CHANGE MANAGEMENT IN PROCUREMENT TRANSFORMATION

Bloomberg
Agenda and Objective

► Defining the challenges we faced
► Creating the business case
► Building the change management playbook
  ► Setting the strategy and branding the program
  ► Building the business case and plan
  ► Creating a future-state organization
► Measuring progress and reporting
► Key takeaways

Objective: provide lessons learned on how to drive change from the executive level to the business level while:
• Leveraging third-party service providers and internal resources
• Building team skill sets
• “Self-funding” the project through successes
Specific Challenges that Procurement faced

- Bloomberg’s unique growth strategy
- Customer service-oriented culture
- Multiple transformation efforts, with limited success
  - Perception of procurement being transaction-focused
  - Lack of data transparency
  - Skill-set mismatch
  - Outdated/limited tool sets

These Challenges added to the complexities of transforming the function
## Where We Started

<table>
<thead>
<tr>
<th>Actions</th>
<th>Results</th>
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<tbody>
<tr>
<td>Assessed current processes and policies</td>
<td>Identified areas for process improvement and established the need for change</td>
</tr>
<tr>
<td>Created list of potential improvement policies</td>
<td>Struggled getting traction</td>
</tr>
<tr>
<td>Created initial project plans</td>
<td>Initiated conversations with key stakeholders, partners and leadership</td>
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<tr>
<td>Began defining what the future state looked like</td>
<td>Identified the need for 3rd party, non-biased support</td>
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<tr>
<td>Implemented a few quick wins</td>
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We realized that driving immediate change from within would be difficult without support
### Establishing the business case and need to act

#### Source to Pay assessment

**Actions**

- Engaged 3rd party to:
  - Assess current state and benchmark against leading practices
  - Identify improvement opportunities
  - Create business case and implementation road map

**Results**

- Conducted source-to-pay maturity assessment
- **Identified and prioritized more than 80 improvement opportunities**
- Conducted spend analytics and created category management playbook opportunities
- Built out business case and self-funding transformation road map

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The assessment allowed us to quickly validate and prioritize opportunities, build the transformation business case and plan.

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_Bloomberg_
The improvement opportunities were translated into a transformation plan

Had working sessions to prioritize these initiatives based on cost, benefits, level of effort and internal priorities. From these working sessions we developed a Source-to-Pay Transformation Plan with the six work streams outlined below:

- AP Quick Wins
- Future State Organization
- Category Management and Sourcing
- Buying Channel Optimization
- Payment Channel Optimization
- PMO, Governance and Change Management

Transformation Plan Work streams

*Cost Savings | Process Efficiency | Increased Customer Satisfaction | Risk & Compliance

Effort

Low

High

*( Time | Degree of Change | Cost )
# Proving the business case and gaining sponsorship

Source to Pay - Proof of Concept

<table>
<thead>
<tr>
<th>Actions</th>
<th>Results</th>
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<tbody>
<tr>
<td>► Internally sold the idea of “self-funding” proof of concept</td>
<td>► Restructured procurement and AP organization</td>
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<tr>
<td>► AP, procurement and 3rd party put “skin in the game”</td>
<td>► Drove more than $2m in 2012 realized savings ($7.5m over three years)</td>
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<td>► Kicked off proof of concept across five work streams</td>
<td>► Redesigned the buying and invoicing channel processes and technologies</td>
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<td>► Focused on driving at least $1M in incremental savings within first year</td>
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Together, we exceeded savings targets, redesigned the organization and established the need to continue with the broader source-to-pay transformation
Branding of “S2P Transformation” and Setting the Strategy
Defining the results and key success factors up front

S2P Project is about ...

**Elevating Service Capabilities through:**
- Reviewing current work processes, understand the current state
- Identifying opportunities to close AP & Procurement service gaps
- Understanding if there are any controls or compliance risks
- Defining and prioritizing efficiency and effectiveness opportunities
- Optimizing technology
- Performing spend analysis and category profiles on all categories
- Determine ideal organization design
- Building transformation roadmap

**Which will enable us to ...**

**Improve the Stakeholder experience**
- Convenient self-service
- Transparency and reporting
- Flexible processes aligned to business needs; ease of use

**Deliver Additional Value**
- Eliminate non-value added activities
- Become more proactive and strategic
- Drive more value from supply base

**Support Future Growth**
- Create more flexible and scalable processes
- Prevent excessive workforce and cost growth
- Maintain competitive service levels in the future

**Resulting in ...**

**Speed of Execution**
- Ease of Use
- Better transparency
- Align to stakeholder and Bloomberg business objectives
- Provide operational agility to internal stakeholders

**A Sustainable Cost to Serve**
- Cost competitive; center of excellence
- Focus on operational effectiveness
- Automation of low value add service activities
- Service levels aligned to business unit needs

Shifting from tactical reactive organization to proactive strategic partner
Identify what’s in it for the internal team(s)?

