The pessimist
    complains about the wind,
The optimist
    expects it to change,
The leader
    adjusts the sails.

John Maxwell

Case Study - Designing the right Procurement Shared Service Center model to gain operational process efficiency and cost efficacy

Henan Zhengzhou Outsourcing Congress

11-12 Nov, 2014

Sebastian Chua

Health Promotion Board

Procurement Transformation

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Journey to Procurement Excellence

At which stage is your Procurement Organization today?

Sustainability

• Procurement decisions aligned w/ corp. goals

• Suppliers see you as "best" customer

• Stakeholders acceptance as trusted partner

• Other companies perceive you as the "benchmark" procurement organization

Phase 4

Excellent

Phase 3

Growth

Phase 2

Getting Started

Phase 1

• Procurement function de-centralized

• Significant Maverick Buying

• Tactical / Reactive Stakeholder Engagement

• Lack of spend visibility

• Central procurement function

• Spending analyzed/consolidated

• Major Spending Negotiated

• Transaction automation

• Shared Service Center (One Process)

• Sourcing decisions based on total cost vs pricing

• Documented sourcing strategies

• Early engagement w/ stakeholder

• Procurement decisions made by Procurement

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3

An Eagle Story – Change Management

- http://www.youtube.com/watch?v=yXTrWPvP0iQ&feature=youtu.be

VID-20140925-WA0018.mp4

We too have to start the change process - change that worth sustaining the pain. In order to take a new journey ahead, we have to let go our negative old-limiting beliefs, open-up our fixed mind-set and let ourselves fly again like an eagle.

Procurement Shared Service Center (Buy Center)

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???

Do we have the right SSC strategy?

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Theory

Leading Changes: Why Transformation Efforts Fail?

John P. Kotter, 1995

8 STEPS

HARVARD UNIVERSITY

#1 Establish a Sense of Urgency
#2 Forming a Powerful Guiding Team
#3 Creating a Vision
#4 Communicating a Vision
#5 Empowering Others to Act
#6 Planning for and Creating Short-Term Wins
#7 Consolidating Improvements & Producing Still More Changes
#8 Systematize New Approaches

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Buy Center Concept

What is a Buy Center:

- An outsourced group of purchasing professionals, trained in Client's procurement process and procedures, that will validate requisitions opened by employees before they will be send out as Purchase Orders
- A support/help desk that will answer employee and vendor questions about the purchasing process
- Local language support where required due to current market standards / vendor relations

Why implement a Buy Center:

- Improved service and support to employees allowing employees to focus on their "day job"
- Standardizing procurement processes globally
- Increasing cost savings through greater adherence to global category purchasing
- Improve Purchase Order accuracy and completeness (enhance PO hygiene and data integrity
- Ensure compliance with policies, contractual requirements & accounting rules
- Provide a support function that can answer employee questions about procurement
- Provide guidance about the best qualified vendors to use for specific projects
- Improved business value through
  - Improved compliance to strategic sourcing initiatives
  - Category management initiatives

How was the Buy Center designed

The Buy Center Process design was developed based on:

- **Today's existing "As Is " process knowledge**

- **PR Requisition Tool functionality**

- **Standard industry best practices**
  > 90% of Benchmark companies do have a requisition process today

- **Input from a global team of regional procurement representatives (EMEA, ASIA, LATAM, USA)**

AS IS Procurement Process

PR Requisition tool

Stakeholder Input

Industry Best Practices
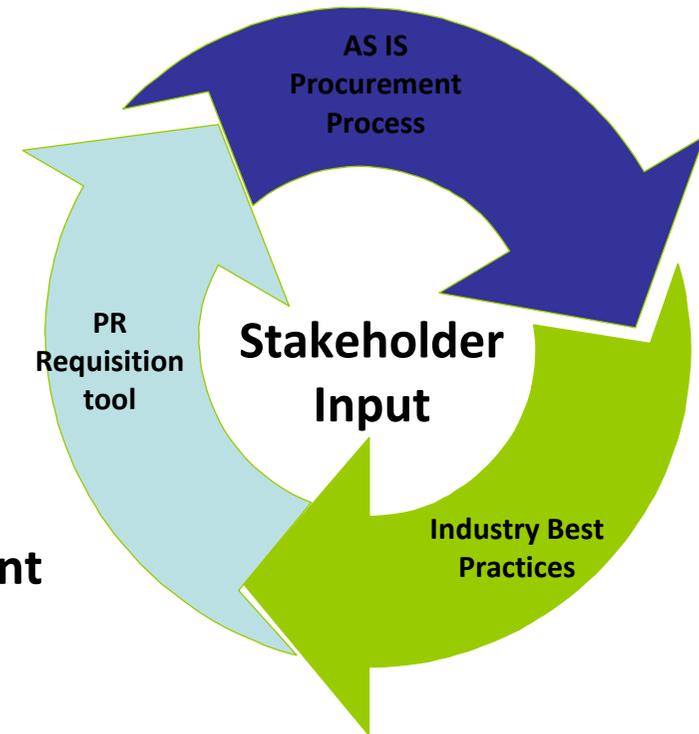
The design was validated by key country stakeholders in every region

