

# Blockchain and Smart Contracts: What's in it for procurement organizations?

A cross-industry research study

November 2017

Blockchain is an evolving technology which has the potential to revolutionize future procurement organization and processes

## Key Insights of the Study

### About the study:

The study was conducted among European procurement executives in October 2017 by means of an online questionnaire. The 30 respondents represent all major industries and companies with 500 – over 10,000 employees.

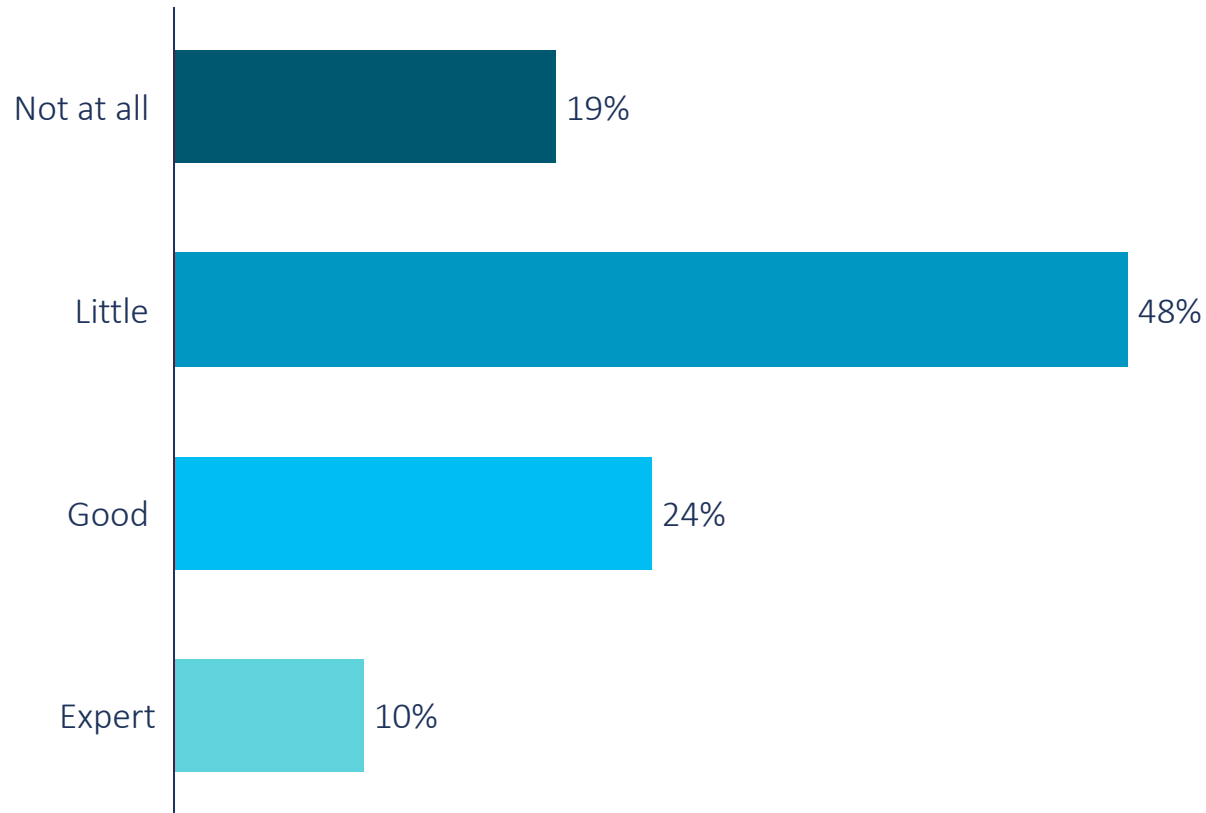
- ▶ Blockchain within the procurement community is on the rise.  
**First initiatives have been started to identify use cases.** Driven by Bitcoin in the financial industry, know-how for industry applications is being developed.
- ▶ The key advantage of blockchain is seen in the **improvement of process efficiency, transparency, quality and security.** Information is no longer considered a competitive advantage, the interpretation of information will deliver the differentiator and fuel use of Smart Contracts or Artificial Intelligence (Predictive Procurement).
- ▶ **The most relevant use case are Smart Contracts,** which will automatize contracting and the overall source-to-contract and P2P process, resulting in more resources for strategic procurement.
- ▶ **Hurdles to implement** blockchain are missing standards, regulatory requirements and the lack of know-how within the organizations. The full potential of blockchain and Smart Contracts still needs to be exploited.
- ▶ A general query in connection with blockchain technology is **how data classified as secret or private can be protected** in an environment where data are shared and are visible to all participants. The solution are “**trusted computing appliances**”, i. e. extensions to the current blockchain concept through integrated software and hardware components.
- ▶ **Industry leaders are demanded to be frontrunners, setting the standards** for a blockchain environment. Participation and collaboration among supply chain partners will be the new paradigm.



