

Are your procurement activities really adding value in 2021 and beyond?

NICK WILDGOOSE AND NIGEL MIERS

Business and Management Faculty



CORONAVIRUS MEMBERSHIP LEARN CAREERS ACA STUDENTS RESOURCES COMMUNITIES INSIGHTS REGULATION

Business and management

This section brings together the most up-to-date thought leadership, technical resources and professional guidance for ICAEW members in business. It also includes the more specialist information provided by ICAEW's Business and Management Faculty.

Need to know

Business and Management Faculty
The faculty provides a mix of technical and soft skill resources to help members meet their CPD requirements and keep abreast of the changing world of business. Resources include our monthly magazines, special reports, quarterly briefings, as well as our popular webinar and events programme.

Coronavirus (COVID-19) hub
Coronavirus is not just a world health emergency; it is an economic one too. The economic impacts are plain to see and emergency provisions are being made worldwide in an attempt to support individuals, business and anyone who advises them. ICAEW is monitoring the situation closely and collating resources as conditions unfold.

Core Accounting and Tax Service (Bloomsbury)
From May to October 2020 members in business have free trial access to Bloomsbury Professional's comprehensive online library, comprising over 60 titles from leading commercial law, tax and accounting subject matter experts.

ICAEW KNOW-HOW
BUSINESS AND MANAGEMENT
FACULTY

Commercial insight

EXPANDING THE CFO'S HORIZONS

SPECIAL REPORT
SEPTEMBER 2020



Tourism in the UK - post covid



How UK tourism should respond to lockdown lifting.

[Read article](#)

Articles

- > [What is a post furlough world?](#)
- > [The future of agriculture](#)
- > [How to communicate better](#)

Resources

- > [PDF of July/August magazine](#)
- > [July/August technical update](#)
- > [View our past webinar recordings](#)

[icaew.com/bam](https://www.icaew.com/bam)

Today's presenters



Nick Wildgoose



Nigel Miers



Adding Value through Procurement 2021 and beyond

Nick Wildgoose:- Director, Procurement Advantage

Nigel Miers:- Director, Procurement Advantage

Your Challenge

- Your objective is to drive your business performance and growth
- Your wish maybe to be a great business partner focused on strategic activity
- You are often asked to provide management information and lead risk management across the business

Procurement always seems to be the next prioritised item on the list,
that you never get to!!

How do you rate?



Procurement Healthcheck

Have you analysed what you spend with 3 rd parties, with relevant spend breakdown?	Yes/No
Have you modelled the impact of a relevant 10% improvement in your third party expenditure?	Yes/No
Have you got up to date contracts and service level agreements in place for your critical suppliers– that meet your business requirements	Yes/No
Do you know who your critical suppliers are and how much a failure would have on your businesses profile?	Yes/No
Are your critical suppliers and supply chain a standard item of discussion at your executive team meetings?	Yes/No
Do you monitor your suppliers in terms of financial stability and external news updates?	Yes/No
Are you tracking critical suppliers delivery, quality and costs against contract terms?	Yes/No
Do you understand how your suppliers view you as a customer?	Yes/No
Have you benchmarked your spend in higher spending areas in the last year?	Yes/No
Do you meet with your critical suppliers at least once a quarter to discuss performance, risk, CSR and innovation?	Yes/No

Score

8-10 – Your Procurement activities are probably effective

5-7 – Room for improvement

3-4 – Prioritised action required

1-2 – Good luck

Why is procurement important?

- Without your key suppliers you do not have a value proposition to offer to your customers
- Typically 30 -70% of costs are driven by third parties
- Selecting the wrong suppliers can have a significant impact on your performance, reputation, and hence brand value

Procurement supporting profit improvement



Using Procurement best practice:
Profit Improvement can be supported
to meet your business objectives

For a £10M Revenue company
good procurement practice can
deliver £300K in value even using
conservative assumptions.



