

WEBINAR TRANSCRIPT

# Sourcing in 2022: Juggling Disruptions, Sustainability & Modernization

Recorded from a Presentation on January 12, 2022

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The following is a transcript, edited lightly for length, from a panel discussion among the following speakers presented on January 12, 2022. The full recorded program is available on Keelvar's website.

Panelist: **Alan Holland**, Founder & CEO of Keelvar

Panelist: **Steffen Dencker**, Director of Sourcing Excellence at KK Wind Solutions

Moderator: **Kelly Barner**, Owner & Managing Director of Buyers Meeting Point



**KEELVAR** >

Webinar:

## Sourcing in 2022: Juggling Disruptions, Sustainability & Modernization

Date: Wednesday, January 12th, 2022 Time: 10AM ET / 3PM GMT



**ALAN HOLLAND**  
Founder & CEO  
Keelvar



**KELLY BARNER**  
Owner & Managing  
Director  
Buyers Meeting Point



**STEFFEN DENCKER**  
Director of Sourcing  
Excellence  
KK Wind Solutions



**Kelly Barner,**

**Owner & Managing Director of Buyers Meeting Point:**

Thank you to everybody that's joined us for today's session. I'm going to give my fellow guests an opportunity to introduce themselves in just a moment.

We have some interesting survey data that we're going to share with you about managing procurement through disruption and challenges, focusing specifically on a few key topics – sustainability, talent, and technology adoption – before we get into some 2022 predictions. So don't leave us early, you're going to want to hear those. I'm going to hand it over to Alan so that he can go ahead and introduce himself and provide a little bit of information about Keelvar.



**Alan Holland,**  
**Founder & CEO of Keelvar:**

Thanks very much, Kelly. So my name is Alan Holland. I'm the Founder and CEO of Keelvar and we provide Sourcing Optimization and Sourcing Automation software to a whole host of companies, many of whom are category leaders within their respective industries. Companies like Coca-Cola and Siemens, Microsoft, ABB and Daimler are among our customers. And of course, KK Wind Solutions who are joining us here today.

What we aim to do is help our customers scale excellence. We do that using advanced software for optimizing sourcing events, but also automation for helping them repeat sourcing excellence in categories such as transportation and others. The categories that we find our customers using us for most often are those where there's a degree of complexity involved and dealing with many suppliers.



**Kelly Barner:**

Thank you, Alan. Steffen, If I could have you do the same for us about KK Wind?



**Steffen Dencker,**  
**Director of Sourcing Excellence at KK Wind Solutions:**

Thank you very much, Kelly. We are part of a lot of OEMs and utilities within the wind turbine industry and we are very much growing and also into the new market of the Power-to-X.

Our offering is that we support our customers in both the system development and also in the aftermarket phases or services. We are a company where we have equipment in more than 35,000 wind turbines around the world. We are in more than 65% of all offshore wind turbines. We are around 1,500 employees and we have been in the industry for more than 40 years.

A couple of years ago we were acquired by AP Moller holding because they wanted to be part of this future electrification, and they wanted to use KK as one of the companies to work with and build on. Because of the system supplier, we are offering systems to our customers from big metal construction with control panels inside and power conversion. We also make power backup solutions and monitoring and prognostic solutions for our customers.

I'm heading up a position as a Director within our sourcing excellence area, where I have the responsibility for having efficient and optimized operating models. Digitalization, optimization, data insights analytics, and a lot on the strategy side. Also, I'm driving various business excellence projects within my team as well.

## KK Wind Solutions at a glance

A leading global electro-mechanical system supplier

Full scope partner  
Development - Manufacturing - Service



Competitive global footprint



Trusted partner to leading OEM's & Utilities



Sustainability at heart



A strong product offering and integrated system supply



Strong long-term ownership



**+35,000**

More than 35,000 wind turbines are equipped with our solutions.

**+65%**

of the global offshore capacity is equipped with our solutions.

**+1,500**

Employees

**+40**

Years of experience in electrical systems for wind turbines



**Kelly Barner:**

That's excellent, Steffen. Thank you. And as a matter of fact, we're planning to take advantage of having you share some firsthand experience and knowledge on some of the topics that were covered more generally today.

Very briefly, I'm the Owner and Managing Director of Buyers Meeting Point. I think perhaps the most relevant thing to today's session is that my own background is as a procurement practitioner. So hopefully the questions that I'm going to put to Alan and Steffen reflect some of the thoughts that you're all having as we go through this survey data. I'm probably looking at it through very similar eyes.

So the focus of the data that we share today will actually be what is a first annual report. It's Keelvar's [Voices of Sourcing survey and report](#). And in terms of the demographics on the survey, there were well over 100 respondents that were of a high level within companies.

One of the things that you'll see bear out which is shown in the geographical data is that we're looking at about two-thirds Europe, about a third US but we do also have representation from Latin America, the Middle East and Asia as well. And especially as we get into talent and sustainability, some of those regional concentrations I think will show themselves out in the data. But predominantly large companies right, 76% From \$1 billion and above.

So here's the first piece of data that we're going to talk about from the survey itself. Now one of the things that I want to point out not because we're going to go into depth about it now, but because we're actually going to come back to it later is this idea of modernizing sourcing technology.

So just very briefly looking at these numbers, we have well over a third moving towards half of the respondents feeling that modernizing sourcing tech is 'very important'. And then another large group of people that feel that it's 'somewhat important', we're going to dig down into the detail of what that means and get some recommendations later on.

But Alan, I want to ask the first question of you. One of the things that jumps out to me when I look at this chart is the fact that if we compare the top line, this managing supply chain disruption, almost 75% of people feel that it's 'very important'. No huge surprise given the last couple of years that we've had.

