



## Next-Gen Procurement – Combining Digital with Design Thinking



### Abstract

The digital renaissance is extensively reshaping businesses today. Going digital is crucial for procurement as it evolves into a more strategic and collaborative function. This paper examines the radical approach of utilizing Design Thinking to help crystallize an effective digital strategy for procurement that takes into account the expectations of its key stakeholders.

## Introduction

From healthcare to education, and manufacturing to sales, the digital renaissance is extensively reshaping businesses today. While companies focused initially on using digital to redefine customer experience, digital technologies are now being used to streamline processes, boost efficiencies, predict demand, and take faster and smarter decisions.

With digital consciousness permeating almost every function of most corporate organizations, many CPOs (Chief Procurement Officers) are exploring and adopting newer ways of managing their departments to create value for their internal users, suppliers, and other stakeholders. But before we examine why digital is being seen as a game changer for procurement, let us first understand the dynamics in the world of procurement that are paving the way for this change.



## The changing imperatives of procurement

Procurement as a function is fast evolving and is headed toward becoming more collaborative and deeply embedded within businesses through strategic partnering and maximizing advantage. On the one hand, procurement is looking at a seat at the leadership table and higher investment in the form of strategic skill sets and innovative solutions, while on the other hand it is challenged to shrink in size and to look at operational agility to succeed. Thus, at both strategic and operational levels, procurement continues to change.

At the strategy level, the following are essential to meet the evolving and future state of procurement:

- **Futuristic thinking** to be agile and in sync

with global megatrends, such as the rapid growth of emerging markets and a slowdown in mature economies

- **Predictive procurement** to be able to analyze vast stores of volatile information to predict the future – forecasting disruptions in supply chains, user behavior patterns, insights into price patterns, and so on.
- **Decision support** with a 360° view to information and actionable insights
- **Better collaboration with business and suppliers** where a partnership approach is preferred over a remedial, consultative, and negotiation approach.
- **Implementation agility** with early identification of force multipliers like

technology or outsourcing, and the agility to implement them quickly

Then, at an operational or tactical level, the following are required:

- **Simple and lean processes** that are efficient even with reduced resources
- **A friendly and effective buying experience** that leaves a user satisfied through enabling the right buying decision which delivers the expected value

Thus, as procurement evolves to a more strategic and collaborative function, how these changing imperatives at both strategic and operational levels can be met, is explained ahead.



## Going digital is crucial for procurement to succeed in future

Digital could have various connotations for different people or organizations. However, we view this more as a 'way of doing things' rather than simply as the 'use of technology'.

Digital in our view connotes an optimized combination of a set of technologies, processes, and resources, aimed at creating or maximizing value for a business. This is done by way of building capabilities for the future as well as innovating or completely disrupting the current way of doing things.

**Digital directly and positively impacts attributes such as visibility, collaboration, ease, speed, and predictability, in a business environment.**