Procurement can drive financial results and increasing company value



1. Maximisation of EBITDA

- a) Overhead cost reduction
- b) Margin improvement
- c) Scalability

2. Multiplier enhancement

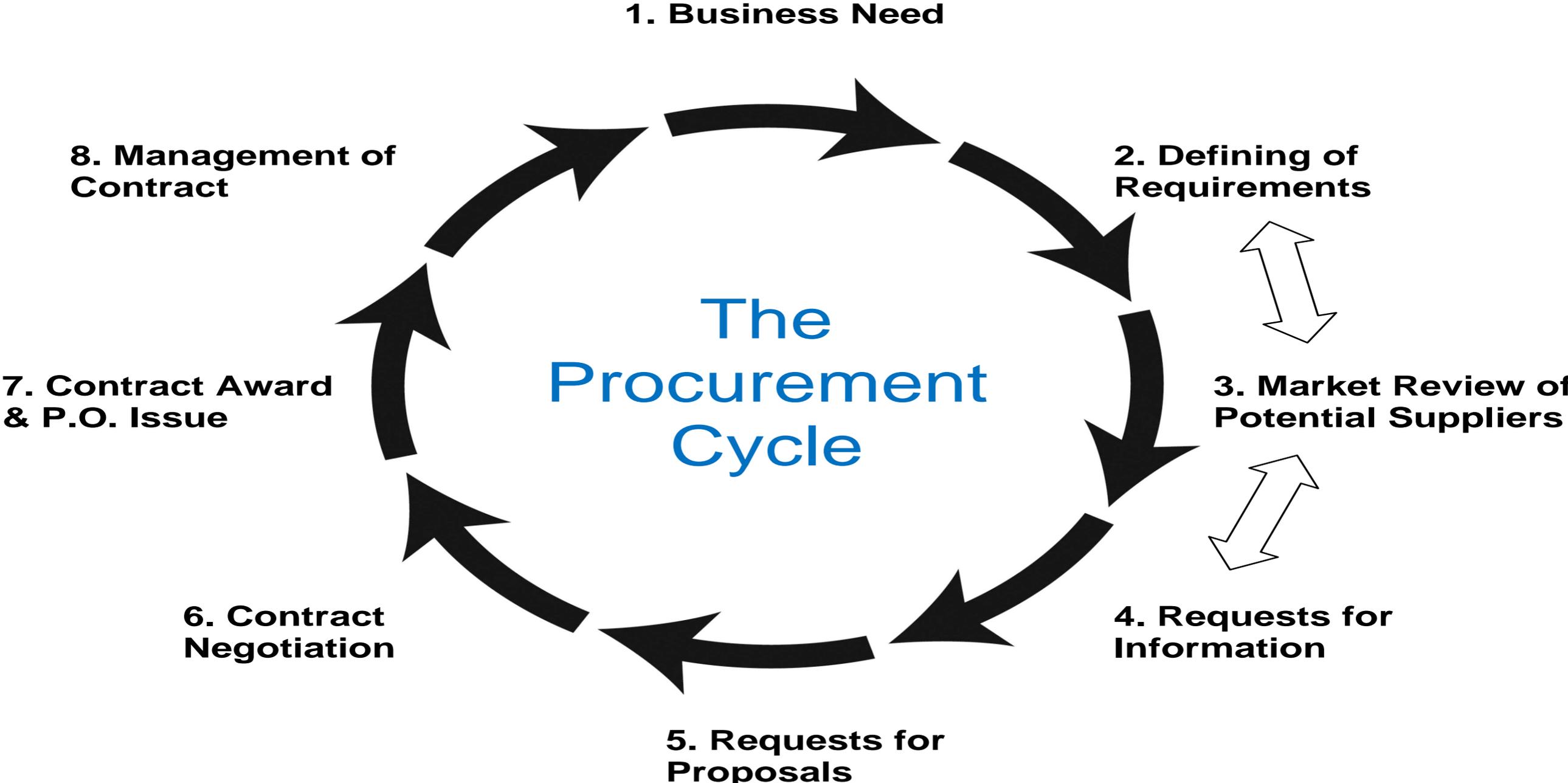
- a) ESG standards
- b) Freeing management time
- c) Technology and capacity