But if we look all the way down to the bottom, weighing non-price bid criteria, the group that thinks it's 'somewhat important', is enormous. It's the largest, 'somewhat important' respondent group on this page. So clearly, we're looking at sort of split motivators and business objectives.

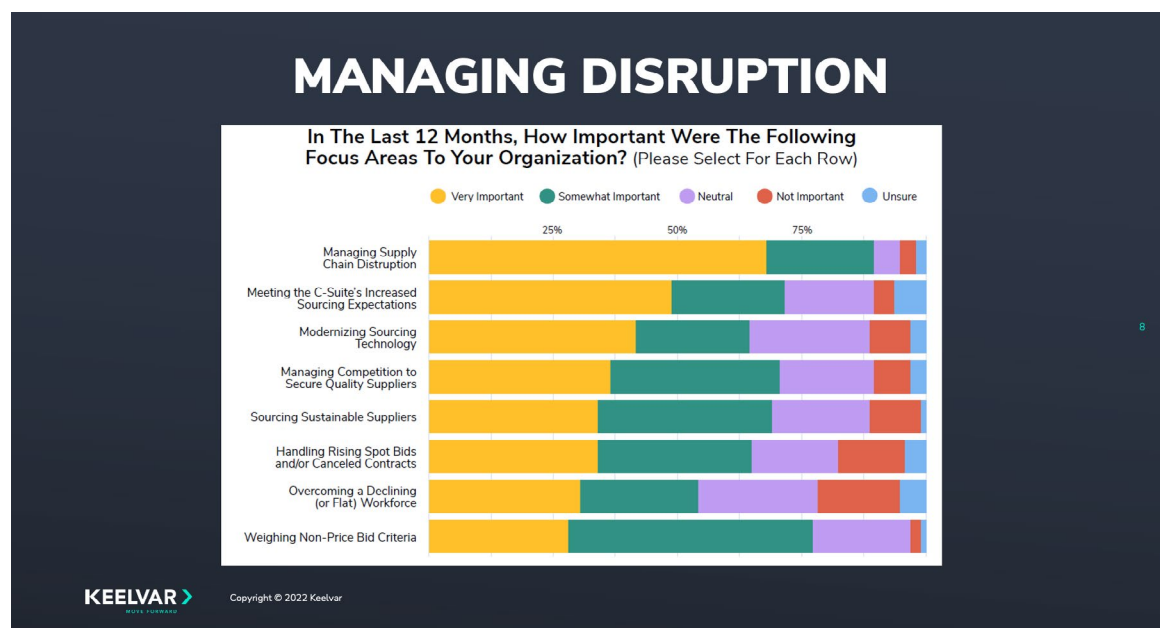
Can you talk about what you observe in that, the combined effort to manage supply chain disruption while also weighing in non-price big criteria?



**Alan Holland:**

Yes, I think that illustrates that managing supply chain reductions has been a top challenge for most businesses in the last couple of years. And they're still figuring out how to wrestle with that problem. I think that those who are saying it's 'somewhat important' to weigh up non-price bid criteria.

That maybe signifies a large group of individuals who are trying to assess how to wrestle with that issue and how to involve more dimensions in the analysis of trade-offs between cost and speed, sustainability, and reliability. These are all complex factors. Not everybody is necessarily aware of the fact that sourcing optimization is the tool of choice, but some are learning and realizing that that's the way to weigh up non-price big criteria.





**Kelly Barner:**

Steffen at KK Wind, We're at the beginning of the year. I'm sure a lot of these focus areas come up in many conversations, whether it's overall for the company or on a project-by-project basis. What do the conversations sound like around prioritizing or understanding the trade-offs between satisfying these different areas?



**Steffen Dencker:**

It used to be – in KK Wind – relying on the speed in many projects because wind turbines are changing so rapidly at the moment. But that's just one element, to be fast reacting to our customers' needs. Now we are taking more elements into account also. It's not only cost – that's the main driver still I will say – but customers are starting to question us around sustainability, emissions impact and so on.

What we are also discussing is very much related to the disruption we see in the materials shortage. What is possible, where should we produce and where do we have the strongest supply chains to provide support for this specific product? Those are two top agendas that we are talking about.



**Kelly Barner:**

Maybe one follow-up question. I find it interesting that the second objective by what is considered 'very important' is this idea of meeting C-suite expectations. You know, this is both a high bar for most of us to reach but it's also important because this is a great moment for procurement and supply chain teams to hold C-suite attention."

Are you feeling a similar dynamic and how are you working with your team to be prepared to both meet their expectations and also seize the overall opportunity for procurement?



**Steffen Dencker:**

It's a really good point because I really see at many companies, and also at KK Wind Solutions, the sourcing agenda is coming more to the top level because the value creation we can do from a sourcing department is coming more and more into the head of the C-suite levels.

In KK that means that we have a CPO who's part of the team driving the company now. And we always try to be transparent in the things we do and that's really where we need to utilize these e-sourcing tools. So we are so specific on our numbers we can tell them always where we are, what are the savings, what are the benefits and so on. But what is also on our agenda a lot is not only focusing on cost, because we need to see things in a broader perspective, where we are discussing a lot on the TCO perspective.

That's really an interesting part for the C-level because it's not only about optimizing the cost for specific products because it just will fill up our inventories which stock and so on. That doesn't work because we need also to optimize our cash flows through the company.

