DIGITAL TRANSFORMATION THROUGH PARTNERSHIPS

PROCUREMENT LEADERS

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IN PARTNERSHIP WITH

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EXECUTIVE SUMMARY

From driving efficiency and reducing process cycle times to informing functional strategies, procurement leadership teams are keenly aware of the opportunities digital transformation provides. Many organisations have struggled to take advantage of those opportunities, however, with high project failure rates and lower-than-expected returns on investment.

Those aspirations are being challenged by several issues, illustrated by Procurement Leaders' *Digital transformation* report.

■ **High project failure rates**

38% of respondents led, or contributed to, a failed digital project over the previous 12 months.

■ **Lower than expected return on investment**

37% felt their most recent project had not performed against the objectives they set ahead of implementation

■ **Failure to deliver against the organisation's strategic vision**

53% reported a less transactional, more strategic focus through digitalisation. Although two-thirds of those surveyed targeted competitive advantage and margin growth, just 23% realised those aims.

This report proposes an end-to-end framework from idea generation to implementation.

SECTION 1
IDENTIFY ISSUES

SECTION 2
FOUNDATIONS

SECTION 3
DEFINE SCOPE

SECTION 4
SCALE UP

SECTION 5
IMPROVEMENT

This is the network edition of this report:
Procurement Leaders members can access the full version. See page 17 for more details on the membership.

SECTION 1: **IDENTIFY ISSUES AND SECURE EXECUTIVE BUY-IN**

STAKEHOLDER ENDORSEMENT

Obtaining senior stakeholder endorsement is a foundational step of digital transformations. Securing this support requires leaders to develop a vision built from a deep knowledge of business challenges. The importance of this is clear: projects endorsed by stakeholders are more likely to succeed than those that lack such support.

IDEA GENERATION

Procurement functions have traditionally adopted a restrictive approach to identifying and prioritising digital initiatives, handing responsibility to leadership teams.

Digital procurement leaders should broaden these channels to identify the highest-impact projects by providing a forum for procurement practitioners and stakeholders to raise ideas.

ASSEMBLE THE CORE PROJECT TEAM

Digital leaders should bring together a strong core team from the outset of the initiative. Although the size of the team will fluctuate, embedding key members from the start will drive greater coherency.

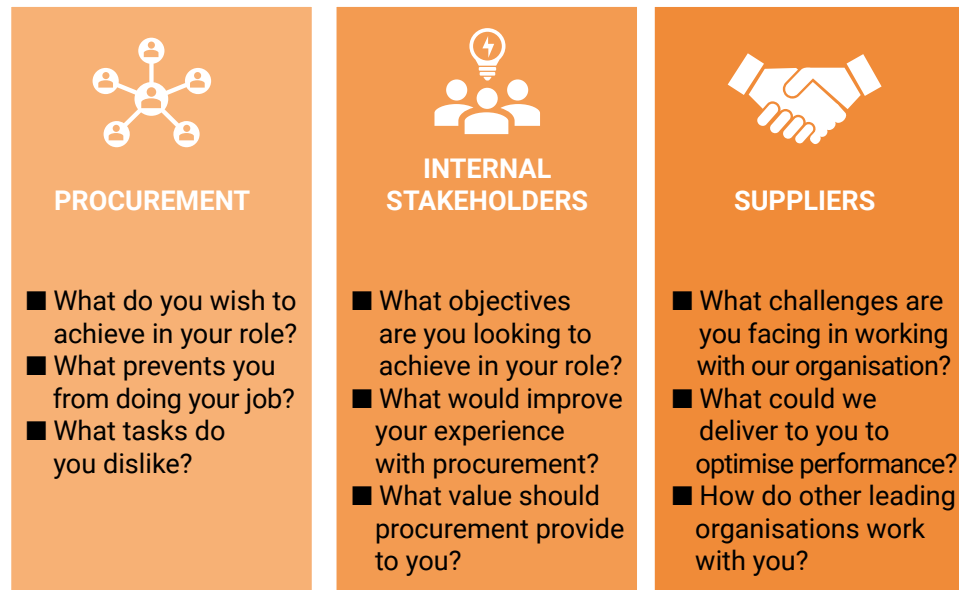# SECTION 1: **IDENTIFY ISSUES AND SECURE EXECUTIVE BUY-IN**

DEFINE THE STRATEGIC VISION

A principal step for the project team is building an understanding of the limitations of current state approaches.