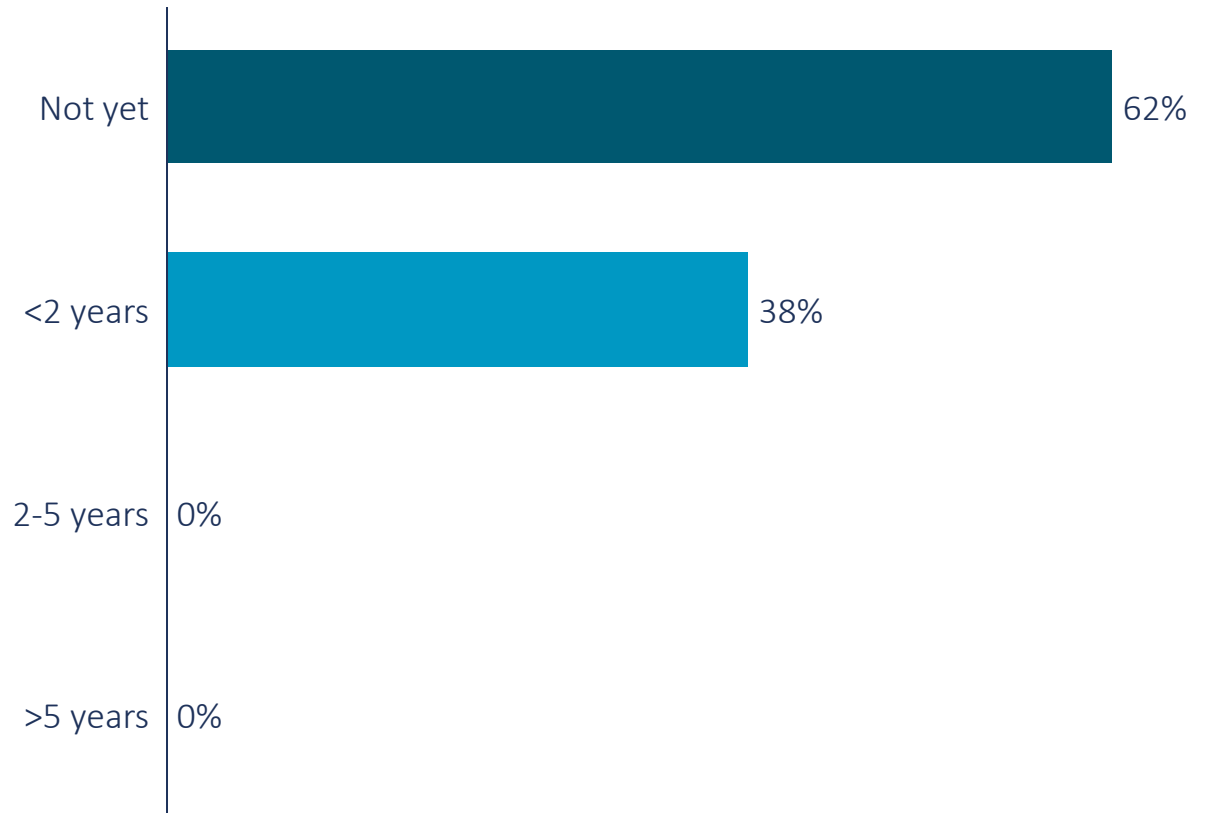
The majority of procurement executives are not or only little familiar with blockchain. Some organizations have only recently started to engage with the emerging technology.