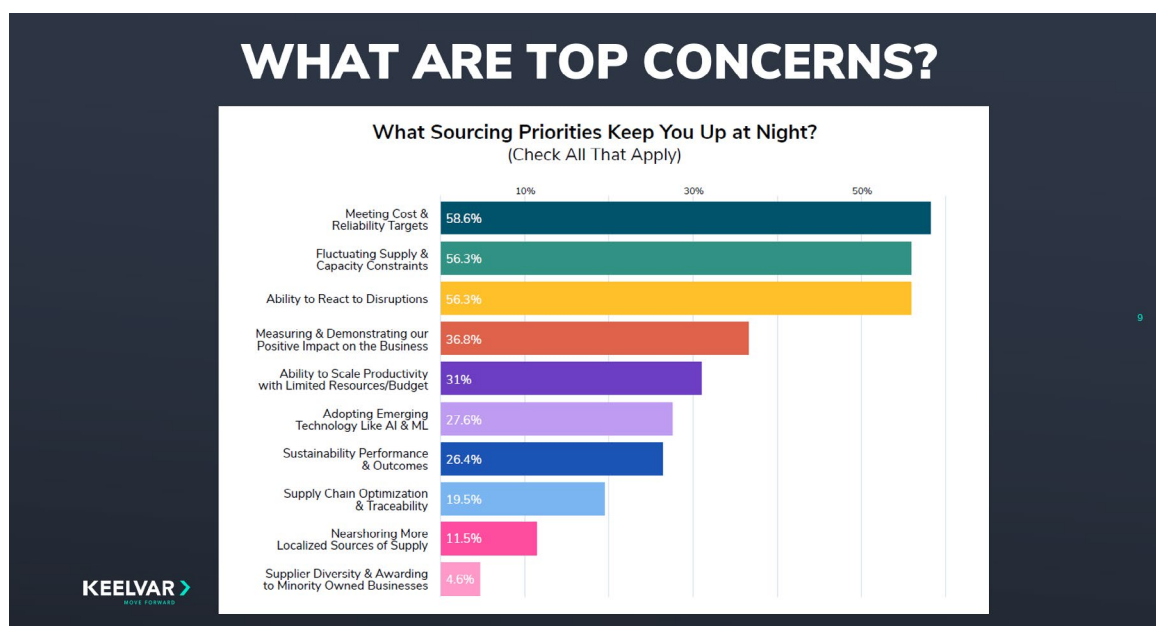


So we really see that sourcing is getting more on the agenda in many companies because we can bring in a lot of value to a company.



**Kelly Barner:**

Staying on that point of competing objectives. One of the other things that I find interesting as we move to our second set of data here. When we think about the sourcing priorities that are keeping respondents 'up at night', I find it interesting that the top three are almost equally keeping everybody up at night the most: 'meeting cost and reliability targets', 'fluctuating supply and capacity constraints', and 'the ability to react to disruptions'.



Not only is there less than a two and a half point swing between these three, but the second two are really tied for second most important.

Now when you look at these, Steffen, would you put these top three in the same order as they're displayed here? Do you consider them all the same level of importance? Or would you factor in something different perhaps given how important sustainability is to your organization?



**Steffen Dencker:**

Looking at it right now in this situation, I think I will order it in the same way. With sustainability, I will see that's coming more and more on the agenda. But it's not the top priority yet. But we see more and more requests for being better in working with sustainability and being able to measure it as well.

Right now I think the supply chain capacity constraints may be my number one, because we want to serve our customers the best way and then sometimes it doesn't matter about the cost because we simply need to have these turbines running wherever in the world that they have to be put up. So I think I'll switch between numbers two and one.



**Kelly Barner:**

One of the other things that's interesting to me is that if we think about it, it can be very generalized: meeting customer reliability targets. Those tend to be fixed things. Cost targets are relatively fixed based on a forecast, reliability targets may even be specified in contracts. So that's a very stable point that companies in procurement and sourcing teams are trying to hit.

But then the next two are all about our ability to be agile and responsive. So to what extent are you focused on the challenge of trying to hit very fixed performance points, while so many conditions and circumstances around the overall business environment seem to fluctuate?



**Steffen Dencker:**

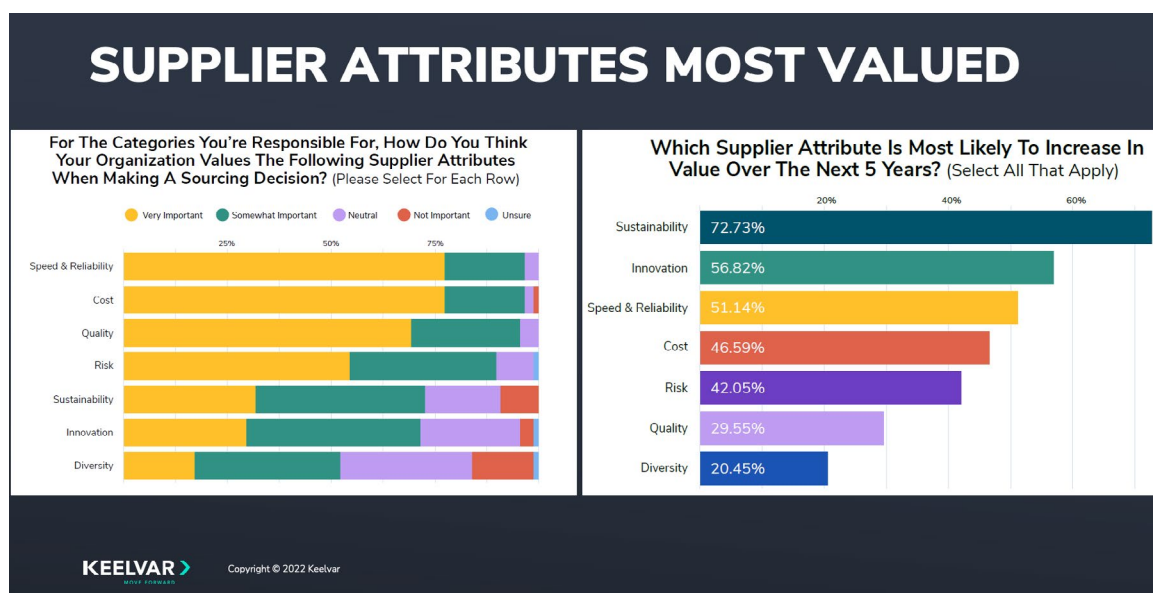
That's a really good question, what we are really trying to do is to split up our company in a way that we really need to look into dual sourcing perspective, we need our full supply chain set up to us delivering the goods for productions and so on. So we are really trying to build a stronger supply chain that is not supported by just one supplier; we may be regionally supplied and locally supplied too. We've put a lot of effort into this because we see that's one of the crucial things for managing this disruption of the moment.



