



Conversations with the CEO





*Ten years ago, we started a conversation...*

...a conversation with business leaders about the value that strategic procurement could deliver to them.

Ten years later, these conversations continue to bear fruit. Moving beyond cost and value, procurement delivers far more. It contributes to commercial acumen and a unique external perspective in terms of delivering supply, growth, mergers & acquisitions (M&A) and risk management activities within organisations.

## Listening and learning

We listened and learned from our clients and we shaped our business offering around the three areas that clients told us were critical for developing the profession and the procurement model within their businesses.

### **Transforming and elevating the role of procurement:**

Through strategy development, process discipline, governance, systems and benchmarking, The Faculty is helping our clients achieve and embed sustainable best practice procurement solutions.

Our experience across global projects ensures that, regardless of where you are on the procurement journey, you receive the full benefit of our experienced team.

**Building high performance teams:** We have delivered training to hundreds of procurement practitioners through open and tailored programs.

These have been aimed at all levels of the profession, from entry to executive. Designed to equip procurement professionals with the commercial, technical and leadership skills required to drive procurement into the future, our training programs seek to maximise skills transfer back into the workplace.

**Creating vibrant knowledge networks:** Bringing together Asia-Pacific's most dynamic and strategic procurement minds, unique initiatives such as The Faculty Roundtable, Leading and Learning Breakfast series, Category Councils, and the annual CPO Forum have, and continue to, facilitate best practice knowledge sharing to help you stay ahead of the game.

## Exceptional outcomes

Over the past 10 years, our team has been energised and inspired by the opportunity to partner with Asia-Pacific's leading organisations across the resources, manufacturing, FMCG, financial services, energy, automotive, construction and public sectors.

Our experience and commitment to the profession is our difference. We are dedicated to working with our clients, not only to help them deliver exceptional outcomes, but also to empower and grow the profession.

## It's time to start a new conversation

The Faculty is not standing still, and neither is the profession. We will continue to innovate and accelerate procurement's contribution to delivering greater shareholder value.

It's time to start a new conversation with your team and your executives about the opportunities that exist for procurement to drive even greater value for the organisation.

What follows are eight conversation starters to help you keep procurement at the top of your CEO's and the Board's agenda.

Faculty Factoid

Since its inception ten years ago, The Faculty has partnered with its clients to increase the value procurement delivers. Our recent client survey results reported The Faculty has a clear market position based on a high-value offer and personalised service individually tailored for each client.

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*Leaders bring stability to the creative edge of chaos.*

*> Hamish Petrie*



## Where are the major risks within our supply base?

The intricate balancing act of being globally competitive and a stellar corporate citizen is getting harder. How companies source inputs and manage suppliers play an increasingly important role in protecting their margins, brand and growth into the future.

### THE RISKS

- Business' growth strategy is leading to greater reliance on third parties, exposing contractors and the brand to greater risk
- Operations in new geographic regions intensify media scrutiny on corporate social responsibility, Quality Assurance (QA) practices and safety measures
- Not fully understanding the risks associated with outsourcing, particularly to low cost countries
- A legacy of diverse procurement policies and governance frameworks as a result of M&A activity or strategic alliances
- Ambiguous accountability lines for managing risk
- Group-wide procurement strategies not being applied consistently across the organisation
- Not securing the best suppliers in long term arrangements
- Lack of confidence around continuity of supply.

### THE SOLUTIONS

- Agreed strategies to optimise the value of key relationships
- Identify ways to motivate suppliers to manage risk and participate in your success
- Develop policy and governance frameworks to harmonise risk management approaches across all procurement activities, including QA
- Establish clear risk management frameworks to manage third party risk to the organisation
- Define roles and responsibilities of contract owners versus procurement
- Establish innovation and new product development processes that maximise efficiency and minimise risk
- Ensure compliance with audit requirements, including Sarbanes Oxley/ASX Principle 7 compliance.

### THE BUSINESS OUTCOMES

A robust procurement governance framework will deliver a trusted network of suppliers which, in turn, drives growth, innovation and helps protect the brand.

