Becoming a Trusted Advisor to the Business

Kurt Albertson, Principal – Procurement Advisor

March 13, 2015
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Kurt Albertson is a Principal with The Hackett Group with program responsibility for North American Strategic Advisory programs focusing on client relationships, business development, research and program delivery. Mr. Albertson works with over one hundred Global 1000 companies leveraging research and thought leadership to provide strategic direction and best practice business advice within Procurement and Finance.

Prior to joining the Hackett Group Mr. Albertson spent six years as a management consultant in Sourcing and Procurement during which he worked with executives from dozens of large corporations on sourcing, business and technical strategies, organizational and business process design, and cultural change.

Mr. Albertson also has five years of automotive experience working in manufacturing, quality, and operations. In this role he designed and implemented global manufacturing processes and supervised production operations.

Mr. Albertson has been quoted in the Wall Street Journal and other major publications, has been the key note speaker at many national events, and travels globally to support client objectives.

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Objective of today’s discussion

- Discuss the drivers behind talent transformation – How is Procurement’s value proposition changing over time? Why is there so much energy around talent management?
- Discuss talent management in Procurement – What skills are important and hot? What talent management practices are effective?

Please, do not look at specific metrics and try to compare yourself. These are Hackett highest level metrics and are based on formal definitions that need to be understood.
Agenda

- Hackett Overview
- Procurement Key Issues and Alignment
- Characteristics of World-Class Procurement
- Talent Management in Procurement
- Case Study in Talent Development
- Q&A
The Hackett Group
A leader in organizational effectiveness and best practice insight

Mission
- Hackett is an IP-based Global Advisory and Consulting firm helping clients implement and sustain *world-class* business performance across General and Administrative Services

Hackett’s Value:
- We formulate strategies based on our *proprietary repository* of Certified Hackett best practices and competitive insights
- We *design and implement* sustainable performance improvement solutions

Results
- Our efforts have delivered 20%-40% in sustainable cost savings and over $25 billion of

<table>
<thead>
<tr>
<th>Hackett Group Solutions:</th>
<th>97% of the Dow Jones Industrials</th>
<th>88% of the Dow Jones Global Titans</th>
<th>45% of the FTSE 100</th>
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</thead>
<tbody>
<tr>
<td>Finance</td>
<td>73% of the Fortune 100</td>
<td>73% of the DAX 30</td>
<td>35% of the CAC 40</td>
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<td>Enterprise Performance Management</td>
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<td>Human Resources</td>
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<td>Procurement &amp; Sourcing</td>
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<td>Supply Chain</td>
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<td>Operations, Strategy, and Marketing Performance</td>
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<td>Working Capital</td>
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<td>Global Business Services/Outsourcing</td>
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<td>Workforce Solutions</td>
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<td>Technology Implementation</td>
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<tr>
<td>Oracle, SAP, Hyperion, Kronos, and Business Objects</td>
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Enabling World-Class: Hackett’s Solution Portfolio

Benchmarking, Advisory, Business Transformation

**Benchmarking**
Assess World-Class Performance

**Deliverables**
- Peer & world-class comparison performance metrics
- Detailed analysis
- Stakeholder survey
- Executive presentation

**Benefits**
- Objective comparison to peer group and world-class performers
- Quantify performance gaps
- Uncover hidden costs
- Prioritization of improvement initiatives

**Membership Advisory**
Insight into World-Class Performance

**Deliverables**
- Best practice research
- Advisor access
- Best Practice Intelligence Center
- Live Events & Webinars
- Peer interaction

**Benefits**
- Identify the strategies and practices employed by Leaders
- Validation of current initiatives
- Determining what’s possible (World-Class Performance Metrics)
- Process implementation support
- Continuous best practice adoption

**Business Transformation Consulting**
Transform Performance

**Deliverables**
- Strategic direction
- Detailed business case
- Initiative plans & detailed designs
- Implementation of best practices

**Benefits**
- Reduced cost
- Working capital optimization
- Enhanced service delivery
- Business insight
- Sustainable benefits
- Speed of solution delivery
- Merger integration
- Risk mitigation
### The Hackett Procurement Executive Advisory Program

