Procurement Shared Service Transformation
IBM’s Journey

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Procurement evolves and acts as a catalyst for transformation

**Governance**
- Functional, Geographic “Silos”

**People**
- Generalist

**Process**
- Inconsistent & fragmented

**Technology**
- Tactical & Administrative

**BUSINESS PROCESS EXCELLENCE**

**Horizontal, Global Integration**
- Broad and Deep skills
- WW standardization, common processes

**Global Enterprise Procurement Platform**

**ORGANIZATIONAL & CULTURAL CHANGE**
Decisions impacting IBM Procurement transformation

Delivering value to the enterprise

We invested in our people

We centralized procurement

We put our roots down globally for growth

We shifted to a "client-centric" process

We grew "Smarter" by leveraging analytics, technology

We collaborate with our suppliers to drive innovation

We gained visibility

We expanded our role in risk management

We realized the journey is not over...

We led the industry in Supply Chain social responsibility

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A combination of external and internal market forces are behind this unprecedented disruption.
Key Elements of the IBM Journey

**Governance**
- Strong Mandate from Organization
- Integrated Blue Book
- GIE and Location Strategy
- Supply Chain Responsibility and Sustainability
- Supply Chain and Supplier Risk Management
- Resiliency and Risk Focus

**People**
- CSAT Focus
- Dedicated Procurement Training Group
- Value Focused Culture
- Client Engagement Strategy
- Accounts Payable Integration
- Procurement Academy

**Process**
- Establishment of Sourcing Councils
- Aggregation of Global Spend
- Supply Base Rationalization
- Supplier-enabled Innovation Strategy
- Offer Procurement Managed Services
- Compliance Ramp-up
- Centralization / Harmonization of Processes
- Robotic Automation
- Process Reimagining

**Technology**
- Automation and Hands-free Ramp-up
- Catalog Data Optimization
- Watson Initiatives
- Leverage Digital Technologies
- Enterprise S2P Platform
- Acquisitions and Strategic Partnerships
- Data as Foundation

**Timeline:**
- 1993
- 2000
- 2010
- 2020

**Initiatives:**
- Agile
- Intelligent Workflows
- Today
IBM Global Procurement Strategy
To be the Premier Cognitive Procurement Enterprise

People leading the way
resilient, adaptable, with growth mindset

Processes reimagined
smart, simplified, connected, best in class

Technology enabling
embedded, delivering exponential value

Data foundation
trusted, real-time, strategic resource

Outcomes:
Margin/revenue growth
Increased speed over elegance
Leaders in innovation
Skilled & engaged employees
Exemplary user experience
Delighted stakeholders & clients
IBM brand protected
Renowned external eminence

Enabled by our talent & technology, we deliver outcomes with speed & value
## Procurement Data Strategy

Enterprise aligned and fully integrated

### Complete Data Lifecycle Management

<table>
<thead>
<tr>
<th>Acquire</th>
<th>Transform &amp; Curate</th>
<th>Consume</th>
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<tbody>
<tr>
<td>Cognitive</td>
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- Data Acquisition & Automation
- Data Enrichment
- Trusted Data
- Cognitive & Analytics
- Data Delivery

### Cognitive Enterprise Data Platform (CEDP)

- Robotics Process Automation

**Governance**
Digital Transformation Lessons Learned

**Data challenges**

**Centralized Data Lake and standards**
- Create and maintain unified data taxonomy and strategy
- Cloud Enterprise Data Platform acts as central data lake for all mission-critical AI assets

**Lack of expertise to deliver at scale**

**Focus on Intelligent Workflows**
- Dedicated data science and engineering teams embedded in enterprise workflows
- Build automation and data science skills among agile teams within workflow to deliver new solutions

**Lack of visibility across the enterprise community**

**Build across enterprise community**
- Ideally create a single Cognitive Enterprise community across the enterprise business units
- Compelling narratives frequently shared across enterprise

**Default to old ways of working**

**Outcome driven innovation**
- Enterprise commitment to Design Thinking and Agile
- Change Management integrated into design
- Well-defined and agreed upon benefit targets

**Digital Transformation**

**Lessons Learned**

- Data challenges
- Lack of expertise to deliver at scale
- Default to old ways of working
- Outcome driven innovation

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Service Delivery: Agile Accelerate Model

Accelerate, so agile design principles can flourish

IBM Procurement follows the "Accelerate" model. With Accelerate, we form agile teams, distribute work, and measure what matters.