Buy Center Operation Functions

BUY CENTER SERVICES

EMPLOYEE

Employee to place requisition in PR Requisition Tool for goods / services

Requisition Release

Follow-Up

➢Item Description requires clarification

➢ Questions about Purchase Classification or Account Code

BUY CENTER

- Buy Center validates requisition content based on Company's procurement provided rules
- Buy Center coordinates contracting process in accordance with Client's procurement policies
- PR/PO approval matrix still required
- Purchase Order is sent out with PO Terms & Conditions as a legal binding document

BUY CENTER SERVICES

	Month1	Month 13
• Validate accounting information • Check completeness of item description • Check Purchasing Classification against item description • Country Procurement Manager's review is required for requisition above local competitive bidding threshold • Check if Contract is in place for spend above the contract threshold value as defined by country procurement • Legal review is required for requisition involved IP*, PII *, etc • Ensure that requisition is supported with SOW or contract for complex purchases		
• Validate vendor against preferred vendor list defined by Procurement		
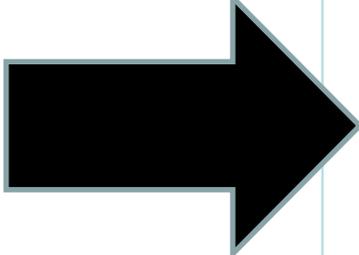
* Definitions:
•Intellectual property is defined as ownership of custom work
•Personal Identifiable Information (PII) is information provided by company or collected by Vendor that can be used to identify, contact, or locate the person to whom such information pertains

BUY CENTER SERVICES

- To facilitate Buy Center review, users will be prompted to answer questions about their order when it is submitted
- More than one set of questions may apply, depending on items in the order.
- Intended to reduce need for Buy Center operator to check back with requestor for additional information

BUY CENTER SERVICES

Standardized the spend category and sub-category globally and populate these along with their assigned supplier status into the PO system (e.g. premier, preferred, approved suppliers) as classified by Country Procurement to facilitate the end-user in raising the requisition. Restricted or 1-time supplier will not be mapped to the category and end-user will have to manually enter to search for the supplier name or code upon approval by procurement.

Purchase Classification

PO Requestor will be required to select a "Purchase Classification" in the PO requisition which will improve the accuracy of tracking what the company is buying; this information ultimately drives smarter procurement strategies

Stakeholder Relationship

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Stakeholder Relationship Strategy – Perform Relationship Management & Assessment

Objective: To improve & expand our stakeholder reach / influence

Stakeholder Assessment Map

Microsoft Excel Worksheet

At which level is your stakeholder relationship?

- Joint accountability for company success
- Full empowerment
- Seat at the table

Partner

- Engaged in project planning cycles
- Drives sourcing strategy

Inclusive

- Listened to but not included in decision making
- Policy Driven

Consultative

- Contacted on "need" basis
- Transactional scope

Ad hoc

- Back-Office
- Scope/Function Unknown
- Irrelevant

Irrelevant

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Stakeholder Relationship Strategy

Objectives of the Stakeholder Assessment Matrix

a) positioning of Procurement "branding" as real strategic partner

b) alignment of Procurement commitment with key stakeholders

c) Understanding stakeholders' requirements
- Who are the key stakeholders? What relationship does PDC have? What are their "exciters"?
- Are the spending forecasts / pattern changing over the strategy horizon?
- Are their expectations changing based on the market conditions?
- Where are the procurement / sourcing decisions for this commodity being made?

How to get to the desired level?

