

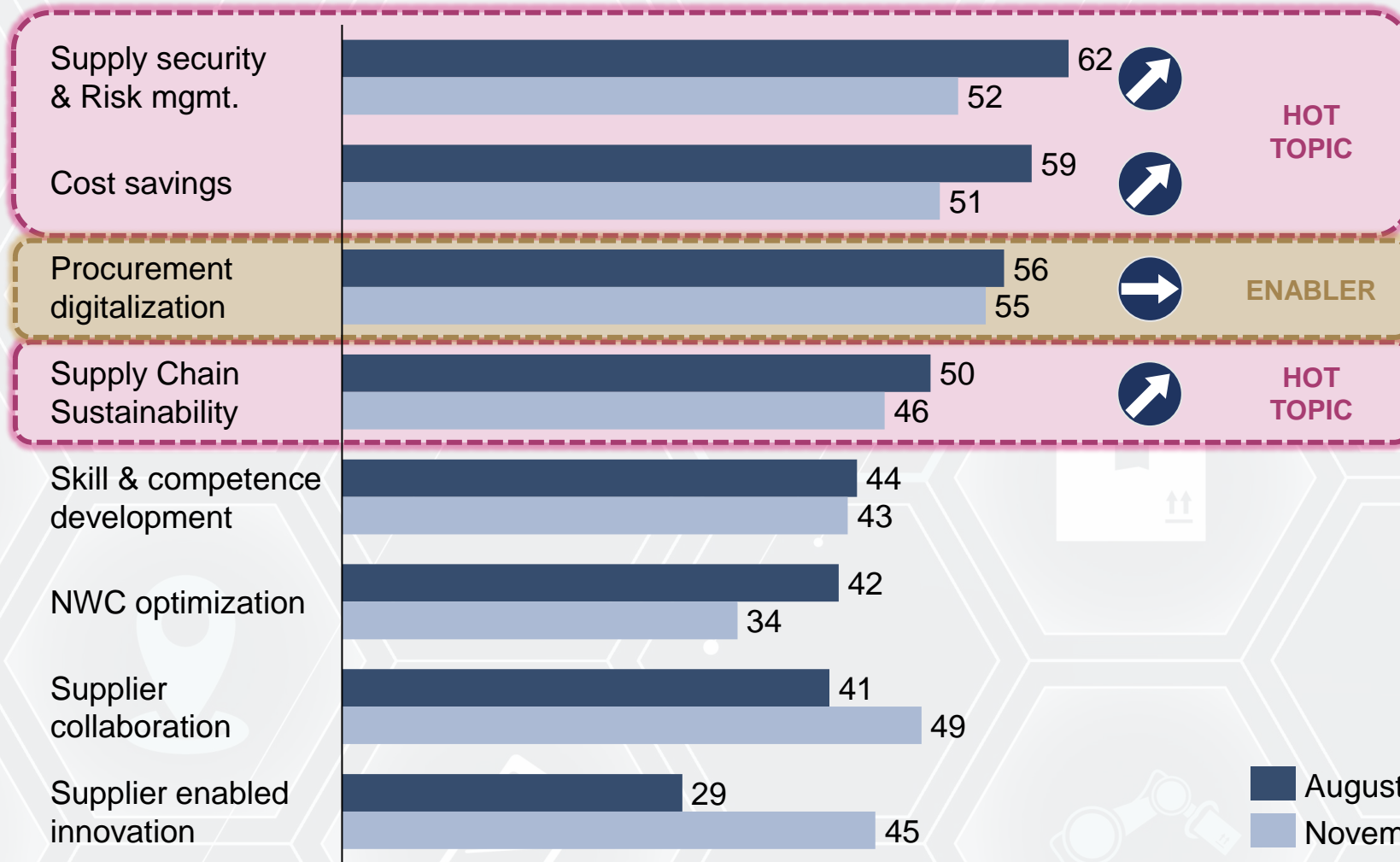
A hand holding a lens against a blue sky with clouds. The lens is held in the foreground, and the sky is visible through it. The hand is silhouetted against the bright sky.

# How COVID-19 strengthened the role of Procurement: A glimpse on supply security and cost optimization

Hannover, 22.09.2020



# CURRENT HOT-TOPICS IN PROCUREMENT



# CHALLENGES & RISK MANAGEMENT

CHALLENGES & RISKS	
Business downturn & liquidity shortage	Trade barriers and restrictions
Overcapacities / capacity bottlenecks	Travel restrictions
Price fluctuations of raw materials	Demand volatility
Supplier insolvencies	Not keeping up with trends and innovations

