



FUNNEL VISION

Procurement's Unlikely Blueprint for Driving Transformation

Over the last 20 years, Sales has led one of the most remarkable examples of digital transformation in the enterprise, rising to a level of polished precision, executive standing, and vitality within the organization. In quick succession other departments have modeled its success, leading not only a transformation, but a full digitization of each function. IT, InfoSec, Marketing, Finance, and HR are all well down the transformational path. Now, as margin and growth pressures have intensified, Sourcing and Procurement is directly in the crosshairs of enterprise transformation.

Sales has risen to these new levels of efficiency and effectiveness aided by CRM and automation platforms. These systems have enabled full up-to-the minute visibility, methodical collaboration, and “drill down” control to drive increasingly better results. **By studying the path blazed by Sales and modeling its successful approach toward processes - notably the concept of a Sales pipeline** - CPOs and other Sourcing executives can find a repeatable blueprint to restructure teams and process and achieve a similar transformation.



By automating and driving transformational processes in Procurement, we create value for stakeholders, suppliers, and ultimately deliver that value to our end consumers



MICHAEL J. LEIKEN

Head of Spend Management for LendingTree

ACQUIRING A BLUEPRINT TO TRANSFORM SOURCING AND PROCUREMENT

As other functions in the enterprise have followed Sales' blueprint, their C-level counterparts also emerged with a renewed prominence at the table. The rise in prominence of the Chief Revenue Officer (CRO) is followed closely by the CTO, CIO, CISO, Chief Marketing Officer, and even the Chief People Officer in Human Resources.

There are two elements of Sales' transformation that form a solid foundation for this blueprint. The first element was to implement a new framework to identify and measure the team's work. In Sales, this concept is the pipeline - a unified way to look at how opportunities are identified, qualified, nurtured, advanced, and closed. Almost every company has its own customized version, but most follow a similar convention.

The second element and critical enabler of these departmental transformations is the adoption of a collaborative system of record that can standardize manual, legacy processes. The classic example is a CRM - a customer relationship management platform - that centralizes all the data captured from each interaction with a prospect. By adopting a similar tool, teams can now effectively:

- Define repeatable processes, communicate consistently, and work transparently across teams
- Provide detailed forecasting and drive process adherence across the organization
- Measure and assess performance in real-time against key indicators (KPIs)

TRANSFORMATION REWARDS

In theory, transformation is a broad-reaching change that forces one to rethink and up level processes. In practice, enterprise teams that are enveloped in a transformational evolution will ultimately up-level departmental execution, maximize business impact, boost quality, and produce a more agile organization. In 1999, when SaaS Sales CRM platforms were introduced, only a small percentage of enterprises took the leap and transformed their sales process. But within four years the transformation success results were undeniable, as research from *Harvard Business Review* showed that "82% of surveyed executives said they planned to employ CRM in their companies."¹ Fast forward to 2018 with Gartner's prediction that "by 2021, CRM will be the single largest revenue area of spending in enterprise software."² The success of these Sales platforms and frameworks lead to improved organizational performance, and with that, execution expectations. Executive leaders are now looking to apply focused automation applications to every function.

It is now time for Procurement and Strategic Sourcing teams to adopt this precision and process refinement to drive their own transformation.

What is Procurement's unlikely transformational blueprint? Procurement leaders are looking across the table to map their processes to a streamlined Sales pipeline. They understand long-term success depends upon curating a constantly growing stream of knowledge that lives within the enterprise, one that no longer depends on legacy systems, disparate Excel documents, and SharePoint databases.

