How to empower digital transformation within your procurement team
Insight and guidance for all levels of the profession when considering digital investment and transformation.

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Introduction

Embarking on digital transformation may feel like being stuck between a rock and a hard place. That's because it comes without instructions, and although "7/10 digital transformation projects fail"[1] doesn't make for optimistic reading, up to 10/10 businesses fail by choosing not to adapt in any way. Warnings such as "you are either on the train, or on the tracks"[2] echo across digital transformation conference halls and into the boardrooms of worried firms who are yet to join the movement. Meanwhile, on the train, disruptive companies such as Uber, Netflix, Airbnb and Amazon are already enjoying the huge rewards on offer to those who invest in the digital revolution[3].

The potential of human-level AI alone is valued at \$13tn, based on the technology enabling a tenfold increase in global GDP[4,5]. The last time an increase of this magnitude was observed (between 1820 and 2010), the world went through three industrial revolutions. Thus, the comparison being made, which predicts the impact of digital transformation on society to be as large as the impact of the internet, is no wild exaggeration. If anything, it's an understatement.
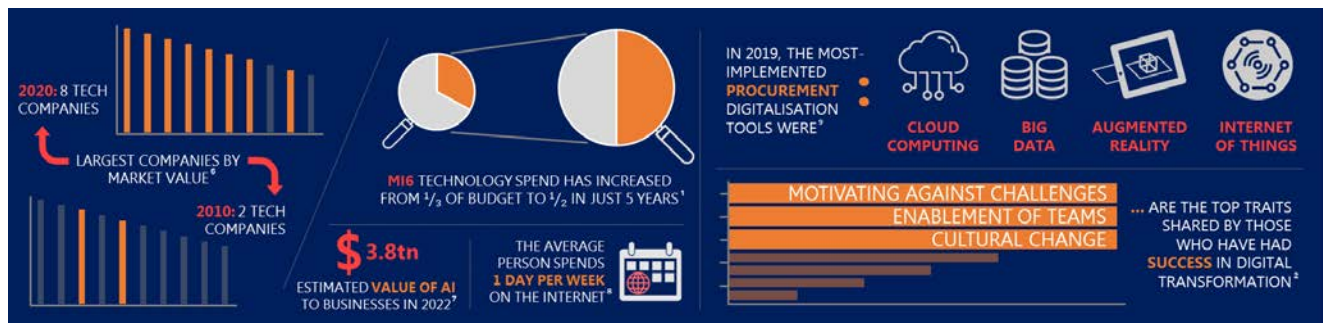
What YOU Can Do

For a procurement function, digital transformation can bring unprecedented benefits in process improvement, time management, value for money and market engagement to name a few. The true potential of digitalisation is still to be discovered, with many firms beginning to explore how value creation can be refined through the digitalisation of procurement. Studies show that 95% of procurement functions have already implemented at least one of the industry 4.0 pillars[9], with the most common benefits being greater transparency and cost effectiveness[2]. As a buyer, a manager or a director/CPO, you are uniquely placed to uncover the benefits that digitalisation can bring to your team, through promoting the required cultural change towards innovative thinking. This area of value creation currently remains untapped for most procurement functions, which means that the benefits of the below activities will quickly create real value.

As a Buyer

1. Define the requirements and the "perfect world"

As a buyer, you're in the best position to define the issues that face the team. You can also envisage the ideal end position, where many of the issues that take up time or create cost unnecessarily are wiped out. Asking yourself questions, such as "*what is the single biggest drain on my day?*" or "*what would enable this team to do their jobs more efficiently?*" will spark the ideas that generate viable digital transformation initiatives. Once an idea has been created, build on it by assessing the value it could bring, who would benefit, associated costs and time to value. Explore where other companies have implemented something similar and log any implementation/scalability challenges throughout. Your idea is now turning into an initiative that can be fed back up and considered in wider strategy.

2. Do your homework

To help build these tangible initiatives, you need to understand not just the daily activities and pain points experienced by the buyers, but what tools are available to fix the issues. Whilst some technologies, such as cloud computing and big data analytics, are becoming commonplace within many firms[9], technologies such as blockchain (for full supply chain transparency) or contract AI (for clause analysis and negotiation aid) are not yet as well-understood or widely implemented. Reading relevant literature is a good way to do your homework on emerging technologies, as is attending conferences and asking for training. Awareness on digital transformation is growing rapidly and so these resources are becoming easier to find[10], with numerous training packages available to provide information on industry 4.0 tools and applications. Forward-thinking companies are prioritising the knowledge gap in this area, with some even incentivising completion with certificates and bonuses[2].

