

Is your procurement GBS operating model future proof?

EY point of view on Procurement GBS

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Foreword

The COVID-19 pandemic tested the agility, speed and robustness of procurement function across industries. With the supply markets disrupted across the globe, procurement teams faced unprecedented challenges in ensuring continuity of operations. These challenging times also exposed legacy broken procurement processes, sub-optimal use of technology and missing risk mitigation strategies as the pressure on cost effectiveness continued to rise aggressively.

While on the road to recovery, many leading organizations reaped benefits of leveraging an integrated Global Business Services (GBS) model. During this time, GBS demonstrated resilience and high levels of preparedness, leading way to the “new normal” delivering technology enabled services.

At EY, we are increasingly seeing procurement leaders adopt the GBS space. The GBS model drives operating cost reduction, as well as enables E2E procurement process standardization and streamlining by acting as the procurement transformation engine for the organization.

GBS can support procurement across the source to pay value chain. Mature organizations have been able to drive sourcing, category management and supplier relationship management through the GBS centers. The extent to which GBS can be leveraged is directly linked to maturity of the procurement function across the operating model – process, technology, people, data, etc. The higher the maturity, the more processes can be moved to GBS, enabling an efficient and cost-effective procurement operating model.



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Complex procurement operations are constantly nudging the procurement narrative to evolve, reinventing the overall procurement GBS operating model. These innovative operating models not only lead to benefits, such as lower costs, but also enable access to rich talent, better procurement control and visibility.

EY point of view on procurement GBS operating model (1/2)

The **procurement operating model** can be seen in three layers as depicted in the diagram below. Typically, the front office is retained onshore and the middle and back offices are supported by GBS. In addition to the typical scale and cost benefits of centralization, the **GBS** model also provides a unique opportunity for procurement. A central view of sourcing across the organization can help identify **synergies** and **saving opportunities**, through E2E visibility. GBS also enables driving **standardized procurement processes** and **formalized ways of working** across markets, which has historically been a challenge for the procurement function.



To operationalize a GBS model, **technology** is a key enabler. Technology interventions in the procurement operating model will be across two layers. The first layer is core procurement technologies such as buyer portal enabling guided buying, e-sourcing modules and supplier portal. The second layer is the enabling layer including real time dashboards, service management tools, intelligent automation and chatbots.

The shift in operating model from a single front office layer to a multilayered structure has led to the **emergence of new roles in procurement**. For example, many organizations have Procurement Business Partners as part of their front office layer, with a focus on stakeholder partnering, demand planning etc. Changing external factors have also lead to new roles such as sustainability leads, supplier diversity leads, procurement analytics leads etc.

EY point of view on procurement GBS operating model (2/2)