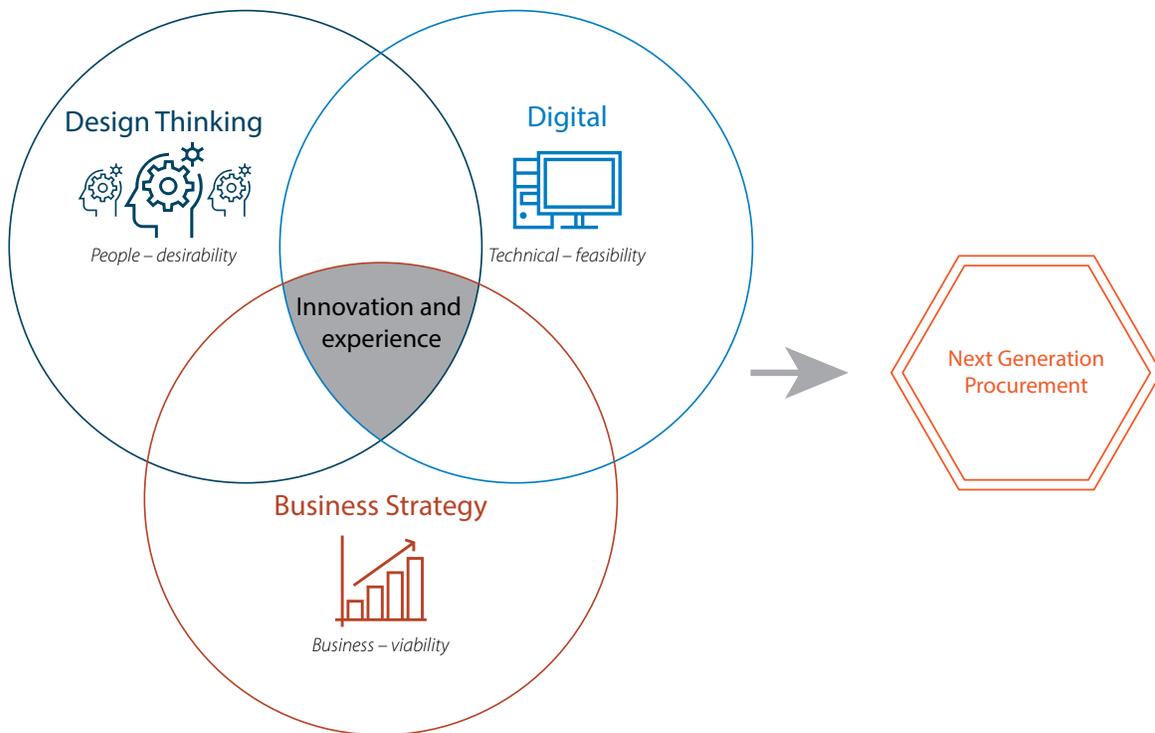
Digital will be the main driver for procurement to achieve the higher objectives placed on its shoulders, as well as to become the next-gen function it strives to be. While some organizations are slow in adapting to the digital renaissance, and others are doing it aggressively, the use of

digital to reshape procurement is a key CPO agenda. This is borne out by the Deloitte 2016: Senior Procurement Manager Survey which found that *'in much the same way as sales forces, channel management, and consumer engagement have been transformed by disruptive digital technologies over recent years, we expect the same to occur for the supply-facing assets of the business.'*

# A radical approach in designing the future of procurement – combining Digital with Design Thinking



So what does digital mean to procurement and how does it align with the next generation procurement vision? The practice of Design Thinking can help to crystallize this.



Design Thinking is a human-centric, empathetic cognitive process harnessing intuition, inspiration, and emotion to create solutions – in the light of technological feasibility and business viability. It is not a new paradigm though – for years, designers have successfully used this approach to create concepts that marry desirability with functionality and profitability. What is new is the effort to

extend the concept of design thinking into areas beyond the realm of pure design. As a human-centric process, empathy for customers' needs is central to the Design Thinking philosophy. This empathetic approach is critical for our application of Design Thinking to the procurement space as well. It is important to consider the key stakeholders of the procurement function – business users, procurement

buyers, finance managers, supply chain managers, suppliers, and direct customers – and map their expectations based on what they require, to take procurement to the envisioned level. This will help us visualize what the digital procurement environment would look like for them. As we analyze this, we will see that each of the changing imperatives of procurement mentioned above, get addressed through this approach.

# A stakeholder's view to designing an effective digital strategy for procurement



Let us now view the digital expectations of some of the key procurement stakeholders more closely:

## A business user's view of digital procurement

Users are core to a procurement process – they want a simple and intuitive buying experience, similar to a B2C environment that Amazon provides. A good procurement system should provide relevancy-based search, guidance to compliant channels, access to e-Marketplaces, live comparatives, and so on. It should be a single 'Go To' system for all the users for tasks such as buying, reviewing, accepting material, approving purchases, and approving invoices.

While some of the above features in the past could have been cost-prohibitive, with cloud technologies and commercial models like 'pay as you go', the e-procurement scenario has been completely transformed and provides a compelling business case for organizations to invest in. State-of-the-art digital procurement platforms provide an integrated ecosystem of technology, services,

and content. They help transform the 'source-to-pay' cycle in organizations by enabling higher adoption and improved compliance, savings, and visibility. Additionally, such platforms leverage machine learning and automation, to eliminate repetitive and rule-based tasks over time, providing further efficiencies in buying, and a much faster turnaround time for business users.