Communicating the benefits of the transformation and opportunities for team in the future organization is critical to retaining and motivating top talent:

- Better strategic direction and aligned business processes
- Improved perception of procurement within Bloomberg
- More focused and more clear roles and responsibilities
- Increased opportunity for skills development
- More defined career paths with opportunities for progression
- Better technology and support structure to do your job
- Concentration and automation of low-value-add efforts
- Improved visibility into critical data
- Greater opportunity to collaborate with business partners
- More empowerment to make decisions

Providing transparency to the internal team and communicating early and often are critical to gaining and maintaining momentum.

“The program is an opportunity to improve our business processes, up-skill our team and align our organization.”  
**Chris Berger**  
*Head of Global Procurement*
Identify what’s in it for our customers/stakeholders?
It’s important to gain input and agree on objectives with key stakeholders

- **Improve our stakeholders’ experience** – simplify and automate processes
  - Better interface and integration between systems
  - Increased usage of catalogs and P-cards
  - Elimination of non-value-added processes and activities
- **Increase visibility** – use existing technologies to provide visibility into transactions, process, projects, contracts, spend and supplier performance
- **Support future growth** – create flexible and scalable processes aligned with business needs, improved service levels
- **Leverage global spend and suppliers** – better leverage global buying power and strengthen supplier relationships
- **Be results-driven** – work to establish savings goals and customer satisfaction/efficiency targets, measure and report results, and hold our teams accountable

Gaining support from customers and key stakeholders and having them help define success criteria are crucial for aligning incentives and objectives
# High Level Transformation Timeline & Milestones

* S2P encompassed many projects within 6 work streams

<table>
<thead>
<tr>
<th>Category Management</th>
<th>Work stream</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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- **Proof of Concept**
- **Wave 2 Sourcing Projects to continue momentum & savings**
- **Wave 3 Sourcing managed**
- **Sourcing Projects Category Management Training**

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<thead>
<tr>
<th>Buying and Payment Channel</th>
<th>Work stream</th>
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- **PCard Push**
- **Catalog & PO Push**
- **E-Invoice Platform go-live**

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<th>Org Design Transition</th>
<th>Work stream</th>
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- **Build Org and Sustain Category Management Roles**
- **Organization Transition**
- **NA One Bucket Processing**
- **Vendor Master**

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<th>Technology Upgrades</th>
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- **System Upgrade**
- **Asset Project**
- **System Enhancements (1 - 5)**
- **Material master, tactical sourcing**
- **BW Reporting**

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<th>PMO</th>
<th>Work stream</th>
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- **Change Management**
- **Agreed Timeline**
- **Expansion of scope**
- **Delays**
Work stream 1: Category management

Develop category strategy, plan and capability to accelerate category management and sourcing benefits:

► Validate category spend and savings potential analysis and build out purchasing 2012 strategy and transformation plan
► Establish steering committee, governance and reporting framework
► Collaborate with BU’s and stakeholders to establish 2012 category plan and targets
► Establish category councils and teams; re-align purchasing organization
► Update category profiles with contract, project and 2012 budget data
► Develop go forward category methodology, tools and templates
► Launch Wave 1 categories with support (e.g. contingent labor) – “See One, Do One, Teach One”
► Implement tools and enablers (e.g. spend data mapping, enrichment and analytics, Contract management conversion and integration, eSourcing, RFX, reverse auction functionality, supplier performance management functionality, Vendor Managed Services tool for contingent labor)

A defined approach towards category management will yield the following benefits:

► Better leverage Bloomberg’s global spend to reduce the overall cost of goods and services
► Provide better transparency into spending patterns, supply base and reduce buying and supplier risk
► Focus on changing relationships with suppliers and internal stakeholders to take cost out of the business, increase service levels and quality

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<thead>
<tr>
<th>Costs and Benefits – 3 Year</th>
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<tr>
<td>Incremental Cost:</td>
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<td>Gross Benefit:</td>
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<tr>
<th>Level of Effort</th>
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<tr>
<td>Complexity:</td>
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<tr>
<td>Estimated level of effort:</td>
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* Estimated cost includes up skilling resources, category management consulting support, technology implementation, licensing and maintenance fees. Does not include technology upgrade cost.
** Increased rate reductions enabled through maturing of the organization, process and tools.
Quick wins provide success stories to build momentum. Activities to sustain momentum are being delivered in parallel.

**Key activities:**

**Savings and success stories**

- Support identification and delivery of quick wins sourcing savings through
  - Embedding subject matter resources to support initiative leads
  - Helping ensure key category management concepts are leveraged into new initiatives and initiatives in progress
- Incorporate success stories into external messaging / change management

**Sustainability**

- Finalize category taxonomy
- Develop category management methodology and training
- Embed methodology into ongoing efforts
- Define and implement category management initiative and savings tracking methodology
- Deliver category specific solutions for hardware and contingent labor

**Key deliverables:**

- 2012 savings of $1MM+
- Project plan and initiative overviews to track delivery of savings
- All initiative specific work products (e.g. RFP, weighting matrices for sourcing related initiatives)
- Category savings benchmarks for initiatives
- Category taxonomy
- Category management training materials and templates
- Savings tracking methodology and reporting process
- Sourcing playbook for hardware
- Operating model design and strategy for contingent labor
Category Management – Overall success