FITTING THE PIECES TOGETHER:

Matching the Funnels

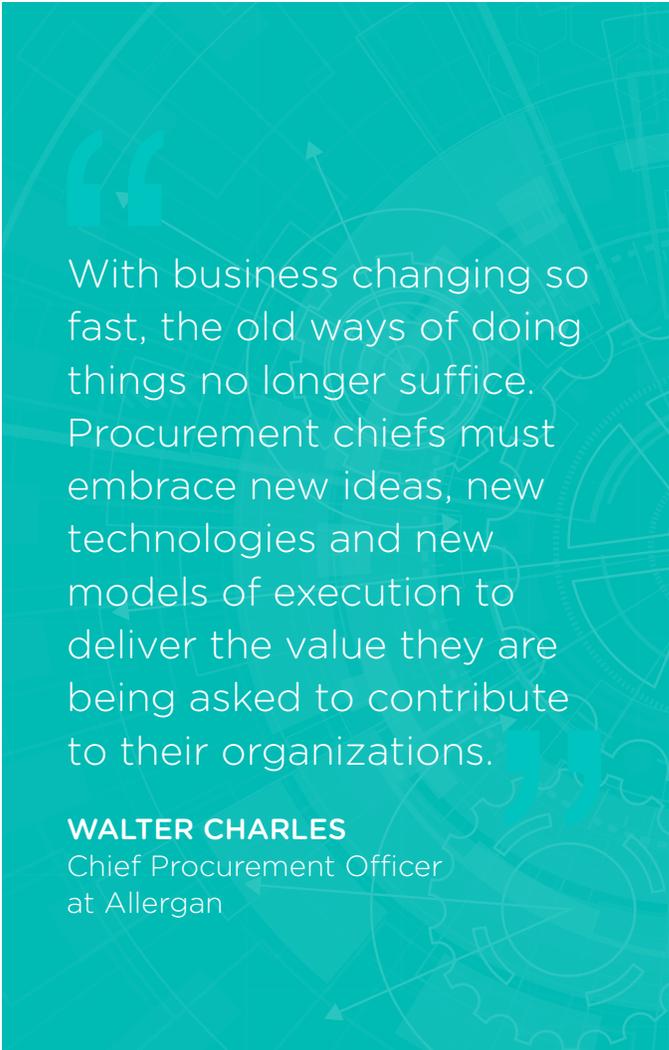
The Sourcing process is a near perfect parallel to a well-managed sales pipeline. Understanding these similarities provides an excellent roadmap for Procurement to achieve a similarly transformative change.

By establishing a pipeline-based Procurement process, Sourcing organizations have realized important, new capabilities to:

- Assess and act on organizational maturity levels
- Engage earlier to establish priorities and status with the business
- Build an effective team view into long- and short-term strategic opportunities
- Determine accurate forecasting of lead time, costs, exposure, and business impact
- Create process efficiencies through collaboration and workflow resource allocation
- Deliver greater customer satisfaction scores with suppliers, stakeholders, and key vendors
- Avoid over-commitment of resources, budget, and impact

Viewing Sales and Procurement as having a progressive funnel with discrete stages creates a process that can be viewed, measured, and analyzed for continuous improvement. Sales has capitalized on these dynamics for years with the combination of CRM platforms that centralize and standardize details and the application of carefully developed procedures and interactions that lead to higher levels of success.

The prospect of combined technology and process change can be daunting, but the long-term payoff more than compensates for the short-term investment of time, resources, and capital. In a properly managed pipeline, work is more transparent, collaborative, measurable, and efficient overall. As a result, teams taking this path are realizing their vision to build a more strategic, impactful Sourcing function, which includes the ability to be nimble and react to ever-changing priorities.



With business changing so fast, the old ways of doing things no longer suffice. Procurement chiefs must embrace new ideas, new technologies and new models of execution to deliver the value they are being asked to contribute to their organizations.

WALTER CHARLES

Chief Procurement Officer
at Allergan

Funnel Vision

Breaking Down the Blueprint

To get a good read on this blueprint, it's useful to start by mapping the stages of a modern Sales pipeline to the daily activities led by most Sourcing teams.



1

At the very top of the Sales funnel is demand generation that parallels project request and identification in Procurement. This initial Sales step involves identifying prospects and determining the viability of each. Sales must quickly assess the needs and desires of potential customers as well as the scope of the problem, motivation, and possible alternatives. Awash in information, this first step is especially important, because it helps determine how to size opportunities and prioritize investment.