This agile model **increases speed** and **decreases costs** for our Clients by:

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**REMOVING**

- Distributed Tactical Teams
- Decentralized Spend and Data
- Complex organization structure
  - Complex processes
  - Multiple systems
  - Multiple handoffs
- Work that is being “pushed”

**IMPROVING**

- Integrated Shared Services
- Data Driven
- Leveraged Spend
- Simplified management model
- Effective demand management
- Higher employee engagement
- Clear and transparent funnel

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**DESIGN PRINCIPLES**

- Client focus
- Supplier management
- Funnel management
- End-to-end accountability
- HR, expense, metrics & controls alignment
Reinventing and building a **Cognitive Procurement Enterprise** requires a systemic approach across four dimensions:

- **Trusted Data**
  - Leverage the incumbent advantage in data
  - Earn trust with security

- **Intelligent Workflows**
  - Redesign workflows
  - Create platforms for differentiated advantage

- **Exponential Technologies**
  - Architect your business for change with:
    - AI, blockchain, automation, 5G, internet of things, edge
  - ... running on Hybrid Cloud

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**Continuous skills reinvention**

**Experience**

**Culture of agile innovation**
Source to Pay Procurement
Buying and paying made easier, faster and frictionless with cognitive

We implemented ...
- **advanced contract analytics** to manage contract authoring and risk,
- **cognitive pricing** to negotiate better rates using market insights of inflight deals,
- **blockchain** to seamlessly onboard new suppliers and eliminate disputes,
- **prescriptive analytics** to enable self-service for buyers.

Which led to a better human experience ...
- 2 days → 10 mins
  - time to complete pricing analysis
- 90%
  - reduction in time spent on batch analysis of multiple contracts through AI-supported search

And better business outcomes ...
- **$180M**
  - in total cost savings through supplier negotiations enabled by data insights
- 10x faster
  - in new supplier onboarding time

Next, we will ...
Implement a **best-in-class Accounts Payable intelligent workflow** through invoice analysis and dynamic risk modeling to automate payments and reduce errors and fraud.
Build an **AI-infused virtual assistant** to streamline the requester and buyer experience and reduce manual efforts, digitally reinvent the middle office for efficient requisition handling.
People
Skilled professionals with a passion for growth

Our Priorities:
✓ Ensure safety & well-being of our employees and their families
✓ Embrace our culture of diversity & inclusion
✓ Facilitate employee engagement
✓ Foster entrepreneurial & growth mindset
✓ Encourage rotations
✓ Establish empowered, diverse teams
✓ Promote skills and career growth

Emb(race)
I pledge not to remain silent.
I pledge to better understand the Black experience.
I pledge to fully embrace race and ethnicity with empathy.
I pledge to demonstrate equality through action.
I pledge to create safe spaces to speak out.
I pledge to be an upstander in every environment.
I pledge to be an Ally.
Encourage employee engagement

Employees should...

- **Prioritize themselves** and their families first
- Stay curious and passionately **grow** personal and professional **skills**
- Aim for **speed** over perfection
- **Engage** with others within Procurement, IBM and externally
- Promote IBM **external eminence**
- Continuously **innovate** and **adopt** new technology
- Listen first, understand **stakeholder & client** needs, then **delight** them
Smarter tools, processes and insights elevate the role of supply chain and the procurement professional and ultimately enable competitive advantage.

New forms of engagement will streamline operations, increase speed and reduce risk.

Cognitive capabilities bring a new Era to our profession – an opportunity to take outcomes to new levels of excellence.

Disruption is pervasive; reshaping industries and domains.

Data and Analytics are foundational to success and enable new insights.

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