**Kelly Barner:**

This is interesting because we do have localization of supply, granted much further down here in the data set, but it is here called out as a specific approach or strategy that's potentially causing as much stress as it is providing hope for responding to disruptions.

Steffen, let me take you to the next slide here and we actually have a couple of pieces of data we can compare and contrast.





Now you were talking about speed. And in terms of looking at supplier attributes, a company's ability to be fast and reliable is just as important as cost according to this chart. Would you affix the same importance that you really have to be cost-effective as well as fast and reliable in order to be considered an effective supplier?



**Steffen Dencker:**

Yes. It is simply the demand I think we see in all industries because if you don't manage the speed and reliability for your customer, and at the same time the cost – and I also rate quality on a high level, because we need to have the wind turbines running for more than 25 years and that means we cannot go there all the time to change something. So I have the top three as scoring very high in my mind.



**Kelly Barner:**

Now when I look at this – and I'll put myself back into a procurement and sourcing professional's shoes – is that these are the attributes that are affecting sourcing or award decisions. But there is a relationship that follows for the suppliers that are selected.

What do you and your team do, Steffen, around ensuring that you provide the right information the right updates, the right type of communications to ensure that the suppliers you contract – who have been chosen because they are in theory fast, reliable and cost-effective – continue to have the information to actually deliver on those throughout the relationship?



**Steffen Dencker:**

We really try to, for some suppliers, go into partnerships with them and so on. So we are really close to each other and we share a lot of information between us, so we try to be as transparent as we can with our customers. So they always know how demands are fluctuating and we are giving them forecasts all the time simply to make sure that they also try to balance their capacity in relation to the demands we see all over the year.

We also have regular meetings always with our suppliers simply to keep them updated on our progress or developments and then our expectations to them. And of course, it is tough at the moment with this shortage in the market that they cannot perform as we want them to do and it means that we really now see how the strong relationship with suppliers is a key element for us right now because that can be one of the ways (for suppliers) to be prioritized so you can get your items for your production and keep it optimized.



**Kelly Barner:**

Now Alan, if I can bring you into the conversation on the second chart here. We've just been talking about what are the most important supplier attributes right now. But when we think about which ones are going to be more important or offer more value over the next five years, sustainability is topping the charts here even though it's a little bit further down on what's more important right now.

Can you talk about how the rise of sustainability as a supplier value factor increasing over the next five years might potentially affect our current sourcing strategy or certainly our planning as we go forward?



**Alan Holland:**

Yes, I think that there's a multiplicity of different forces that are propelling sustainability up the priorities stack. And year on year these forces are getting stronger and stronger.

So I think most companies are recognizing that although mitigating the more immediate challenges around speed and reliability is critical for the current year, next year or the year after sustainability is becoming more and more important.

*"Coming up with a strategy for how to embed that in sourcing processes and operationalizing sustainability is clearly becoming a significant theme in procurement that's going to consume the profession for several years."*

Scope 3 emissions are a term that not many of us heard of up to a couple of years ago, and now it's trending across all social media sites where procurement is being discussed.



**Kelly Barner:**

Steffen, this must be music to your ears on two fronts, both as a company that wants to be effective around sustainability and also a company whose market share and growth are all driven by other companies' desire to be sustainable.

Are you seeing any early indications that this is in fact going to be a very strong trend over the next few years?



**Steffen Dencker:**

No doubt on that because we already now see requests coming from our customers asking or stating, "you delivered this product to us, what is the CO2 impact this product is having?" And that's where the Scope 3 is really kicking in as Alan said.

I have a prediction that in a few years, or even faster, on the datasheet for many items it will be a standard part of your description on a product that you can always read, this impact on CO2 on all kinds of elements within sustainability. So it will be easier because it will be part of your calculation in the future as you can bring whatever sustainability elements into your calculations.

So you can see where that item you can source, it may be in Europe or US or in Asia. You will have cost levels that can vary but you can also have the sustainability next to it stating you can buy for X price in China, but then you also have this impact of getting into Europe. Or you can buy it in Europe, it's a little bit higher price but has less impact on things. That's really where I see that this is going to be the new thing.

Many years ago we started talking about safety. And suddenly safety just became a normal thing in many companies that you're taking very seriously. Now we all talk about the safety, quality, delivery cost and now sustainability is coming in. Maybe sustainability will come even higher in this order in the future.

