

Digital Procurement Strategies

By: Javier Carnevali Penella

I recently was invited to participate in a panel at the Procurement & Supply Chain Live event in Chicago. The event was organized by BizClick Media, publishers of Procurement Magazine, Supply Chain Magazine, and other great digital content. The main topic of the panel was Digital Procurement Strategies, and it was moderated by Neil Perry. I had the honor of sharing the stage with other Supply Chain professionals: Jack Spallone (International Vitamin Corporation), Mark Scheneker (Coupa), and Eric Larson (Avetta).

Here are my thoughts on the questions Neil asked us.

1. How do you define “digital procurement” at a strategic level?

For me digital procurement means “the use of technology in procurement processes to drive value to the business”.

2. Where are you seeing digital tools deliver the most value for procurement leaders today?

Something that I, as a procurement leader, value is visibility and optimization. Therefore, any technology that allows me to gain in those areas will be something we would like to implement. However, for another person, it could be about risk mitigation, sustainability, or other aspects of supply chain management. This is why it is important to understand the business strategy, because based on that, you have to look for those value levers that will allow you to contribute to it. I've seen cases where companies start the other way around: they buy the technology first and then they try to explain why they bought it and blame the tool when the real issue was a lack of clarity about the strategy.

3. What ´s the biggest barrier organizations face when scaling digital procurement initiatives?

Of course that typically, technical barriers arise in this kind of project, such as data quality, integration, and infrastructure. However, in my opinion, the way of managing those initial steps of the projects is what limits the success of scaling. Usually, big transformational projects start with a pilot. What I've seen is that sometimes the effort and commitment that people put into those pilots are not as strong as they should be. It is important to manage the pilot the same way we will do for the project at total scale in terms of involving all stakeholders from the beginning and allocating all the resources needed. The pilot should be a medium to discover the issues, barriers, and gaps that you will face in the total scale project. For example, if you invite certain stakeholders for the pilot kick-off, communicate just the right amount of resources to execute the pilot, and use perfect data to execute it, it is highly probable that you will achieve the expected results, but not all the barriers will arise. Everyone assumes that the big project will deliver the same experience, but when the conditions change (adding more stakeholders, asking for more resources, and working with data that is not perfect) the scaled projects don't deliver the same results. My specific recommendations are:

- Involve all project stakeholders from the beginning
- Build the business case to encompass the entire project scope
- Provide visibility into the project scope and clearly communicate specific expectations for the pilot

4. How is digital procurement reshaping supplier collaboration and relationship management?

Technology will take care of the transactions so We, humans, can take care of the relations.

If you analyze Supplier Relationship Management processes, you'll find they are 80% based on transactional data. Therefore, we could consider naming it 'Supplier Transactional Management' (STM). Digital Procurement will reshape these processes, allowing us to dedicate more time to what truly matters: creating meaningful relationships to collaborate and identify new value-added opportunities.

5. In your view, what's the most critical technology investment for procurement digital transformation?

Every company will have different priorities depending on its strategic goals, and the prioritization should come from the gaps that the company has between its current state and its desired state.

We should not only look for the implementation of new technology. We should also increase the maturity level of the processes, ensure alignment with the strategic goals of the company, and enhance the skills of the people.

We won't achieve anything if we are fast adopting new technology but do not also evolve in our processes and develop new skills in our teams. So, the critical technology, in my opinion, is not only the one we will use to support a new process, but also the one we need to accelerate the transition from the current state to the desired one. This includes technologies that enable: on-the-job training, faster integrations, change management, AI tools focused on productivity, and project and time management.

The company that develops the capability of making this movement faster is the one that will have a competitive advantage.

6. Do you see digital procurement primarily driving cost efficiency, or enabling broader business value?

In Grupo Herdez the digital transformation strategy is aligned with the value we want. We will be interested in any technology that can help us to:

- Increase efficiency
- Reduce risk
- Reduce environmental impact
- Increase the well-being of communities
- Increase profitability
- Learn new skills
- Accelerate innovation

7. How can procurement teams strike the right balance between automation and human oversight?

The most effective way I have found to strike the right balance between human-led and automated activities is by mapping the decision-making process. This allows us to specify for each decision whether it will be made by a human, a machine, or a human supported by a machine.

Another significant benefit of mapping decisions is the ability to assign an 'importance' attribute to them. Some decisions are inherently more important than others, based on their potential impact, consequences, and benefits.

It is important to implement a continuous improvement process because a decision made by a human today may be automated in the future.

8. Looking forward, what role will digital procurement play in shaping the procurement function over the next 5 to 10 years?

The role of digital procurement will be fundamental to add value to the business. There are 5 areas where I think digital procurement will help:

1. **Giving insights:** improving the quality and amount of data will allow companies to improve the analysis to get better and precise insights and recommendations
2. **Automating:** each day we will find new opportunities to automate activities and decisions. This will increase the efficiency of the processes
3. **Improving relations:** tools will take care of the transactions so we can care of building better collaboration with the stakeholders
4. **Reducing risk:** tools will enable proactive identification and management of supply chain risks
5. **Developing new operating models:** to be able to manage all the above and get the benefits of those changes, organizations will have to redesign their procurement operating models. It is important to see this as an opportunity to create new ways to add value to the business.

“When we feel the need to change, it is already late”

Javier Carnevali P.

Author's Bio

Javier Carnevali is a recognized specialist in Procurement, Strategic Sourcing, and Spend Management, with over 30 years of experience working in consulting firms and consumer goods companies. His work has focused on implementing best-in-class processes, technologies and developing high-performing teams. Javier is the author of the Spend Lifecycle Management© model (www.spendlifecycle.com) and has been twice recognized as a Sustainable Procurement Champion by CPO Magazine.