#### Proactive Advisor Insight
- Engagement Plan Roadmap Development
- Quarterly Progress Review Meetings
- Best Practice Adoption: KPI, Assessment Contextualization

#### Performance Measurement Data
- Performance Studies - Over 20 strategic, process, org design (e.g. P2P)
- Capability Maturity Models across Procurement and P2P to assess current capability levels and develop performance improvement initiatives
- Benchmark Data World-Class Progress Report access to update Procurement Benchmark results

#### Best Practice Qualitative Research
- Hackett Member Center portal access
- Initiative Best Practices across Procure-to-Pay
- Research Perspectives end to end, functional, and tactical
- Presentations and Case Studies
- Category Intelligence Reports
- Case Studies

#### Brings best of Hackett to You
- Virtual and Onsite Briefings
- Onsite Workshops and Training Sessions
- Focused Strategic and Tactical Inquiry discussions

#### Focused Peer Learning and Interaction
- Topical webcasts / virtual roundtables
- Annual Member Forums for process executives in the US and Europe
- Annual Hackett Best Practices Conferences for functional executives and their reports
- Focused peer-to-peer meetings and roundtable discussions
Agenda

- Hackett Overview
- Procurement Key Issues and Alignment
- Characteristics of World-Class Procurement
- Talent Management in Procurement
- Case Study in Talent Development
- Q&A
The recovery of net margins, does NOT represent a reversal to pre-crisis conditions

Source: Hackett Analysis of Public Domain Financial Data
Management Priorities Are Focused On Innovation-Led Growth

**Strategic Financial Priorities**

- **Grow revenue**
  - 66%
- **Improve margins/profitability**
  - 61%

**Strategic Business Priorities**

- **Innovate product and/or service offerings**
  - 46%
- **Innovate business model and go-to-market strategy**
  - 33%
- **Expand customer base**
  - 33%
- **Increase market share**
  - 32%

* Combined percentage of companies ranking critical or important

* Combined percentage of companies ranking strategy as #1 or #2 priority

Source: Hackett’s 2014 Enterprise Key Issues Study
Procurement must insure alignment of its value proposition with business priorities

**Procurement Value:**
Evolve the Service Value
“What do we aspire to be?” which becomes “What to execute?”

**Procurement Performance:**
Recalibrate the Service Execution
“What is the level of performance for both efficiency and effectiveness?”

**Procurement Capability:**
Redevelop the Service Capability
“What capabilities do we have today or need to acquire to change?”

What does the business need Procurement deliver and what does Procurement do?

How well is Procurement delivering relative to WC and Peers?

What capabilities are needed to be built?
World-class procurement organizations are empirically defined based on performance...what's happening with Procurement's traditional metrics

**Hackett Value Grid™ (Procurement Example)**

**EFFECTIVENESS**
- Economic return
- Role of procurement
- Process quality
- Supplier leverage & performance
- Information & analysis
- Business Integration

**Examples:**
- Total spend cost reduction and avoidance as a % of spend
- % of suppliers comprising top 80% of spend
- % of transactions requiring post-issuance (i.e., rework) activity
- % of total spend under procurement management influence
- Internal customer satisfaction rating

**EFFICIENCY**
- Process costs
- Staffing levels
- Productivity
- Cycle times
- Technology leverage
- Cost per transaction

**Examples:**
- Cost as a % of spend  
  - By Geography, Business Unit
- FTEs per $1B of spend
- # of POs processed per FTE
- PO processing cycle time
- Staff time allocation by process
- Ratio of labor to technology cost
Efficiency

Procurement Cost As A Percent Of Spend


Peer Group

World-Class

Source: The Hackett Group, 2014

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Effectiveness

Total spend cost savings (reduction & avoidance) as a percent of annual spend

Why are savings falling off?
World-class organizations are expecting traditional ROI’s to return to pre-recession levels

