

## Procurement 4.0 in the digital world

*Making procurement smarter through digitalization and new technologies*



In today's fast-paced digital age, technology has ever-increasing importance for businesses and their corresponding activities. This development has led to critical digital-centric challenges in the procurement function, such as efficiency improvement through the application of advanced analytics, or value generation through the use of big data. In particular, the application of assistive technologies such as end-to-end automation of the purchase-to-pay process, and organizational implementation of the future robotic workforce, have developed into crucial competitive factors. To better understand how these trends are transforming the nature of procurement, Arthur D. Little brought together Austrian CPOs of key industry players at its Procurement 4.0 Roundtable in Vienna to discuss the impact of digitalization.

### The future of procurement

The future of procurement will be characterized by the transformation induced by megatrends such as an immense level of digitalization, further increasing of globalization, the sharing economy and a shift in demographics.

### Bernd Schreiber introduces the Future of Procurement expertise of Arthur D. Little



Procurement will have to adapt to these new paradigm shifts and the related industry changes. Depending on the industry, these changes can range from volatile markets and pressures to cost reduction to a fundamental need for organizational and technical simplification. In an introductory keynote, Arthur D. Little outlined major trends to be considered, the challenges they implied, and areas of innovation which were most important for the field of procurement. The clear vision is that

the impact of digitalization on the procurement function will affect all core activities within an environment, in that business models will be eagerly pursued in order to evolve and survive in the competitive environment. In this context, future purchasing is not just expected to develop digital capabilities, but also be a driver of innovation when it comes to enabling the digital transformation of a corporation, whether the role is to in-source innovation from the market or be a collaborative, end-to-end business partner with automated or robotized processes.

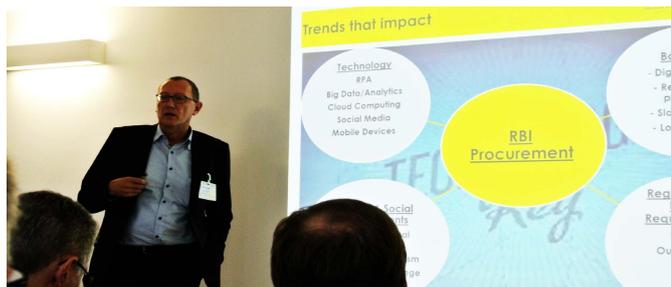
### Procurement in the 21st century focuses on adding value instead of simply cutting costs

Raiffeisen Bank International's (RBI) service industry is undergoing deep changes, especially through digitalization, recent political and social developments, and the regulatory wave that recently hit the financial industry. Slow growth and low margins have also had a considerable impact on the banking industry's overall business. The need to respond to these pressures has naturally affected the traditional banking approach on all ends. To adapt to these new circumstances, RBI has opted to keep its procurement framework and infuse its existing components with selected key technologies in order to optimize the business support of the procurement function.

Standard internal processes have been highly automated, while facilitating all ordering processes and providing internal customers with digital consumer-like experiences. End users are able to engage in low-value sourcing activities within a safe and compliant framework throughout organization. To achieve the desired levels of automation, areas that did not face end users needed modifications as well. For that purpose, RBI also went digital with its contract management and source-to-contract procedure.

Through the digitalization efforts in its procurement activities, RBI continues to focus on adding value instead of simply reducing costs. Procurement has implemented technologies to engage with both its suppliers and end users digitally, thus radically reducing time to source and promote fairness and transparency in a digital procurement world.

### Edzard Janssen talks about adding value to the organization through smarter procurement



*(We would like to thank Edzard Janssen and Raiffeisen Bank International AG, on which this section is based.)*

### The digitalization of procurement shows great potential for cost optimization

UNIQA sees the digitalization trend as an opportunity to streamline its procurement operations. In its approach, the insurance giant has decided to focus on bundling its strategic procurement activities across all decentralized locations to take advantage of economies of scale, as well as cut costs along its logistics chain by reducing red tape and transferring responsibility and accountability to its employees. Employees can therefore submit their own purchase orders through the employee self-service platform, thus reducing the need for administrative personnel.

UNIQA focused on C-level goods, which have low strategic importance for the company but account for roughly 80 percent of total purchasing costs, thus showing the greatest radical process simplification and cost reduction. The company has managed to optimize the purchase of these components through its e-procurement platform by outsourcing the whole purchasing process to various providers with which they collaborate closely. In fact, UNIQA's procurement platform is

its only point of contact with its suppliers, and merely requires them to be able to use Microsoft Excel to interact with UNIQA.

### Bernhard Spitaler illustrates the cost-saving potential in the digitalization of procurement



*(We would like to thank Bernhard Spitaler and UNIQA Insurance Group AG, on which this section is based.)*

Key results have been an increase in transparency of the procurement process, and the ability to engage with suppliers efficiently through electronic invoicing with full SAP integration and electronic signing. Through thorough process automation, the procurement function was able to implement a high-level strategic approach for future activities. UNIQA reiterates that automation does not replace personal communication, but merely changes its essence. With this new approach, procurement is not just seen as a supporting function to cut cost, but also as a true process innovator within the company's cooperative landscape.

