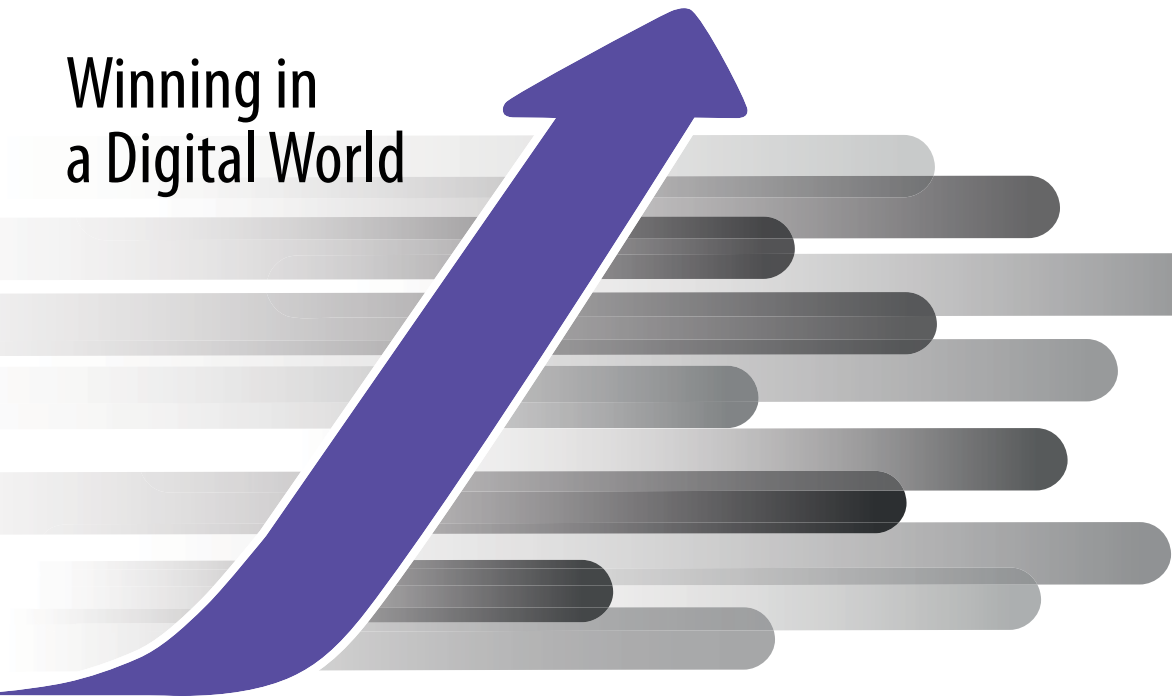


Michael F. Strohmer · Stephen Easton
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Disruptive Procurement

Winning in
a Digital World



KEARNEY

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Preface

Disruption and digital. These two words seem to be the two most used words in our environment right now. Everybody is talking about disruption and digital and is attracted to these words. But it seems there is no common understanding about what they really mean and how these two forces are influencing – and shaping – the global economy and all industries. While it would take an encyclopedia to provide insights about the impact of disruption and digital for every industry and every region, we are taking a humbler approach here and covering the impact and conclusions for procurement.

In procurement, disruption is waiting in the wings; executives see and feel it coming and have glimpsed the impact, but its full force has not yet been unleashed. This means now is the time to create and implement your vision for the future of procurement.

We at Kearney see disruption in procurement in different ways and discuss it in multiple contexts throughout this book. We start with a sensibilization of disruption and the global trends behind it in ► Chapter 1 and outline the future of procurement in ► Chapter 2.

In ► Chapter 3, we show how new technologies and capabilities are leading to whole new (disruptive) ways of working in procurement and how digitalization is simplifying operational procurement while – much more importantly – it is enabling strategic procurement to go new ways.

This is the main focus of ► Chapter 4, as well. Here, we talk about disruption as a result of laying a strong foundation in procurement by linking the value chain to the customer view. With these building blocks in place, procurement has the capacity to make full use of the data, knowledge, and insight it has in its treasure troves. It can use these resources to help the business grow, find new sources of innovation, and reduce multiple types of risk.

Looking forward, we expect, as described in ► Chapter 5, that the face of procurement will change as it gains the capacities and skills to manage larger and more complex value chain processes. Similarly, we see that procurement will become the central data hub of the enterprise – a place that uses its knowledge to pursue growth through innovation in product and services, as well as the identification of external innovation.

No matter how disruption manifests itself, we believe that procurement is getting smarter, smaller, and speedier and needs to grow into a new role as a big-thinking, proactive, integrated, and service-oriented innovation scout for the enterprise.

That's a tall order, we realize. But if procurement does not rise to the challenge of reinventing itself in these ways, it will cease to exist as we know it. Already, with the introduction of robotic process automation, we expect operational procurement to be radically different within the next few years.

With this as a backdrop, we at Kearney felt it's time to pull together in book form a discussion of the trends that are reshaping procurement fast and furiously.

We also found this the right opportunity to introduce a new framework, which we are calling Disruptive Procurement, in which procurement itself is a disruptor.

In 2008, Kearney launched *The Purchasing Chessboard: 64 Methods to Reduce Costs and Increase Value with Suppliers* – introducing methods and levers for state-of-the-art category management. The objective in this framework is to achieve the highest possible sustainable savings and generate value by applying one of the 64 levers we defined.

In 2012, Kearney launched *The CPO: Transforming Procurement in the Real World*, which has helped hundreds of clients holistically transform their organizations by creating higher levels of effectiveness in the function internally and with external suppliers.

In 2014, we published *True SRM*, a completely new way to manage suppliers that supports companies in producing the results wanted by the buyer, such as providing particular innovations. Its objective is to obtain competitive advantage and maximize the value generated with suppliers by applying tailored interaction models. The models should be based on performance and strategic potential.

