

## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

**Philip:** [00:00:30] Hi there, everybody! Welcome to this week's Art of Procurement powered by Sig. My guess today is Walt Charles, he's the Chief Procurement Officer at Biogen. I'm sure that Walt will be well known to a number of listeners. He's a longtime CPO. He's worked with really illustrious companies such as Johnson and Johnson's consumer division, Kellogg's, Kraft Foods, and now at Biogen just to mention a few.

[00:00:55] As you'll hear in the interview, Walt is really passionate about the potential power of procurement, but he also has the view that some of our more traditional approaches, and an example would be the Pareto Principle as it implies to how we determine which spend, which categories to work on, that some of those approaches may no longer be fit for purpose.

[00:01:17] Now, with that in mind, Walt's really achieved some significant results. He has done that importantly with his current team without the need to really invest heavily in new capabilities. He's done that by really looking at redesigning processes and by investing a lot in enabling tools, enabling technologies.

[00:01:37] And so in the interview today we talk about the how. How has he achieved those results with a really specific focus today on tools and technology. But in the first part of the interview I really wanted to dig a little deeper as well into Walt's background and what his philosophies are as a leader.

[00:01:55] Now, our conversation is almost an hour long. It could have gone on a lot longer, so I really hope that you enjoy it as much as I did. And so, in my first question I actually asked Walt if he had always aspired to be a CPO.

**Walt:** [00:02:10] The answer to that -- No. I started out my career largely in an engineering role until I graduated from undergrad with a Bachelor of Science in Engineering. Then, I openly evolved that to a master's in engineering in environmental engineering. Realized very quickly on -- and it took about eight years, that's my definition of glacial quickness. It took about eight years to figure out that engineers like what they're doing and therefore there's very limited growth as a function of being an engineer. At least at the company I was working for at the time, which was Merck. And so, if I wanted to grow, I needed to pivot.

**Philip:** [00:02:54] Yeah.

**Walt:** [00:02:54] Right? And so... And I saw that there were some really cool jobs that actually leveraged engineering skill sets but they were on the business side of the

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

business. And so, I pivoted from being kind of wanting to be an engineer to wanting to kind of leverage my engineering skill sets to something that was going to be more business. I went back to B school to get a B school credential and MBA. And basically, then started to find opportunities that would go after it.

**[00:03:29]** When I got to procurement, when I finally arrived at procurement, then yeah, I wanted to try to aspire to be the top of the house of that particular function wherever I was. And so, I imagine for the last eight to 10 years or so it's been largely a procurement journey even though I've been on five or six supply chain leadership teams and build business leadership teams at those companies you mentioned.

**Philip:** **[00:03:53]** What was it about procurement then that when you found procurement you decided "Okay. This is the career path. This is the area that I want to kind of dedicate my career to being an executive leader in this space."?

**Walt:** **[00:04:07]** Yes. I would tell you that I wish I was a better architect. Right? But I wasn't, right. So, I kind of... As an engineer, my last job in engineering in Merck was building a boiler water infrastructure upgrade. Forty-million-dollar project at the Raleigh facility. In that project, you basically buy a bunch of stuff and then you give that stuff to people to put it all together. Right? I realized that I had a lot of fun buying stuff. Right?

**[00:04:37]** But all my challenges hit when we were forced to put it all together. Get the engineering and the discipline trades all together to kind of get after it. I said "Wow! Wouldn't it be great if I can simplify my life and just buy stuff for them?" That was just the setup. I had a lot of fun buying stuff. I didn't like the putting it together piece. Buying stuff seemed to be a logical kind of pivot.

**[00:05:02]** And so, that was first kind of [unclear] largely in engineering capacity building a large-scale type of project where the first step is buying a bunch of stuff and giving it to the trade, so they can put it all together. That was the deal. But, yeah. But when I got there my time have pivoted to procurement. I finally realized that "Wow! This is not only really fun, but you can have a huge impact on the [unclear] respect of companies to this role which is also something that was compelling for me. So, those were the kind of the high-level thoughts that I had about... The first time I was

**Philip:** **[00:05:39]** It's funny how most of us end up falling into it. Falling into it and then wanting to stay as soon as you get there but without really having a desire upfront to say that's a career for me, that's where I want to focus or target myself.

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

**Walt:** [00:05:52] Correct.

**Philip:** [00:05:54] When you're talking to... So, others now that perhaps in business school or doing undergraduate degrees, you know as part of your recruiting, do you find that more and more people want a career in procurement or is it still something that's a little bit unknown on the outside?

**Walt:** [00:06:12] Yeah. I think actually you'll find people of two different varieties, right. There are some folks who actually understand what procurement does even at a very young age because they may have had some type of exposure to us while they were figuring out what it is they want to do. When I'm recruiting, those people that understand and like and know - those are easy.

[00:06:37] Most of the time you have to sell what procurement does. We as practitioners, I think do a poor job of kind of talking about the impact we're able to have to build the excitement and enthusiasm for the function that you see already being built for guys like finance and marketing. Right? So, we've got to figure out how to develop some mojo and some brand recognition.

