Driving and Measuring Procurement and Supplier Innovation Value:

6 Years Learning in Minutes

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Driving & measuring Procurement & Supplier Innovation value

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Driving & Measuring the Value of Innovation

Agenda

Innovation & Value

Key elements of a Procurement & Supplier Innovation program

Increasing Supplier Innovation

Measuring the Value of Innovation initiatives: Value Statements

Fast Forward to the future
Innovation & Value
Definitions

“Something new that creates Value”

“Something” = process, product/service, information

“new” = to this activity, (Core)
= to the company, (Adjacent)
= to the world, (Disruptive)

“that creates Value” = in the eye of the beholder
Key elements: Process

**Explore**
- Research
  - Define Roche/Partner business needs
  - Identify potential areas of opportunity

**Create**
- Early collaborative development of innovative ideas

**Plan**
- Develop action plan for implementing all newly created ideas
- Quantify potential value

**Challenge**
- Hard probing of strengths and weaknesses of ideas
- Quantify potential risks

**Evaluate**
- Identify ideas that meet business needs and deliver high net value

**Implement**
- Approved ideas jointly implemented
- Commercialize using standard business processes

ICE uses a defined Innovation process based on Disney’s creativity strategy.
Key elements: People

Value Creation Agents leverage Roche and Partner subject matter experts
Key elements: Innovation focus

Focus Innovation on the processes, products & services with the greatest value creation potential
Key elements: Portfolio

Develop an Innovation portfolio for both short & long term value
Key elements: Innovation targets

Business Issue resolution *trumps* New Value opportunities
Increasing Supplier Innovation: Supplier trust

Build trust and commercial intimacy through open collaboration
Increasing Supplier Innovation: Mutual Value

Look for mutual value creation opportunities
Measuring the Innovation “Program” & “Initiatives”
Success indicators, Enablers, Value outcomes
# Measuring the Value of Innovation Initiatives

**Success indicators, Enablers, Value outcomes**

<table>
<thead>
<tr>
<th>Indicators of success</th>
<th>Enablers</th>
<th>Value outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business issue resolved or New Value Opportunities delivered</td>
<td>Clearly defined &amp; enticing Innovation Challenge statements</td>
<td>Innovation Business Case approved, launched &amp; implemented</td>
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<tr>
<td>Core, Adjacent &amp; Disruptive ideas generated</td>
<td>Active business participation in the process</td>
<td><strong>Value Statements</strong> defined &amp; delivered</td>
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<tr>
<td>Participant excitement &amp; upward selling</td>
<td>Business Case approval processes</td>
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Typical Innovation Value Types

Examples of Business focus areas

- Cost reductions
- Headcount efficiencies
- Speed/time improvements
- Risk reduction
- Customer benefits
- Revenue growth
Implementing Innovation Value metrics

How to create Value Statements

Value Types
- Identify potential Value Types
- Ensure meaningful to the Business Partner
- Ensure measurable by Finance

Baseline, Target, Date
- Define the Baseline level
- Agree the Target level
- Define the Date to achieve the Target level

Business Case
- Include Value Statements in the Business Case
Fast forward to the future

The end of “Procurement”, (move to Business Value Creation & Management)

Manage the Total Cost & Drivers of Business Value through Innovation, (external & internal)

Strategic Alliances between Companies & trading of external Partners

Significant automation, (sourcing, negotiations, contract management, resource allocation, analytics & insights, supplier interactions)
Value Statement examples

**Baseline level, Target level, Target date**

- **Cost:** Reduce the purchased price of Chemical A from $X to $Y per liter, by 31st Dec 2018

- **Speed/Time:** Reduce the average cycle time to create a new CRO contract from 26 to 10 business days by the 20th June 2019

- **Headcount:** Reduce the FTE’s required to perform 100 supplier quality audits per year from 5 to 4 by the 30th Sept 2019

- **Risk reduction:** Increase the number of approved suppliers for packaging component A from 1 to 3 by the end of 2019

- **Quality:** Reduce the number of rejected vials on the production line from 3% to 1% by 30th Oct 2019
Presenter

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