3. Due diligence

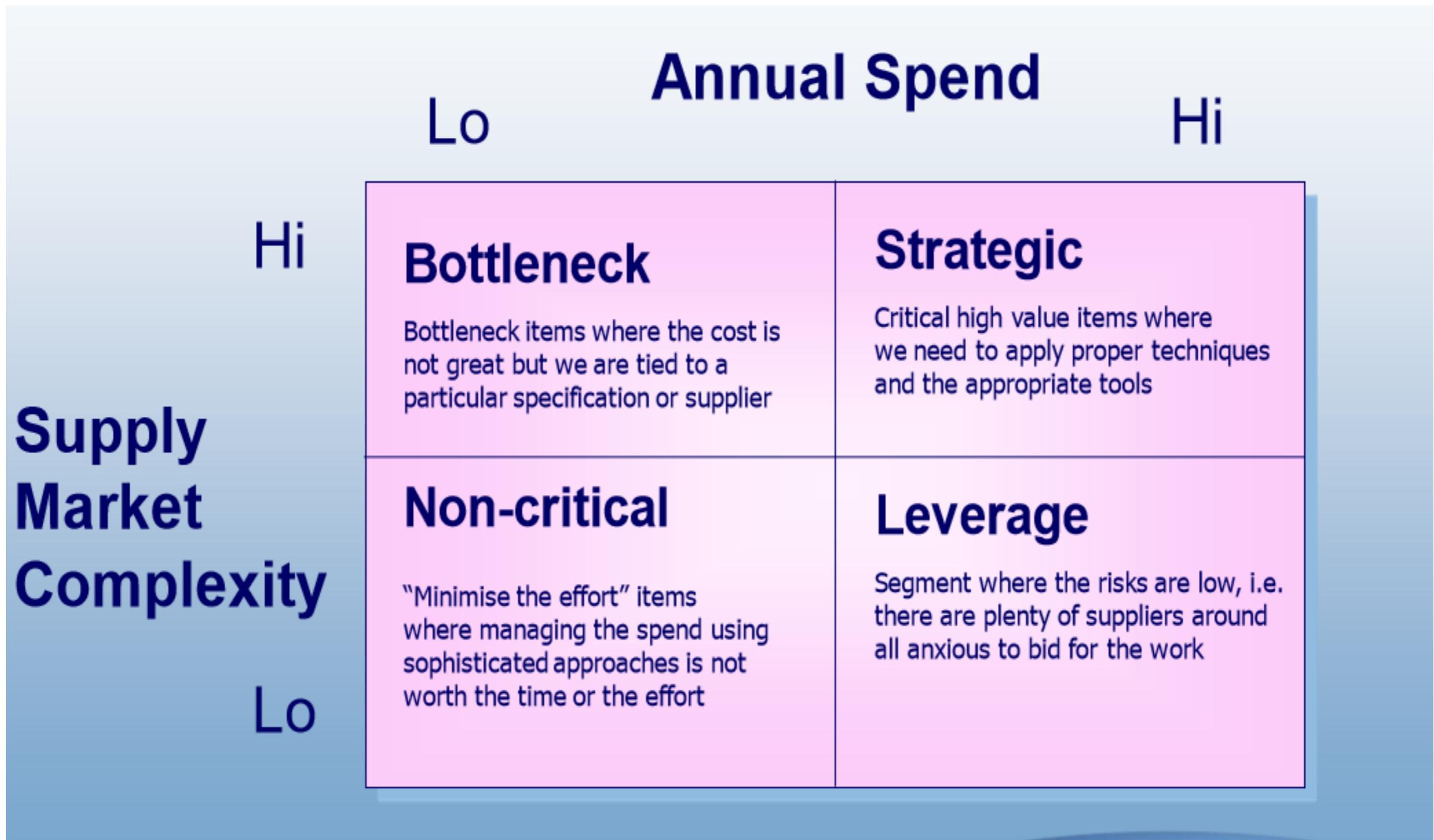
- a) Financial stability/risk management
- b) Business continuity
- c) Supplier contracts