Fig 1 (below) illustrates the insights teams should seek to draw from these interactions.

FIG 1: INSIGHTS TO HELP DEVELOP A STRATEGIC VISION

PROCUREMENT

- What do you wish to achieve in your role?
- What prevents you from doing your job?
- What tasks do you dislike?

INTERNAL STAKEHOLDERS

- What objectives are you looking to achieve in your role?
- What would improve your experience with procurement?
- What value should procurement provide to you?

SUPPLIERS

- What challenges are you facing in working with our organisation?
- What could we deliver to you to optimise performance?
- How do other leading organisations work with you?

CHANGE VISION AND GOVERNANCE

Executive sponsors play a vital role in securing buy-in for any digital transformation initiative.

IVALUA PERSPECTIVE

Craft your near- and long-term vision for digital in procurement and quantify success.

Gaining executive support is critical to a successful transformation and having a clear, compelling vision is key. Ivalua can help customers translate their vision into a more practical, market-aligned perspective, as well as inform that vision through benchmarking. These insights are helpful in not just building business cases, but also planning the transformation approach and shaping change communications

CASE STUDY: BAYLOR SCOTT & WHITE HEALTH – IMPLEMENTING A DIGITAL PLATFORM

The not-for-profit healthcare provider sought to digitalise its spend to help the organisation find efficiencies and focus on patient needs

■ CHALLENGE

Baylor Scott & White wanted to move away from manual processes that distracted healthcare staff from the core function of caring for patients. Various outdated legacy systems, including a highly entangled enterprise resource planning (ERP)-based procure-to-pay (P2P) system complicated processes and created inefficiencies. The organisation's healthcare-specific integration requirements limited its ability to leverage standard out-of-the-box spend management solutions.

A diverse user base, spanning multiple hospitals, doctor's offices, clinics and suppliers added to the difficulty of change management. The organisation also faced a tight operating budget and had to coordinate other major IT and electronic medical records (EMR) projects.

■ APPROACH

Baylor Scott & White Health partnered with Ivalua to implement a single, integrated digital platform for all its spend. The team digitised the full source-to-pay (S2P) process in two six-month phases. This included remodelling the user structure, the organisational model and the accounting structure.

The approach was built from a clear definition of project goals, which were developed around business requirements, but also from an awareness of patients' needs:

- Reinventing procurement to better support the business
- Simplify and unify existing supply chain processes
- Drastically improve the user experience
- Improve data capture to ensure the accuracy of billing and patient data
- Ensure the transparency of all purchasing activity
- Rapid implementation to avoid interfering with another, even larger, enterprise software deployment
- Improving collaboration and communication with suppliers
- Reducing the total cost of care to ease patients' financial burden
- Supporting the organisation to realise $100m in savings in three years
- Increasing customer visibility to order status ▶

Baylor Scott & White Health's two-phase approach:

Phase 1: Over six months, the future-state design and implementation of:

- Supplier life cycle management: more than 40,000 suppliers loaded.
- Strategic commodity-based sourcing and spot-buying processes.
- Contract life cycle management for various types of agreement.
- Master data setup: user structure, organisational model, accounting structure.

Phase 2: Over six months, the future-state design and implementation of:

- Catalogues: 300,000 items managed, 4,400 active contracts with 1,100 distinct supplier sites.
- Full P2P cycle (requisitions, purchase orders (POs), receipts, invoices, payments).
- Electronic data interchange (EDI) integration with group policy object and cXML enablement for B2B punchouts.

■ OUTCOME

Baylor Scott & White Health successfully implemented a single, integrated digital platform for all of its spend, as well as its users, suppliers and processes. This provides 100% spend transparency and has improved the purchasing experience for users and suppliers. A major benefit of this has been freeing resource from administrative tasks so the team is better able to support patients.

The project team's deep awareness of business challenges, as well as the complexity of the organisation, led to the development of the following capabilities:

- Existing Vizient electronic data interchange integration with suppliers maintained, leveraging existing connections to accelerate value.
- Automatic two-way PO invoice match for operating room supplies. POs are created after the procedure so receipt is assured.
- Unique PO workflow configured to route operating room POs and capture special needs/serial number tracking/patient tracking details, automating a highly manual process.
- The digital capture of critical information such as the doctor, patient medical record number and procedural 'envelop' as requisition controls.
- Flexibility to adjust processes for unique or evolving requirements, ensuring long-term value.
- Unified data model delivering real-time visibility across all S2P processes and 360-degree supplier visibility.