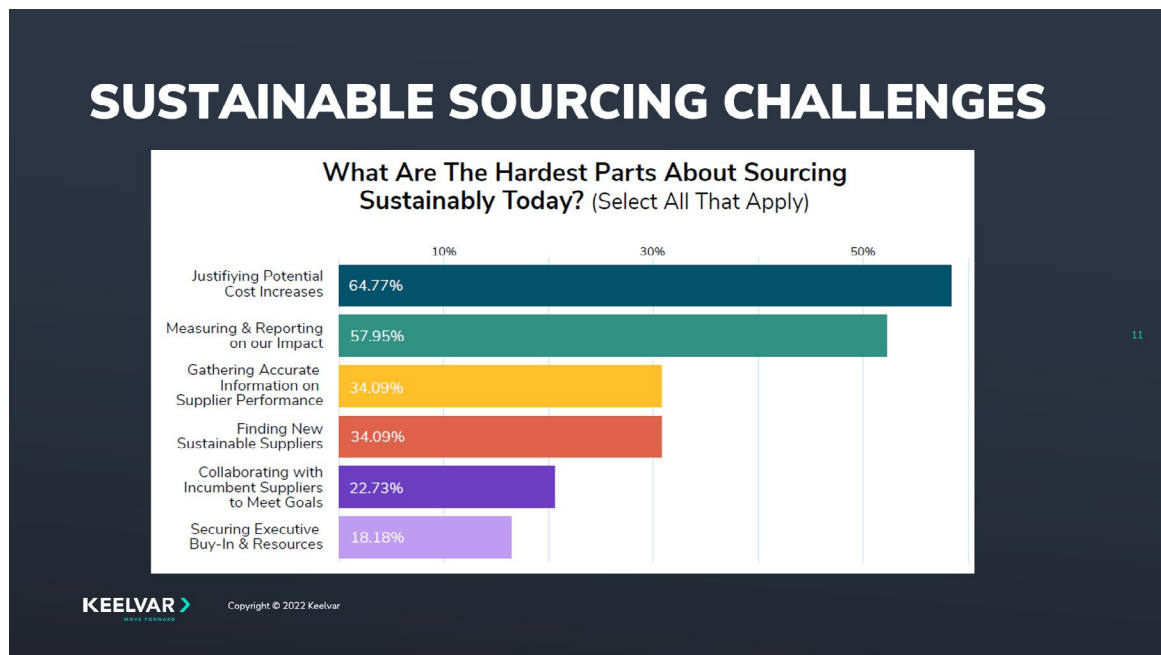
*"So I think we will see sustainability be a natural part of conversations the same as we started talking about safety many years ago."*



**Kelly Barner:**

Your point about precision is well taken, right, because the more specific and the more demonstrably specific, we try to get through reports and data and analytics, obviously, the challenge increases.

So further into sustainable sourcing challenges. You talked, Steffen, about how sustainability is affecting KK Wind. But can you talk about how it's actually affecting your specific sourcing strategies?



**Steffen Dencker:**

We are really looking heavily into this, the Scope 3. We have gone out to people who started to professionalize how to support companies with some of the best practices within this and we are now beginning to reach out to our supply chain to collect this information. There's a lot of information that is not there at the moment, this needs to be created before they can give us this information.

So it's really going to be interesting to see how detailed we can do calculations or if we need to put it on a bit of a higher level in the beginning, and calculate in an overall perspective. We are really trying in our e-sourcing tools to ask our suppliers, as an example, "where are you producing the product? Where are you distributing the product from, and to which side are you delivering?" That information we have and can maybe start to use maybe for the calculation of the transportation of the impact that we see. So that's where, with Scope 3, we're really starting to dig into and understand how to work with it. But it's damn difficult because we don't have all the data at the moment.



**Kelly Barner:**

So Alan, if I can bring you in and have you comment and actually combine the last couple of things that Steffen has talked about.

You know, I think his points about precision are so incredibly important. When we apply those to the sourcing project level data on this slide, looking at justifying potential cost increases, obviously precision there is incredibly important, it actually may make the lift a little bit lighter if we can be more precise about exactly what those cost increases end up being.

And then of course reporting on the other part of the ROI, which is the potential return around the kind of impact a company can have. Where does optimization come in around helping procurement have data to prepare to have these conversations, both with decision-makers on the sourcing project and also at the executive level or potentially the approval level in the company?



**Alan Holland:**

There are some excellent points there. I think what we're seeing is that there's a need to quantify these qualitative aspects associated with sustainability. And companies are making initial strides by identifying things such as the internal cost of carbon.

These are important initiatives that help guide procurement professionals in the direction that's required to assess trade-offs. So if you've got an internal cost of carbon now you've got something to reason about when you're comparing offers from different suppliers. But you also need a toolset to reason about that information. And that's what sourcing optimization is perfect for.

You can construct scenarios to understand if scenario A – it's cheaper but has a higher cost of carbon associated with it – versus scenario B, which is more expensive in dollar terms but it has a lower cost of carbon. Which options should you go with?

Our vision here at Keelvar is to help companies automate that type of sourcing excellence. It's very difficult for companies to scale up their adoption of sourcing optimization when there is a shortage of professionals who have strong knowledge of that technology. But if we can help them automate more of that, then they can scale the sourcing excellence and sustainability even within that sourcing excellence.



**Kelly Barner:**

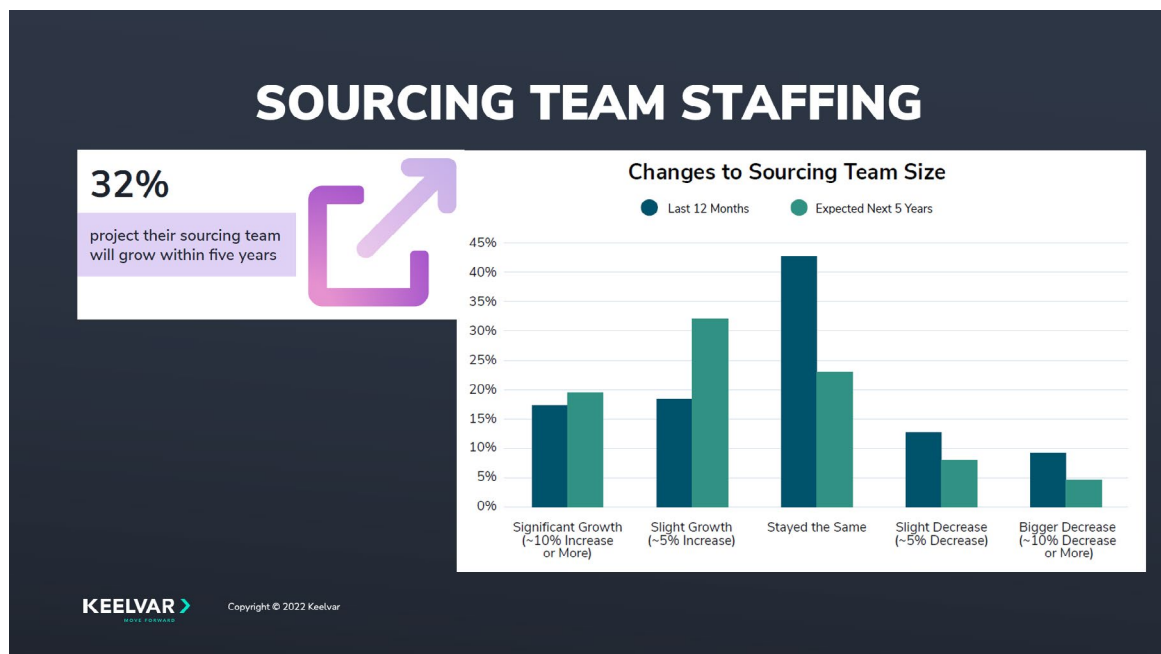
Now to that point, we've talked about a lot of challenges and we've talked about the things that procurement and sourcing professionals tend to be good at. Let's actually talk a little bit about talent.