- Improve **Business Intelligence** to stakeholders to enable better sourcing strategies & opportunity realization by categories (e.g. quarterly spend analysis mgmt report)

- Strengthen stakeholder relationships through **value proposition & Initiatives**

- **Be Pro-active.** Do not wait for stakeholders to approach you with a sourcing opportunity.

- **Regular engagement & check-point meetings** (min. quarterly) with key stakeholders to understand their latest procurement needs & requirements and get to know their business & priorities

- Define Top 3 Deliverables to get there to address stakeholders' priorities, challenges, interest areas

- Develop **stakeholder satisfaction survey**

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Stakeholder Relationship Strategy

Stakeholder Awareness & Acceptance
• Are we being seen as "**adding value**" or as "**adding overhead**"?
• Do stakeholders continue to engage us "late in the game"?
• Do stakeholder continue to utilize our help for "administrative tasks" vs. early engagement for strategic sourcing?
• Do stakeholders understand the value of the procurement function?
• Is our relationship "customer-supplier" or "equal stakeholder" ?

How do you engage stakeholders?
1) Undertake an internal stakeholder analysis – stakeholder assessment matrix
  ➢ Identify Key Stakeholders
  ➢ Assess Stakeholder Priorities / Interest Areas
      • what they want
      • what improvements are they looking for
  ➢ Assess Current / Desired Level of Relationship
  ➢ Set the direction, execute and assess the progress
2) Management
  ➢ Become part of the management team with the key Stakeholders
  ➢ Become part of the planning process to understand future needs
  ➢ Influence their decision making process
3) Interaction
  ➢ Instigate Vendor reviews and involve the Stakeholder
  ➢ Provide feedback from industry to Stakeholder
  ➢ QBR's with vendors and involve the Key stakeholder
4) Partnership
  ➢ Be seen by the Stakeholders as being an integral part of the business

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Stakeholder Relationship Strategy - Stakeholder Feedback

Caution: Perception is reality

| Isolation	Frustration	Perception	The call!
No one is talking to me	**I can't get the issues resolved**	**I don't see your value?**	**@#*%#&^%**
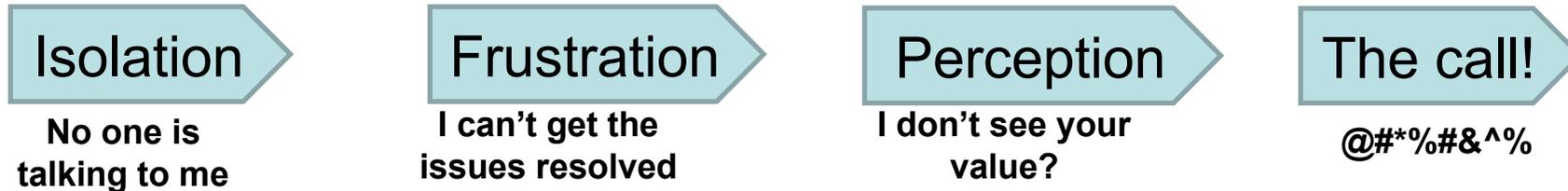
- Make sure that your strategies and action plans are aligned with stakeholder requirements

- Decide on a frequency to get feedback from the stakeholders on your execution

- Provide forums/opportunities to give positive feedback
- Get on with your stakeholder and verify the importance of your action plan activities
- Ask for qualitative feedback
- Check with them on your performance. High performance is not a guarantee of high rating
- Use the feedback to make any corrections to your strategy or action plans. Be patient, don't be defensive & actively listen.

