

corcentric™

**Managing
Disruption
Through
Procurement
Agility**

 **The Hackett Group**
World Class Defined and Enabled

Thursday May 21, 2020

Webinar panelists



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The Hackett Group is passionate about helping companies make the journey to World-Class performance

We Bring Deep Performance Insights

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Performance
metrics

90%

of Fortune 100

17,850

Benchmarking
studies

92%

of Dow Jones
Global Titans

2,000

Best practices

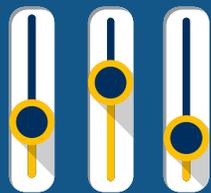
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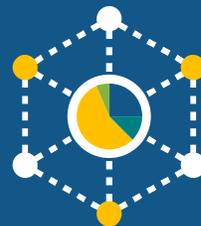
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Benchmarking



Business
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the
Journey
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starts here



2020 COVID-19 “Selected” Poll Results
Supply and Demand Management

May 2020

Key findings



Organization

- Remote work is expected to be the biggest change to organizations: 87% expect an increase in remote work post-crisis.
- 82% expect a reduction in business travel.
- Work from home is projected to increase nearly threefold once the crisis recedes, indicating a major shift in how organizations operate.



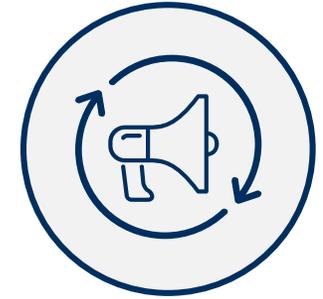
Risk management

- Supply risk and SRM are top of mind for C-level executives and board members. It is critical to increase visibility across the supply chain and spot supply shortages or logistics constraints before they happen.
- Increased focus on risk management is projected to be the most significant lasting effect on supply chains.
- 66% of organizations plan to expand risk visibility to tier-2 and tier-3 suppliers.



Digital transformation

- A majority of supply chain and procurement organizations expect long-term changes, including enhanced mobile technologies and increased automation.
- 77% of IT leaders reported increased urgency for digital transformation.
- Organizations that have digitally transformed are better prepared in times of uncertainty.