So, Steffen, I mentioned we're gonna lean on the fact that you're actually part of a sourcing team. What can you share with us about your perspective, how you're looking at team size staffing, maybe potentially has some skills are playing into that. What's your perspective right now on talent and staffing?



**Steffen Dencker:**

As I mentioned before, the sourcing organization in many companies is coming higher on the agenda because we can create value. But what we see with optimization tools like what Alan was just talking about and Keelvar is producing, and all kinds of other e-sourcing tools in the market is really disrupting the sourcing organization where we go away from the more traditional kind of sourcing people that were also operational.



They were tactical, and they were also strategic. And what we see with this automation coming in that is that the strategic work we have today, that will be operational work tomorrow, which we can automate.

That really puts pressure on the traditional sourcing people that we have today, that they really need to move their skills to work more on a strategic and tactical level with less operational stuff because we can automate that, we can use data insights to solve this. It's next to us at the moment, and it's just a matter of adopting them.

So I really see that sourcing organizations will increase in the future but also see sourcing organization being able to handle more with the same amount of people because all this automation.

But I foresee also that the skills of people inside sourcing organizations need to switch a little bit because we need people who can manage this, as Alan also pointed out before, we maybe need some mathematicians, more statistical people who can understand this ecosystem so that we can build it up using Microsoft using Keelvar or using other e-sourcing tools in the market. And that's not the traditional people that we have today, as I see, but I definitely see growth from this but I also see a change in the capabilities and talent we have.



**Kelly Barner:**

I like your point about what is strategic today will be tactical or operational tomorrow. I think I both completely agree with you, and I also think it's one of the things that most of us love so much about working in the procurement space because it definitely never stands still.

Alan this actually reinforces I think the point that you are making about automation. We have a significant percentage of people that are expecting the team to stay the same. We know expectations are going way up.

How does the mindset around automation play into a procurement team's ability to achieve what they need to achieve as those expectations go up without potentially offsetting headcount or talent pool?



**Alan Holland:**

When we were I suppose embarking on our journey to create sourcing automation at first, we were asking our customers would this create concern. We found that it was actually doing the opposite in that many of our customers see automation as a way of improving talent retention.

And the more recent crop of graduates and 20 something-year-olds who are entering the procurement profession. They don't want to be doing tasks that they see as automatable or repetitive, they're rightfully interested in career paths where they can see themselves progressing and being more strategic within the organization.

So they like to embrace technologies where automation is a key component. So your talent, attraction and retention program should be highlighting that automation is being embraced and that we have a program over several years to move people's work from tactical to strategic so that the value they provide to the organization is increasing year on year.





**Kelly Barner:**

I think your point about retention is really important because I have a tendency to look at this kind of data and my mind automatically goes to okay. This is the headcount allocation that procurement has to work with, if it staying the same, going up or going down.

But when we actually think about having people in those roles, we do have to keep in mind that if we can't keep the work interesting, relevant, exciting, and appealing to aspiring professionals, we can have as many open roles as we want, and our headcount is not necessarily going to grow or even stay the same.

Now staying with this idea of tech, I promised that we were going to come back around to the idea of modernizing sourcing. And Steffen, I know you have a particularly interesting story here because your team went straight from spreadsheets to e-sourcing. So can you share that story with us?



**Steffen Dencker:**

We started some years ago, then realized that was not the right time for us to get started. And a little bit more than one year ago, we really looked into our processes of doing all of our RFPs towards our suppliers on a yearly basis. We have projects running all over, we have yearly negotiations, we had our indirect spend, we have our directs. We decided we need to do something and we made a big survey of what tools are in the market.

Then one important thing we did also was the management commitment because it was crucial for me to make sure that I had the C-level support for this. Otherwise, people love spreadsheets and the way they were doing calculations and so on and that can be tough to move away to something new.

We screened the market and we narrowed it down and we found a good solution. That was Keelvar of course. What we did in the process was also that we involved a lot of our employees in the selection of this and got their inputs and got their scoring of the different solutions we saw.

I also looked at the maturity level of our sourcing organization because there are very complicated e-sourcing tools in the market. But if you don't have an organization that can adapt to these things, it will not work because they cannot adapt to this technology. Yes, they love all the smart features. But they cannot start using it because they don't have the skills and the mindset. So that was really important.

Key criteria in our selection were also it should be something that fits with our maturity level. So we acquired Keelvar, and then I drew up with a vision of how we could get a full data flow working. So I also think is really important that you not only provide e-sourcing tool, we need to think in a realistic perspective and bring in all aspects of how it will support the people in the full process of the RFP you're doing.

