Procurement at the forefront of innovation

Digitalization, not just a tool implementation, rather a real business transformation

Andries Feikema MSc.

Nevi CPO Summit 2023
May 24, 2023
Zeist, The Netherlands

Nice to meet you …



Andries Feikema

Royal DSM N.V.

DSM Global Procurement

Global Director Procurement Digitalization & Transformation

Executive Faculty Trainer - Dutch Association of Procurement & Supply Chain Management

Digital Procurement Business Transformation Program

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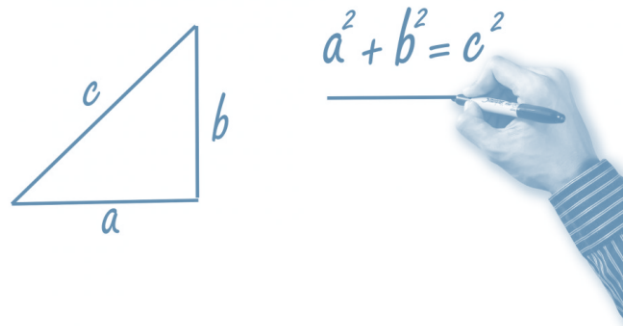
It’s so simple…



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Topics

Leading Digital Business Transformation

- Introduction | DSM at a glance
- Industrial Revolution
- Vision - Mission - Strategy
- Key Success Factors
- Transformation
- Case Study



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Introduction | DSM at a glance

A Purpose-led, Performance-driven Nutrition, Health & Bioscience company with its roots as the Dutch-State-Mines

- Purpose to create brighter lives for all.
- DSM = Doing Something Meaningful, showing our commitment to health & sustainability for the world-population.
- 22,000 employees (60% employees outside Europe) including joint ventures/associates.
- Operates in more than 50 countries across the Americas, LATAM, APAC & Europe.
- Annual revenue of €9,2 billion.



DSM Firmenich

As of May 9, 2023, DSM – Frimenich.
Presentation and case study are based on DSM

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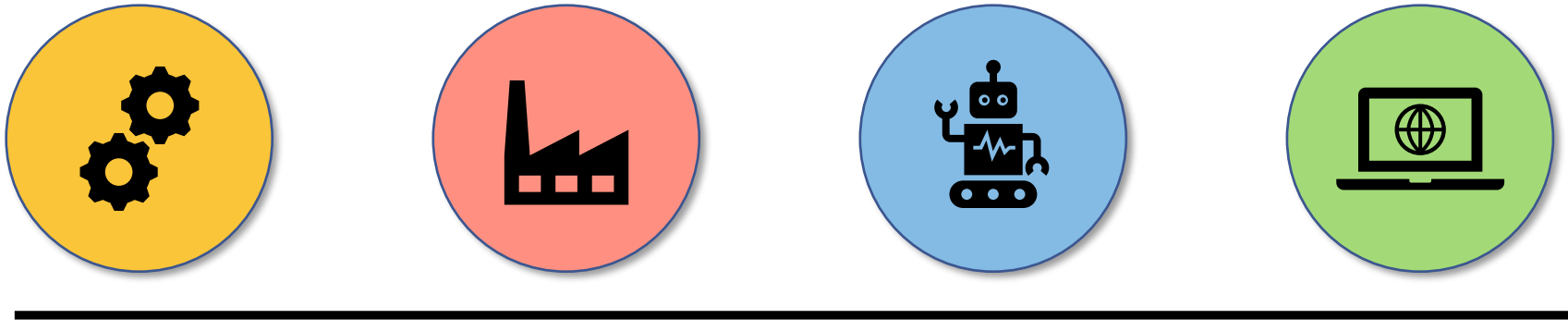
Industrial Revolution | New Technologies

Organizations are undergoing a fourth industrial revolution by new technologies



1765	1870	1969	Today
Mechanization	**Mass Production**	**Automated production**	**Digitalization Industry 4.0**
Steam engine (Invented in 1705)	Electricity and oil-based power	Electronics and information technology	Internet of things, Artificial Intelligence, blockchain, Big Data (Analytics), Robotics, Virtual Reality, Chat GPT etc.

- Together with increasing **Volatility, Uncertainty, Complexity, and Ambiguity** (VUCA) this fourth revolution sets a **brand-new challenging environment** to navigate and succeed in
- It is giving the organizations/functions a **pivotal chance to redefine and re-imagine itself** in the view of the ongoing digital transformation

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Vision – Mission – Strategy | The Challenge

Exponential technologies are disrupting, transforming, and altering the functions of various industries. Although, ...

… Digitalization seems to be on every Executive's agenda today. But too many executives are frustrated at digitalization programs that take too long, cost too much, and produce results that are too slow and meager.

Vision (What)

Mission (How)

Strategy (Path Forward)



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Vision – Mission – Strategy | Beacon for the future

A vision embodies your aspirations and serves as a beacon for your future journey. Unfortunately, many organizations lack a clear digital vision...



*"**84%** of organizations believe that digital transformation will fundamentally change the way their services are delivered over the next three to five years. Yet only **32%** have developed a strategy for getting there."* [1]

*Organizations with a clear and documented linkage between their strategic objectives and each business case objective report a **14%** higher Business Satisfaction Rating than others.* [2]

"Without a sensible vision, a digitalization transformation effort can easily dissolve into a list of confusing and incompatible projects that can take the organization in the wrong direction or nowhere at all! [3]"

1, *Key Issues Study, The Hackett Group (2017)*
2. SAP Performance Benchmarking 2014
3. Dr. Kotter, J.P. (1995), 'Why Transformation Efforts Fail', Harvard Business Review, pp. 59 – 67

