Workshop on Roadmap Development: Vision, Value, Velocity

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Digital Transformation (DX) Defined

The application of 3rd Platform and related technologies to fundamentally improve all aspects of society. For business this means:

**TRANSFORM...**
New sources of innovation and creativity to enhance experiences and improve financial performance. Simply modernizing the technology underpinning existing systems is not transformation.

**...DECISION MAKING...**
Using information to create an evidence based culture. Companies should plan on doubling the productivity of their knowledge workers by using information more effectively.

**...WITH TECHNOLOGY**
Digital transformation is not to be confused with digital technologies, however, it does use 3rd Platform technologies such as Cloud, mobility, Big Data, and social as well as Innovation Accelerators including IoT, robotics, and 3D printing.

![Direct DX Investment](chart.png)

- $1.1T in 2018
- $1.3T in 2019
- $1.6T in 2020
- $1.9T in 2021
- $5.9T Direct DX Investment

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“My goal is no longer to be a maker of home appliances, but to be an agent of interaction and networking among people who might be anywhere.”

Zhang Ruimin
CEO, Haier

“If we do this correctly, we can have a very different-looking company 10 years from now. If we don’t do it correctly, we will be at best a low-margin assembler of other people’s technologies and that’s not where we want to be.”

William Ford, Jr.
Exec. Chmn., Ford

“In today’s era of volatility, there is no other way but to re-invent. The only sustainable advantage you can have over others is agility. That’s it. Because nothing else is sustainable, everything else you create, somebody else will replicate”

Jeff Bezos
CEO, Amazon
CEOs See $18.5T of Economic Value Add

- Healthcare at **18%** of US GDP
- **60%** of energy generated is never used
- **60%** of food never eaten
32% Of new technology investments will be driven by digital transformation

3rd Platform Technologies and Innovation Accelerators

Digital Transformation

Augmented & Virtual Reality
Internet of Things
Cognitive Systems
Robotics

Next Gen Security

Big Data/Analytics
Social Business
Mobility

3D Printing

Cloud

3rd Platform

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Digital Capabilities Need to be Developed

- Processes
- Technology
- Governance
- Talent
Build a Long Term Digital Roadmap

1. ENVISION THE FUTURE
2. BUILD ROADMAP BY HORIZON
3. IDENTIFY AND PRIORITIZE USE CASES
4. VET THE SUPPLIERS
FROM Traditional Procurement activities

Operational activities or Downstream “P2P”
- PO mg & delivery
- Receipt & payment
- Quality data source
- Contract execution
- Supplier scorecard
- Continuous improvement
- Supplier creation
- Data preparation for RFP
- Audit, compliance, anti bribery
- Master DATA

B2B supplier network
- Electronic PO, Invoice
- Automated 3 way match
- Link to supply chain
- Acknowledgement
- Delivery dates
- forecast

Commercial activities or Upstream* Sourcing*
- Supplier selection & mgmt
- Market information
- E sourcing RFP & e auctions
- Risk mgmt
- Building scenario
- Strategic category mgmt
- Supplier tail mgmt
- Contract negotiations
- Part and product qualification
- BI – Spend analysis

• For Direct materials: transaction link to Supply Chain

• Traditional IT investments were/ are made in general & specialized P2P (travel, mkg, BOM, legal etc) solutions + commercial modules such as contract, e sourcing, supplier creation, compliance, anti bribery

• ROI calculations are based on savings, HC reductions, tools decommissions

• Recent evolutions:
  - Cloud solution permit investments outside ERPs
  - Higher expectations on user experiences and supplier interactions

NEW DIGITAL outputs

- Intelligent Sourcing
- Generative Supplier Relationship Management
- Cognitive Risk & Quality Management
- Iterative Innovation
- Intelligent Contracts
- Intelligent Procurement & Supply Planning

HOW

DATA

Technology

Processes

Governance

Talent

Use case developed by Tomas Wiemer
<table>
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<th>Level 1: Ad Hoc</th>
<th>Level 2: Reactive</th>
<th>Level 3: Anticipating</th>
<th>Level 4: Learning &amp; Orchestrating</th>
<th>Level 5: Continuous</th>
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<tr>
<td><strong>Sourcing Strategy</strong></td>
<td><strong>Organization</strong></td>
<td><strong>Sources of Insight</strong></td>
<td><strong>Systems</strong></td>
<td><strong>Supplier Engagement</strong></td>
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<tr>
<td>Cost Management</td>
<td>Decentralized/ Siloed</td>
<td>Suppliers “Tribal Knowledge” ERP spend history</td>
<td>Excel</td>
<td>1-3 sourcing events Less than 50% spend/ tail uncovered</td>
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<tr>
<td>Cost + Continuity of Supply</td>
<td>Departmental/ Plant/ Business Unit</td>
<td>Suppliers Limited Market Enterprise Spend</td>
<td>BI Tools/ Data Warehouses + Excel</td>
<td>1-3 sourcing events 60% + spend/ partial tail coverage</td>
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<tr>
<td>Sustainable Cost Management Risks &amp; Opportunities</td>
<td>Center-Led/ Centralized</td>
<td>Suppliers Limited Market Enterprise Spend + Forecast</td>
<td>Sourcing Platform Spend Analysis + Predictive + RFQ</td>
<td>1-3 sourcing events 50-70% total spend and supply base</td>
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<td>Value Creation Product Lifecycle</td>
<td>Internal Cross-Functional</td>
<td>Network Community Market Enterprise</td>
<td>Shared Platform Learning + Optimized Decisions</td>
<td>Quarterly/Weekly events 70% + spend and supply base</td>
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<tr>
<td>Competitive Advantage</td>
<td>Embedded Cross Functional + Network</td>
<td>Comprehensive Dynamic New Insights</td>
<td>Shared Platform, Partially Autonomous</td>
<td>Continuous Engagement 90%+</td>
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**Maturity Road map**