Next Generation Supply Chains: Building a Scalable, Connected Operating Model

John Francis and Trey Robinson

ScottMadden, Inc.

YOUR DISCUSSION LEADS

John Francis
Partner

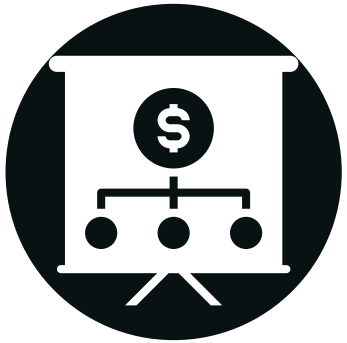
ScottMadden, Inc.

Trey Robinson
Partner

ScottMadden, Inc.

Workshop Overview

Do you find your supply chain organization constantly fighting fires?



Do you struggle with balancing the day-to-day transactional work with broader strategic analysis?

Have demands of internal customers constantly required you to reprioritize your focus?

Recently, leading companies have advanced their supply chain operating models to achieve greater value and stay connected to their customers and vendors.

Workshop Overview (Cont'd)

Today we will discuss next generation concepts to transform your supply chain operating model to a leading practice service delivery model.

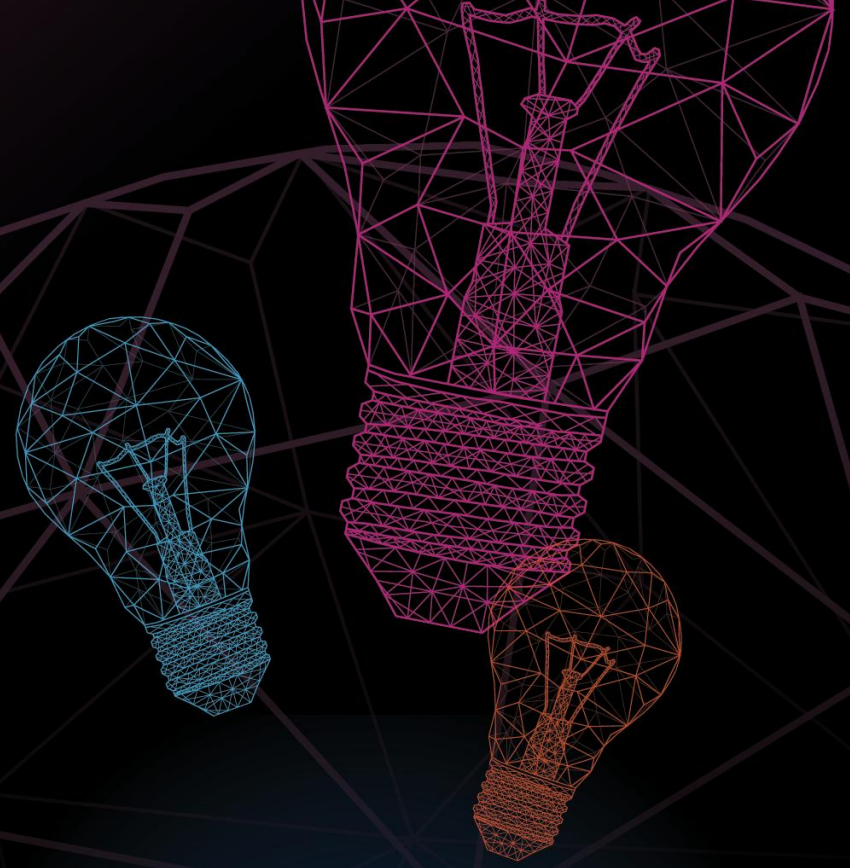
01. Tiered service delivery, including direct access, transactional processing, and centers of expertise

02. Leading functional technologies, service delivery tools, and AI/automation enablers

03. Quantitative and qualitative benefits of shifting to a leading practice model

04. Efficient steps to begin your supply chain transformation

Introduction to ScottMadden



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Who We Are

ScottMadden is a management consulting firm with more than **40 years** of deep, hands-on experience.

We deliver a broad array of **corporate and shared services consulting services**—from strategic planning through implementation — across many industries, business units, and functions.

Our **knowledge, expertise, and experience are unmatched** — no other firm has helped more clients with more unique solutions.

CORPORATE & SHARED SERVICES

Experience

Our experienced team has been a pioneer in corporate and shared services since the practice began decades ago. We employ deep, cross-functional expertise to produce practical, measurable solutions.

Scope

We have completed thousands of projects since the early ’90s, including hundreds of large, multi-year implementations. Our clients represent a variety of industries from energy to healthcare to higher education to retail. Our areas of expertise span the spectrum of middle and back office corporate and shared services.

Services

We have helped our clients with assessment, strategy, design, implementation, technology, business case and roadmap, governance, program management, and change management.

Areas of Focus

SUPPLY CHAIN

We assist clients across the full range of supply chain processes and have the unique ability to **create alignment between supply chain and its stakeholders**. From crafting new supply chain strategies to restructuring your organization to improving your daily operations, we help you with every step.

INFORMATION TECHNOLOGY

From IT assessments and strategic direction to governance, cybersecurity, and risk and compliance management, we can help your organization **get the most out of its IT investment**. We also help you **optimize your projects** to focus on delivering business outcomes not just installed technology.

FINANCE AND ACCOUNTING

We help companies **transform their finance and accounting operations**. Through enterprise financial business services, strategic centers of expertise, intelligent automation solutions, hybrid insource/outsource delivery models, and other solutions, we help you increase value for your company.

MULTIFUNCTION/GBS

We move shared services to the next generation—integrating finance, human resources, information technology, supply chain, and/or other business services into a single, multifunction shared services or global business services operation with effective governance and management.

HUMAN CAPITAL MANAGEMENT

We offer **HR transformation** (including HR shared services), analytics, HR systems (selection, implementation, and optimization), process design and continuous improvement, talent and employee engagement strategy and programs, and payroll—the services your organization needs to excel.

BUSINESS SUPPORT SERVICES

We help our clients **improve service response to the business**, including through the **integration of various administrative services** into their shared services model. Services often include real estate, facility maintenance, fleet, security, sales and marketing, insurance, customer service, research, and others.

Our Supply Chain Practice

We've been helping **supply chain organizations** update their entire end-to-end supply chain processes for over **two decades**. Our solutions provide **lasting improvements** and allow our clients to **better serve their customers**—whether internal customers in the business units or external customers such as suppliers.

OUR WORK IN SUPPLY CHAIN

Through our deep expertise and practical know-how, we assist clients across the full range of supply chain processes and have the unique ability to create alignment between the supply chain function and its customers and stakeholders.

OUR FOCUS

Our teams bring a proven approach to service delivery design and supply chain optimization. We work hand-in-hand with you to assess current operations, models, and processes, design practical solutions, and implement changes to improve your supply chain operations.