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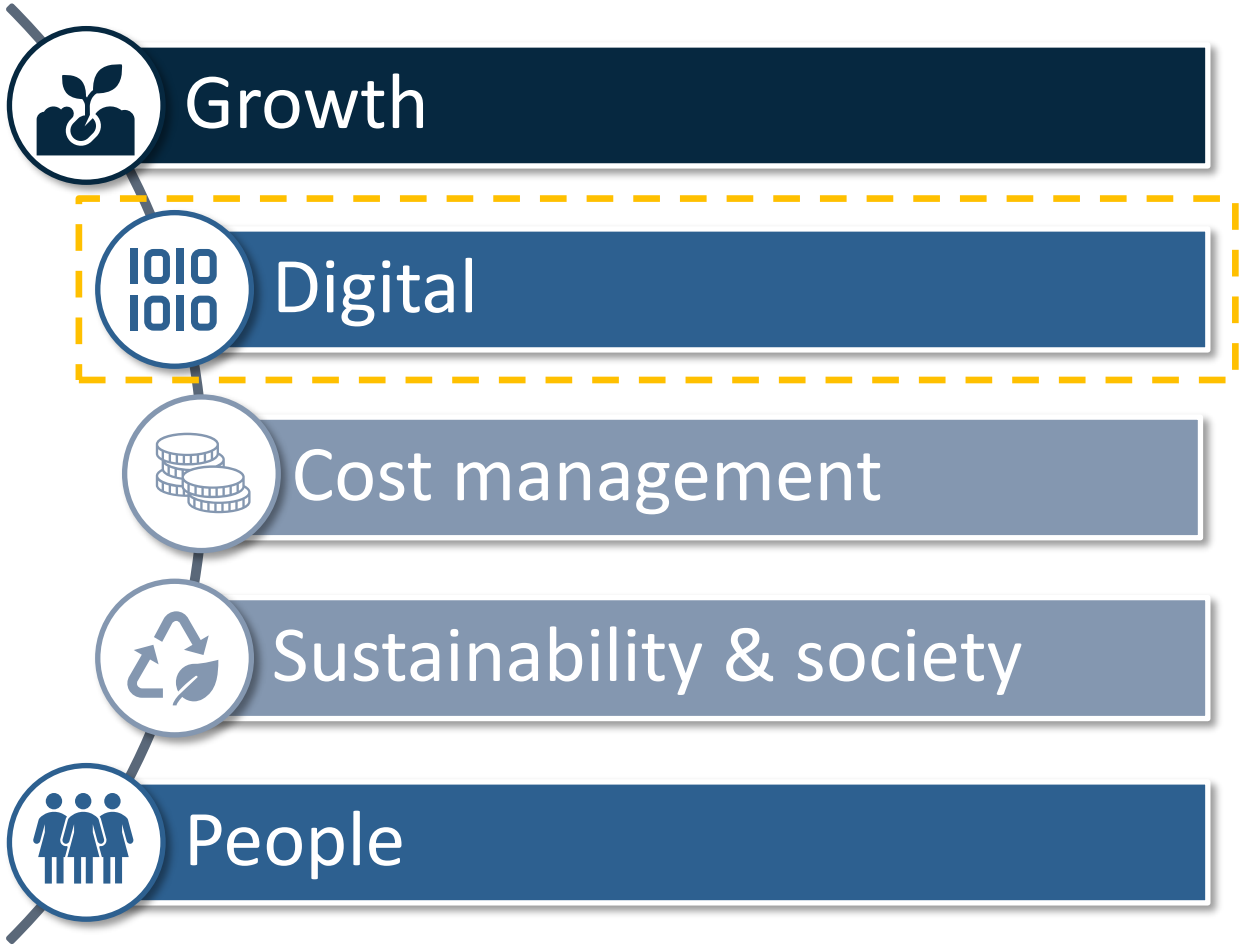
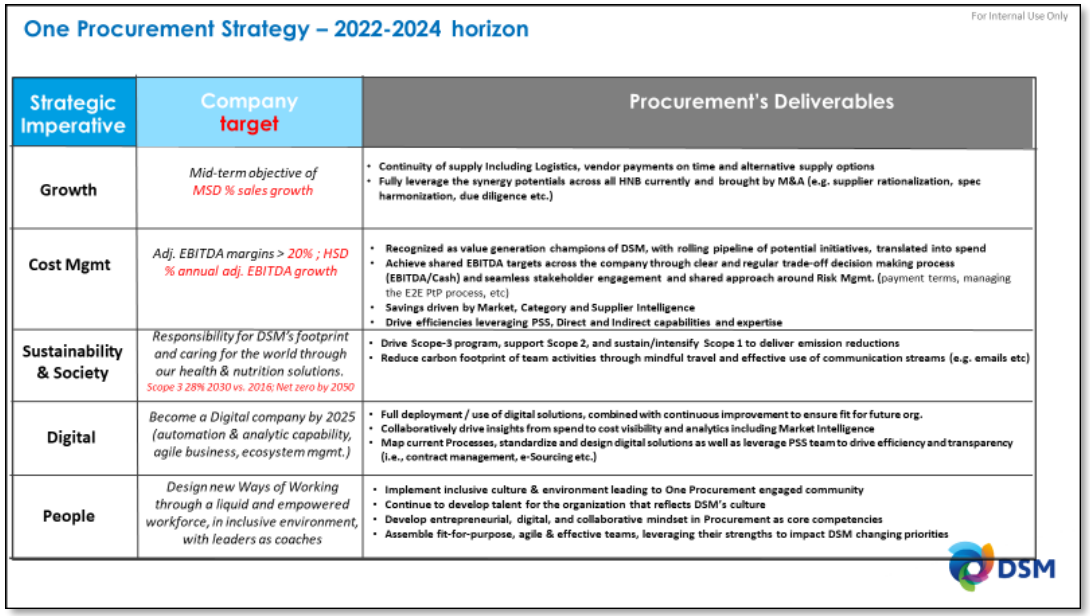
Vision – Mission – Strategy | DSM Corporate Strategy 2025

Five strategic imperatives, including Digital. Become a Digital company by 2025 (automation & analytic capability, agile business, ecosystem management).