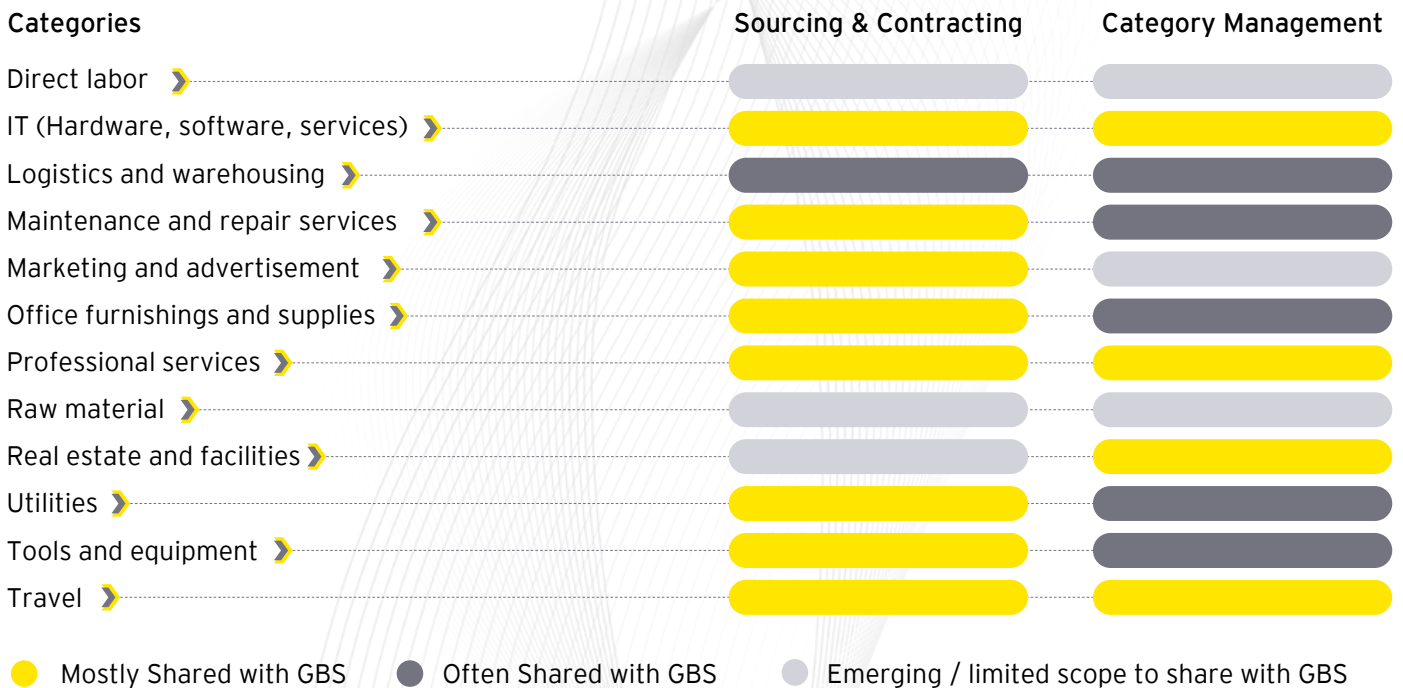
What processes are typically shared with the middle and back office?

The extent to which activities are shared with the middle office are closely linked to the maturity of procurement processes and operating model. Organizations are increasingly sharing complex tasks such as sourcing, contracting and category management with higher degree of ownership and decision making with the GBS.



Parameters such as process and policy standardization across geographies, formalized category strategies and adoption of leading digital S2P solutions impact the extent to which processes can be shared with GBS. At the GBS, access to rich talent pool with industry / category expertise, agile ways of working and streamlined processes are critical to build trust with the business stakeholders to support strategic processes such as category management.

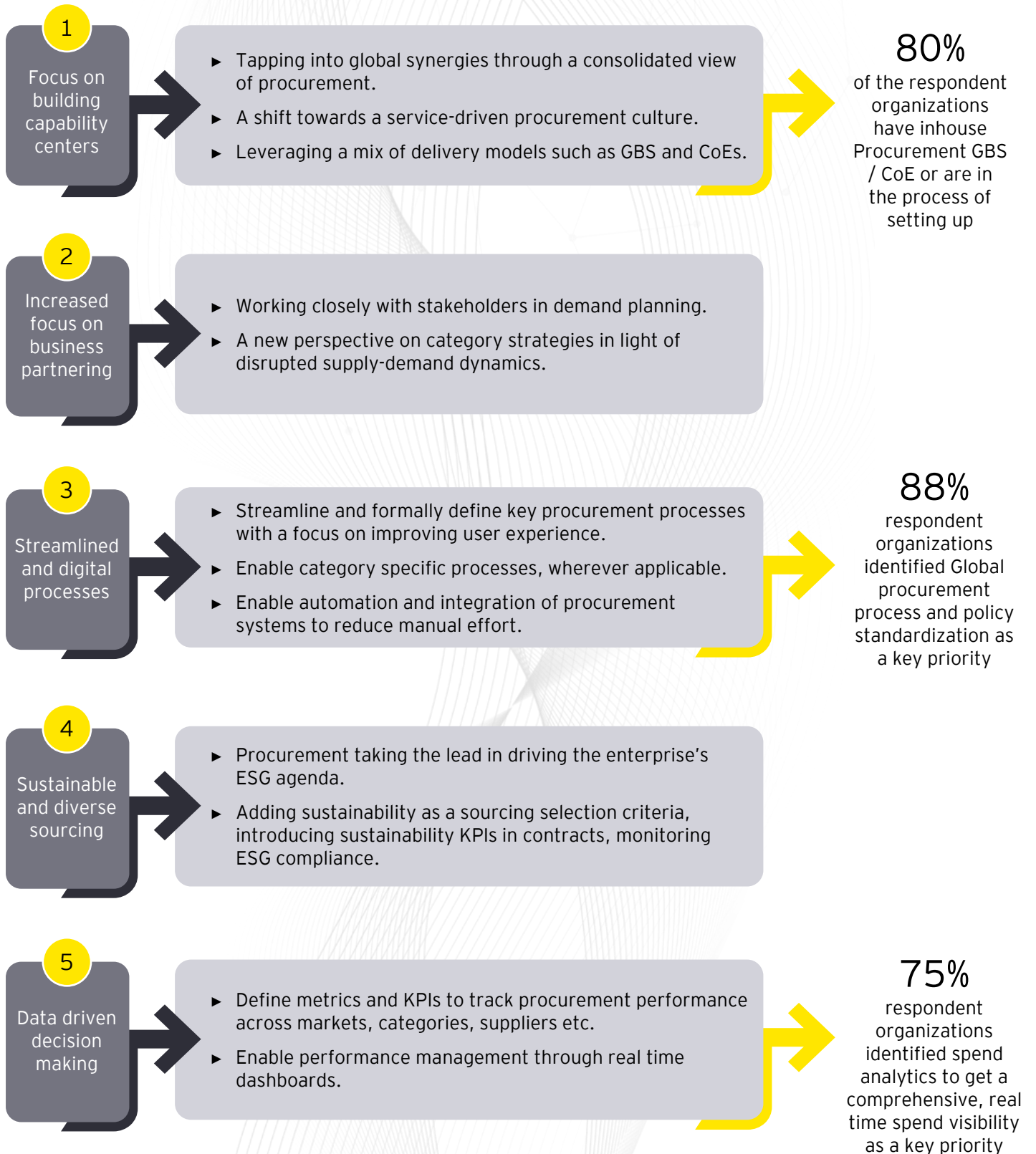
What categories are typically shared with the middle office?



