



THE CPO AGENDA

Procurement's Top Issues in 2012

Today's presenter

Mr. Sawchuk has over 17 years of experience in supply management, working directly with Fortune 500 and midsize firms around the globe and in a variety of industries to improve all aspects of procurement, including process redesign, technology enablement, operations strategy planning, organizational change and strategic sourcing. Mr. Sawchuk is a regular contributor to business publications, a frequent presenter at industry events, and co-author of ePurchasingPlus. He has been recognized by Supply & Demand Chain Executive magazine as one of its "Pros to Know." Mr. Sawchuk's background includes engineering and operation roles with both United Technologies and IBM.



Chris Sawchuk

*Principal, Global Procurement
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The Hackett Group

Agenda

- **2012 Key Issues Study Results**
- Q&A

Two primary enterprise key issues

1. Striving for profitable growth amidst uncertainty

A. Emerging markets revenue growth continues, a more targeted approach required in domestic markets.

B. Volatility has become business as usual

C. Resulting in greater caution in Europe and overall, a renewed focus on productivity

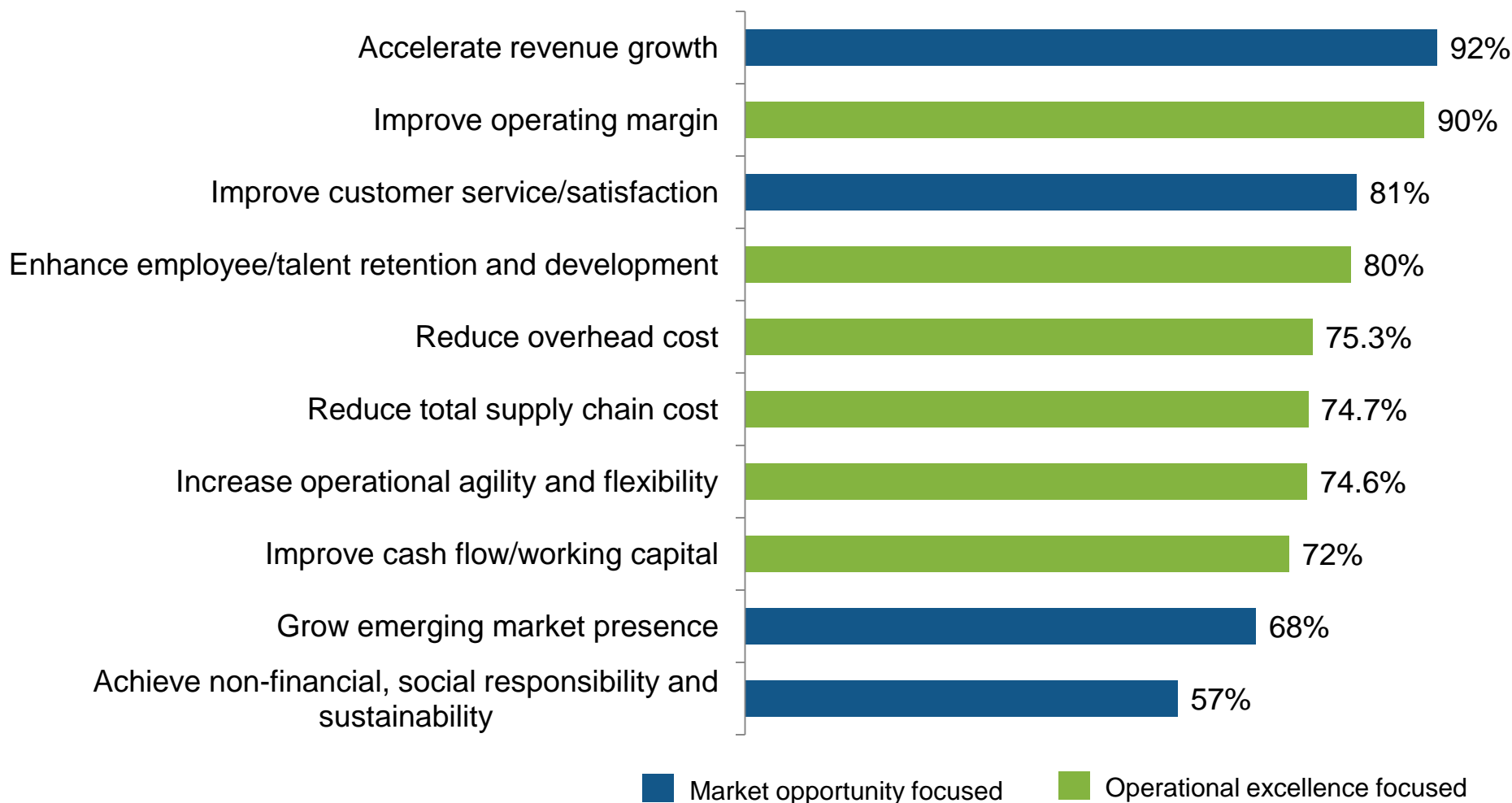
2. Achieving global operational excellence ...and enabling decision making agility

A. Globalization is no longer a question of whether to do it, it's how well you globally execute it.

B. Leaders recognize they will thrive or die on information quality, access, and speed.

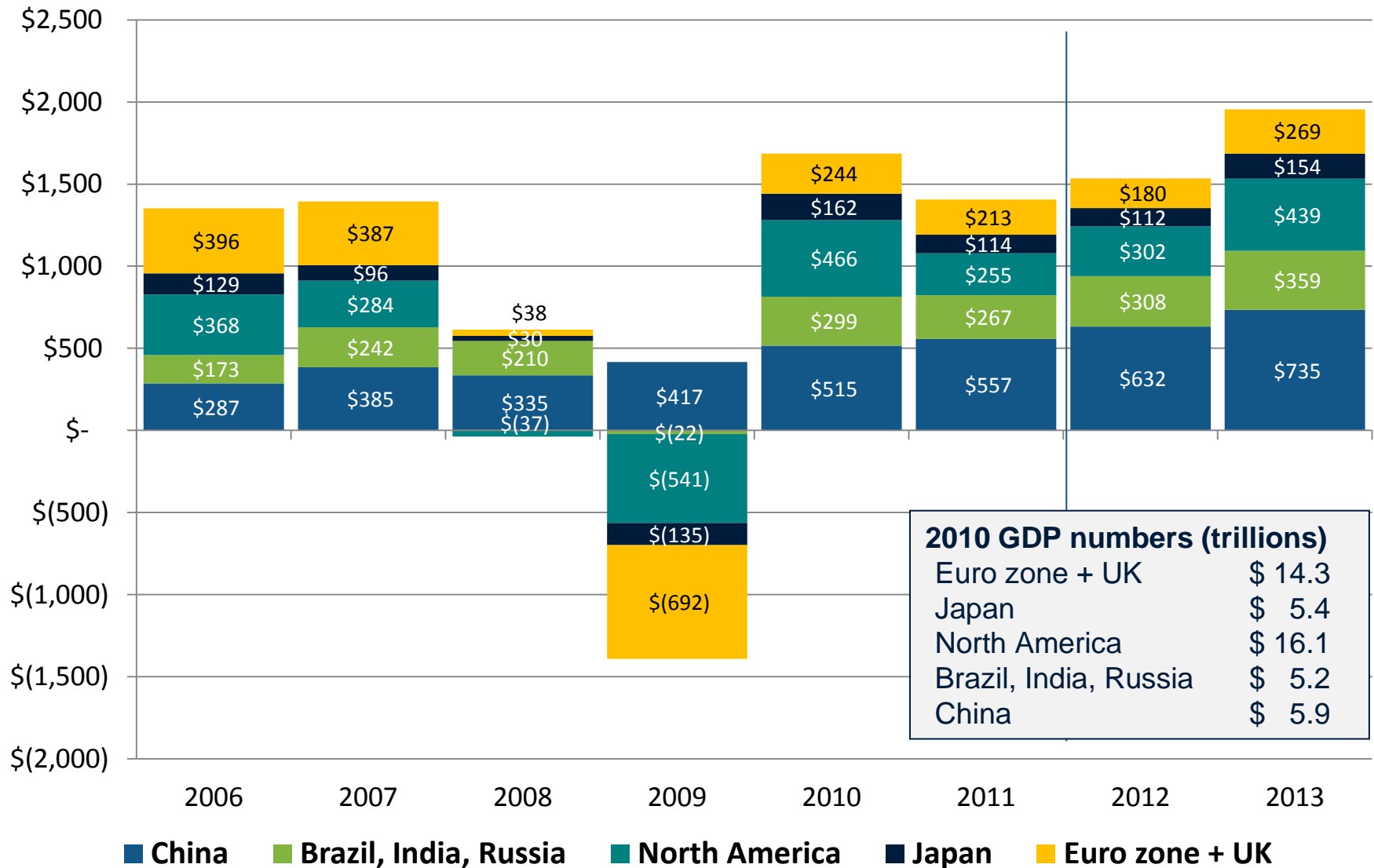
2012 enterprise key issues

“What is the importance of each of the following objectives in your enterprise strategy for 2012?”