$$\text{EBITDA} * \text{Multiplier} = \text{Company Value}$$

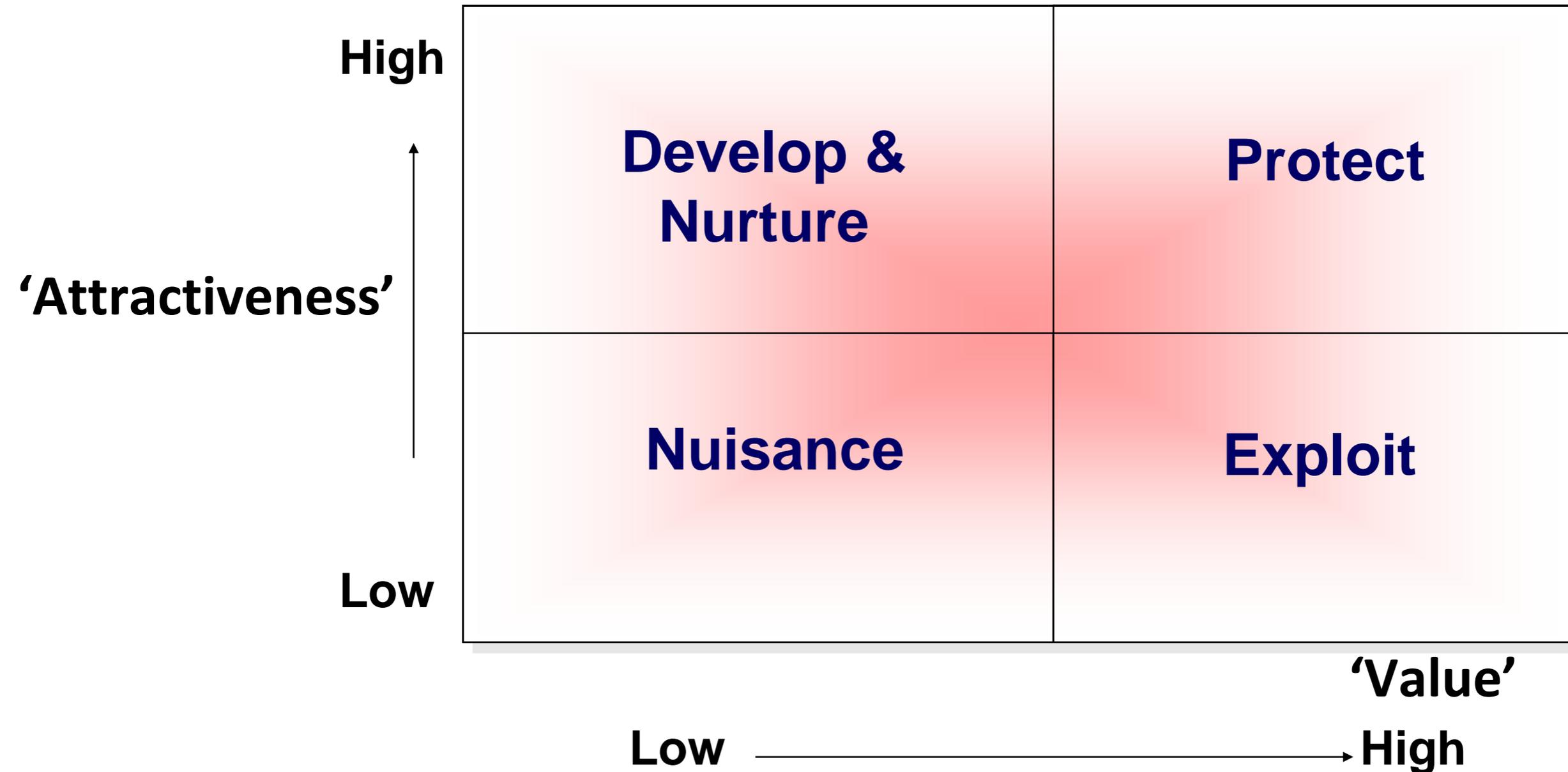
Procurement Cycle



Importance of supplier selection and segmentation



Do your suppliers see you as the customer of choice?