◥ READ THE FULL MEMBER STORY

- *Baylor Scott & White Health's approach to implementing a digital platform for its entire spend portfolio*

BUILD FOUNDATIONAL CAPABILITIES

Workflow mapping is a core component of a current-state analysis, which should include a comprehensive understanding of the organisation's capability gaps. If teams are unable to identify bottlenecks and build contingency plans, projects are likely to be delayed or fail to deliver the anticipated returns.

86% The proportion of Digital Readiness Assessment respondents that lacked at least one foundational capability for digital transformation

Source: Digital Readiness Assessment, Procurement Leaders, July 2020

WORKFLOW AND PROCESS MAPPING

Major software deployments require a comprehensive review of workflows and business processes. This helps the team understand how software should be configured and whether the processes to which it is applying technology are fit for purpose.

PROCESS REENGINEERING

Vendors have built their solutions from observation of industry standard and best practices. Procurement teams with processes that do not conform to these standards and lack either the ability or the appetite to change them, will be limited in the providers they can partner with and may face significant customisation and maintenance costs.

SECTION 2: **FIX THE FOUNDATIONS AND IDENTIFY ROADBLOCKS**

STAKEHOLDER MAPPING AND ENGAGEMENT

Procurement processes frequently include many interactions with stakeholders outside of the function.

Consequently, any changes to these processes will require considerable stakeholder investment. Although this investment – and associated access to resources and expertise – is central to completing projects, the majority of digital transformation initiatives lack such support (see fig 2).

FIG 2: THE EXTENT TO WHICH BUSINESS PARTNERS ALLOCATE TIME, RESOURCE AND OWNERSHIP TO DELIVER DIGITAL OUTCOMES (%)

| 6 | 27 | 41 | 6 | 20 |

■ Fully   ■ Partially   ■ Some examples   ■ Being planned   ■ No activity
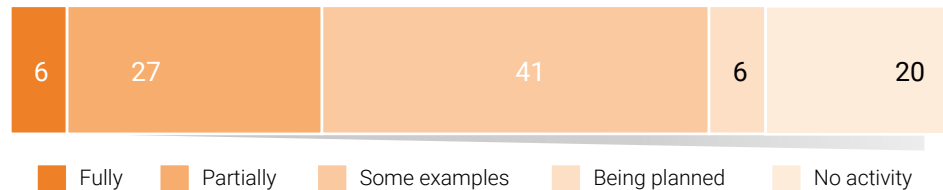
Note: Proportion of Digital Readiness Assessment diagnostic respondents as to whether internal business partners allocate time, resource and ownership to deliver digital outcomes for various project owners across the entire organisation, n = 51

Source: Digital Readiness Assessment, Procurement Leaders, July 2020

> We baseline clients' pain points and understand where they are from a maturity perspective. Having an honest assessment of where you are today is essential to planning a successful transformation
>
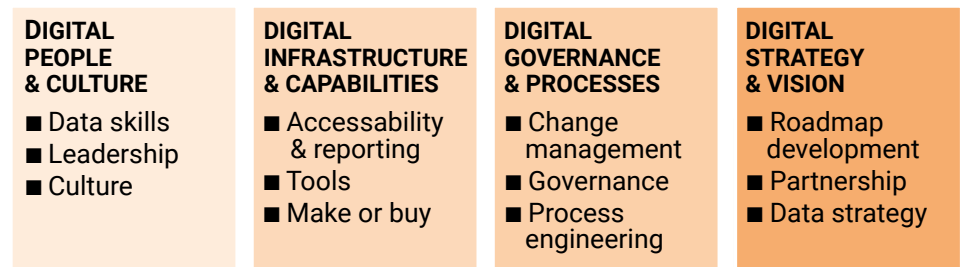> **Navin Vardya, VP customer success, Ivalua**

> We then work to maximise use of industry best practices. We want to leverage best practices built into Ivalua where possible, yet maintain the flexibility to address any truly unique client needs without causing disruption to the business
>
> **Navin Vardya, VP customer success, Ivalua**

READINESS ASSESSMENT

Completing a digital readiness assessment, such as that available to Procurement Leaders members, will provide project teams with insight into the capabilities they require to deploy solutions successfully and realise the value of their investments. (see fig 3).