One Procurement Strategy – 2022-2024 horizon

For Internal Use Only

Strategic Imperative	Company target	Procurement's Deliverables
Growth	*Mid-term objective of MSD % sales growth*	• Continuity of supply including Logistics, vendor payments on time and alternative supply options • Fully leverage the synergy potentials across all HNB currently and brought by M&A (e.g. supplier rationalization, spec harmonization, due diligence etc.)
Cost Mgmt	*Adj. EBITDA margins > 20% ; HSD % annual adj. EBITDA growth*	• Recognized as value generation champions of DSM, with rolling pipeline of potential initiatives, translated into spend • Achieve shared EBITDA targets across the company through clear and regular trade-off decision making process (EBITDA/Cash) and seamless stakeholder engagement and shared approach around Risk Mgmt. (payment terms, managing the E2E PtP process, etc) • Savings driven by Market, Category and Supplier Intelligence • Drive efficiencies leveraging PSS, Direct and Indirect capabilities and expertise
Sustainability & Society	*Responsibility for DSM's footprint and caring for the world through our health & nutrition solutions.* *Scope 3 28% 2030 vs. 2016; Net zero by 2050*	• Drive Scope-3 program, support Scope 2, and sustain/intensify Scope 1 to deliver emission reductions • Reduce carbon footprint of team activities through mindful travel and effective use of communication streams (e.g. emails etc)
Digital	*Become a Digital company by 2025 (automation & analytic capability, agile business, ecosystem mgmt.)*	• Full deployment / use of digital solutions, combined with continuous improvement to ensure fit for future org. • Collaboratively drive insights from spend to cost visibility and analytics including Market Intelligence • Map current Processes, standardize and design digital solutions as well as leverage PSS team to drive efficiency and transparency (i.e., contract management, e-Sourcing etc.)
People	*Design new Ways of Working through a liquid and empowered workforce, in inclusive environment, with leaders as coaches*	• Implement inclusive culture & environment leading to One Procurement engaged community • Continue to develop talent for the organization that reflects DSM's culture • Develop entrepreneurial, digital, and collaborative mindset in Procurement as core competencies • Assemble fit-for-purpose, agile & effective teams, leveraging their strengths to impact DSM changing priorities

Digital is shaping the Nutrition World

We can't predict the future with certainty but for our business it is our duty to observe and identify the trends that will have the biggest impact on our business and how we run it.

Digital is more than a trend for DSM – it is a key business driver

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Key Success Factors | Change Efforts

However, …



Most corporate change efforts fall short with **only 12%** achieving or exceeding expectations.



Companies that have successfully transformed their business and are sustaining improvements (continuously improve) do a number of things differently from those that fail.



The key practices are not a guarantee of success, but they strongly correlates.

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Bird, A., Lichtenau, T., Michels, D. (2016), 'The What, Who and How of Delivering Results', Bain & Company, pp. 1 -12

Key Success Factors | Matrix

Organizations with a clear and documented linkage between their strategic objectives and each business case objective report a 14% higher Business Satisfaction Rating than those that do not[1]

Program Vision & Business Case



- Key stakeholders have education, awareness, and buy-in
- Business case, business outcomes, benefits investment, and change

Executive Sponsorship



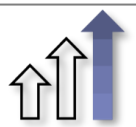
- Executive advocate & champion of the program
- Evangelize importance

Governance, RASCI & Culture



- Cadence for monitoring progress, resolving issues, celebrating wins
- Driving accountability
- Transparent RASCI for all involved in the program

Success Measurement



- KPIs & performance monitoring
- Baseline vs. target
- Benchmarking
- Define what success looks like, measure regularly to manage goals

Process Refinement



- Update business processes to drive optimization and consistency
- Leverage best practices

Process Enablement



- A multi phase roadmap timeline
- Enablement plan (e.g. by stakeholder, category, business unit, geo)

Resource Planning



- Implementation
- Steady state operations

Supporting Policy



- Internal and external
- Provides specifics expectations for compliance

Cross Functional Collaboration



- Clearly aligned objectives
- Participation across departments

Incentives



- Ensure goals are perceived as important
- Inspire and rationalize the need to change

Training



- How the day-to-day job will be different but also the subject matter, value, and 'why'
- Not one size fits all but should be specific based on job function and role

Change Management & Communication



- **Starts at day 1!**
- Develop a strategy and plan for internal and external change management & communication
- Strategic communications come from executive sponsors

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1. SAP Performance Benchmarking 2022

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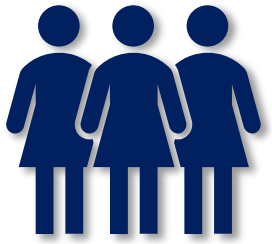
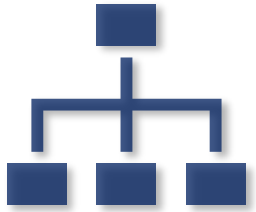
Transformation | Four Key Pillars