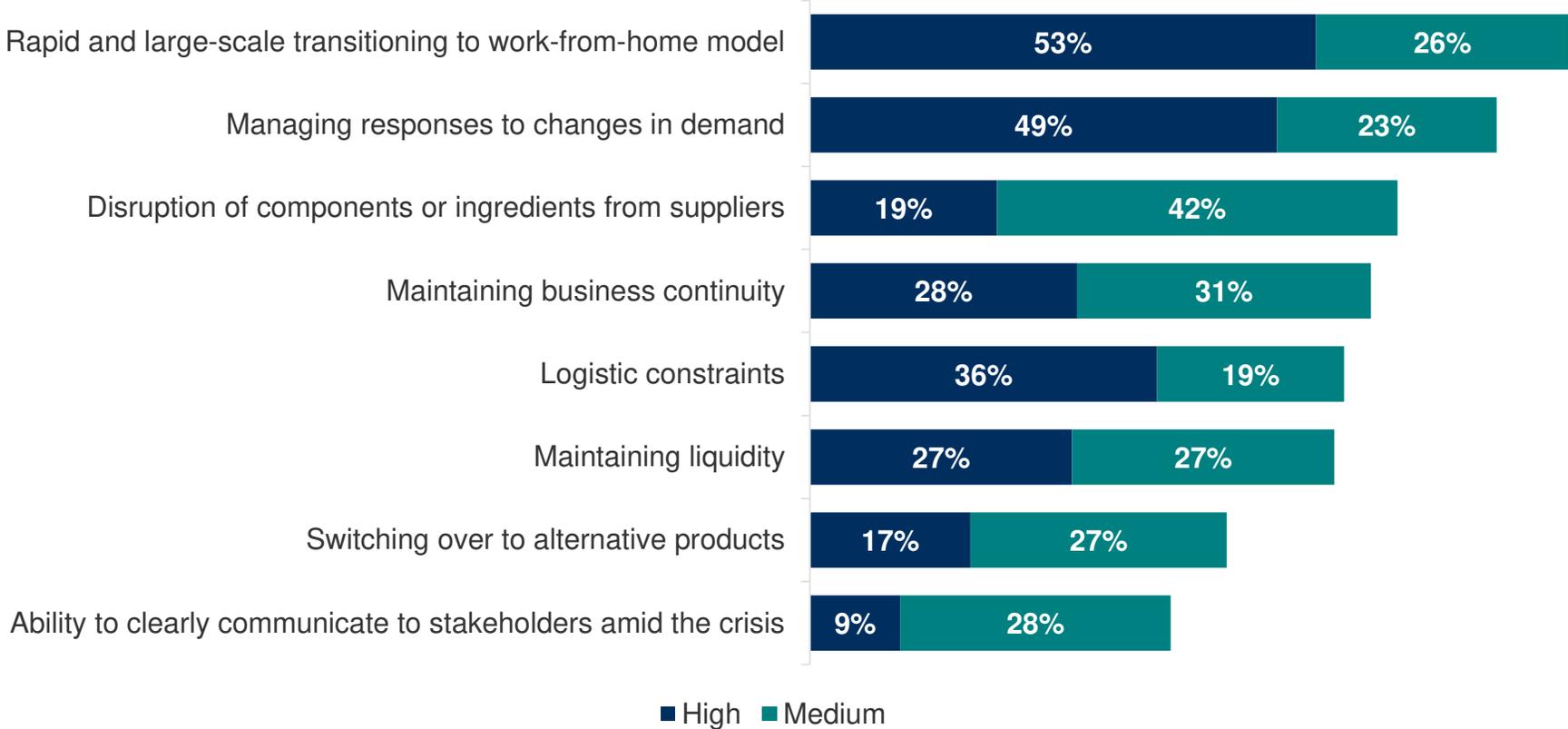


Agility

- Covid-19 forced supply chain and procurement organizations to make major changes at a rapid pace to respond to extreme demand shocks and assure supply.
- Looking ahead, organizations will be reshaped to increase agility, including availability of surge capacity and ability to quickly change network design and suppliers.

Transitioning to a work-from-home model and responding to changes in demand have been most difficult for organizations

Degree of disruption



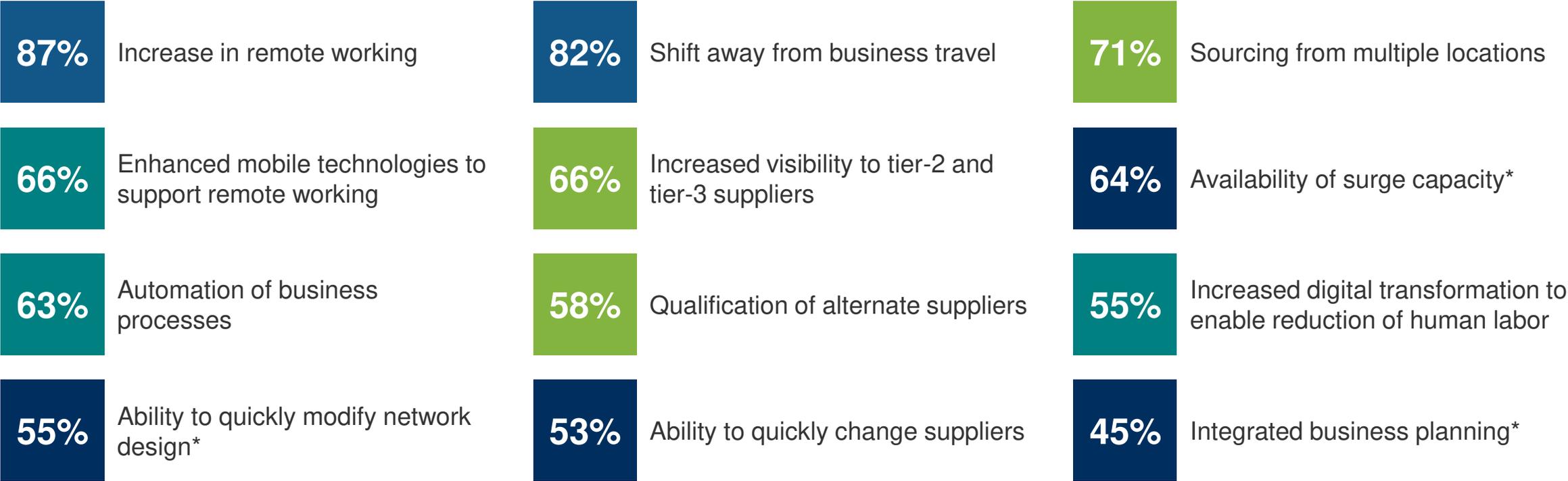
Organizations struggled significantly to adapt to new remote-work requirements as the Covid-19 crisis began.

