



KPMG CFO Real Insights: C-Suite Perspectives

Spotlight on CFOs and CPOs

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Webcast Summary

Across the C-suite, leaders are looking to the procurement function to take on a broader and deeper set of strategic responsibilities. Reduced costs, speed to revenue, improved relationships, and better decisions are just some of the benefits of an effective, technology-enabled contract management process.

This webcast highlighted the critical connection required between CPOs, CFOs, and other leaders to optimize the source-to-pay (S2P) process, improve compliance, reduce risk, and drive more value to the bottom line.

The panelists addressed the following agenda points during the webcast:



The future of S2P, from a finance lens

- There are four pillars of the future of S2P that overlap with the CPO agenda.
- Extreme automation is the most critical of the four pillars and is where we see most of our clients heading toward:
 - For example, machine learning and optical character recognition can enable S2P environments to take advantage of the pillar.
 - Includes robust technology enablement across an *procurement cycle



The CPO agenda for the future of procurement

- Automation is a primary pillar of what's important to CFOs.
- Going from procurement being the gatekeeper of the process to being more self-service, allowing procurement professionals to pay attention to higher-value activities that focus on suppliers and customers
- Automation is critical to customer-centric procurement, digital procurement, and insights and analytics:
 - Predictive analytics and machine learning to forecast changes and monitor leading indicators in the marketplace

- Watch the marketplace and respond to market signals.
- Driving spend behavior using key insights into spend data, supplier relationships, and risks
- CPOs can use third-party centricity focused on integrated relationships to drive down risk in the entire supply chain:
 - Provides and asks for more transparency
 - Understand the second, third, and fourth layers of the supply chain. What are the suppliers doing to support your innovation needs, and what is their commitment to ethical procurement?
- CPOs can start with digitization to drive the shift in procurement:
 - Optimize the entire procure-to-pay process.
 - Digitize the entire process and maximize the operating model in organizational design.
- Quicker insights and better decisions:
 - Insights and analytics: understanding what, when, and how you need to make changes based on contract terms
 - M&A activity may come to play, wherein we may need to do a transfer of ownership review or the legal entity consolidation type of analysis. Under these circumstances, visibility and insights become critical to react to those triggers.
 - Better and faster contracts with increased cross-functional collaboration and integration, which helps improve commercial performance
- Much of the attention in the digitization of procurement is on the actual platform, the actual act of buying with systems like ARIBA or Coupa. But the next step up is to document and manage it in a way to drive the prioritization.
- Different industries have different perspectives on the best reporting lines between CFO, CTO, and CPO. Much of the decisions made between the CFO, CTO, and CPO are interdependent and so having a partnership between these three roles is crucial.
- It's not about being the toughest negotiator on the contract or having the greatest compliance. It's about making the contract management process easier.



Value of digitized contract management

- Focuses on managing and controlling costs
- Spends money wisely and manages risk while ensuring we understand risk exposures
- A significant uptick in the attention given to contract management and digitizing the contracts that organizations have in place with providers:
 - COVID-19 was a perfect example—every organization looked at “force majeure” clauses in their supplier contracts.
- Reduces total cost of ownership:
 - Makes contract management an easier and more consistent process
 - Broader implications of reducing the total cost of ownership as we increase contract speed and improve relationships
 - Not spending a considerable amount of time negotiating the T&Cs—faster is better, and using templates is better
 - Well-thought-through contract management can accomplish the objective.
 - It can help you manage the expectations of providers—not just how you work with them, but also how you use them—a transformative partnership type of relationship as opposed to just trying to reduce costs.



Turning contracts into strategic assets

- To turn contracts into strategic assets, a combination of things needs to happen.
- Organizations need to step back and rethink the process strategically.
- Rethink the *process and develop a strong contract—one that has the partnership and expectations that you need.
- Manage the supply base by managing relationships with your third parties.
- Rethink and redefine contracts by inserting clauses that have become more pertinent in the business and marketplace.
- Author contracts based on enterprise-approved clauses and template libraries.
- Configurable workflows based on contracting parameters

- Another critical component to digitizing the process is providing key terms and metrics such as SLAs, delivery commitments, and out-of-stock penalties to those managing the supply base.
- Supply base managers should understand expectations and monitor suppliers consistently.
- Evaluate how a supplier is doing against its contracted service-level agreements or performance metrics.
- Forty percent of the value negotiated in the contract is lost if you don't have a contract management system and supplier management process.
- To do more with a smaller, more agile organization, have people that have information and insight into all parts of the process.
- Along with finance, legal, and procurement, the fourth and supercritical stakeholder postsignature is the actual consumer of the go-to service.

Closing comments

Priorities in the broader digitization agenda for the procurement function start with a plan that can then sequence into other requirements. This plan can also help align procurement with finance, risk management, and other functions within the organization.

CPOs can drive data and analytics that are important not only to procurement, but also to the broader organization. Capitalizing on and thinking about how to do this for the organization is essential to CFOs.

Essentially, what's important to the CFO is how the CPO can support the agenda through that lens. It is important to note that the relationship between the CFO and CPO is about a strategic alignment by which your organization can deliver better and more quickly to the marketplace.



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