Innovation Drives Supply Chain Performance

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Sourcing
Technology
Process Funded Model
Program Management
Innovation

- Embrace change
- Create partnerships
- Eliminate transactional work
- Reward suppliers
- Mitigate risk
Data Explosion*

In 2016 alone

 entregamos producido tanto como todo el mundo humano hasta 2015

By 2027

there will be 150 billion networked sensors

THE AMOUNT OF DATA WILL DOUBLE EVERY 12 HOURS
ZB = zet·ta·byte

FIGURE 1: Analysis of the growth in core network traffic (dark curve) since the dawn of the Internet era in terms of the constituent five-year trend segments (data shown with expanded scales) (Bell Labs Consulting)²
What is a Zettabyte

Equivalent to:
Every person on Earth tweeting for 100 years
or
125 million years of your favorite 1 hour TV show
Algorithms Rule*

As of February 25, 2017

70% of all financial transactions are performed by algorithms

By 2027

Half of today's jobs will be threatened by algorithms
40% of today's top 500 companies will have vanished

Is that unusual?

In 1970, 33% of Fortune 500 companies, had vanished by 1983, acquired, merged, or broken to pieces.”


Farming*

1920
- 6.5 million farms
- 32 million Americans, 30% of the population.
- Output value $27B (inflation adjusted to 2016)

2016
- 2 million farms
- 6 million Americans, 2% of the population
- Output $353B

Delta
- Loss of 81% of workforce
- An increase of output value $326B (13 fold increase)

*American Experience . Troublesome Creek | PBS
http://www.fb.org/newsroom/fast-facts,
www.pbs.org/wgbh/amex/trouble/timeline/
AFBF’s Food & Farm Facts book
BE A COURAGEOUS CHANGE AGENT

GLENN LLOPIS,
ENTREPRENEUR, AUTHOR
William Pollard
English - Clergyman 1828 - 1893
change is difficult.
not changing is fatal.
PEOPLE ARE AFRAID OF CHANGE
Grief Curve

Stage 1: Endings
- Unease
- This isn’t right...
- It’s just me...
- Searching, Doubt
- I’m not sure if...
- What will I lose?
- What will I have to give up?
- This isn’t me... but I don’t know what to do.
- I can’t see a way out...

Stage 2: Transitions
- I’m looking forward to...
- What do I need to know?
- It’s time to move on,
- It’s OK to consider my options.
- It’s OK to change.
- I wonder if...
- What if..., Maybe...
- This is what I’d love to...
- Is it possible?

Stage 3: Beginnings
- Commitment & New Beginnings

Change Event

Morale & Confidence

Time
CREATE PARTNERSHIPS
Make friends before you need them

Past Speaker of the House Tip O’Neil
Presentation on Change Management with Engineering and Manufacturing

I have to work with Procurement?

Never!
Building others’ success creates collaboration and partnership, where creative thinking can flourish.
How Does It Make Them Feel

SAVED AT LEAST 10.5 HOURS AND $500,000
STOP wasting my time
Error!

You screwed up.

OK
It’s about the people you have, how you’re led, and how much you get it.”

Steve Jobs  

[Fortune, Nov. 9, 1998]
WE HAVE TO ELIMINATE
THE TRANSACTIONAL
TO DO THE STRATEGIC

GALAGHER JEFF, CFO FOR WALMART’S US ECOMMERCE
Habit 3: Put First Things First

What we say vs. what we actually do

7 Habits of Highly Successful People by Stephen Covey and animated by Fight Mediocrity, Big Ideas for a Better Life
Is your Team Transactional or Driving Innovation

A simple exercise to track how team members spend their time over one work day.

How do you dedicate your time?

Do you put “First Things First”

### Activity Code

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<th>Code</th>
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### Description

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<td>5:00</td>
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### STRATEGIC USE OF TIME ANALYSIS AS % OF DAY

- **Innovation**: 20.0%
- **Personal**: 5.0%
- **Sourcing**: 4.8%
- **Transactional**: 70.1%

Grand Total: 100.0%
Create an environment of innovation
Innovation

- Aluminum WAS more valuable than gold. Caps the Top of the Washington monument.
- Then came electrolysis technology.
- Now we throw it away (or recycle).
Innovation is key to survival

“The only way you survive is you continuously transform into something else. It's this idea of continuous transformation that makes you an innovation company.”

