



# Towards a High Performing Agile Procurement Organisation (HPAPO) – A case study of Supply Chain Transformation in Oil & Gas company

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## Procurement Role has changed

From a back office function to a strategic business partner that contributes to overall company strategy, driving innovation and competitive advantage



## Digital Transformation

Procurement processes have become increasingly digitalised, with e-procurement systems, cloud-based solutions and digital platforms



## Shift from “Cost” to “Value”

Innovation, delivery times, social, economic or sustainable benefits or risk reduction now play into the definition of ‘value’



## How we work with suppliers

Recognition of the importance of nurturing strong, mutually beneficial relationships with suppliers to drive innovation, mitigate risks, and achieve long-term success





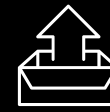
## Individual organisation focus

- Historically, businesses operated with a primary focus on individual firms competing against each other
- Success was often measured by how well a company outperformed its direct competitors in terms of product quality, pricing, and market share



## Isolated Business Functions

- Business functions, such as production, marketing, and distribution, were often treated as distinct and isolated entities within a company
- Optimisation efforts were directed internally, seeking efficiency and excellence within each function independently



## Limited Collaboration

- Collaboration between different players in the supply chain was often limited. Relationships with suppliers and customers were transactional rather than collaborative partnerships



## Situation

Procurement has evolved from a back-office function to a strategic business partner, driven by digital transformation and a shift from cost to value. However, outdated practices hinder agility, innovation, and strategic alignment. Traditional supplier relationships lack collaboration and innovation, limiting mutual growth

## Complication

Many organisations continue to struggle with outdated procurement practices that limit their ability to realise the full potential of procurement as a strategic function. Systems and processes hinder agility and innovation, making it difficult to adapt to rapidly changing market conditions and customer demands

## Resolution

Addressing these challenges requires a holistic approach to procurement transformation, emphasizing strategic partnerships, digitalisation, and a shift towards agile and responsive procurement practices. Foster collaborative supplier relationships to drive innovation and mutual growth. This transformation positions procurement as a strategic enabler of business success

# What Does Good Procurement Look Like?



**Context sensitive – one size does not fit all**

**Considers the suppliers perspective**

**Value is not an absolute (“Value-for-Money”)**

**The performance of the entire organisation it is not the sum of its parts, but the dynamic synergy**

**Lower cost does not come at cost of business relationships and trust**



## STRATEGIC ALIGNMENT WITH ORGANISATIONAL GOALS

Procurement decisions are driven by a clear understanding of how they contribute to overall business goals and objectives

## FLEXIBILITY AND ADAPTABILITY TO MARKET CHANGES

Embracing flexible procurement strategies and methodologies that enable quick adjustments and course corrections as needed

## MEASURABLE OUTCOMES

Demonstrating tangible outcomes such as cost savings, process efficiencies, supplier performance improvements, and overall business impact

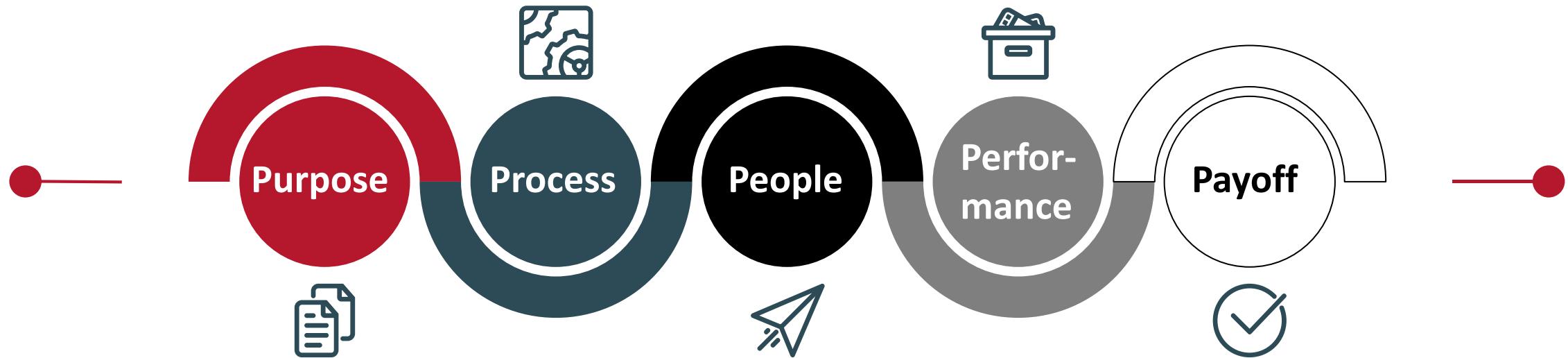
## COLLABORATION AND INNOVATION IN SUPPLIER RELATIONSHIPS

Fostering strong, collaborative partnerships with suppliers based on mutual trust and transparency, encouraging innovation and co-creation to drive continuous improvement and value creation throughout the supply chain