New working environments will likely be a hybrid of pre- and mid-crisis arrangements as companies learn how to adapt and provide flexible workplaces guidelines.

Logistics constraints resulted in a high degree of disruption for 36% of organizations, often preventing critical goods from reaching their destination in a timely manner (or at all).

Supply chain and procurement organizations expect numerous strategy and organizational changes; most prevalent is an increase in remote work

Expected long-term strategy and organizational changes



* Indicates applicability to supply chain only

Source: COVID-19 Poll, The Hackett Group, 2020

Targeting the next normal: Managing demand shock and building resilience

IF THE GOAL IS TO:	COMPANIES NEED TO:
Improve gross margin	<ul style="list-style-type: none"> • Improve demand forecasting to be more frequent and granular, confirm inputs, and incorporate predictive modeling. • Assess pricing, price leakage and discounting models. • Evaluate revenue and margin impacts of leading demand scenarios. • Generate and prioritize response options through targeted cost controls and operating model changes.
Reduce costs rapidly	<ul style="list-style-type: none"> • Review sales, general and administrative (SG&A) costs surgically to identify cost savings and replace highly fixed with more variable cost structures. • Redefine sourcing and procurement policies and practices to reduce direct and indirect spend. • Develop and implement zero-based budgeting techniques.
Reduce cost of goods sold	<ul style="list-style-type: none"> • Eliminate waste in operations, including yield and efficiency losses. • Redefine supply and distribution network configuration to improve asset utilization and reduce total landed costs. • Reconsider specification management (e.g., raw material specification and manufacturing tolerances). • Manage strategic supplier and direct material management.
Protect against critical supply disruptions	<ul style="list-style-type: none"> • Identify end-to-end inventory coverage for raw materials, work-in-progress, in-transit and finished goods. • Mitigate supply constraints (capacity reallocation, product redesign, substitutions and alternate supply points). • Evaluate supply risk across all categories and suppliers, beginning with the most critical components/ingredients. • Increase use of external data to evaluate supplier risk and predict future supply shortages. • Define and negotiate alternative inbound transportation modes (e.g., air transport). • Build manufacturing redundancy across network to hedge against geography-specific supply disruptions.
Manage volatile and uncertain demand	<ul style="list-style-type: none"> • Increase frequency of S&OP meetings and augment with scenario planning capabilities, building external data into planning. • Collect regional pandemic data to assess geography-specific demand shocks. • Delay final product configuration (e.g., bulk and custom pack size at distribution locations). • Leverage outsourcing providers (e.g., contract manufacturing).
Improve fixed and working capital asset effectiveness	<ul style="list-style-type: none"> • Improve S&OP changes designed to integrate sales, operations, and finance. • Improve asset effectiveness, including utilization and efficiency improvements. • Reduce cash conversion cycle through payables, receivables and inventory management optimization.

Transitioning to the “next normal”: Prioritizing three supply chain imperatives

Immediate

Stabilize the supply chain

- ✓ Stabilize operations (geographic, manufacturing, distribution and supplier footprint).
- ✓ Move to more granular market-specific forecasts and scenario planning, with weekly refreshes and daily pulse checks for key/significant markets.
- ✓ Assess inventory coverage across the extended supply chain to identify or predict supply issues.
- ✓ Improve visibility across the extended supply chain, including first- and second-tier suppliers, to provide a view of product and component availability.

Near-term

Build resiliency across the supply chain network

- ✓ Strengthen ability to manage demand shock.
- ✓ Realign supply chain footprint based on new demand patterns (e.g., manufacturing footprint, contract manufacturing and alternative distribution channels).
- ✓ Build multiyear cost and capacity models to optimize the network.
- ✓ Develop greater flexibility on existing production lines.
- ✓ Build real-time decision-making capabilities.
- ✓ Develop a supply base with multiple supply options using standardized production capabilities.

Mid-to-longer term

Optimize for supply chain agility

- ✓ Optimize production capacity.
- ✓ Standardize, automate, and optimize processes to improve cycle times and efficiency.
- ✓ Develop global manufacturing footprint with regional tiering/leveling.
- ✓ Develop an integrated sales and operations planning (S&OP) process to optimize production and distribution capacity.
- ✓ Develop strong working capital measurements/key performance indicators.
- ✓ Institute strategic supplier and direct material management.