Our end-to-end **supply chain** areas of experience:

- Demand planning and forecasting
- Strategic procurement
- Operational procurement
- Logistics
- Materials management
- Accounts payable

Our Supply Chain Practice

Procurement Service Delivery

- Procurement transformation strategy
- Service delivery assessment
- Business case development
- Service delivery model and center-of-expertise design and implementation
- Service management technology selection and implementation
- Customer service optimization

Logistics and Materials Management

- Inventory planning and optimization
- Warehouse location selection and design
- Warehouse facility management improvement
- Storage space optimization
- Lean warehousing
- Automatic identification and data capture (AIDC) opportunity evaluation and implementation, e.g., bar codes, RFID
- Transportation management and network design

Procure-to-Pay (P2P) Process

- End-to-end process design and improvement
- Functional technology selection and implementation
- Metrics design and implementation
- Global process owner and governance

Enterprise Supply Chain Services

- Supply chain strategy
- Demand planning improvement
- Spend analysis and spend category market research
- Strategic sourcing execution
- Category management program design
- Supplier and third-party risk management
- Supplier relationship management
- Process and governance design and improvement
- Organization design and staffing
- Leading practices assessments
- Project management and change management planning and execution
- Outsourcing evaluation, vendor selection, and transition support

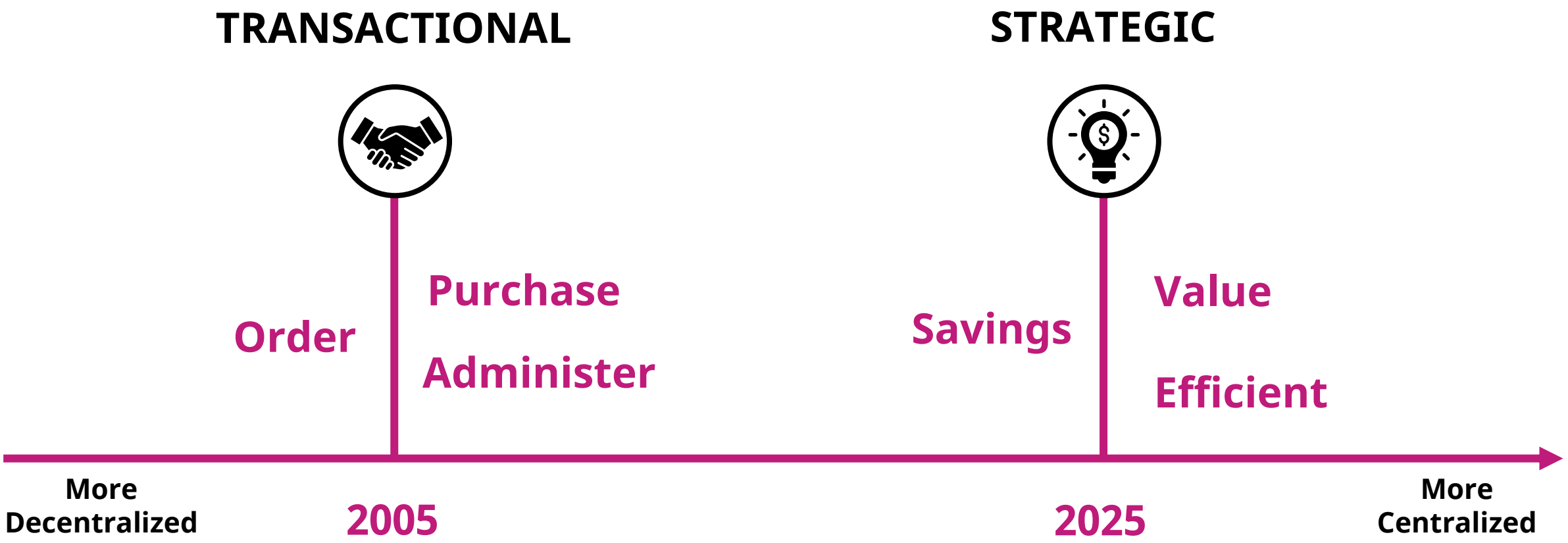
Representative Clients

Retail and Consumer Products	Manufacturing and Industrial	Technology and Communications	Higher Ed., Public Sector, Non-profit	Energy and Utilities	Healthcare	Professional Services
Core·Mark	ABB	Arrow	AURA	American Electric Power	AdventHealth	AAA
Dollar General	Brand Safway	Mitsubishi Electric	Channel Islands California State University	aps	Adventist Health	Adecco
Keen	DURA	Panduit	Emory University	Black Hills Corporation	AmeriHealth Caritas	Entrada Group Mexico, Delivered
Oakley	ENPRO	Seagate	mtw	bp	HCA Healthcare	GHD
Olympus	Georgia-Pacific	Siemens	The Board of Pensions of the Presbyterian Church (U.S.A.)	Duke Energy	Kettering Health	randstad
REI co-op	Ingersoll Rand	Spectrum	The University of Akron	exelon	Mosaic Life Care	Relias
Sealy	Komatsu	T-Mobile				
	Masonite					

Note: Representative sample; not all-inclusive of clients served. Excludes numerous well-known clients due to confidentiality agreements

Leading Practice Supply Chain Service Delivery Model

Supply Chain has Evolved over the Last 20 Years



Polling Question #1

Which of the following applies to your supply chain function. Please select all that apply.

- Strategic Procurement is centralized.
- Operational Procurement is centralized.
- Strategic Materials Management is centralized
- None are centralized.

What are the Unintended Consequences?

Unclear Roles

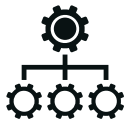
Roles are not clearly defined. Transactional roles are being asked to execute strategic work and/or strategic roles are completing transactional tasks with little to no time for anything else.

- "I don't have enough time to be strategic"
- "Daily firefighting dominates my day"

Activity Without Achievement

Business unit partners and vendors see procurement as requiring steps that cost time, get in the way of what they need to accomplish, and are not rooted in an understanding of the business.

- "Submitting a request is painful"
- "I have to go through too many hoops to get an answer"
- "My workday is consumed by administrative tasks which keeps me from being more strategic"



Uncertain Service Access

Supply Chain has centralized activities and staff leading to business unit partners feeling abandoned and uncertain about how to access services.

- "Who do I call to expedite my material now that procurement has taken Jim?"
- "Is this a new vendor or do they have a contract in place? Is it current or expiring soon? How do I find out?"
- "How do I access our Supply Chain function to even start a sourcing event?

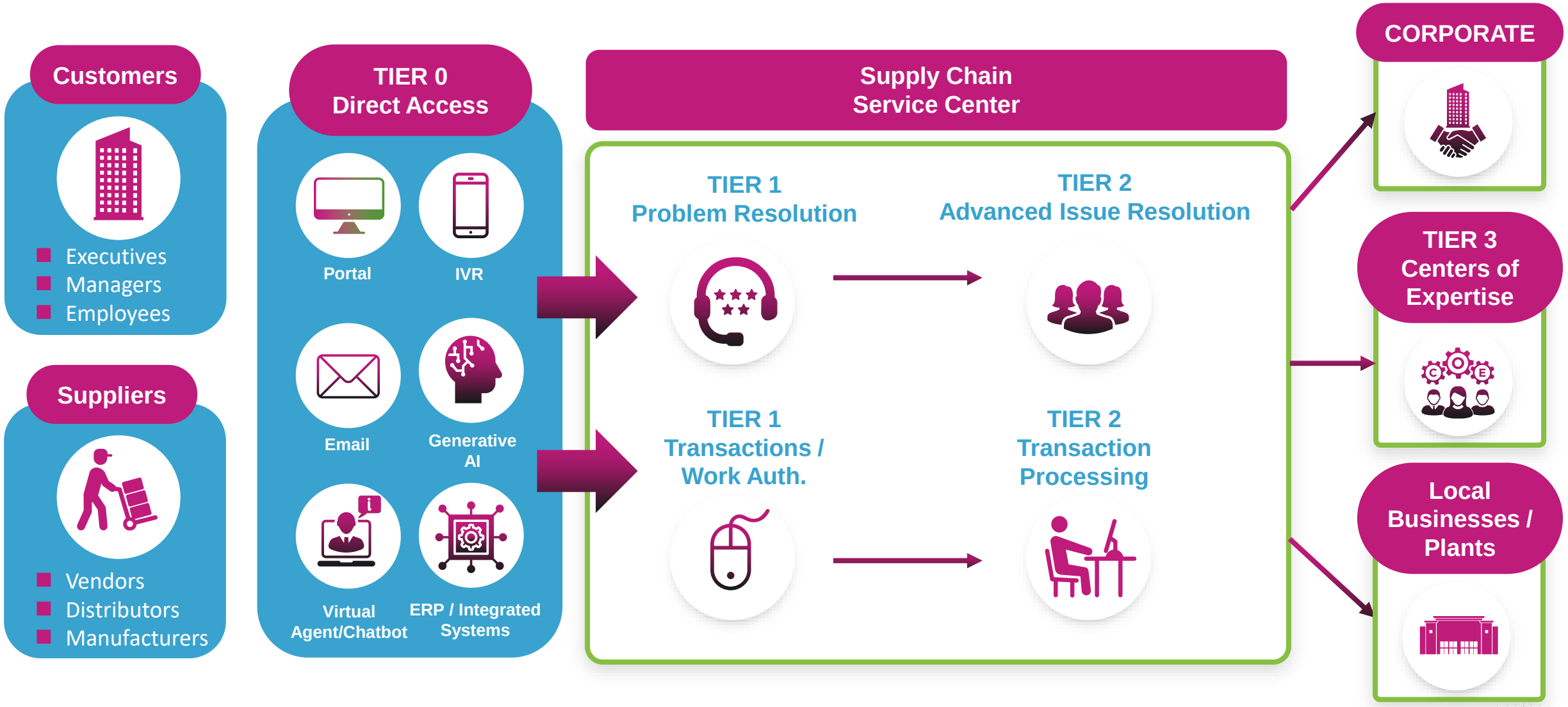
A strong supply chain service delivery model enables organizations to overcome these challenges.

