

Leading procurement in a new reality

How thinking strategically can improve business resiliency



The changing role of procurement

In the early months of 2020, procurement organizations were busy focusing on reducing costs by 3 to 5 percent annually, driving self-service through catalogs, and placing more spend under management. In the middle of COVID-19 and its economic disruptions, these goals still hold, but now there are new challenges. Today, procurement is also being asked to:

- ▶ Assess contractual liabilities, such as minimum order quantities, to address fluctuating demand
- ▶ Ensure resource continuity and reduce supply risk
- ▶ Address the challenges of working remotely—and supporting a remote workforce
- ▶ Obtain scarce resources to support the business due to increased market demand

These challenges place your procurement organization in the spotlight, involving it in the most strategic areas of the business. As a procurement leader, you have deep knowledge about spend, contracts, payment terms, IP rights, and risk throughout the supply chain—all critical areas for ensuring business continuity.

Unfortunately, these strategic demands also expose weaknesses in the procurement operating model. Business-as-usual processes didn't allow organizations to change as quickly as they had imagined. For example, many companies are either paper based or store contracts in multiple repositories, making it difficult to access the information needed to make decisions—especially while working remotely. When

governments shut down manufacturing plants, many organizations didn't have current supplier profiles to judge where supply chain risk existed. The processes simply weren't agile enough.

Now, forward-looking procurement leaders are examining the operating model, the skill sets, and the technology platforms they need to stay strategic. Because the procurement function is so critical to business continuity, the time is now to implement modern, agile solutions. By transforming, you will be better able to extract knowledge out of data—improving how you manage contracts, supplier risk, and collaboration.



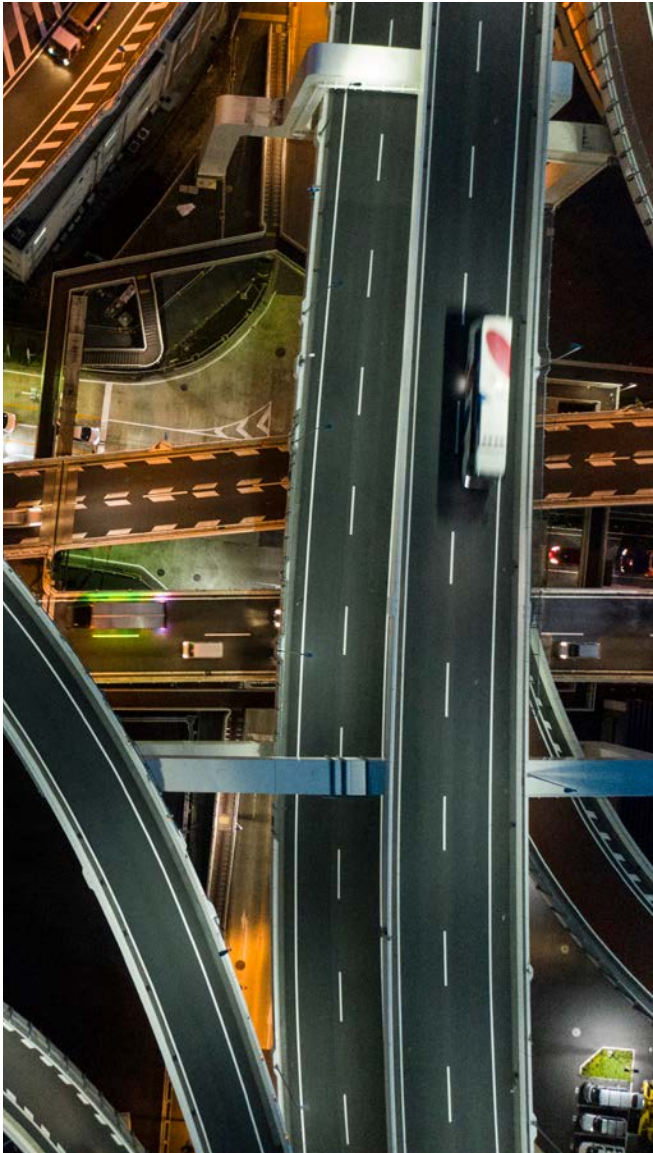
Where should you focus?

Procurement's immediate, short-term response to COVID-19 was to adjust order amounts just to keep the business running. Now, as leaders assess how to remain strategic, they are increasingly examining contract management, supplier risk and performance management (SRPM), and collaboration and community.

Contract management

Since the onset of COVID-19, KPMG has seen growing client interest in contracts—and extracting information from them. Are our contracts in a central repository? What do the contracts say? Do we have "out" clauses or minimum order amounts? Do we have the ability earn early pay discounts? Conversely, can we extend our payment terms? If so, how does that impact supplier relationships? Where do I find the data to make the decisions around the business? How can I get information about my contracts?

To truly answer these questions requires a digital solution—such as Coupa Contract Lifecycle Management—to operationalize contract management. Such a solution can increase control and efficiency across the entire contract lifecycle and help you extract more value from each contract. Such solutions store contracts in a single, accessible repository that is accessible by remote employees. Notifications about expiration dates or clauses that are at variance can be set up. Automated workflows that include legal or other business owners can quickly resolve the variances.



