



Adaptive Procurement

Preparing your supply chain for the unpredictable



IBM Smarter Commerce Forum – 1 May 2013

MTN Procurement transformation journey

Dino Colbert – General Manager: Group Procurement



everywhere you go

Tumai Gmuer – Emptoris Sales Lead MEA



CPO's are challenged to:

- Drive global growth and sustainable savings
- Manage risk and compliance
- Identify volatility and maximize predictability
- Deliver a globally integrated supply chain
- Maximize sourcing and fulfillment flexibility

Procurement transformation requires a combination of best practices and the right technology

50%

Average percent of product value derived from suppliers

5%-7%

Amount of savings CPOs are looking to achieve annually

\$6.1 billion

Market for procurement technologies in 2012

18%

Growth of procurement spend analytics market

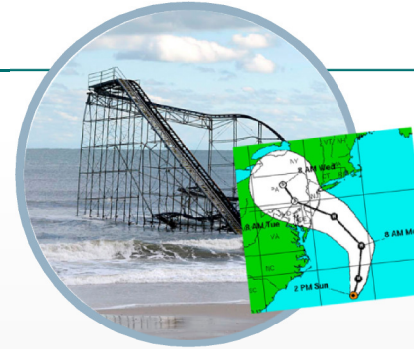
Increasing risk exposure



Brand Protection



Missed Revenue Opportunities



Increased Reliance on Supply Chain



Commodity Price Volatility



OSHA
Sarbanes Oxley
BASEL II

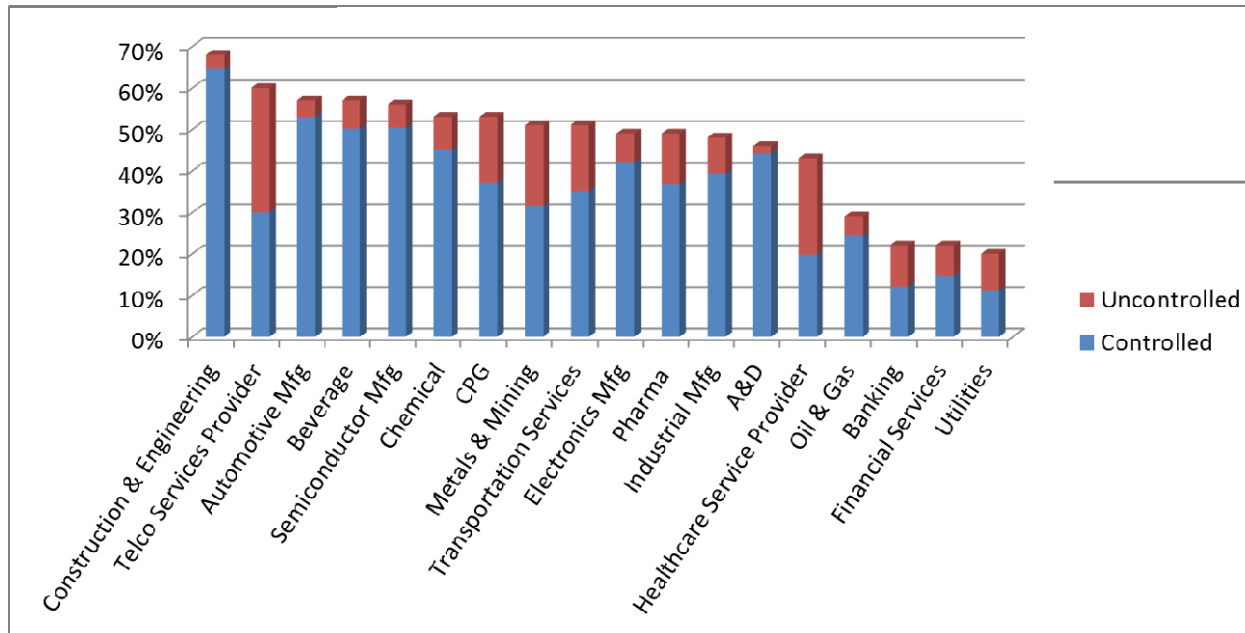
Regulatory Pressures



Customer Demands Good Corporate Citizenship



Dependence on Suppliers



On average 50% of Sales is spent with suppliers⁽¹⁾

Fuelled by outside factors, such as the need for transparency... corporate risk and social responsibility goals, supplier management functions have moved from the back-office to the boardroom⁽²⁾

⁽¹⁾ "Cross Industry Report of Standard Benchmarks", published by CAPS Research, June 2011

⁽²⁾ "The Year of the Supplier: Perspectives on Supplier Management in 2011", published by Aberdeen, May 2011



Insufficient supplier information



*“Nearly one third of respondents don’t know the costs related to **supplier management disruptions.**”*

“44% of organizations don’t know or don’t measure supplier failure costs.”

“only 20% of organizations are tracking supplier corporate social responsibility.”

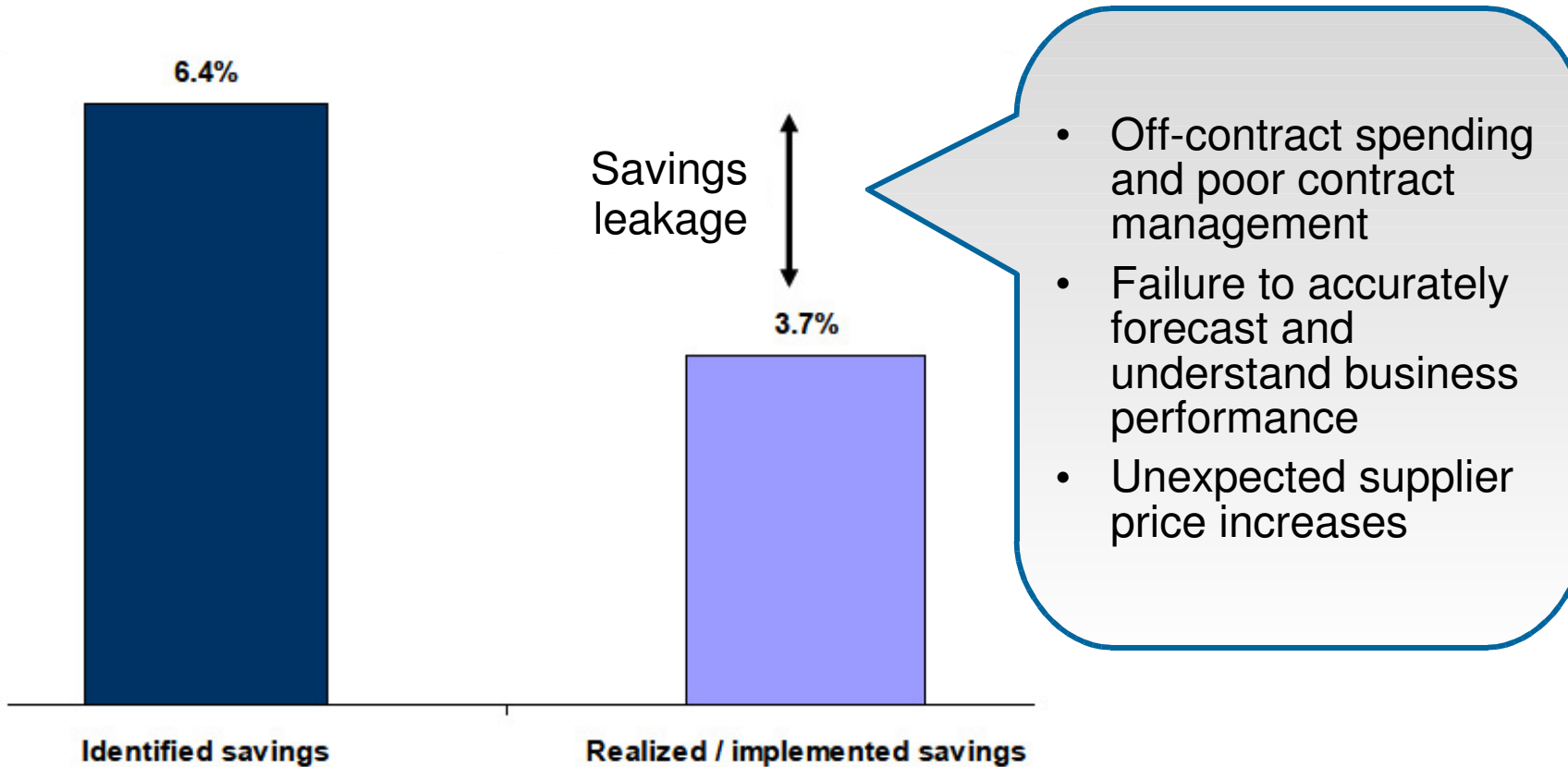
“supplier data residing in multiple systems”

systems “unable to manage the depth of supplier information being demanded”

“The Year of the Supplier: Perspectives on Supplier Management in 2011”, published by Aberdeen, May 2011