Polling Question #2

Which of the following applies to how Supply Chain services are accessed?

- We have one landing page where all customers (internal and external) are directed for service.
- We have several vendor portals that provide different services.
- We do not have a landing page or vendor portal(s).

A Leading Practice Delivery Model



Supply Chain Service Center (Tier 1 and Tier 2)

The supply chain service center handles a wide range of activities, such as general supplier and employee inquiries and transactional services.

Tier 1

Issue Resolution

- Answer routine questions (payment inquires, PO inquires, etc.)

Transaction/ Work Auth

- Purchase requisition review, sourcing activities for materials under $100K and service releases

Tier 2

Complex Issue Resolution

- Complex issue resolution
- Invoice issue resolution
- Materials management

Transaction Processing

- Purchase requisition review
- Sourcing activities for materials between $100 – 500K
- Stand-alone services under $500K

Centers Of Expertise (Tier 3)

Activities in Supply Chain Delivery Model are structured to avoid co-mingling of transactional and strategic work. Leading practice models align activities by the type of work:

- Transactional
- Functional
- Advisory

Each activity is optimally placed within the delivery channel that is best, such as the service center or a COE.

An emphasis is placed on splitting transaction processing from problem resolution to ensure the model works effectively.

Activities within COEs are primarily advisory since they require specialized skills and expertise.

COEs own and direct two primary specialized activities:

✓ **Programs**
✓ **Planning and Analysis**

✓ **Examples of Programs:**
- **Strategic Procurement**
- **Contract Management**
- **Supplier Relationship Management (SRM)**
- **Risk Management**
- **Supplier Diversity**

✓ **Examples of Planning and Analysis:**
- **Demand Management**
- **Reporting & Analytics**
- **Spend Analysis**
- **Market Analysis**
- **Inventory Planning**
- **Network Design**

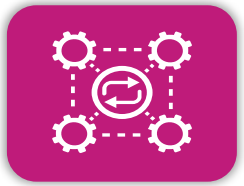
Successful Supply Chain Service Delivery Model Traits

A procurement delivery model cannot be successful without some critical components existing within a governance framework:

Embed a service-oriented mindset

- Use data to ensure employees' and vendors' needs are met
- Ensure feedback loops are in place with local resources as they are closest to customers
- Allow business unit flexibility where it makes sense

Revamp traditional models and services provided



- Avoid duplication
- Use the scope of services as a "blueprint" for who does what work
- Create clear governance to support the model
- Define roles and responsibilities for each delivery channel

Employ mechanisms for continuous improvement and a "culture of accountability"

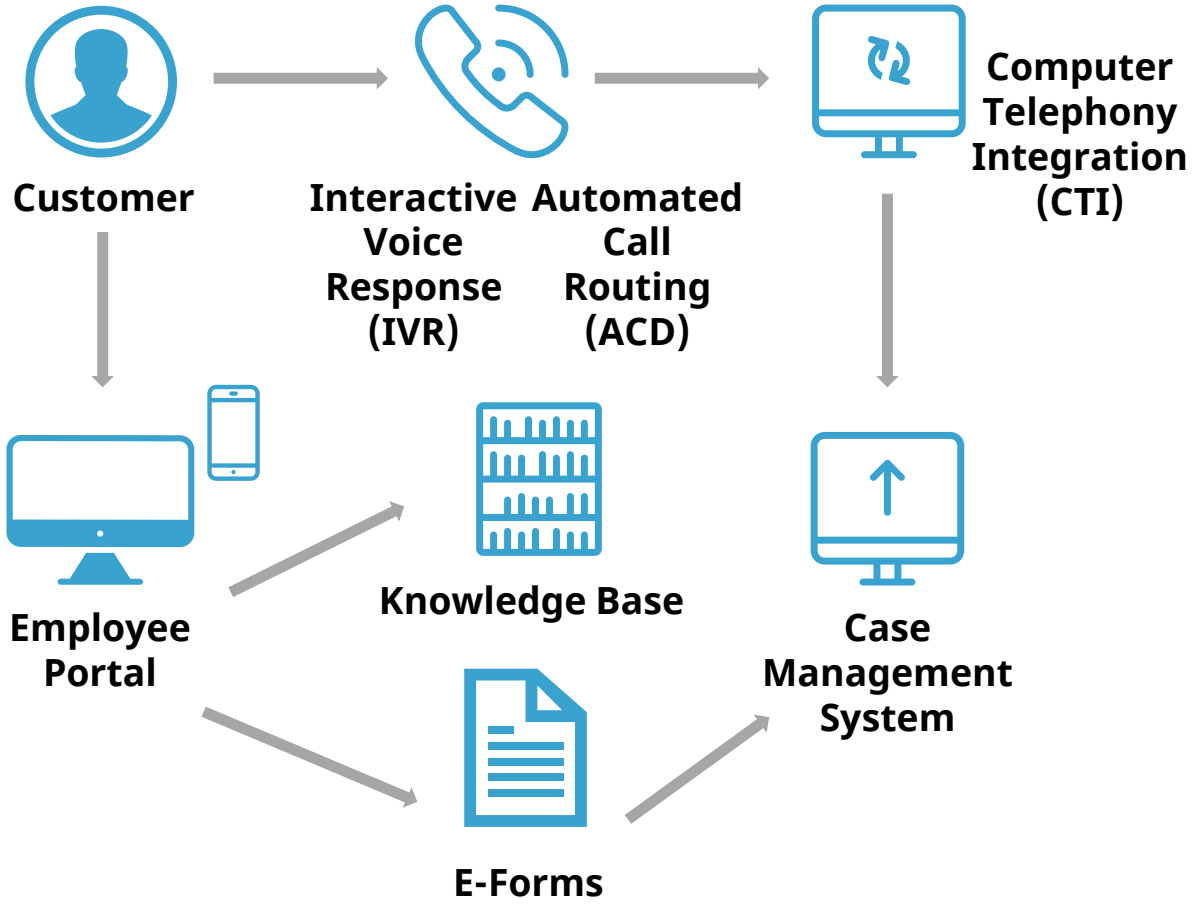
- Use data to ensure handoffs between delivery channels are occurring as expected for all processes
- Define operational measures and service level agreements
- Ensure customer engagement structures are in place

Enable local resources to better support their units

- Empower local resources to serve as the "voice of the business leaders" that they support
- Give local resources the ability to influence and provide input to Centers of Expertise (COEs) and service center operations

Enabling Customer Care Technologies

A supply chain service delivery model requires a foundation and investment in customer care technologies.