[00:07:07] And maybe some brand advocacy around what the function does in my view because there should be in my view wind around the block for folks wanting to play in the procurement space if they knew what it was we were doing on a daily basis. So, that's kind of my take on it. Fortunately, I've been blessed with some really really good teams. A lot of them typically stay, which is great too. I've been really fortunate.

**Philip:** [00:07:40] Well, one thing I just wanted to touch on there is it's funny how we're not necessarily the best salespeople of our own profession. What we do revolves so much around change and sparing change but it's something that doesn't necessarily come natural to us. And so, I do feel that inhibits sometimes just our role to really get the word out either internally but also external when we talk to people. Even now, I think, every single person I talk to and I say what I do and what professional I'm in they're all like "What the heck is procurement?" you know.

**Walt:** [00:08:09] Yeah. I mean it's [unclear] yes. You want to be a doctor, you try brain surgery or cosmetology. There is an analogy there between being a sales and marketing guy or procurement guy. Obviously, you won't use that but that's the challenge. The challenge is if it's something you fall into versus something you are intentional about wanting to get after because you've learned about it. I think most

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

people fall into the fall into bucket as opposed to having intention about it. Then once they learn it, they either like it or opt out. They have to do something different.

**Philip:** [00:08:51] As you've progressed in your career journey, what's a fundamental perspective or beliefs that really shape your philosophy or that you've really tried to carry through from role to role and really informed kind of how you operate.

**Walt:** [00:09:06] Yes. I remember early on in my engineering career I reported to a prestigious supply chain that mandated that we all read this book Lean Execution. Embedded within that are some core principles. One, execution is everything. Right? This notion of kind of honoring one's commitments and be accountable for one's commitments is something that kind of throughout my entire career probates everything. When I say or commit that I'm going to do something, you can count on me sort of an act of God delivering on a commitment. Right? And so, that's been kind of one of the core beliefs.

[00:09:54] The second one for me is about learning matters. Education matters, right. Initially, I thought I was a smart guy before I went to B school. I don't think B school necessarily refined my smartness necessarily, but I'll tell you the external perception of my smartness post B school going to Columbia University meant that everyone else kind of then went in with the proposition that I was a reasonably smart person. Right?

[00:10:28] And so, I went from someone that would be talked over in corporate meetings at Merck to all of the sudden EF Hutton just on the basis that I was going to an Ivy League to get my MBA. And it was the first time that I really had a fundamental kind of... I remember [unclear] on "Wow, I thought I was a smart guy before, but it didn't matter that you didn't I was a smart guy before."

[00:10:52] Now, there was a fundamental shift on what I had the potential of doing and the contribution or the potential of making the business which became kind of a snowball effect, flywheel effect because once people believe you're good, they then start giving you discretionary projects to demonstrate your goodness. Right? And they then also surround you with the best--. The other 18, sort of 18 players. So, it become kind of a self-fulfilling prophecy of excellent which by the way I thought I had the capability to do before, but it was the validation given by some external degree that fundamentally transform the perception within corporate America of what I was capable of doing. Because otherwise I for them is this really big kind of scary black guy.

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

**Philip:** [00:11:42] Yeah. It kind of gave you the opportunity.

**Walt:** [00:11:46] Which was also not so serious but was also kind of a meaningful thing that I had to constantly address during my growth in corporate life.

**Philip:** [00:12:02] As you're looking for others that may be in that same situation who have the ability but perhaps they haven't had the opportunity to kind of demonstrate, are there things that you encourage folks to do that help them stand out from the crowd? It may not be having the opportunity to go and do an MBA for example but there are things that they can do on an everyday basis in terms of showing up and delivering that helps put the advantage when those discretionary projects come up or put them in the front of the line.

**Walt:** [00:12:36] Yes. So, few things. One, I also believe that your boss is everything. Right? 90% of your perception of a company that you might be working for is the boss to subordinate interface. Right? And you either have a favorable perception based on that boss or not so favorable perception based on that boss. And so, the advice or guidance that I would give is twofold. Just because someone doesn't look you, may not aspire to be like you, doesn't mean they're in any way less passionate about delivering on the goals and objectives of the business venue. Right?

[00:13:17] I would just give you one example. When I presented at ProcureCon, when I came on stage, I requested the music that was decidedly different from the Muzak that they were typically playing for everything else. And by the way, that was intentional. I did that also when I presented at other venues including inside corporate life. So, imagine kind of Travis Scott, a hip-hop guy. Right? With his butterfly effect song. It's perfectly clean. There's nothing in there that's objectionable, right. But it's bass heavy and it's fundamentally different. Because I think people when they read my background, they go "Wow! He's a guy who's got a couple engineering degrees -- corny. An Ivy League MBA -- cornier." Right?

[00:14:04] He's worked in a lot of different corporations that's kind of pretty high level. And so, they get an impression with how are you going to be leading me of who I am, how I should present, how I should talk, and how I should kind of compose myself in whatever the session. And so, I try to say "Look. What I'm going to share with you is probably going to be a little different than what you typically hear at the conference." Right? And by the way... And then I go into how are they going to deliver between 150 and 250 % savings increases with extensively [unclear] at three different major companies. Right? Because I'm thinking differently about the practice

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

of procurement than most everybody else. Right? And that's for me the more compelling thing.

