

11 STEPS FOR SUCCESSFUL SUPPLY CHAIN TRANSFORMATION

A BLUEPRINT FOR THE PUBLIC SECTOR TO
REGAIN CONTROL OF ITS SUPPLY CHAINS
FROM OUTSOURCERS IN ORDER TO DELIVER
DIGITAL TRANSFORMATION

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INTRODUCTION

Brightman Business Solutions hosted an event in Bristol in March this year for members of the public sector to talk directly to colleagues from other public sector organisations about their own transformation projects. The aim was to facilitate conversations, share experiences and to analyse the problems and successes. Ultimately, the aim was to see if there were consistent themes and to consider whether there were common potential solutions. This document is the distillation of all those conversations. We hope it can serve as a useful tool to anyone going through their own supply chain transformation journey.

SUPPLY CHAIN TRANSFORMATION, WHY DO IT?

IT supply chain transformation has moved from nice-to-have, to a critical state for most organisations in the light of COVID-19. Many organisations have taken the brakes off and allowed urgent change to be implemented to address the situation, often in an uncontrolled way. Much of this change has been successful to allow us to grapple with the urgency of the change. People are willing to change because their interests are perceived as being addressed. We asked ourselves in the past, why do we need change, aren't things bad enough? But the COVID-19 pandemic made us all realise very quickly that if what we are doing does not meet the needs of the organisation, we need to address it, and fast. COVID-19 is the compelling event that will truly unlock the potential for supply chain transformation.

As the new environment becomes the new normal, we need to address how best to meet the challenges and opportunities of the digital world we are in. Many organisations are moving to cloud-based products, many services we have been used to "owning" are now available "as a service" and that's appealing to many. The way each organisation is making this transition is entirely unique to them - it depends on budget, legacy kit, and many other considerations. Supply chains in a digital world look very different from the transactional, hands off (albeit often complex) way of buying. It is absolutely vital that supply chain and procurement staff adapt the skills required to meet these challenges and opportunities.

In the past, many businesses were encouraged to see IT departments as a non-core activity, they were there solely to enable transactional business, improve performance and keep IT working behind the scenes. It became the fashion to outsource IT, or at least elements of it and nowadays that has led to new terms such as "as a service" attributes from suppliers. Do you really need to own the infrastructure, the hardware, the development capability? If not, why do you need expertise in house?

It has become clear in recent years that IT is a core activity for many businesses and organisations, it operates as the engine of the business and the expertise that runs and owns that engine has been outsourced and the skills lost to a different market and a different set of priorities.

Organisations are looking at digital transformation and wondering to what extent IT expertise is actually a core skill, what is right to buy in "as a service," and what is right

to manage themselves. This is at the heart of what supply chain transformation is trying to understand and help the organisation or business achieve.

To become a transformative organisation, you need to truly understand what you are there for and without a clear strategic direction, supply chain transformation is in danger of becoming yet another failed project. With the right direction and understanding of the steps involved, many of which are complex and involve many different disciplines within the organisation and excellent leadership, renewing and enhancing your supply chains can add an immense amount of value to the organisation you work for.

IT has become a key driver for most organisations and much of the skillset is now outsourced, leaving businesses and organisations with much less control, and understanding of the benefits that IT can bring. Outsourcing companies have led the way in recent years and now it is time to take back control.

RECOMMENDATIONS

We have written below about the many activities that influence supply chain issues and have considered the key things you can do to ensure a smoother transition to the digital world.

