Ready for the future – Think hard, act smart

Dr. Klaus Staubitzer, Siemens CPO
It is generally acknowledged across the corporate world that the procurement function needs to make use of digitalization and develop new processes and tools. The various possible pathways to an organization fit and strong for the future are a source of considerable interest. Dr. Klaus Staubitzer, Siemens CPO, spoke with Dr. Robert Fieten and editor Sabine Schulz-Rohde from trade journal "Beschaffung Aktuell" about the change management activities required in his department.

Fieten: What new developments are anticipated in Siemens’ supply chain management activities over the next few years? Is there a “next big thing”?

Staubitzer: I believe in technologies like artificial intelligence and robotic process automation. There are technical capabilities available to us today that promise a great deal for our Supply Chain Management because they create transparency and genuinely make a buyer’s life easier. What we have to do now is be clever in how we use these opportunities presented to us by the new technology – and of course ensure we take a responsible approach to managing the associated transformation process.

Schulz-Rohde: Can you give an example?

Staubitzer: We use an in-house Siemens cost and value engineering software solution to analyze products and systems. Suppliers are usually very surprised when we make specific suggestions as to how they might simplify the product to reduce costs without any negative effect on quality.

How high are overheads? What are the cost drivers? And how exactly does the supplier arrive at its prices? The cost and value engineering system enables us to answer these questions. We also use CVE to optimize costs retrospectively. It is not unusual for this to involve reviewing up to 300 key components in a project. We accordingly need people in the Procurement function who have corresponding material expertise and speak the same language as the engineers. Otherwise, design engineers are likely just to respond: I can check out the prices myself.

If, however, the design engineer can see that the buyer concerned can actually be of assistance with costing and even with the design process, the relationship that develops will be quite different and entail a much higher level of mutual acceptance.

Fieten: Is this tool one of those next big things?

Staubitzer: CVE is just one digital solution that we use in Supply Chain Management. Applying augmented reality also helps us to be faster and more efficient. We can perform acceptance routines and check every relevant point as though we were there on the spot ourselves. Digitalization per se is by no means the be-all and end-all though.

Fieten: That’s right. Digitalization is often completely misunderstood. In most companies, it is thought of as the automation of existing processes, which is absolutely wrong.

Staubitzer: Digitalization can actually become a burden if it does not ultimately make life for your people and your organization clearer, simpler and better. And if it becomes a burden, it will not be accepted and will never really work.

That was in fact one of the reasons that we avoided developing any central top-down master plan and adopted our broad-based “Digi-Network” approach instead. All we did was ask our Siemens employees to think about how digitalization could be put to good use in their setting and what would make sense for their business. We watch projects come into being and help the project teams to keep a handle on the complexity that arises. Employees are actively engaged and are not left with the feeling of having something imposed on them from above.
Schulz-Rohde: Does that lead to different sites having different processes in place?

Staubitzer: The basic processes – source-to-contract, purchase-to-pay and so on – are standardized, but if a team finds that it needs a special application, it is free to develop it for itself. Where once we might have been inclined to insist on standardization, now we are quite prepared to entertain a certain level of modularity where necessary.

Fieten: On the one hand you have the ESI+ comprehensive Electronic Supplier Integration solution for optimizing the operational procurement process, and on the other hand you have the SCM STAR strategic procurement platform, which is used for supplier and contract management across the board as well as eSourcing events.

Staubitzer: We want to make sure that as far as possible, suppliers are entered only once. And we want to keep an overview of contracts too and maintain just one structure. This helps us to ensure that what we negotiate is actually applied in practice. Tools and platforms remain as important as ever for this in relation to both direct and indirect material.

Schulz-Rohde: How do you organize data maintenance?

Staubitzer: Supplier Master Data entry is a continuous routine activity and one that we of course use technical systems to support. Ultimately, however, it comes down to discipline and continuity.

Schulz-Rohde: Some solve this problem by having suppliers enter their own data in the system.

Staubitzer: We do this with a few suppliers involving straightforward B2B activities. But mistakes are only human and it is not at all uncommon for one or other partner to forget an update.

Fieten: Is there anything else in the pipeline regarding collaboration with suppliers?

Staubitzer: We attach considerable importance to supplier innovation. Previously we tended not to range outside of our own supplier base, but today many innovations come from outside of that group.