Telephony System (IVR, ACD, CTI)

- Supports higher resolution rate on first contact by routing calls to the most appropriate and available representative

Case Management System (CMS)

- Provides one system to create, track, and review cases
- Offers flexible communication channels (e.g., text, live chat) with customers
- Virtual agents enables 24/7 support for different time zones or for shift and non-office workers
- Supports better performance management with case metrics tracking and reporting

Portal and Knowledge Base

- Provides a ”one-stop shop” for content
- Offers improved mobile accessibility and robust search function
- Lifts transactional burden across the function

The Evolution of Intelligent Automation (IA)

In recent years, supply chain has witnessed a significant adoption of IA technologies to streamline operations, automate repetitive tasks, and improve customer interactions.

2015

RPA

Integration with enterprise systems for end-to-end process automation

2016

Chatbots

Chatbots for basic inquiries and support

2018

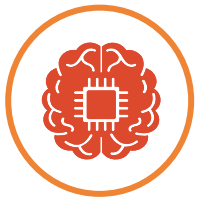
Conversational Agents

Cognitive query handling and personalized assistance

2019

Predictive AI

Pattern recognition for decision support and discrepancy insight



2023

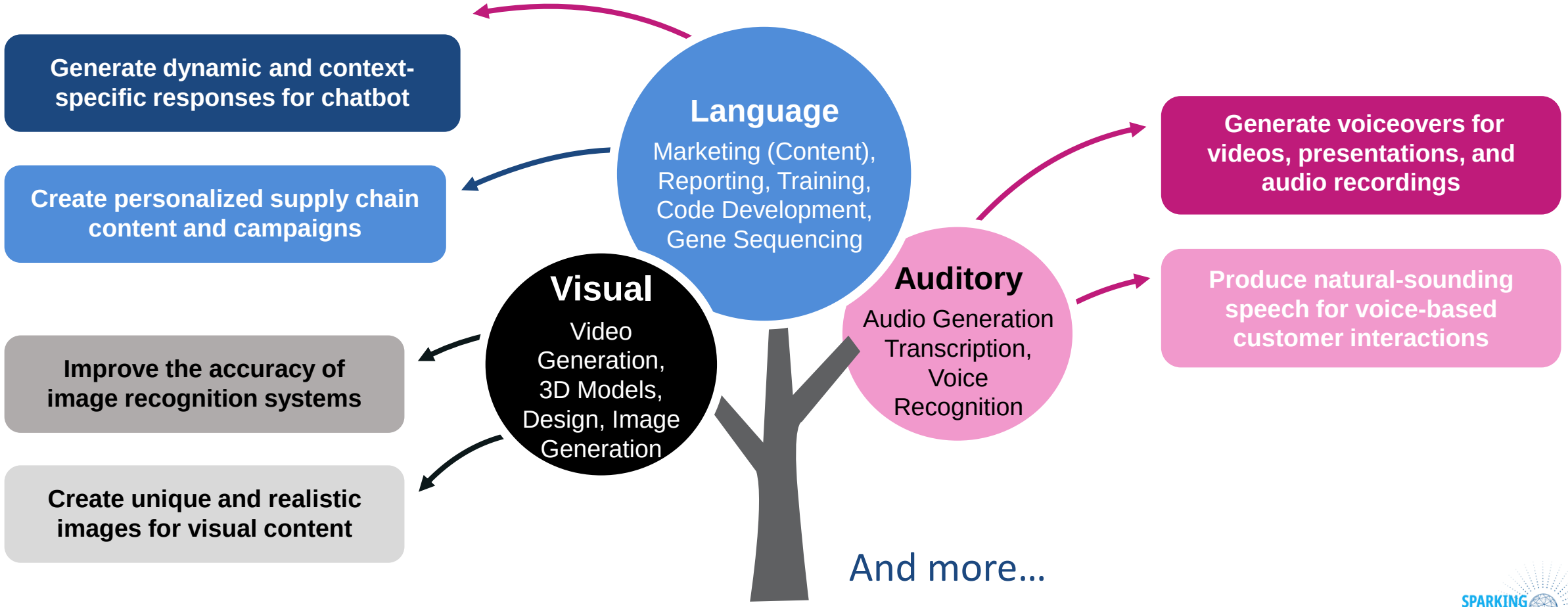
Generative AI

Content production, supplier and market insight, better scenario planning

These solutions are becoming more and more and more integrated enhancing automation by combining task execution, data analysis, and user interaction for more efficient and intelligent workflows.

What Is Different about Generative AI?

Generative AI refers to a type of artificial intelligence that can create new content, such as text, images, audio, and video content, by learning from existing data patterns. It expands AI capabilities to generate realistic and creative outputs.



Enabling IA Technologies and Adoption Levels

	Robotic Process Automation	Virtual Agents and Chatbots	Predictive Artificial Intelligence	Generative Artificial Intelligence
Approximate Adoption	65-75%	30-45%	15-25%	15-25%
Characteristics of Data Input	Structured, rule driven, and static	Structured data with cognitive computing	Largely structured data with hidden patterns	Unstructured/structured data, driven by prompts
Nature of Ideal Process Fit	■ Digital repetitive steps ■ Rule-based/logic driven ■ Time consuming ■ Documented ■ Static rules	■ Customer-interfacing ■ Requires access to solve ■ Multiple languages required ■ Multiple time zones required	■ Requires research ■ Non-routine inquiries ■ Formula-driven ■ Requires pattern and detailed analysis	■ Generates content with open data searches ■ Can point to inhouse data ■ Language processing ■ Complex Q&A
Process Candidate Examples	■ PO administration/updates ■ Catalog updates ■ Routine transactions	■ Customer service ■ Vendor inquiries ■ Delivery/scheduling	■ Contracts management ■ Demand forecasting ■ Problem solving patterns	■ Research ■ Forecast ■ Customer service ■ Optimization

Data structure and integrity is essential across all IA.

Emerging Use Cases

Data and Predictive Analytics

- Inventory optimization that recommends inventory levels, re-order quantities, and re-order points, based on stock cost, usage, lead time, and criticality
- Tail spend management by identifying opportunities (e.g., maverick spend, common spend across suppliers) and recommending preferred channel

Generative Artificial Intelligence (AI)

- Creation of demand forecasts by using historical data and market trends
- Streamlining of sourcing/purchasing activities by analyzing previous pricing and transactions, identifying patterns, and predicting outcomes

Application Programming Interfaces

- Geo-fencing around a warehouse that provides notifications of incoming carriers, allowing onsite staff to prepare for processing the shipment
- Dashboard that aggregates data from different systems to provide transaction visibility across planning, ordering, logistics, and inventory

Stakeholder Collaboration and Decision Support

- Cross-functional team input on target pricing, supplier performance criteria, and product specifications for RFP
- Development of requirements for new suppliers in new business area or procurement category

Sources: Oxford Languages, HfS research

Polling Question #3

Please select the following enabling technologies that you currently have implemented in your supply chain organization. Please select all that apply.

- Portals and/or landing pages
- Knowledge base
- Case management system
- Telephony system
- Robotics process automation (RPA)
- Chatbots or virtual agents
- Predictive AI
- Generative AI

Polling Question #4

Which of the following do you have plans to implement in the next 3 years? Please select all that apply.

- Portals and/or landing pages
- Knowledge base
- Case management system
- Telephony system
- Robotics process automation (RPA)
- Chatbots or virtual agents
- Predictive AI
- Generative AI

Leading Practice Supply Chain Service Delivery Model

What is the Business Case?

