



Procurement Transformation Journey Created by a Brazilian Bank in a Unique Way

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Summary

Procurement has spent the best part of last decade transforming in the eyes of the companies' board into a more strategic function that aligns with the broader strategic roadmap for organizations the world over. Maturity, particularly in procurement, is key goal that underlines procurement transformation for many organizations and for banks this is no different. Considering that scenario, a Brazilian bank looked across the globe at leading procurement functions in order to truly understand what the company wants its procurement to be. Visiting international companies and assessing its existing infrastructure, the bank established its procurement transformation journey in a unique way.

Keywords: Benchmarking; Procurement Transformation; Digital Transformation

Submission category: Innovation

Purpose

The banking industry is under a complex transformation considering the increased number of competitors, new environment within open banking, new customer behavior and the technological evolution. Those aspects have amplified the volume, complexity and diversity of the demands from business areas, complicating the Procurement life function. Furthermore, new purchasing categories have been appearing consistently considering new technologies, disruptive business models and new suppliers' offerings which make procurement be better prepared to face those circumstances.

In that perspective the Procurement area from a traditional bank in Brazil (one of the biggest financial institutions in Latin America) has challenged itself to investigate important companies worldwide to understand how they have modernized the procurement function and how they addressed the digital transformation journey to transform procurement to a business value added generator.

In 2018, procurement professionals from a Brazilian bank visited 4 companies in Germany from diverse industries (1: Pharma; 2: Technology; 3: Insurance; 4: Telecom) and 8 companies in US (1: Pharma; 2: Agribusiness; 3: Insurance; 4: Package Delivery; 5: Mobility; 6: Financial Services; 7: Consultancy; 8: Fintech) – the international benchmarking were conducted with high leadership of the companies (VPs, COOs and CPOs) and they dedicated private sessions sharing strategic procurement plan, main challenges they faced, high priorities topics and lessons learned from the journey they conducted. Overall, even though their Procurement function is in a high maturity level in those companies they are still investing in modernizing that function, since all of them

believe that Procurement is a strategic function to increase the companies' competitiveness.

The purpose of this paper is to describe how a traditional Brazilian bank has structured its procurement transformation journey along a main objective of creating a role model procurement function.

Design/methodology/approach

The procurement transformation journey was created by following 3 important steps, the first step was the international benchmarking which brought relevant understanding about procurement evolution and insights considering the best practices mapped; the second moment, the Brazilian bank leadership defined its new procurement proposition with a strategic view on supply chain management; and the third step was the operations assessment when it was possible to understand how far the actual situation was from the new procurement vision.

The international benchmarking was co-created with a strategic partner (one of the biggest international consultancies), the first and important step was: mapping relevant companies worldwide with high mature level within procurement function (based on the consultancy assessment); second, inviting those companies to be interviewed by procurement professionals from a Brazilian bank; finally, visiting those 12 companies located in Germany and the US and learn their strategies and vision on procurement evolution. The benchmarking was conducted by visiting the companies physically and interviewing the high leadership of those companies. The interview was based in 5 important topics: 1) Procurement strategy; 2) Main reasons to transform procurement and how they got sponsorship for that movement; 3) Main challenges they faced during the transformation; 4) Key action that made the real change; 5) Lessons learned.

All knowledge acquired during the international benchmarking influenced the Brazilian bank defining its new procurement proposition. It was clear during the investigation that procurement function should oversee the entire supply chain, comparable what is indicated by Butner (2010) and Wu et al. (2016), they have demarcated 3 basic characteristic of a smart supply chain: instrumented, interconnected and intelligent. The transformed procurement function needs to achieve these characteristics to align with smart supply chains. Besides that, technology and data management play an important role on procurement evolution. Geissbauer et al. (2016) highlight the actual state of the art of the interaction of "procurement" and "digitisation" as well as outlining a future framework based on challenges and requirements. Geissbauer categorise the existing terminologies and summarise them under the most common term of "purchasing 4.0". The authors mention the positive impact and opportunities of procurement in the field of supply chain management and the evolution that organization could achieve within next years. According to Khodadadi et al. (2016) "Big Data" and "Big Data analytics" as driver of the "Internet-of-Things" to support the digital transformation within an organisation. Defining the new procurement proposition before assessing the current operation status gave the opportunity for the Brazilian bank avoid any bias on the pursue of procurement evolution. That strategy is similar what Guha et al (2007) suggested, he indicates that start

to be model by envisioning how a process would run if the organization had no constraints, then defining constraints and finding methods to minimize their impact.