- Ginni Rometty, IBM CEO

IBM Center for Applied Insights
ibm.com/ibmcai | ibmcai.com
The Transformation Roadmap

<table>
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<tr>
<th>Long term business plans</th>
<th>Decision Point</th>
<th>Supplier Risk Management</th>
<th>Supplier Innovation</th>
<th>Supplier Collaboration</th>
<th>Strategic Sourcing</th>
<th>RFP</th>
<th>Purchase Order</th>
<th>Invoice</th>
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<tr>
<td>3 years</td>
<td>2.5 years</td>
<td>2 years</td>
<td>1.5 years</td>
<td>1 year</td>
<td>180 days</td>
<td>90 days</td>
<td>30 days</td>
<td>30 days late</td>
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</tbody>
</table>

The transactional space

The next generation strategic space

Internal Team Focus

The transactional space
WE WELCOME YOUR IDEAS

STILL NO INTEREST IN OUR OPEN INNOVATION PROGRAM?
Innovation Sharing

You’re asking me to innovate and then you’re going to turn around add the idea to the RFP and share my innovation with everybody.

What do I get for that?

North America Senior Contacts Manager Major Consulting Firm
If you are not prepared to be wrong you will never create something original.

Sir Ken Robinson
No. 1 Ted Talk, Says that schools are killing our creativity.
Views: 38 million

IS INNOVATION IN YOUR GOALS?
Adopt an innovation mind-set

- CPOs need to make innovation a priority by leveraging procurements’ unique position in the enterprise.

- Foster interactions with suppliers and customers so that external innovations from these sources are heard inside the company.

- Be the vanguards of leading-edge technologies and solutions for both procurement and for the company as a whole.

*Transforming procurement to drive the enterprise agenda*
*IBM Institute for Business Value 2014*
Procurement professionals who drive innovation can mitigate risk, create new business solutions, improve profitability and have a more significant career.
My First EPA and OSHA Experience

- A plating supplier inspection
- A basement
- One fan
- One light green worker
Poor performing risk management programs can impact share value as much as 8%.

UP IN FLAMES
Samsung has lost $26 billion in value since it recalled the Galaxy Note 7.
Shares of Samsung Electronics, plunged 6.9%.
Biggest Risk
Bad Suppliers
Best Risk Mitigation
Good Procurement
Slavery in the Supply Chain

29 Million People
PASSION
“Passion really is the ultimate decider of success when it comes to big breakthroughs that make a major impact on society”

Caroline Stokes, Forward Human Capital Solutions @theforwardco January 29, 2017
“I have no special talents. I am only passionately curious”

Albert Einstein
What Truly Passionate People Do Differently

- Always have their passions on their mind
- Get excited more than the average person
- Get pissed off and emotional more than the average person
- Willing to risk more and put more on the line
- Can't help but talk about their projects
- Always think positively about the future

Supplier View of Your Company

A lesson from a Sales Manager

Partnership, Drive innovation, Best people, ideas and practices

High Profits

Fair and Reasonable Profits
Low cost customer, Innovation engine
Primed for growth
Partner to Drive TCO

Target Profitability

Sub Standard Profitability
Action: Reduce Services

Low Profits

Action: Grow or Eliminate

Best Customers

Worst

Loss

GoProcure™
SMART MOBILE EASY
Reward Supplier Partnerships

We make connections in the business for our suppliers.

We share opportunities outside current spend.

We Advocate for Suppliers in our Business

Responding often or very often:

- Do Not Ask
- Ask

Source: PWC 2013
Remko van Hoek former SVP Sourcing Walt Disney and Global Procurement Director at PWC
CREATE A DIGITAL SUPPLY CHAIN
Where is the Innovation

Global corporations are an inescapable presence.
25 million small businesses in the U.S.
Account for half of all U.S. jobs
This is where the game changing innovation lives
Some think it is the TAIL
I see it as the Next Great Opportunity.

Employment by Enterprise Employment Size

Released February 2015
IoT, Digital, Connected, Cloud

https://www.rs-online.com/designspark/when-the-blockchain-technology-meets-the-internet-of-things
Supply Chain Talent Crisis

Q&A
Innovation Drives Supply Chain Performance

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