Follow the money (East)

Net global GDP growth by region (US\$ billion)

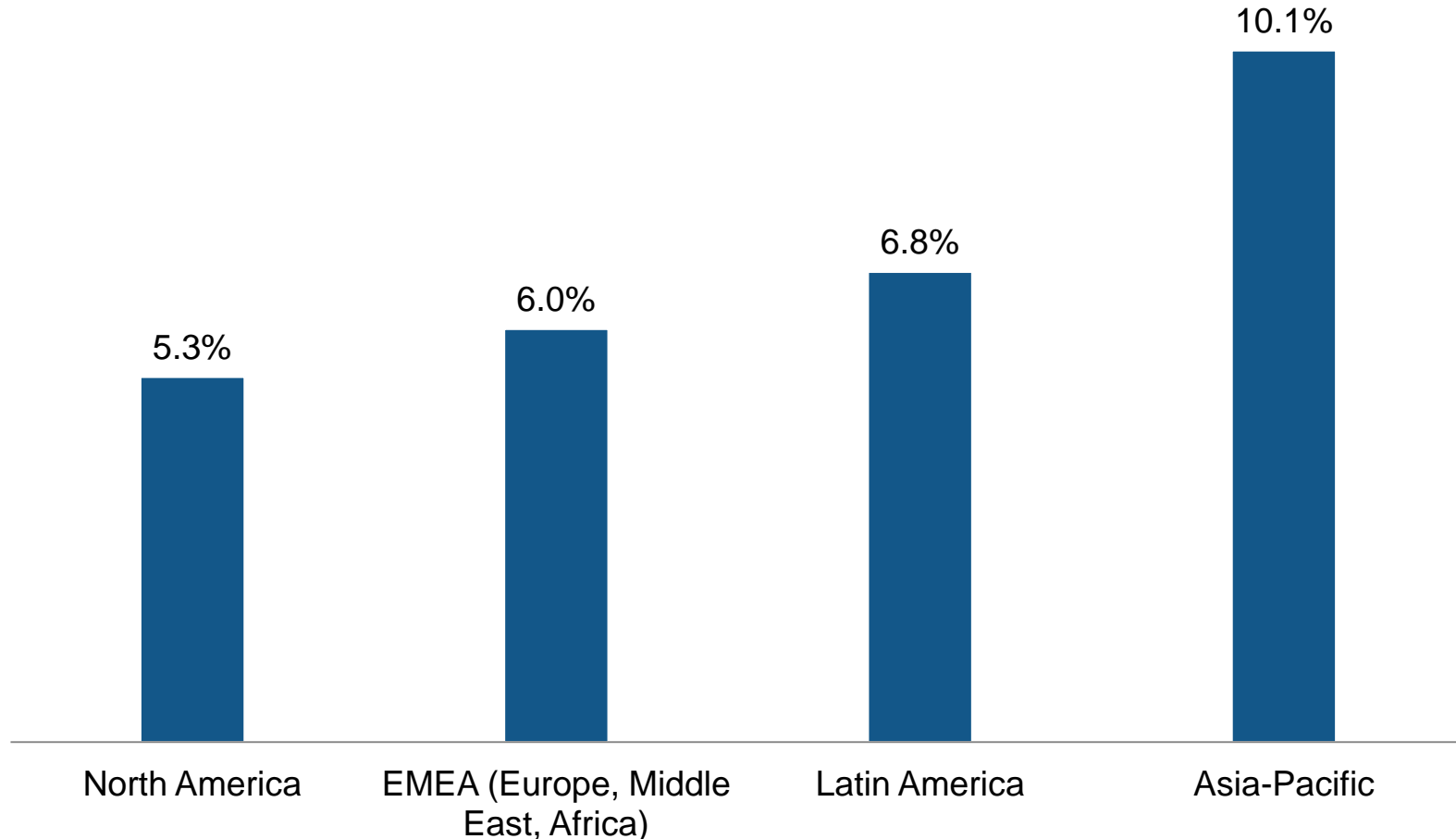


Source: International Monetary Fund

Emerging economies expected to register higher revenue growth in the coming years

2011-2012 Revenue Growth Rate by Region

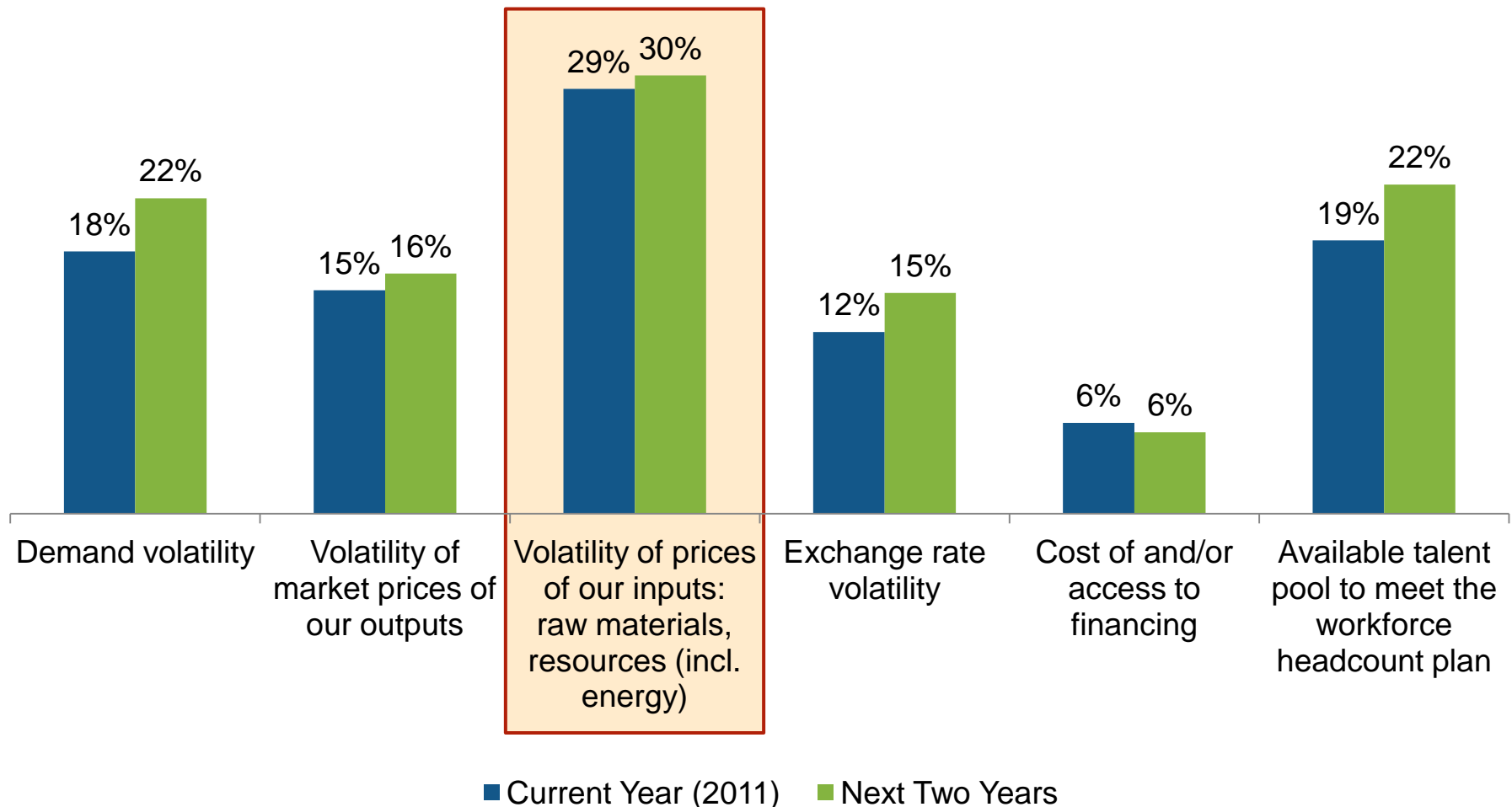
What is your estimated annualized revenue growth rate for the next 2 years?