Similar to inbound leads, Procurement intakes the business's defined project scope and depends on the stakeholder expertise regarding specification, attributes, perceived value proposition, and opportunity cost compared to other projects. From there, Procurement must then identify and translate what attributes are most important in a product or service, expected impact, trade-offs, and priorities. This qualification step ensures projects on a path to success.

Visibility is another key consideration in this part of the funnel - Sales loses 100 percent of the deals they cannot see. Similarly, Procurement cannot manage spend and provide value without involvement. More visibility into the Procurement pipeline creates the opportunity to increase the amount of spend under management, identify suppliers who need more engagement, and uncover bottlenecks in the process.

2

The first step of the funnel flows naturally into the second: pipeline qualification. Sales reps spend their time identifying and diagnosing a customer's required capabilities and determine any objections. Data needed to fine-tune the project and vendor qualification process is all located in one collaborative platform. With automation, any project or vendor status in the Sourcing cycle is never a mystery. Establishing visibility at the top of the funnel is important to Sales and Procurement to avoid missed opportunities for revenue, overlaps, and impact.

3

Once qualification is complete, the next step for Sales is overcoming objections and engaging in selling. In Procurement's case, the step is focused on managing the project and running the Sourcing event. Despite what it may seem, this stage is one of collaboration rather than single-person activity. Sales must meet its customers' organizational needs; therefore this process may involve Sales Engineering, Product Management, Product Consulting, and other teams. It also requires legal and financial involvement to ensure terms conducive to the Sourcing professional.

4

Here, negotiation and contracting are comfortable territory for Procurement professionals. For both Sales and Procurement, running these steps as effectively as possible will save time, reduce efforts, and produce better results. Communication and collaboration are key to prevent projects or deals from falling apart and help satisfy all goals expeditiously. In addition, having better visibility into projects now and into the future helps make savings a reality and becomes a key contributor to enterprise cost reduction. As there are times when per-unit cost savings is even more important than gross cost savings in a particularly price-sensitive or competitive market, having collaborative visibility into these decisions is critical for Procurement.

5

Like Sales, Procurement's job isn't complete when the ink is dry on the contract. Best-in-class Sales organizations focus on customer retention, ongoing maintenance, and renewals; Procurement focuses on the discipline of supplier engagement, stakeholder satisfaction, and contract milestones.

Delivering a customer is hard work. The initial transaction is only the beginning of a long-term relationship as follow-on opportunities will always need to be considered. Organizations take great care not to leave additional dollars on the table. Driving home the idea that opportunities can be better cultivated over time is strategic, as "there is always more gold to be found" within a successful customer.

CPOs need time to step back and focus on aligning their team's vision with those of their company. To properly define and accomplish both near and long-term goals, their team has to develop strategic plans. Systematizing Procurement processes is the cornerstone to eliminating waste and gaining efficiencies. These efficiencies benefit not only the Procurement team, but also their stakeholders and end customers. Saving time is the most impactful direct result of implementing the right tools. Additional value obtained from those platforms typically includes better use of data for tracking and reporting metrics, simplifying communication amongst stakeholders to enhance collaboration and leveraging common tools to (easily) share information.³

THREE DIMENSIONS OF A SUCCESSFUL TRANSFORMATION

Beyond these foundations for a successful Sourcing pipeline, there are three additional factors that can accelerate adoption, simplify change management, and create long-term value. Together with a well-defined pipeline, they can help you better measure improvements, identify bottlenecks early, and capture knowledge to future-proof your organization.

DEFINING SUCCESS

Metrics aren't just a way to measure performance, they are the key to driving continuous improvement. While anecdotal and periodic measurements are helpful, they are forgotten without a consistent stream of key performance indicators (KPIs) to back up the story and indicate an overall direction of progress.

In this model, pipeline-based KPIs for Procurement should include measures of conversion rates from stage to stage and the length of time at each stage. Such measures will undoubtedly uncover bottlenecks and problems with particular processes or assignments. They will show what works well and where to focus efforts for improvement. Other KPIs should address the rate of opportunity creation, the amount of opportunity managed per employee (efficiency), time spent in each stage, conversion rates from stage to stage, and, of course, dollars saved.