Quantitative Benefits

+ Reduction in contract leakage
+ Reduction in re-work
+ Improved cost reduction and avoidance from strategic staff utilization for strategic work
+ Efficiencies from maximizing and optimizing Tier Zero (Direct Access) where the business unit and vendors access service without supply chain staff

1-2%

Contract Savings

10-25%

Labor Savings

Qualitative Benefits

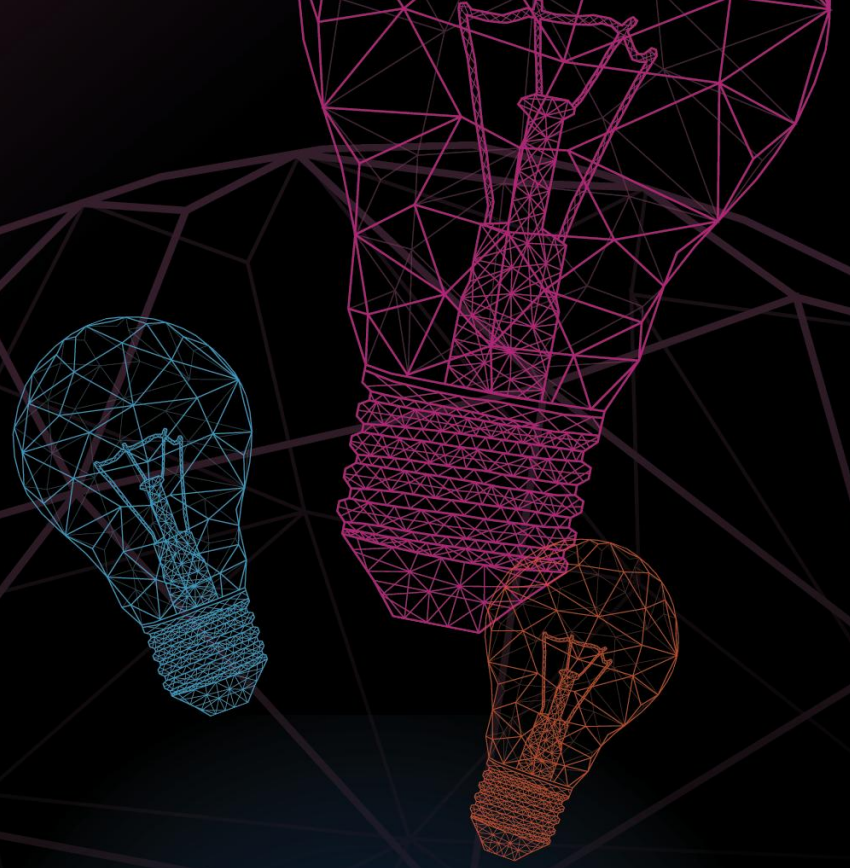
+ Scalability
+ Streamlined acquisition integration
+ Performance metrics to inform better decision making
+ Improved reporting and analytics to support contract management
+ Improved customer service

Cost Avoidance

Improved Compliance

Customer Service

Service and Work Activity Alignment Exercise



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Overview

In order to design the most efficient and effective supply chain delivery model, each procurement activity must be assigned to the "best fit" model tier. As a reminder, the model tiers are below:

Tier 1

Issue Resolution

Transaction/ Work Auth

Tier 2

Complex Issue Resolution

Transaction Processing

Tier 3 / COE

Advisory activities that require specialized skills and expertise

- ✓ Programs
- ✓ Planning and Analysis

Local Sites

Requires "hands-on" support

Difficult to do virtually

Polling Question #5: Supplier Risk Management

Where would you suggest the following activity be placed in the tiered model? Aggregate risk information for selected suppliers and present risk analysis that can be used to evaluate that supplier's risk across multiple domains such as the supplier's financial health, geopolitics, source of raw materials, etc.

Tier 1	Tier 2	Tier 3 / COE	Local Sites
 Issue Resolution	 Complex Issue Resolution	 Advisory activities that require specialized skills and expertise	 Requires "hands-on" support
 Transaction/ Work Auth	 Transaction Processing	✓ Programs ✓ Planning and Analysis	Difficult to do virtually

Polling Question #6: Data Analytics

Where would you suggest the following activity be placed in the tiered model? Combine and analyze data from multiple systems to gain insights into procurement operations and provide spend, supplier, and market analyses to support strategic sourcing.

Tier 1	Tier 2	Tier 3 / COE	Local Sites
 Issue Resolution	 Complex Issue Resolution	 Advisory activities that require specialized skills and expertise	 Requires "hands-on" support
 Transaction/ Work Auth	 Transaction Processing	✓ Programs ✓ Planning and Analysis	Difficult to do virtually

Polling Question #7: Contract Administration

Where would you suggest the following activity be placed in the tiered model? Maintain contracts in a central location so they can be easily retrieved. Track contract expiration dates and notify contract owners of important upcoming contract dates. Periodically retrieve supplier administrative information (e.g., insurance certifications).

Tier 1	Tier 2	Tier 3 / COE	Local Sites
			
Issue Resolution	Complex Issue Resolution	Advisory activities that require specialized skills and expertise	Requires "hands-on" support
		✓ Programs ✓ Planning and Analysis	Difficult to do virtually
Transaction/ Work Auth	Transaction Processing		

Polling Question #8: Contract Management

Where would you suggest the following activity be placed in the tiered model? Update contracts with new terms and conditions and commercial terms as required and advise on negotiated commercial terms and features of supplier performance.

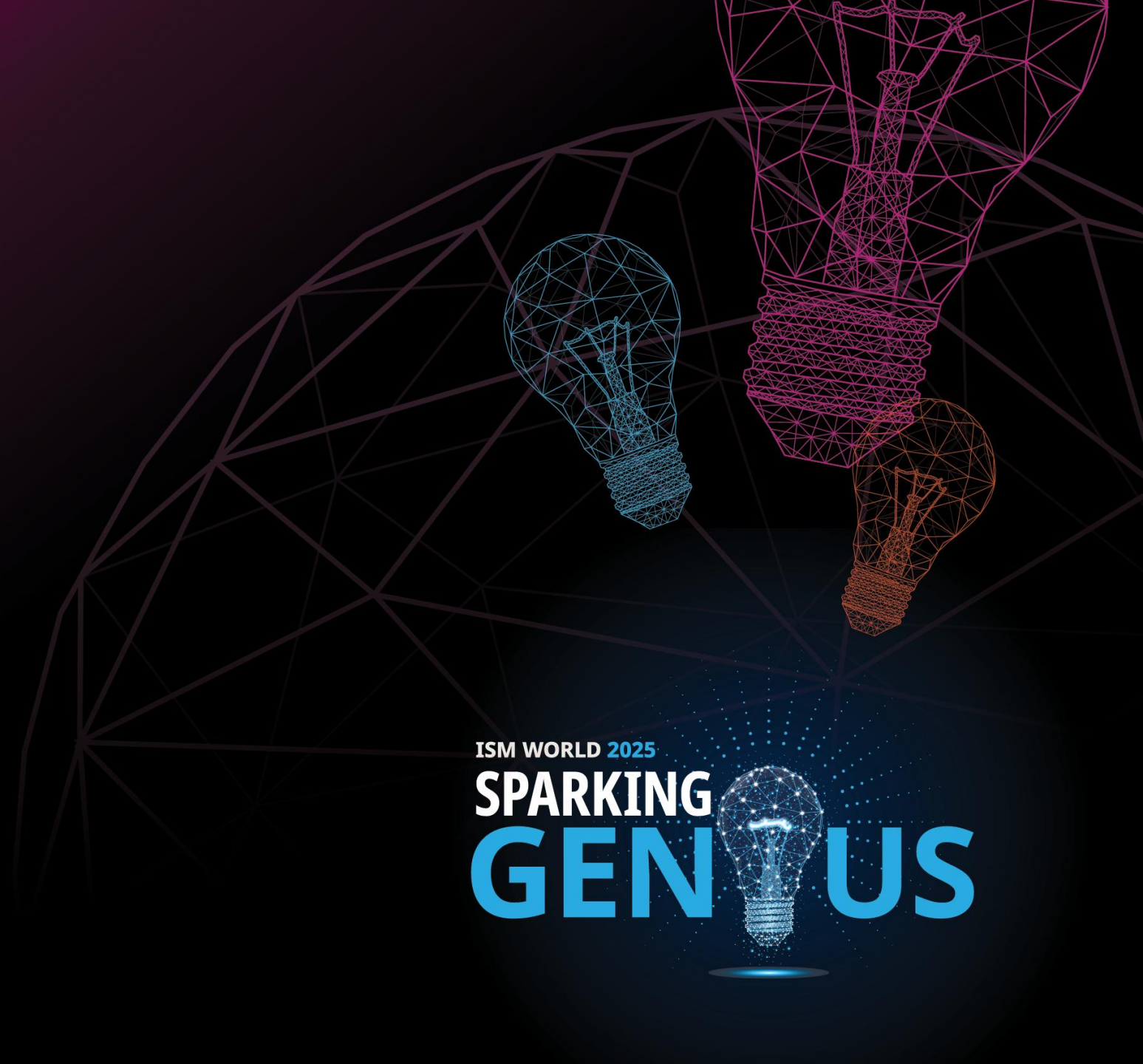
Tier 1	Tier 2	Tier 3 / COE	Local Sites
Issue Resolution	Complex Issue Resolution	Advisory activities that require specialized skills and expertise	Requires "hands-on" support
Transaction/ Work Auth	Transaction Processing	✓ Programs ✓ Planning and Analysis	Difficult to do virtually