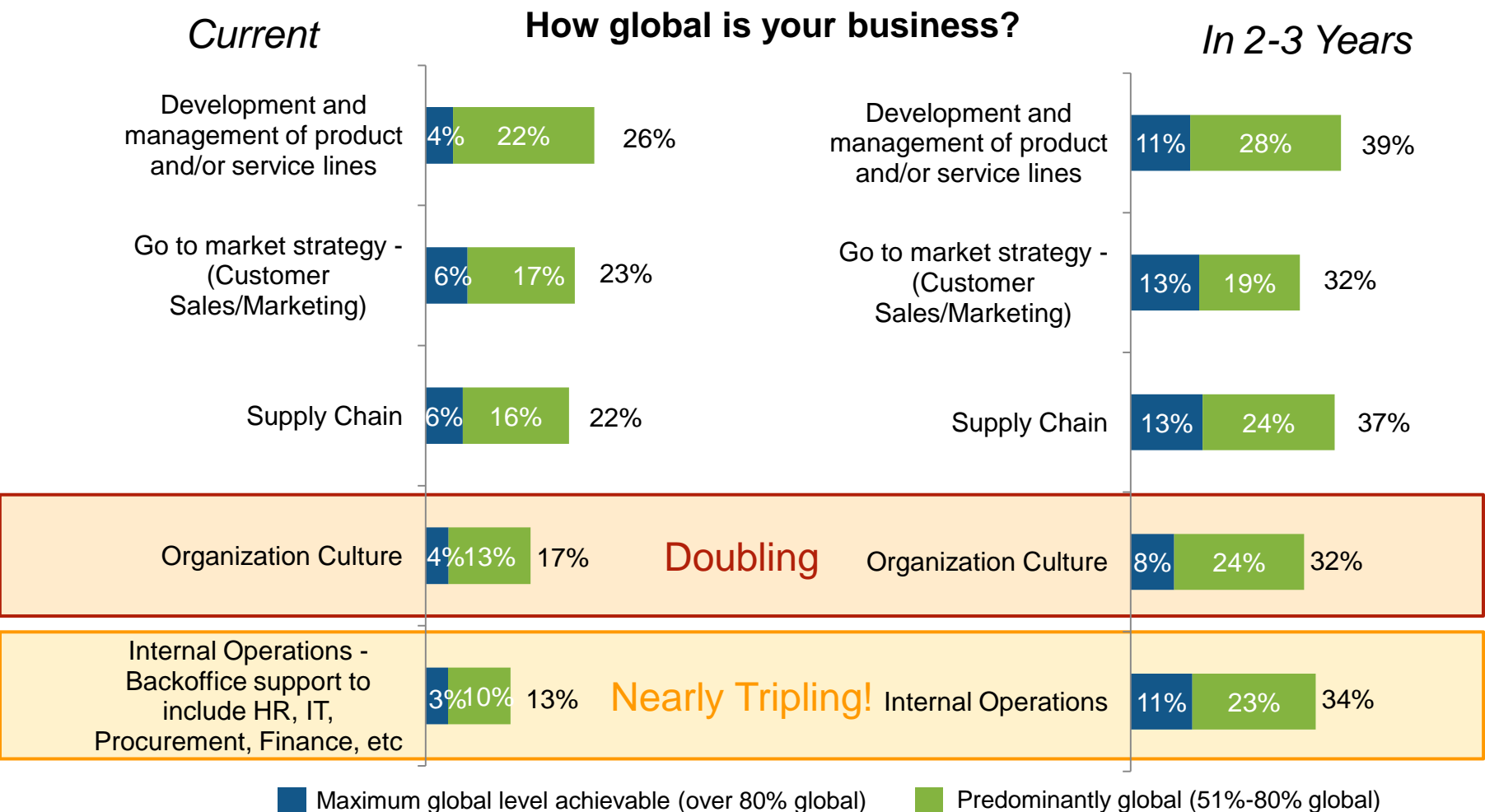
Volatility will be growing alongside revenues. Input cost volatility trumps the others. Are you ready?

How would you assess the level of volatility for your enterprise?

(Average annual level of variance relative to baseline budget assumptions)

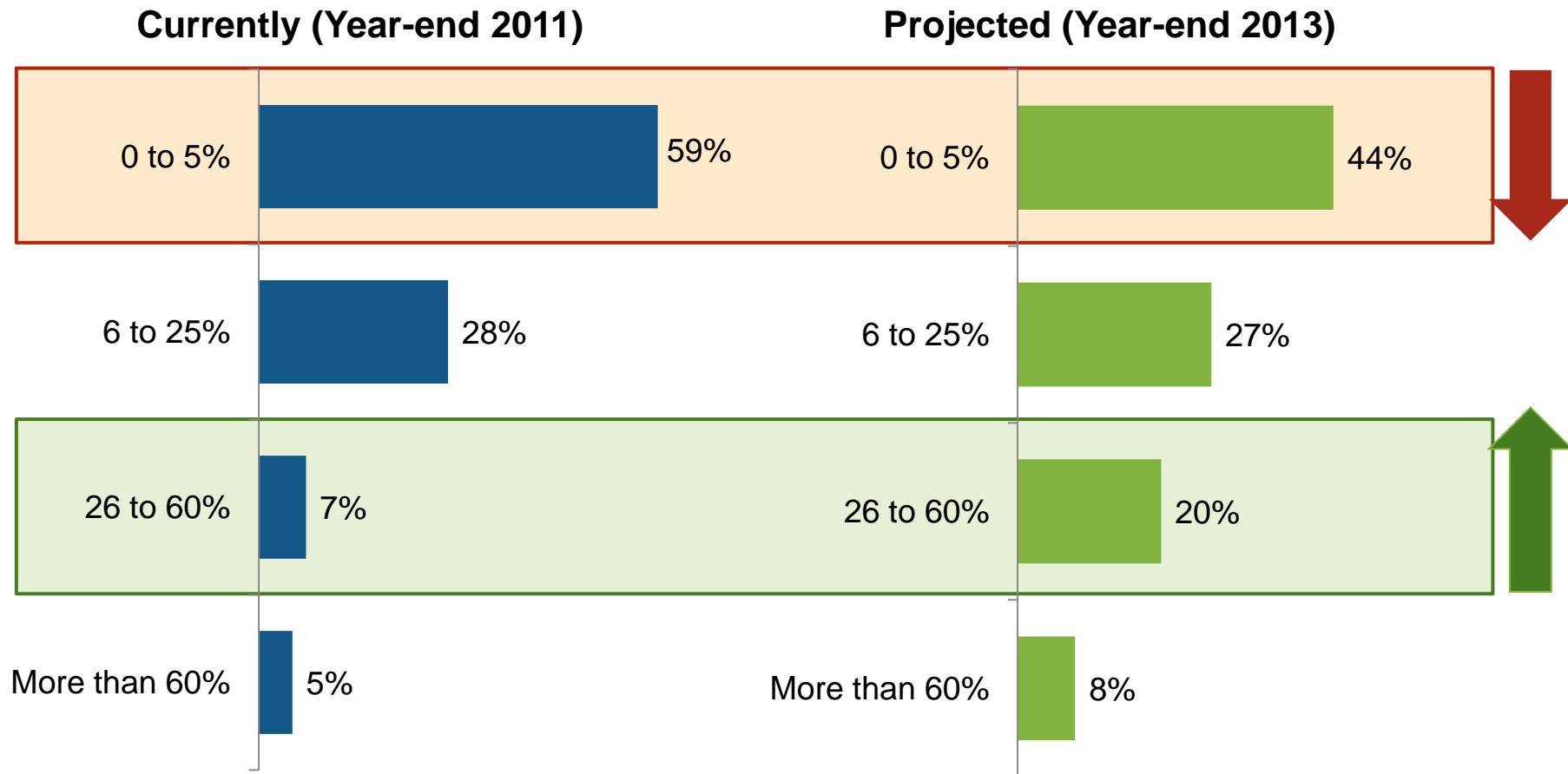


Business globalization is here and now



Globalization focus is internal – and not customer-facing – aspects of the business

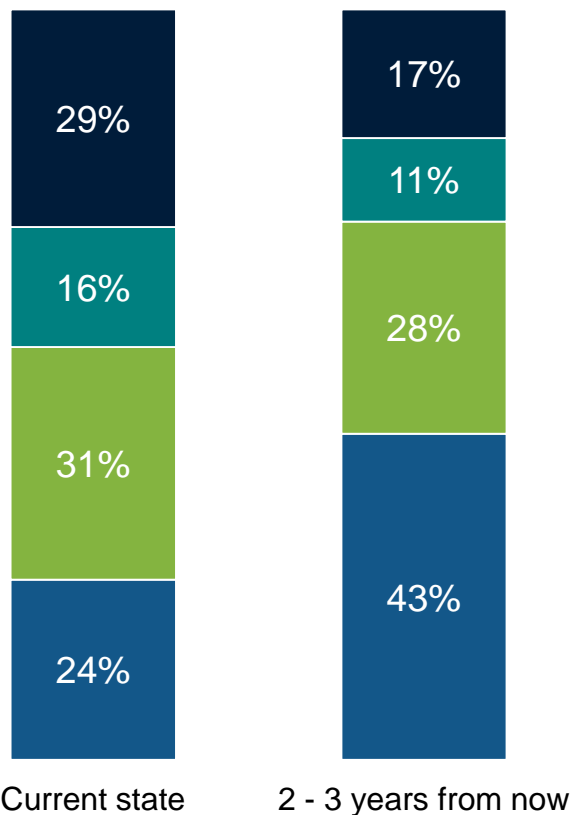
Percentage of FTEs currently globalized in a low-cost geography