Elements that should be included in your digital transformation strategy …



PEOPLE

Skill set change



ORGANIZATION

Operating model is changing



PROCESS

Self service is the norm



TECHNOLOGY

Autonomous functions



Group Assignment

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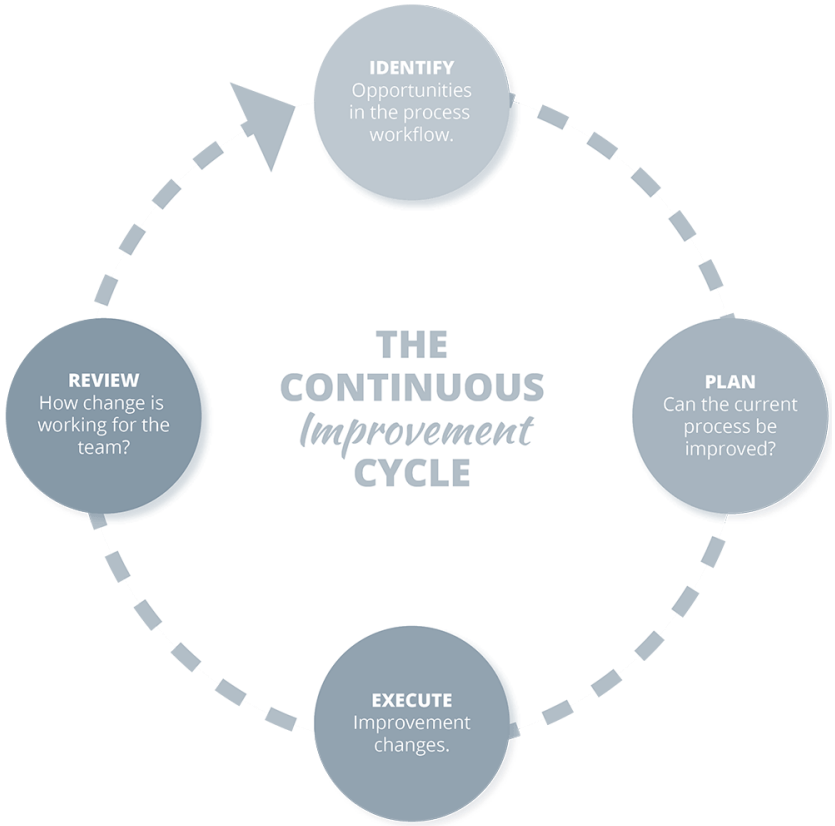
Transformation | Continuous Improvement

"Digital transformation doesn't end after implementation; it requires **continuous improvement**. Investment in ongoing innovation, effective data management and governance, BPO, solution deployment, and organizational improvement is necessary"



Incorporate digital roadmap in annual budget cycle discussions

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buy.SMART

Case Study



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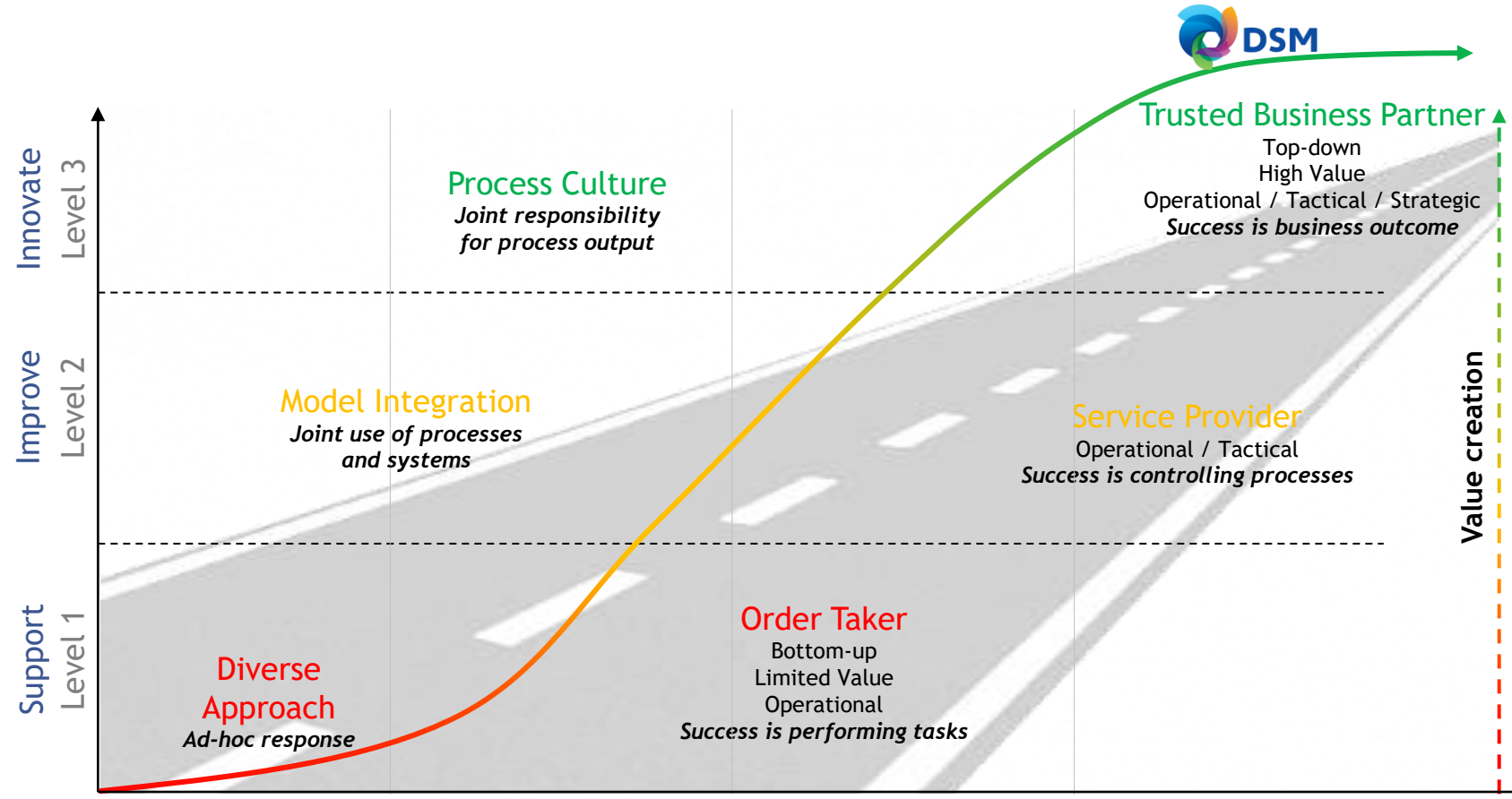
Introduction | Global Indirect Procurement

Enabled by digital technology, procurement has undergone significant evolution and will continue to do so, creating top- and bottom-line value in partnership with business stakeholders and its suppliers



GROWTH

Sales top line

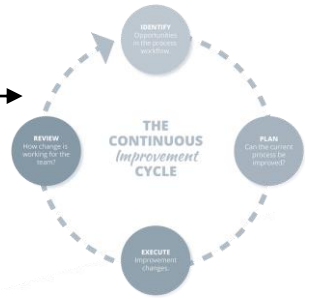
Profit bottom line

Trusted Business Partner
co-owner of business targets, 'joining forces'.