Insights Source: EY GBS Transformation - Procurement Survey results & EY Research

Five key priorities for procurement GBS leaders

Insights from the EY GBS Transformation - Procurement Survey



Insights Source: EY GBS Transformation - Procurement Survey results & EY Research

Are you looking to transform your procurement GBS operating model?

Category management excellence

- ▶ Define sourcing strategy and buying channels for each spend category
- ▶ Identify preferred suppliers and drive spend consolidation

Procurement analytics

- ▶ Re-focusing on value creation activities such as spend analytics, leading to improved visibility and control
- ▶ Enable data driven decision making for procurement

Supplier experience management

- ▶ Provide an integrated and seamless supplier experience
- ▶ Automate processes and provide self service functionalities for reduced manual effort

Procurement GBS

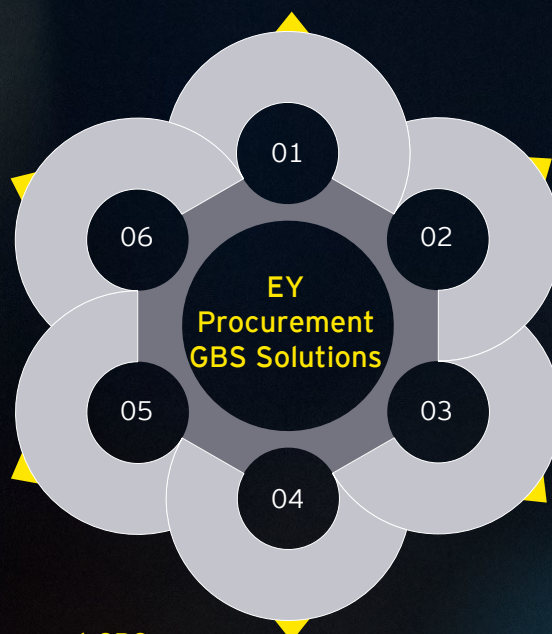
- ▶ Centralize tactical purchasing and other transactional procurement processes through GBS
- ▶ Introduce service driven culture through centralized services
- ▶ Enable procurement to focus on strategic activities

E2E Contract lifecycle management

- ▶ Control value leakages through compliance to contracts
- ▶ Automate contracting administration for efficiency

Smart Buying

- ▶ Provide a user-friendly platform aimed at providing a convenient and simple the buying experience
- ▶ Drive buying channel adherence through features such as guided buying
- ▶ Enable automation in and integration of procurement systems to reduce manual effort



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