**FIG 3:** PROCUREMENT LEADERS' DIGITAL READINESS FRAMEWORK

DIGITAL PEOPLE & CULTURE	**DIGITAL INFRASTRUCTURE & CAPABILITIES**	**DIGITAL GOVERNANCE & PROCESSES**	**DIGITAL STRATEGY & VISION**
■ Data skills ■ Leadership ■ Culture	■ Accessability & reporting ■ Tools ■ Make or buy	■ Change management ■ Governance ■ Process engineering	■ Roadmap development ■ Partnership ■ Data strategy

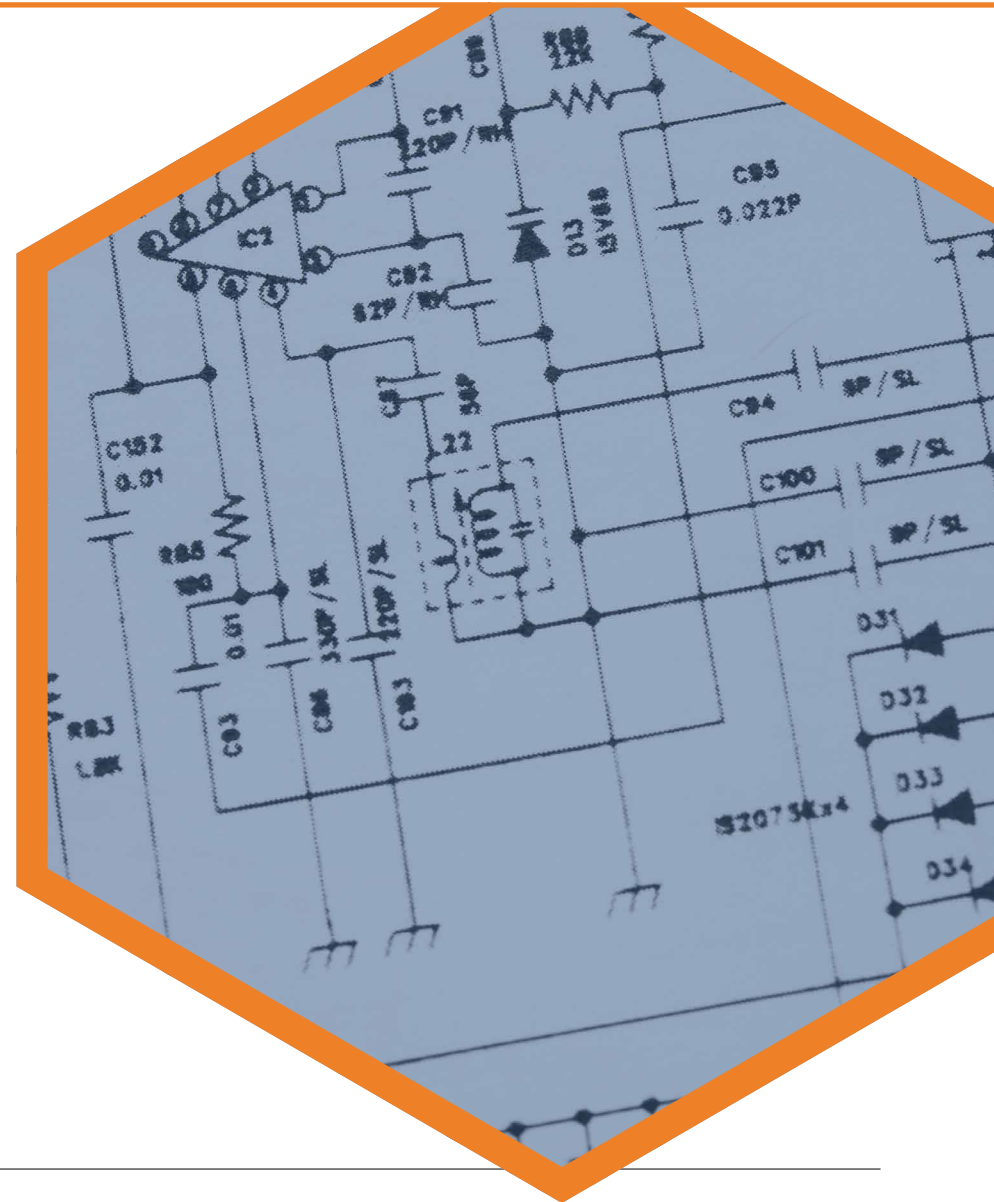# SECTION 3: **DEFINE THE SCOPE**

EFFECTIVE PROJECT MANAGEMENT

Clear scoping and effective project management will not only set realistic expectations about deliverables but they will also make it easier for teams to meet those expectations. Effective project management allows project leads to plan more proactively and spend less time reacting to risks while helping to improve quality control.