“ Taking it a step further to a true SRM is where the real impact will be found. Visibility, engagement, lead generation, performance management, contact information, contract details, purchase information, stakeholders, etc. all in one place is a potential game changer for Sourcing and Procurement teams as well as business owners and other stakeholders. ”

RENDI MILLER

VP Corporate Services and Source to Pay for Zendesk

Making your Procurement Blueprint a Reality:

7 KPIs to Put Your Pipeline In Perspective

KPI	WHY IT SHOULD BE MEASURED
Rate of opportunity creation	Establishes impact on Procurement's resource capacity plan.
Percent of purchases in budget	Establishes impact on Procurement's resource capacity plan based on new purchases, and identifies gaps in the pipeline process.
Project inbound vs completion/ cancellation rate	By measuring inbound projects to completed/cancelled, the Procurement team can quantify value add as well as business outcome.
Project duration by state (From input through close to review/renewal)	Understanding how long it takes to complete a project, by category/commodity, Procurement can uncover bottlenecks, resource challenges, and other factors with particular processes or assignments.
Efficiency per employee and group	By category, commodity, and regional performance against ultimate business outcomes, Procurement can better support the global enterprise.
Supplier volume/ % of contractual commitments	By measuring number of suppliers against the contractual commitments, and number of suppliers against certifications, Procurement can measure the overall success of suppliers.
Financial impact - Addressable spend under influence - Savings vs addressable spend - Percent savings on sourced spend	Amount of addressable spend that Procurement has access to source mapped to addressable spend that Procurement was not involved with provides the enterprise a holistic picture of Procurement impact on addressable spend.

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When technology provides an easy-to-use collaborative environment that provides suppliers with transparent access to projects, and the process is easy to follow, it signals to them that you value their time and that you will maintain a relationship based on mutual trust.

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GREG TENNYSON

Chief Procurement Officer for VSP Global

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It's not just about cost savings—which was the traditional mindset of the Procurement function. It's about continually improving and re-evaluating how we're buying to make sure we're getting the best business outcomes.”

NEIL ARONSON

Head of Global Strategic Sourcing for Uber

TRACKING AND TRANSPARENCY

Second, knowing where a project or assignment is in the pipeline is extremely powerful. This transparency enables collaboration and tighter adherence to timelines. Can a schedule be pulled in a week? Why are projects slipping? What is the likelihood of realistically meeting a delivery date? Answers to these questions can easily be accessed near real-time with the systems providing that informed answers.

Transparency and visibility also permit a better understanding and monitoring of suppliers. The Deloitte Global Chief Procurement Officer Survey 2018 showed that today most companies report that “Supply chain transparency is poor, with 65% of Procurement leaders having limited or no visibility beyond their tier 1 suppliers.”⁴ Procurement should know the advantages, disadvantages, and overall capabilities of its suppliers. Increasingly, Procurement should understand compliance details and security capabilities of its vendors to help safeguard the enterprise and participate in company compliance efforts and audits.

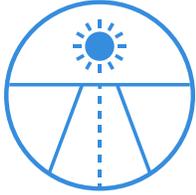
COLLECTIVE KNOWLEDGE

Yesterday's enterprise was limited by the comings and goings of the most capable employees. Often, critical knowledge and know-how would leave with employee departures. It was difficult to add to and improve the experience base given inevitable migration.

Today Procurement must revamp its playbook to use captured data to enhance the business and manage risks in a more automated, repeatable way. This collaborative data set ranges from best sources and suppliers to how to qualify, negotiate, and contract. When the entire group can tap this wisdom, there are fewer false starts and more efficient, effective work. This retention and sharing of knowledge enables greater supplier and stakeholder engagement. Collective knowledge also enables understanding and continual refinement of pipeline processes throughout the funnel. It should be a natural result of a modernized pipeline-centric approach to Procurement, and it will in turn further refine those processes for even better results.

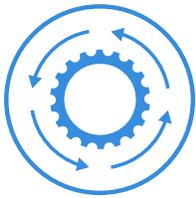
CAN YOU GET THERE FROM HERE?