Your Suppliers can have significant impact on your business



Profitability

Innovation/
Reputation

Governance

Risk Management

Understanding the complexities of your service requirements and associated risks



Case Study of Procurement Value: Telecoms

Spend/Savings	Value/Saves 1 Year	Value/Saves 5 Years
Current Spend	£190,369.68	£951,848.40
New Spend with Provider	£110,991.24	£554,956.20
Saving with Provider	£79,378.44	£396,892.20
% Saving	41.7%	41.7%

Are your critical suppliers aligned to protect your business objective?



It is important suppliers are all working from the same score to deliver your optimum performance



Procurement Role in Risk, ESG, and Cyber

Businesses are increasingly expected to consider suppliers and supply chain:

- UK Modern Slavery Act
- Understanding your carbon footprint including your supply chain
- Protection against reputational damage
- Cyber attack

Appropriate due diligence is time consuming and difficult without appropriate support

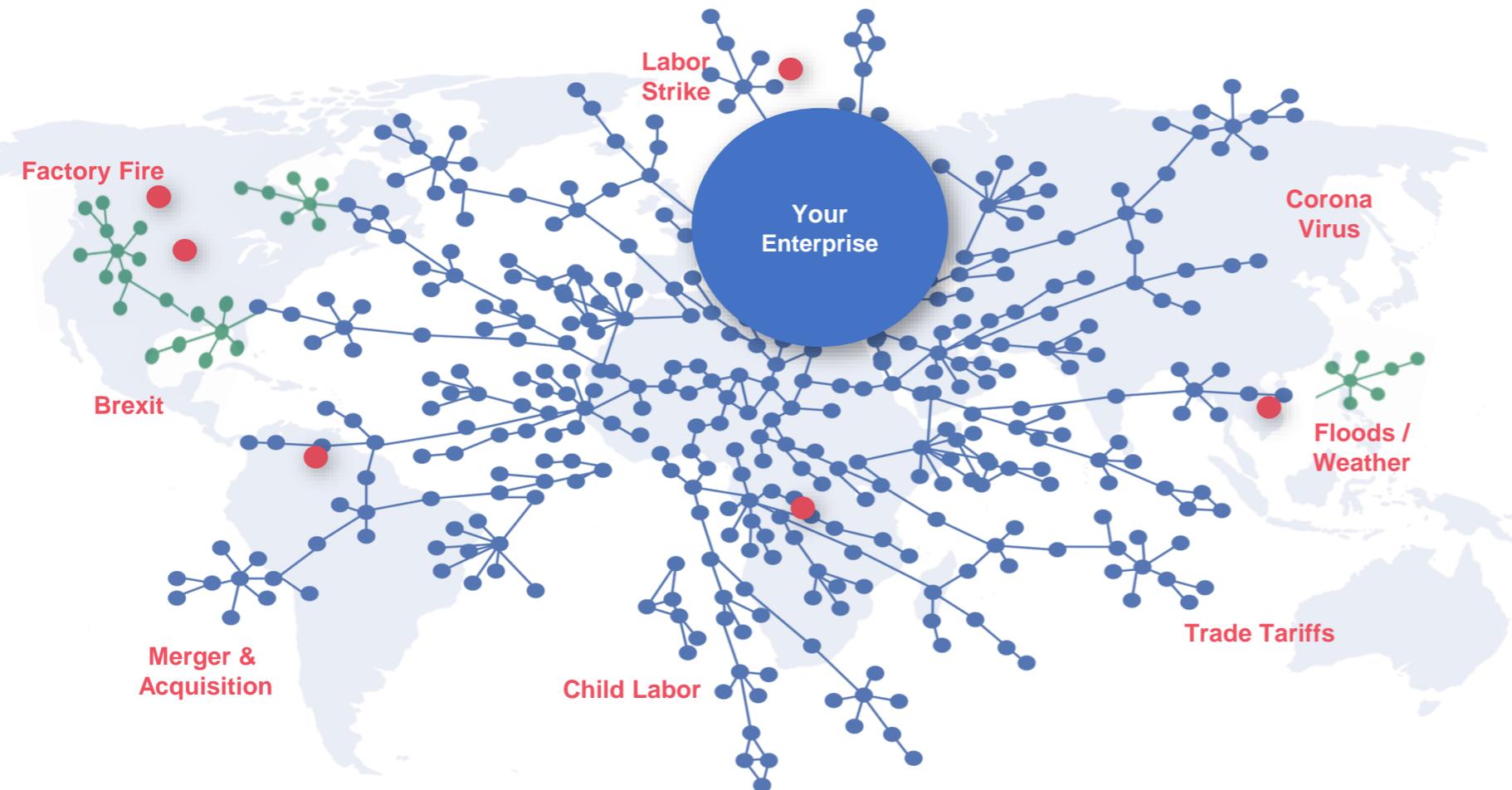
Supplier Innovation:- Protecting your business from cyber attack