Forecast savings don't materialize



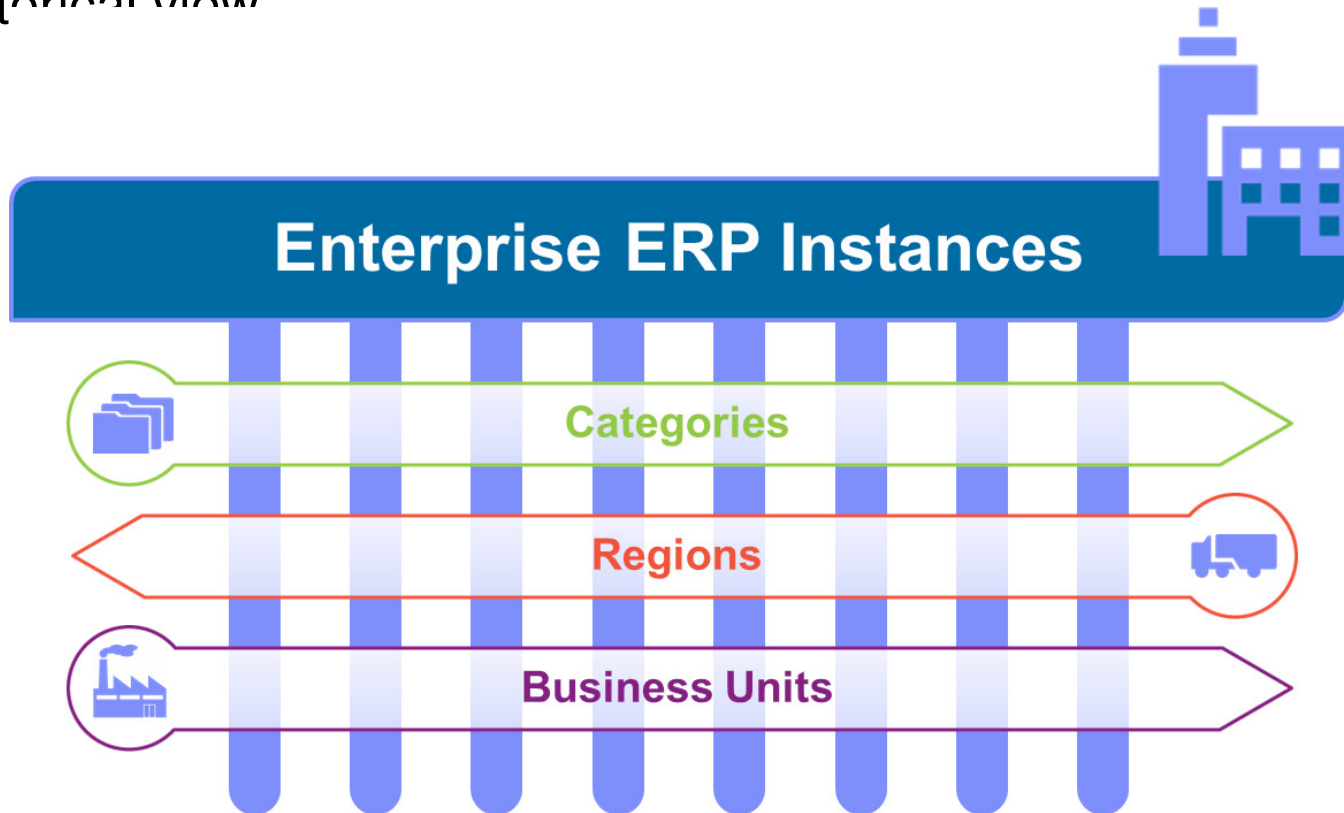
“The State of Strategic Sourcing: Building a Context for the Next Decade”, published by Aberdeen, April 2011



ERP not designed for supplier management



- Suppliers duplicated with inconsistent information
- Lacks supplier governance process
- Inadequate information for Procurement decisions
- Historical view





Consistently Recognized as a Leader by Independent Research Firms



Leading Analyst Recognition

<p>Leaders Quadrant</p> <p>Gartner Strategic Sourcing Magic Quadrant 2010</p> <p>Gartner</p>	<p>Market Leader</p> <p>The Forrester Wave™: Contract Life-Cycle Management Q2 2011</p> <p>FORRESTER</p>	<p>Market Leader</p> <p>The Forrester Wave™: Sourcing and Vendor Management Q1 2013</p> <p>FORRESTER</p>	<p>Leaders Quadrant</p> <p>Gartner Telecom Expense Management Magic Quadrant 2012</p> <p>Gartner</p>	<p>Market Leader</p> <p>The Forrester Wave™: Services Procurement Q3 2010</p> <p>FORRESTER</p>
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Driving Value with Industry Leaders



High Tech / Manufacturing

Life Sciences / Pharmaceutical

Financial Services

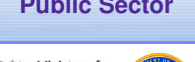
Communications, Media & Entertainment

Oil & Gas / Chemicals

Consumer Goods / Retail

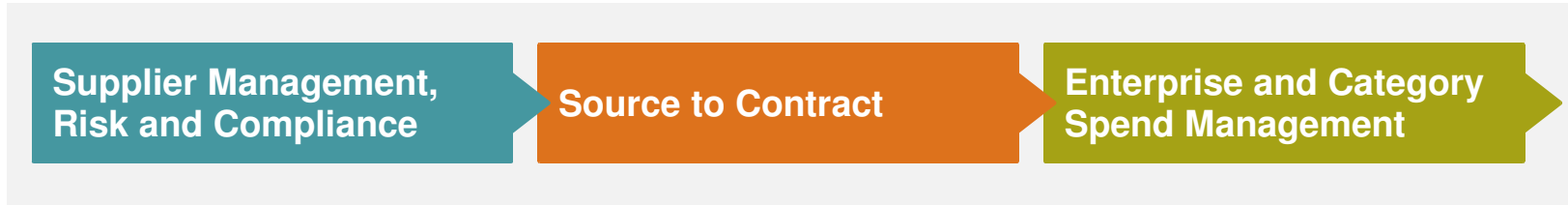
Healthcare

Aerospace & Defense





Strategic Supply Management Goals



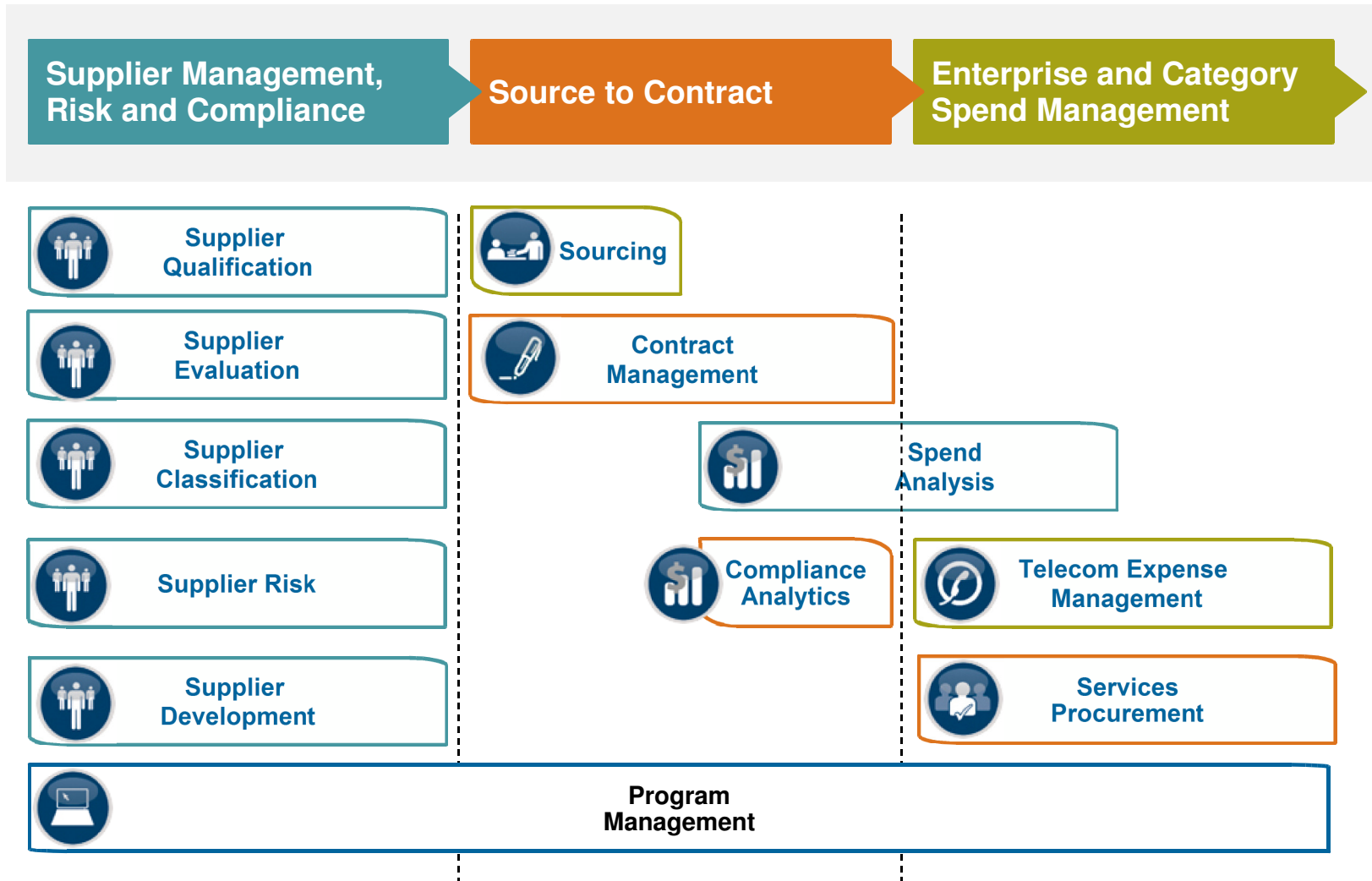
Effectively manage supplier information, relationships and processes to ensure compliance and mitigate risk