The benefits of running your Sourcing and Procurement processes like a sales pipeline are compelling. And conversely, not modernizing means falling further behind. So, how does a Procurement organization make the shift?



1. EVALUATE

The good news is that these new paths are well-traveled, and Procurement can learn from their partners in Sales. The first step involves understanding where Procurement is now and where it needs to go. It needs to recognize what the enterprise expects and why it is so important. Reflecting on the similar path Sales has taken and the parallels between Sales and Procurement provides a great framework and guide. Rethinking the Sourcing process requires leadership and the participation of others.



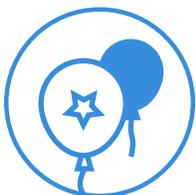
2. STREAMLINE THE PROCESS

Procurement organizations need to centralize, standardize, and streamline their processes just as Sales has done. Is there a platform that can encompass current workflow and evolve it to ensure transparency, collaboration, automation, and analytics? Greg Tennyson, Chief Procurement Officer at VSP Global noted that, "Sourcing interactions are enabled through easily accessible technology. When technology provides an easy-to-use, collaborative environment that provides suppliers with transparent access to projects, it signals to them that you value their time and that you will maintain a relationship based on mutual trust."



3. SET CLEAR GOALS

Procurement must set clear goals based on data to guide the changes and ensure the newly emerging way of work is right from the start. At the same time, data must be available to everyone. A central source of truth makes it easy for everyone to see where they are ahead, behind, or need help.



4. CELEBRATE SUCCESS

Finally, celebrate success. Send out win reports, pause for a celebration, and reinforce great behavior. Make the team excited about achievement and improvement. At the same time, dissect losses and mistakes to enable learning from them and make necessary changes. The goal is not to prevent all failures—that would be impossible—but to ensure failures only happen once and that the organization gets better each time. Create a culture of success. Build up on a series of wins, and be consistent. Also, involve the rest of the business in the celebration and in seeing the dramatic changes.

FINISHING TOUCHES: GET READY FOR THE NEXT WORKFORCE

In addition to the powerful advantages to making this change, pressures from the market are clear and within Procurement's grasp to effect this evolution. Moreover, the profession is already seeing a natural, organic shift occurring in Procurement teams. Some of this comes from new expectations and styles of the Millennial workforce. The Deloitte Global Chief Procurement Officer Survey 2018 showed that "A clear shift in procurement focus towards innovation and value requires an acceleration in the pace of change especially in leadership, talent, and innovation." 4

By making this move to a more efficient, effective, and measurable blueprint for Sourcing and Procurement, teams can reach the level of their peers in the organization and truly emerge as a strategic leader for the organization. This approach, when well-supported by agile and flexible tools, can not only unlock additional cost savings, but also build and sustain growth in a mature company. Scout customers, including VSP Global, LendingTree, Sephora, Uber, and Zendesk, who have taken this approach have seen significant improvements in their performance, visibility, and engagement with the business.

FOOTNOTES

- 1) Dianne Ledingham and Darrell K. Rigby: Harvard Business Review "CRM Done Right"
- 2) Bob Evens Forbes "In Marc Benioff's Race To \$20 Billion, These 4 Engines Are Driving Salesforce's Growth"
- 3) Michael J. Leiken Head of Spend Management for LendingTree
- 4) Deloitte "The Global Chief Procurement Officer Survey 2018"

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Scout is the sourcing and supplier engagement platform trusted by Procurement teams to streamline their process, manage a unified pipeline of projects, and collaborate with stakeholders and suppliers. Scout's powerful platform drives profitability and makes enterprise commerce faster, less risky, and more transparent, giving CPOs the tools they need to transform their organizations. Global brands trust Scout to provide greater visibility across stakeholders and suppliers, centralize core processes, measure effectiveness, and make Procurement teams crazy successful by delivering better business outcomes. Headquartered in San Francisco, CA, Scout is funded by Menlo Ventures, NEA, and GV. Read more on the Scout Blog or follow @scoutrfp on Twitter or LinkedIn.