## Familiarity with Blockchain

**?** How familiar are you with the blockchain technology?



**?** Since when is your organization engaged with the blockchain technology?



Source: Survey Camelot Management Consultants AG

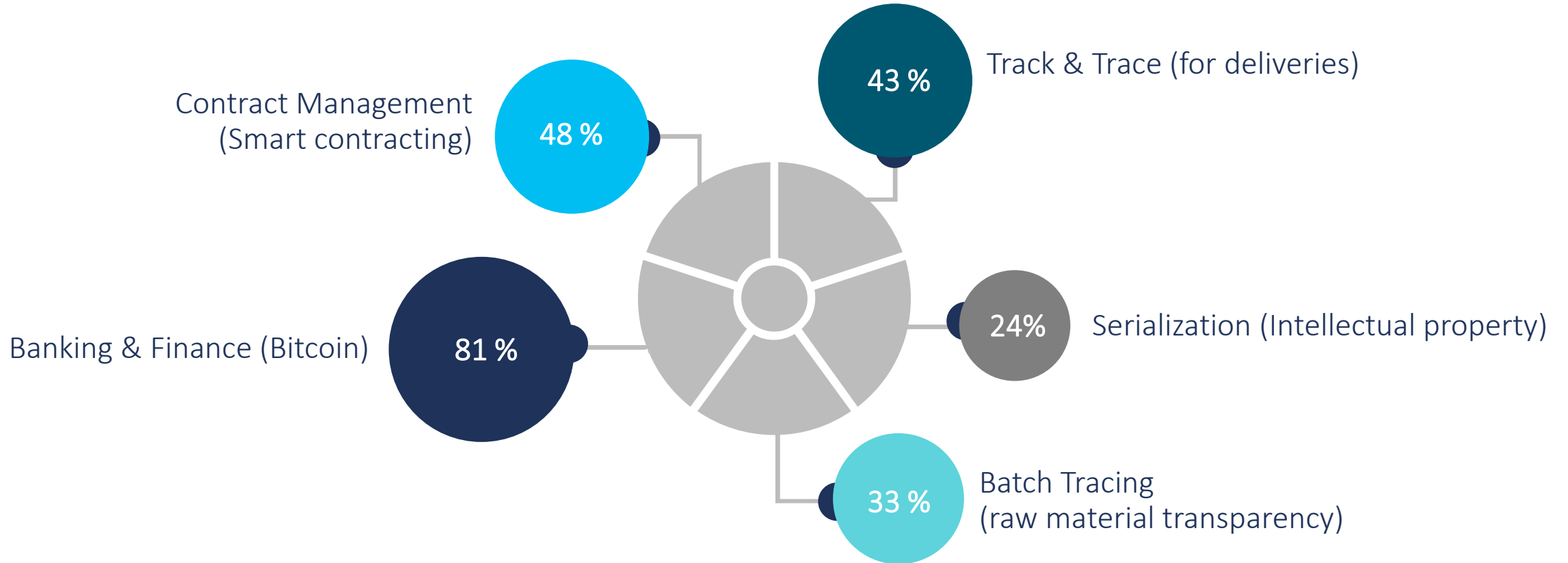


Blockchain is highly associated with Bitcoin. However, interest to leverage the new technology for making processes more efficient and transparent is rising.

## Familiarity with Blockchain



In which context have you heard about blockchain technology?



Source: Survey Camelot Management Consultants AG

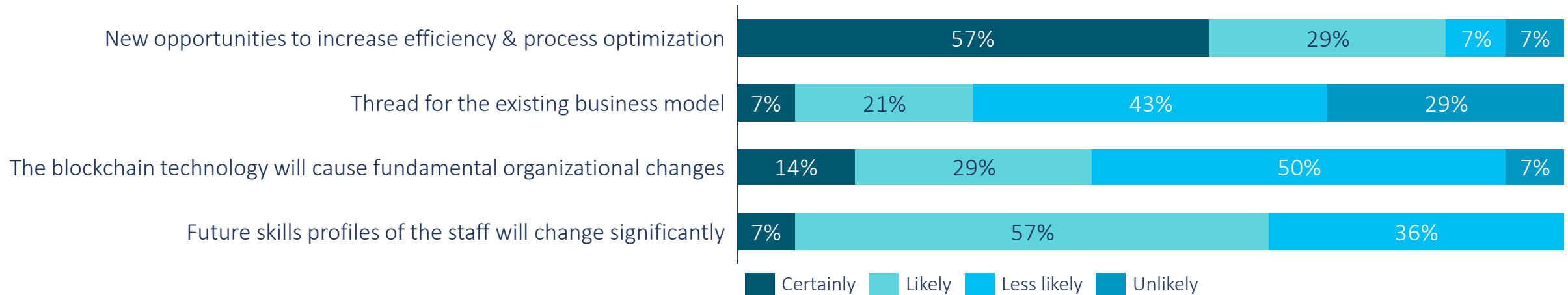


Organizational impact: Process efficiency and future skill profiles are major topics.

## Organizational Impact of Blockchain Technology



In your opinion, what means the blockchain technology for your organization?