Maximize and lock in savings with advanced sourcing and enterprise contract management capabilities

Analyze enterprise spend across systems and effectively source and manage complex categories



Strategic Supply Management Solutions



WORKING DRAFT

Last Modified 2011-05-08 오후 5:01:25 Arabian Standard

Time

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Time



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MTN Procurement transformation journey

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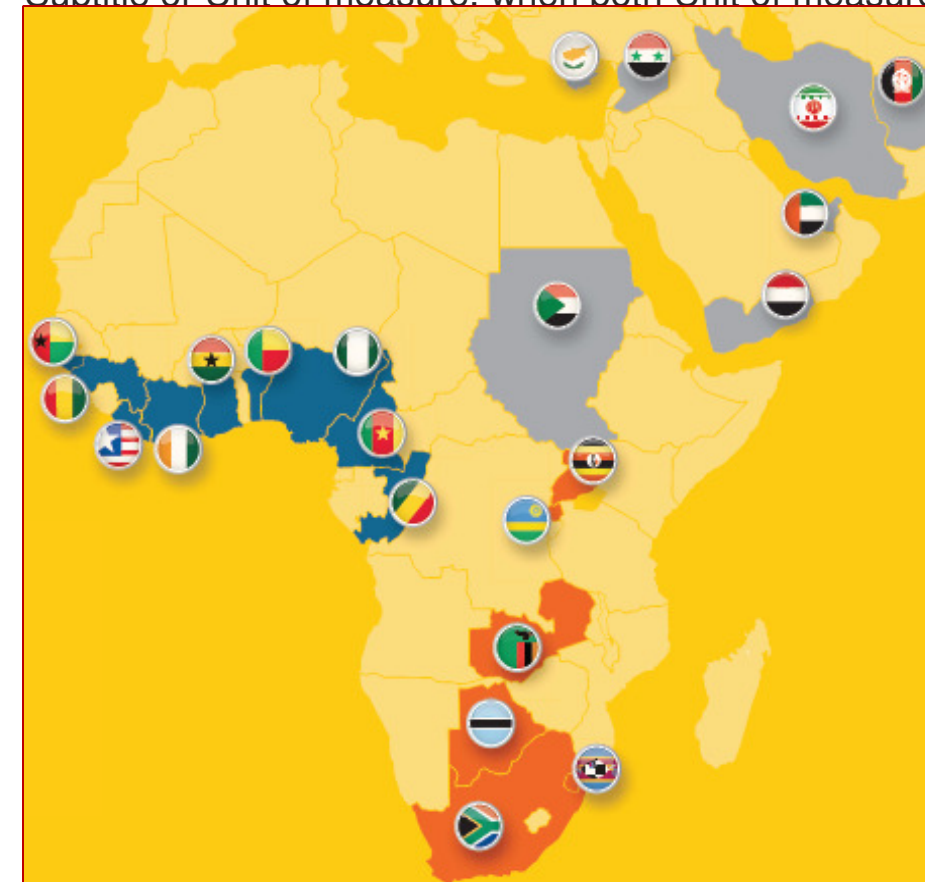
everywhere you go



About MTN Group Limited

Subtitle or Unit of measure. when both Unit of measure goes into a line

July 2011-05-08



Incorporated in 1994, MTN Group Limited is a JSE listed multinational telecoms company.

It offers voice and data communication products and services to both individuals and businesses in Africa and the Middle East.

**195, 4 million
subscribers across
22 countries**

MTN has mobile (GSM) licences in 22 countries and internet service provider businesses in 13 countries.

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MTN ranked as Africa's most valuable brand in authoritative BrandZ Top 100 Most Valuable Global Brands 2012, the first and only African brand to make the list.

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Source: Source



Did you know?

Subtitle or Unit of measure, when both Unit of measure goes into 2nd line

MTN spends enough money on Diesel to drive a Hummer round the world 160 times

Our cash spend per annum is greater than the GDP of 75 countries

We buy enough steel each year to build half of the Brooklyn Bridge

We produce almost one different TV advert for each day of the year

It would take 10 full days to watch the MTN adverts delivered in a year

We buy enough advertising panels each year to cover 3 football pitches

We buy enough water bottles in a year to fill 700 bathtubs

We give away enough key rings for every car in South Africa to have more than one each

The number of MTN customers is five times the population of Canada and has doubled every 4.5 years since 1994

- Legend1
- Legend2
- Legend3
- Legend4
- Legend5



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“One-size-fits-all” approach won’t work at MTN given the complexities of 21 Opcos across MEA

Subtitle or Unit of measure, when both Unit of measure goes into 2nd line

- Legend1
- Legend2
- Legend3
- Legend4



There are varying needs and requirements across the 22 Opcos

- MTN is spread across 22 vastly different countries throughout the MEA
- MTN sources from many smaller, regional suppliers
- Due to acquisition led growth, many cultures flourish even within MTN itself
- Each market has its own unique rules and regulations

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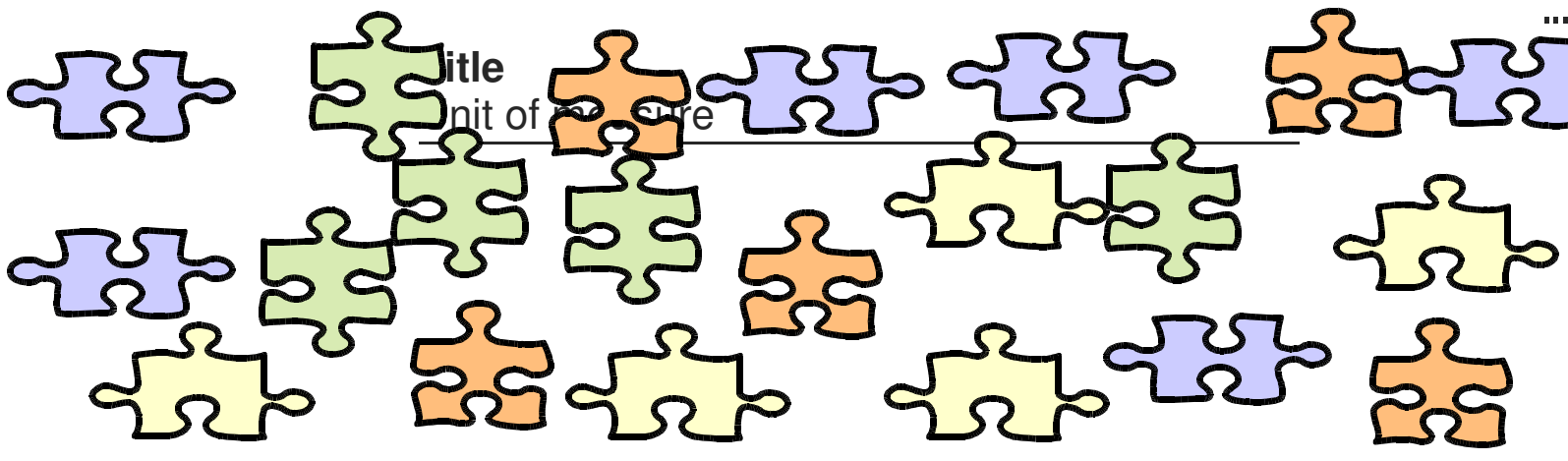
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Source



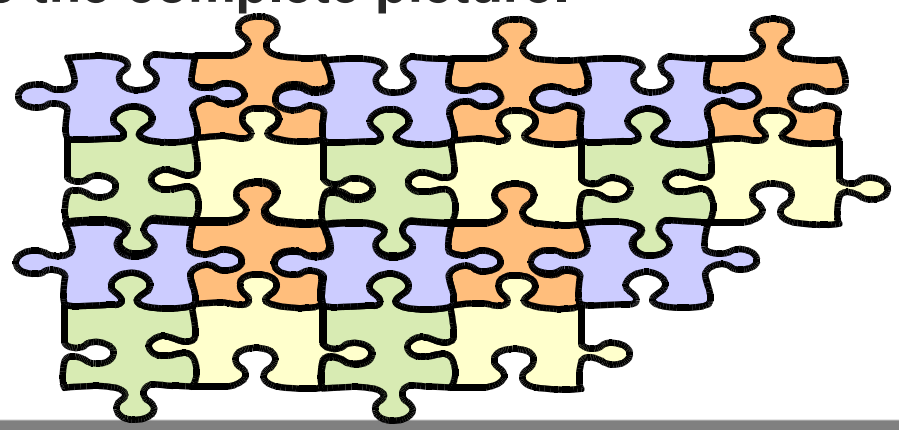
Historical view – 1/2

Subtitle or Unit of measure, when both Unit of measure goes into 2nd line
Our suppliers see us as 22 separate companies

- Legend1
- Legend2
- Legend3
- Legend4
- Legend5



Procurement Transformation is about putting the pieces together to enable us to see the complete picture.