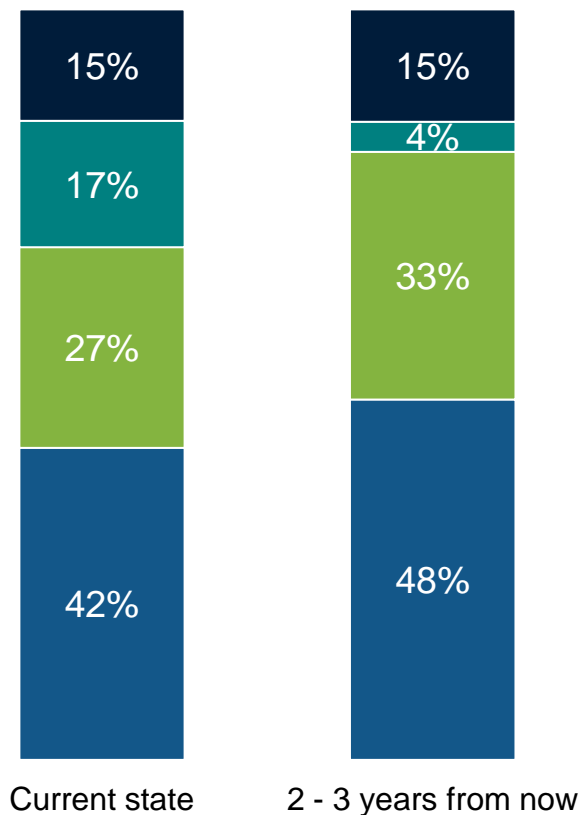
What percentage of your FTEs is currently globalized in a low-cost geography and what percentage will be globalized in two years? Include internal and outsourced FTEs.

Enterprises are shifting towards global process ownership. 24% of procurement organizations have it now. 43% in 2-3 years.

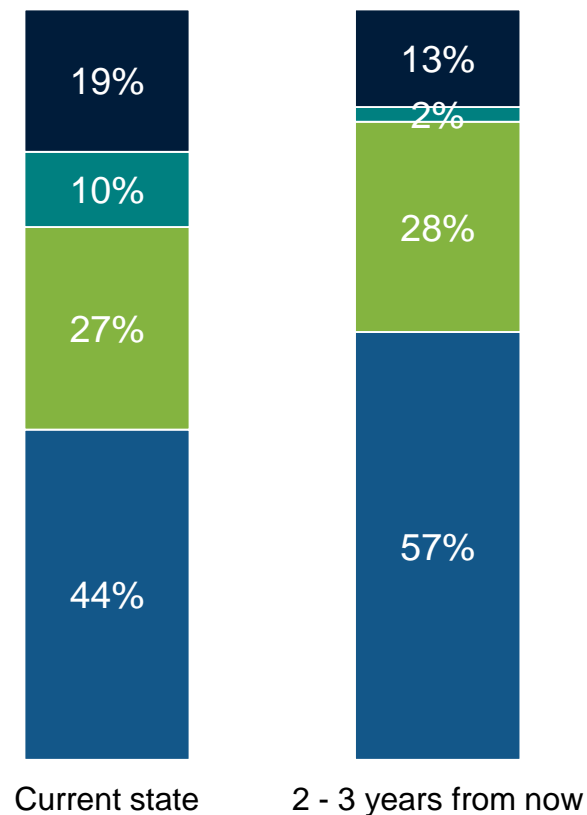
Cross-functional end-to-end process level



Functional level (Finance, HR, IT, Procurement)



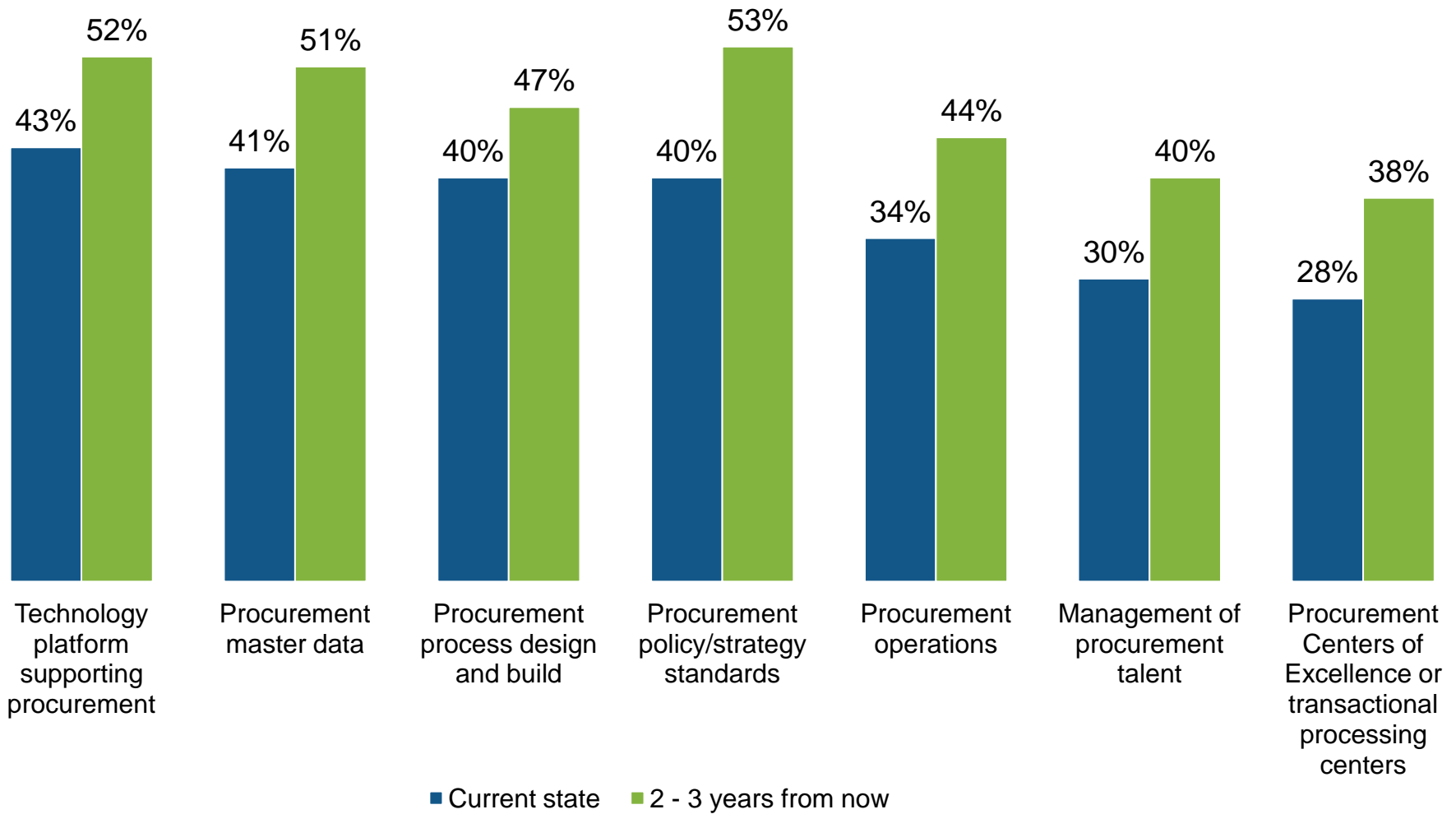
Process group / category level



- All or mostly owned by global process owners
- Even balance between global and local process owners
- Little consistency between business units/geographies
- All or mostly owned by local process owners