FIG 4: USE OF FRAMEWORKS TO COVER SCOPE, TIMESCALE, RISK, QUALITY, BENEFITS AND COST (%)
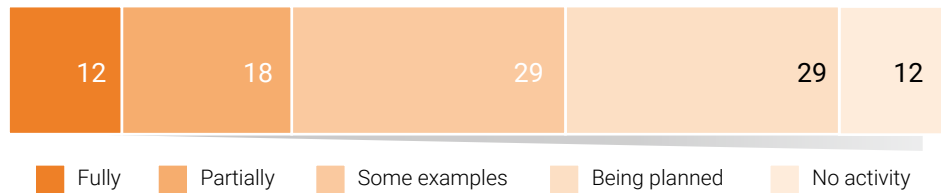
12	18	29	29	12

- Fully
- Partially
- Some examples
- Being planned
- No activity

Note: The proportion of Digital Readiness Assessment diagnostic respondents as to whether a framework covering scope, timescale, risk, quality, benefits and cost, has been developed by a dedicated team with full ownership of digital projects. N=51

Source: Digital Readiness Assessment, Procurement Leaders, July 2020

SECTION 3: **DEFINE THE SCOPE**

SCOPE BRAINSTORMS AND DOCUMENTATION

Digital procurement leaders should commit to a number of scope brainstorming sessions with the project team and executive sponsor before developing a comprehensive plan.

These sessions should be documented to ensure that those involved in the project understand the key project outcomes.

OBJECTIVES AND PERFORMANCE MEASUREMENT

Develop a statement of the objectives for the initiative, ensuring a governance structure exists that stipulates how these aims will be measured and helps ensure individuals are held accountable for pre-defined targets.

Project leads should assess the initiative's objectives should assess against the 'Smart' criteria:

Specific A precise objective

Measurable The goal can be assessed quantitatively

Attainable Realistic and within the team's influence

Relevant Can be attributed to project scope

Time-based Designated milestones established

DEVELOP PROJECT PLANS

Project documentation plays an essential role in helping inform the project team, stakeholders and any governance bodies that may be in place.

Plans provide clarity on project responsibilities and teams should review these documents frequently to ensure they represent the group's shared vision.

IVALUA PERSPECTIVE

Prioritise and sequence use cases to develop a plan and a roadmap. Ivalua will work with organisations to identify and prioritise use-cases for digital transformation in procurement, map out the overall journey and define key KPIs for deployment milestones.

Activities with which the company will support clients include:
- Defining business processes and identifying gaps
- Verifying integrations
- Verifying and develop data migration
- Validating and refining the test strategy
- Defining and aligning on the change impact and a change management approach
- Process, spend category and/or geographical sequencing

SECTION 4: **ACHIEVE QUICK WINS AND SCALE UP**

TESTING AND SCALING UP

Robust testing and scale-up approaches are central to embedding technologies, making iterative improvements and ensuring solutions are fit for purpose. During this phase, ensuring strong uptake for solutions is a major focus for project teams. Return on investment will be limited by users circumventing the technology or failing to use its full functionalities.

FIG 5: THE EXTENT TO TEAMS' DIGITAL ROADMAPS ARE EVOLVING CAPABLE OF SCALING AT PACE (%)

4	10	24	38	24

■ Fully ■ Partially ■ Some examples ■ Being planned ■ No activity

Note: The proportion of Digital Readiness Assessment diagnostic respondents as to whether their digital roadmap is continuously evolving, adaptable to changing customer requirements, with the capacity to quickly scale successful pilots for digital applications into wider deployments

Source: *Digital Readiness Assessment, Procurement Leaders, July 2020*

SECTION 4: **ACHIEVE QUICK WINS AND SCALE UP**

SMALL-SCALE DEMONSTRATIONS AND TESTING

Deployment models are not mutually exclusive; project teams often operate with a hybrid approach, depending on the scale of the proposed project. Larger organisations, in particular, have shifted their focus to approaches that rely on establishing pilots.