We and our colleagues from Research and Development trial external open platforms such as NineSigma to this end and we also have our own supplier portal, which enables suppliers worldwide to present their own ideas.

Fieten: Is SAP S/4 HANA on your agenda?

Staubitzer: We are one of the first pilot users of SAP HANA. Their data lakes [editor's note: giant databases] provide the basis for many new applications. This is one of the really core elements when it comes to keeping complexity under control. You need these data lakes in order, for example, to be able to deploy tools to analyze and visualize all of the company's workflows.

Schulz-Rohde: What tools are you referring to specifically?

Staubitzer: We simulate and visualize processes using tools such as Celonis. Mapping processes with Celonis quickly reveals the problems we need to tackle. It is surprising, for example, how often purchase orders are revisited.

All these tools do in reality is retrieve and visualize facts from the actual data. But this visual form of presentation is easy for everyone to understand and very convincing with it. We take particular care here to ensure that our data is good and reliable and that our questions are as specific as possible. The analysis possibilities are virtually infinite, so we could otherwise easily be overwhelmed by the torrent of data.

“*If Digitalization turns into a burden, then it will not be accepted and can’t possibly work.*”

Fieten: How important do you expect artificial intelligence, machine learning and robotic process automation (RPA) to become in the future?

Staubitzer: I am convinced that these technologies are important not just for procurement, but for the whole of operations management. Many operations are already integrated and thus need to be coordinated. This generates a level of transparency that we have never seen before.
We now have useful predictive capabilities to support our decision making. Our job is to sketch out the ways in which the organization can play with these new possibilities.

This in fact is what led me to title my presentation at the 9th BME e-solutions conference "Digitalization of Procurement – Think hard, act smart!" This is a very far-reaching transformation.

Staubitzer: Digitalization is not a package tour with a fixed route and precise itinerary. I see it rather as a journey of adventure. And for that reason I want the people joining us for the ride to be flexible in their approach and open to the new. I believe that the more broadly we scatter the seeds of digitalization across the company and the more expertise we can accumulate in our organization, the better equipped we will find ourselves for the quest to come. We must be open-minded in our thinking and our actions if we are to give new ideas a fair shake.

Schulz-Rohde: Some large companies have a separate department that is able to experiment away from day-to-day business. Do you have anything similar?

Staubitzer: I think that separate departments of this type can work well, but eventually they have to transfer what they have created in their silos to the wider organization. This step can generate significant resistance from the people affected, so my preferred method is to enthuse as many colleagues as possible across the organization and have them work with us on the idea concerned.

Schulz-Rohde: How do you manage the wrong turns? Breaking new ground necessarily means being prepared to fail.

Staubitzer: I say let’s give it a go. And if things don’t work out, that too helps us learn and prepares us to do better with the next new idea. I am a big proponent of a culture that allows mistakes and failures that make sense in the bigger picture and I think we will be pushing this point – with argument and examples – for some time to come.

Schulz-Rohde: How will you ensure that employees continue to keep pace with future developments?

Staubitzer: We have introduced an online competence assessment, which includes a profile of requirements for every function in Procurement. All of our buyers and commodity managers can check this profile for themselves to see which relevant skills they already have and which they still need to acquire – and then complete a recommended online training course.

We launched a negotiation excellence training program a few months ago too. Thousands of people across our organization have already made use of it. Measures like these help to keep our people fit for today and fit for the challenges of the future.

Schulz-Rohde: What else is new?

Staubitzer: We want to make even greater use of platforms in future, not least in order to ensure data quality. Cross-functional collaboration is also important. Procurement needs to set out its stall in this area and develop the required capabilities so that we are involved in product development processes at an early stage. This means having and demonstrating corresponding market knowledge and the ability to deliver.

Schulz-Rohde: What other skills must a procurement manager possess?

Staubitzer: The further up we look in the hierarchy, the more important social skills become: more senior procurement managers need to be able to hold their own and put a convincing case when dealing with CEOs and heads of development and manufacturing.

Fieten: We have covered the change process for buyers now. What about the CPO? How is that role changing?

Staubitzer: The procurement volume can often account for as much as 70 percent of the overall cost structure, so clearly this is an issue that cannot be ignored. We need to find a structure that enables us to manage this volume as effectively as possible for the company. Whether that involves a Value Officer, a Chief Operating Officer (COO) or a CPO depends on the circumstances, which can vary greatly from industry to industry.