For example, we are very Microsoft-driven, and we want to combine all these kinds of tools to make one big ecosystem around it. And now we have just completed our yearly negotiation with +100 suppliers, huge spends, which I will say was a big success because we got this commitment from the top.



**Kelly Barner:**

I want to ask you one follow-up question. You talked about the importance of getting management commitment and management support for this effort. People talk about that, but I'd be curious to hear how did that actually come into play?

So was it about you being able to go to them for support? Was it about you being able to send them out if you hit pockets of resistance? How did you actually act on that commitment or leverage that commitment once you have it?



**Steffen Dencker:**

What I did was that I took the management group of sourcing, the CPO and the rest of the management group and stated "these are the tools". Before that, I also went to our CEO who was very interested in digitalization, and told him about all these smart tools out there and he was so eager for this and so I had full commitment.

But our people really also spent a lot of time explaining why we needed to go on this journey and why we need to be scalable as a company looking into a lot of growth. And how we cannot keep on doing as we did after yesterday.

So I have not had many times where we need to utilize this management group because we all had the same language when we were talking. No one was stating "okay, you don't have to use it". It was "no, we all use it and we all will go 100% for this solution because we see how it will help you guys. It will be tough in the beginning, but it will be a big help for the future".

So that was really I think, speaking the same language. That was a key element in the management group and having the full support from the CPO and our staff has really been crucial in this.

One common thing more is my team around me I also stated that if we run into an issue with Keelvar or some of the other things, we need to solve it as fast as possible. That was because the (C-Suite) needed to see this speed of reaction. If a problem was there for one or two weeks, then suddenly they will start talking badly about it so we simply also had full focus on killing problems immediately.



**Kelly Barner:**

That too was part of the mindset, right? The mindset isn't just about embracing new ways of working. It's about how you address the realities. We've talked about nothing but uncertainty and disruption in it seems like forever. But those things happen internally as well.



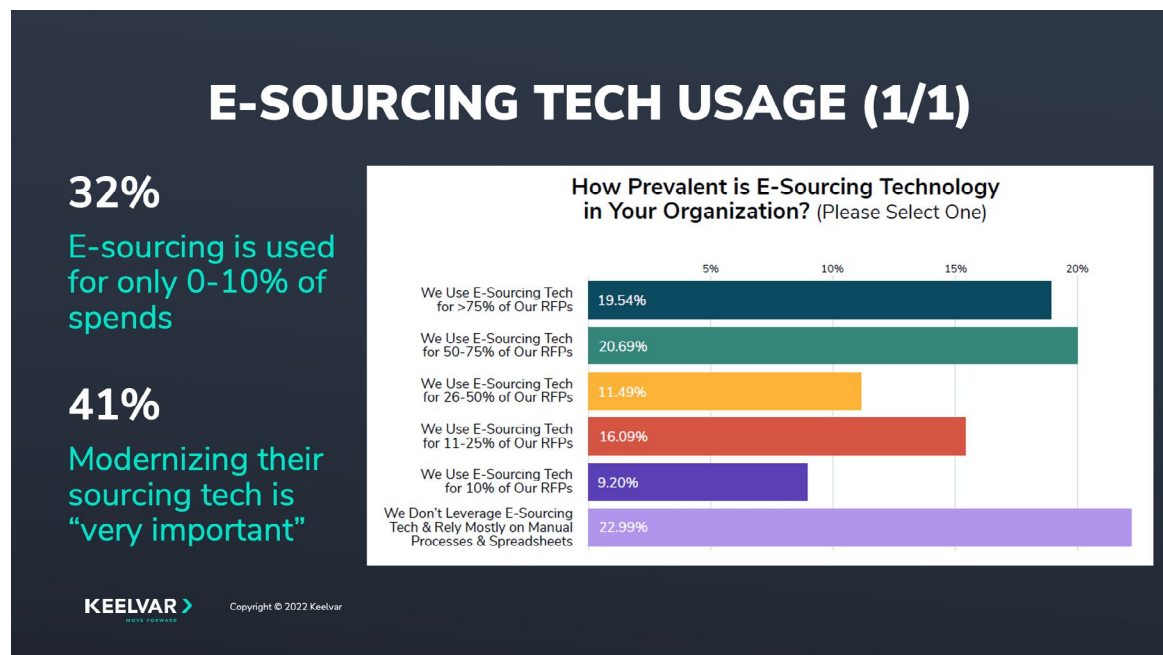
**Steffen Dencker:**

Yes. Another thing was the commitment. So the team saw that the manager was talking about it. They saw colleagues start to talk about it, and how they all started to behave in a new way. We also started to change all the processes so it was not possible to go back to the old processes. Then we simply changed the system and the structure around the how things work so they could not easily go back to the old way. And then, of course, we need to train and I can only say here that Keelvar has done very good work in the training part.



**Kelly Barner:**

Now Alan, you certainly have been on this journey with KK Wind as they've made these changes internally and rolled out the technology. What would your thoughts be, you know whether specifically about them or generally what you see across companies, around the mindset that people need to have to be ready for something new? I mean, we all love our spreadsheets. I'll include myself in this. But what would you observe around mindset and maturity and an ability to really adopt the technology needed to carry your organization forward into the future?



**Alan Holland:**

I think that the way of e-sourcing has some baggage associated with legacy tools and that became popular 20 years ago but stayed in place for too long. Now there's a new breed of more modern sourcing tools that have greater flexibility. And one of the reasons why so many companies became averse to using e-sourcing was that they needed some degree of flexibility. The process they wanted to run didn't quite fit in a standard e-sourcing tool. So they needed a tool that was more flexible, and that could have the

type of flexibility you get within Excel, but one that automated more of the bid process and the analysis so you don't have the bugs and the problems that get embedded in Excel worksheets and often stay for years.