### CASE STUDY

An Australian FMCG organisation had evolved its manufacturing footprint to combine onshore facilities with an extended network of offshore supplier partners. This approach had brought flexibility, innovation and cost advantages, but had also introduced new and challenging risks.

To promote clear accountability for supply chain risk management, the organisation engaged The Faculty to conduct an independent review of the QA systems and processes in place, benchmark these against best practice and develop a plan for improvement.

This plan enabled harmonisation of QA standards across insourced and outsourced manufacturing facilities, and clearly defined accountability for QA across the organisation. This QA framework provided a robust framework to safely take advantage of new suppliers in diverse geographies, while managing risk and protecting the brand.



## Are we wasting time and money through process inefficiencies?

Ensuring the predictability and reliability of system data provides the business with confidence in its financial results, eliminates rework, and reduces resource requirements resulting from manual intervention, saving the company time, resources and money.

### THE RISKS

- Changes to procurement policy and governance arrangements requiring transformation of the procurement function, in terms of structure, skills, processes and supporting tools and systems
- Excessive noise in the Procure to Pay (P2P) process with Accounts Payable, Procurement and suppliers all experiencing issues
- Lack of visibility or confidence in core financial system data including poor quality spend data
- Suppliers stopping supply due to non-payment of blocked invoices
- Procurement and analytical staff spending time on reworking and complex workarounds, rather than delivering on strategic activities
- System prices not maintained resulting in negotiated prices not being used for purchasing activities
- Sub-optimal leverage of investment in Enterprise Resource Planning systems.

### THE SOLUTIONS

- Review commercial processes and implement a purchasing framework to drive pricing consistency, data integrity and in the process sustain operational excellence
- Focus on process discipline and standardisation to embed the new business platform within the organisation and improve transactional efficiencies.

### THE BUSINESS OUTCOMES

By increasing focus on commercial process discipline – standardisation, simplification and repeatability – organisations lower transaction costs, reduce rework and increase focus on strategic activities and, in the process deliver real value to the business.

### CASE STUDY

A major oil and gas organisation wanted to introduce a more robust procurement and purchasing process across a decentralised and diverse set of business units.

The Faculty worked with this organisation to analyse their existing spend data and procurement processes, and develop a new Procure to Pay (P2P) framework and set of processes. These processes enabled the organisation to comply with global governance requirements such as Sarbanes Oxley, while also driving improvements in contract usage, sourcing savings and process efficiencies.



*Control the controllables.*

> *Michael Kirk*

Faculty Factoid

The Faculty has taken its strategic procurement advice global. Last year, our consultants worked across four continents – North America, Asia, Africa and Australia.



## Is our cost base a competitive advantage?

Strong and continuous cost pressure from global competitors means that technology, quality, customer service, delivery and brand are no longer enough to differentiate world-class companies. Today, firms must deliver all of the above at a lower cost than their competitors to strengthen their market competitiveness.

### THE RISKS

- Profit margins are being squeezed lower than other members in the value chain
- Global competition increasing pressure to cut costs
- Our suppliers are not delivering us a cost advantage over our competitors
- Not leveraging our volume or position in the market effectively
- Leaving money on the table by not building stronger relationships with strategic suppliers that would drive value for both businesses
- Not capturing the value identified in supply negotiations
- Out of control off-contract spend
- Low spend visibility
- Unclear total cost of ownership.

### THE SOLUTIONS

- Equip procurement team with stronger knowledge of the cost structure of goods and services
- Partner with the most strategic suppliers to uncover opportunities for mutual benefit and share in the benefits of the journey
- Tap into cost advantage from new geographies to win market share and growth
- Conduct a portfolio diagnostic to uncover opportunities to reduce costs without impacting operations or service delivery
- Embed a consistent approach to sourcing aimed to enhance value delivery
- Implement a rigorous, fact-based approach for developing and refining category management
- Drive contract and process compliance across the whole organisation.