1. **Leadership:** Transformation is a true leadership challenge. The choice of leader is critical to the success of the project.
2. **No more long term, single supplier deals:** DOS (Digital Outcomes and Specialists), G-Cloud, Crown Hosting (for data centres) and other frameworks allow you to get SMEs on board with ease and confidence. Keep control of your IT, whether it is through buying “as a service” or a more traditional service. This approach allows you to spread the risk of supplier failure. There is no need to have to keep with a particular supplier just because getting out of the static contract is too hard.
3. **Align with your organisation’s strategic goals:** Transformation is not just about installing technology or implementing new processes, but it is there to meet the strategic goals set out for it, which must be aligned with the company strategy. This must be the key message for the project.
4. **Don’t be afraid to change processes:** Making a change in the way in which your supply chain works often involves the use of new technology and a fundamental review of the processes you use. While it isn’t always possible to change the approach or processes, you might be able to implement some technology changes that will support the organisation’s transformational change.
5. **Procurement must share contract and deal knowledge with the project teams:** Don’t just back off, make sure the knowledgebase is fully populated, whether you use technology to do this or become an advisor to the project or preferably both.
6. **Training:** Enhance the skills of your supply chain people, but remember that training shouldn’t just be about procurement. Project management and some technical training will help improve effectiveness. Embed procurement staff in the heart of the area where the change is needed so that they fully understand the requirement.
7. **Work with your suppliers, not against them:** Keep your suppliers close, build trust and allow them to help you with your ideas. We know this is difficult to do because of the need to keep within the rules, but often the “rules” make us fearful of engaging with the people who understand the specific issues you will encounter and have wide, market-led knowledge. Use early market engagement techniques to get the best from your potential suppliers.
8. **Engage with other public sector organisations who have done something similar:** People are generally keen to share their experiences, good and bad. Reach out and gain benefit from the experiences of successful (and unsuccessful) projects.

9. **Use consultants (sparingly):** Consultants are often essential to deliver transformation successfully, but they should only be used for short periods to fill specific skills gaps; don't allow them to become the norm. Use companies that will pass their knowledge on to the team and not keep it to themselves. It is important that organisations improve and retain the skills they need to manage the transformation going forward.
10. **Embrace the necessary cultural change:** Change culture needs to be managed and that includes supply chain people. It's not easy to influence internal organisations, especially if they are conservative, but supply chain can lead the way by being more involved at all stages of the procurement. They can also lead the cultural change; show how much market knowledge you have and how you can help to get the department what it needs. Be involved with messaging the department or organisation to help make the cultural change for your people.
11. **Where it makes sense, shift from long-term contracts to frameworks and outcome-based Statements of Work (SOWs):** This may require more management and effort, but that will be outweighed by the benefits of success. Change from outputs to outcomes as a way of expressing your requirements, manage your KPIs based on what is needed now and be willing to engage with your suppliers to assess the best ones to use. Also be willing to work to change your suppliers if you are not getting that you need.
12. **Use the available Frameworks:** There are many frameworks to choose from, but Digital Government Services (DGS) and Crown Commercial Services (CCS) will come and train your staff on what they have. No need to reinvent the wheel.
13. **Use the right skills for success:** Recognise that category managers, supplier managers, or supplier relationship managers may not be enough., You may even need contract managers for the larger projects.
14. **Price isn't everything:** While we may instinctively know this in our daily lives, procurement is still so often dominated by price. Value is the most important driver for supply chain. We need to ensure that when we undertake bid assessments that we truly understand where the value is. So many companies are now offering "as a service" options, moving us from capital purchases to ongoing operational costs. A proper assessment of what value that brings, including all aspects including business continuity and disaster recovery is required to ensure you get the right service.
15. **Be mindful of security designations:** Wherever possible, make the security designation "Official" and it will be easier to share the important information with the people tasked with delivering the project.

THE 11 STEPS FOR SUCCESSFUL SUPPLY CHAIN TRANSFORMATION

1. ALIGNMENT WITH COMPANY STRATEGIC OBJECTIVES

All organisations need to ensure that their digital transformation projects are being led to achieve the strategic objectives of the organisation and not those of a single department or an individual. What are the drivers for change? Is it Government policy? Is it the market? Is it a global pandemic? There are often many diverse projects ongoing at any one time in an organisation and they may have conflicting outcomes which can undermine the planning and strategy of the organisation as a whole.