So there's a bit of a re-education process needed around the fact that more modern sourcing tools have a very high return on investment and are quick to adopt. You can be up and running within a day or two – it's that fast to roll out these SaaS applications now.



**Kelly Barner:**

I think that's a great transition, you talked about the process we've talked about adoption, we talked about the ability of tools to be flexible and feel comfortable without super heavy training and rollouts.

When we look at both expectations around usability, and then also the user experience that procurement technology is now able to provide. Where do you think are the biggest areas where we've actually made progress around usability and we're starting to see the payoff in terms of adoption?



**Alan Holland:**

I think that the ultimate in usability is where you start automating parts of a process where you don't need to interact at all through an application. And that's the key thing. So usability increases dramatically when many parts of the sourcing process can be automatically conducted.

So, within automated processes, the sourcing manager, the nature of the role is evolving within sourcing because many tactical actions or tasks that were required in previous years and messaging, reminding bidders to be active and that the window is closing and report generation and so on. So much of that now can be automated that decision-making starts revolve around the trade-offs and the scenarios and approving which suppliers compete or judging which scenarios are preferable to others.

*“But there are so many things machines cannot do that humans are better at: risk management, innovation, research. You want to save your time for these activities.”*

So the responsibilities of sourcing teams are kind of moving up the value stack, and that's a good thing as usability is improving. It's intrinsic to automation to have improvements in usability.



**Kelly Barner:**

Now, Steffen. What are your own observations around usability? And if these are conversations that you have internally, what do you hear from other members of the sourcing team around their expectations for user experience?



**Steffen Dencker:**

It was a crucial element when we selected the tool that this would be an easy tool to use. We saw a very complex system that could be relevant for some organizations, I don't know. If you have persons dedicated to working and managing it for the category managers maybe.

But I really see user-friendliness and usability as crucial for people to adapt to these systems. And we can really see that with Keelvar. It's so easy step wise and it is intuitive for people to use it.

And I haven't heard any of our people state that this is not easy to use, because it is simply intuitive. It's a step modal you go through and so on.

*"That's really an important thing also to think about when adopting these tools: you can get the complex one, but most likely you also need to have dedicated people that really understand this complex system."*

On the other hand, you should maybe just focus on something that is simple because it creates a lot of benefit and transparency that you need, and then it will give you the return on investment very fast.



**Kelly Barner:**

One question in this area that I want to bring you in on, Alan, is the ability to manage spend. How would you connect the idea of ROI from e-sourcing and automation to a team's ability to pull more spend through the process and win over different functional areas and decision-makers?



**Alan Holland:**

When requesters are looking for goods and services and you have contracted rates, you need to make sure that the search for those is simple and intuitive. And that it's simpler than picking up the phone to a preferred supplier of an individual that you may not have a contracted rate with. So the bar for ease of use is high.

We have a very strong focus as a technology provider to make sure there are no frictional effects there, so that people want to engage with the outcomes of a procurement team's work, and will prefer using it. It is very difficult if they're opposed or they don't want to do what you need them to do.



**Kelly Barner:**

This actually brings us to the most interesting part. Steffen, as you look out through the rest of 2022, we have a couple of potential areas that you might have predictions

around. What comes to your mind first as the things that you're either expecting to see or predict that you think will happen as we work our way through 2022?



**Steffen Dencker:**

We see already in the first few days of the new year that we have a resiliency issue to work with on the companies who made it through supply chain shortages. I know it will be a thing that will be heavily impacted in 2022. So this resilience will definitely be a challenge that we will have to work with.

I really see the supplier relationship, we really need to make that even stronger because there's a way of also managing strong resiliency. So, find your closest partners and work with them.

And then sustainability, we need to go in this direction because if we as companies are not going in this direction, we will simply lose competitiveness in the future.

And then of course the talent also, we need to work with our talent in organizations to bring them to levels that can manage this future.



**Kelly Barner:**

Alan, how about you either reactions to some of the predictions that Steffen offered or predictions of your own?



**Alan Holland:**

On what happens to the annual RFP, I think many people have been asking us that because it's more difficult than it was in the past in the past to lock suppliers into longer contracts when there's so much uncertainty and volatility in raw materials, prices and so on. But it's not that the annual RFP is going away. It's just that there needs to be better preparedness for more frequent sourcing events to go back out to market as failures occur in supply chains during the year.

So the ability to be agile and responsive to failures is becoming more and more important and it's separating top performers from others in how they can adapt quickly.

A prediction for this year is that I suppose some leaders in procurement will really start getting their hands around sustainability issues and they will start setting the pace. They will be using the performance of procurement in brand marketing.

Some top brands that we work with, we see them investing heavily in capturing Scope 3 emissions information so they can start to assess the impact and changes that their decisions are making and improvements they're making to the reduction of greenhouse gas emissions. This is aligned with many companies' ambitions, in terms of their brands.



*“We see a contest emerging for the hearts and minds of consumers who are aware of greenwashing and becoming more sensitive to it.”*

So being able to quantify and justify claims when we separate top performers from others.

Automation and AI, the importance and relevance for that is ever-increasing, and I think I see that accelerating further. Many companies want to start off with automation of best practice, with bots that do repetitive processes to a very high standard but then gathering that data and learning from it and improving your strategy. So automatically adapting your strategy, that's a field of mechanism design.

I used to be a researcher in university studying algorithmic mechanism design. So I'm quite excited about something that we studied in the university 10 years ago actually transitioning to real-life supply chains later on this year. So I'd be interested to check back in 12 months to see if we have that.

#### **Additional Resources:**

- Download a copy of Keelvar's 2021 Voices of Sourcing survey report
- Webinar: Sourcing & Sustainability - Gearing Up for Scope 3 Emissions
- 27-page guide: How to build the business case for Sourcing Optimization