Savings Goals for 2014
✓ Achieved Budget reduction goals
✓ On target to achieve three year look-out goal
✓ Joint goals driven through tasks given to BU’s

Driving savings value to the business
✓ Developing a more strategic “one Bloomberg” approach to supplier engagement
✓ Savings are enabling BUs to reinvest in higher quality products and services
✓ Helping BUs attain savings commitments without sacrificing quality and service
Buying Channel strategy will support:

- Reduction of non-PO orders
- Reducing order cycle time and compliance by transitioning repeat purchase volumes through catalogs
- Transitioning low dollar transactions to P-Cards
- Increasing percent of Procurement influenced spend
- Increasing Spend visibility
- Reduction of errors and rework
- Leverage the latest technology and automation capability

**Optimizing the preferred buying channels is key to driving efficiencies, increased utilization of preferred suppliers and reducing cycle time for Business Units.**
**Work Stream 3: Global Procurement Organization Restructure**

**Head of Global Procurement**

**Category Management & Strategic Sourcing**
- **Major Activities**
  - Category management (ongoing market analysis, demand management, spend compliance, supplier diversity, industrial participation, international)
  - Contract management (templates, guidelines, plans, performance)
  - Supplier performance and relationship management (define category unique requirements, monitor category-wide performance, improvement plans)
  - Lead and develop category councils and cross functional teams
  - Primary point of contact for BU’s and key stakeholders
  - Strategic Sourcing (strategy, oversight)
  - Strategic Sourcing Execution >$500K

**Purchasing**
- **Major Activities**
  - Sourcing and contract execution ($500K - $10K)
  - Contract management
  - Supplier performance and relationship management (daily management, monitoring, questions)
  - Participate on cross functional teams
  - Provide input to category plans
  - Primary point of contact for end users (BP contact for daily/meetings)

**Procurement Support & Integration**
- **Major Activities**
  - Program and project management
  - Process and technology improvement
  - Supplier performance management
  - eSourcing and reverse auction support
  - Market analysis and Intelligence
  - Compliance reporting, management, and controls
  - Processes and policies management
  - Mergers and acquisitions management
  - Spend analytics and reporting
  - Performance management and reporting
  - Supplier diversity admin
  - Buying channel management
  - Communications and portal

**Procurement Operations**
- Spot Buying under $10K
- PO entry/Asset Mgmt support
- Contract administration
- Catalog maintenance
- Vendor/Material master maintenance
- Purchasing customer service
Work stream 6: PMO, Change Management

- Put Change Leaders on the team
- Management of Project Plans is key
  - Reporting on key milestones
  - Identify, monitor and track project risks
- Collaborate and build positive stakeholder and business partner relationships
- Provide reporting on project status, risks and issues and performance
- Leadership Updates
- Mitigate reluctance to change through data and success
- Focus Change management in all directions (Leadership, Business Partners, Customers, Staff)
Building the right team and governance structure

Executive Sponsor
CFO

Project Sponsors
Controller and Head of Supply Chain

HR Support

Project Leadership

Program Lead

3rd Party Engagement Partner

PMO

Project Steering Committee

AP Quick Wins & Payment Channel
Lead

Buying Channel Optimization
Lead

Category Management
Lead

Future State Organization
Lead

Spend Tool and Data Analytics
Lead

3rd Party Lead

Team
XXX
XXX
XXXX
Others:TBD

3rd Party Lead

Team
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XXX
XXXX
Others:TBD

3rd Party Lead

Team
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Others:TBD

3rd Party Lead

Team
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Others:TBD

3rd Party Lead

Team
XXX
XXX
XXXX
Others:TBD

3rd Party Lead

Team
XXX
XXX
XXXX
Others:TBD

Regional Leads

Others:TBD

Subject Matter Resources
Communication

- **Overall Strategy Deck** – Provide a unified strategy document for both AP and Purchasing teams.
  - Describes all work stream goals and purpose
- **Newsletter** – Providing monthly status of activity, successes and milestones for each work stream.
- **Talking Points** – Provides high level talking points or “elevator speech” for conversations with other “department heads”
- **FAQ’s** – Provides answers to questions the team may have
- **Share Point**
- **Leadership Updates**
  - Council updates (Jim & Chris) – Weekly
  - Project sponsor updates (Jack & Diane) – Monthly
  - Executive sponsor updates (Patti Roskill) – every 45 days (approx.)

**Communication is key towards project success**
What can you take away from our experience?

► Have a Vision - Delivery of an enterprise set of sustainable procurement policies, processes, systems, and performance measurements to optimize the quality and visibility of spend information, increase efficiency in the source-to-pay processes, and strengthen our supplier relationships. Provide Total Value Add.

► Establish project team and roles/ownership

► Develop a business case and Plan

► Perform Benchmarks

► Use external support wisely

► Gain executive leadership support

► Execute and communicate early success stories – Front load benefits

► PMO / Change management responsibility

► Branding and Communication

► Focus on the team (communicate, communicate, communicate!)
  ► Define new roles and responsibilities
  ► Provide training, coaching, and career enhancing opportunities
  ► Reward success
Questions?

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