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Procurement 4.0: best-in-class procurement and beyond

—Ivan da Mata, CPO, Claro Brazil



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Ivan da Mata, CPO of
Claro Brazil, details the
telecommunication giant's
journey towards best-in-
class procurement...



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What does procurement mean to a business? Does it exist solely to monitor the costs and control the spending and look at every possible avenue to save company money? Once upon a time this was most certainly the case, but over the last two decades the business landscape has borne witness to a major evolution of this once reactive and somewhat dismissed function. Procurement in 2021 is a very different beast even if the core principles remain the same.

“Nowadays Procurement walks hand in hand with the business areas, with product development and with go-to-market areas,” explains Ivan da Mata, CPO of Claro Brazil. “Time to market is key for any organization’s success, so procurement needs to keep the supply chain information and supplier relationships up-to-date in order to bring solutions and innovation quickly from the market to the organizations.

“The impact of Procurement is directly related to the P&L and so procurement is now closer to the end consumers of the organizations. In other words, procurement went from a *‘cost control and savings agent’* to a *‘business enabler function’*, contributing not only to managing costs, but also to generating revenue through innovation, time to market and

supply chain relationship management.”

As a leader in Telecommunications in Latin America and one of the largest multiservice operators in Brazil, Claro Brazil is present in over 4,200 Brazilian municipalities with its networks providing services to over 96% of the Brazilian population. As the world continues to become increasingly digital first, Claro offers integrated solutions for connectivity, entertainment, productivity and digital services in a truly convergent way, joining fixed and mobile platforms, firmly establishing itself as a leader in Pay TV and broadband all the while being the fastest growing operator in mobile services.

Innovation then is key to Claro Brazil and in 2018, the company hired Ivan da Mata as CPO to oversee a major procurement transformation journey. With more than 20 years of experience in procurement in different industry disciplines, da Mata joined the business at a time when it was also delivering a significant digital transformation. His mission was clear: support this digital transformation with a fast, business-oriented and best-in-class procurement function.

This transformation journey focuses on three main goals for Claro Brazil: Category Excellence as a leverage for cost reduction and gathering of business insight, Team Excellence as a catalyst →



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and enabler of long-term results and Supplier Excellence as a guarantee of competitive advantage by innovation and risk management.

“Procurement was not keeping up with Claro’s businesses’ fast pace transformation and so we laid out a roadmap that would see us achieve Procurement 4.0 for Claro Brazil by 2021-2022 and beyond”, explains da Mata.

So the scene was set and da Mata embarked on a journey of transformation to establish and implement a procurement strategy that will result in significant excellence in procurement, an optimized structure and delivering key savings for the business. How does a journey like this begin? What does day one look like? For da Mata, day one consisted of reflection and identifying what the business felt was its ‘weakest’ and biggest ‘pain points’

within procurement. “We really needed to understand what needed to be resolved through the adoption of proven best practices based on benchmarks that resulted in a clear roadmap for the initial transformation with short term process simplification implementation,” notes da Mata. “This initial phase of the transformation was

called ‘Procurement Turnaround’ which specifically looked at the elimination of our purchasing process backlog and reducing lead times all the while improving stakeholder engagement.”

In defining Category Excellence for Claro Brazil, da Mata highlights that procurement was internally oriented and that it engaged with stakeholders

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in a ‘fragmented’ way and therefore it simply was not leveraging spend. This in turn created the backlog of purchasing processes, significantly high lead times and what da Mata describes as ‘low value capturing.’

“Our buyers were loaded with transactional activities and couldn’t see the



impact of their activities on companies' results," he says. "Through our new spend categorization towards the marketplace, the implementation of Category Plans and Strategic Sourcing we enabled our Category Managers to consolidate the spend, proactively plan their activities and engage with the business areas and suppliers more often, adding value to the solutions developed together with them."

All the best processes and sourcing strategies sound simple and effective on paper, but in practice there is one element that's absolutely fundamental to any organization and any journey; the people. For a procurement function that promises to be at the centre of the business and to be aligned with each and every business unit in order to enable efficiencies, realising key savings and unlocking greater innovation, it is necessary to invest in its people. Da Mata recognises this and so does Claro Brazil with its focus on Team Excellence as a catalyst and enabler for long-term results.

One of the outcomes of the Transformation Project was the creation of three procurement centers of activities in order to segregate the transactional, tactical and strategic activities of procurement. "With clearer roles and KPIs in place, the teams were developed to deliver value through short lead times,

improved value for money and simplified/lean processes to interface with the business areas," says da Mata.