Stakeholder Assessment

|	Performance High	
Disinterest		Delight
Low		Importance High
Day-Prison		Disgust
	Low	
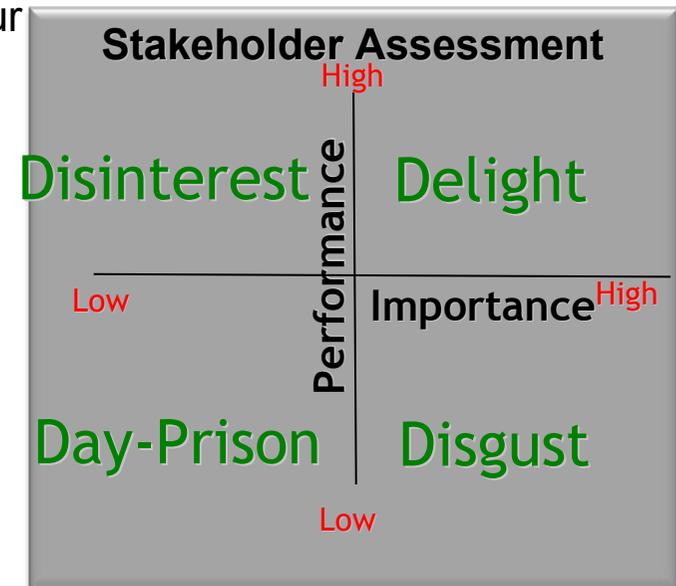
Stakeholder Relationship Strategy - Your response says a lot
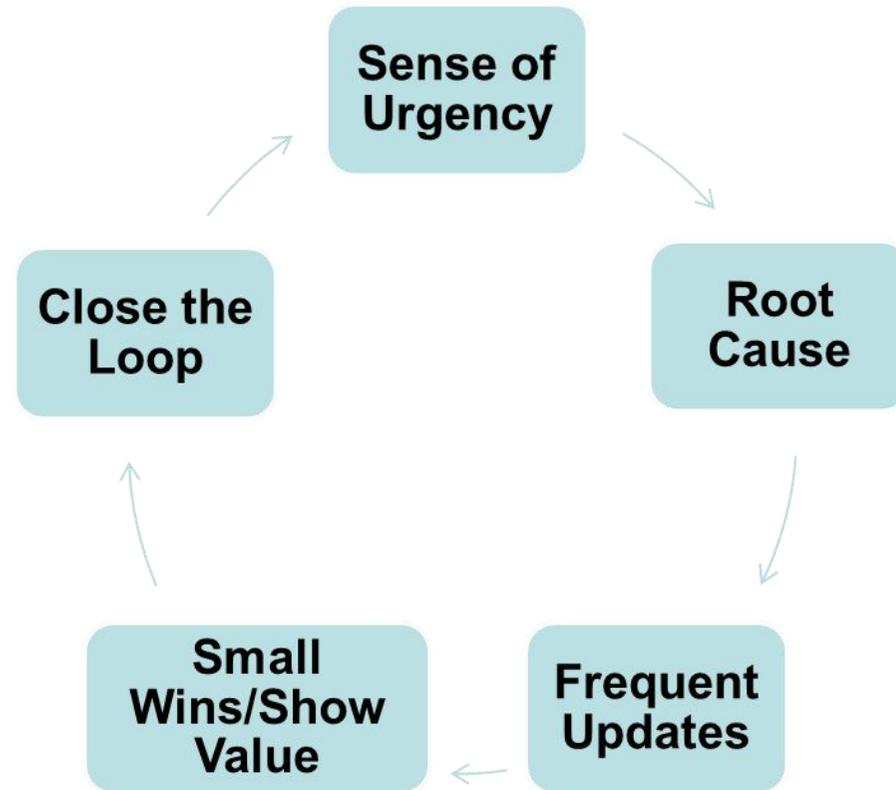
Caution: Our response drives customer perception too!

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Stakeholder Relationship Strategy - Procurement values (cost efficacy & process efficiency) can be realized from……….
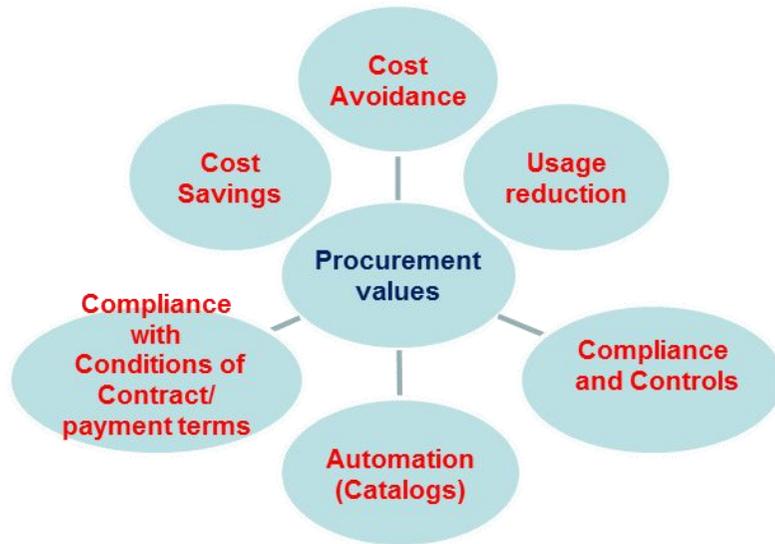