## DATA-DRIVEN DECISION-MAKING AND CONTINUOUS IMPROVEMENT

Leveraging data analytics and insights to inform procurement decisions, optimise processes, and identify areas for improvement

# What is Agile Procurement (High Performing Agile Procurement Organisation)



Strategic objectives	KPIs and capability requirements			Measurable outcomes
Core values	<ul style="list-style-type: none"> <li>Output KPIs linked to leading KPIs and targets</li> </ul>	<ul style="list-style-type: none"> <li>Single-point accountability for KPIs</li> </ul>	<ul style="list-style-type: none"> <li>Leading KPIs linked to behaviours</li> </ul>	Social license and developed trust
Internal customer requirements	<b>Process engineering</b> <ul style="list-style-type: none"> <li>Simple, transparent and efficient processes</li> </ul>	<b>Organisation engineering</b> <ul style="list-style-type: none"> <li>Structure supports accountabilities</li> </ul>	<b>Operating Model</b> <ul style="list-style-type: none"> <li>Effective holding-to-account</li> </ul>	High customer satisfaction
Financial and operating imperatives	<ul style="list-style-type: none"> <li>Functional end-to-end accountabilities</li> </ul>	<ul style="list-style-type: none"> <li>Size and allocation reflects operating priorities</li> </ul>	<ul style="list-style-type: none"> <li>Continuous improvement</li> <li>Visible leadership</li> </ul>	Delivered commercial value
Comprehensive human capital strategy	<b>Enabling factors</b>			High employee engagement
	<ul style="list-style-type: none"> <li>Digitalisation and automation</li> </ul>	<ul style="list-style-type: none"> <li>Capability development and aligned priorities</li> </ul>	<ul style="list-style-type: none"> <li>KPI tracking and performance management</li> </ul>	



## Situation

A large oil and gas organisation, XYZ Energy, operates globally and relies heavily on procurement to support its operations activities. The procurement department faces challenges in strategic alignment, agility, supplier collaboration, and clarity. Systems and processes hinder responsiveness to market changes, innovation, and value creation. Supplier relationships are transactional, lacking collaboration and innovation

## Complication

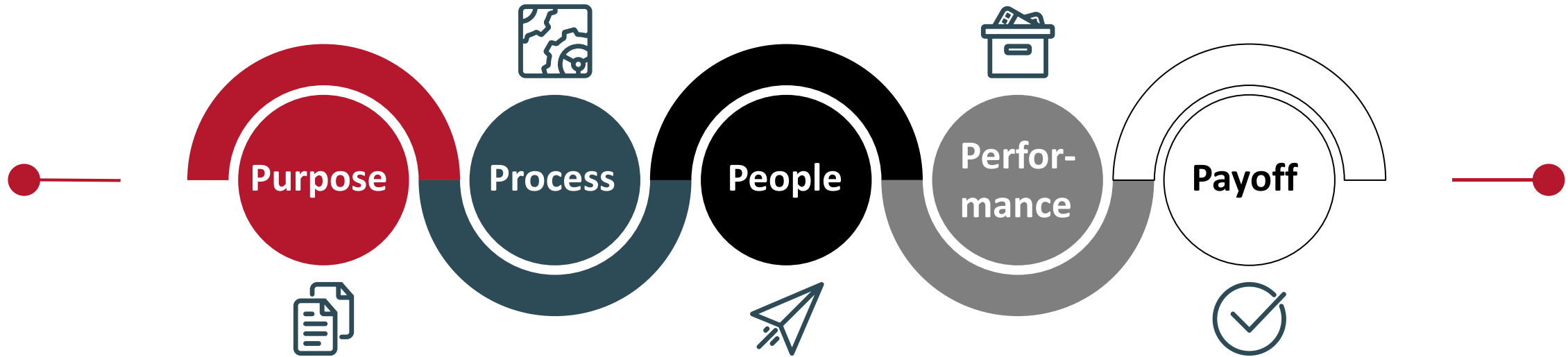
XYZ Energy experiences delays in procurement processes, leading to project delays and cost overruns. Lack of strategic alignment results in procurement decisions that do not support overall business objectives. Inflexible processes impede adaptation to market changes and hinder innovation. Transactional supplier relationships limit value creation opportunities and innovation potential

