. Hype Cycle for Artificial Intelligence, 2018



Source: Gartner (July 2018)

Let’s see the example

- Example from different business function
- Demo on 2 data gathering life-like issues

During a Proof of Concept project we decreased the human resource need in an invoicing process by 70 percent

	Without RPA* (min)	With RPA* (min)
Launch robot		2
Identify records to invoice, check matching	10	4,5
Check SAP BP data and record data	20	3,4 + 3
Mass invoicing	9	0,1 + 6
End	39	8 + 11

-72%

In our demo we are modeling data gathering for life-like information demand with RPA solution

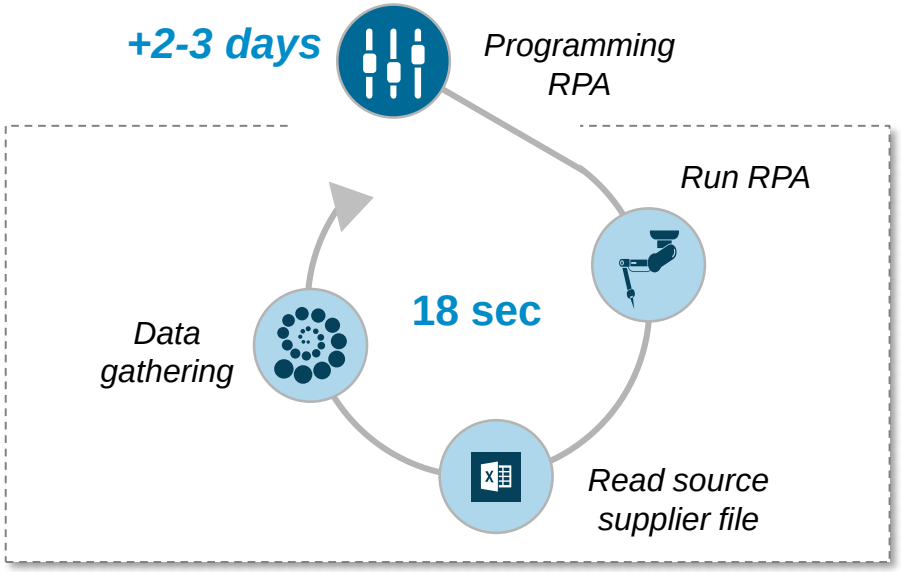
- We have a **great number of suppliers** in our **ERP system**, that was **exported** to an Excel database file with **supplier name, registration number and tax number**.
- We want to **know, or periodically update** the **operational information** about these suppliers.
- We need to have the operative **positive, negative information** right now, and within 2 years. We **need updates** on headcount data, seat data, date of completion of operation, registered capital. **Source is Opten** (official company registration system).

- We would like to have a **risk – financial information to** prepare analyses **on defined suppliers**. We know the supplier name, registration number and tax number.
- We want to **know, or periodically update** the **annual financial and indeptedness information** to be **aware of the risk of potential cooperation** with the supplier .
- We need to have information from **Balance sheet / income and loss statement**.
- **Source is Opten** (official company registration system).

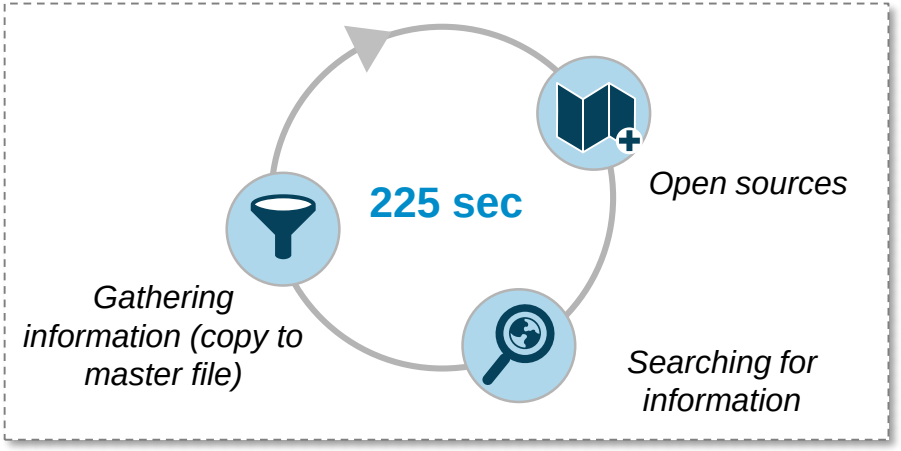
RPA Benefits on demo example

By using RPA in the demo you can execute the data gathering process 12 times faster

Collecting data for 1 company with RPA



Manually collecting data for 1 company



Comperism of manual and RPA based data processing

3,2 minutes	On 10 supplier	36,1 minutes
~ 0,1 day	On 500 supplier	1,25 day

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