**[00:14:55]** Are those differences enabling me to unlock value and rate that other people haven't? I think for me in my case they have been. Right? It's been really cool to be able to help without doing kind of full reset of personnel which is what some transformation people do. That's not my model transformation. My model transformation is how do I take the people I've got, show them a different set of processes and a different set of approaches and tools and have them deliver fundamentally different increases in savings and outcomes for the business. And so, my brand is materially different in that respect.

**Philip:** **[00:15:36]** Right.

**Walt:** **[00:15:37]** And by the way, I don't mind the people that have to do a full-scale implosion. Their decisions, their brand.

**Philip:** **[00:15:47]** Yeah, their prerogative.

**Walt:** **[00:15:48]** My brand is one that says, how do I take the folks I've got and bring them to the summit? How do I take my fundamental belief that most people are doing and desire to do a good job and have an impact and so how do I take some on that journey with me? So, I've got a fundamentally different framework of people value also which I think everybody counts. Right? So, it's just one philosophical framework that's different.

**Philip:** **[00:16:22]** I want to come back to that in a second. Just for context, I wonder if you could just share a little bit more about your team right now at Biogen, just so listeners can kind of contextualize or perhaps even place their journey in comparison to what you are on your journey at Biogen.

**Walt:** **[00:16:39]** Yeah. So, at Biogen I lead the procurement team for the business which is responsible for all third party buying above a threshold. So, probably 90% of buying for the business will come through my desk or one of my key members. We've got a reasonably lean team, but we're tools enabled. We use next generation supply in every tool to help find suppliers more robustly in the highly disruptive world of the supplier ecosystem these days. It's incredibly important to find the Uber in everything you're sourcing. That's one of the things that we've got. Everything is fundamentally different, that's one.

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

**[00:17:22]** Two, on the process probably by which effect that we've got this, you know my engineering background, I've got a process and procedures that's materially different I think than some other CPOs. I love process and I love data. So that's kind of the engineering framework. And so, the goal is how do you provide the most impactful set of data so that the business decision makers in the business lets you into the category and buy in have the best possible insights on how to take the nuanced decisions that's better than the deals that we do. So that's the second thing.

**[00:18:02]** And then, I've got something called the big data analytics engine for my big data which is a game changing execution framework. Imagine what big data allows you to do is take a lot of data and get actionable insights in seconds instead of months that pivot table have with spreadsheets. Right? And large people count. Right? Imagine if you could take a very large data set like that. I'll do a label table when I was in Kraft.

**[00:18:29]** In Kraft, I was managing 12 billion dollars. They had labels packaging for all of the skews that go into Kraft. It was Kraft Foods. Everything from meal to mac and cheese. Right? And if you remember the... There's this wonderful commercial with neon colored American cheese that most kids have that has 97% penetration in everybody's wardrobe or pantry. If you've got a kid you've got some mac and cheese somewhere.

**Philip:** **[00:19:00]** Yeah. We have two young ones, so we've got some mac and cheese that they eat pretty much every day.

**Walt:** **[00:19:06]** Yeah. The good news is... Kraft had something like 5100 skews. 900 suppliers that support those skews. And roughly a hundred-cost element for skew. For the packaging, the color that goes in the PP resin, the sticky stuff that makes it to the actual bottle of package. All that stuff is actually compartmentalized, bill of material exploded and then basically assess.

**[00:19:37]** What you're trying to do is figure out which suppliers can actually service you best across that 900-supplier ecosystem. Now, the way we used to do that whole bid... So, by the way the data element, the data table alone has 450 data elements in it. 450 million data. Right? So, that's 51000 skews, 900 suppliers, times a hundred cost elements for skew. You end up with... That multiplication ends up with 450 million data elements.

**[00:20:03]** At the time we were running Microsoft XP. It blew up after 17000 lines. You couldn't physically do that kind of analytics. What do we do? We will break it into

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC



## Art of Procurement Podcast Transcript

Episode 177

How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

10% chunks, call off a couple of plans at a time, and we take two and a half years to go through the entire award scenario for the entire business. Two and a half years doing it at 10% of the time. And I said "Well, what if I gave you a tool that will allow you to take all 450 million data elements, do your analytics on it so you have an output that resembles something that looks like your ERP data load which says "Here's the skew. Here's the supplier you are going to buy from. Here's the price you're going to buy it at for every single skew." And you could pretty much quantify what the value is for the change you award scenario in seconds instead of months. Inclusive of a 450 million data elements framework.

**[00:21:02]** And what if you could take instead of two and a half years you can actually do your entire bid from start to finish for all that volume in all four months done. Not two and a half years. And then what if because you ask questions of your supply base, what's stupid about my specs that have changed will draw value you've got after continuous improvement framework that would be game changing. Right? And then what if you also source innovation to say "Hey, how quickly should I be pivoting to digital on which line because quite frankly to mitigate the million dollars' worth of obsoleted labels, that happen as a function of demand changes. I want to not do it on demand ordering it by the BLQ. Right?

**[00:21:48]** So those are the types of things that you can unpack with the right set of tools. And by the way we saved for that. I think it was double digit savings because... and we've got probably an aviation list from suppliers of things we should probably consider different. That was another five percentage points big in terms of things we should pivot from. So, around getting used to drive the business forward that pulled by leveraging the supplier ecosystem to do that.