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Historical view – 2/2

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- Legend2
- Legend3
- Legend4
- Legend5

Process

- Local and different
- No common approach/strategy
- Locally Optimised

Title
Unit of measure

Organisation

Organisation / People

- Independent Teams in-country
- Inconsistent Scope
- Limited Career Development
- Local performance drivers

Process



Business Drivers

Systems

- Local ERP's (different platforms)
- Heavily customised
- No common data structures

Systems



Business Drivers

- Emerging vs Mature Markets
- New technology / services
- Global Competition Emerging
- Suppliers know more about us

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Sifiso Dabengwa
CEO, MTN Group

“We will be managing more of our business on a global basis”

“There really is no reason why each and every operation has to be doing all the end-to-end procurement, when we are all procuring more or less exactly the same things”

“There will be more centralisation of procurement, but there will be localised procurement as well”

“We don’t really have too much room for mistakes anymore”

Source: MTN August 2011 Group Status Update audio transcript



Our vision is to maximize shareholder value by building a sustainable procurement organization

Subtitle or Unit of measure, when both Unit of measure goes into 2nd 1 Deliver sustainable cost reduction of 15% on annual spend

2 Deliver USD 250 million reduction in working capital

- Legend1
- Legend2
- Legend3
- Legend4
- Legend5

Title
Unit of
Procurement vision

- Transform into a single supply chain organization
- Execute clear category strategies underpinned by supplier strategies
- Develop strong supplier relationship management to maximize leverage and impact

Capability building to raise SCM talent and ensure we are industry leaders

Procurement processes streamlined to increase velocity and reduce cost

Systems and tools that enable one MTN way

Operating model to facilitate category strategies, shared services and tax leverage

Procurement organisation and governance

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Scope of Transformation

Process

>End to End Optimization > Terminology

People

Deliverables

Behaviors

Clear Accountability

Technology

Integration

**A sustainable reduction
in cost of \$1bn over
three years**

Systems

>Transparency > Visibility >Automate nonvalue add >Externally Connected

Transformation program – wave approach

Subtitle or Unit of measure

I

“Cash register”

Analytics driven strategic sourcing

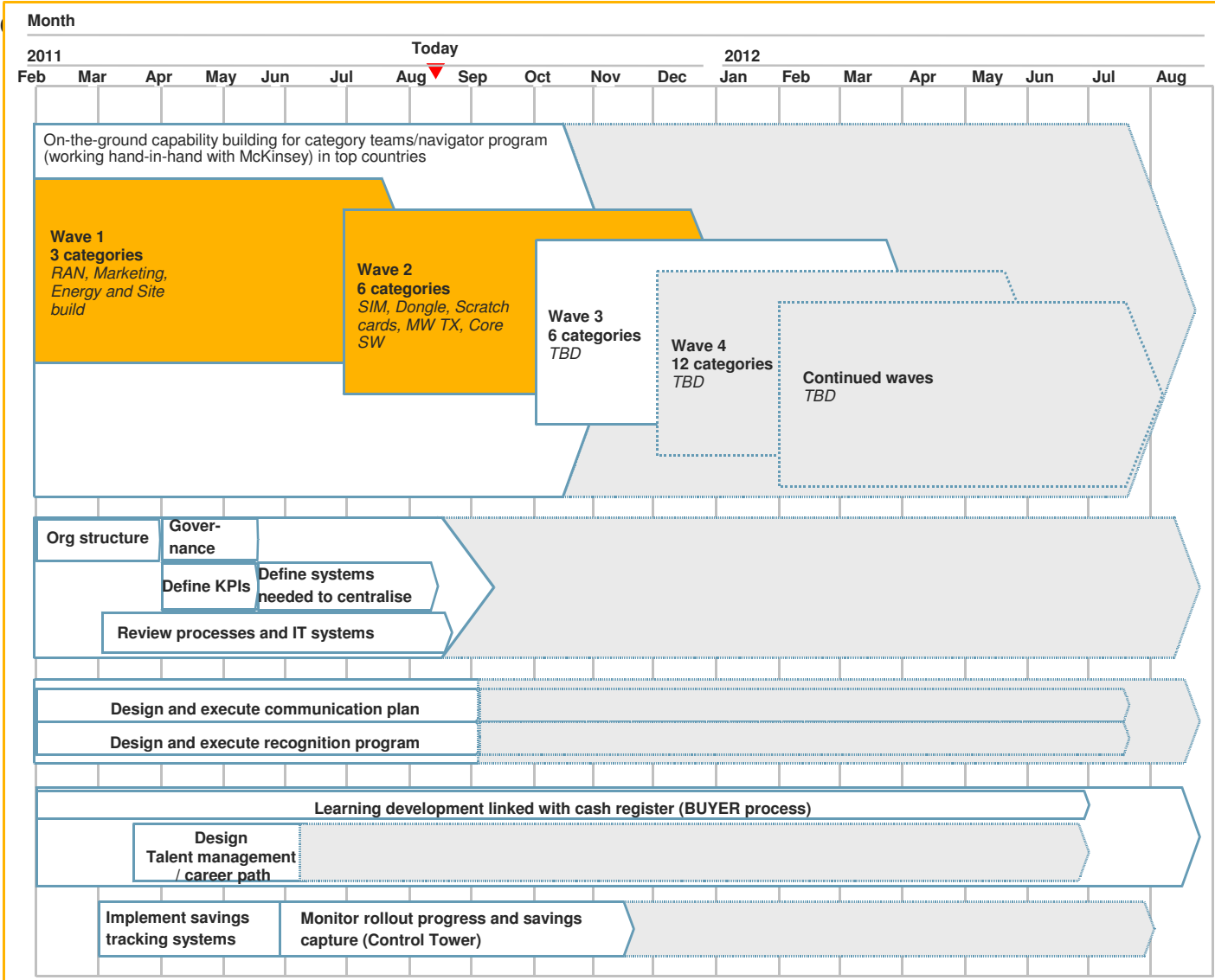
- a Centralised
- b Centre-led
- c Local excellence
- d Rollout to additional OPCOs

II

“Sustainability building”

Organisation, governance, & Transformation management

- a Structure & systems
- b Vision and conviction
- c Capabilities and culture
- d Transformation management – PMO



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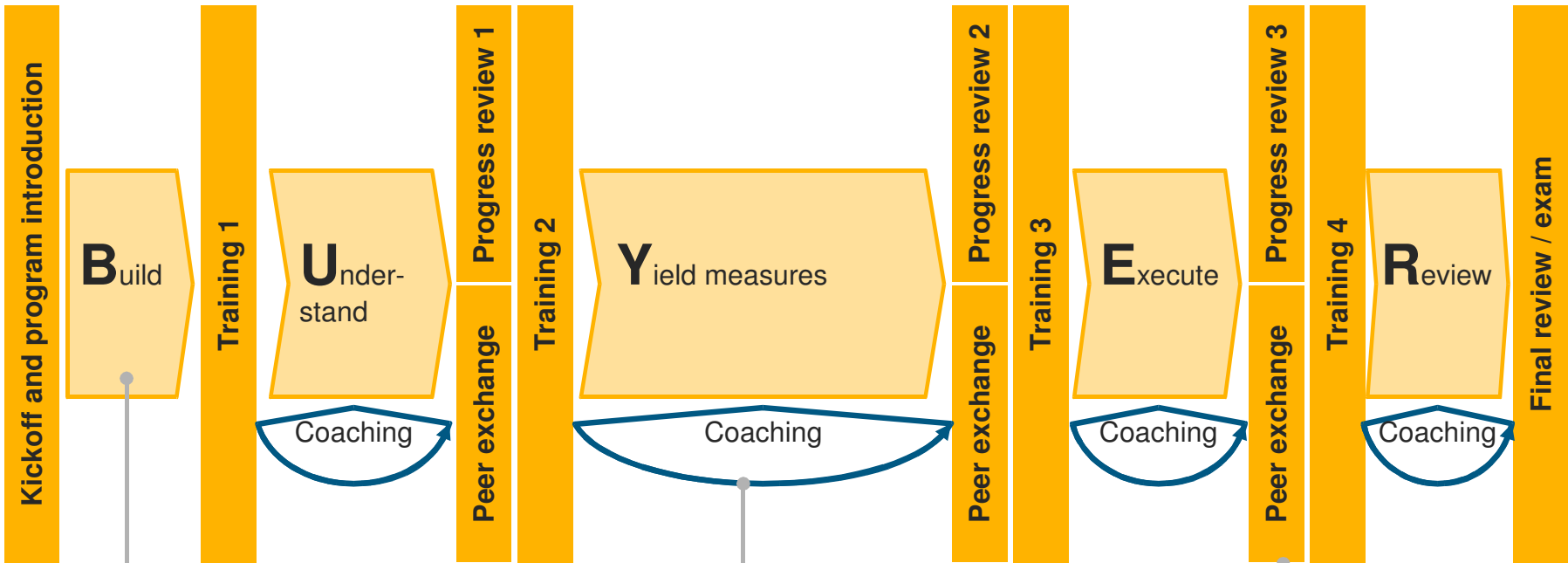
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The approach is designed to combine financial impact with sustainable learning