- ▶ 57% of the participants are convinced that the blockchain technology serves as an opportunity to increase the efficiency of processes within their organizations.
- ▶ The majority believes in a substantial change of the employees' skill set triggered by the blockchain technology.
- ▶ More than 70% do not consider blockchain technology a thread for their current business model.



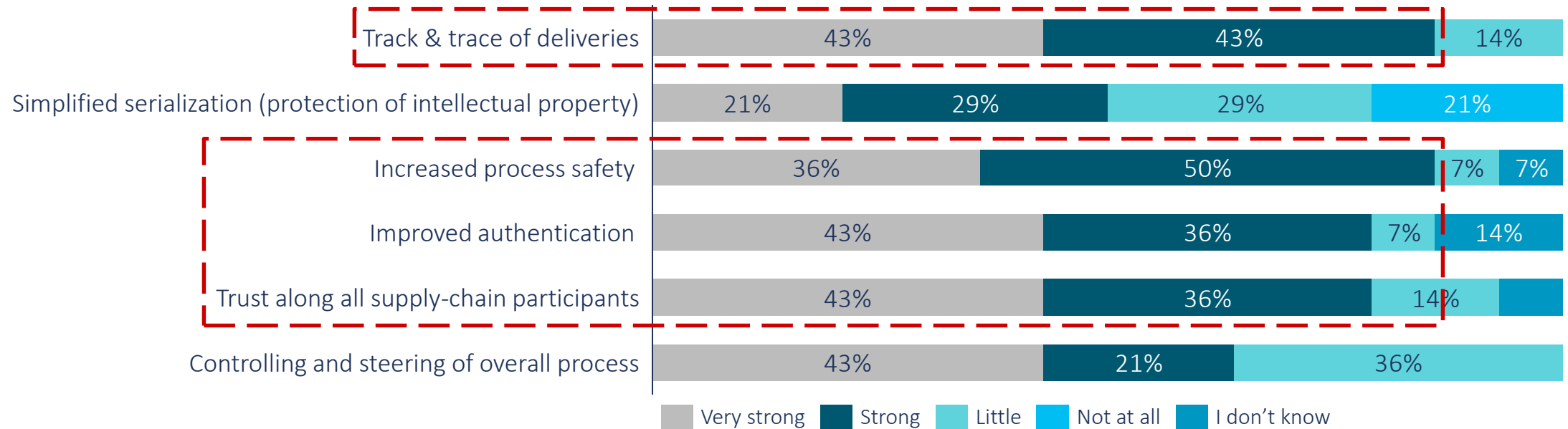


Blockchain technology has a strong influence on the tracking of deliveries, the improvement of process safety & authentication and the trust among the tiers in a supply chain network.

## Organizational Impact of Blockchain Technology



Authentication and security are one of the biggest advantages of the blockchain technology. Which topics will be influenced most by the use of blockchain technology?



- ▶ Most participants think the blockchain technology improves the trust among the tiers in the supply chain network.
- ▶ 86% of the participants evaluate the influence of blockchain technology on the tracking of deliveries as strong
- ▶ The majority of the participants think blockchain technology has a positive influence on process safety & authentication.