To run an effective pilot or to assess a prototype, teams should:
- **Build a clear measurement methodology**
- **Focus on security to reduce IT bottlenecks**
- **Feedback mechanisms**

CHANGE MANAGEMENT ROLLOUT

Allocate resources to change management and, where possible, establish a dedicated team to develop a comprehensive communications strategy.

To support this team, digital procurement leaders should consider onboarding staff outside of the core project team to facilitate change within their functions or business units. These individuals are commonly referred to as change champions, or ambassadors, and can be used to disseminate change messages, escalate challenges from their teams and support colleagues by providing support in using platforms.

IVALUA PERSPECTIVE

Jump-start offerings let customers deploy sourcing or supplier risk and performance management in less than four weeks – or procure-to-pay in less than 12 – to reduce costs, improve supplier visibility and cash management or ensure employee productivity. Others choose to address a broader process initially or take a geographic approach.

It is key to ensure the first phase is a success and delivers quick wins, to provide a rapid return on investment and prove the case for further time and resources. Before rolling out projects, Ivalua will engage in a readiness review. These can inform and challenge existing approaches to deployments to ensure the client avoids common roadblocks. This can supplement any readiness reviews already undertaken and contextualises your requirements around Ivalua's offering.

SECTION 5: **CONTINUOUS IMPROVEMENT**

CONTINUOUS IMPROVEMENT

Project teams must commit to ongoing change to drive improved performance and ensure solutions continue to address the business's continuously evolving requirements, as well as leverage emerging technological capabilities.

Make change stick: Common practices to avoid

- **Failing to reinforce change**
- **No project learning**
- **Poor documentation**

REINFORCEMENT AND RECOGNITION

Celebrate project successes and recognise the contributions of staff throughout the business to reinforce change messaging.

Explore opportunities to raise the profile of projects to illustrate the importance of continued engagement and build a stronger narrative of success to justify future investment.
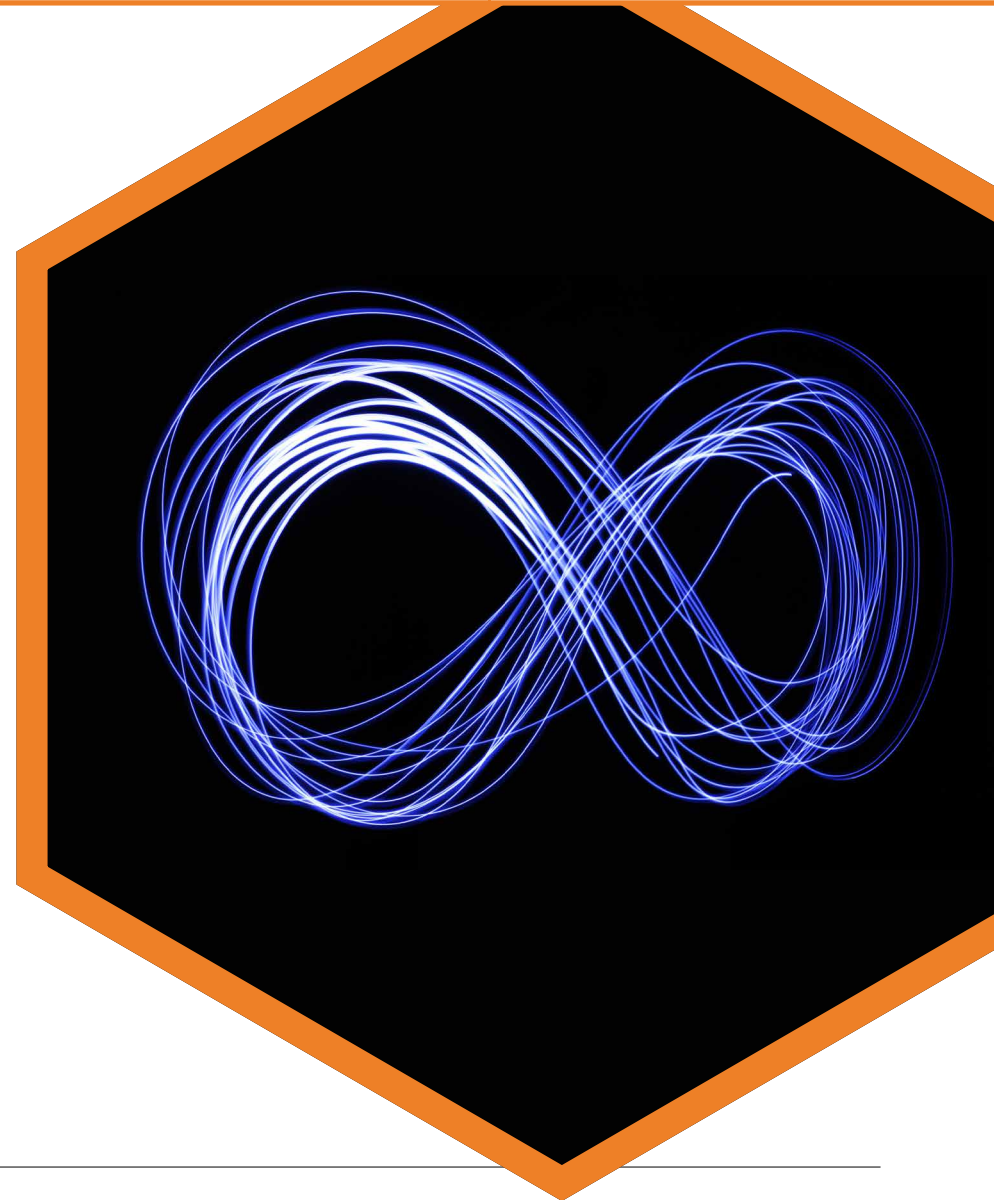
SECTION 5: **CONTINUOUS IMPROVEMENT**