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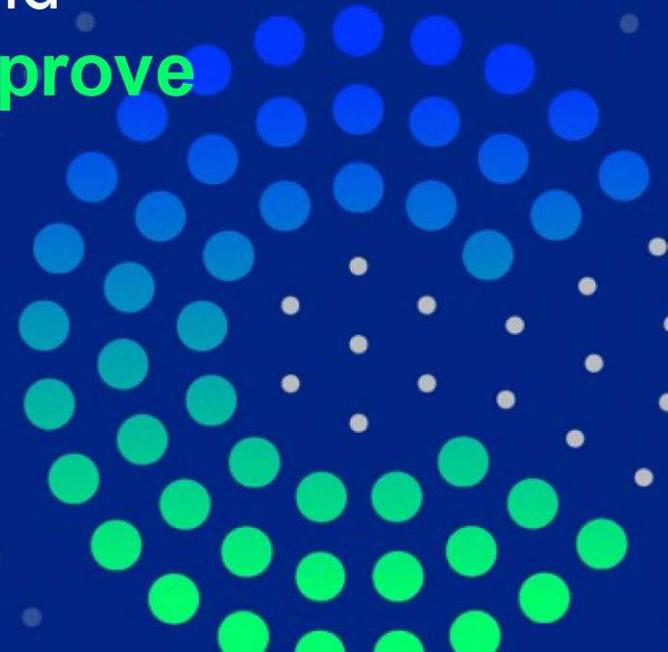
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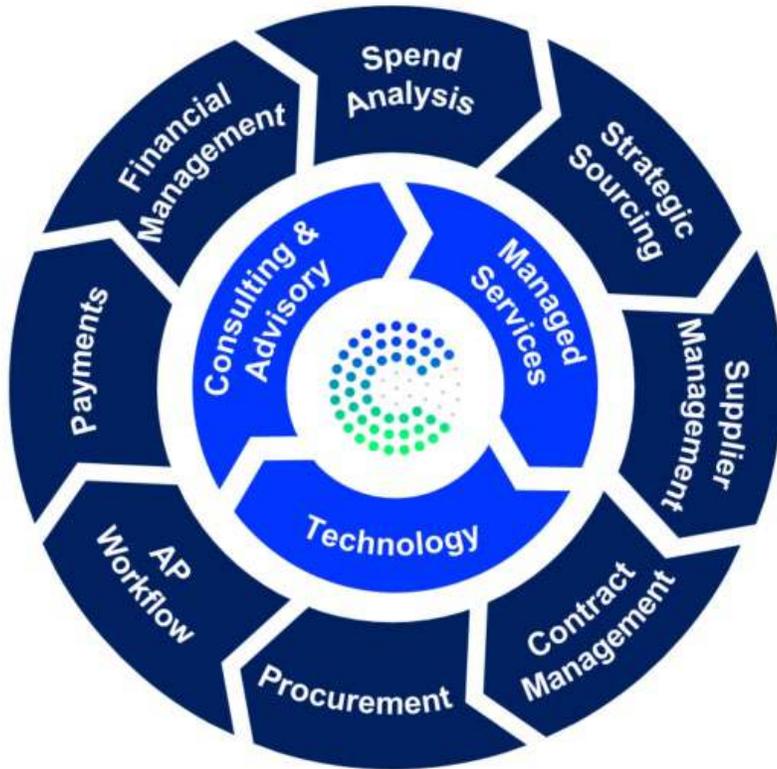
About Corcentric

Corcentric is a global provider of market-leading Source-to-Pay, Order-to-Cash and Fleet Solutions.

From the mid-market to Fortune 1,000 businesses, Corcentric delivers strategic advisory, technology and managed services focused on **reducing cost to improve working capital.**

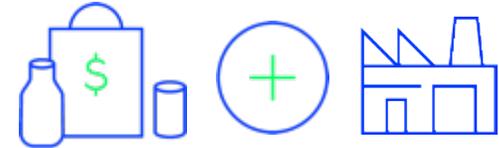


Addressing the Need For Procurement Agility



Business Continuity	<ul style="list-style-type: none">• Manage business fluctuations through automation• Better management of data even remotely• Transition to e-Payments instead of checks• Digitize and manage invoices while online
Cost Management	<ul style="list-style-type: none">• Enforce procurement policies for cost savings• Visibility into 100% of spend• Reduce invoice processing costs by up to 80%• Capture early payment discounts better
Managing Working Capital	<ul style="list-style-type: none">• Better cash management• Greater efficiency with current resources• Better management of Payment Terms• Rebates for e-Payments• Lower operational costs through efficiencies

Some of the initial impacts on Procurement...