Now, we are publishing the Disruptive Procurement framework.

Is this just another procurement framework?

Not in our opinion.

The Disruptive Procurement framework can be used to reinvent the way things are done within an industry. It is possible because of deep knowledge of the value creation process at suppliers, as well as knowing the value your own company creates for clients. Typically, Disruptive Procurement is mandated by the CEO.

Through years of project work in procurement, and in hundreds if not thousands of conversations with clients, we have come to believe that the next generation of value creation needs to be based on the complete product and service line of a company. To create value, the resources within procurement's sphere of influence must be used completely. Procurement must take on a role as an impactful networker, helping to make decisions and execute on projects within company functions and with suppliers.

This book is one of our answers to the challenge and question of how to create value in a disrupted and digital business environment.

Many thanks to these colleagues for their contributions:

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About the Authors



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Michael F. Strohmer is a partner who co-leads Kearney's European Strategic Operations Practice. He is one of the founders of PERLab in Europe.

Based in Vienna, Austria, he joined the firm in 2001. He has led projects with a broad range of international clients, mainly in post-merger integration and carve outs. His work encompasses the utilities, automotive, consumer goods, and process industries in various European countries, as well as in Asia and the United States.

He is an expert in operations and procurement transformation, post-merger management, raw materials, and large-scale CAPEX projects. He has published several books and is also coauthor of the books *The Purchasing Chessboard: 64 Methods to Reduce Costs and Increase Value with Suppliers*, *Supplier Relationship Management: Unlocking the Hidden Value in Your Supply Base*, and *The CPO: Transforming Procurement in the Real World*.

Michael likes to discuss with CxOs the future of the economy and especially the future of operations. He earned doctorate degrees in business administration and in law. He lives in Austria's picturesque lake region near Salzburg.



Stephen Easton

Stephen Easton has two decades of experience working with procurement organizations to help them grow their capabilities and create more value for their businesses.

His work is cross-industry and encompasses sectors as diverse as banking and aerospace. He started his career as a chartered management accountant and holds an MBA from Cornell University. His first degree was in politics, philosophy, and economics from Oxford.

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Martin has extensive experience as a manufacturing strategy consultant and has supported an array of projects in engineered products, automation, aerospace and defense, automotive supply, and microelectronics.

He is widely recognized as a leader in industrial goods and services and also holds supervisory board positions in Europe.

Before joining Kearney, he was the global head of the Engineered Products and High Tech Competence Center at Roland Berger Strategy Consultants in Munich and was a member of the Supervisory Board.

He earned his computer science degree at the University of Passau in Germany and his doctorate in computer science at the Technical University of Munich. He also completed an apprenticeship as a skilled worker in a machinery company.

**Elouise Epstein**

Elouise Epstein is a digital procurement futurist and Kearney vice president based in San Francisco.

She has nearly two decades of experience working with procurement and supply chain organizations to architect, design, and adopt digital technologies. She works to disrupt subpar technology adoption and build future strategies through advanced partnerships with startups and emerging technology solution providers.

She is an inaugural member of ISM's Thought Leadership Council and frequent writer and presenter about digital procurement. She is coauthor of Kearney's Future of Procurement whitepapers, a 12-part series developed in partnership with leading clients that charts a vision for future success in procurement.



Robert Kromoser

Robert Kromoser has been with Kearney since 1998. He is based in Vienna, Austria, and gained most of his consulting experience in international projects in Germany, Switzerland, Belgium, Denmark, the Netherlands, France, Italy, Great Britain, Taiwan, and the United States. He is a member of the leadership team of Kearney's Procurement Practice, with a focus on strategic sourcing, procurement transformation, and supplier risk management.

He has led multiple projects in the automotive, construction equipment and machinery, chemicals, and building materials industries.

In several studies, he analyzed the role of strategic sourcing and procurement as a value-adding factor. He is also coauthor of *The Purchasing Chessboard: 64 Methods to Reduce Costs and Increase Value with Suppliers*.

He studied business administration at Vienna University of Economics and Business Administration in Austria and at Carnegie Mellon University in the United States. He lives near Vienna's famous baroque park, Augarten.



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Erik R. Peterson is a partner at Kearney and managing director of the firm's Global Business Policy Council (GBPC), a strategic advisory service for business leaders. In the most recent survey of the University of Pennsylvania's assessment of 6,600 think tanks, the GBPC was ranked the second best for-profit think tank in the world.

Since joining Kearney in 2010, he has guided initiatives relating to strategic foresight, including a program on scenario planning with Oxford University and summits on strategic planning. In 2017, he was elected to the board of Kearney's Energy Transition Institute.

He is also a senior advisor at the Center for Strategic and International Studies (CSIS). Formerly, he was senior vice president at CSIS and held the CSIS William A. Schreyer Chair in Global Analysis. Before joining CSIS, he was Director of Research at Kissinger Associates.

Erik received an MBA from the Wharton School, an MA from The Johns Hopkins University School of Advanced International Studies, and a BA from Colby College.



Enrico Rizzon

Enrico Rizzon is a partner in Kearney’s Melbourne office who has a decade of consulting experience primarily focused on organizational productivity and transformation programs.

Recently, his focus has been on procurement and the ever-growing application of analytics in business. He now leads Kearney’s Procurement and Analytics Solutions Practice for Asia Pacific.

He speaks regularly at conferences and frequently writes on procurement-driven transformation and more recently on the competitive advantage that can be driven through analytically enabled organizations.

He is chairman of the Melbourne Business School Centre for Business Analytics, where he helps shape future talent and research on business analytics.

He has an undergraduate degree in chemical engineering (Hons) from the University of Adelaide and an MBA from the Melbourne Business School.