**[00:22:17]** That's kind of what we were able to do across every single category that we're buying in which I thought was transformational. Right? Imagine at Kellogg's, the first 120 days you deliver something like 113 million dollars with a list by leveraging those types of tools across 10 billion dollars spend profile. Imagine at first you really are delivering something like 190% improvement with the same 300 folks you had. 190% improvement over the best we've ever done as a procurement team.

**Philip:** **[00:23:00]** I want to talk about tools in a second, but I'd love to just kind of explore that for none skew based purchases. If we think about indirect services, for example, how would we take that kind of approach again agnostic to the tool right now but to then drive the same outcomes on something which is less design based, I guess, is less--.

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC



## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

**Walt:** [00:23:27] Yeah. So, let me give you the... Yeah. Yeah. Let me give you the application. I did talk to some of the test at the ProcureCon event where that was identified for indirect. Let me give you the indirect premise. Today, whether you're professional services or marketing services or consulting or whatever. Right? A lot of that stuff can be broken into what I would call time and materials element. Right? You got some people being mobilized by giving them a couple of hours or a number of hours to get after a list of deliverables that are embedded in whatever you're buying. Right?

[00:24:06] So, if you think about that--. And most people have already gone through, if their done through category framework, they said "Okay. So, how do I normalize across all of my suppliers what a grade level one is, a grade level two is, a grade level three and come up with a rate card. Right? It's a normalized rate card across a bunch of different players doing the same stuff. Right?

[00:24:47] And by the way, we typically negotiate whenever that rate card stuff is down. That's pretty much where Excel stops. Like if you're using spreadsheets. You get a rate card just to haggle job. Right? But what you don't really have is the ability to understand well, am I--. For this particular deliverable or marketing services deliverable, give that a grade level seven in 10 hours. What if you had a tool that allowed you to go out to, I don't know, 900 suppliers for that same marketing services deliverable. You would realize that you have variability in--. Once you have normalized list you have a variability in number of hours and even in the level that you should be charged for that particular deliverable, right.

[00:25:18] For legal services, might be [unclear] and other cases it might be the full partner. And so, imagine now you've got data from a bid that says--. Because you've got a lot of players in the mix that says hey, you go back to your incumbent and you say "Hey, thanks for give me the rate card concessions. That's great. So, we've got the rates where we seem to be competitive but I'm looking at the deliverables that you have for the most recent marketing services deal. Are you aware that we have 50 other people in that bid, right." "Yeah, I'm aware of that." "Are you aware that for this particular deliverable line item number six out of 2000 you're charging me for a grade level 10 when everyone else in the bid says it's a grade level two."

[00:26:00] Help me to understand why you are materially disadvantaging yourself by overstaffing just in the lower level. That's the first question. Then you go to the next question and say "By the way, it's a great level two but the number of hours that you're charging is 10 hours when everyone else says that's a two-hour deliverable to try to get done for us with the scope we've got. Apples to apples. Help me to

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

understand--. It takes it down two other clicks that you can't get with Excel in a robust way. And then you can use those data to inform how you negotiate with the suppliers on an indirect. And maybe the indirect categories we're talking about. And its game changing.

**[00:26:40]** And so, that's kind of some of the ways you can do it. Secondly, we're typically asking now on things like if we're trying to migrate stuff to the cloud or if we're trying to automate more of the deliverables, what's your automation paradigm? Right? This is the staffing framework. How do we evolve this kind of manual staffing framework to something that looks like a bot doing it? I'm just saying the fractional server time for them to run crunch the numbers in the nanoseconds that it takes instead of using people. How does that fundamentally transform the cost dynamics and the benefits dynamics? How would I take decisions and make them faster, more robustly by leveraging kind of machine learning and AI algorithm to inform how we get after that? We just hit an exercise at Biogen with an IT rethink leveraging that same thought process and the savings versus our old model which was highly manual intensive and are very very obvious, very very large compared to [unclear] contract.

**[00:27:52]** Those are the types of things we are able to do but you need a tool in my view to unpack it. And then the big thing about the tool... Right? Today in procurement we've got a couple things. Right? We have something called tail spend in virtually every company that I've ever worked. Right? So, imagine if you've got a big data analytics engine that allows you to crunch through everything as robustly as you crunch through the big stuff. You no longer need to do a Pareto and write off affectively 20% of your spend.

**[00:28:22]** Imagine I'm the CPO of Kellogg's again. Kellogg's is ten billion dollars spend, right. I'm writing off as a function of the Pareto process I had on the front end, my tail, which is 20% of my supplier and 20% of my overall spend profile. That's a two-billion-dollar problem just in the process. One of the big unlock we did to Kellogg's was how do we source the tail spend as robustly as we source the big stuff? And by the way, the good news is when you source the tail spend the first time the guy is like already partners. It will tell you that [unclear]. The first time you bring more spend into management, you save around 12% to kind of mobilize that with what you get.