PROJECT RETROSPECTIVES

Project retrospectives are activities that involve reviewing a project and detailing its successes and failures.

Although retrospectives traditionally take place at the end of a project, they can take place after each milestone. Such an approach is particularly effective in supporting a phased rollout.

FIG 6: STOP, START, CONTINUE FRAMEWORK

STOP
- What is not working for the team?
- What is not working for the project?
- What do you dislike?
- What feels inefficient?

START
- What tools, activities or processes could improve our approach?
- What should we have in place to address challenges that may arise in future projects?

CONTINUE
- What is working well?
- What were the key enablers of the project's success?
- Which activities and tasks did the team enjoy?

BUILD A REPOSITORY OF PROJECT LEARNINGS

Develop a project repository to collate the organisation's progress on existing projects, as well as feedback and findings from project retrospectives. This provides a central resource to inform future projects.
- A library of previous projects
- Digital roadmap documents
- Templates and frameworks
- Glossaries

IVALUA PERSPECTIVE

Refine, expand to digitise all spend and suppliers and digitise unique processes to build a competitive advantage.

Digital procurement transformation continues well past the successful deployment of technology and processes spanning the source-to-pay cycle. To optimise value, Ivalua supports leaders in three ways:

- **Performance measurement and refinement**
- **Expanding to all spend and suppliers**
- **Building competitive advantage**

LINKS

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CASE STUDY: Roche
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CASE STUDY: Vodafone's 'roadmap' to the future of
category management

ABOUT THE AUTHORS

This report is based on a number of interviews with members of the procurement community, data from Procurement Leaders' Digital Readiness Assessment and input from Ivalua, partner of Procurement Leaders' Data and Innovation research stream in 2020

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Alex is the principal analyst for data and technology at Procurement Leaders, specialising in IT and logistics. He has a background in economic history and is an experienced analyst.

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Alex has spent nearly 20 years evangelising spend management, shaping its evolution and working closely with hundreds of customers to support their digital transformation journeys. As CMO at Ivalua, he leads the overall marketing strategy and thought leadership programmes.

NAVIN VARDYA
VP customer success
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Navin brings deep industry experience in bringing measurable value to customers and scaling post sales functions to ensure customer success at Ariba and Coupa Software, where he helped grow and define new processes as the two companies went through public offerings.

CONTACT THE AUTHOR AND FEEDBACK

If you have enjoyed this report, would like some more information, or feel it has not met your expectations, please contact us at:
feedback@procurementleaders.com

ABOUT OUR PARTNER

Ivalua is a leading provider of cloud-based spend management solutions. Our complete, unified platform empowers businesses to effectively manage all categories of spend and all suppliers, increasing profitability, lowering risk and improving employee productivity. Trusted by hundreds of the world's most admired brands and the only vendor currently recognised as a leader across the full source-to-pay spectrum by Gartner and Forrester, Ivalua maintains the industry's leading 98%+ customer retention rate year after year.
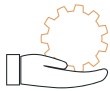
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