Polling Question #9: Expediting

Where would you suggest the following activity be placed in the tiered model? Take action to find the status of a purchase transaction and determine if intervention is needed to meet service levels expected by your business unit customers.

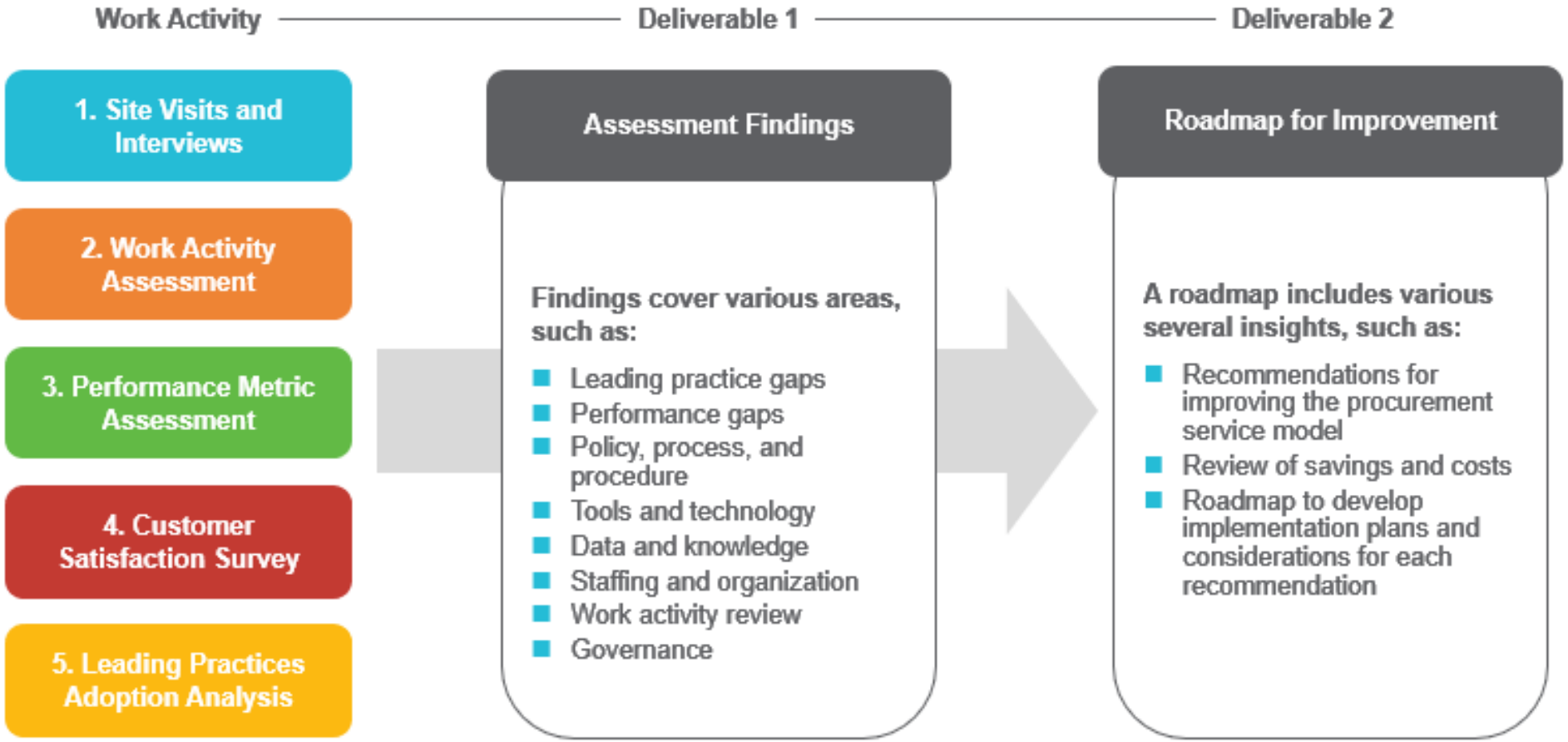
Tier 1	Tier 2	Tier 3 / COE	Local Sites
Issue Resolution	Complex Issue Resolution	Advisory activities that require specialized skills and expertise	Requires "hands-on" support
Transaction/ Work Auth	Transaction Processing	✓ Programs ✓ Planning and Analysis	Difficult to do virtually

Getting Started



Transition to a Leading Supply Chain Delivery Model

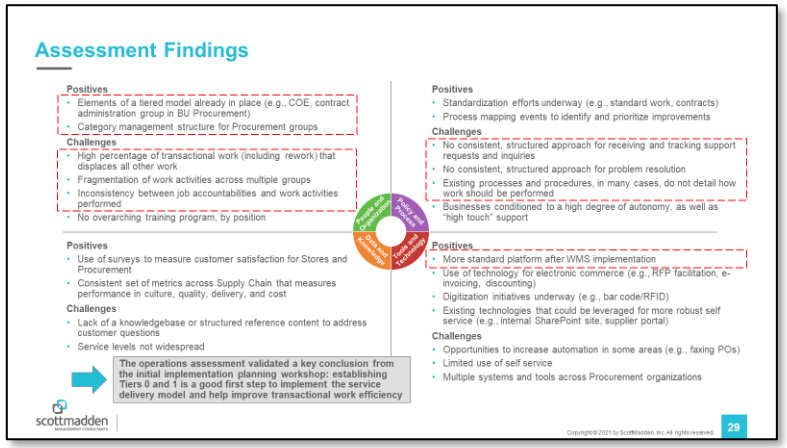
Conducting a supply chain assessment provides a complete view of supply chain performance, identifies the highest impact opportunities, and enables executives to design and pursue a clear path toward supply chain transformation based on their industry and goals for maturity.

