The Procurement Business Transformation 2.0: The Remedy of Inefficient Procurement Operations

Ade Christian Sirait and Dodie Tricahyono

Magister Management, Telkom University, Jalan Gegerkalong Hilir, Bandung, Indonesia

Abstract: This present research is aim to analyze and evaluate the implementation of the procurement business transformation 2.0 which has been going on from 2014 until 2017 in Telkomsel. Improvement in procurement operation means increasing efficiency in procurement, decreasing of manual processes, increasing self-service tools and reducing changes of order. The transformation aspect consists of three categories: process, technology and people. As qualitative research, data were collected by in-depth interviews with some experts in the procurement from internal Telkomsel as primary data, complemented by observation and secondary data collection. The results confirmed that all aspects (process, technology and people) are important elements in procurement business transformation. The present study suggests that accuracy in the implementation of business transformation will help the company run the business to facing digital industry nowadays to survive and growth for the long term.

1 INTRODUCTION

According to Sri Mulyani, the Minister of Finance, the potential growth for digital business in Indonesia is very high and reach 51.8% from total population. Disruptive technology, startup development and demand for digital products, requires the company to be able to provide services and products that are in accordance with consumer needs and adapt quickly to changes that occur. As the 6th largest telecommunication operator company in the world, Telkomsel also deals with these challenges by having a proper business strategy.

In the digital era, the procurement function as well as an organization has been largely less attention or investment (Accenture, 2017). The digital revolution touches only a little to procurement. What mostly organization do is simply repeating the same processes with new software.

To deal with the digital revolution, an organization should think beyond the traditional processes. This is the reason why Telkomsel implements Procurement Business Transformation 2.0 (PBT2.0). Especially in Requisition to Purchase (R2P) stream, in order to become a true digital procurement organization with high efficient and potentially drive down costs.

To become a World Class Procurement, business transformation needs to be done gradually. Because procurement at Telkomsel is still in developing stage. Procurement management determines the operating model that will be applied in the PBT2.0. Some important parameters, such as: process, people, and Technology have been acknowledged. The benchmarking process was done with a result can be seen in Figure 1. Thus, the expected results of the transformation are able to provide value creation, cost leadership and faster time to market.
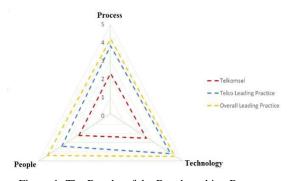

Figure 1: The Results of the Benchmarking Process.

The present study aims to analyze the procurement business transformation to check whether the processes are implemented smoothly or wastefully, especially within the three aspects

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(process, people, technology). From the analysis, the present study suggests some recommendation to improve the future performance of PBT2.0 in Telkomsel automated and improve the performance of procurement services.

The PBT2.0 framework can be seen in Figure 2. The framework focuses on process, people and technology.

2 THEORICAL BACKGROUND

2.1 Business Transformation

Business transformation is a change in management strategy that has goals in directing processes, technology and people in the company to be more directed towards the business vision and strategy set by management (Aspera, Lamberg, Laukia, & Tikkanen, 2011; Bititci, 2007; Nieminen, 2014; Nixon, 2003; Saul, 2011; Shaughnessy, 2018). The company implements business transformation in procurement in order to achieve efficient and effective management of procurement activities. Procurement is one of business management function that ensures identification, sourcing, access and external resource management needed by the organization for a strategic purpose (Accenture, 2017).

The business transformation is a consequence of the rapid change of digital technology. Some articles focus on business transformation that related to some issue, for example: digital maturity model (Gill & Van Boskirk, 2016), community engagement (Arroyo, Derek, & Walker, 2010), new business model (Saul, 2011), strategic planning (Shaughnessy, 2018), and restructuring the organization (Parikh, & Joshi, 2005).

2.2 Theoretical Framework

According to Bititci (2007) and Eckhardt et al. (2014), in order to succeed, the business transformation must have the following elements:

Process

Transformation is aimed to achieve an efficient and effective process. The process relates to time and cost. The transformation of the procurement process should decrease the total cost of procurement.