Service Provider
fixed service levels, roles and responsibilities, 'managing our processes'.

Order Taker reactive organization, 'getting our tasks done'.

2023 - Future



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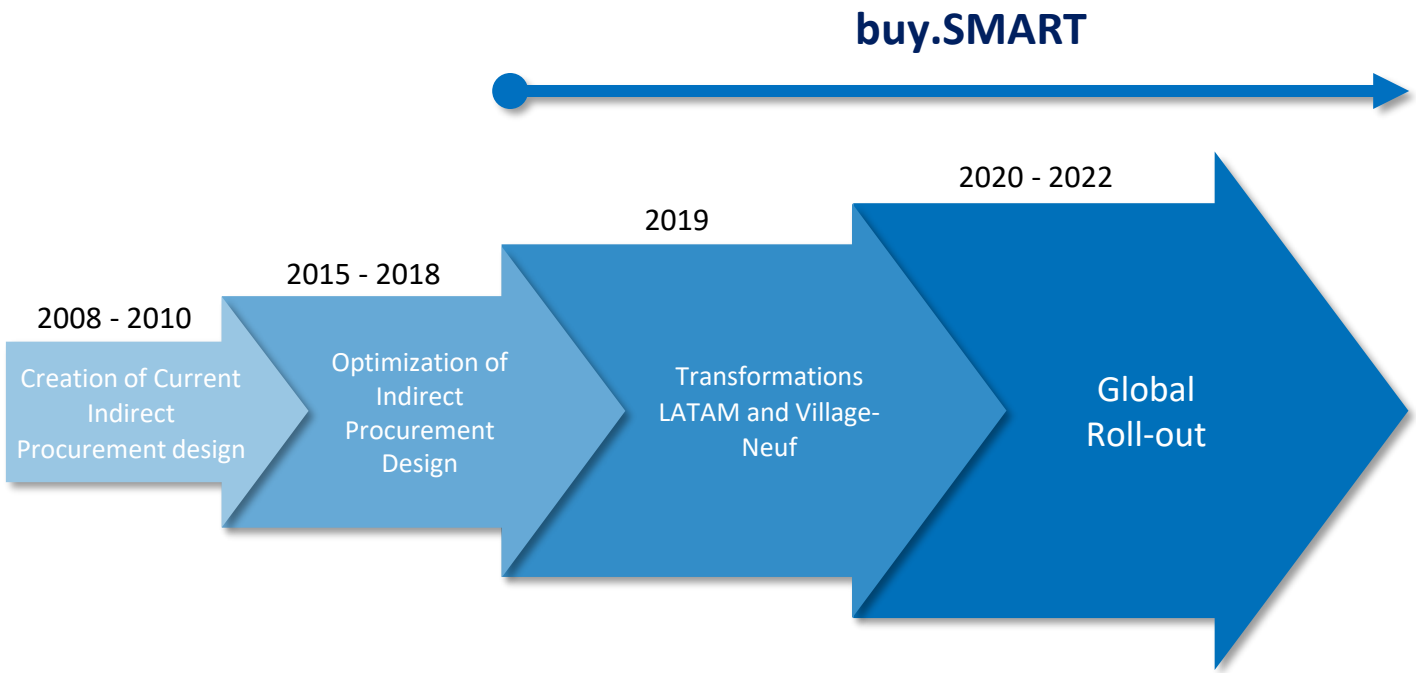
buy.SMART | Program Vision

Since 2008, DSM's Indirect Procurement function has undergone transformation. In 2018, the buy.SMART program was launched to move to a higher level of maturity



Digitize the end-to-end indirect procurement process using SAP Ariba.

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buy.SMART | Program Objectives

buy.SMART improved DSM's Indirect Procurement capability and maturity to reach the next level of procurement value creation to support DSM's growth strategy



Improve employee satisfaction (user-friendly and intuitive solution).



Improve supplier engagement and limit supply risks.



Improve end-to-end procurement capabilities.



Develop end-to-end processes and system functionality.



Improve financial benefits: tail spend management, increase spend under contract, reduce maverick buying, advanced sourcing methods .



Investment : €XX,YM
ROI: €X,YM – 4,6 year

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buy.SMART | Program Vision

buy.SMART in 3 minutes

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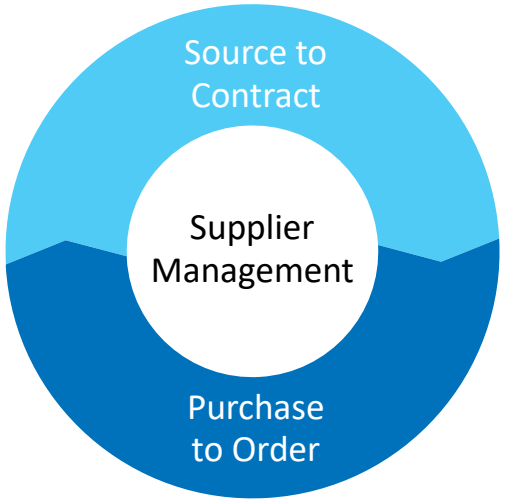
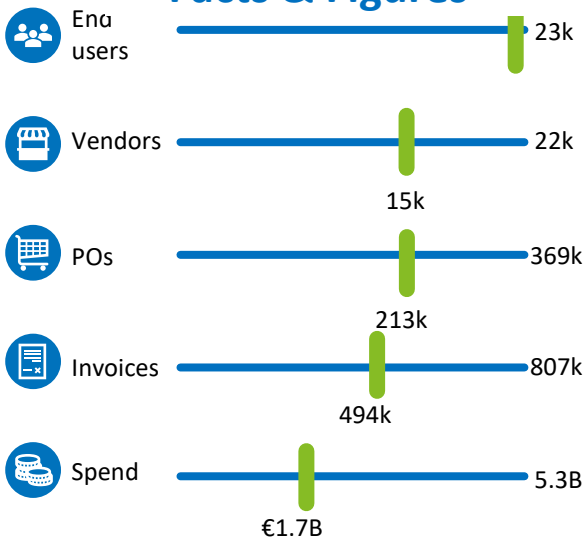
buy.SMART | Program Scope

A three year business transformation program that touched the entire organization and the full end-to-end scope of the Indirect Procurement process: Purchase-to-Pay and Source-to-Contract

Process scope



Facts & Figures



Baseline 1 calendar year

Rollout plan ~155 sites

Deloitte.

