



Six Battlefield Learnings from Procurement Leaders

Finance and Procurement Leadership

Forum October 2020

valtatech

Introduction

Valtatech's October 2020 Finance and Procurement Executive Leadership Roundtable in partnership with Coupa Software saw representation from across several industries including consumer goods, travel, banking and finance, office equipment, and pharmaceuticals. This cross section generated excellent diversity of viewpoints that the impacts of COVID-19 pandemic has had for Finance and Procurement Leaders. For example, a representative from the travel sector reported negative income, whilst the pharmaceutical party reported increased revenues throughout the crisis.

The theme of the discussion was - How has the "new normal" introduced new supply chain risks, and how have you managed it? This kicked-off a lively discussion that touched on a variety of topics along the way. Per our agreement with attendees, we have anonymized the information shared and aggregated it into six themes that emerged of how businesses in South East Asia are managing the tumultuous business environment in novel ways.

Themes



**Alternative
Sourcing**



**End to End
Visibility**



**Supplier
Data
Management**



**Managing
New
Channels**



**Integration
within
organisations**



**Data-driven
capital
allocation**

1. Alternative Sourcing



An experience shared by virtually all the procurement leaders was a need to radically reassess alternative sourcing. Generally, all corporates had some plan in place for redundancy in mission critical sourcing, but the COVID-19 crisis laid bare the risk in a lack of geographical diversification. Unsurprisingly most parties had a heavy dependency on sourcing from China. With the sudden, and unforeseen shutdown of national borders starting in early 2020, many supply chains were completely disrupted as all alternatives were in some way connected to Chinese manufacturing or raw materials.

The most prominent learning from this was an **urgency to develop flexible supply chains that are decoupled from a single country or region**. This applies to both primary suppliers, as well as to their downstream supply chains, which may be prone to simultaneous interruptions. This is a process that is greatly enabled by supplier management platforms.

2. End to End Visibility



Related to the necessity of diversified supply chains, is the importance of organizations having end-to-end visibility. There were stories told of a “China-plus-one” strategy, but subsequent discovery that the raw materials that the “plus-one” party used were also from China. In effect, the diversification failed as a strategy due to a lack of transparency throughout the supply chain network. A second point of view was introduced regarding the importance of visibility through the logistics of a supply network. The organization in this case was caught unprepared as there was significant inventory in transit when the crisis hit, and it was extremely challenging to put the movement of orders to rest in response to disappearing demand.

A learning from this is the importance of **well-managed data that provides a complete view of supply chain dependencies**. Manually maintained, disaggregated data has proven an ineffective way to mitigate this risk during a regional crisis. The importance of an integrated data platform came into clear focus.

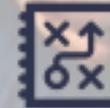
3. Supplier Data Management



A view brought forward by one sector was the difficulty in dealing with suppliers during volatile times, when complete data about a company's spend with that supplier is not readily available. As corporates looked for ways to slash costs, they found themselves at a lack of leverage due to an unclear historical relationship with suppliers. This lack of readily available data placed a huge burden on ad hoc data analytics, during a time when organizations were constrained with resource availability.

An account was shared wherein a hurried analysis was made of transactional history with a supplier, and the firm realized that their terms were highly disadvantageous. Having a set of analytics available during a renegotiation allowed the buyer to exercise leverage and reposition their relationship leading to significant savings. The big lesson from the recent crisis for some of our contributors is **the importance of having supplier data available when you need it**. Further, the data must be structured in such a manner that it is integrated, can be readily analyzed, and is actionable.

4. Managing New Channels



An experience shared by several sectors was an unanticipated shift to new sales channels. This was reflected in a pivot to different addressable markets, as well as a marked jump in demand for e-commerce delivery. A common perspective was the pressure on profit margins in these new channels. One party spoke of a trade-off between maintaining market share and margins in sales. This was viewed as a compounded challenge for organizations that had to find a balance between sales opportunities, which required rapid adjustments in chains, while managing operating efficiency.

A lesson from this is the importance of having **available integrated supply chain data during a pivot to new distribution channels**. Where legacy linkages are disrupted through shifts in demand, there are unique challenges in procurement and supply chain management to create new delivery networks. This underscores the value of data management platforms that can be called upon, on demand, to reengineer both supply and sales channels with rapid delivery.

5. Integration Within Organisations



A perspective echoed by several sectors was how the crisis exposed disconnects in data management between organizational departments. In particular, the relationship between procurement and supply chain management structures was discussed. One account was the gap in transformational evolution between departments. In the example, procurement had undergone digital transformation in advance of the supply chain division. As the enterprise waded into crisis management, the value of the more advanced state of transformation with procurement became clearly visible to top management. Procurement management was subsequently given a lead role for interdepartmental digitization.

The insight is that it is **not enough for one corner of a corporation to undertake digital transformation**, while other departments, with inherent interdependencies remain left behind in their maturity evolution. As an organization finds itself navigating turbulent patches, the gaps are laid bare when departments are not synchronized in their platforms and data management regimes.

6. Data-Driven Capital Allocation



The new environment for corporate investments was discussed. This tracked several angles - how the crisis has shifted spending priorities toward technology, the enhanced importance of arguing for return on investment (ROI), and the zero-tolerance for failure to deliver. Several parties echoed the rigorous requirements introduced for solid data analytics when planning for project funding. A speaker related how all new projects require ROI calculations, and many within the organization were unfamiliar to this process. There is also a high threshold for certainty when allocating and managing corporate investments. The return must be aggressive, the delivery must be measured, and there is no margin for error.

Underlying this learning is **the demand for quality data at every stage of funding**. There is a much higher demand for quantitative analysis over qualitative projections now, which needs to be supported by thorough background data and forward projections. This requires enterprise-wide integration for a data lake that can be called on demand, with powerful Business Intelligence dashboards.

Working From Home

Whilst the subject did not relate directly to the general thread of data technology, there were some strongly held opinions expressed about the work from home environment that most corporates are experimenting with. Contemporary collaboration and communication technology have enabled work practices that were impractical a few years ago, but it at the expense of substance and quality. There was a consensus around the group that the virtual office has highlighted the value of physical structures and travel. The breakdown in a delineated personal and professional life has led to notable drops in efficiency. The group agreed that even the event could have delivered a deeper level of value should everyone be free to sit around a physical round table to share insights.

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About Valtatech

Valtatech partners with frustrated financial and procurement business leaders who want to transform their business and regain control over their clunky, manual source to pay processes and deliver measurable value. We provide a simple and cost-effective partnership service to shift from focussing on costs going out the door to value coming in.

We collaborate with some of the market leaders in the Source to Pay space to provide cutting edge Procurement and Accounts Payables solutions that are tailor made to suit the requirements of your business. We use our best practice implementation, integration and change management techniques to ensure that you experience a seamless transformation and achieve the best possible outcomes for your business.

With offices in Australia and the Philippines and having worked on many transformation projects around the world, Valtatech is well positioned to collaborate with customers whether it is around building a Source to Pay solution strategy, deploying S2P solutions, assisting with managed services, enabling supplier collaboration or helping with vendor data management through providing continual solution support.





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