**[00:29:02]** I'm seeing on everything north of 10%. So, imagine 10% on two billion dollars. Can you stand with the 200-million-dollar impact for your business? So that's the first tail spend problem that you've got to solve. The second tail problem you can

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

solve is what I call the hidden tail. Right? Because then we take the same 20% of my suppliers and we then toss them out to the category people who do what? Another Pareto. Right? And so, the hidden tail at the category level basically means that you are riding off as a function of your process 40% of your overall spend as a function of your first line Pareto and your second line Pareto because someone told you that with an Excel universe you can't possibly do it all robustly.

**[00:29:49]** Well, with the Big Data analytics universe, I believe you can unlock all of it and you could unlock it robustly. Now, let's get the cool stuff. So, here's the math so far. So, tail spend looks like you're delivering 200 million on a 10 billion dollars cash line. Like 10% of that. Then, you've got the hidden tail. Well, yeah. No category leader. You're not going to cut off the tail. You're just going to source all of it and you're going to source it all robustly and you're going to leverage the tool to get to the action website. And so, guess what? You're going to source more for another 20% at about 10% on F category line. Then, imagine if you are able to actually get after the aspiration of clean seeding and the 80/20 kind of base gemstone/chessboard model where there are 64 elements of goodness on everything you should be forcing up the skew level or at the door level. How many of us just light off 99% of that and say I think that the value was going to be three or three of these and you might be wrong. Right?

**Philip:** **[00:30:53]** Yeah. You're just making assumptions.

**Walt:** **[00:30:54]** So imagine you are able to source all of it as robustly using kind of that chessboard framework for everything because you don't move over mired in the muck of having to do analytics with Excel, with a spreadsheet. That's the huge unlock the aspiration. So, imagine being able to deliver 150% to 250% of what you did on your base 60% of your spend.

**[00:31:21]** In Kellogg's 60% of 10 billion is six billion bucks. You are able to unlock another three or 15 percent on that because you are able to do it more robustly, include more suppliers, find the Uber like disruptors in every category you're sourcing in, find the innovation and figure out how to fit that in to the things that are driving value for you by leveraging a new tool and a new methodology. That's what I've been able to do with the last three companies and the budget being one of them. I believe that every single CPO on the Top 1000 companies if they adopted this framework could get after material unlocking value for the business. I am willing to help do all of it.

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

**Philip:** [00:32:07] I'm sure there's a lot of eyes wide open thinking about the numbers of what you've been able to achieve. I have a kind of an infrastructure question that goes to the tools like one.

**Walt:** [00:32:18] Sure.

**Philip:** [00:32:19] What kind of... There's a lot of technologies you obviously need to use to actually make this possible especially with the resources you already have access to and you talked about that right at the beginning of doing this with what you have, not blowing things open starting from scratch. What kind of tech infrastructure do you need to actually enable this?

**Walt:** [00:32:40] So, yes. There are three different solutions that I use. Right? One is a next generation supplier discovery, which by the way if you go to... I'll be posting them on waltcharles3.com. That's waltcharles3.com just to make sure you got it right. Folks, if they've got this... And I'm going to list it by here's the thing, this is what I have, and here's the tools that I've used to get after it. I've got an ecosystem of about 30 different tools, but the three big ones are a new supplier discovery engine. Which as you know... Imagine stepping away from the Google base I got to find suppliers or the practice of what I call is three bids in a cloud of dust.

[00:33:21] I'm going to ascribe that to the CPO of FedEx. She goes "Hey, the current model is three bids in the cloud of dust is the model that a lot of procurement people still have. We believe that these be blown up for the direct that it is. That's one. Two, we're saying what if you could source everything with everybody that you could potentially find. The big challenge is how do you find them efficiently. Well, imagine if you had a tool that next generation aspire discovery engine that would allow you to take... If you have one of your incumbents that you know that's doing it today this thing's got an AI enabled web crawling feature that will find suppliers like them based on the descriptors they used on their websites.

[00:34:06] So, imagine this web crawler feature that basically finds... And then returns the list of suppliers for you in declining relevance framework. You could find... You know the guys in China, the guys in Asia, the guys from Philippines, the guys in the US all with kind of the same ecosystem framework and the same kind of web based descriptors and using it to define who they are.

**Philip:** [00:34:26] Yeah. You are not going to spend a week such on Google anymore.

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

**Walt:** [00:34:31] Correct. It's nanoseconds. It's nanoseconds and then basically you've got the contact information and the player that you might want to include in a bid to try to get at the funnel. I call it funnel bidding. So, today we use a funnel. We get to three bids in the cloud of dust. Tomorrow we're going to take the funnel out and use as many suppliers we can find and keep them in the mix and not disqualify them until you've got data to justify that's a close case. Right?

[00:35:01] Today we basically go out for an RFI, go out to maybe a hundred suppliers to get to the three bids in the cloud of dust framework. Then we basically eliminate 95 to 97% of the popular suppliers you went out to based on your gut and no real damn data on cost. That's a busted framework in my view and it needs to be blown up for the direct that it is. I'm not sure if that translates but that the deal. I'm saying in a funnel bidding framework you basically leave everybody in and you let the data determine who the disruptors are based on how they actually respond to the bids. Right? And you only eliminate them based on fact. So, fact based eliminates suppliers and you keep everybody else the heck in.