Return on Procurement Investment

<table>
<thead>
<tr>
<th>Year</th>
<th>Peer Group</th>
<th>World Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2.50%</td>
<td>7.28%</td>
</tr>
<tr>
<td>2006</td>
<td>3.20%</td>
<td>6.96%</td>
</tr>
<tr>
<td>2007</td>
<td>2.81%</td>
<td>8.20%</td>
</tr>
<tr>
<td>2008</td>
<td>2.79%</td>
<td>8%</td>
</tr>
<tr>
<td>2009</td>
<td>2.50%</td>
<td>11.35%</td>
</tr>
<tr>
<td>2010</td>
<td>4.14%</td>
<td>12.71%</td>
</tr>
<tr>
<td>2011</td>
<td>4.73%</td>
<td>12.53%</td>
</tr>
<tr>
<td>2012</td>
<td>3.89%</td>
<td>10.72%</td>
</tr>
<tr>
<td>2013</td>
<td>4.06%</td>
<td>9.01%</td>
</tr>
<tr>
<td>2014</td>
<td>4.23%</td>
<td>8.79%</td>
</tr>
<tr>
<td>2015 Forecast</td>
<td>4.82%</td>
<td>9.32%</td>
</tr>
<tr>
<td>2016 Forecast</td>
<td>4.99%</td>
<td>9.51%</td>
</tr>
</tbody>
</table>

Source: The Hackett Group, 2014
Where Procurement does get involved in innovation, the results are positive

What is the incremental revenue increase arising from supplier innovation efforts facilitated by Procurement (measured as a percent of total reported enterprise revenue)?

- **Average**: 3.5%
- **Top Quartile**: 7.4%

Source: The Hackett Group Procurement Benchmark, 2014
We generally see that most Procurement organizations are looking to evolve their value proposition.

Where is your organization?

**Value Proposition for Supply Management**
- Increase business value derived from spend
- Reduce demand activity, complexity and variability
- Shift from lowest price to Total Cost of Ownership
- Right goods and services AND at the right price
- Right goods / services at the right time & place

**Procurement Role**
- Trusted business advisor and change agent
- Spend/ budget consultant & relationship manager
- Supply expert (SCM, SPM, etc.), team leader, project manager
- Negotiator
- Buyer / Planner
- Supply Assurance
  - Total Cost of Ownership
  - Price
  - Demand Management
  - Value Mgmt.

**Skills / Knowledge**
- Business strategy, change management, leadership, innovation, discontinuous improvement
- “CRM”; business planning & analysis, demand/specification influence, continuous improvement
- TCO management; market intelligence, SRM, project management; SCM
- Negotiations, sourcing execution, basic spend analysis, cost modeling, supplier/market analysis
- P2P, eProcurement, supply planning, basic supply risk management and contract law

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In 2015, procurement’s #1 priority is to become a trusted advisor

What is a trusted advisor?

<table>
<thead>
<tr>
<th>Category</th>
<th>Critical</th>
<th>Major</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elevate the role of procurement to a trusted advisor</td>
<td>28%</td>
<td>44%</td>
<td>72%</td>
</tr>
<tr>
<td>Reduce/avoid purchase costs</td>
<td>27%</td>
<td>42%</td>
<td>69%</td>
</tr>
<tr>
<td>Improve procurement’s business agility</td>
<td>17%</td>
<td>51%</td>
<td>68%</td>
</tr>
<tr>
<td>Expand scope/influence</td>
<td>24%</td>
<td>43%</td>
<td>67%</td>
</tr>
<tr>
<td>Deepen influence on complex indirect spend categories</td>
<td>17%</td>
<td>43%</td>
<td>61%</td>
</tr>
<tr>
<td>Enable innovation (e.g., tap supplier innovation)</td>
<td>18%</td>
<td>39%</td>
<td>58%</td>
</tr>
<tr>
<td>Increase internal stakeholder satisfaction</td>
<td>17%</td>
<td>40%</td>
<td>57%</td>
</tr>
<tr>
<td>Reduce supply risk</td>
<td>14%</td>
<td>39%</td>
<td>53%</td>
</tr>
<tr>
<td>Improve supplier delivery performance</td>
<td>18%</td>
<td>32%</td>
<td>51%</td>
</tr>
</tbody>
</table>

**Key takeaways**

- Reducing purchase costs and increasing spend influence are still important in 2015.
- However, procurement is shifting its focus to play a more strategic role as a trusted advisor.