These centers are:

Center of Excellence (CoE)

Focused on planning and continuous improvement through KPIs, lean processes and procedures and Systems optimizations / Automation / Robotization / Digitalization

Center of Operation (CoO)

Focused on tactical and transactional activities such as Saving delivery and lead time reductions, Rapid Sourcing and Simplified operations

Center of Business (CoB):

Focused on strategic activities to collaborate with the business areas, Strategic Sourcing, Category management, Special projects and Supplier and Business Areas engagement

While a procurement function is nothing without its people, procurement is defined by its relationships with suppliers. As the leading telecommunications services provider in Brazil, supplier relationships are key to maintaining that position. As a procurement practitioner for more than 20 years, da Mata recognizes →



Ilana Faria, Head of Procurement CoE and CoO, says that the “segmentation of the procurement activities was fundamental to improve all the KPIs of the area year over year. We have established clear objectives for each procurement individual and implemented a meritocratic people management process making our team far more engaged as they can see themselves as a key part of the business, impacting the companies’ bottom line results.”



Júlio Pinheiro, Head of Procurement CoB – Networks, compliments that “the reclassification of the categories towards the marketplace instead of inwards resulted in a much greater capture of value in the negotiations, especially because of the synergies we have identified between the different purchasing families and subfamilies.”



Márcia Lima, Head of Procurement CoB – Clients, adds that “the implementation of the Strategic Sourcing methodology and the rituals established to follow up the action plans was crucial to gain our internal customers confidence and resulted in a much greater proximity with business areas.”



Washington Gonzaga, Head of Procurement CoB – Corporate Services, highlights “the importance of the Category Planning methodology in establishing a much more organized procurement function, oriented to capture value by directing the resources to a set of prioritized actions along the year calendar and by mapping all categories opportunities.”



Flávia Fernandes, Head of Procurement Special Projects – “being responsible for the interface with Claro’s Corporate Business Unit we could clearly notice that the dynamic collaboration among our CoE, CoO and CoB teams have contributed significantly in achieving the speed and negotiation results that this internal customer demands.”

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this and highlights that supplier relationships can be and really are the key competitive advantage for any business, regardless of industry.

“Supplier Excellence, as a guarantee of competitive advantage by innovation and risk management, is key to our transformation journey,” he says. “We introduced a new P2P platform to engage with and transform our relationships with suppliers and integrate them into our supply chain workflow, enabling improved control, risk management, performance management, contracts compliance and spend analysis for continuous improvement. It also allows for increased automation and digitalization, freeing people’s time to focus on added value activities.”

Very often in a transformation of this size in an organization such as Claro Brazil, the very first challenge in procurement is one of operational buy-in. After all, procurement plays a key role in the revenue streams of the business and for the CEO and the executive board they will need proof that this journey is the right decision for the business. For da Mata, he was blessed to find himself in a position of confidence and extreme trust from day one. “We had strong support from the top management, especially our CEO, from the very beginning,” he says. “There was a clear comprehension of the opportunities to be captured by a strong Procurement function. They knew that getting closer to the businesses and →



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bringing them on board was crucial for the transformation success.”

Not only was this vote of confidence important for da Mata to start this journey knowing he had the backing of those in charge, but it also allowed him to be honest and to work with the business in a way that delivered real tangible change as opposed to lofty goals that continued to be just out of reach. As with any transformation journey, there's a balance that needs to be struck between transforming and performing. With Claro Brazil, time to market is and always will be key to the business, but how can da Mata go about implementing change in a business that has already experienced incredible success? How can he attempt to change the mindset and working culture without causing disruption to that success?

“Changing people’s mindset was for sure the biggest challenge of our transformation journey,” reflects da Mata. “We had many people doing the same thing for many years and the change proposition touched pretty much everyone in procurement. The introduction of a meritocratic and self-developing environment and highlighting a clear purpose for the procurement professionals was key for them to embrace the change and enabled us to surpass this challenge.”

While challenges are unavoidable, they

are often the breeding ground for great success. Overcoming the challenge is in itself a success but learning from them and using that insight and experience to prosper is where the real successes lay. For da Mata, success has come in many forms already. One key success for him has been one that has allowed for greater focus on value added activities.