**Philip:** [00:35:45] Sorry, how do you manage that from the workload perspective? I think we often go down to the three quotes because we have a notion of it being easier. We've got less things to consider. No, I'm not saying that that's the right way to go about things but it's how we sometimes self-justify the approaches that we do.

**Walt:** [00:36:04] Yeah. Yeah. How do we do it? We do it because we're using a big data analytics engine on my bid data. And so, as suppliers input the real data, if you could just raise your index finger right now and move it from direct up and down to about thirty degrees. Right? If you just move it back and forth, that's the incremental effort needed to evaluate 900 suppliers versus just three. Because the tool will do the analytics. Hello?

[00:36:38] So, if you use the right tool, the analytics burden becomes kind of a couple of clicks of a mouse and you can analyze 900 of these. It totally eliminates the burden of... Now, you do have to think a little differently about what analytics you want to get done well in advance you can structure your data and structure the bid tabs so that you can unpack the slices that you want to see. You have to really begin with the end in mind here. It's not a trivial pivot but if you understand what slices you want or what analysis you might want to run you can absolutely leverage suppliers inputting the data into the tool and then the tool doing the... you structuring your data and the tool doing the analytics for you.

**Philip:** [00:37:25] Yeah. The workload is in the architecting of the events.

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

**Walt:** [00:37:29] Correct. Correct. And then once you do it, you've got clean sheets for everything or works across everything. Then it's rinse and repeatable, right. You can basically reuse it because even at Kraft, the skews that we were buying ten years ago are pretty much the same skews we were buying today. And the specs haven't change all that luckily. So damn. And as long as the product is still selling in the marketplace you could make a significant value, etcetera. So that's clean sheeting, funnel bidding and 45 second analytics are the three things that I'm doing differently. I call the combination of those three things something called constraint listing because I believe every single revolution needs a [unclear] vocabulary. So, constraint listing means if I no longer have the constraint of the sell wouldn't I include every supplier I could find? Wouldn't I include the disruptors? Wouldn't I include all of the factors that I should be considering like the chessboard on everything that I'm buying at whatever grade level makes sense. And then wouldn't I be unpacking getting to actual insights in seconds instead of months that pivot table have?

[00:38:51] Absolutely. Across very big data sets like even the 460 million data element thing that I was talking about with labels at Kraft Foods. And so, it basically unlocks the things that it's raining us to get after more spend. Actually, more of our spend more robustly slowing up tail spend, slowing out the categorization framework that's leaving another 20%, and then getting after the 60% of those to manage stuff. We're a much bigger weaver to unlock your value. In fact, you're no longer objectifying, truncating the analytics into something that is manageable because of the workload. That's the unlocking.

**Philip:** [00:39:31] So on the infrastructure, you talked about supplier discovery as a platform for actually figuring out who the suppliers, where do you want to involve in that process. Now from an execution, are you using what I consider more traditional source to contract your sourcing software or is this something more to it than that?

**Walt:** [00:39:51] Actually, I'm using two things that are off the shelf with our chair on waltcharles3.com. But two things that are off the shelf that are next generation, I call it, instead of best practice, the next practice for supplier discovery. I use one solution for that. Basically, imagine my team gets to log on to an enterprise platform that supplier discovery is even better than that. I also use something called a 60/60 form which is a homegrown form. It's 60/60 platform. If you are... I'm using indirect example.

[00:40:34] When I first got to Biogen, I probably in my first week I probably had four calls from people, varied customers on the globe where they said, "Hey Walt, I got this thing that I need you guys to approve." This is a reward or PO, I didn't even

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC



## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

approve. I asked him a couple of questions. I say, "Well hey, is this a good deal for the business?" "Well, no. It's a scrappy deal for the business but I need it yesterday." Right? And so, I found that the biggest challenge we had was we didn't have enough time to actually do our job on the big stuff. Right? So, if you don't give procurement the time to actually run through a five step methodology you're going to have an issue. So, that's that the first thing.

**[00:41:25]** How do I see a certain population stuff you've got five percent of my transactions. The big stuff with enough time to actually put it through a procurement solution. So, I built a platform to actually do that. It's a combination procurement intake form and then a workflow tool to the respective category folks and a communication tool to all of the stakeholders that might want to be involved in that particular bot. Right? And what it does is it allows some transparency in our process, so the folks understand exactly what's coming up when through that five to seven steps.

**[00:42:08]** When I was at J and J and I had stakeholders on a category that were in the US and a category people, the local people that are executing packaging or had local stakeholders and local players and local suppliers they were all interacting with and oftentimes the category people had really visibility of what was going on in the ground. And so, this fixes that kind of distributed kind of knowledge model.

**Philip:** **[00:42:35]** It is kind of centralizing all the information and making it accessible for everybody.

**Walt:** **[00:42:42]** Correct. And by the way it's access rights protected so if you were invited to be on the project team in the charter or you were the initiator, you basically were included. And then everybody else that needs to see it including your manager, your senior director, your CPO in the region, and the CPO globally is really about what the heck was going on your base. It's a really cool kind of visibility tool. It's got some pretty cool database engine on it which is pretty robust as well. That's the second one.