You also need the ability to extract information from contracts. For example, KPMG Cognitive Contract Management can help you search for specific clauses—perhaps about payment terms—so you can make adjustments across a whole category of spend. Even companies that have hundreds of thousands of documents can use AI to mine contract language, find the clauses, and make the changes.

Finally, you need a way to capture contract relationships. Perhaps you have 55 statements of work attached to one master services agreement. You need a clear understanding of the parent-child relationships in your contracts. Your solution must be able to use AI to build a relationship tree within your contract repository so you can optimize terms.

Because of global disruption, procurement is being called on to better manage and provide visibility into contracts and demonstrate an understanding of the obligations a business will be held to. Deep knowledge of contracts—such as having an understanding of variances, payment terms, expiration dates, non-standard clauses—is highly valuable because it enables you to get in front of risk. The ability to supply this information proactively to the C-suite or other key business stakeholders give a strategic advantage to procurement.

Supplier risk and performance management

To assure revenue continuity and bolster business resilience, the C-suite is asking procurement departments to minimize supply chain risk.

Despite this need to deeply understand the state of suppliers—and even the suppliers' suppliers—most procurement leaders face a hodgepodge of information. There is duplicate or conflicting supplier data. Some of the data is not in a system. Much of it is out of date. Some critical information is stored with business units or in multiple countries.

Procurement leaders are asking questions such as: How do we collect and understand external data about business partners? Is the data standardized and accurate? Are we applying corporate risk governance frameworks and policies to supplier management? To answer these questions, you need a formal SRPM program staffed by full-time resources and supported by an end-to-end platform for managing supplier risk.

Dedicated SRPM professionals can help monitor risk at every point in the sourcing process. Usually supplier relationships are maintained both by procurement and the business unit. A dedicated SPRM professional can maintain multiple touchpoints to ensure information



sharing. Professionals can also work with suppliers to keep them in line with the company's governance and risk framework. For example, if a leading supplier fails in three risk areas, you need people to collaborate with the supplier to bring it back into compliance.

The days of spreadsheets are gone. You need tools and capabilities—such as those found in Coupa Risk Assess—to integrate supplier data into the procure-to-pay process. The solution must help you simplify and standardize questionnaires and provide automated workflows to resolve issues. In addition, it should have the ability to leverage bots to provide proactive notification of problems and adverse events facing suppliers. For example, you need to be notified when a supplier appears in the news or announces changes to its leadership. Finally, the solution should help you rank your suppliers by critical risk factors as defined by your organization.

As COVID-19 has shown, risk can change dramatically over a few months. SRPM must expand beyond collecting data at an RFP or during a once-a-year survey. Procurement can drive value by proactively checking and monitoring supplier risk at every point in the sourcing process using a tool integrated across the source to pay lifecycle.

Collaboration and community

Going forward, some level of working from home will be permanent. As your procurement organization adjusts to the virtual environment, you need to be connected to stakeholders—suppliers and business owners—and be able to communicate via digital

platforms. You need technologies that give you access to your suppliers and drive communication with those suppliers.

You also need to bring value to other functions in your organization—such as marketing—by proactively suggesting new ways to reduce spend and risk or to structure contracts to get higher service levels. Capturing and tracking new metrics, including diversity of the supplier base and risk profiles, enables you to provide the CFO with strategic value beyond mere spend reduction.

To accomplish all this, first examine your operating model. Procurement managers must have strong ties to the business owners and suppliers they support. Ideally, these relationships are embedded in the technology, making it easier to maintain cross-functional links. Especially when people are remote, technology can still enable collaboration.

Technology platforms can also bring together communities of procurement professionals across industries, driving intelligence and best practices. The Coupa platform, for example, manages more than \$2 trillion in spend for 1,700 procurement groups. The platform's community gives prescriptive advice to help you become best in class and provides data points that let procurement leaders benchmark spend, cycle times, AP approval times, electronic invoicing, and more.

Collaboration with communities—both internal and external—can help drive procurement excellence.



Deliver strategic value, position your company for growth

COVID-19 and its resulting economic fallout compels procurement organizations to be more nimble. Lacking capabilities to manage contracts, evaluate supplier risk, and facilitate collaboration, legacy ERP systems fall seriously short of agility. New technologies, on the other hand, enable procurement change.

Digitization sets up your company for success and opens opportunities for procurement to innovate throughout the supply chain. Because procurement knows both business goals and supplier capabilities, it can add strategic value when enabled by the right technology.

Accelerate procurement digitization and transformation with technology that provides end-to-end visibility and control. Now is the time for procurement executives to step forward as both strategic business advisers and on-the-ground leaders. Contact us to find out how.

Contact us

Dipán Karumsi

KPMG LLP, Principal

T: 614-249-2384

E: dkarumsi@kpmg.com

Annie McMillan

KPMG LLP, Managing Director

T: 785-760-1630

E: amcmillan@kpmg.com

Michael van-Keulen

Coupa, Chief Procurement Officer

T: 604-813-5330

E: Michael.van-keulen@coupa.com

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