McCOY

Phase 1 – 2020
18 sites



Pilot:

- Brazil
- Village-Neuf (FR)

Phase 2 – 2021
65 sites



Roll out Nutrition Cluster & CSUs

- Wave 1: Europe part I
- Upstream: Source to Contract
- Wave 2A: Mexico & Peru
- Wave 2B: North America
- Wave 3: APAC
- Wave 4: Europe part II & Corporate Functions

Phase 3 – TBD
~70 sites



Roll out:

- Remaining 70 non-SRM sites

Indirect Spend Cat.

- TG&S
- FG&S
- IT
- GL&P

SAP Ariba Modules

- Strategic Sourcing
- SLP / SIPM
- Supplier Risk
- Contract Mgmt.
- Buying
- Commerce Automation
- Supply Chain Collaboration

Governance

Change mgmt., comms & training	PMO
Supplier & content enablement	Transformation Office
Process Design & Way of Working	Build & Configure
MDM & Reporting	Expert Desk

KPIs

- Business (user) satisfaction
- Spend compliance (spend captured)
- No-touch and low-touch PO transactions
- Suppliers onboarded on the Ariba Network

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buy.SMART | Design Principles

The buy.SMART execution was based on predefined guiding principles

Global design, validate locally.

Generate results fast (early value, early adoption).

Best in class processes are the standard.

Minimize customization to only legal and fiscal requirements.

No transfer of outstanding transactional data.

Global design finished during pilot phase 1, focus during following phases on localizations (legal / fiscal) requirements.

Readiness Assessments and configuration of requirements in an agile approach:



Change management was a key element throughout the program.

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buy.SMART | Program Results YTD

Successfully deployed at 83 locations in 20 countries around the globe

DSM USERS

83 Sites Live in 20 countries

- **5,000+** users are in the system
- **200,000+** Purchase Orders
- **115** online catalogs
- **99%** On-time Ariba Network payment rate supplier invoices

CHAMPIONS & SUPPORT

270 Champions supporting the roll out

- **450+** training sessions are organized
- **50** instruction videos are created
- **120** Quick reference cards are designed in **7** languages



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buy.SMART | Lessons Learned: Drawbacks & Pitfalls

After the pilot phase, we identified over 350 key lessons and incorporated them into the global rollout



Design global & validate local.



Tackle Master Data early on.



Content is King.



New capabilities = new Way of Working.



Change starts from day 1.



Keep it Simple.

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Key Success Factors | Matrix – all requirements fulfilled

Organizations with a clear and documented linkage between their strategic objectives and each business case objective report a 14% higher Business Satisfaction Rating than others[1]

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Cross Functional Collaboration



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Training



- How the day-to-day job will be different but also the subject matter, value, and 'why'
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1. SAP Performance Benchmarking 2022

Key Success Factors | Bypass traditional approaches

Develop a visionary program and focus on business case value drivers, embrace innovative thinking



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It’s so simple, when you know how to do it …



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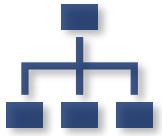
Group Assignment



PEOPLE



ORGANIZATION

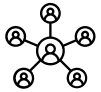


PROCESS



TECHNOLOGY

What is the impact of digital transformation on the four pillars: People, Organization, Process, and Technology?



Four groups



Time?



Plenary report out per group

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Transformation | People

Skill set change

- Networking skills.
- Conceptual thinking.
- Consulting skills.
- Relationship building (internally and externally).
- Develop strategies for the business with the business end customers in mind.
- Track and capture innovation.
- Drive and manage change within the organization.



To deliver this role will be about maintaining a constant and current understanding of the marketplace and planning for how it will develop. This will therefore drive a focus on building relationships to garner that information, as well as the analytical skills to understand what it means.

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Transformation | Organization

Operating model is changing

- Agile operating model (adaptive, value-driven).
- Outsourcing of tactical and transactional work.
- Innovation (forward thinking, transformative).
- Employee, Supplier, and Customer centric (self-service, seamless, innovative, value-add).
- Digital platforms (integrated, cloud).
- Insight and analytics (insightful, AI driven).
- Workforce to the future (hyper-efficient, dream job).



It is no longer business as usual for the functions. The scale and speed of transformation required to address the mix of disruptors impacting the organization is unprecedented. The key to success is to proactively develop a blueprint for how the organization can turn these disruptors into opportunities for competitive advantage, and growth.

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Transformation | Process

Self-service is the norm

- Process refinement and enablement.
- Automation (robust technology enablement across end-to-end function's cycle).
- Integration (end-to-end integration beyond function).
- Value added services (Managed services used to maximize procurement ROI).
- AI everywhere (AI and machine learning deployed to be seamless and invisible).



The question for functional teams are can we embed the day-to-day requirements of 'traditional' functions within the business in a self-service capacity and work with the business in re-engineering, and risk reduction, and with the suppliers to innovate and bring revenue enablement.

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Transformation | Technology

From manual to autonomous

- 60% of the processes have the potential to be fully or largely automated[1] .
- Market pressure forces organizations to:
  - Deal with increased innovation speed.
  - Cope with shorter product lifecycles.
  - Automate functions.



Digitalization seems to be on every executive's agenda nowadays. But too many executives are frustrated at digitization projects that take too long, cost too much, and produce results that are too slow and meager.