3. Communicate upwards… and outwards

Sharing of best practises and lessons learned is key both before and during the transformation. As you learn, fail, challenge, make mistakes and achieve success, you must prioritise the sharing of information outwards as well as upwards. This involves not just reporting back to managers on progress, but catching up with other buyers to share insight. The benefits of this include faster development and reducing duplication of effort, but also increased motivation and trust. Motivation must exist in any large change transformation project, but particularly in one where the end date is unspecified and employees may struggle with the concept of evolutionary change (which augments their work with that of a machine's). If colleagues can see that the transformation is having a positive impact on you, they may feel motivated to achieve the same goal. This in turn builds trust which, for example, is fundamental to AI adoption and creating an augmented human/AI team that make better decisions combined than any one human or robot alone[10]. To embed technology to the depth required for these efficiencies, buyers must utilise *intrinsic motivation* (more on this later), developed from an understanding of how the transformation will help them. Managers cannot hypothesise these benefits as well as other buyers can present them; you must communicate outwards.

As a Manager

1. Lead in the new world

Your digital transformation will likely be partnered with a supplementary change in culture, as objectives are more likely to be met once risk appetite increases and innovation becomes a key driver of all activities. Coaching your team into a different way of thinking and feeding back any cultural challenges involved with the transformation is a key activity that managers must lead[11]. You are best placed to map team capability and working styles to the overarching transformation goals, using gap analysis to identify the level of coaching or training required for weak areas, to what intensity and for who. Like the buyers, you may be required to do your homework first to understand the new ways of working and the technologies involved. Whilst you will have the skillset to lead the team through the transformation, it's important to recognise that you may not have the capabilities to coach the team on new tasks - such as data cleansing, standardising or programming for process automation. Here, the hiring of *data scientists* or *translators* into your team may enable team learning and development faster than traditional pass-down knowledge models.

2. Create initiatives that leverage circumstance

Once the overarching strategy and goals have been set at CPO level, it's important for managers to understand how the team needs to adapt to satisfy not just these internal goals, but also the unique requirements of team's stakeholder groups. Procurement can be viewed as an internal service which aids the wider business[12], so any initiatives need to consider how the value created can be passed on to stakeholders. As a manager, you're best placed to understand the demands that varying stakeholder groups put on your team, as well as how the team is perceived and any stakeholder-centric changes which could promote a better service. Use this unique viewpoint to create initiatives that leverage circumstance. For example, if an externality of blockchain implementation is greater clarity on component history, be sure to pass this on to your QA team. Here, procurement achieve their value target of understanding cost build-up throughout the supply chain (*for example*), and further value is created for another department. This in turn strengthens relationships and respect for procurement throughout the business.

3. Focus on sustainability

Digital transformation needs to be delivered with ROI at the forefront of all decisions. The number one reason behind the 70% failure rate is running out of money[13]. Companies that don't structure their transformation in ROI increments, especially when paired with a risk-averse culture, will find themselves spending too much time focusing on all the minor IT issues, and will plummet down an often-inescapable funding spiral[2]. If you can accurately explain how an initiative adds value, what the expected costs and challenges are and how long it will take to roll out and recoup those costs, the leadership team can make more efficient decisions. Those that return investment early may be better-placed at the start of the transformation, whilst those that carry large risk and offer rewards only after several years may be parked until the transformation has the backing and home-grown budget to deliver them. There are no bad ideas during initiative creation, but to not capture their unique benefits and risks could derail the journey further down the line.

As a Director or CPO

1. Implement the culture of change

To successfully implement digital transformation, a culture shift towards innovation and risk taking is required. Agile project management, empowered employees and effective decision making are some of the key traits central to a disruptive company's change management culture[2], in which digital initiatives can nurture and grow. Crucial to this culture is the 80% knowledge principle and expectation that not all questions can be answered before roll out. AI and other digital tools can be thought of as complex organisms that change and adapt, so the idea of "automate then optimise" must be supported (*which, in some cases, may allow the solution to better itself over time*). Also key to the required culture is the understanding that ROI targets and fulfilment dates play a lead role in initiative selection, whereby focus needs to be given to economic benefit and scalability. As transformation costs in this space can be large, consider how to obtain quick wins from "low hanging fruit" initiatives, whilst paying attention to the 80% rule and time to value.

2. Lead from the front and buy in

You'll be responsible for setting the overarching vision and goals for the project, which need to be clear and well-understood by all levels of the organisation. But simply stating the end goal is not enough, and buy in from yourself is just as important as buy in from the board. Understanding the links between procurement and the wider business is key in assessing scalability, so utilise the holistic viewpoint enabled by your role. Be involved in selecting technologies and transformation partners. Walk around the office and speak to buyers on progress and appetite instead of relying on exec reports. Demand mitigation for arising issues and carefully assess whether to move on until corrected. Attend meetings that require influence. Track progress frequently and combine with wider business awareness to steer the project towards achieving the overarching vision.