People

The business transformation will be carried out by people within the organization. The quality of

transformation should make people increase their capabilities.

Technology

Technology as an enabler of processes that have been designed and used by people in the organization. Technology will make the monotonous process to be
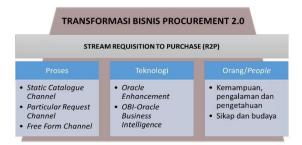

Figure 2: Framework Business Transformation Procurement 2.0.

3 METHODOLOGY

3.1 Research Methods and Object

Based on the problems and objectives that have been determined, the present research conducts qualitative research. To be more specific, the present study uses a case study. The present study focuses on Procurement 2.0 project in the first step (Request to Purchase/R2P) transformation project in Procurement Group under Finance Directorate Telkomsel.

Although this project has already started since 2014, the results still far away from the position of world class procurement. From an internal source, out of five stages of world class procurement (from stage-1/reactive, stage-2/developing, stage-3/advancing, stage-4/high performing, and stage-5/pioneering), Telkomsel still in the stage-2 (developing). In this stage, the organization has characteristics of selected supplier base consolidation, some sourcing strategy creation, and track the commercial measure of performance and saving.

3.2 Data Collection and Analysis

The present study interviewed seven experts from internal who involve in the PBT2.0 in Telkomsel procurement group. Three of them are General Managers, three managers, and one operational officer (see Table 1). Researchers use in-depth

interviews method by considering that method is powerful enough on data collection. Data will be collected in written form, audio recording, photo and video as the main source this research (Wahyuni, 2011).

The data is defined as people, things or objects that can provide information, facts, data, and reality related to what was studied or examined (Indrawati, 2015). Sources of data in research can be classified into primary data sources and secondary data. The primary data stem from the interview of experts with an in-depth interview. Meanwhile, the secondary data is obtained from the data collection at Oracle for purchase order period 2017 with sampling. Table 2 shows the sample of questionnaires for the in-depth interview which comprise of two groups: the general questions and specific questions.

To validate the collected data, the present study implements the triangulation process and expert validation. Triangulation is a verification process that combines several points of view and methods. In social science, it refers to a combination of two or more theories, data sources, methods or investigators in a study of a phenomenon so that a single construct can be formed (Wahyuni, 2011). The present study implements the triangulation process by comparing the information with in-depth interview methods from the speaker as managerial level (General Manager and Manager) and operational (Officer, Staff) in the Telkomsel business unit.

Table 1: Interviewee's characteristics.

Experts	Position	Criteria
1	GM Procurement Support - Procurement	One of the lead projects of **Procurement Transformation 2.0**
2	GM Finance Transformation Functional Development - Finance	One of the lead projects in Finance transformation; The functions involved in implementing procurement in the budgeting section
3	GM Learning Development and Knowledge Management - HCM	The function users who direct impact on changes in business processes in procurement and an expert in HCM
4	Manager RAN Design and Planning East - Network	Function user who directly impact on changes in procurement business processes
5	Manager IT ERP Non-Core - IT	Involved in the procurement transformation project in IT
6	Manager Procurement System Operation - Procurement System	Developing and implementing procurement system
7	Senior Officer Finance Transformation Functional Development - Finance	Function user who directly impact on changes in procurement business processes

Table 2: A sampling of questionnaire interviews.

Operational Definition	Interview Questions
General	
Operating model or *framework* yang implement in Telkomsel on business transformation procurement 2.0	What framework or parameters need to be considered in implementing a business transformation?
Inputs from Implementation of procurement business transformation 2.0	What input can you give to the implementation of the procurement transformation 2.0 that has been implemented?
Specific	
Implementation related process, technology and people who have been implemented on procurement business transformation 2.0	How has the business process changes in the procurement 2.0 business transformation implementation? How is the use of technology in the procurement 2.0 business transformation implementation? How are people change in the procurement 2.0 business transformation implementation?