Q2.2 Please indicate the level of priority of the following performance related issues or objectives on the procurement agenda for 2015, and indicate procurement’s ability to address each one.

Source: Key Issues Study, The Hackett Group, 2015
What does it mean to be a trusted business advisor?

Key takeaways from the 2014 Hackett Procurement Leadership Forum

- Having an executive presence at the table during planning and budgeting.
- Enabling business execution through forward-looking market insights/intelligence that address business concerns.
- Being perceived as having a sincere interest in helping stakeholders achieve their business objectives (e.g., alignment with business objectives, supportive of top-line growth and cash management).
- Clearly understanding a stakeholder’s business and organization and tailoring your message/approach accordingly.
- Having the right set of skills (e.g. program management, communication, business acumen). Being perceived as a change agent and facilitator.
Procurement organizations must build out their capabilities to drive the desired outcomes

Service Delivery Components

- **Data standards**, report design, scorecards, KPIs, master data elements, and repositories of unstructured information
- **Decision-making frameworks**
- **Single version of the truth**
- Global master data standards
- **Governance for how decisions are made**
- Organizational entities, structure and reporting lines
- **Specification of which activities and processes are to take place where**
- **In-house vs. outsource**
- **Onshore vs. offshore**
- **Transaction COEs**, Knowledge COEs
- **Work done at BU level**
- **Decision-making effectiveness**
- Top management participation
- Responsible, accountable, consulted, informed (RACI)
- **Skills in business functions and business operations**
- Formal training and skills-development opportunities
- Retention of top performers
- **Skills needed deliver and successfully transform and execute services**
- **Automation**
- Online self-service access
- Digitization
- IT and systems integration
- **Architecture of the technology platforms required to support service delivery**
- **Processes, exception-handling rules, mappings, etc., associated with functional roles and responsibilities**
- **Enabling Technology**
- **Process Design**
- **Process Sourcing**
- **Service Placement**
- **Skills & Talent**
- **Governance & Organization**
- **Information**
- **BU-level standards**
- Enterprise-wide standards
- Local standards
While Strategic Sourcing/Cat Mgmt are top, talent is a key capability Procurement must develop to help elevate its role.

Q2.3 Please indicate the level of priority of the following capability related issues or objectives on the procurement agenda for 2015....

Source: Key Issues Study, The Hackett Group, 2015
Agenda

- Hackett Overview
- Procurement Key Issues and Alignment
- Characteristics of World-Class Procurement
- Talent Management in Procurement
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Hackett published research last year on the five characteristics of world-class procurement organizations.

Foundationally, it’s about being perceived as a “trusted business advisor”

**Five Characteristics of World-class Procurement Organizations in 2014**

*By Patrick Connaughton, Srinivasa Rao Dabbera and Christopher S. Sawchuk*

**Executive Summary**
In 2014, world-class procurement organizations continue their record of outperforming the peer group by a wide margin. They deliver higher-quality services at 19% lower cost – yet require 27% fewer FTEs. However, the world-class group’s efficiency gains have essentially reached their practical limits. In fact, The Hackett Group forecasts that the cost of procurement will rise slightly in 2014. To differentiate themselves, world-class procurement organizations are adopting strategies which will pay dividends in other ways, including:

- Being a trusted advisor to the business
Hackett uses an assessment tool to evaluate how category managers align with World Class characteristics.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
<th>Count</th>
<th>Overall Alignment with World Class Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Full adoption or alignment</td>
<td>0</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>Medium</td>
<td>Moderate adoption of alignment</td>
<td>0</td>
<td>This is your overall assessment of alignment</td>
</tr>
<tr>
<td>Low</td>
<td>Minimal or no adoption or alignment</td>
<td>0</td>
<td>with the Characteristics of World Class</td>
</tr>
<tr>
<td>N/A</td>
<td>Not applicable</td>
<td>0</td>
<td>Procurement based on responses.</td>
</tr>
</tbody>
</table>