3. Enable and motivate

Alongside the previous points, the ability to enable and motivate your function is crucial for successful transformation. Fortunately, motivation often arises as an externality of the above, so if you are continuously enabling teams to feel confident, incentivised and bought in, you should start to see a change in the right direction[14]. As a strategy for enablement, equipping teams with the skillset to succeed in the new world should be the first step. Here, getting basic IT right is one of the easiest ways to enable employees and produce a stable foundation to build on. Next, commitments such as defining new roles and team structures, budgeting as much for implementation and adoption as the technologies themselves, and investing in training for teams on both digitalisation and change management are some of the enabling tactics used by firms who have successfully scaled digitalisation initiatives[15]. As a note on motivation, research has shown that creativity and innovation are higher in groups that are *intrinsically* motivated (acting freely for internal satisfaction) than those who are *extrinsically* motivated (acting specifically for rewards or to avoid punishment)[16,17]. With creativity and innovation being vital to the transformation, consider how goals like making life easier for the team or increased job fulfilment can influence success.

Summary "Takeaway" Table

How to Empower Digital Transformation Within Your Procurement Team		
As a Buyer	**As a Manager**	**As a Director or CPO**
Define the requirements and the "perfect world": Asking yourself probing questions will spark the ideas that generate viable digital transformation initiatives. Then, categorise by value, impacted parties, challenges, costs and time to value.	**Lead in the new world:** The culture change towards innovative thinking is just as important as the implemented technologies. You must live the new culture to show your team how to act in the new world. Enable this via coaching, training and hiring of specialists to promote the change.	**Implement the culture of change:** Culture traits such as agile project management, empowered employees and effective decision making are key enablers of digital initiative creation. Also crucial to adopt is the 80/20 rule, automate then optimise, and a focus on ROI.
Do your homework: Through literature, conferences and training, you can quickly gain a basic understanding on the industry 4.0 pillars and which tools could solve the requirements defined above.	**Create initiatives that leverage circumstance:** The most successful initiatives are those that satisfy the unique requirements of your team and its stakeholders. Consider externalities of the initiatives and be stakeholder-centric in your approach.	**Lead from the front and buy in:** Defining the end goal is not enough. You must steer the function towards the vision through influencing, selecting, tracking and demanding results in a much more detailed way than before.
Communicate upwards... and outwards: For motivation, trust and faster development. Remember, managers cannot hypothesise the benefits of the transformation as well as other buyers can show them.	**Focus on sustainability:** The biggest reason for failure is running out of money, so prioritise time to value and carefully consider how initiative order can impact transformation sustainability.	**Enable and motivate:** Equip teams with the skillset to succeed through restructure, fixing the basics and investing in people. Goals that promote intrinsic motivation are crucial in enabling the creativity and innovation required for success.

Final Thoughts: The Whole is Greater Than The Sum of its Parts

Aristotle would've liked digital transformation strategy. That's because he understood the power of unity, writing in *Metaphysics* that "many things have a plurality of parts and are not merely a complete aggregate but instead some kind of a whole beyond its parts". Successful digital transformation is a plurality of parts, best achieved when many single factors work in unity to realise their common goal. Hence, when summarising the value that the activities of the buyer, manager and CPO can bring, it is important to consider the added value created when the three parts work together:

Motivation is an externality of leadership: Teams may be motivated by seeing CPO-issued updates discussing the work that they are involved in. Announcing new partners and investing in enablement also helps to create a sense of unity and the belief that the buyers' work is being prioritised by the leadership team[18].

Trust flows downstream, value flows upstream: If the CPO provides ways to enable teams, managers are trusted to employ the right people and gain access to the right technologies. In turn, coaching and mentoring becomes easier and eventually the trust that the CPO has given to the manager is passed to the buyer, who now feels confident in their abilities and empowered to push the transformation. Enablement has allowed for productivity to increase and value to be created[19], which is then passed back up to the CPO to showcase and propose further investment. This chain is built on spending trust to return value, and couldn't be achieved without engagement at all levels.

Scale, scale, scale: Once the value has flowed upstream, the CPO should not just seek further investment to continue the procurement transformation, but consider how transferable and scalable the imbedded technologies are in other areas of the business. Paramount to long-term successful digital transformation is the alignment of a firm's technology strategy with its business strategy[9], which provides the technology with the required freedom to scale throughout the company. Jaguar Land Rover Procurement implemented robotic process automation (RPA) to reduce many of the admin-heavy processes that its buyers had to previously complete, saving thousands of hours per year. Upon gaining further investment for the next phase of their transformation, the procurement team proposed that the technology could be scaled into other departments, resulting in further benefits[20]. This is not only a great example of how your procurement team can influence company-wide digital transformation, but also offers a route to grow procurement function maturity and respect within your business.

Author

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