People who work in the supply chain management side of an organisation are often led by a requirement from an internal department and may not fully understand where that fits in to the strategic direction of the organisation. If they know where and how it fits, it really helps to work out the best way to buy and to ensure that the requirement meets the real objective of the organisation.

One issue that arises is the competing transformational projects going on at any one time within an organisation. This makes it very difficult to get the airtime for your particular project, and procurement will by necessity have to resource accordingly. A good leader will be able to influence and get the appropriate support even if it has to be bought in.

2. A TIME TO CHANGE THE OLD WAYS OF SOURCING IT SUPPORT AND MANAGEMENT

During the period where the sourcing strategy is being determined, a discovery period will often lead to an understanding that the knowledge of what an organisation owns in terms of assets, licensing and even location of devices and equipment is actually held by their suppliers rather than themselves. Supplier's may see this as their own information rather than their customer's and it may be deficient (it often is). After all, it is likely that management of this information has been outsourced to a supplier and no one from the sourcing organisation has even understood its value over the last ten or twenty years, except as an asset valuation figure. We have found that finding that information has been very difficult as its often spread across one or several huge suppliers.

Does this matter if you are planning to outsource much of the infrastructure and so on? That will come down to the decisions the organisation makes about legacy, hybrid and other potential options which we can't discuss in detail here, but generally, to make the business case work, we do need to know what we already own and where it is.

3. CONSTRAINTS FROM CENTRAL-POLICY MAKING AND INFLUENCING

One of the key difficulties for people working in government is that strategies are often written from "on high" and are often political in nature. Complying with a direction set by Government in particular has its own set of constraints. The Cloud First policy was

one such constraint, full of good intentions but actually didn't really work for many organisations, so perhaps led to lip service being paid to it when on the ground, people knew that the really sensible course for them might be a middle ground or a stepped approach.

Procurement rules are created to ensure that HMG is seen to be operating on a level playing field at all times and is meeting its competition and other legalities at all times. This can create understandable constraints. What can be done about them? Often not much in reality, but we are wondering if the COVID-19/Brexit situation may make it easier for departments to operate in a more flexible way. Only time will tell.

4. REQUIREMENTS GATHERING

Supply chain professionals tell us that one of the difficulties in sourcing effectively is gathering and expressing the requirements. This is true, partly because it can be a many headed beast (what you want, versus what you need, versus what is out there). Defining the specifications may need industry help. This creates discomfort in the supply chain as it can be seen as being led by the nose. We can't all be experts at everything, and we do need to take appropriate advice as and when we need it, and we must not be afraid of it. Industry events are good ways to allow experts to showcase their wares. But back to requirements gathering, it's a laborious process, weeding out the nice-to-haves from the must-haves whilst being flexible enough to embrace potential future proofing.

The question many supply chain professionals are asking is "who has the skills to do this?" Is it the technical team, the sourcing teams, consultants? What if you don't have in-house Service Design teams? How do you get the information you need to ensure you understand what you need to buy and from whom? The skills required may be mixed, certainly a business analyst background, along with technical and possibly IT, and project-based skills would be the minimum required. Many organisations don't know where to start, particularly in the current environment where so many mergers of departments have taken place and many records have been lost in the transition. Often the first question is "just what do we have" and "where is it exactly"? How you deal with this issue depends on many factors, whether you have the skills readily available, the standard of your record keeping and whether you have a strategy in place already.

It is our view that there is often a significant gap between various internal organisations especially between the business end and commercial side. We have found that we have been able to bridge that gap and bring it all together. This is something we have done on many occasions and it works.

5. DON'T NEGLECT USER JOURNEYS

It is increasingly understood that the key to ensuring that change is adopted depends on users being engaged with the process of change. During the planning stage of any transformation, a key requirement is to ensure that users are consulted and the journey that they go on in their daily working lives is fully understood. No transformation can be successful if the users of a system do not use the system properly or fully because it is not doing what they need it to do. Often users will make use of their own

workarounds to make a system do what they need it to do (often using excel spreadsheets or the dreaded Shadow IT) because the requirements gathering missed key elements of what the user required. This is an important element of any successful supply chain transformation because without successful adoption there can be no successful outcome.