Just in time training sessions – experiential learning tailored to respective stage of the BUYER process

Regular progress reviews – teams demonstrate how they applied the learning to their category work



Category work – working on concrete sourcing tasks at the heart of the program (learning by doing)

Coaching on the job – just in time support to build capabilities of participants during the actual category work

Regular peer exchanges – formal peer exchange to develop a true peer community



Build Procurement Expertise

Organisation:

Built Central Procurement Team in Dubai to lead Global Categories

Aligning Operating Company Structures to Category focus:

Smaller OpCo's become sub-optimal in category structure

De-duplicated activity between local procurement and Group Procurement

Put in place monthly KPI and status reporting to measure performance

Next Steps:

Optimise in-country Supply Chain Management Processes and structure

Talent:

100 % of Procurement Employees (200 FTE) formally assessed by Chartered Institute of Procurement Specialists
Annual assessment to measure professional improvement

All Procurement Employees mapped on talent matrix with development plans for high potentials and low performers

250 MTN employees trained on the MTN procurement processes (BUYER) training and this is formally part of MTN Academy.

Deep Dive Category management Training courses developed to improve specialist knowledge in-country

Next Steps:

Structure career development with CIPS professional qualifications; level jobs across countries

Achieving the benefits savings was about more than good negotiation



Cost optimization dimensions



Commercial management

~20%

Traditional tender negotiation focused on price

Specification management

~40%

Optimize specs/SLAs to minimize TCO
Fit-for-purpose vs. “gold-plated” specs

Demand management

~30%

Balancing TCO vs. immediate cash outlay
Understanding ‘actual’ demand (e.g., quantity, timing)

Process management

~10%

Negotiation strategy, supplier management and evaluation model

None of this could have been achieved without collaboration and active participation across the OpCos!



Sustainability focused on 4 key areas

Subtitle or Unit of measure, when both Unit of measure goes into 2nd line

Legend

Key focus areas	Objectives
<p>1 Drive process excellence</p>	<p>Establish standard best-in-class procurement processes that help improve efficiency and effectiveness across MTN (e.g. strategic sourcing, transactional procurement ie P2P and supplier performance and relationship management)</p>
<p>2 Project management</p>	<p>Drive both Procurement and Corporate programs aimed at functional and cross-functional transformation involving Procurement (e.g. STAR 2012, Dubai Sourcing Company, MTN Next etc.)</p>
<p>3 Performance management</p>	<p>Institutionalize procurement performance management system through implementation of standard performance KPIs (e.g. savings, P2P throughput time) and conducting spend analytics across OPCOs and categories</p>
<p>4 Deliver system landscape</p>	<p>Develop standard best-in-class IT systems that facilitate Organization and process transformation across procurement (e.g. ERP, e-Procurement etc.)</p>

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d3
d4
d5
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Source: Supply Chain Operational excellence team



To underpin Sustainability, increase efficiency and speed

Spend Cube

Visibility of all external spend by country by supplier for past 3 financial years

Management of Maverick Spend
Fraud Analysis
Supplier de-Fragmentation

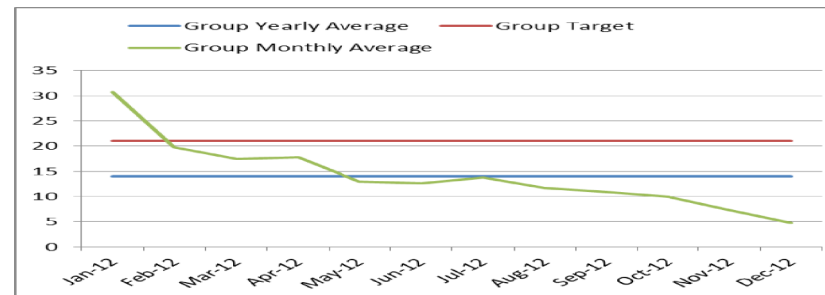
Supplier Performance Management & Contract mgt

Network Vendors evaluation from all OpCO's
Detailed Vendor actions plans agreed and being tracked
Marketing Suppliers review in progress

Clear identification of Supplier Performance improvement areas
Taken seriously by suppliers and OpCo's
Continuous measurement to drive supplier improvement
Instituionalise Executive Reviews with Strategic Suppliers

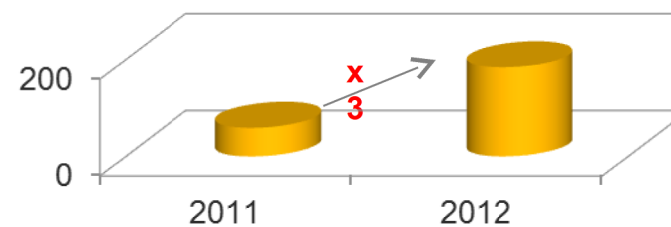
Procure to Pay Process improvement

Measurement of Procure to Pay cycle times across all OpCo's with agreed targets



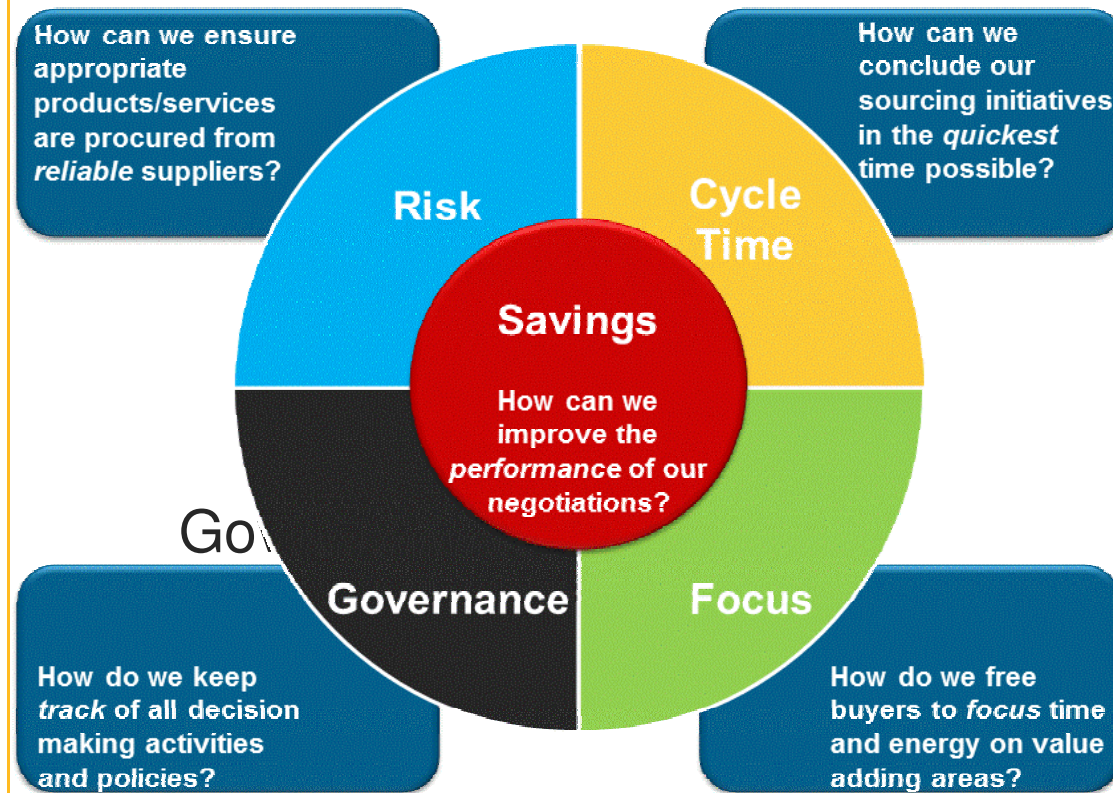
E-Sourcing

Drive adoption of electronic sourcing tools across all OpCo's



At a glance

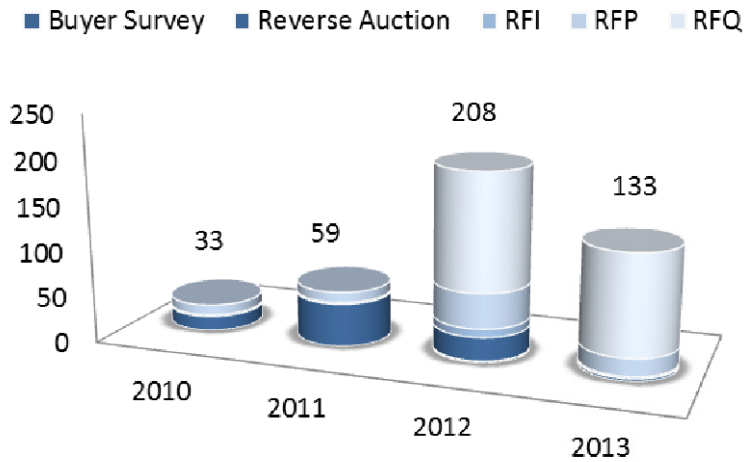
- Rolled out in **19** OpCos
- **8** training sessions in 2012
- **56** procurement professionals trained (**25%** of the total procurement staff)
- **184** events launched in 2012
- **Nigeria 114** negotiations conducted in eSourcing
- Addressed spend of **>\$100 M** in 2012
- Estimated savings of **15.33%** of addressed spend*