Once data has been collected, the data will be analyzed by focusing on the implementation side of business transformation especially PBT2.0 with respect to the process, people and technology. Table 3 shows how the present study scrutinizes the data.

The present study also implements key informant who has detailed knowledge of ideas, concepts and relationships that relate with the phenomenon under study. The expert opinions will validate the results of the present study. According to Miles and

Huberman (1984), analytical activities will be carried out interactively and continuously until the data is saturated. Activities in data analysis include data reduction, data display, and conclusion drawing/verification

Table 3: Variables vs implementation aspects.

Implementation aspects	Variables		
	Process	People	Technology
Business transformation implementation	✓	✓	✓
PBT2.0 implementation	✓	✓	✓
Impact of PBT2.0	✓	✓	✓
Inputs for PBT2.0 implementation	✓	✓	✓

4 RESULT AND DISCUSSION

4.1 Results

4.1.1 The Implementation Aspects

Based on the results of the analysis, it was found that all the interviewees confirmed that the three aspects of the process, technology and people are crucial parameters for carrying out the business transformation in general and also for the specific of PBT2.0.

In addition to these parameters, some aspects come to the surface, which is: visioning & facts-finding; Top-level management support; and system & organization. Table 4 shows the distribution of the answers to all the interviewees.

Table 4: Other important implementation aspects.

Aspects	Interviewees						
	1	2	3	4	5	6	7
Visioning & facts-finding	√		√		√	√	
Top-level management support	√	√			√	√	
System & organization	√			√	√	√	

4.1.2 The Impact of PBT2.0 Implementation

The response from the interviewees concerning the impact of PBT2.0 implementation are as follows: proactive system; automated & efficient; innovation sustainability, compliance & accurate; vendor engagement; and customer satisfaction. Table 5 shows the distribution of the impacts of all the interviewees.

Table 5: The impacts of PBT2.0 implementation.

Impacts	Interviewees						
	1	2	3	4	5	6	7
Vendor engagement					√		
Customer satisfaction						√	

4.1.3 The Inputs for PBT2.0 Implementation

The informants also define the inputs for successful PBT2.0 implementation, which are: socialization process; integrated process; correct culture & change management; data base & catalogue; and technical capability. Table 6 shows the distribution of the informants' response.

Table 6: Inputs for PBT2.0 implementation.

Aspects	Interviewees						
	1	2	3	4	5	6	7
Socialization process	√		√	√	√	√	√
Integrated process	√		√		√	√	
Culture for Change management		√			√	√	
Database and catalogue	√			√	√	√	
Technical capability						√	

4.2 Discussion

4.2.1 The Implementation Aspects

The results found that process, people and technology are among the important aspects for the implementation of business transformation in general, as well as in procurement business transformation (PBT2.0). Indeed, this result of the present study supports what have already found by

the previous authors (e.g. Bititci, 2007; Eckhardt et al., 2014; Kwak, Watson, & Anbari, 2008, Shaughnessy, 2018). However, some details of the results concerning the three aspects are as follows:

- The process has a visibility horizon, faster lead time, cutting manual process in helping accelerate the process that has an impact on the business and the results are better and more efficient.
- Technology has used catalogues and made purchasing easier, paperless, helped for analysis. Technology as an enabler in supporting custom processes, digitization and online.
- People support faster transformation, less control and more proactivity and involved in helping determine needs, eagerness for improvement program, organizations that change, are open and helpful.

The present study also found other important aspects that should be considered by the organization if they are implementing business transformation. First, the organization should have a vision of how the project (PBT2.0) will change the performance of the organization in the future. One of the GM said:

"The visioning means we have as aspiration, we will want like what? The consultant may say that our organization can become something..... and then, our House of Strategy

will define the operating model in order to make a basic principle".

Another manager added:

"We will start with a consciousness that we need to transform...is it urgent or not.... So,

start from there, and from there we will arrange the implementation program".