Digital Function

- Fully digitalized processes
- Realtime analytics

Intelligent Function

- Recommendations by machine learning
- Predictive analytics

Automated Function

- Automated process steps by situations and machine learning
- Robotic process automation for recurring tasks
- Sensor based triggering based on IoT
- Invoice automation via OCR

Autonomous Function

- Autonomous operational processes by RPA and machine learning
- Autonomous functional decisions
- Strategic decisions carried out by intelligent assistants
- Conversational chatbots for proactive functional decisions

[1] McKinsey, 2017

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Question

What were the major challenges faced during the buy.SMART business digitalization transformation program and how were they overcome?

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Answer | Key buy.SMART Program Challenges

Success doesn't come easily …

Internal Shared Services

Organization was not ready to manage the additional workload which resulted in a delay of the program completion and caused €1,2M additional cost.

Conduct a Global Process Design Business Impact Assessment!

Technical Support

Organization not delivering as promised resulting in frustrated end-users and suppliers.

New Way of Working

Technologies fundamentally change the functions and operating model as it becomes more predictive, automated, and proactive. This caused reluctance by end-users.

Horizon - Organization restructure

A significant impact on the buy.SMART program as people (Procurement, GdS, PSS) were made redundant and the Managed Operations Organization replaced during the heat of the fire.

Pandemic

Due to COVID-19 and the governmental and corporate restrictions that were in place the program approach had to be adjusted.

Corporate Strategy Change

Announcement Sept. 2021. DSM accelerates its purpose-led, performance-driven strategic journey. Program scope had to be redesigned as DSM Materials was excluded from the deployment.

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Thank You

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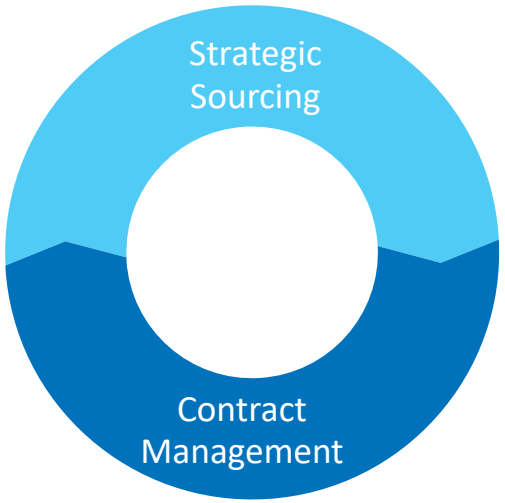
DSM

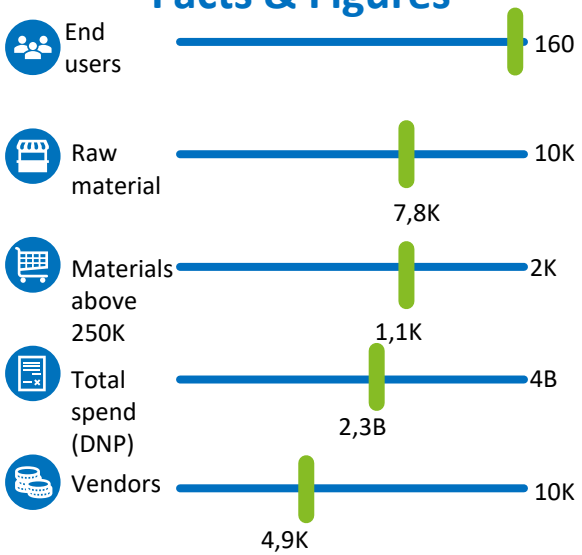
Polaris| Digital Transformation Direct Procurement

Transform the Direct Procurement organization and Strategic Sourcing & Contract Management with a comprehensive one-year business transformation program.

Process scope



Facts & Figures



Baseline 1 calendar year

Rollout plan

Phase 1 – 2022



Pilot:

- ANH EMEA
- F&B EMEA
- M&T EMEA
- HNC EMEA

Phase 2 – 2023



Global Roll-Out:

- Wave 1: NA
- Wave 2: EMEA
- Wave 3: LATAM
- Wave 4: APAC
- Wave 5: CHINA

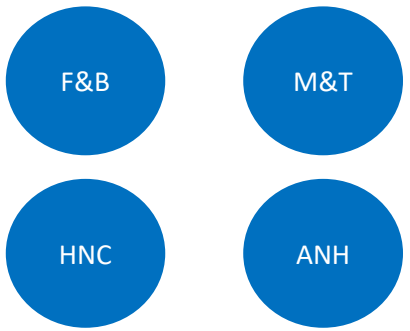
Phase 3 – TBD



Continuous Improvement:

- Digital Roadmap

Direct Spend Ind.



SAP Ariba Modules

- Strategic Sourcing
- Contract Management + SAP ECC integration

Strategic Drivers

- Reduce manual effort and costs to save money
- Speed up advanced sourcing for better pricing and lower costs
- Improve management of supplier relationships
- Use automated procurement processes to boost efficiency, reduce cycle times, and improve collaboration and decision-making.
- Enhance spend visibility
- Increase compliance with contracts and spending under contract

KPIs

- Business (user) satisfaction
- Spend compliance (spend captured)
- Number operationalized contracts
- Sourcing events supported by Expert Desk

TBD

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Industrial Revolution | Procurement and AI Tools

Examples revolutionizing procurement with Chat GPT, Bing AI DALL.E 2 ….