How does it work

RansomCare will detect and stop ransomware attacks, even when the malware has bypassed all your existing endpoint protection and other prevention or behavioural security tools. It is a vital element of your overall defence strategy, providing critical security defence for a small portion of your available security budget.



Supply Chains Are Increasingly Complex, Global & Vulnerable



Risk tend to increase in the lower tiers of the supply chain , but they are less well understood.

Supply Chain Risk Assessment Journey

Develop a Supply Chain Value Map



Gather Key Supplier and Supply Data



Evaluate Risk Factor Information



Define and Evaluate Key Risk Scenarios



Understand Overall Risk Exposure

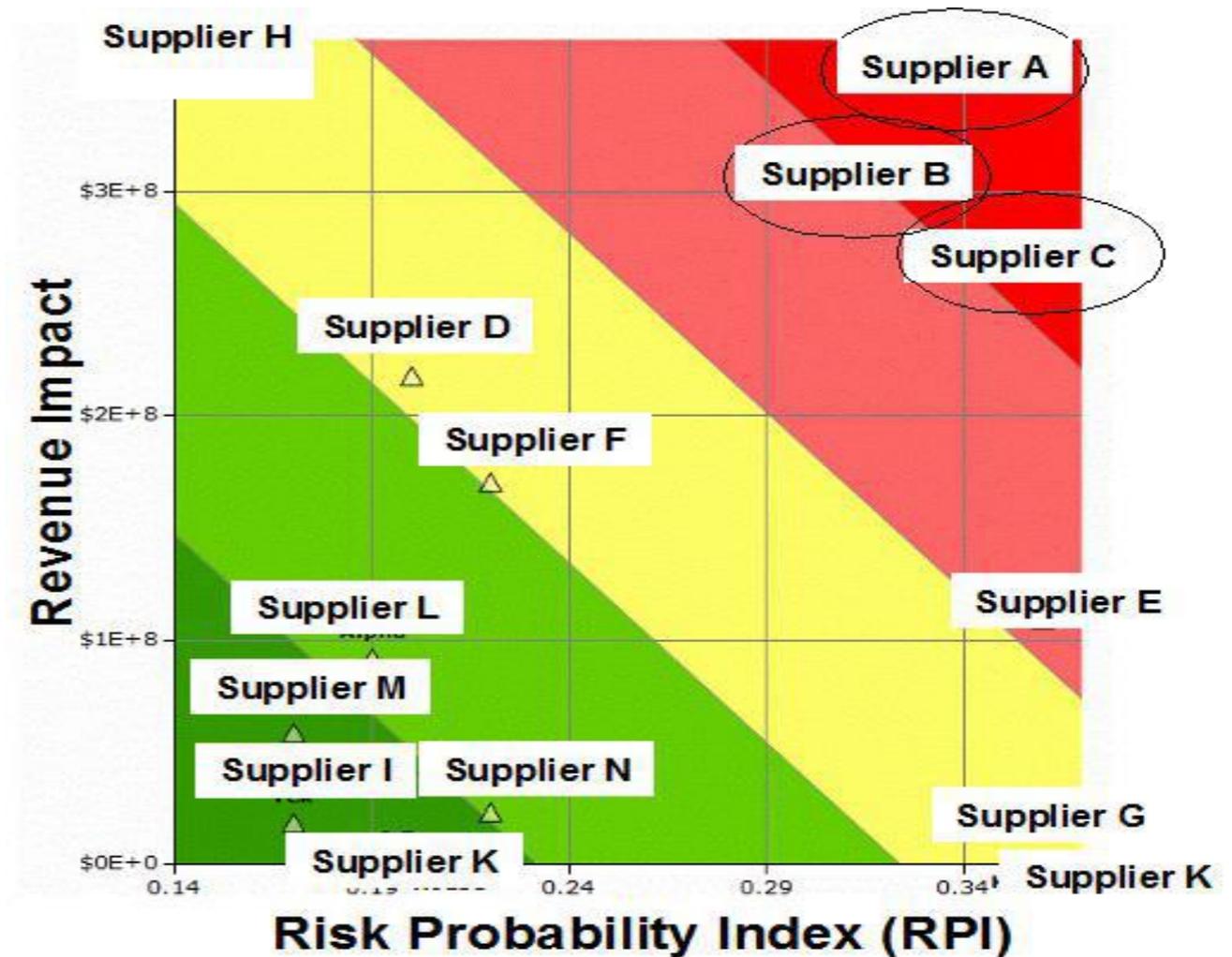


Implement Prioritised Risk
Mitigation Actions

Simple Supplier Risk Scoring

Based on risk factor evaluation:

- Relationship
- Quality management
- Risk management
- Business continuity
- Labour and skills
- Operations/Delivery
- Physical environment
- Raw materials and suppliers



Identify suppliers that pose a risk to your business

Data and Technology Solutions: Increased move to Digital Supply Chain



DHL Resilience360

- Sourcing and supplier validation
- Procure to pay
- Supplier management
- Supply Chain Risk Management

Finance Supporting Procurement activities

- Supporting procurement activities helps control costs ,support revenue generation, and protect reputation
- Setting right procurement measures around adding value
- Supporting total cost understanding
- Managing risk
- Sponsoring procurement activity across the business



Good Procurement Practices are:- Efficient. Effective. Expert.



Efficient

Streamlined procurement services saves businesses time by avoiding long procurement cycles and deliver results to the bottom line faster

Effective

Adds value to the businesses by lowering total costs of ownership, bringing innovation and managing risk

Expert

Professional procurement drives enhanced value creation