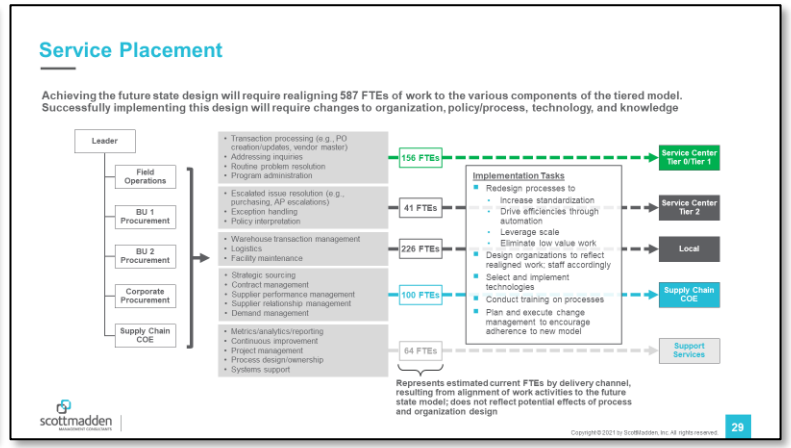


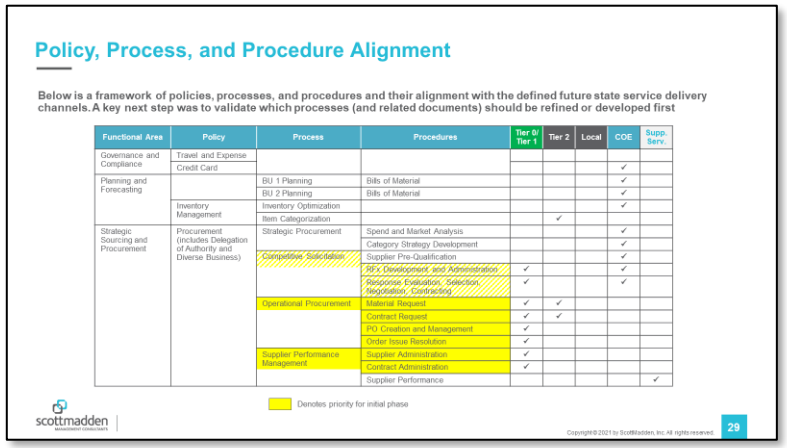
Assessment Results Inform Model Design

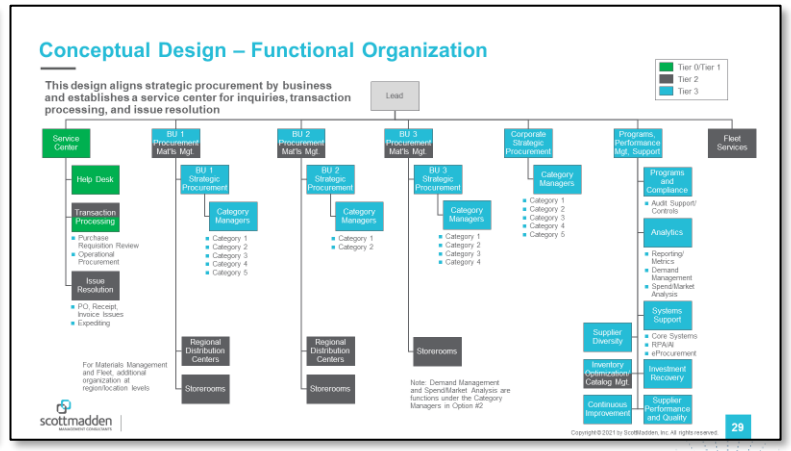
By completing an efficient assessment, key findings influence overall supply chain service delivery model design, from service placement to process alignment to conceptual organizational structure.

- Stakeholder interviews provide insight into policy and process, organization and staffing, tools and technology, and data and metrics
- Service placement slots existing activities into a tiered delivery model based on the type of work being performed
- Policy, process, and procedure alignment enables harmonization to provide a consistent, repeatable experience
- Service placement, benchmarks, and ScottMadden experience enable tailored organizational designs









Implementation Workstreams

Typical Implementation Work Streams

Planning and Project Management

- Form implementation team (assign project lead and team leads)
- Develop project tools and templates
- Manage project. Track and report on project status
- Identify and resolve issues and risks

Policies, Processes, and Procedures

- Inventory supply chain policies, processes, categories, and taxonomy
- Document current state
- Define supply chain policy and process requirements
- Redesign and document policies and processes

Organization and Staffing

- Design supply chain organizational structure
- Define supply chain jobs
- Create job descriptions
- Price positions
- Plan selection method
- Post jobs
- Evaluate and select candidates
- Manage transitions

Communication, Change Management, and Training

- Assess impact of overall change on stakeholders
- Build awareness
- Build, execute, and monitor comms plan
- Create and launch marketing campaign
- Assess training and education needs
- Build training plan
- Conduct training and education

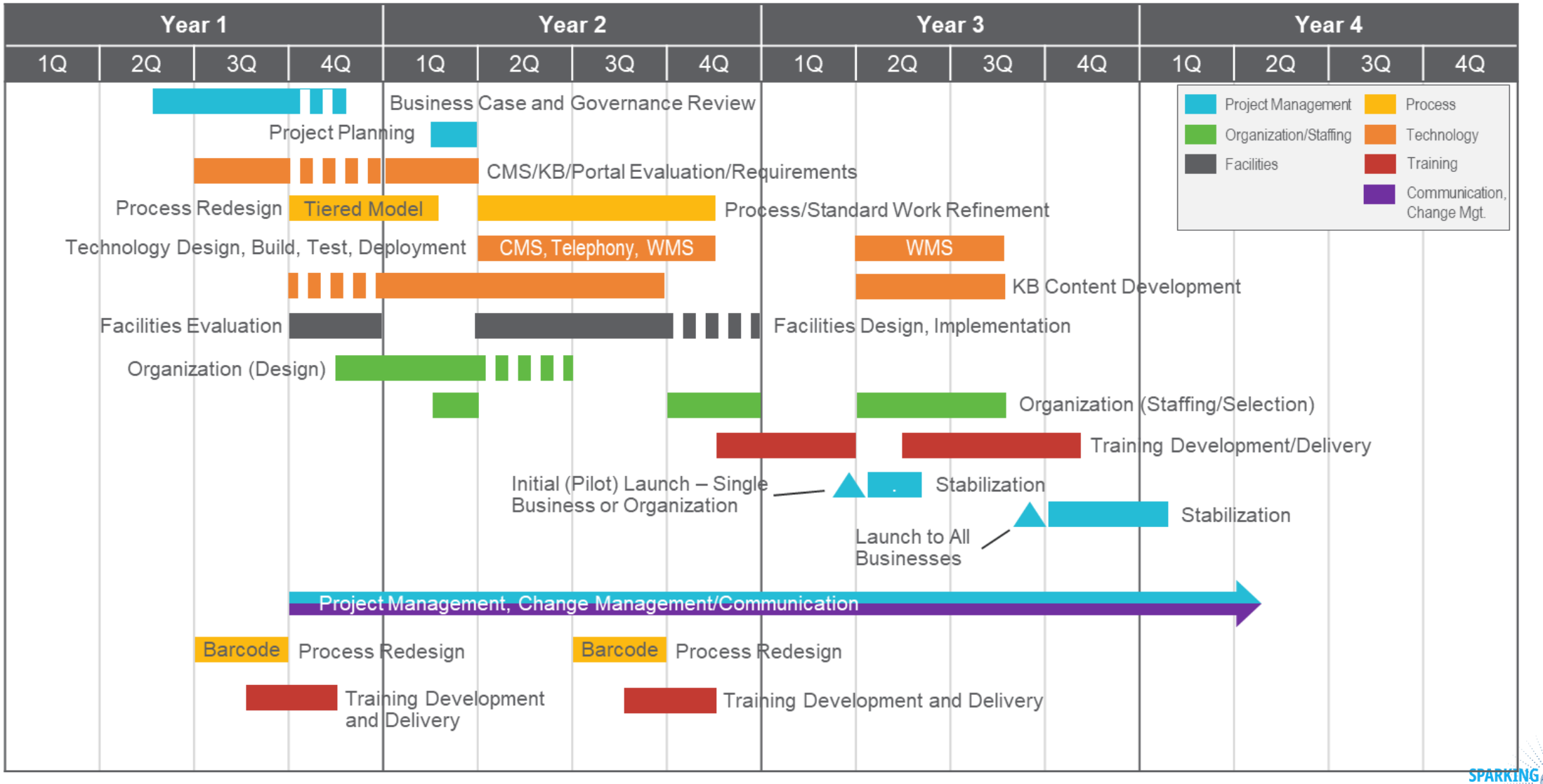
Technologies

- Evaluate existing customer care technologies
- Evaluate existing supply chain functional technologies
- Evaluate automation technologies
- Develop future state requirements
- Select, buy/build, and implement technologies