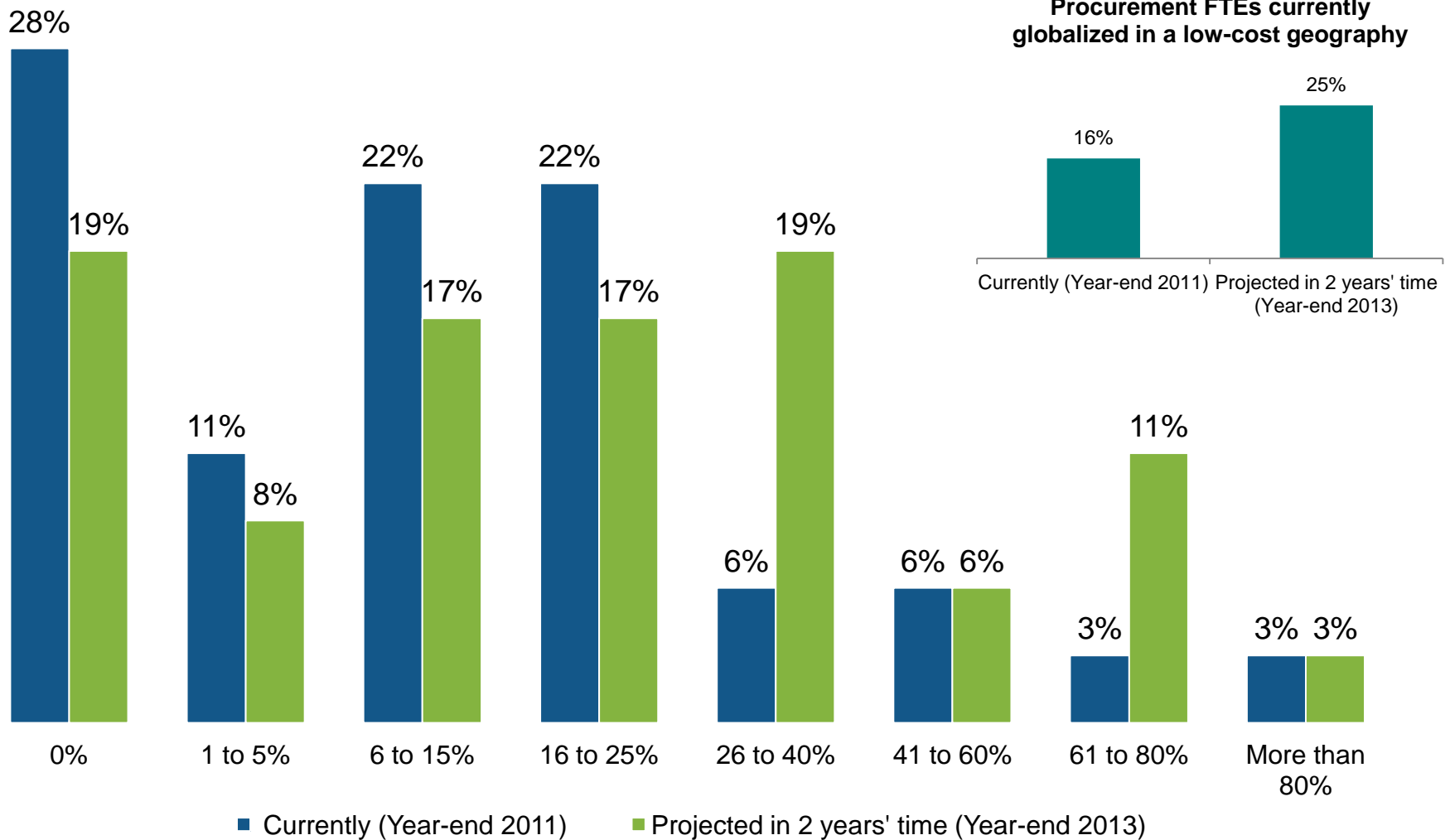
Please indicate the prevalence of global process ownership at your company at different levels in the functional or process hierarchy.

Procurement globalization takes many forms



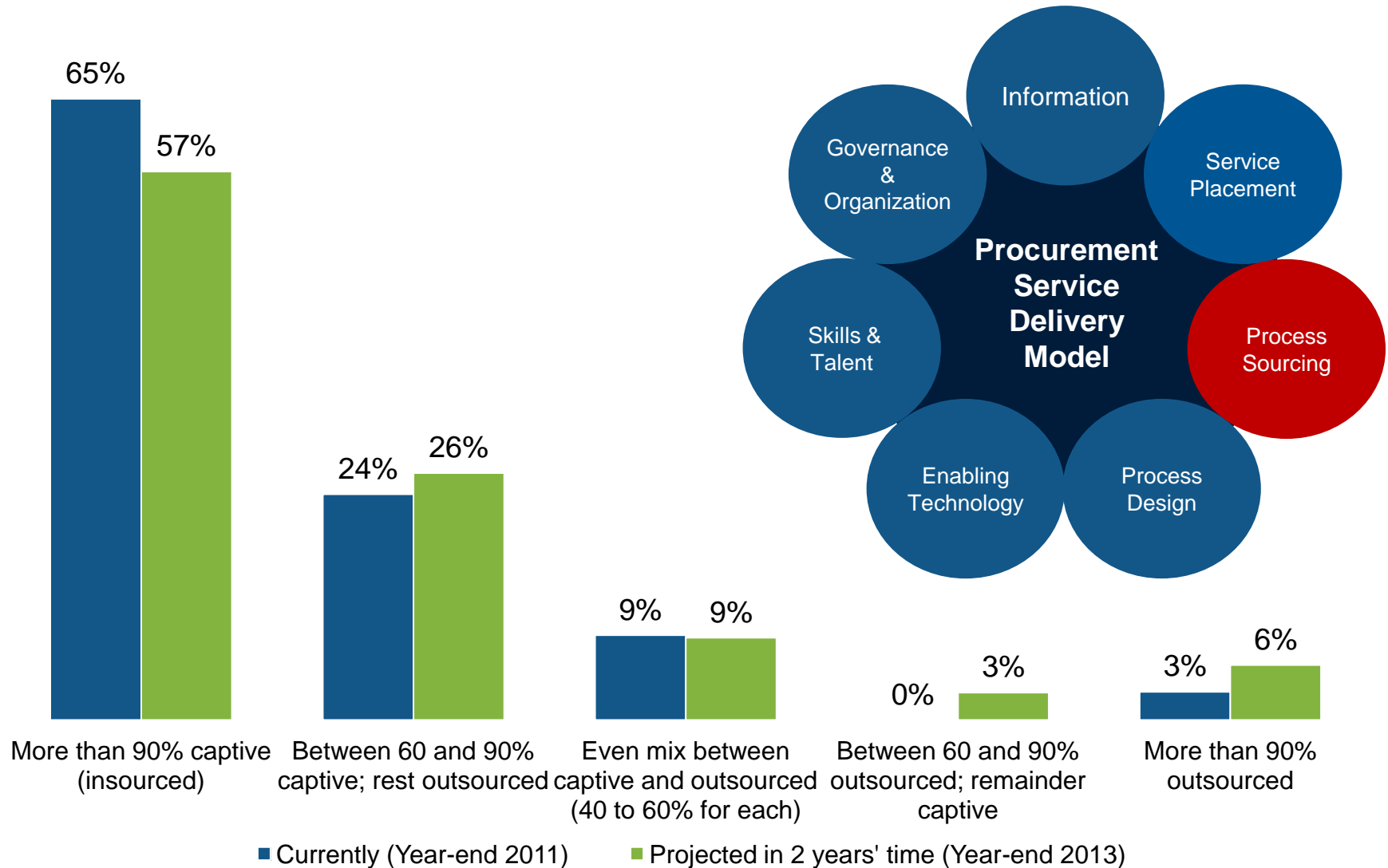
Please indicate the global nature of your company's procurement function by responding to the following statements.

Procurement FTEs globalized in a low-cost geography



What percentage of your Procurement FTEs is currently globalized in a low-cost geography and what percentage will be globalized in two years?
Include internal and outsourced FTEs.

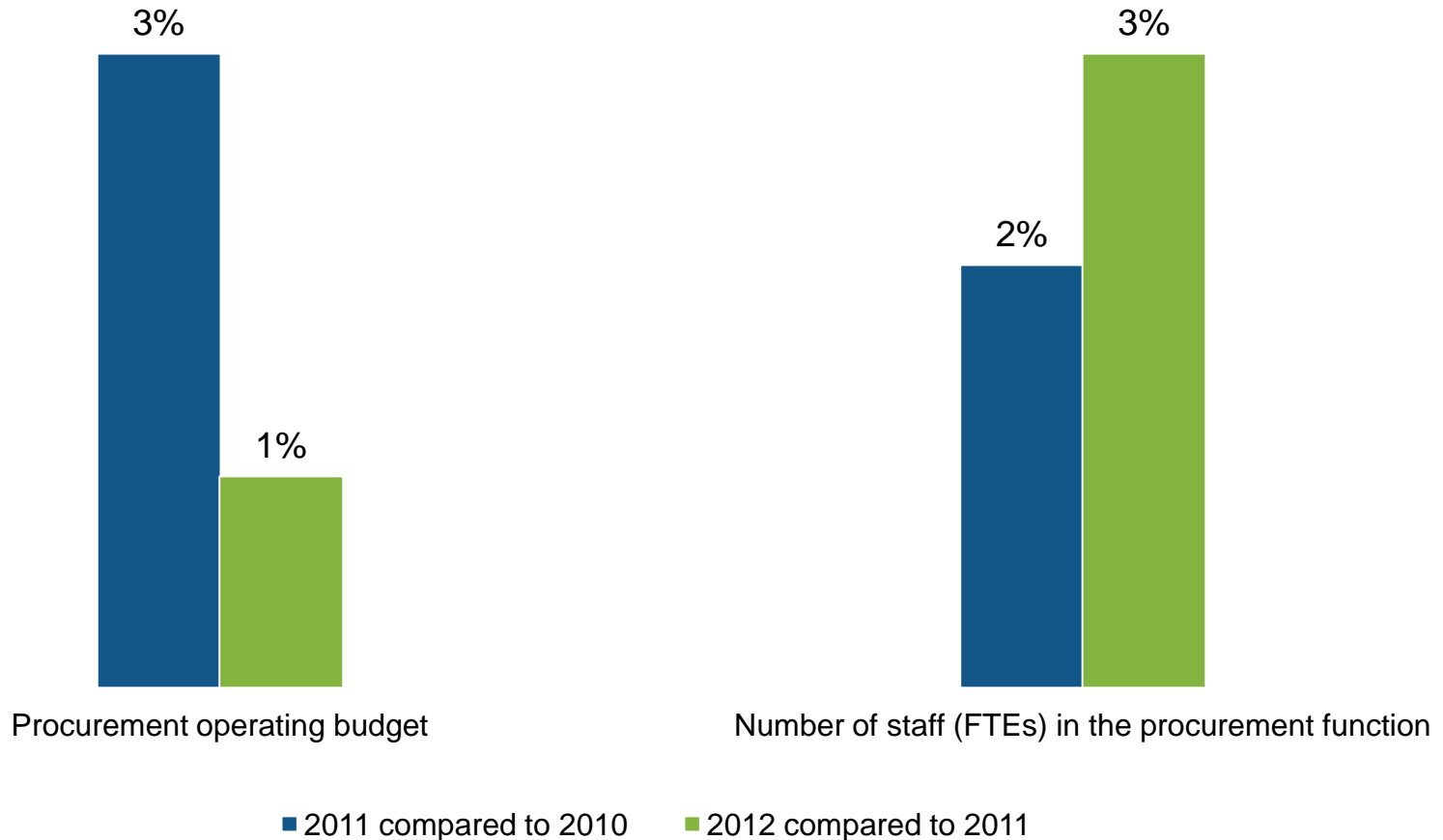
Procurement primary “process sourcing” strategy