6. OUTCOME-BASED SERVICES

Products are one thing, specifying for services is quite another. In digital transformation terms the key is to ensure that specifications are based on the outcomes required; this allows a certain amount of freedom around how your suppliers do things as long as you get what you want. This is where innovation is likely to be seen. Non-prescriptive outcome based statements of requirements allow businesses to think about the best way to deliver services and with some of the more disruptive technologies coming through such as Robotic Process Automation (RPA) and Cognitive Computing (AI) this could allow the true potential to flow down. People can be afraid of the disruptive nature of these technologies but essentially, they are there to take the repetitive tasks, where mistakes can easily occur, out of a process, freeing up more value-add task for humans to do.

What are outcomes? This is a change that has been seen in recent years away from outputs as a way to enable suppliers to provide a better service and be held more accountable for it.

It's worth spending a little time understanding the difference in these two types of activities.

One way to define these two terms is to consider an outcome as what an organisation wants or needs to achieve whilst an output is the action or items that contributes to achieving an outcome. An easy way to think of this is that outcomes are the results, and outputs are the activities that support the desired results.

Outputs are delivered and outcomes are achieved. From a supply chain perspective, it's easy to measure outputs, they are generally quantitative, whilst an outcome is more likely to be qualitative. This makes creating KPIs a little trickier but there is no reason that KPIs cannot be related to outputs at one level and then use more qualitative methods to measure outcomes. These are challenges for supply chain professionals and technical teams alike which also affect suppliers as we move into the modern digital landscape. After all, we all know you can deliver something really great and functional but if no one uses it, then it's really no use at all.

7. KEEPING PACE WITH TRANSFORMATION; ITERATIVE AND CONTINUAL IMPROVEMENT, CONTRACT EVOLUTION

Contracts can be very controlling. They are used to govern business between organisations and are sometimes used as a battering ram rather than a tool to work in collaboration with suppliers. This can lead to a lack of progress on projects due to a strict adherence to terms.

Everyone in business understands the need to demonstrate value for money, particularly for Government and the need to keep projects on track. Is there a better way to manage contracts in the live environment to keep costs under control, improve value and enable transformation to occur? Yes, we believe there is. We believe that governance is really important and so is understanding the intention of the project and working together to bring that value out as a team. We are not talking about transactional work here; we are talking about projects involving people. People are a valuable resource whomever they ultimately work for. When they work on a project they often identify as being on project X, wherever they come from. Let's harness the power of the whole team and bring that to bear, involve your suppliers in your thinking and maybe they will have something creative and innovative to bring to the party.

Modern contracts should allow for changes to be made, whether in an iterative fashion (i.e. shorter term agile style projects where time, cost and quality can be more accurately assessed and risk appropriately owned), but with suppliers bought into the overall strategy. This is best served by using Frameworks with short term output-based Statements of Work to manage the work. This may not appeal to larger companies as they want to defray costs over longer periods to give short term discounts, but this will always be reflected in the overall price. No one wants another massive supply side failure due to over enthusiastic discounting and loss leading pricing.

Continual improvement must be built into monthly project/contract meetings, challenge your suppliers to see what they can do to improve processes and reduce costs. Don't just use a big stick approach, carrots work too.

8. PARTNERSHIPS BETWEEN CUSTOMERS AND SUPPLIERS AND BENEFITS OF USING SMES

The adversarial approach to contracting has no place in a modern transformational setting. Working together and at pace requires a different mindset. Respecting the customer/supplier relationship is perfectly possible whilst travelling the same path and having the same objectives.

Using SMEs with a diverse range of skills and a quick, can-do attitude to work is a great way to address the skills gap. SMEs can usually act very quickly, having fewer internal hurdles to get over. We understand it can be difficult to manage numerous companies working on a project, but if you put in the right governance at the start, this should not be the big issue it could appear to be.