#DIV/0! = Percent Alignment to WC Characteristics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>World Class Description</th>
<th>Core Description</th>
<th>Question 1</th>
<th>Rating 1</th>
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</thead>
<tbody>
<tr>
<td>Alignment of Objectives</td>
<td>Business Enablement including</td>
<td>Unit Cost Reduction</td>
<td>To what degree do you understand the specifics of your key stakeholders' top 3 business objectives?</td>
<td>To what degree have you documented each of these business objectives?</td>
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<tr>
<td></td>
<td>total cost mgmt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply/Market Analytics</td>
<td>Market Trends, New Technologies</td>
<td>Historic Spend Analysis</td>
<td>To what degree do you have detailed global historical spend analytics for the categories that you support by supplier and line item?</td>
<td>To what degree do you have not only historical spend analytics but also model future spend based on scenarios based on well understood key drivers?</td>
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<td></td>
<td>and Predictive Analysis</td>
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</tr>
<tr>
<td>Supplier Relationships</td>
<td>Supply Innovation and Collaboration</td>
<td>Transactional/Performance</td>
<td>To what extent do you understand the SRM supplier segmentation level of your key suppliers supporting your categories as well as the associated expectations for managing suppliers at these segmentation levels?</td>
<td>To what extent is performance against established criteria between buyer and suppliers that support your categories measured?</td>
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<tr>
<td>Risk Management</td>
<td>Protect the Business from Risk</td>
<td>Reactive to Events as the occur</td>
<td>To what degree do you understand and have documented the risk management objectives of your key business partners?</td>
<td>To what degree have your suppliers supporting your categories been reviewed and documented against identified risk objectives based on probability and impact of the risk</td>
</tr>
<tr>
<td></td>
<td>through identification and</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>mitigation of risk</td>
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### Characteristics of World Class Procurement Organizations: Becoming a Trusted Business Advisor versus a Negotiator

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<tr>
<td>Resource Skillsets</td>
<td>Transferable Business Skills (e.g. program management)</td>
<td>Procurement Specific Skills (e.g. strategic sourcing)</td>
</tr>
</tbody>
</table>
While purchase cost reduction is important World Class organizations enable a broader set of business objectives

<table>
<thead>
<tr>
<th>Stakeholder objectives impacted by category strategy</th>
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<tbody>
<tr>
<td><strong>Total Cost Management</strong></td>
</tr>
<tr>
<td>Reduce purchased unit cost</td>
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<tr>
<td>Reduce logistics costs</td>
</tr>
<tr>
<td>Reduce internal process costs</td>
</tr>
<tr>
<td>Reduce other costs</td>
</tr>
<tr>
<td><strong>Increase revenue</strong></td>
</tr>
<tr>
<td>Improve marketing effectiveness</td>
</tr>
<tr>
<td>Enhance new product development</td>
</tr>
<tr>
<td>Enter new markets</td>
</tr>
<tr>
<td>Enable new business capabilities</td>
</tr>
<tr>
<td>Margin Stability</td>
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<tr>
<td><strong>Support other goals</strong></td>
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<tr>
<td>Improve flexibility/responsiveness/delivery</td>
</tr>
<tr>
<td>Assurance of Supply Risk</td>
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<tr>
<td>Support sustainability goals</td>
</tr>
<tr>
<td>Strengthen the Brand and Brand Protection</td>
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<tr>
<td>Regulatory Compliance Risk</td>
</tr>
<tr>
<td>Health &amp; Safety</td>
</tr>
<tr>
<td>IP Protection</td>
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</table>

When it comes to my team, we really focus on the **thought-leadership** aspect of innovation – **finding ways to approach services differently to grow the customer base**. We are always trying to add value by **understanding the changes in the marketplace so we can bring new ideas to the table**.

– Frederic Khalil, CPO at Guardian Life
## Characteristics of World Class Procurement Organizations

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<td>Protect the Business from Risk through identification and mitigation of risk</td>
<td>Reactive to Events as the occur</td>
</tr>
<tr>
<td>Stakeholder Perception of Procurement</td>
<td>Trusted Business Advisor</td>
<td>Gatekeeper/Negotiator</td>
</tr>
<tr>
<td>Resource Skillsets</td>
<td>Transferable Business Skills (e.g. program management)</td>
<td>Procurement Specific Skills (e.g. strategic sourcing)</td>
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</table>
Supplier relationship management

“As global sourcing finance head, I monitor the financial performance impact of global sourcing on top and bottom line. Of the overall benefit pie, we are now starting to see shift toward higher cost avoidance contributions compared to P&L savings.