Facilities

- Determine requirements for supply chain service center and design facility (if needed)
- Construct or renovate
- Order and install equipment
- Move in
- Develop business continuity plan

Implementation Roadmap



Leading Practices During Implementation

Involve stakeholders early and often.

- Identify all stakeholder groups (e.g., suppliers, technology providers, lines of business contacts, and material planners)
- Create detailed plans for stakeholder groups to ensure adequate communications throughout the transition

Make detailed accountabilities clear, by group and role.

- Define supply chain responsibilities by group as part of the creation of the tiered Service Delivery Model (SDM)
- Assign and document individual accountabilities and performance measures at the role level

Leverage analytics before, during, and after the transition.

- Ensure assessment fully describes current state supply chain metrics and costs
- Provide reporting to stakeholders to focus attention on key enablers of success and drive desired outcomes (e.g., Cycle Time, Procurement ROI)

Implement (and test) well-defined, tier-escalation criteria.

- Define use cases for all types of purchases (e.g., PO and Non-PO, Special Handling and Non-Special Handling)
- Document and test handling processes for all use cases and all tiers

Aggressively simplify and streamline policies and processes.

- Review and streamline all supply chain policies as part of the planning for the transition to the new SDM
- Revise process documents from the user's perspective; reduce process steps and minimize hand-offs wherever possible

Treat technology as an enabler, not a panacea.

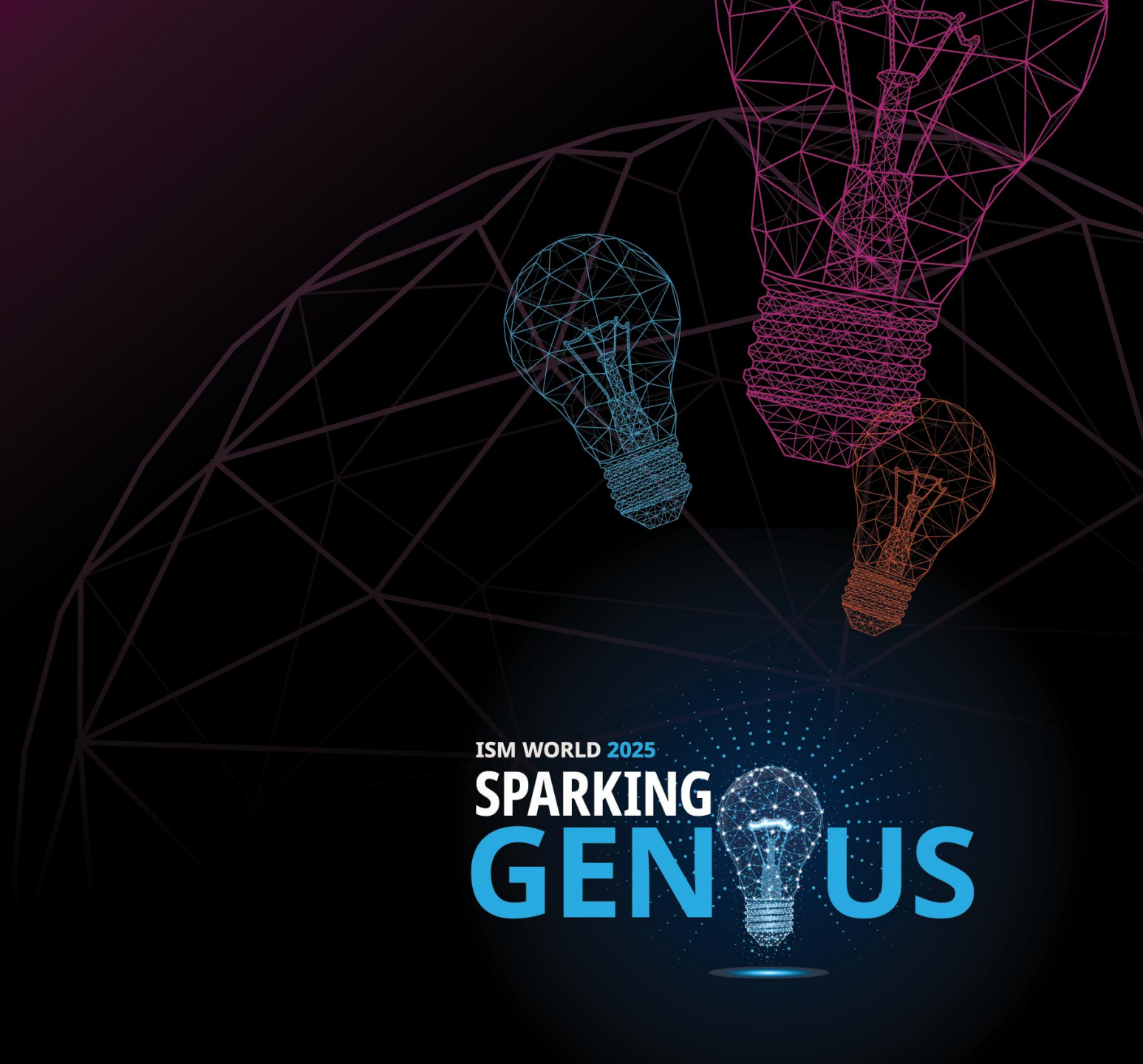
- Ensure that revised processes leverage technology to simplify, not complicate, work
- Focus on technology dependencies (e.g., category taxonomy, inventory data quality, process simplification, training, and knowledge base creation)

Implementation Hallmarks of Success

An effective supply chain delivery model implementation that leverages leading practices will speed adoption, minimize disruption during the process transition, and achieve the benefits and savings outlined in the business case that supported the roadmap.

- ✓ **Communications** throughout the implementation **are frequent and transparent**, and lead to a "no surprises" transition
- ✓ **Results** can be seen **soon after launch** (e.g., reduced cycle times for invoice processing, reduction in hand-offs within processes)
- ✓ **Use of technology increases rapidly** due to awareness of the changes, increased functionality, and improved on-line support
- ✓ Stakeholders **understand the process and system changes** and know who to contact for supply chain assistance
- ✓ Supply chain staff have **clearly defined roles and responsibilities**
- ✓ **Reporting and analytics** provide transparency
- ✓ **Data quality issues** (e.g., inventory counts, category and sub-category designations) and **knowledgebase content availability are addressed** during implementation planning and support a successful launch
- ✓ **Suppliers are aware** of the transition and benefit from reduced transaction costs and improved efficiency

Wrap Up



Wrapping Up

1. **Thank you for attending today's presentation!**
2. **If you would like a copy of today's presentation, please use the QR Code to submit your name and email.**
3. **Enjoy the rest of the conference!**

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