

Service Snapshot: Accelerated Procurement Profit

Savvy procurement is a powerful source of profit. No matter where your business is positioned today, there is so much untapped profit just in the way you buy. To put this in context, in most businesses, bought-in goods and services account for at least 50% of goods sold. Just a 1% reduction in that figure will produce the same margin lift as a 15% rise in sales.

Situation

Procurement is no longer seen as a luxury or an after-thought but as a critical way of weathering the downturn by cutting cost (buyers market) rather than jobs (your talent), whipping suppliers into shape in readiness for the upturn and bolstering profits now.

We have clients that have been so busy growing the top-line that the supply side has 'just happened'. With a fresh focus, \$10'sm dropped to the bottom-line and crucially the people doing procurement raised their game. The CFO's were typically frustrated that they had not done this before!

Similarly, we have worked with post-acquisition clients to unearth integration synergies, venture-capital backed business grooming EBITDA towards exit, turnaround businesses with a burning platform or even large global businesses looking to go to the next step in their maturity; the one thing in common was how to overcome inertia, find the value and, of course, make it happen.

Accelerated Procurement Profit (APP) is a focused approach to releasing that value and sustainably transforming your procurement capability to make sure the value remains and wave-after-wave of improvements keep landing.

Taking stock of where you are at today and where you could be tomorrow is crucial to seeing how to expand procurements value and, of course, bottom-line impact. In short,



APP is a proven way of boosting profits by signposting the way to quick, sustainable savings and, of course, mobilising your people to action. Here's how we do it.

APP is designed to deliver new procurement value by:

- Establishing the gaps between the current position and a desired future position by benchmarking against recognised best practice.
- Prioritising actions and timescales to address the gaps.
- Building a do-able but stretching plan & target.
- Tracking & driving performance using a Balanced Business Scorecard and,
- Depending on the existing maturity of procurement, map out a long-term transformation plan to deliver wave after wave of sustainable savings.

By immersing ourselves in your business we are able to understand how you do things today and come up with specific actions that will deliver new profit.

Solution

Execution is our strength and success requires close collaboration between your resource and external facilitation.

This will enable Business As Usual to be maintained whilst enabling us to sustainably transfer knowledge.

Our approach is all about engagement. Creating genuine buy-in with your people is vital to success and this is a constant focus through our engagement. From the leadership, the core team, the wider business and beyond into the supply network; everyone needs to feel part of the change by seeing the benefits for themselves. To do this we become part of your business, working alongside your people, to dive into the detail necessary to land the plans.

Typically we:

- Share the business case with your people to enable them to get it and embrace it.
- Garner Executive sponsorship to address escalation/resolution issues.
- Co-develop and drive a detailed plan to deliver the results.
- Create a Project charter for the overall delivery, including Executive milestone reviews.
- Create a Project chart for each work-stream, showing action by action ownership.
- Support or do any key actions to create learning in action.

- Build a dashboard with meaningful KPI's to enable effective tracking.
- Communicate with all stakeholders in a way that makes sense to them.
- Build a "virtual" team with a 'want to do' and 'can do' spirit through reward & recognition.
- Coach & mentor team members to transfer the know-how to do this time after time.
- Provide the tools to the team to do the job.
- Maintain momentum by driving actions, removing barriers & promoting successes.
- On delivery of the first wave(s), provide a full report showing the results & learning

Our Processes: enabling the change

At Penumbra we have some of the most innovative and effective methods to introduce change. Our Balanced Motivation approach encompasses activities that improve

performance both for the organisation and the individual during the planning and implementation of your procurement strategy.

We have experts in technology who can advise you in how your organisation can streamline the way that it uses the established tools to allow smarter and cost effective ways of working.

Our People: make it happen

Our people are hand-picked procurement leaders who have delivered \$bn's in shareholder value up to Board level of FTSE 100 & Fortune 100 companies. Our people do not just have a consultancy background but are just like you, grounded in the doing and delivery of change across complex businesses. Crucially, our people are chosen for their personal leadership qualities of being able to connect with and get the best out of your people.

From global engineering, pharmaceutical, insurance, process automation, retail, brewing, automotive (to name but a few), our people have a vast knowledge bank to draw upon, the tools to do the job and a track record to give you the confidence that you are working with some of the best at unearthing and releasing new value.

Benefits

The benefits speak for themselves:

- Typically delivers well in excess of a 10:1 return on investment but that is just the start.
- By transforming procurement capability, wave after wave of savings are realised year-on-year.
- APP is simply a kick-start to an ongoing journey.

Other typical findings for which we can provide corrective actions, are for example:

- £4m spend with 47 marketing agencies
- Fragmented buying behaviours - silo driven
- Only 20% of procurement professionally qualified
- Less than 2% savings annually
- Top 20 = <30% of total spend
- Procurement seen internally as an 'ivory tower'
- Few Procurement performance KPI's
- Suppliers' view client as 'difficult'
- SRM is weak & not driving improvements
- Little evidence of end-to-end category management