**[00:43:17]** The third one is a big analytics engine that I use an off the shelf solution. But it's how I deploy it that's different. And so, there is the supplier that does have the ability to actually handle large chunks of data give you an analytics cue, take seconds to get the actual insight on very large data sets which is fantastic. But you know they are sensibly a news guide for complicated stuff. I'm saying my underlying premise here is that every single bid is complicated. It's a big data problem if you did it with the robust lens. Lots of suppliers and lots of different cost attributes translates to a big data problem. And so that's kind of how I think about it. Again, I can share

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC



## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

with folks the tools. I'll just post it on my site. Basically, if you have this problem then you can go here and I can just click the button and it'll basically work flow it. If you want me to just connect you to the right player at those companies, I can do that too because there's a couple of them know exactly what I'm doing and how we are doing it with value. I want to make sure you talk to the right player.

**Philip:** [00:44:42] And I will include a link to that in the show notes for the show as well. And I'll give the link how at the end of the interview, so folks can just go and click right through. I think a lot of people listening to this will definitely want to know that.

**Walt:** [00:44:55] Oh, absolutely. Absolutely. What tools are you using? How do I use them too? Most frequently asked questions.

**Philip:** [00:45:05] How does somebody who's listening to this and they think, you know I want a piece of this. I want to start thinking about my investment and tools because I can see how tools can enable what I'm doing. How do you make the business case? I'm sure there's not a one way that's going to work for everybody but how do you approach building business cases for investment in technology?

**Walt:** [00:45:29] Yes. Typically, what I'll do is kind of architect or pilot. At Kellogg's, when I advocated for a different tool suite basically said so we're going to... and a different methodology for how we're going to approach it. I basically said there are two buckets. One is "Okay. What are the tools that I'm going to need? What's the population of spend that will help me understand if the application of those tools works here. And then the third one is about what capabilities will my team need to have in order to work in a much more robust way that the way we work before. Right? So, there's kind of three legs of the stool. And so, with respect to the first leg, I do a pilot. So, at Kellogg's, like I said the first 120 days we did a pilot and delivered about 113 million bucks in 120 days. I was going for about a million dollars [unclear]. Right? What we did was break on a whole new framework for how we are going to run it and it was after all me spend irrespective of size, launch a tool that can unpack the detailed analytics and deliver that to the business.

[00:46:39] We also voted on a consultant help, right, because I have certain categories that we're really really good at kind of doing a cost breakdown analysis for the stuff they were buying. My packaging team for example walks the floors of all the packaging folks to tell you exactly how much equipment is needed, what the cost of that equipment was, how many accruing contracts work. I can almost feel the bottoms up cost model for what it should cost me to get this P2 resin bottle from a vendor. I can almost kind of calculate it based on value.

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

**[00:47:13]** I also have some categories that doesn't have a clue how to do that. How you find--? While you're doing the bid, how do you find primitive seller to cover all the supplies needed to include, right. Many people didn't have that, but we had when I was a [unclear] procurement we had something called Thomas registry. We did oversight it's like [unclear] that you spent a lot of money for you would be able to search for supplies by category. Well, I believe there's a corollary now that's linked in life and it's my supplier discovery engine, which can help find suppliers more easily. I believe imbedded in those suppliers is innovation so that's the other unlock there.

**[00:47:57]** The second piece that we would do is we say "Okay. Give me your five-step methodology for this." And we said from the capability perspective these are the 20 questions. We call them moment of truth. These are 20 questions that I'm going to want to get objective data on as you progress through your seven-step methodology. And it was, am I including test life, am I including all suppliers that I could and should be including to get after this? Am I including all the scopes that I should be including to get after this? Right? So, imagine... In many cases people will talk to themselves out or even attacking some of the scopes because I was too complicated [unclear] Peru or Latin America or whatever. I'm just going to write it off. We said no we're going to postpone it all in and try to figure out how to solve the whole thing and understand what we're trading off financially if we don't fit.

**[00:48:47]** We adopt a philosophy that said that irrespective of who [unclear] players are, all guidance we get from your stakeholders are conditioned guidance. I'll tell you what condition. It's condition that once I accept the data, that it's not stupid, and it's with the transparency that the data provides. And so, imagine recently junior procurement person going to a pretty senior leader saying were you aware that this decision is a 15-million-dollar decision and not sure we have a wide-open approach on how we took that decision. I just want to make sure you got transparency around the cost consequences of this. You said you only want to use one supplier. We're saying the cost of using two is seven million dollars delta. I say if you're concerned about managing that incremental supplier with the savings you'll get, probably it's in your interest.

**Philip:** **[00:49:41]** Right. That's an investment worth making.

**Walt:** **[00:49:45]** Yeah, exactly. So, those are the type of things that we try to do that's different. What I found which was more astonishing is that most people are advocating that "Hey Walt, if you're going to do kind of transformational outcomes you got to blow up the team you've got. I've done most of this fight voting on just a small data analytics skew of less than ten people usually who are tools experts. They

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

actually support the entire globe of bids, the entire globe. Right? And so, they're able to basically harmonize the approaches, harmonize bid tabs and deal structures to make sure you can unpack it nicely. Most of the tools are kind of cozy and the cost of licensing is pretty pricey on a per person basis but if you could see a way to have all of them run through that tool you could actually keep your license cost down and then deliver committed outcome for your business.