The exercise of understanding the current status was concluded in 3 phases. First, the process was mapped by using BPM (Business Process Management) and VSM (value stream mapping) concepts. Considering vom Brocke et al. (2014) state – “The ‘principle of purpose’ highlights the role of BPM as a management method to achieve organizational change and create value. It indicates the requirement of BPM to align with a strategic mission and goals. It is particularly important as it focuses on the ability of BPM to create transparency about the business and the organizational system” (vom Brocke et al., 2014, p. 537). Additionally, Serrano et al. (2008) investigate the use of value stream mapping (VSM) as a technique for re-designing and improving production systems. One of the key aspects of applying VSM is to map processes under investigation; hence not dissimilar to BPM. As the second phase, the stakeholders were heard to understand their view on the current situation and the expectation for improvements. The strategic partner (consultancy) conducted 15 interviews covering the high leadership of the bank, internal procurement professionals, internal customer and suppliers. Finally, the result of the process mapping and the interviews and was reflected within consultancy’s procurement maturity framework which covers 10 fields within procurement operation: 1) procurement strategy and position within the organization; 2) purchasing category strategy; 3) strategic sourcing; 4) Supplier and contract management; 5) Demand management; 6) Requisition to payment process; 7) Organization; 8) Procurement professionals; 9) Technology and data management; 10) Performance management.

Understanding the natural path of creating a procurement transformation journey, when companies hire a consultancy to assess their current status and select a technology to transform its operations, the Brazilian bank have moved to another way ahead, before starting executing any change they have studied role model companies, mapped best practices and lessons learned during the journey. As a result of that the procurement area approved its transformation journey with high level sponsorship and investments to modernize its procurement operations which movement have started in 2020 and it still in progress to be finished in 2023.

Findings and Results

As a result of the international benchmarking, 10 important topics was mapped that were relevant for the Brazilian bank establishes its procurement transformation journey.

1. **High focus with User Experience (Amazon like):** the companies have placed a lot of effort on delivering best experience possible for its internal clients. It was a key aspect for the success of the transformations. Delivering a good experience for the users they will sell the movement within the organization.
2. **High specialization and business partners:** a common challenge that many procurement professionals face is: procurement knows procurement, but other business areas and disciplines do not. Procurement business partners is a way to connect procurement function within businesses areas.
3. **Change Management and Cultural Change are success factors:** moving procurement function to a strategic role is a real challenge and it is not done by one

movement, but many should be taken. Based on that, establishing a strong change management approach and drive cultural changes will be crucial for the movement success.

4. **Process redesign before select any technology:** focusing only on technology does not increase the procurement maturity level because it does not solve all procurement problems, especially relationship matters – first, it is important to focus on organization redesign, people upskilling and culture change.
5. **Supplier life cycle management:** the relationship between the company and its suppliers should be clear, transparent and effective.
6. **Increase effort in Business Intelligence and well defined the data owner:** By accessing and understanding quality data, procurement should spend quality time focusing on strategic and tactical discussion, using deep business knowledge, the experience of the suppliers' market and return with the data.
7. **Emerging technologies with low penetration:** the companies avoid any distraction during the transformation journey. Before spending effort on emerging technologies, they have focused on establishing the new procurement proposition.
8. **Reduce the operations effort by offering “no touch” or “self-service” services:** procurement should automate all transitional activities to put effort on the strategic ones. It will be important to play a protagonist role within the organization.
9. **Talent management:** procurement environment has become more complex and ambiguous, and it makes the professional be in constant evolution to attend new challenges. A robust strategy to keep and attract talents should be well designed.
10. **Movement from transactional to strategic function:** clear view of Source to Contract and Procure to Pay

Those findings show that procurement function have improved their perspective from an area responsible to support the companies' operations to an area that add value to the line of businesses increasing the organization competitiveness.

As a result of that journey, the Brazilian bank has established its procurement transformation movement in 3 waves: 1) **fundamental changes** – redesign the procurement operating model; 2) **consolidation** – automation and strengthen the supplier life cycle; 3) **evolution** – new technologies and innovation (Artificial Intelligence, Blockchain, etc.). The procurement transformation movement started in 2020 and it is expected to be completed in 2023 which would be a subject to enhance this paper with the results.

Relevance/contribution

The role of the procurement executive is changing and all over the world, the maturity of procurement is an evolving conversation. In areas such as the US and Germany, procurement sits in a significantly elevated position within organizations, with a broader and more strategic scope of action. In others, such as Brazil, the procurement maturity movement to beyond transactional scope, is under construction.

The way the Brazilian Bank established its own transformation journey is a pioneer and unique initiative, and role of this paper is to incentive companies to pursue their procurement evolution and share it with others which enhance the movement.

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