“For one, the implementation of segregated teams (CoE – Center of Excellence / CoO - Center of Operations / CoB – Center of Business) within the Procurement area and it working in perfect consonance was key to freeing buyer’s time to focus on added value activities, such as Strategic Sourcing, Category Planning and Strategic Negotiations,” he explains. “Those added value activities enabled buyers to better understand the categories and to be closer to the stakeholders, working head to head with the business areas.”

It’s no secret that, despite its moment in the spotlight, procurement is a function that must establish its credibility to the wider business. While this is a notion that is indeed changing, procurement has a clear impact on the bottom line of a company and so CPOs need to ensure that the changes they implement and the processes they bring in are right for the business at all times. In order to bring





change, trust is key. Results establish trust and credibility and this requires a lot of communication with the board-level. Deliver key successes and the credibility you now have means that the pathway to delivering further success is a little smoother.

“This greater proximity to business areas was key for gaining the organization’s recognition that procurement is a strategic function and is involved in the decision-making process. For me, it was the most important achievement we could get,” says da Mata. “Nowadays procurement has its seat in order to contribute in discussions to build up annual budgets and has a clear view of the strategic projects that the procurement work will have to support to enable their viabilization and implementation.”

Given the story of procurement, it would be remiss of us not to look at the significant role that supplier relationships play in the procurement ecosystem. Just as technologies and processes evolve, so do the relationships that an organization has with suppliers and vendors and this is something that cannot be taken for granted. Not only that, when a company undertakes such a significant transformation it requires the eye and the experience of a key partner in order to ensure

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the direction it takes and the decisions it makes are indeed the right ones. Da Mata recognises this and speaks to the key relationship Claro Brazil has with Kearney and Statesys in realizing the vision of this procurement journey.

“Kearney has been instrumental in mapping the maturity level of our procurement then comparing with benchmarks within our sector and designing the path for our transformation, where we would like to get and what we would like to

achieve,” he says, “They have supported us throughout the entire implementation process, from processes redesign right up to organizational structure. Put simply, working with Kearney was absolutely key in gaining momentum and credibility in our transformation journey.”

With all the talk of technology and an industry awash with a never-ending selection of tools and suites, Claro Brazil looked to Statesys for the implementation of its P2P suite. Like any good →





working relationship, the value of the connection will not end once the tool will be implemented, it grows and evolves. “Stratesys has added a lot of value with their knowledge, not only with the suite itself but marrying their knowledge of market best practices to our reality as a telco company and to our pre-established process” says da Mata. “This process had to be redesigned so that we

could get speed on the implementation project and best usage of the suite. We can’t ignore the role they have played in helping us with Change Management and adopting an agile methodology. These are two things that can easily be taken for granted in a transformation journey, but Stratesys were there for us when we needed them.”

It’s easy on paper to say that a partner

really stood tall and went above and beyond the traditional relationship model of service and solution and da Mata is all too aware of this. He highlights that the way in which a relationship transcends that perspective is through transparency, openness and honesty. After all, the decisions you take together are ones that could cost you a lot of money or unlock major savings across the entire organization.

“An open relationship with these partners was key for our achievements. Problems were exposed transparently and discussions seeking the best solutions and alternatives were widely explored and coordinated together with our teams of experts,” he says. “When entering a transformation journey with a level of complexity such as ours, it was crucial to count with these reliable partners, that brought experience of dozens of similar sizable projects that enable speed and assertiveness to our journey.”

The future is uncertain, that’s for sure, but what da Mata and procurement has been able to do so far in its journey has laid down solid foundations in which Claro Brazil can continue to build upon and unlock the door to greater innovation through a best-in-class procurement function.

“We have completed our transformation

journey planned for 2019 and 2020 with great success, there’s no denying of that,” beams da Mata. “The journey has not ended and perhaps it never will as we are always evolving seeking for excellence in our sector,”

“We need to be bold and lean to keep up with our business needs and mission to offer the best services and solutions to our customers,” he adds. “The fast pace of technology in our sector demands procurement to always be up to date, faster, simpler and effective in contracting and delivering materials and services. In order to keep the transformation alive, we have a Strategic Planning of two years that establishes where we want to be in this period of time and which is unfolded in an annual action plan to capture the benefits of the transformation as soon as possible.

“Our 2021-2022 plan will require us to have our P2P suite fully implemented in the first year to enable a fully automated purchasing process further. In this way our buyers will be able to engage more and more with the business areas working truly as consultants and influencers in the decision-making process in what regards to engaging with our partners, vendors and service providers.” ■