**CRISIS MANAGEMENT**

*Reactive*



Critical supplier screening



Rapid actions & responses



In-depth analysis & interaction

**RISK PREVENTION MANAGEMENT**

*Proactive*



Sustainable risk management



Demand planning & analytics

# RISK MANAGEMENT – FOCUS AREAS

## FOCUS AREAS

Management responsibility

Anchoring in category management

Tools & Digitalization

Trade-off between costs & risks

Big data analytics

Supplier collaboration

Market intelligence

Skill development

## PREDICTIVE ANALYTICS

- What will happen?
- What are the right actions?
- Forecasting and scenario simulation
- Recommendation for course of action

## DESCRIPTIVE ANALYTICS

- What happened?
- Why did it happen?
- Root cause analysis
- Analysis of historical data

# FROM DESCRIPTIVE TO PREDICTIVE RISK ANALYTICS

## PREDICTIVE ANALYTICS

- What will happen?
- What are the right actions?
- Forecasting and scenario simulation
- Recommendation for course of action


## DESCRIPTIVE ANALYTICS

- What happened?
- Why did it happen?
- Root cause analysis
- Analysis of historical data

Structured data

Unstructured data

## Internal data

 Quality/performance KPI (ppm, OTD,...)

 ERP data

 Procurement data

 8D reports

 Audits

 Contracts

## External data

 WORLD-CHECK  
 BUREAU VAN DIJK

 dun & bradstreet


Geo-locations

 Google

 SecurityScorecard

 NOAA  
Weather data

 (Social) Media

 LexisNexis

 Google

# COST OPTIMIZATION

## POTENTIAL IDENTIFICATION

Category Analytics

Market Potential Indicator

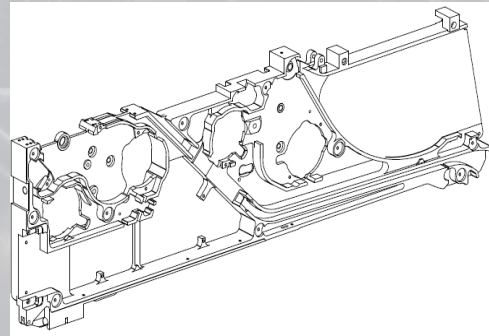
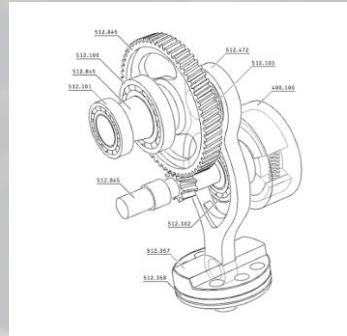
Lever Workshops

CVA / CVE / DtC

Product Benchmarking

Tear-down Workshops

## DIRECT & INDIRECT CATEGORIES



## IMPLEMENTATION

Re-sourcing

Fact-based  
(Re-)Negotiations

Supplier Days

Test & Qualification

Approval of Technical  
Modifications

“Quick-wins”

# SUCCESSFUL NEGOTIATIONS THROUGH SUPPLIER DAYS

## SUPPLIER DAY EVENT

15 – 20 suppliers

Top-management speeches

- Create sense of competition
- Increase psychological pressure on suppliers
- Emphasize possibility for partnership

“Quick-wins”





# THE ROLE OF SUSTAINABILITY

## YESTERDAY

Reactive process  
*Focus on B2C*

Marketing  
objective

Reputation  
building

## TODAY & TOMORROW

Proactive & company driven process  
*Movement to B2B*

Legal  
regulations

Sustainable  
generation

Business  
impact

Innovation &  
sustainable  
substitutes

Role &  
perception of  
procurement

supply chain responsibility  
data protection GDPR  
conflict minerals  
anti-bribery  
energy management  
environmental protection  
quality management  
conflicts of interest  
business continuity  
environmental protection  
cyber security

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data protection GDPR  
supply chain responsibility  
conflict minerals  
business continuity  
human rights & labour  
company information

anti-corruption  
human rights & labour  
health & safety  
company information  
anti-corruption

health & safety  
business continuity  
human rights & labour  
company information

# THE SUSTAINABILITY AGENDA

## AUTOMOTIVE

### Volvo

40% CO<sub>2</sub> reduction per car, 25% reduction in supply chain and 50% reduction of operations emission by '25