### Technological advances help reduce barriers and overcome complexity

voestalpine tackles global complexity; its procurement team works across 500 subsidiaries in 50 countries, which use over 26 different SAP systems. The challenge here is threefold: optimize external value creation, utilize more effective and efficient processes and develop and train outstanding purchasing agents.

To harmonize all these units, voestalpine relies on the principle of digital data and information transparency, providing all necessary information about suppliers in real time. In addition, an adaptable yet effective procurement process is integrated into the supply chain, thus deploying the most suitable purchasing process for each business model existing within the company from a single platform. The overall goal is to achieve both the optimization of total costs of ownership while ensuring security of supplies in volatile markets. All procurement processes are therefore highly automated and digitally supported. Procurement is therefore involved

throughout all major projects at all stages as an internal business consultant. One of the major goals the function has set for the coming years is to create data transparency for all employees in all geographies where the company is active. This internal development strategy especially leads to an improved view of the whole procurement organization, as it is seen as the key enabler of big-data and analytics activities.

Beside automated process support and data availability, voestalpine stresses that purchasing is a “people business”, as its key purpose is to meet customers’ requirements and expectations. Therefore, the company is investing heavily in its Purchasing Power Academy (nominated for the World Procurement Award 2017) to continuously train its purchasing agents in the fast-changing digital environment of today. According to voestalpine, it is its most important pillar since the company’s future digital culture and mind-set are created here.

### Dr. Michael Eyett explains how technology can improve a “people business”



*(We would like to thank Dr. Michael Eyett and voestalpine Group AG, on which this section is based.)*

### Gaining an edge through innovation in procurement

Due to the nature of its industry and business, Österreichische Post AG has always had to cope with two challenging areas within its procurement: large numbers of orders to process and internal customers to respond to. Interested in what the potential upside a digital transformation of its procurement activities could offer it, Österreichische Post investigated the market for potential platform-based procurement solutions. The company quickly identified that standard solutions offered in the market would not be suitable for its unique needs and decided to build a new platform from scratch.

For this purpose, Österreichische Post borrowed many elements from business process reengineering, focusing on key areas such as low staff-training expense, strong integration of robotics, user friendliness, efficiency and transparency. Recognizing the need for creativity, the company developed the pilot project for this platform in close cooperation with an external company from the start-up scene. Using cutting-edge technology and industry best practices such as procure-to-pay, Österreichische Post managed to set up a platform tailored to its needs for a

fraction of the cost of turnkey alternatives. Additionally, balanced scorecards within the system were optimized using over 25 metrics as a basis for assessment; full automation of order, billing and payment processes were integrated into the system; and a user-friendly online e-commerce-oriented interface was created.

The platform turned out to be a huge success. It not only optimized both order and billing-processing speed, and greatly reduced efforts in accounting and controlling through automation and optimizing costs through bundling, but also provided transparency through compliance and detailed spend analyses. In addition, it substantially reduced cycle times and achieved a high degree of user satisfaction throughout the organization.

### Horst Ulrich Mooshandl on how adding a creative twist to digitalization can have a great impact



*(We would like to thank Horst Ulrich Mooshandl and Österreichische Post AG, on which this section is based.)*

### Concluding questions

Noticeably, the digitalization trend is currently having, and will continue to have, a massive impact on procurement activities. While we see different approaches to implementation across companies, a key commonality among them is that procurement departments increasingly relinquish the role of mere cost cutter in favor of becoming a digital-centric business partner. Nevertheless, choosing a suitable digitalization strategy requires careful analysis, a structured approach and professional implementation of technologies, governance models and organizational set-ups.

Arthur D. Little has deep knowledge and experience in helping the leading players in this field to elaborate and execute strategies for the above-mentioned trends. Throughout the event, various questions were raised.

- How to use the right approach to technology selection and implementation towards value capitalization within procurement departments?
- How to select the right tools in the future field of process automation and set up a digital-centric procurement

business model in which an employee steers a digital workforce?

- How to define organizational steering and governance models within fully automated process landscapes?
- How to identify the right levers for efficiency in procurement before setting up a digital transformation roadmap?
- How to implement big-data and analytics initiatives throughout complex organizations with multiple functions and geographies involved?

We will address these and further questions in our next digital procurement viewpoint, which is to be published soon. If you have any questions, our experienced digital procurement consultants within the operations management practice will happily engage with you anytime.

**Bernd Schreiber and Dr. Karim Taga with our guest speakers**



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### Arthur D. Little

Arthur D. Little has been at the forefront of innovation since 1886. We are an acknowledged thought leader in linking strategy, innovation and transformation in technology-intensive and converging industries. We navigate our clients through changing business ecosystems to uncover new growth opportunities. We enable our clients to build innovation capabilities and transform their organizations.

Our consultants have strong practical industry experience combined with excellent knowledge of key trends and dynamics. Arthur D. Little is present in the most important business centers around the world. We are proud to serve most of the Fortune 1000 companies, in addition to other leading firms and public sector organizations.

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