What is the primary sourcing strategy that you use for globalization of your Procurement resources?

Offshoring is driving down procurement labor cost and thereby increasing FTEs faster than budgets

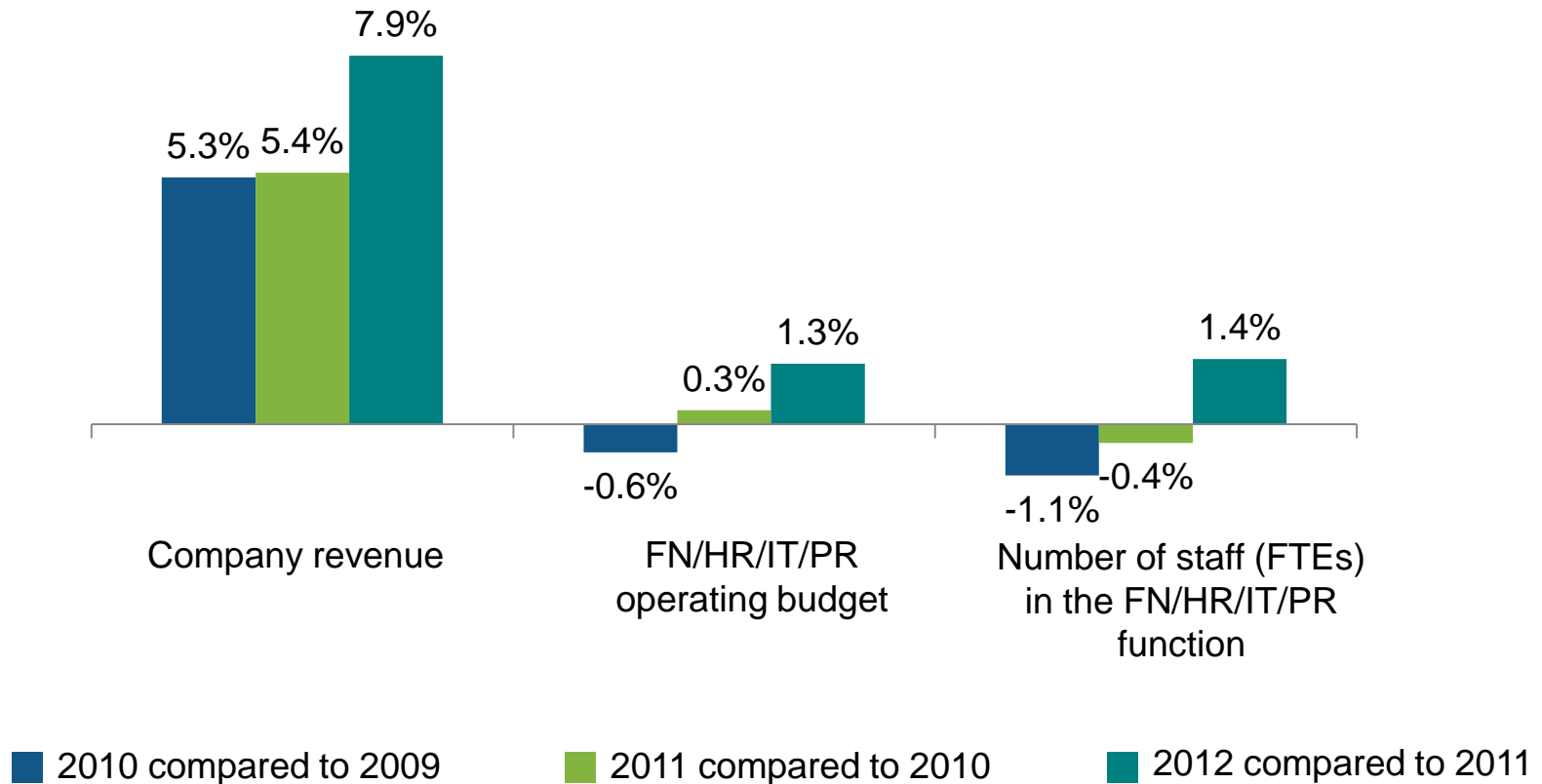
Estimated percentage change in procurement operating budgets



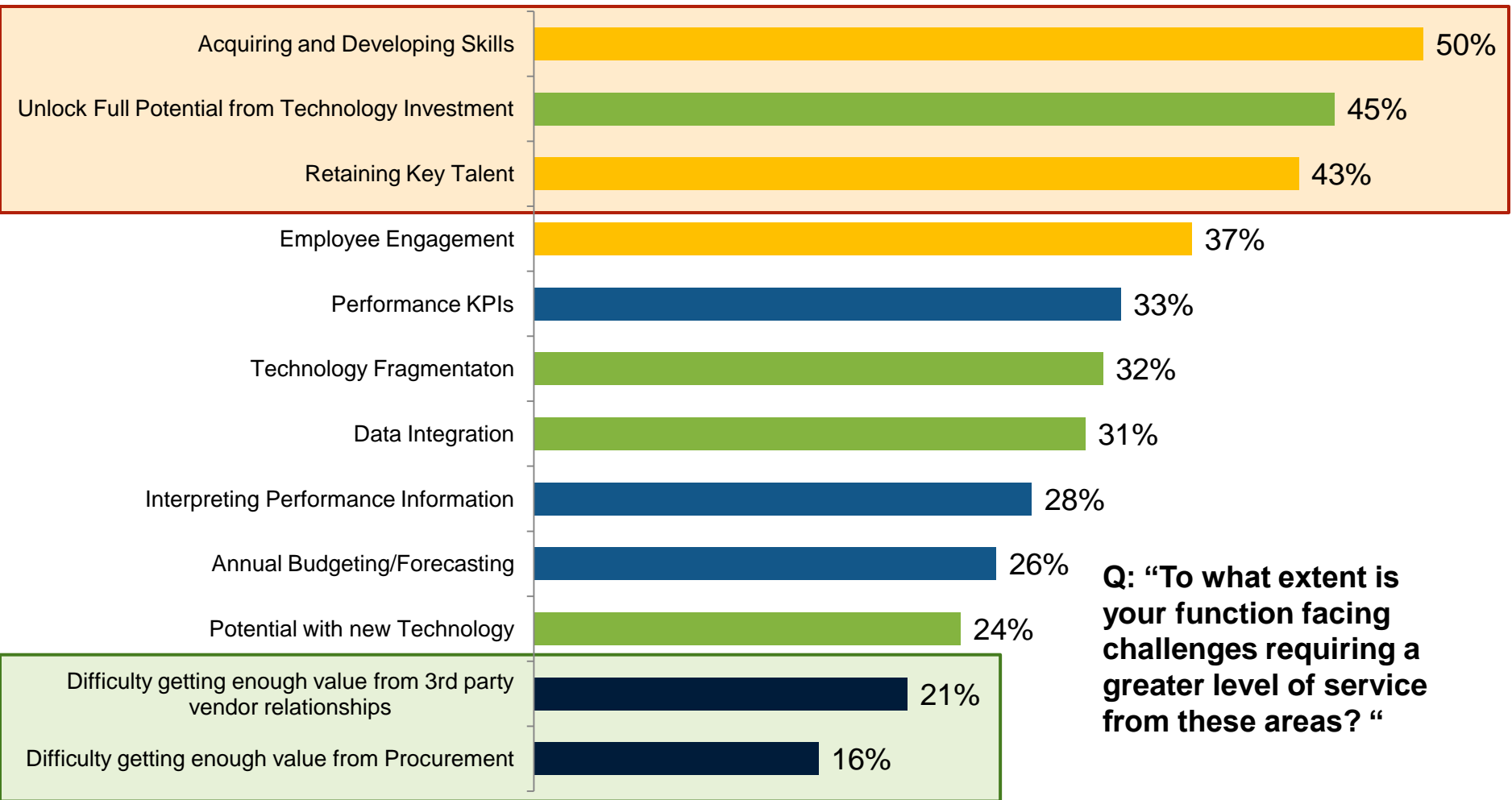
What is the estimated percentage change (ranges provided below) that you expect in procurement during 2011 and 2012 for:

Globalization at the enterprise level is also funded with productivity gains

Estimated percentage change



Procurement is still delivering high service levels, especially relative to other corporate services



% of Companies Ranking Extremely Important or Important



HR Supported

IT Supported

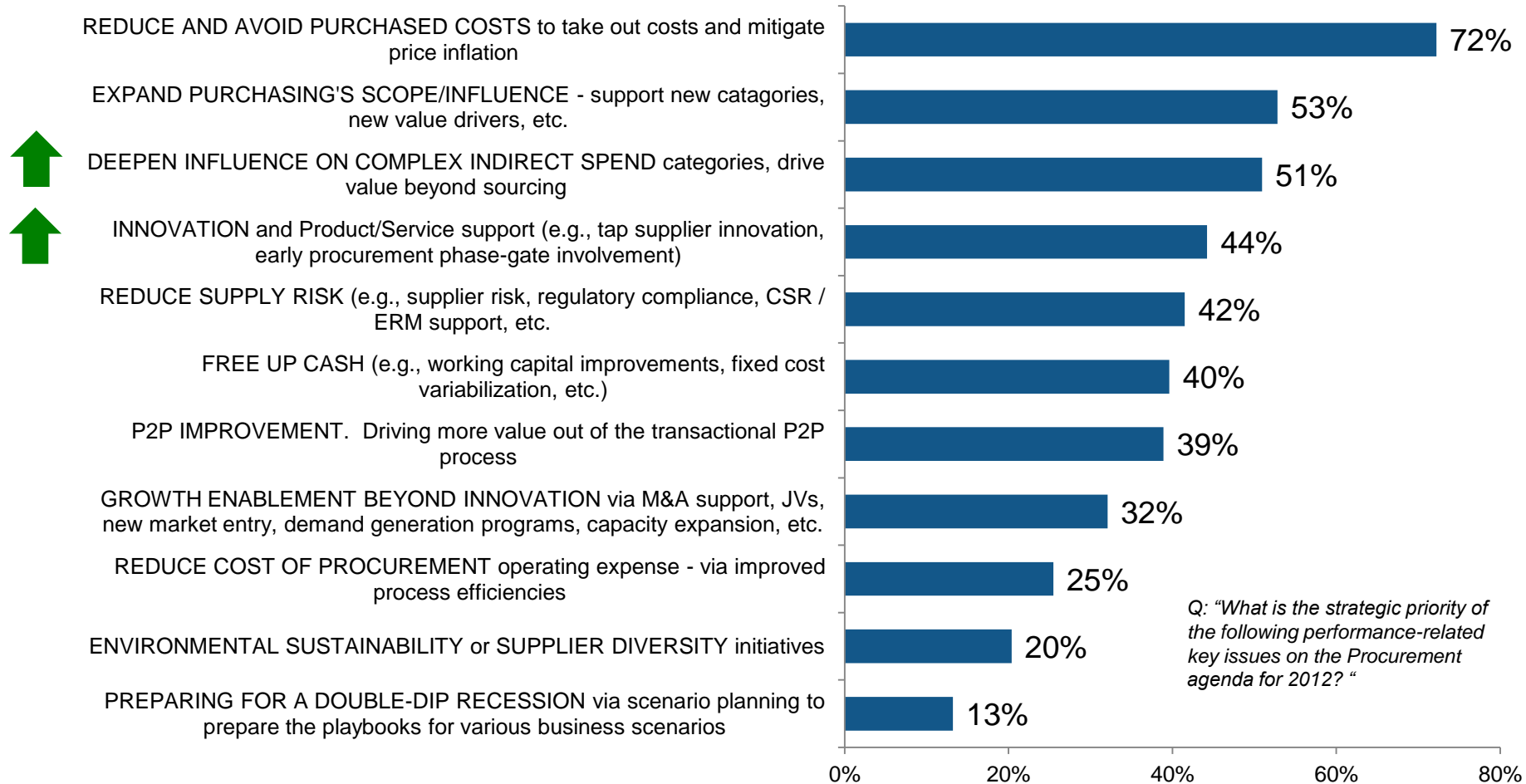
Finance Supported

Procurement Supported

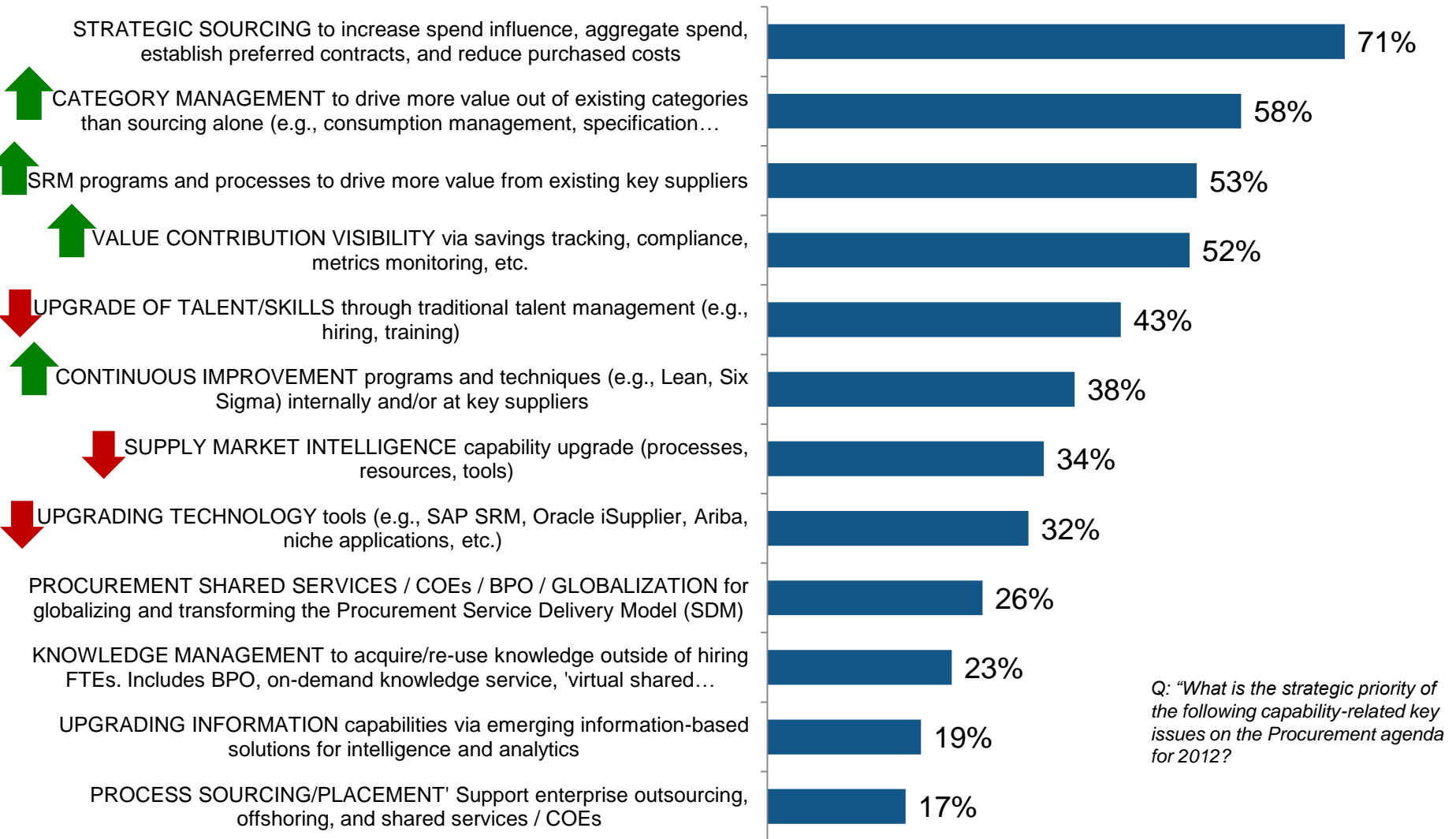
On to the 2012 Procurement Key Issues!

Procurement 2012 key issues. After the usual savings/influence focus, innovation comes next, then risk.