Definition *
Cost savings: Hard dollar savings can be quantified. These will be straight cost reductions against spend and budgets. e.g. vendor rationalization to leverage corporate buying power, better savings against previous vendor rates in delivering same SLA's at a lower cost

Cost avoidance: Soft savings that occur as a result of taking an action. If action not taken, costs would be incurred. May not reduce existing costs, but no additional cost will be incurred. e.g. repair and maintain rather than replace.

Evolution of Procurement Values
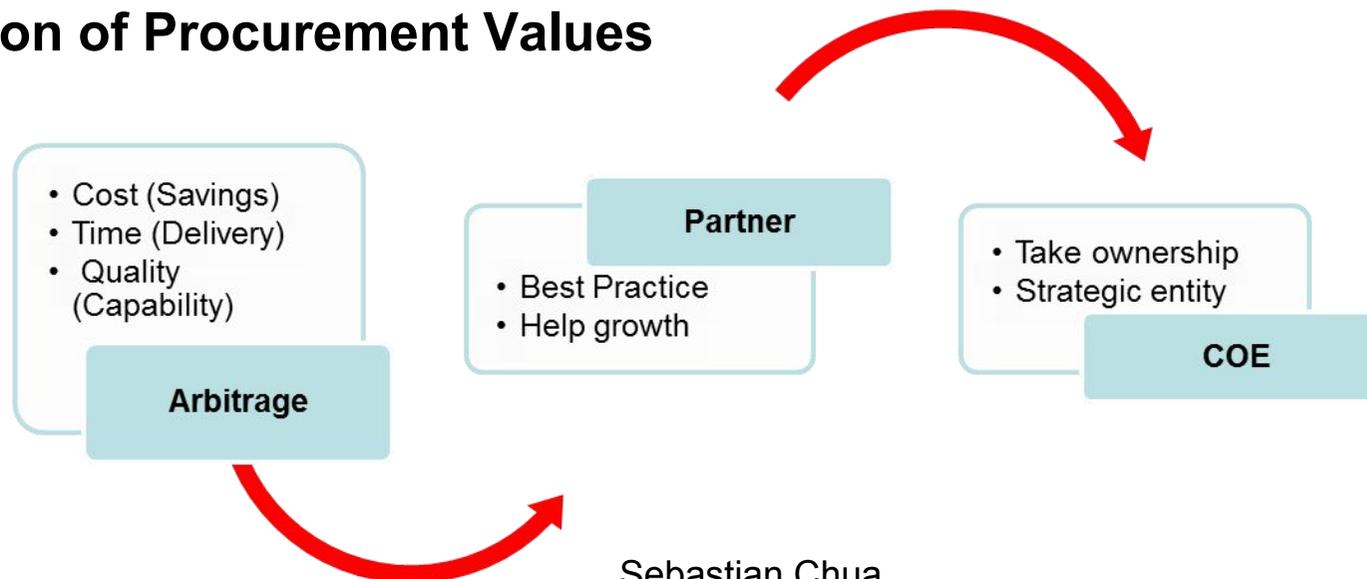
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Stakeholder Relationship Strategy - Moving forward ……..