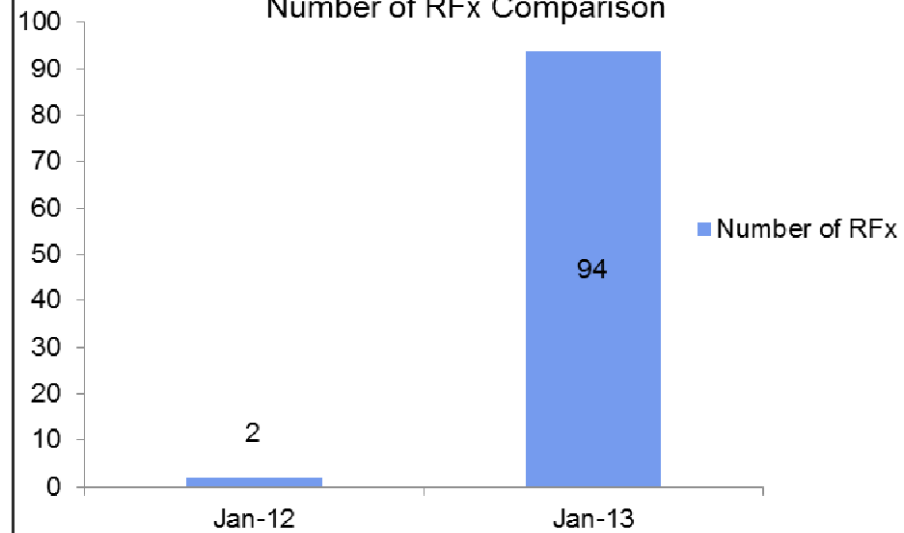


Emptoris e-Sourcing Statistics

Number of RFx Since Go-Live



Number of RFx Comparison



Total Reference Spend Addressed - Since Go-Live

Estimated Savings 2012



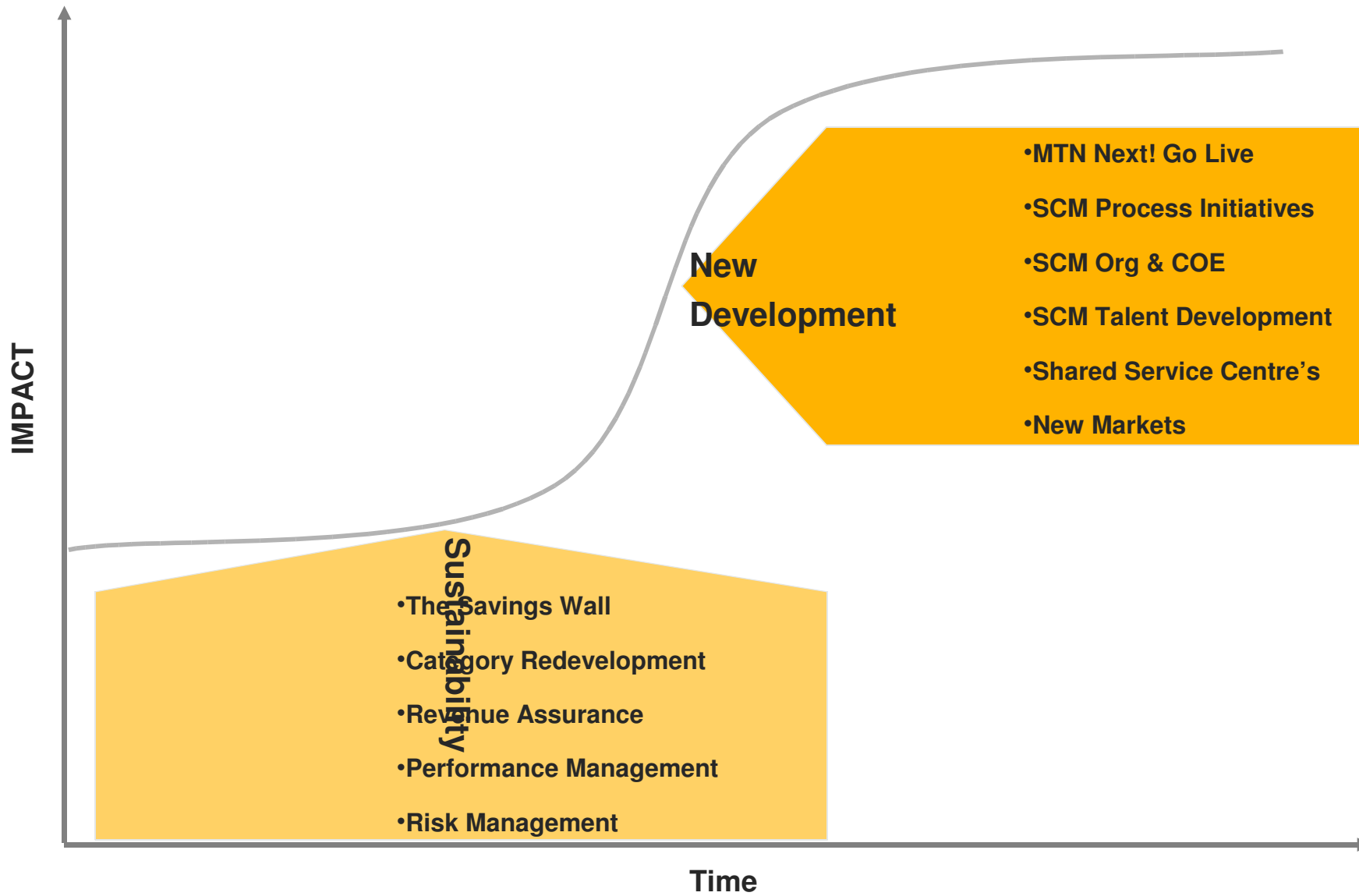
- **KPIs**

- **% of PO spend (excl. GFA & Agreements) through e-RFX (RFP/RFQ & eRAs)**
- **% of events through e-RFX (RFP/RFQ & eRAs)**

- **Reporting Model**

- **Capture of Spend Information**
- **Time-based data**
- **Visibility into eSourcing adoption, utilization and benefits**

2013 and beyond : Impact Curve



2013 and beyond : Sustainability



Areas	The World as we see it	What will SCM do?
The Savings Wall	<ul style="list-style-type: none"> •Hitting the ceiling on Savings •No further opportunities! •Commodity Impact 	<ul style="list-style-type: none"> •Savings Methodology would need to be revised to capture Financial Impact (+ & -) savings •Improved Category Strategies
Category Redevelopment	<ul style="list-style-type: none"> •Exhausting current categories cannot generate additional savings 	<ul style="list-style-type: none"> •Focus on SCM Savings KPIs •Smarter Category Approach that look into alt. approaches •Detailed Spend Analysis to identify new opps. •Identify SCM savings
Revenue Assurance	<ul style="list-style-type: none"> •TSS / CCSS Revenue Leakage due to OpCo's bypassing GFA's •Data collection challenges 	<ul style="list-style-type: none"> •Detailed Spend Analysis to identify revenue leakage •Identify and Implement new revenue models
Performance Management	<ul style="list-style-type: none"> •CM targets cannot be met due to category exhaustion •OpCo's unable to capture local savings 	<ul style="list-style-type: none"> •Procurement Leaders continued roll out •Smarter KPIs for OpCo's and Group
Supplier Risk Management	<ul style="list-style-type: none"> •Supplier Risk •Contract & GFA compliance 	<ul style="list-style-type: none"> •SPM system & process enhancement •eSourcing & Contract Management

2013 and beyond : New Developments



Areas	The World as we see it	What will SCM do?
MTN Next! Go-Live	<ul style="list-style-type: none"> •OpCo's begin implementing MTN Next! causing business disruption & phase out of legacy systems 	<ul style="list-style-type: none"> •SCM Support for CPO's at OpCo •SCM Y'ello Book Deployment •SCM Transformation •Legacy System Phase Out
SCM Org & CoE	<ul style="list-style-type: none"> •Need to transform Group Procurement from Procurement CoE to SCM CoE 	<ul style="list-style-type: none"> •Creation SCM CoE within Group •Build Best Practices to be implemented across group •Develop the right SCM talent for CoE
SCM Talent Development	<ul style="list-style-type: none"> •Shift of focus from procurement to SCM •Group/OpCo's to build the right SCM Talent 	<ul style="list-style-type: none"> •Develop courses / identify individuals within OpCo to build SCM org •Develop KPI's for the SCM org
Shared Service Centre's	<ul style="list-style-type: none"> •SSC will start taking greater responsibility of transactional SCM •Group Supply Chain to provide insight for SCM SSC 	<ul style="list-style-type: none"> • SSC ways of working & Strategy <ul style="list-style-type: none"> • Advisory (SSC Catalogue) • Process Development • Assist SDM with content •SSC Strategy and additional services
New Markets	<ul style="list-style-type: none"> •New OpCos coming onboard 	<ul style="list-style-type: none"> •Create SCM Org/Process •MTN Next Implementation?