Procurement 2012 – key issues (performance) (% of respondents citing the issue as 'major' or 'critical')



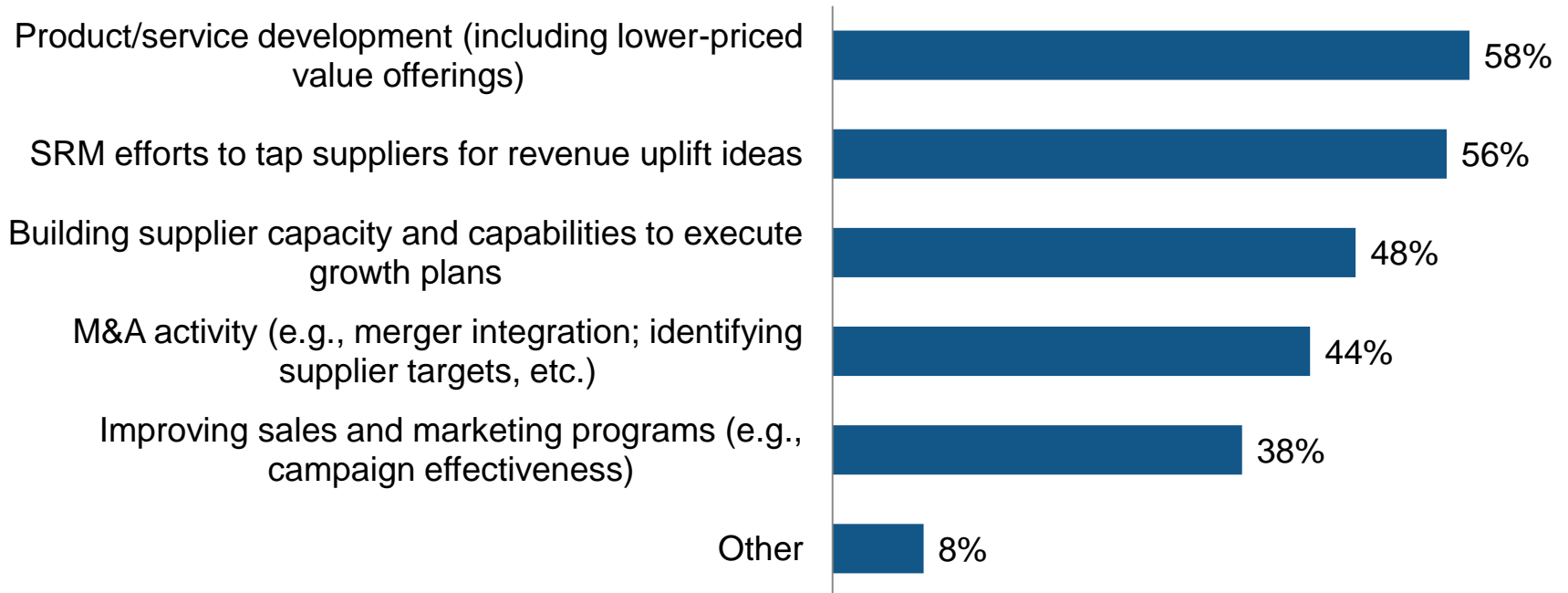
In terms of capability building, after the usual strategic sourcing focus, category management and SRM



Growth-related procurement support will take many forms

What growth-related initiatives will you focus on in 2012?

(% of respondents - multiple answers allowed)



Strategy for technology applications supporting procurement

Establish data stewardship, standardize master data and cleanse data 70%

Implement Business Intelligence / analytics applications 65%

Roll out Web-based and self-service tools 53%

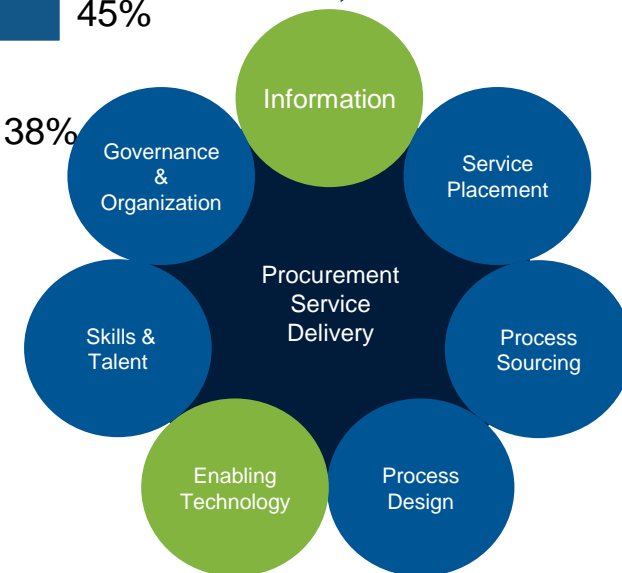
Move more procurement processes and/or business units to the common core ERP platform 50%

Maintain existing technology platform and minimize new investment 45%

Implement extensions to the common ERP platform 38%

Selectively source applications through a software as a service (SaaS) model 25%

Information is a key component of Procurement's Service Delivery Model



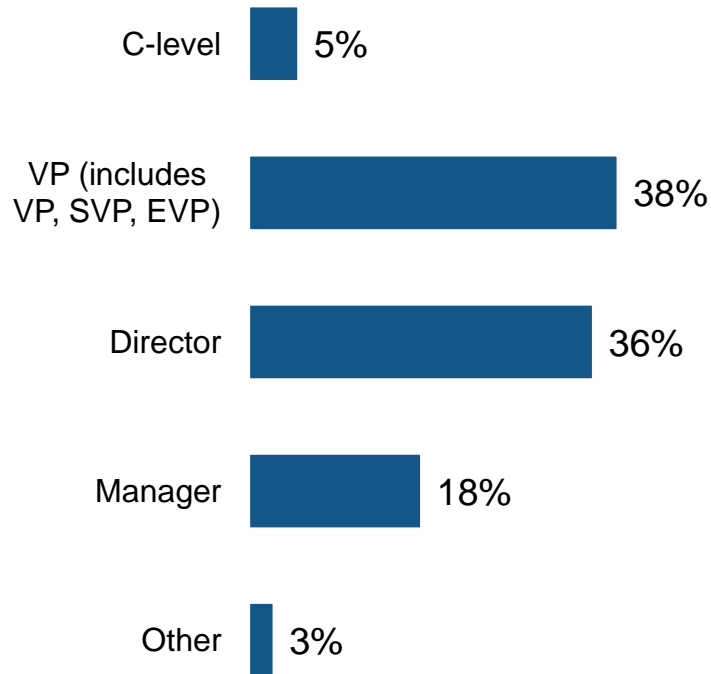
As it relates to your strategy for applications supporting Procurement, please indicate which of the following statements are applicable.

Summary

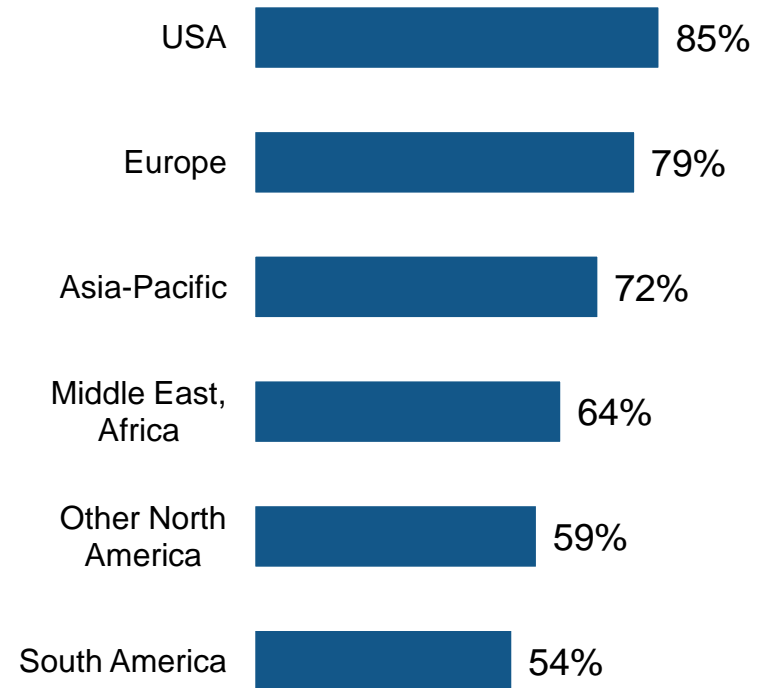
- Global revenues will increase, but so will global volatility
- Procurement agility is the antidote to supply volatility and is multi-faceted
 - Hedging against input cost volatility, starting with demand-side (e.g., Sourcing scenario planning)
 - Supply risk management – especially in the supply chain
 - Developing a more agile procurement service delivery model (SDM)
- Best defense is a good offense.
 - Indirect: complex category management influence
 - Direct: innovation & SRM top the list in capability building
- Talent management still important, but data / information / knowledge management (e.g., Market intelligence) and analytics also being pursued
- Other than industries that “bookend” the supply chain, sustainability still wallows at the bottom of the list.
- Procurement process cost reductions efforts are generally leveling off.
- Procurement looking outside the traditional sourcing toolbox, and even beyond category management and SRM to other domains (lean-sigma, competitive intelligence, ideation, “CRM” approaches, web 2.0, etc.)

Demographics – large, high level, global

What is your level in your company?



In which geographies is your company present?



Agenda

- 2012 Key Issues Study Results
- **Q&A**

Questions?

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