Using pre-procured Frameworks will also make life so much easier for organisations undertaking digital transformation. G-Cloud for example makes available many thousands of pre-selected suppliers with an easy way to benchmark prices and an already prepared contractual framework. How much easier can it be? Using DOS is another way to stop reinventing the wheel. The question that remains is why these pre-prepared and easy to use Frameworks are not used more. It is likely that the change process was not sufficiently developed when introducing these Frameworks. We have seen that many organisations still don't understand them and prefer using their own methods.

9. EMBED PROCUREMENT IN PROJECTS

One key aspect of keeping procurement and commercial people separated from technical people in the business is that they often do not have a full understanding of the requirements. It is surely good practice for procurement and commercial people to go and work in the departments where the work is being done so that they can truly understand what is needed and can talk knowledgeably on the subject. Do they truly know their internal customers or are they seen as gatekeepers? Do they act to slow down the process of procurement, even if they don't mean to? If they were seen to be part of the team their intrinsic value would be surely higher and internal teams would be more likely to get what they actually want and not an interpretation of it.

Supply chain can help with passing on contract and deal knowledge to the project teams. Don't just back off, make sure the knowledgebase is fully populated. This is important whether you use technology to do this or simply become an advisor to the project.

10. CULTURAL CHANGE – WAYS OF WORKING

People generally don't like change; they need to understand why they are being asked to do something differently and what's in it for them. In many organisations, there is a distinct disconnect between the strategic vision and the operational outcomes and many don't see how they as people, fit in. They may not even know that their job matters. They may just feel just like in a machine. In order to bring our people along with us we need to get them to buy in and change the way they work. The COVID-19 virus brought this home very clearly. People understood that change was needed, and were willing to do what was necessary (up to a point) to make things work for the greater good. If we could bring that level of inspiration to our daily challenge, think of the wonders that could be achieved. Many of us were asked to work from home. If we have the tools and the space, we are happy to do so, at least some of the time. This alone could bring about a lasting change in the way we all work. Do we have the infrastructure to support this long term? Make do and mend can't support this in the longer term, but digital transformation will ensure that this can be a sustainable change, adding value to people's lives and reducing costs to organisations and creating real improvements to our environment. Could this change have been brought about by changing our culture by stealth? That's a hard one to call but I suspect it would have taken a long time to gain the support of managers and leaders everywhere. What a difference a virus makes.

When projects are in the early stages there is usually a lot of focus, the requirements are gathered, a business case is created, ITTs are issued and assessed, then all of a sudden, the work has begun. This is often job done for many internal organisations and they move on to the next project. This is one area where improvement could be made by ensuring that a contract manager is appointed for in-life projects, to ensure that the project team have all the right information and support from procurement.

11. IN-LIFE SUPPLIER MANAGEMENT AND CONTRACT MANAGEMENT THE KEY TO SUCCESSFUL IMPLEMENTATION AND ONGOING PROGRESS IN TODAY'S FAST PACED ENVIRONMENT

In-life supplier relationship and contract management are the key to ensuring that contracts are successfully managed. The project team must understand the contracts they are managing. Too often these actual contracts have never actually been seen by the management team and so they have no real knowledge of the actual terms agreed. The role of the contract manager is not universally understood but it really makes a difference when this role is actively filled. Not all contracts need a full-time person, often this role can manage a number of contracts at once.

It is critical that supply chain professionals have a full understanding of the portfolio of contracts so that the end date of contracts are staggered rather than aligned to make it easier to manage new procurements.

Having the right KPIs in place is vital to ensure the contract remains on track. Don't be afraid to approach the supplier for ideas on what is the right thing to manage. They are well positioned to understand the critical path of any contract. Don't be afraid to change the KPIs over time too, as time will change the criticality of various outputs and outcomes. Having short term SOWs would help a lot with this.