### THE BUSINESS OUTCOMES

Achieve a dramatic and sustainable increase in the speed and efficiency of savings delivery to the bottom line through:

- Conducting a category portfolio diagnostic to identify and clearly prioritise rapid sourcing opportunities
- Investing in a tailored people capability program, to embed strategic cost and category management skills within your organisation.

### CASE STUDY

Following a large acquisition, a major FMCG company conducted a wide ranging review of their supply arrangements in critical packaging and ingredient categories. This portfolio review identified a stream of synergy projects which were delivered through a combination of negotiation, specification review, standardisation and optimisation, and introduction of new sources of supply.

The Faculty helped this organisation identify a solid pipeline of sourcing and supplier management projects to enable the delivery of significant synergy benefits. The portfolio review and ongoing program management activities were coupled with coaching and targeted training to upskill the internal procurement resources to be able to deliver the savings. The synergy benefits delivered through this program underpinned a competitive cost base that enabled the business to withstand fierce competition and global industry changes.





Faculty Factoid

The Faculty Roundtable has contributed significantly to lifting commercial procurement capability in the region. It has done this through extensive research, mentoring, as well as initiatives such as the Procurement Executive Program and the annual CPO Forum.

*Today, India is the office of the world and China is the factory of the world.*

> Tom Verghese

Faculty Factoid

The Faculty's CPO Forum is in its fourth year and brings together annually Asia-Pacific's most senior procurement and commercial leaders along with senior business leaders for a two-day think tank to map future directions and trends for the profession.

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*A leader's job is to constantly look for better ways to do things and, with the support of management, drive the changes through the organisation as quickly as possible.*

> Ian Anderson



## Are we extracting maximum value from our market intelligence networks?

Commercial leaders cannot afford to work in isolation. It's about working innovatively and solving issues together to identify new value streams, regional and global opportunities and improve financial performance. Procurement teams should be networked and have access to the best market intelligence in order to leverage best practice strategies.

### THE RISKS

- Unable to benchmark value delivered by procurement and category strategies
- Over-reliance on internal peers and stakeholders to validate appropriateness of procurement techniques and strategies
- Procurement too internally focused resulting in bandwidth being consumed by tactical "firefighting", therefore preventing strategy from being influenced by external best practices.

### THE SOLUTIONS

- Leverage best practice learnings, test strategies and thought processes with procurement peers
- Grow your personal and professional skills through exposure to industry thought-leaders and commentators
- Stimulate your professional outlook by networking with other procurement leaders
- Access expert advice on generating additional value from category strategies.

### THE BUSINESS OUTCOMES

Professionals can share ideas and strategies in order to benchmark their procurement strategy against the best-in-class organisations; validate their strategies and in the process, make a business case for change and fast-track projects with a lower rate of error.

### CASE STUDY

New in the role of CPO at a major Australian FMCG, our client initially joined The Faculty Roundtable to benchmark his team's capability. Using this as a line in the sand, our client has remained a member of the Roundtable for five years, participating in regular benchmarks to validate his procurement strategy, demonstrate value delivered to his Executive and stay abreast of leading edge practices.

The Roundtable enables our clients to develop their teams, their organisations and themselves as leaders. A series of targeted research projects have addressed topics such as Supplier Relationship Management, People Development, Procurement Processes and Systems, as well as a number of benchmarking exercises.

The networking and market intelligence available through the Roundtable is invaluable for ensuring your organisation is kept abreast of key developments in the market and constantly searching for new ways of delivering value.



## Are we attracting and retaining the best commercial talent?

Attracting and retaining talent remains the single most critical issue on any CEO's agenda. Investing in professional development not only ensures the business is equipped with the right blend of commercial acumen, leadership and change management skills to accelerate performance, but also provides clear career pathways to engage and retain the organisation's brightest stars.

### THE RISKS

- Attracting and retaining talent, then ensuring that you have the right people focused on the activities that will add the greatest value
- Procurement team struggling to outperform the suppliers' best salespeople when it comes to negotiation strategies and skills
- An inconsistent approach to roles and responsibilities across procurement activities
- Rumbblings from senior internal stakeholders suggesting that the procurement team doesn't understand the organisation's requirements.