WOW! — Customer Experience

Valuable Partner — Adding Value

Operational Excellence — Relationship

Process Compliance — Excellence
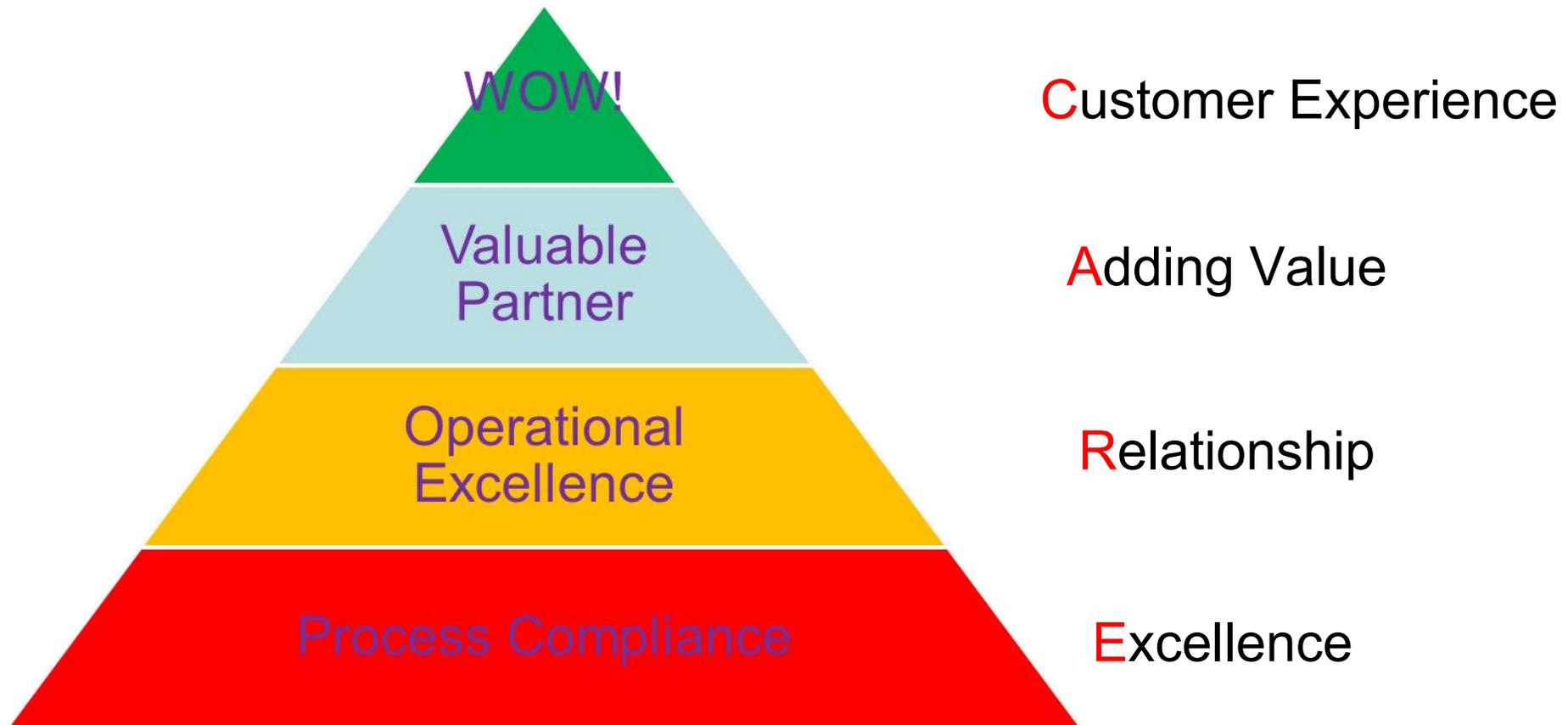
We C.A.R.E

Not just what, but how

Embedding a service culture into our "Way Of Working (WOW)

Beginning the journey with an end objective of a true partnership

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23

Principles of Service Excellence

Stakeholders = customers

Like our external customers, we should not be taking the stakeholder's support and relationship for granted.
In our day-to-day operations, I would expect that our internal business partners to have high expectations of us.
Our commitment to service excellence must therefore be planted in our pledge.

The principle of service excellence in our serving in this new era: -
1) It is our responsibility to uphold the spirit of service to our stakeholders and work hard on their behalf
2) It is our duty to maintain the high standards of honesty and integrity
3) It is our call to significantly improve our outreach to stakeholders and align our approach with them in formulating strategies & policies.
4) We must never break faith with our stakeholders, but always carry out our duties to them responsibly, address their worries & challenges and advance their interests.

In Procurement, we play key roles in all these areas.
We have to listen hard to our stakeholders' concerns, help them to tackle their pressing needs, reflect their worries and aspirations and finally persuade them to support policies which are in their long-term benefits.

Listen to what Mahatma Gandhi got to say on CUSTOMER. D:\Documents and ttings\sechua\Deskt

24

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Closing Remarks

The way ahead, I have no doubt, will continue be built on co-operation with our stakeholders and not on confrontation and for that to happen, every one of us here today must play our part

"WINNERS DON'T DO DIFFERENT THINGS. THEY DO THINGS DIFFERENTLY."

Sebastian Chua