The Procurement Opportunity

- Procurement can be a key business performance value enhancer
- Getting it wrong can damage your business
- Good procurement drives innovation in supply chain
- Outsourcing procurement and technology solutions can add value



Potential Next Steps

- Carry out a Procurement Health check and understand areas for improvement
- As a strategic priority ensure your management team understand the importance of critical suppliers to your business performance
- Enable procurement to help protect cashflow and improve business performance





Contact

If you would like to learn more please contact:

Nick Wildgoose (FCIPS) [Nick.Wildgoose@ProcurementAdvantage.co.uk/](mailto:Nick.Wildgoose@ProcurementAdvantage.co.uk)

Mobile: 07305 648226

Nigel Miers (FCIPS) – [Nigel.Miers@ProcurementAdvantage.co.uk/](mailto:Nigel.Miers@ProcurementAdvantage.co.uk)

Mobile: 07917 576598

For more information visit our website:

<https://www.procurementadvantage.co.uk/>

Upcoming BAM webinars

60 minute webinars – 10.00am

Future proof your organization – an internal audit approach to operational resilience

11 March

Digital downtime

16 March

Modern slavery: how to prepare a s54 statement

17 March

Using scenario planning to navigate uncertainty

14 April

Business resilience

27 April

Skills to future proof your career

5 May

Economic update

9 June

20 minute webinars – 12.30pm

Motivating your team: A three-pronged approach

24 March

Data valuation: the key to more value creation

26 April

Managing bribery and corruption in a downturn

12 May

Why You? 101 job interview questions you'll never fear again

21 September

Online learning – 10am

Get the job you want

14 September

[icaew.com/bamevents](https://www.icaew.com/bamevents)

Thank you for attending

Contact the Business & Management Faculty

icaew.com/bam

 *bam@icaew.com*  *+44 (0)20 7920 8508*

@ICAEW_BAM

Upcoming Business & Management webinars

icaew.com/bamevents