### THE SOLUTIONS

- Standardise roles and responsibilities across the procurement function
- Assess capability and benchmark against your peers
- Ensure the procurement team has appropriate representation and voice within the company
- Provide clear performance measures and reward the delivery of strategic outcomes
- Benchmark salary levels across procurement roles
- Deliver professional development programs aimed at upskilling and maximising knowledge transfer across the organisation
- Promote cross functional career path opportunities into and out of procurement
- Focus on retention of star performers.

### THE BUSINESS OUTCOMES

Procurement is occupying an ever more strategic space within the organisation. Procurement's ongoing success is dependent on its ability to attract, retain and manage individuals with the right mix of skills and capabilities. Today, procurement professionals require not only deep category knowledge, but also commercial acumen, intellect and multi-disciplinary experience if they are to engage effectively with the business and the supply chain.

### CASE STUDY

Many procurement teams are searching for ways to become more strategic, add more value to their organisations and to develop and retain their staff. The Faculty has worked with many leading organisations on all of these priorities.

The Faculty worked with one large procurement team in the health sector that needed to respond to demanding stakeholders, cost pressure and the increased sophistication of global and regional suppliers. The Faculty developed a strategic framework that enabled the team to prioritise and allocate resources on a category basis, delivering increased team expertise and customer service, and also identifying millions of dollars in savings and value delivery.

By investing in a tailored training solution, the organisation was able to develop and retain its staff, demonstrate increased value to stakeholders and build an increased level of capability within the organisation. This helped to motivate and engage the team members and position the organisation as a leader within their sector.





*You are the only common denominator in your career.*

*> Chris Lynch*

Faculty Factoid

The Melbourne Business School Procurement Executive Program (PEP) graduates more than 25 professionals each year, equipping them with the skills to overcome business challenges at the highest level and drive procurement into the future.



*You have to ask yourself, what  
are the things only I can do?*

*> Malcolm Broomhead*

Faculty  
Factoid

The Faculty's new vibrant branding is based on artwork by renowned Australian artist Melinda Harper, whose paintings are a celebration of paint, abstraction and optical illusion.

## Are we delivering the best return on our procurement investment?

As organisations compete more vigorously on integrated value chains, it becomes even more important to build an effective procurement function in order to deliver and sustain a competitive advantage. To justify investment in procurement resources, the CEO must have confidence in the procurement strategy and the accuracy of reported value delivery.

### THE RISKS

- Financial markets believe your cost base is less competitive than your peers
- Procurement strategy and KPIs are not aligned with the business strategy and KPIs
- Lack of visibility and credibility in reported procurement savings
- Inconsistent and unclear methodologies for calculating savings and benefits
- Inability to validate whether the procurement strategy is delivering competitive results.

### THE SOLUTIONS

- Define the investment you are making in procurement today
- Develop a clear strategy and KPIs aligning procurement with the overall corporate strategy
- Benchmark procurement processes and statistics against peer organisations and best practice
- Establish a benefits reporting framework which has clear definitions and differentiates hard dollar to “value-add” savings, as well as currency or commodity impacts vs negotiated outcomes
- Ensure the finance function endorses the benefits capture framework guidelines and reporting process
- Establish regular reporting regime and briefings on procurement progress with the executive team
- Consider establishing a senior executive forum which sponsors procurement initiatives, ensures organisational support and creates a mechanism for identifying and removing significant roadblocks to value delivery.

### THE BUSINESS OUTCOMES

Establishing robust performance metrics and conducting regular benchmarking, not only validates and ensures procurement strategies are delivered, but also ensures that reported savings are accepted by the business.

### CASE STUDY

The Faculty worked with a global beverages business to define and implement a robust benefits capture system that articulated the value delivered by the procurement team.