## A procurement manager's view of digital procurement

A procurement manager\* requires a dynamic, real-time, and intuitive decision-making system to ensure the right balance of effectiveness and efficiency in procurement strategy as well as operations. Additionally, a procurement manager also needs a digital platform to perform functional tasks, whether it be category strategy development or conducting a strategic sourcing event. Thus, from a procurement manager's perspective, digital assumes much

importance at the following levels:

### E-sourcing platform

Often, procurement managers spend a fair amount of time in managing non-value-add tasks due to suboptimal technology support, and hence, digital for them means easy-to-manage sourcing events, e-auctions, buying channels, catalogs, and contracts.

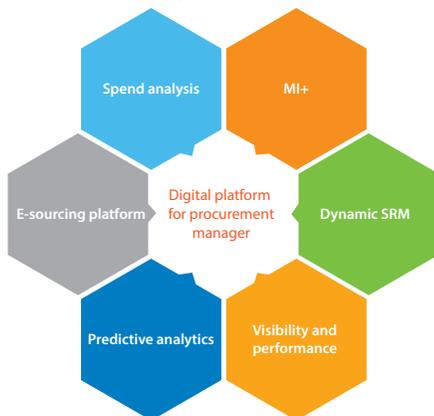
### Decision support system

A great deal of a procurement manager's core job involves making strategies and taking key decisions, resulting in a need for accessing actionable insights from multiple sources, e.g., spend information, market insights, and supplier and process performance information. The traditional way to access these have been discreet systems with limited inter-connectivity and often managers struggle to get 360 degree views. Digital technologies are changing the way information gets captured, processed, and combined with interconnected insights

\*Here, the term 'procurement manager' is used to include all relevant roles in procurement – category manager, sourcing manager, operational procurement manager, etc.

to provide a holistic view for procurement. A digital decision support system for a procurement manager should include the following:

- **Spend Analytics** – This goes beyond the traditional data slice and includes data cleansing, data classification, generation of spend cube, multidimensional analysis and opportunity identification, in near real time.
- **Market Intelligence (MI)** – Traditionally, MI reports provide a lot of data with very few insights. Our approach is that market intelligence should be done by procurement specialists for procurement specialists. It should be customized, executable, and fit for purpose, as against a standard pack of information offered 'off-the-shelf'. Further, the tactical task of collecting data and information gets automated and only generation of relevant insights is done manually by procurement specialists.



- **Dynamic SRM** – The digital SRM (Supplier Relationship Management) framework leverages combined insights from spend analysis and MI, to keep SRM dynamic and contextual. It includes supplier segmentation, supplier governance, performance management, risk management, collaboration, and innovation.
- **Performance management** – A holistic procurement performance management system includes the dimensions of efficiency, effectiveness, and experience. Efficiency includes all the elements of time, speed, productivity, and costs. Effectiveness includes elements pertaining to spend, savings, compliance, and control. Experience is about simplicity, ease, access, adoption, and user satisfaction. The visibility engine of such a system provides multilevel

insights, with a quick health view at CPO level and then drill down capabilities right up to the transaction level, for deeper insights into performance across business units, regions, and categories.

- **Predictive Analytics** – Predictive analytics has been there in the industry and data sets have been leveraged in the past to enable forecasting for procurement and other functions. However, what makes it much more versatile and compelling now is the marriage of big data analysis to the Internet of Things. The application of such solutions generates unprecedented and vast possibilities for procurement. Procurement systems use predictive analytics to analyze buyer behavior, picking relevant data points to generate actions for procurement managers, like catalog refresh, sourcing event, etc.

A digital decision support system combines all aspects as above, to provide an amalgamated and enriched view to a procurement manager, in a single dashboard. Procurement Insights of Infosys for example, is such a platform, which combines the power of internal and external insights for enhanced category management and strategic initiatives.

### Other stakeholders' view of digital procurement

Similarly, digital has further connotations for other functionalities within the supply chain. A finance manager is looking for auto match, supplier self-service, PO flipping, and e-invoicing abilities. A supply chain manager looks for an interconnected system and predictive analytics in managing stocks of spares and reordering. While some of these needs have always existed – what has changed now is the dynamic speed at which the information needs to be churned or action needs to be taken, and today's digital technologies are gearing up to meet these needs.

### The way forward

While there are a variety of technologies available today, the digital strategy for the procurement function needs to be closely aligned with the business strategy as well as have a human-centric approach to problem solving. The approach of applying Design Thinking principles which map the needs of different stakeholders to technology as well as business feasibility, addresses the changing imperatives required to give shape to the next-gen procurement vision.





## About the Authors

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