Furthermore, the informant also added that the organization also need to track the performance on a periodic basis.

"I think we need also a monitoring system than can check our performance on a

periodic basis to be benchmarked to our targeted score".

The second aspects that emerge from the present study are top-level management support. This aspect is important for making all the member of the organization aware and get full attention to the transformation project. One informant mentioned the important to have an executive sponsor at the first place. One GM also mentioned the important to have top level support. She said:

"Tone-of -the-top, means it should be pushed from the top level that transformation is necessary to be implemented".

The third aspect is about system and organization. The system and organization will guarantee that all members will understand who does what and why. This is important to make the transformation do not produce chaos and distrust situation.

4.2.2 The Impact of PBT2.0 Implementation

There are five impacts of PBT2.0 implementation has been discovered by the present study, which is: proactive system; automated & efficient; innovation & sustainability, compliance & accurate; vendor engagement; and customer satisfaction. Two of them are agreed by almost all the informants: automation efficient, and proactive system. Automation means there is no manual process anymore, especially the monotonous and repeatable process. For example, the auto approve feature that makes lead time faster but with respect to compliance with the policy. In consequence, the efficient in time, cost, and other resources will be achieved. The proactive system means that the system has the ability to give a suggestion on what the best action should be taken in the near future. The system may provide agility to the organization. In the end, this system will increase customer satisfaction. By having the automation process, the problem of compliance that stem from inaccurate data will reduce significantly. One of the informants said:

"The more people involved in the organization, the greater the error there and more and more controls must be inputted. People are very important to be more proactive in transforming so the transformation can support the company's business".

Another important impact that the present study found is innovation and sustainability. By implementing PBT2.0, people may have times to think of new ideas. This new idea will make an impact on the sustainability of their business. Eventually, this will make the customer happy and engage more supports from the vendor.

4.2.3 The Inputs for PBT2.0 Implementation

Almost of the informants agree that the process of socialization of the transformation project is the important inputs that should be prepared by the organization before the transformation project begin. Other inputs that have been discovered were an integrated process, database & catalogue, and technical capability. These three inputs reflect the hard side of an organization that should be prepared. It is connected to resource allocation especially the budget. These inputs ensure that people understand their roles and responsibilities.

One of the informants responded:

"The key is integrated, now procurement has been integrated and must be developed to budgeting, and planning processes, and if possible, allowing all departments to cross-check the inventory…".

The other important input that has been revealed from the present research is culture for change management. Business transformation is about changes, mostly fundamentally. Part of this culture is: see the big picture, joint planning sessions, informally/formally communications, talk with data, mutual respects, and trust.

This secondary data is obtained from the Oracle system to measure the lead time for the procurement of goods and/or services. Measurements are made from the request until the issuance of purchase orders. After the implementation of the procurement 2.0 business transformation, on average it becomes 4 working days which previously was an average of 16 working days.

5 CONCLUSIONS

The present study has been succeeding to understand the triangle of people-process-technology in the transformation process, especially in PBT2.0. The PBT2.0 as a change program should be prepared

carefully in order to run smoothly and has a good impact for the organization, for example to have a good reputation, increasing customer satisfaction and also vendor satisfaction, and so on.

In order to carefully prepare, the PBT2.0 should consider all the stages: pre-transformation, in-transformation, and post-transformation. As a conclusion, the present study suggests all the stages and all the aspects in each stage. Figure 3 shows these stages.

Figure 3: Input-Transform-Impact of PBT2.0.

Pre-transformation (Input)	In-transformation (Transform)	Post-transformation (Impact)
• Socialization process	• People	• Proactive system
• Integrated process	• Process	• Automation and efficient
• Culture for change management	• Technology	• Innovation and sustainability
• Database and catalogue	• Visioning and Facts Finding	• Compliance and accurate
• Technical capability	• Top-level Management Support	• Vendor management
	• System and organization	• Customer satisfaction

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