This system aligned key stakeholders such as Finance, Operations and Technical staff with procurement team members, in order to validate savings delivery and build credibility in the procurement benefits delivered.

By having an approved scorecard process in place, the procurement team is able to focus on identifying and implementing value opportunities in conjunction with the business, rather than trying to convince stakeholders and senior management of the value delivered through procurement. This robust and rigorous scorecard process “removes the noise” and drives awareness and validation of the value delivered through effective procurement. It also highlights the shared responsibility between procurement and the business in delivering value through optimising both cost and demand drivers.



## Faculty Factoid

The Faculty is located in East Melbourne. Its home is a heritage-listed former Salvation Army Citadel Press building that was erected in 1901. It provides a venue for The Faculty team to strategise projects and acts as a hub for clients to connect and collaborate.

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*Aerodynamically, the bumblebee should never have left the ground, but he doesn't know that, so he just keeps flying anyway.*

> Juergen Benner



## Can procurement deliver additional shareholder value?

As the key interface between the business and the inbound supply chain, procurement is uniquely positioned to ensure the organisation is positioned to maximise competitive advantage by accessing innovation from the supply base and responding to emerging issues such as the rise of “Chindia”, sustainability and third party risk management.

### THE RISKS

- Undervaluing the depth and capability of commercial talent within the procurement team that could potentially be leveraged into other areas of the extended business enterprise
- No clear, single point accountability for areas such as sustainability and corporate social responsibility, where procurement could be a logical champion
- Emerging issues that confront the business not managed by people with strong commercial acumen.

### THE SOLUTIONS

- Implement a formal Supplier Relationship Management program with your most strategic suppliers that includes incentives for top-line growth
- Facilitate opportunities for suppliers to bring innovation into your business and contribute to new product development initiatives
- Orchestrate a trusted network of assured suppliers who are clearly aligned with your growth objectives
- Provide the procurement team with opportunities to apply their commercial skills to new business challenges
- Consider co-locating your procurement and sales teams to create a hub of commercial excellence for your business.

### THE BUSINESS OUTCOMES

Delivering risk management and top-line value from the business' complex and global network of suppliers, not just on achieving cost savings alone.

### CASE STUDY

A large Australian resources business had a complex alliance partnership agreement in place with a global supplier. This agreement had recently been renewed but lingering issues existed between both the buyer and supplier teams.

The Faculty was engaged to conduct an independent review of the supplier relationship in order to identify and surface issues that were constraining the value delivered by the relationship. Through a series of interviews and workshops, The Faculty was able to identify multiple underlying issues and develop resolution approaches with the buyer and supplier stakeholders.

By identifying the issues and quantifying the impact, The Faculty was able to work with the client to develop a series of recommended actions to address the problems. Resolving these issues enabled the buyer / supplier relationship to move forward much more effectively, increasing trust and ultimately delivering increased value for both parties over the life of the agreement.



## How do we optimise our systems investment?

Businesses invest in systems to deliver on a range of projected benefits, from enhancing customer service, to cutting production lead times, to decreasing waste. Poorly implemented systems can represent spectacular and costly failures. More often than not, systems optimisation requires a change management solution, not a technical one.

### THE RISKS

- ERP systems investment fails to deliver projected benefits
- Employees do not understand their roles and responsibilities within the new system, let alone the technical requirements
- System is insufficiently aligned with existing business practices
- End users perceive system is complex and spend time developing workarounds
- The technical solution is sound – the real issue is about getting the organisation on board
- Processes are unstable and compliance is low
- Data integrity is poor.

### THE SOLUTIONS

- Socialise and project manage new systems and processes using proven change management approaches to optimise systems take up and compliance
- Identify and clarify where systems processes and roles and responsibilities are not well understood and develop customised training to leverage your systems investment
- Review Procure to Pay (P2P) systems and provide recommendations to enhance compliance.

### THE BUSINESS OUTCOMES

Embedding solid processes around systems will increase supply chain velocity through assured information transfer while increasing data accuracy, reducing administrative costs and allowing the organisation's best people to focus on identifying new sources of value, rather than 'firefighting' in support of ineffective transactional processes.

