

# THE PROCUREMENT PLAYBOOK

STRATEGIES AND PLAYS FROM 100 CPOs

# Foreword

Conceived during the Industrial Revolution, the Procurement organization has since evolved from its humble roots as a purely tactical support function to a strategic business partner in some of today's more mature organizations.

Given the nature of its function, the Procurement organization faces pressures from both the external players it contracts and the internal stakeholders it serves. Today, the Function faces an increasingly global and constantly changing environment, where there are as many opportunities to be seized as risks to be mitigated.

Over the past two years, Oliver Wyman has interviewed more than 100 CPOs and senior executives across industries in Europe and North America. We have married the group's collective insight with the Oliver Wyman Global Sourcing Practice's expertise and compiled anecdotes of business initiatives spearheaded by these Procurement organizations in what we call The Procurement Playbook.

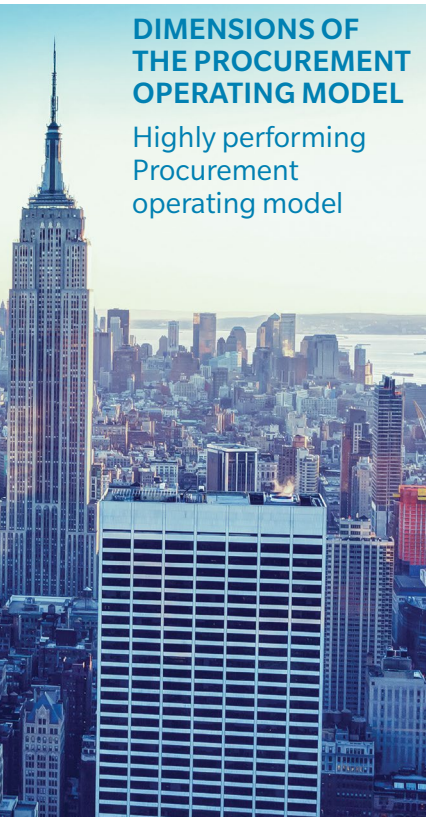
In this playbook, we have taken a two-pronged pedagogical framework to examine the challenges facing today's Procurement organization. We begin by exploring the evolution of the Procurement function's missions, from cost reduction to risk management to contribution to company growth as a strategic partner. We then turn to the key dimensions of the Procurement organization's operational model, covering strategy, processes, structure, human resources, and management system and tools.

We hope you will benefit as much from reading this playbook as we have in putting it together.



## MISSIONS OF THE PROCUREMENT FUNCTION

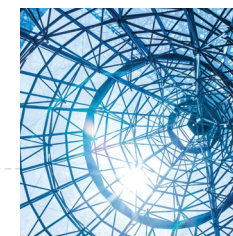
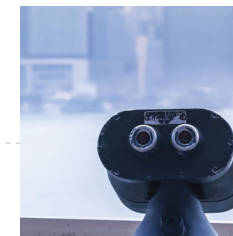
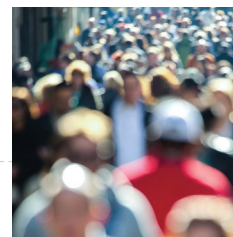
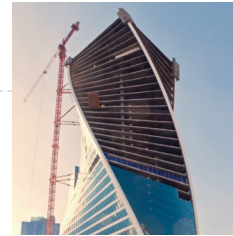
Missions increasingly aligned with strategic priorities



## DIMENSIONS OF THE PROCUREMENT OPERATING MODEL

Highly performing Procurement operating model

<b>11</b>	<b>COST REDUCTION</b>
12	Buy Cheaper
21	Spend Better
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34	Moving Towards a Structured Approach
40	Identifying Best Practices
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142	Choosing an Attractive Compensation System
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Oliver Wyman and the EBG network share the conviction that the efficiency of Procurement will play a key role in tomorrow's economy. With this in mind, we have decided to join forces to create a type of study that is probably one of its kind in the field of Procurement. Its content combines the knowledge and experience of more than a hundred French CPOs gathered in the EBG Procurement Committee, with the expertise of Oliver Wyman. We intend this work to serve both as a best practice handbook and a state of the art reference, hoping that Procurement professionals from any industry will find there valuable sources of information and inspiration.

## About Oliver Wyman

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialised expertise in strategy, operations, risk management, and organisation transformation.

Oliver Wyman's global Value Sourcing & Supply Chain Practice is one of our key capabilities in Operational Efficiency. In addition to our dedicated team, we have created a Procurement Expertise Center. Leveraging a wide internal and external network of experts, this Center of Expertise supports our teams on all key Sourcing topics, from category expertise to organizational focus.

Our approaches are built to deliver sustainability and avoid the black-box effect:

- **Knowledge transfer:** it is embedded in our way of working. Through formalized methodologies, supporting tools and processes and continuous coaching and training, we make sure each organization takes full ownership of our recommendations and is equipped to sustain them over time.
- **Proprietary tools:** Our approach is not a theoretical construct but rather a toolbox we have built a number of proprietary tools – from diagnostic (GSM Oliver Wyman tool ©) to consolidation (Levers periodic table ©) and performance measurement (SATT ©). This enables us to be immediately operational.

## About EBG (Electronic Business Group)

The Electronic Business Group is a professional community of businesses that are active in industry, services, media, marketing, telecommunications and IT sectors. What they all have in common is that they are interested in staying ahead with regards to innovation, mobility and new technology. The EBG is comprised of 600 companies and 120,000 professionals; 4,000 of whom have VIP status, meaning that they are CEOs, chairmen, managing directors, departmental directors and/or members of executive committees. The EBG is one of the most important business network centered on the digital economy. Events held by the EBG include:

- Monthly committees, each one attended by 50 to 250 people
- A quarterly event reserved for upper management
- An annual General Assembly, which brings together network members and top-level Speakers
- An annual conference centered on the topics of Mobile and Social Media

The EBG has hosted most of the leaders of international companies, such as Bill Gates, Gerhard Zeiler, Michael Dell, Maurice Lévi and Luca di Montezemolo, as well as many top-level politicians and scientists.

## Authors



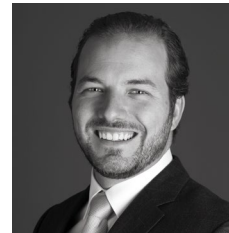
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