Chat AI Tools

Chat GPT

- Negotiate supplier contracts in real-time
- Quickly identify patterns in purchasing data to optimize procurement processes
- Real time assistance/ support chatbot

Bing AI

- Identify purchasing patterns across different departments
- Track supplier performance metrics
- Predict future demand for materials

Exponential technology is impacting, transforming, and fundamentally change organizations and functions as it becomes more predictive, automated, and proactive

Trending Tools

- **ChatGPT-4 Jailbreak-** Access ChatGPT-4 full potential. Remove all restrictions **(link)**
- **Merlin-** Gives you the power of OpenAI ChatGPT Plus on all your favorite sites for free **(link)**
- **Build AI-** Build AI apps in minutes **(link)**
- **D-ID**- Real-time face animation to create a human-like experience **(link)**
- **Berri-** Build production-ready chatGPT apps in minutes **(link)**
- **Lindy-** AI assistant to help you with all kinds of personal tasks **(link)**
- **2short-** Elevate your YT content with AI-generated shorts **(link)**
- **Promptitude-** The easiest way to integrate GPT into your apps **(link)**
- **Adobe Firefly-** Make an infinite range of image creations. **(link)**
- **Google Bard-** Google's new Chatbot to take on ChatGPT **(link)**
- **Dream Interpreter-** Ask it the meaning of your dream **(link)**
- **ChatBotKit-** Fastest way to make your own advanced chatbot **(link)**
- **Superhuman-** Automatically sort important emails based on behavioral patterns. **(link)**
- **Venturus-** A tool for instant feedback and analysis of business ideas **(link)**
- **Clip Fm-** Turn your videos into viral shorts with one click **(link)**
- **ChatDOC-** Chat with documents. Get instant answers **(link)**
- **Maimovie-** Discover movies that match your preference **(link)**
- **Vizologi-** Get answers to all your business questions **(link)**
- **ContractReader-** Read and understand smart contracts with AI **(link)**
- **Cody-** Train ChatGPT on your business, your team, your processes **(link)**
- **WTF Does This Company Do? -** Explains landing pages by just entering the domain **(link)**
- **ProductBot -** AI product expert and recommender that assists users in making purchasing decisions **(link)**
- **Monica** - ChatGPT-4 powered AI assistant for all of the websites you visit **(link)**
- **MobileGPT** - ChatGPT on Whatsapp **(link)**
- **AI Course Creator** - Build complete courses that uniquely yours **(link)**

Source: Steve Nouri, Global Tech Evangelist

Creative and Artistic AI tools Text to image







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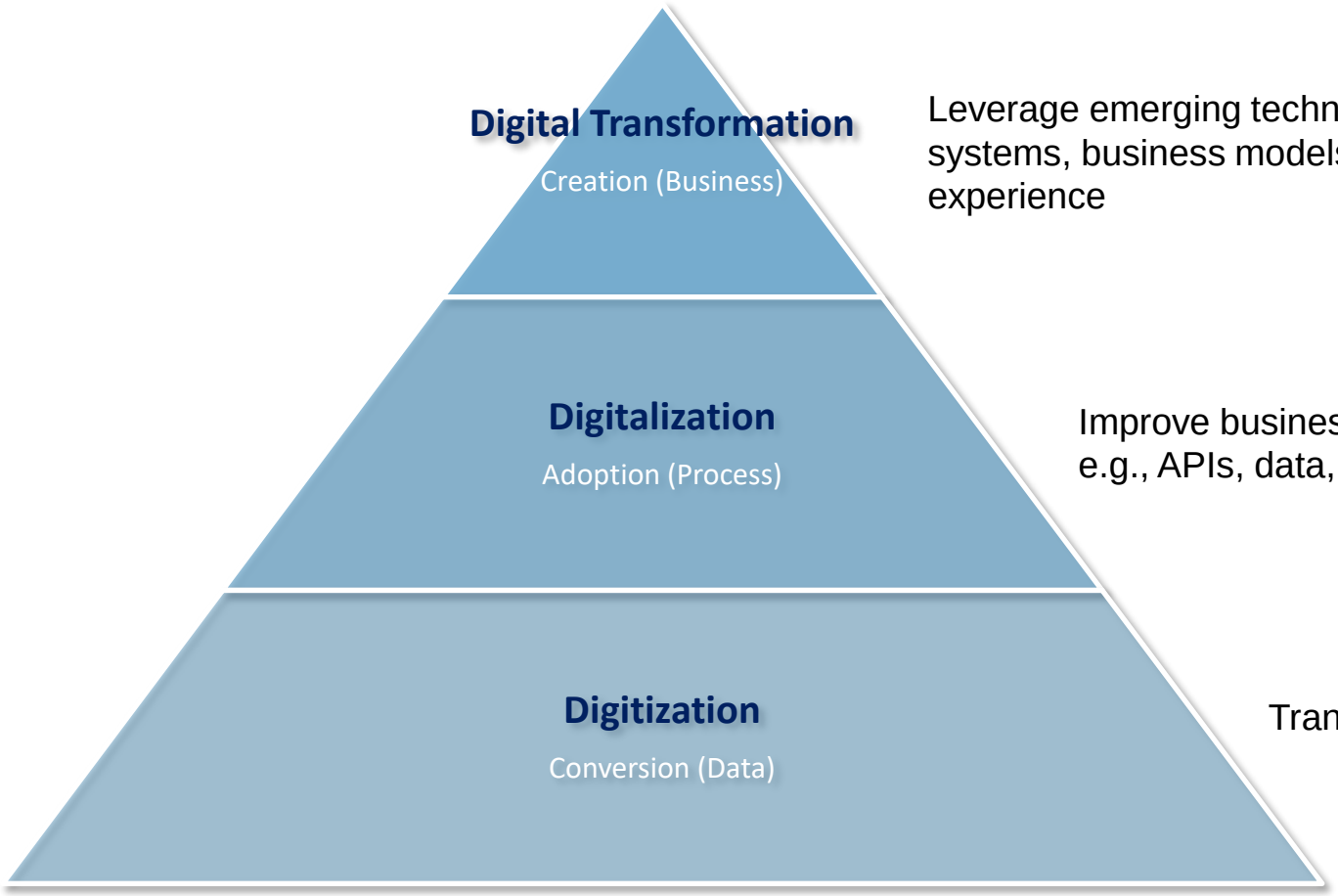
Industrial Revolution | What's in the name

Digitization is a subset of digitalization, and digital transformation encompasses both digitization and digitalization



Leverage emerging technologies to build new business systems, business models, consumer & employee experience

Improve business processes by leveraging digital technologies e.g., APIs, data, cloud etc.)

Transition from analog to digital

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