We all know that if you squeeze the initial contract too much the supplier will have to manage it closely and to the letter. This can lead to numerous changes from them as time goes on so that they can make the work profitable. This is often seen as a dirty word, but without it no business will survive. If you talk to your supplier and build trust you will often find that they will make it clear what is needed to be successful in terms of profit. We all need business to prosper but not at any cost.

Sometimes conflict can arise internally where contract or commercial management or supplier relationship management are not aligned. Good customer/supplier relationships should be the aim of every project, because we can usually do more if we build trust with our suppliers. The best way to manage this is to ensure that the contract manager or SRM is part of the project team rather than have a complete separation of duties. Each organisation is set up differently so the actual role may have another name, but essentially the skill is to manage the contract between the business and supplier to a successful outcome for both.

WHAT'S NEXT FOR SUPPLY CHAIN TRANSFORMATION?

It is clear that changes must be made in the supply chain and in the professional groups tasked with delivering change. We have looked at many aspects of transformation in this paper with a view to understanding what is wrong and to perhaps suggest some things that can be done to improve results. Most of us recognise that the issues raised have been around for many years, and we also recognise that some of them are out of our control. So, what can we do to make a difference now?

We discussed that change is hard to implement, particularly where people are concerned. We understand the reasons for that and in general, what we can do to help. We need to examine and understand the culture and environment we work in and do whatever we can to engage our people and get their buy in to the transformation. We need to communicate with all of our stakeholders, internal and external, and to never forget the end user or customer.

We need to ask why our traditional methods of procurement and managing our supply chain are not providing the best value. There are many reasons for concluding that the traditional adversarial approach to our supply chain will never allow us to achieve the kind of value we desire because it prevents open and forward-thinking discussion between our suppliers and the organisation. It tends also to create differences where competing suppliers are involved in the same project where this need not be the case.

The real issue is that without a comprehensive and integrated strategy for the transformational project as a whole, we are doomed to repeat past mistakes. If we continue to try to implement multiple, disparate systems and solutions without the strategy being defined up front we will never succeed.

We must invest in our leadership and build agreement across project boundaries to achieve a common goal. We must align our programme strategy and outcomes with the strategy for the organisation, we need these clear links to be able to demonstrate to our people that we are connected with the overall strategy.

We must stop relying on consultants and others to fill the skills gap. It is a good thing to use external expertise to get a project moving - after all we don't have all the relevant skills available all of the time - but this support should be time limited and consultants should be a short term solution. Sometimes a gap can appear between the technical representatives and the procurement team where there is insufficient knowledge in the team to be able to support the requirements gathering and create a tender that addresses the brief correctly. This is where consultants, such as Brightman, can help. We have people who have undertaken this role and who have acted as intermediaries between these parts of the programme, with the right analytical skills to fill the gap.

We can do little about central control of policies and we usually have to work within them, but a robust business case will help us identify where this may become an issue and we may be able to take avoiding action early on if it does.

If we do not align our contracts for the transformational activity and the future of the plan at this stage, we will always be playing catch up. Now is the time to get these contracts right for the future. With proper handling and support for procurement, we can improve costs, value, service levels and realise all the benefits of the business

case. With cross-transformational team support we can reduce project delays, improve staff morale, and prevent capital budget over runs.

If an organisation lacks procurement resources to support the transformation, then the benefits will never be realised; procurement must play a full part in the transformation and must be part of the team from the outset.

About Brightman

Brightman helps public and private sector organisations maximise the value from their major IT transformation projects by combining expert business consultancy with hands-on delivery.

IT projects fail when people and culture are not taken into consideration at the outset. Brightman works with all the stakeholders involved in the integration of new technology to ensure high levels of acceptance in order to maximise return on investment.

Brightman is an authorised cloud services supplier on the G-Cloud 10 and Digital Outcomes & Specialists frameworks. Public sector organisations that wish to appoint Brightman will find them via both of those digital marketplace frameworks. Brightman is also an approved Crown Campus supplier.

www.brightman.uk.com