Sourcing/Procurement	Contracts	Supplier	Industries
<p>Impact of shutdowns and work-at-home on supply chain</p> <p>Staff furloughs in Procurement</p>	<p>Force Majeure (unforeseeable circumstances that prevent someone from fulfilling a contract) will become increasingly important</p>	<p>Supply shortages</p> <p>Relationships become increasingly important</p>	<p>Impact all industries, but especially in healthcare and grocery</p>

So now what?

According to McKinsey, “Up to one-third of U.S. jobs may be vulnerable,” and similar figures may apply to all countries around the world as the COVID-19 pandemic spreads.

Manage the delicate balance between:

- A focus on health, which requires a long period of rigorous containment
- A focus on the economy, which requires returning to normal working conditions quickly
- McKinsey & Oxford Economics anticipate an economic shock in the order of -8% to -13% to the global GDP.

Question...

What has been the plan around whether and when companies will bring back knowledge workers to the office? And secondly, what have been the key considerations for making that decision? Cost savings is one, but what else?

Answer:

One of the obvious changes we see is the switch to a remote workforce, especially for knowledge workers. The pandemic has created a situation where working safely means working from home. According to a survey from The Hackett Group, 87% of organizations in the procurement area expect an increase in remote work on a permanent basis. Overall the consensus is that cost savings has been a consideration, but also understanding things like collaboration, safety and maintaining productivity in a new normal are still being addressed.

Question...

What has been most key to an effective response in limiting the impact of operational disruption for procurement and their stakeholders?

Answer:

Generally speaking, having remote workforce with digital tools and capabilities has been one of the most critical aspects to reducing operational disruption and maintaining a sense of business continuity both internal and with suppliers. Another aspect is the idea of doing more with less, shifting priorities - staying focused on what was or will again be most important to procurement and not allowing this disruption to set things back. Net net, the disruption has required procurement to think outside the box and come up with creative solutions while revisiting requirements; this is especially true for complex organizational structures and governance models.

Question...

How have the objectives for procurement and finance changed as a result of the COVID-19 disruption? Is there anything that these practitioners are accelerating and why?

Answer:

While many in business have talked about digital transformation in the context of emerging technologies like AI, IoT and Blockchain for adding less-human elements to business, a new definition of digital transformations seems to have emerged just to “keep the lights on”. The Covid-19 pandemic has exposed how digital transformation is necessary just to ensure core business needs such as managing working capital, ensuring cost management and just maintaining business continuity.

Question...

What do you think Procurement and Finance will look like in Q3, Q4 and into next year? Do you think these changes will be permanent?

Answer:

Priorities are significantly shifted for most, as things shift back to normal, there is a backlog to be addressed, but certainly a recalibration that needs to occur -the back end of 2020 is likely going to look very different than planned and so I think a lot of planning will be happening to ensure go forward priorities are aligned for 2021. Addressing bottlenecks in the supply chain, cost savings, increasing working capital, extending payment terms, etc. For companies doing more with less, that means the priorities coming into 2020 are likely pushed out and won't be addressed optimally until later in the year, or as a plan for 2021.

Question...

What does creating an agile procurement organization mean both now and in the future?

Answer:

Agility now and in the future also means being more predictive - being able to pivot. It means developing capabilities that allows procurement to react more efficiently and effectively.

Those companies that have proven to be agile. (i.e.. those that have been able to react quickly through technology, take proactive measures, and a willingness to rethink how business is conducted) will be at the forefront.

Online Corcentric Resources



Webinar

On-Demand Series: Navigating During Disruption

This series of concise webinars, Navigating During Disruption, provides practical, measured steps you can - and should - take to help minimize the negative impacts of this and future disruptions.



Videos

Baird & Warner Moves 1,500 Invoices a Month to Cor360

Find out why Baird & Warner chose Cor360 to help their AP department go paperless.



Tools

Procurement Services – Indirect Spend from Corcentric

Download to learn how you can benefit from our competitively priced, pre-sourced purchasing programs combined with advanced technology and a cloud-based transaction automation designed to help companies control indirect spend, save more and impact the bottom line.

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