Question and answer section



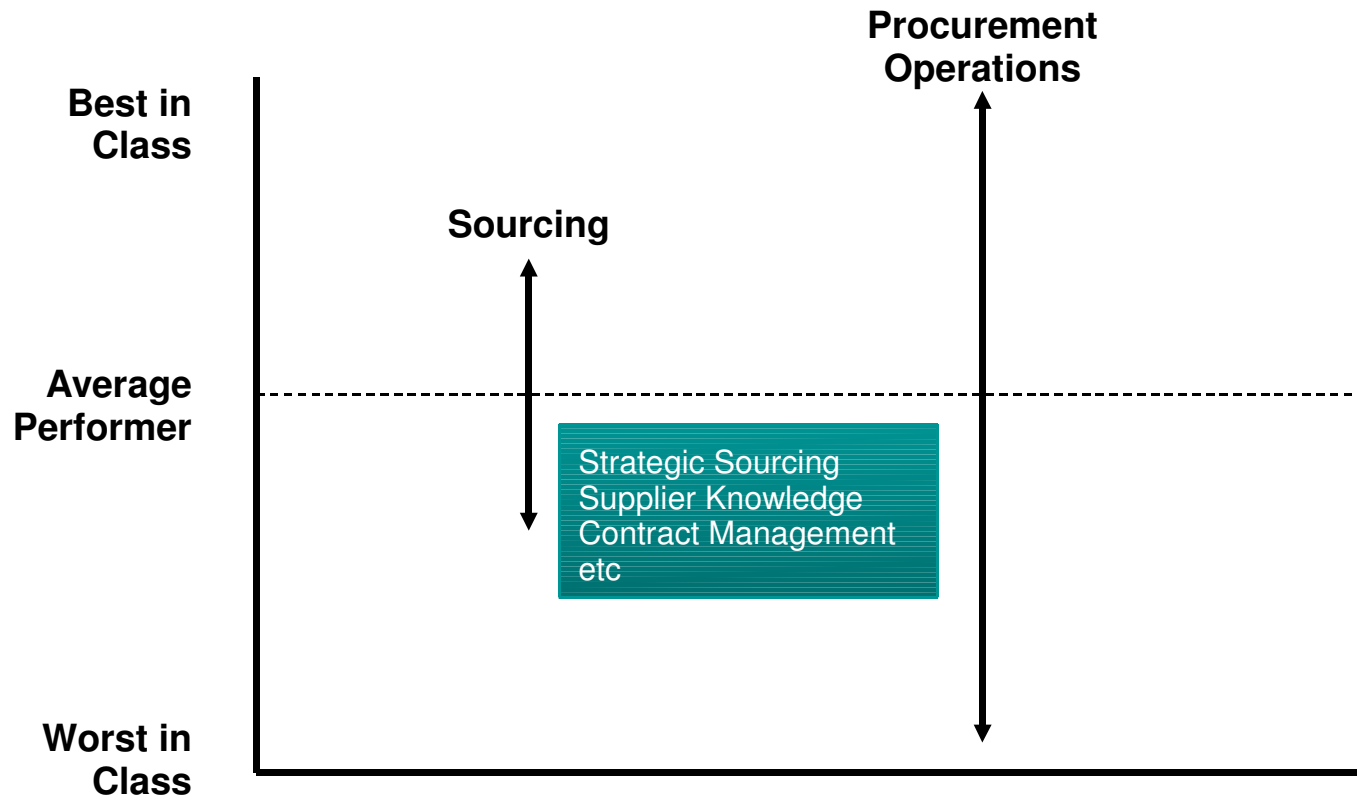
Procurement 'Was' Focused on Optimizing Support of Operations



- **No spend management**
- **No analytics of supplier markets and trends**
- **No strategic sourcing**
- **No risk management beyond inventory stocks or secondary sourcing contracts**
- **Little leveraged spend across business units or product lines**
- **Suppliers managed through discrete transactions — little collaboration**
- **No sourcing and procurement technology platforms**



Recent Developments brought a focus on Strategic Sourcing and spend management





Masters are now pushing beyond sourcing.





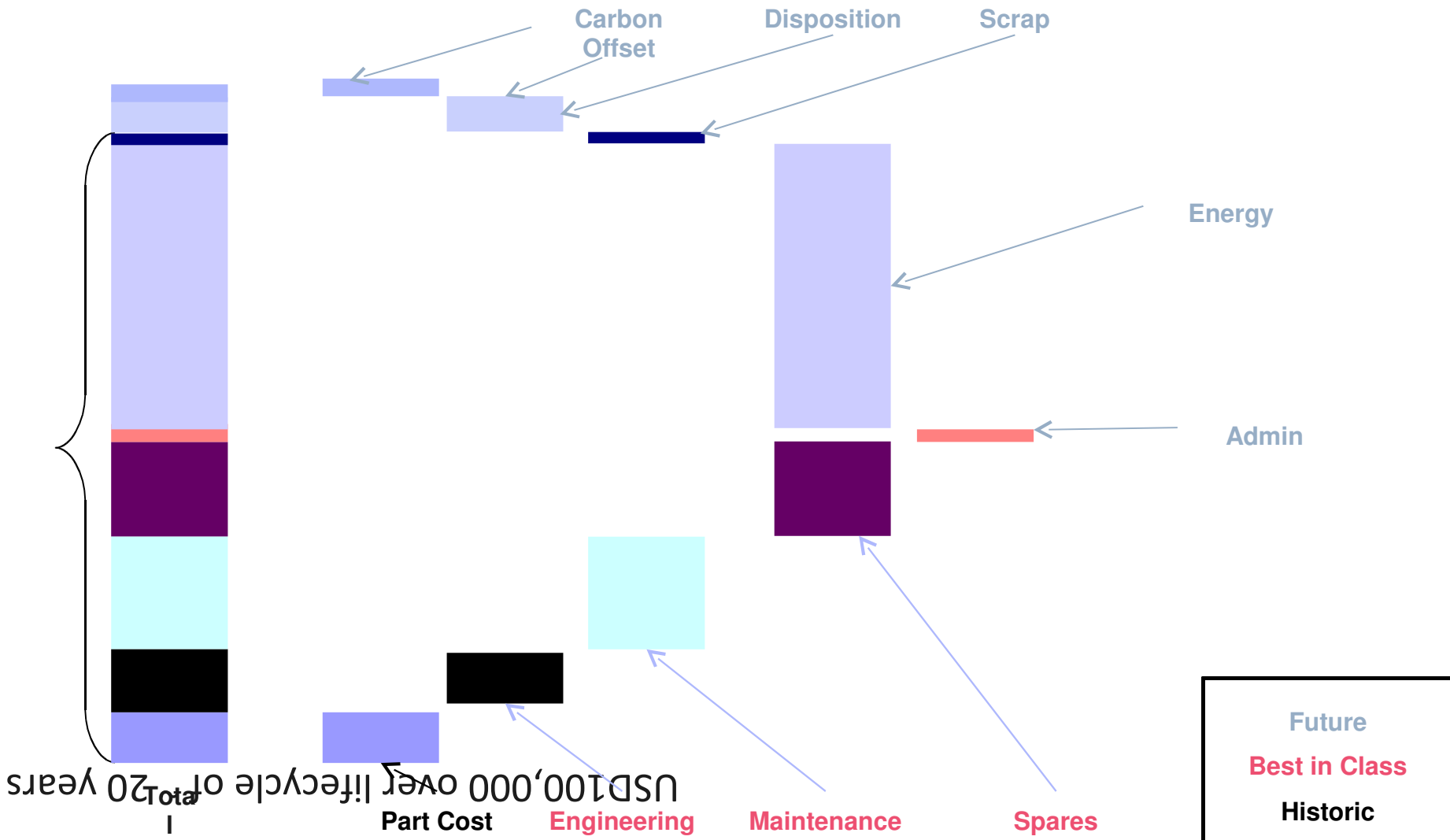
Q&A Value - Strategy



- **Where can procurement be more strategic, identifying and delivering measurable business value beyond cost savings in key business drivers?**
- **How much value is about reduced risk, improved quality, speed to market, faster innovation?**
 - Increasing spend under management (tackling complex categories) will deliver additional savings and reduce risk.
 - Many gains are ‘hidden’ they don’t become apparent until new processes are introduced, such as working with the business and introducing SLM (leading to collaboration with suppliers).
 - Measurement is complex and the impact affects the long term profitability of a product/service and development costs – in effect procurement becomes wrapped up in the core KPIs of the business.
- **What barriers prevent a strategic approach?**
 - Procurement must get closer to the business and understand the needs of stakeholders in order to find where they can add more value.
- **What behaviour is essential /prevalent in an organization becoming a ‘customer of choice’**
- **How does an organization sense where they are in the relationship with suppliers?**