**[00:50:47]** I use those tools, those analytics, that analysts pod as my category receivers. So, those folks evolved. They basically figure out what category are planned in. As those roles become available I basically promote them into role around categories because they already know how to impact analytics and get to action websites which is a game changer. That's kind of how I think about it. I've been fortunate/blessed to have three major companies -- Kellogg's, Kraft, and now Biogen. And Biogen we're delivering 250% increase over historical numbers. We're also redefining the benchmarks. So, imagine if you go to CEB. They are saying that the typical ROIs for procurement for a Top quartile procurement mover is 10.4 times the amount. Right? So, have the investment in the front. McKenzie just did our benchmarking and basically said "Walt, you're at the 14.7 times ROI for the amount of dollars invested in your business. We're able because we've got tools to do more while fewer folks did from 19 to 32 edge lighter than comparable to managing scene dollar amounts which is massive. Right?

**[00:52:11]** Imagine if you had thirteen and 19, 30 more heads but you're actually sourcing all your stuff. That's awesome. And again, I believe that's effect of the tool that's being given. And obviously most of the other methods we use [unclear] which is awesome. Right? Which is you know the other metric is typically people. And the number of dollars my team can manage is bigger now because they've got tools. We're much more efficient. So, yeah. That's the background. Like I said I'm elated to be able to lead. I believe that virtually every company in the Top Fortune 1000 could get after actioning at least 20 to 40 percent more. They spend more robustly at about a 10... probably a double-digit savings rate.

**[00:53:14]** I believe that they can actually get somewhere between 150 and 250 percent better outcomes on the stuff that they're managing because they're able to do more with fewer resources. And do it more robustly, right. Instead of using one or two levers in the 64-chessboard lever list that [unclear] has you can use all of them or never did at every skew without grinding to a halt with all the analytics because the tool is going to do this. That's what you've unlocked. That's what's been, I think game changing. I mentioned inviting like I said three... I'd like to try to get 300 people. I'll help them. I'll show them the tool list that I've got. I'll show them how to do

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

### How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

it because I believe our function need to share how we're getting stuff done, how we're fixing stuff and we find unlock like this.

**Philip:** [00:54:12] Yeah. I couldn't agree with you more. That's one of the foundational kind of principles of doing the podcast is ready to help share to start leadership. Well, I mean I have so many questions and so little time so I would love to invite you back on the show at some point in the future, so I can dig down even deeper.

**Walt:** [00:54:30] That sounds great.

**Philip:** [00:54:31] But what I'd love to do...

**Walt:** [00:54:32] I would love to come back.

**Philip:** [00:54:33] Well, thank you. No, I'd love to just finish out the last couple of minutes we have.

**Walt:** [00:54:38] Yeah.

**Philip:** [00:54:38] Where should listeners therefore... I know you mentioned the sites in interview but where should listeners go if they'd like to find out a little bit more? And I'll wrap these all up in the show notes.

**Walt:** [00:54:48] Yes. So, they should go to waltcharles3.com. What I will do is probably in the next two weeks I'll have it all up so by the time this thing gets published we'll post it there. And what I'll have is a laundry list of some the tools I use. The three big ones are supplier discovery, the enterprise platform tool, the EP square tool, and the big data analytics for bid data tool that is game changing. Then what they'll need also is if they think they've got gaps with their capabilities at the category level when you start to do bids then I could even suggest to them a couple of consultants that I've leveraged in the past that could help do the cost breakdown analysis and the work breakdown analysis structures that will help them fill up the gaps. And then once you do it once you've got a clean sheet built that's leverageable by anybody else. Anybody else that uses that deal is leveraged by the next category leader for that particular category. So, once you do it once basically you're good to go but you've got to do it once.

**Philip:** [00:56:01] It sounds like a fantastic resource. Thank you for your investment back in the procurement community and making it available too. Because you know it's the only way that collectively we're actually going to really deliver what I think can be...

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC

## Art of Procurement Podcast Transcript

Episode 177

How Biogen is Changing the Game for Procurement Performance w/ Walt Charles

We can be such a game changer in the way we think about procurement and the way that we elevate kind of the conversations and the impact we have but we're really only able to do that by learning from others and being inspired by others and kind of getting the confidence that others have done it but also seeing how they've done it so we can start validating our own strategies.

**Walt:** [00:56:33] Correct. And the good news is it's also supply chain world article that covers seminars in fall 2017 I also have that on the site so that folks can actually read it. It's just one more click, or a couple clicks down into each of the buckets. It validates some of the great work that my teams have been able to deliver with these new tools and new approaches which is fantastic.

**Philip:** [00:56:59] Well, I'm going to post there an imaginative URL of [artofprocurement.com/waltcharles](http://artofprocurement.com/waltcharles). It took me a little while to come up with that one. That's [artofprocurement.com/waltcharles](http://artofprocurement.com/waltcharles). Walt, one more time, thank you so much for joining me. It's been a blast.

**Walt:** [00:57:15] Thank you very much Phil. I really appreciate you asking me. I look forward to continuing dialogue with you.

**Philip:** [00:57:20] Great. Thank you.

To listen go to: <http://artofprocurement.com/waltcharles>

© ProcureChange LLC