### Daimler

Climate neutrality by 2040

### VW

Climate neutrality by 2050

## CONSUMER GOODS

### Adidas

Already 100% sustainable cotton and 100% recycled polyester by 2024

### PHOENX suitcases

Fully sustainable business model with 100% recycled materials

### Unilever

50% CO<sub>2</sub> reduction by 2030

## IT & TECH

### Cisco

US facilities 100% powered by renewable energy

### HP

World's 1st Chromebook with ocean-bound plastic and recycled aluminum

### Microsoft

Carbon neutrality achieved since 2012 and carbon negative by 2030

## MACHINE & PLANT ENGINEERING

### DMG MORI

CO<sub>2</sub> neutrality in 2020

### Körber

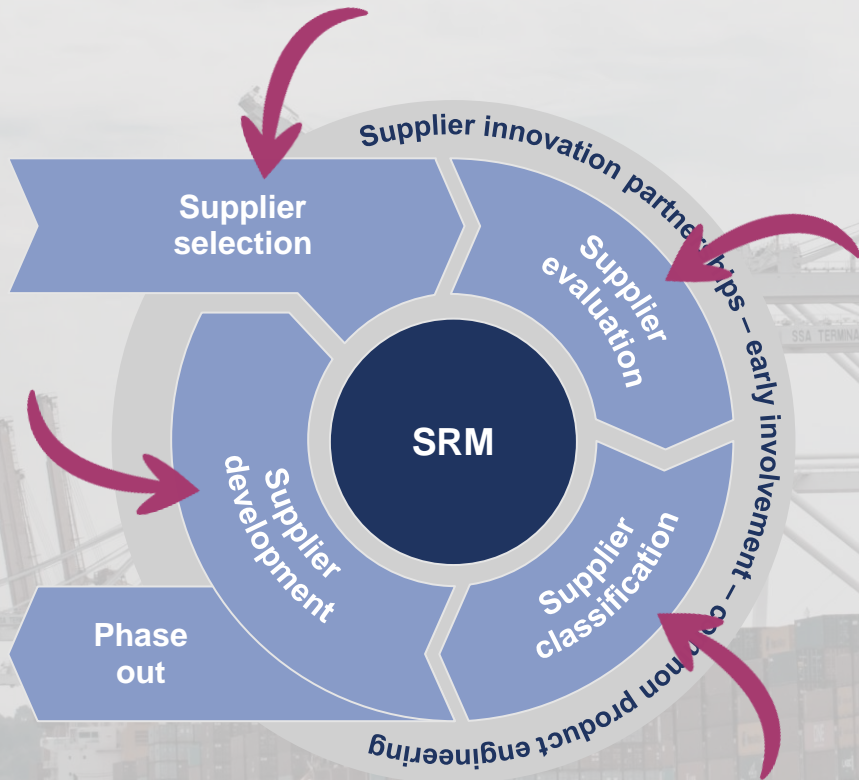
Plastic-free future for pharmaceutical and biotech sectors

### Voith

CO<sub>2</sub> neutrality by 2022

# SUSTAINABILITY ACTIONS

## IMPACT ON SRM



## ACTIONS

Define scope of sustainability and ambition level for procurement

Integrate sustainability criteria in sourcing & awarding decisions

Anchor sustainability standards in supplier management

Leverage horizontal / vertical cooperation's to establish industry standards

Install subject matter experts in teams ("Sustainability Gurus")

Increase n-tier transparency with tools and platforms

Drive people & mindset transformation in procurement community

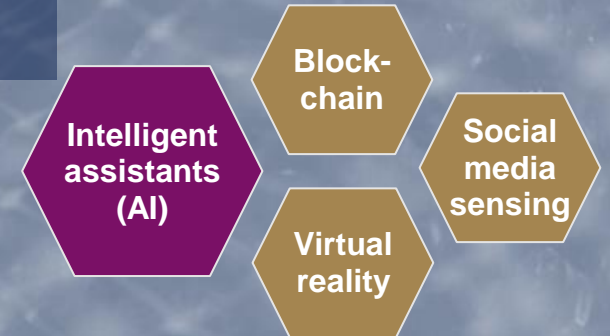
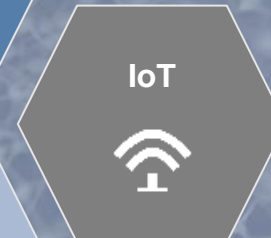
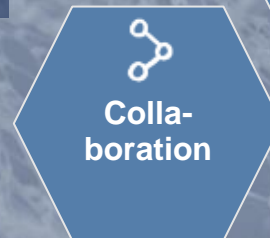
Secure supplier awareness and increase supplier collaboration

# DIGITALIZATION AGENDA

## DIGITALIZATION ENDURANCE RUN

Step 2: "Optimization" use cases  
(better decisions, resource and flow efficiency)

Step 1: "Fix the basics" use cases



Parallel: "Game changer" use cases

# WE CONSULT WITH HEAD, HEART AND HAND



Founded in 1997,  
>500 employees



Our projects:  
40% Procurement  
30% Digitalization



We are Hidden Champion  
in Procurement &  
Transformation



We are a unique team of  
consultants & experts

## Our consulting approach



Expertise and  
Excellent Concepts



Partnership-based  
cooperation and  
mobilization of  
employees



Professional project  
management and  
pragmatic  
implementation



## Jonas B. Harm

- Partner at h&z with strong consulting expertise in procurement and value creation programs
- Focus industries are manufacturing companies and the private equity sector
- The core of his passion in consulting projects is the transformation of organizations through inspiration and close involvement of his clients
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