Understand all costs

- when selecting materials and services





Q&A Value - Tactics

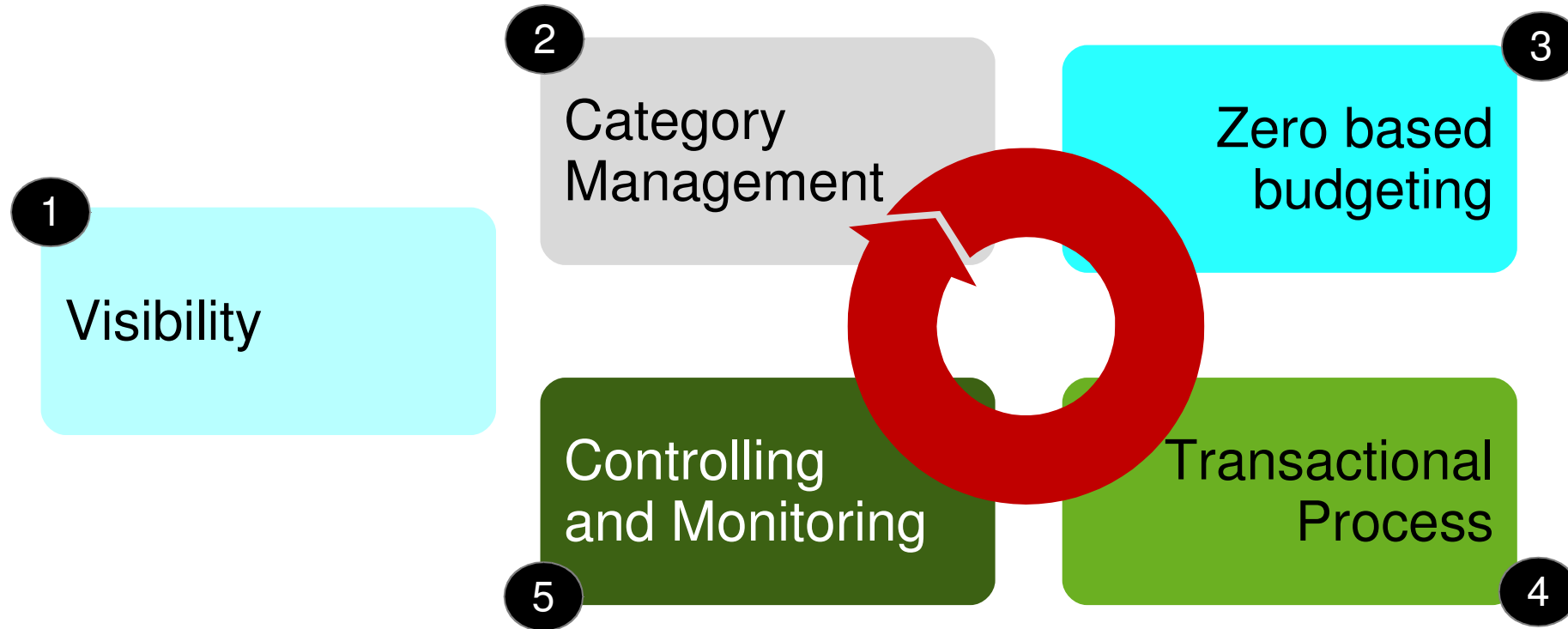


- **What part does technology play in supporting transformation from cost savings to measureable value delivery?**
- **Can technology support supplier collaboration?**
- **How does Procurement find and certify the right suppliers**
- **How can the right talent be developed for transformation to become a success?**
 - Solutions like Emptoris enable an organisation to transform procurement into value rather than service delivery and supports best practice in procurement process. This is an important factor in developing the skills of procurement professionals and attracting new talent.
- **What are the steps to introduce best practice in managing risk and volatility in supply?**
 - Many organisations are far from practicing good risk management processes. Solutions like Emptoris brings together multiple information sources that provides the intelligence to support better risk mitigation decisions.
- **What is a successful procurement organisation doing today that is different from a less successful organization?**



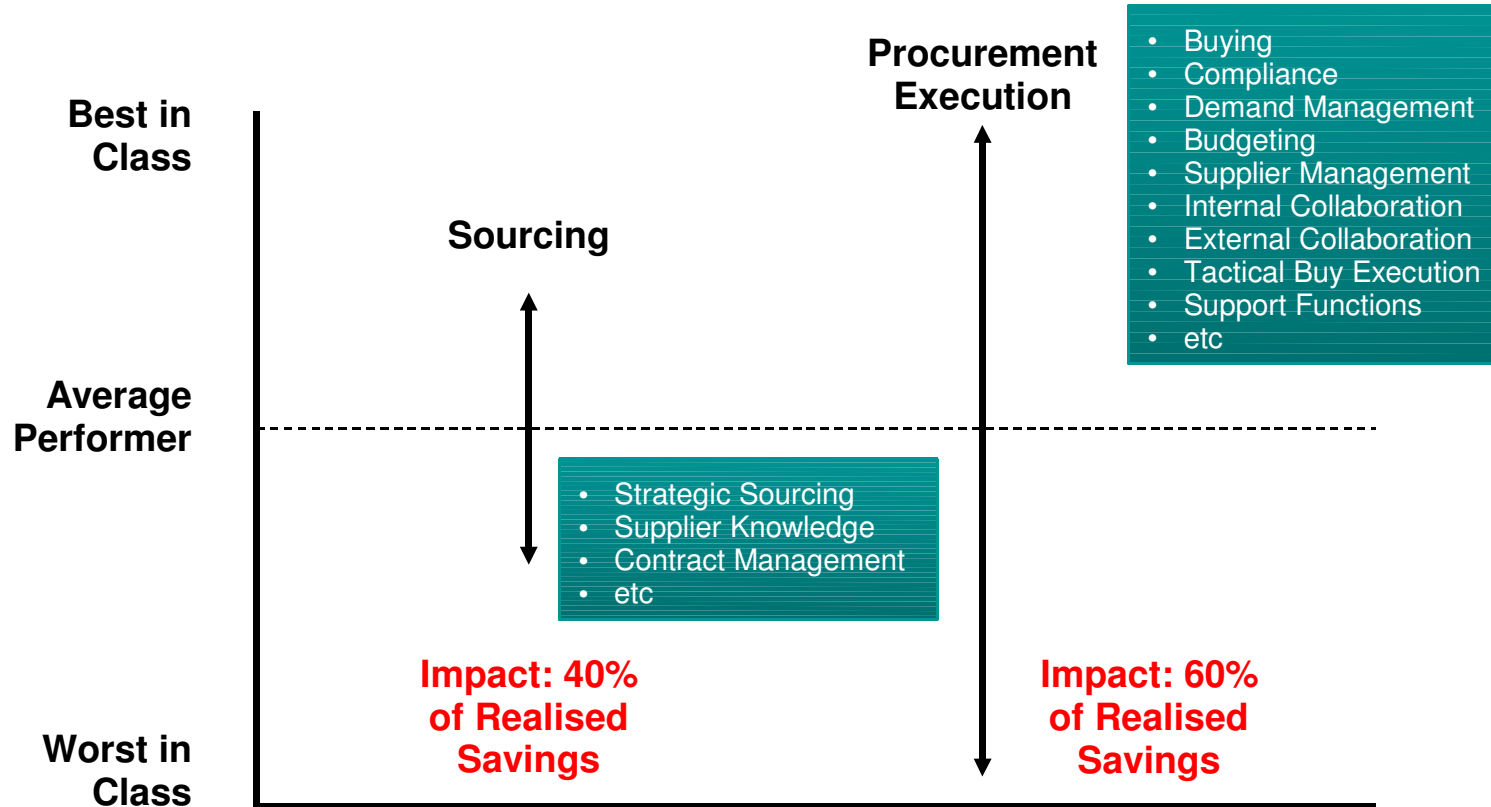
Closing Loop Budgeting

- Drive Zero Deviation from Award to Pay





The goal of CLB is to realise savings





- **Procurement Transformation Delivers Returns From the Outset**
- **Sourcing is increasingly a common function: process variations are decreasing and differentiation comes from category expertise**
- **Procurement execution continues to evolve and integrate into product engineering, finance and supply chain management**
- **Enabling Technology is key to success**
- **The very best companies focus as much if not more on what happens after sourcing as on price and contracts**