### CASE STUDY

Having invested heavily in their ERP systems, a blue-chip global resources company tailored an implementation plan around proven change management practices, facilitating a high degree of process standardisation across the decentralised business, driving compliance to global standards and accelerating e-Procurement capability.

The Faculty worked with this organisation to help deploy and utilise this system, to build a central source of data for their contracts and procurement activities. This central data repository has enabled the organisation to achieve clarity of responsibility and drive accountability across contract owners, procurement and operational stakeholders. This has increased the level of risk management and built a solid foundation for future usage of electronic sourcing and procurement solutions. These solutions are driving process efficiencies, cost downs and accountability for risk and supplier management.



*Leaders should never stop learning, so as to become better leaders.*

> *Ray Gunston*

Faculty Factoid

In 2009, we established Australia's first network hub for category managers. Today our Category Council members collectively have knowledge of:

\$1BN+ spend managed

100+ years of procurement experience

100s of projects managed

50+ categories sourced



# OUR SERVICE OFFERING

## PROCUREMENT CONSULTING - EMBED AND ELEVATE PERFORMANCE

### **Procurement Strategy and Transformation**

- Procurement strategy – developing a plan for your function and your organisation
- Communicating that strategy and message effectively, especially to senior management
- Transformation – transform your function into a world class, externally focused sourcing organisation that delivers true value to your company

### **Benchmarking, Evaluation and Scorecards**

- Independent procurement reviews to assess your performance and develop a plan for the future
- Quantitative and qualitative benchmarking programs including procurement and Procure to Pay (P2P) health checks to see how you compare to your peers and leading practices
- Scorecards and benefits capture systems, to demonstrate and validate procurement value delivery and drive increased credibility with stakeholders

### **Procurement and Supply Chain Innovation**

- Establishing and maintaining ethical sourcing
- Driving sustainability in procurement through policy, strategy and implementation with your supply base
- Low-cost country sourcing
- Risk management processes including contractor management frameworks
- Quality assurance in the external supply chain
- Outsourcing planning and strategy

### **Procurement and Sourcing Systems, Processes, Governance and Policy**

- Procurement systems and processes including Procure to Pay (P2P), Source to Contract, eProcurement, eSourcing and contract management
- Project management and change management associated with implementation of new systems
- Developing and embedding procurement processes, policies and governance frameworks

### **Supplier Relationship Management and Risk Management**

- Designing and implementing a Supplier Relationship Management program
- Independent third party review of key supplier relationships to identify areas for improvement
- Identifying and managing risk in your external supplier base

### **Six Sigma and Process Discipline**

- Implementing Six Sigma for procurement and strategic sourcing
- Process discipline and KPIs to sustain operational excellence
- Lean Six Sigma concepts and how to apply them within your organisation and supply chain

### **Category Management**

- Developing and optimising category strategies
- Uncovering new sources of value within existing categories
- Benchmarking category management performance

## PROFESSIONAL DEVELOPMENT - BUILDING HIGH PERFORMANCE TEAMS

### Capability Development

- Organisation structure review, design and implementation
- Skills assessments to identify gaps in team skills, tailoring individual and team development plans to close the gaps
- Development and delivery of tailored training solutions
- Open training programs including the Procurement Executive Program , Pathways to Procurement, as well as specialist programs such as Anklesaria Strategic Cost Management
- Mentoring staff to embed ideas and concepts and provide professional career coaching

## PROFESSIONAL NETWORKS – CREATING VIBRANT KNOWLEDGE NETWORKS

### Procurement Roundtable

- Roundtable membership including quarterly CPO meetings, category and issues workshops, research and mentoring

### Category Councils

- Category Council membership including face-to-face and online meetings, category management accelerator workshops and Council networking events for category managers

### Professional Networking

- The annual Asia-Pacific CPO Forum
- Procurement networking breakfasts and boardroom lunches





THE  
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*empowering  
procurement*



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