We are just kicking off a more centrally driven SRM program. I think that not only will a robust SRM program drive the next wave of savings

$13B information services firm, quoted from Hackett World Class Procurement LinkedIn Group
## Characteristics of World Class Procurement Organizations

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<th>Core</th>
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<td>Procurement Specific Skills (e.g. strategic sourcing)</td>
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Characteristics of World Class Procurement Organizations

…new skillsets are needed to support other characteristics

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- Hackett Overview
- Procurement Key Issues and Alignment
- Characteristics of World-Class Procurement
- Talent Management in Procurement
- Case Study in Talent Development
- Q&A
Believe talent makes a difference

From an executive point of view, how high is the impact of talent on your business financial performance?

75%

....of Top Performers say it is the most or one of the top factors, while only

47%

....of Peers agree

“Walk the Talk”

What is the CEO’s attitude and involvement with talent management?

50%

....of Top Performers say Passionate about the value of human capital/talent management and CEO plays a leadership role, while only

25%

....of Peers said the same
Training and development will face the most transformation activity within Procurement during 2015

What is HR’s role in Talent Management?

Overall transformational activity

<table>
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<th>Transformation Activity</th>
<th>Transformation Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and development programs</td>
<td>Major</td>
</tr>
<tr>
<td>Define KPIs to align performance with business strategy</td>
<td>Major</td>
</tr>
<tr>
<td>Job profiles and competencies</td>
<td>Major</td>
</tr>
<tr>
<td>Develop information / reporting strategy</td>
<td>Major</td>
</tr>
<tr>
<td>Career pathing and progression</td>
<td>Major</td>
</tr>
<tr>
<td>Establish data stewardship / data governance</td>
<td>Major</td>
</tr>
<tr>
<td>Develop technology roadmap</td>
<td>Major</td>
</tr>
<tr>
<td>Transition transactional, low value-added roles and processes into Global Business Services/Shared Services</td>
<td>Major</td>
</tr>
</tbody>
</table>

Q2.6, Q2.7 and Q2.8

What is HR’s role in Talent Management?
Q3.8 Please indicate the extent to which your Procurement function owns the following human capital programs for its own personnel.

<table>
<thead>
<tr>
<th>Human Capital Program</th>
<th>Function consults, but process is owned by HR</th>
<th>Close collaboration with HR, but HR drives the process</th>
<th>Close collaboration with HR, but function drives the process</th>
<th>Function leads with limited or no HR involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce planning and succession management</td>
<td>22%</td>
<td>49%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Retention</td>
<td>11%</td>
<td>19%</td>
<td>49%</td>
<td>22%</td>
</tr>
<tr>
<td>Managing performance</td>
<td>11%</td>
<td>29%</td>
<td>42%</td>
<td>18%</td>
</tr>
<tr>
<td>Learning and development</td>
<td>8%</td>
<td>13%</td>
<td>42%</td>
<td>37%</td>
</tr>
<tr>
<td>Recruiting and staffing</td>
<td>14%</td>
<td>51%</td>
<td>24%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Procurement leads talent management efforts in close collaboration with HR...seize the day!!!
More Procurement leaders are coming from other functions as leadership and continuous improvement skills become critical for world class

Why resources outside of Procurement?

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<th>Metric</th>
<th>Peer Group</th>
<th>World Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of Procurement manager and professional staff have backgrounds outside the Procurement discipline</td>
<td>61%</td>
<td>69%</td>
</tr>
<tr>
<td>Percent of Procurement professional and managerial staff trained in continuous improvement methodologies</td>
<td>9%</td>
<td>66%</td>
</tr>
<tr>
<td>Percent of training hours dedicated to leadership training</td>
<td>28%</td>
<td>45%</td>
</tr>
</tbody>
</table>
General business skills current importance and effectiveness within Procurement

**RED ZONE**
- Relationship management and interpersonal skills
- Strategic thinking and analysis
- Group collaboration/facilitation
- Change management
- Data analysis and modeling
- Process improvement orientation and skills

**CORE COMPETENCE**
- Problem solving skills
- Organizational know how
- Business acumen
- Project/program management
- Managing others

**SKILLS DEFICIENCY**
- Applied with poor results
- Applied with mixed results

**NICHE COMPETENCE**
- Applied with mostly good results
- Applied with very strong results

Further develop these skills

Q4.3 & Q4.4 Indicate the level of importance & Effectiveness of the following general skills/knowledge for your function.