## Resolution

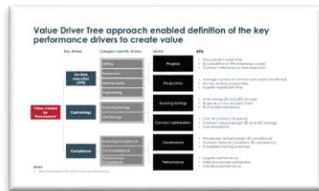
XYZ Energy needs to embark on a transformation journey to establish a High Performing Agile Procurement Organisation (HPAPO). The organisation requires to invest in digitalisation, implementing e-procurement systems and data analytics tools to enhance transparency and decision-making. Procurement processes needs to be redesigned for flexibility and agility, enabling rapid response to market changes and to shift procurement from cost center to a profit center. Supplier relationships require restructuring to foster collaboration, innovation, and mutual value creation



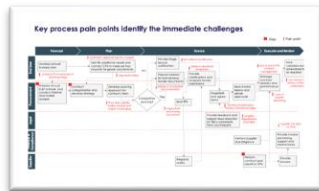
# Case Study: HPAPO Implementation



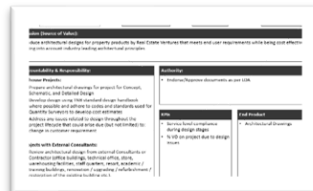
**Business KPIs translated into procurement KPIs**



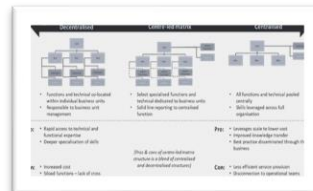
**End-to-end procurement process redesign**



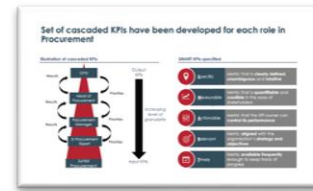
**Required procurement team capabilities defined**



**Fit-for-purpose procurement org structure**

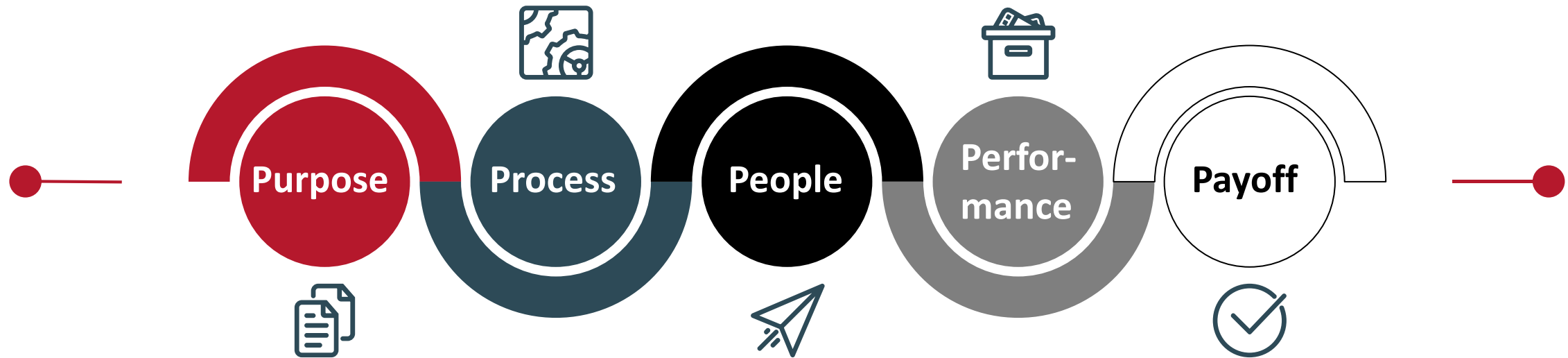


**Regular reviews and holding-to-account**



**Digital procurement tools and enablers**





## For Procurement Department

- **Process Efficiency:** Reduction in procurement cycle times by **30%**
- **Cost Savings:** Achieve cost savings of **15%** through improved negotiation strategies and supplier management
- **Supplier Performance:** Increase in supplier performance ratings by **20%**, measured through KPIs such as on-time delivery and quality
- **Innovation:** Increase in the number of innovative solutions sourced from suppliers by **25%**, leading to improved operational efficiency and competitiveness

## For Entire Organisation

- **Project Delivery:** Reduction in project delays by **25%**, resulting in faster time-to-market and revenue generation
- **Cost Control:** Reduction in project costs by **10%** through improved procurement processes and cost-effective supplier management
- **Strategic Alignment:** Improvement in alignment between procurement activities and overall business objectives, resulting in enhanced strategic value contribution
- **Competitive Advantage:** Strengthened competitive position through increased agility, innovation, and cost efficiency in procurement operations



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ACCELERATE YOUR BUSINESS POTENTIAL

**THANK YOU!**