Essential for most jobs (>75%)
Essential for majority of jobs (50%-75%)
Essential for some jobs (25%-49%)
Niche skill (<25%)
**Procurement specialist skills current importance and effectiveness**

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<th>RED ZONE</th>
<th>CORE COMPETENCE</th>
<th>NICHE COMPETENCE</th>
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<tr>
<td>SRM expertise</td>
<td>Strategic sourcing process expertise</td>
<td>Procurement strategy and transformation expertise</td>
</tr>
<tr>
<td>Market intelligence expertise</td>
<td>Specific supply market/commodity expertise</td>
<td></td>
</tr>
<tr>
<td><strong>SKILLS DEFICIENCY</strong></td>
<td><strong>NICHE COMPETENCE</strong></td>
<td></td>
</tr>
<tr>
<td>Supply Risk Management expertise</td>
<td>Technology and tools acumen</td>
<td></td>
</tr>
<tr>
<td>SCM expertise</td>
<td>Systems testing and quality assurance</td>
<td></td>
</tr>
<tr>
<td>Legal/commercial expertise</td>
<td>P2P transactions, procedures and administration knowledge</td>
<td></td>
</tr>
<tr>
<td>New product development and innovation skills</td>
<td></td>
<td></td>
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*Applied with poor results*  
*Applied with mixed results*  
*Applied with mostly good results*  
*Applied with very strong results*

**Further develop these skills**

**Q5.3 & Q5.4** Indicate the level of importance and Effectiveness of the following specialist skills/knowledge.
Hackett has developed a talent management competency model to support skills assessment across Procurement roles.

**How to Navigate this Procurement Competency Model**

1. The zoom can be increased using the toolbar at the bottom-right of the page in Excel:

2. Click on the 'Role Definitions' tab to view a list of typical Procurement functional roles (e.g. CPO, P2P Process Owner, etc.). Each role contains a brief description and list of detailed responsibilities. The roles are broken up into four functional towers:
   A. Executive Management and Procurement Function Strategy
   B. Category Management & Strategic Sourcing
   C. Purchasing Operations and Compliance Management
   D. Procurement Center-of-Excellence (Technology and Function Support)

3. Click on the 'Competency Levels' tab to view an inventory of various skills listed. Each skill has a short description and skill type (i.e. 'General' vs. 'Procurement-Specific' skill). For each skill, three levels of competency are described in detail, where '1' reflects a lower, or basic, level of competency and '3' reflects a higher, or expert, level for a particular skill.

4. Click on the 'Skills Matrix' tab to see how roles and competency levels intersect to frame an overall picture of the skills needed in Procurement. Each cell, representing the suggested skill required for a particular role contains a value of 0, 1, 2, or 3. The values 1-3 correspond to the specific ratings defined on the 'Competency Levels' tab, whereas a value of zero indicates that particular skill is not required in this competency model (e.g. Role = "CPO" and Skill = "Report Creation"). Of course, a zero does not mean that such skills will never be needed or used, only that the relationship to that particular role is more ad-hoc.
Summary thoughts

- As business objectives evolve so must Procurement and there is a growing focus on revenue and innovation...cost management is part of being in the game.
- Procurement must evolve beyond a negotiator in the eyes of stakeholders to remain at the table...are you really a C-level position?
- Becoming a trusted advisor to the business is the highest priority across the Procurement space...but ill-positioned to do so today.
- New capabilities are needed in Procurement...continuing to develop talent is essential.
- Transferable skills are critical for being viewed as a trusted advisor...traditional Procurement skills are part of being in the game.
- HR generally will not lead this transformation...Procurement must take the bull by the horns.
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