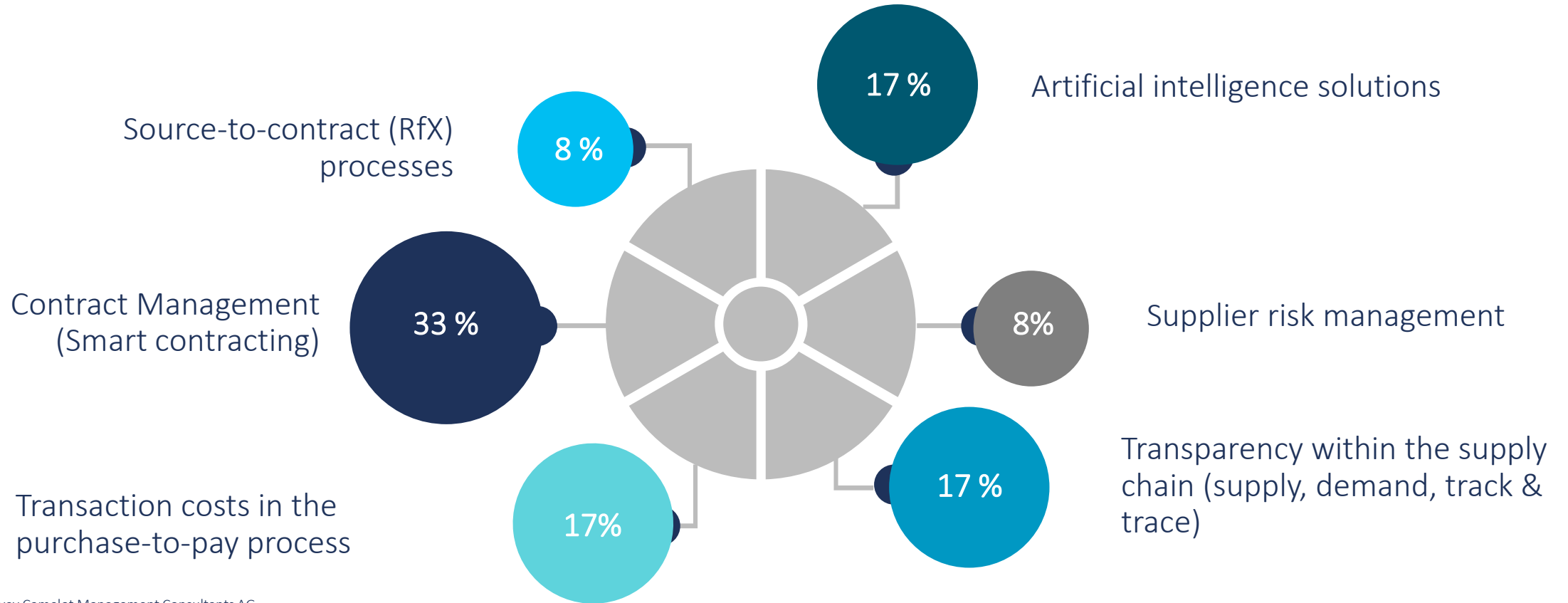
Source: Survey Camelot Management Consultants AG



Contract management is seen as the area with the greatest potential for the application of blockchain (Smart Contracting)

## Implementation of Blockchain Technology

**?** In which area do you see the most relevant potential for the blockchain technology?



Source: Survey Camelot Management Consultants AG

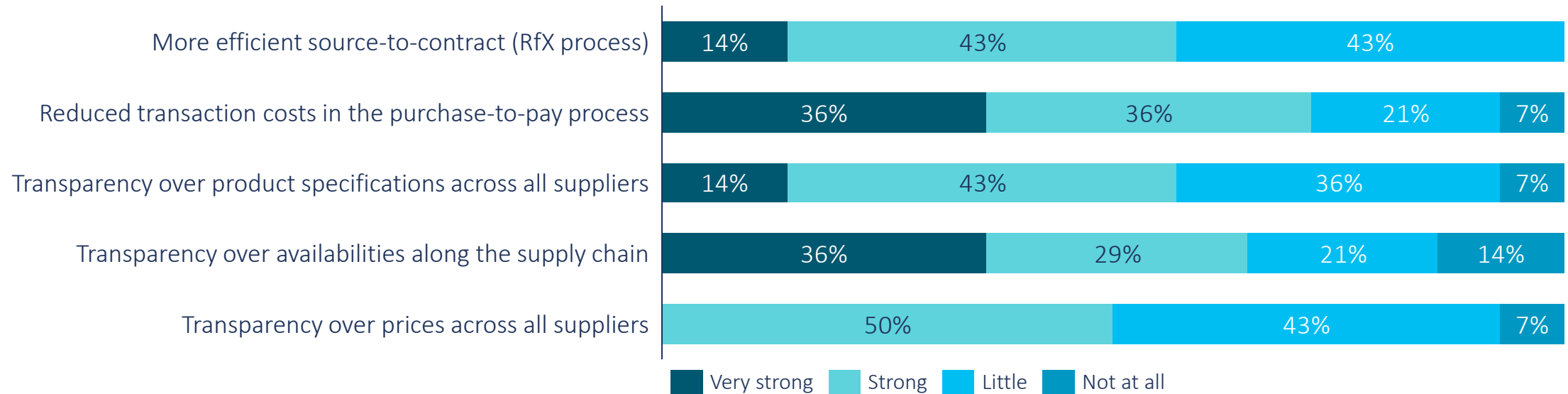


Smart Contracts are expected to overall improve procurement tasks from source-to-contract up to purchase-to-pay.

## Organizational Impact of Blockchain Technology



Smart contracts are an essential potential for the use of blockchain technology in procurement. How do you evaluate the following potentials for smart contracting?



- ▶ 72% of the participants think that blockchain technology has a strong potential to reduce transaction costs in P2P processes.
- ▶ The majority assess the blockchain technology as an enhancer for transparency over product specifications & availabilities across the supply chain.

Source: Survey Camelot Management Consultants AG



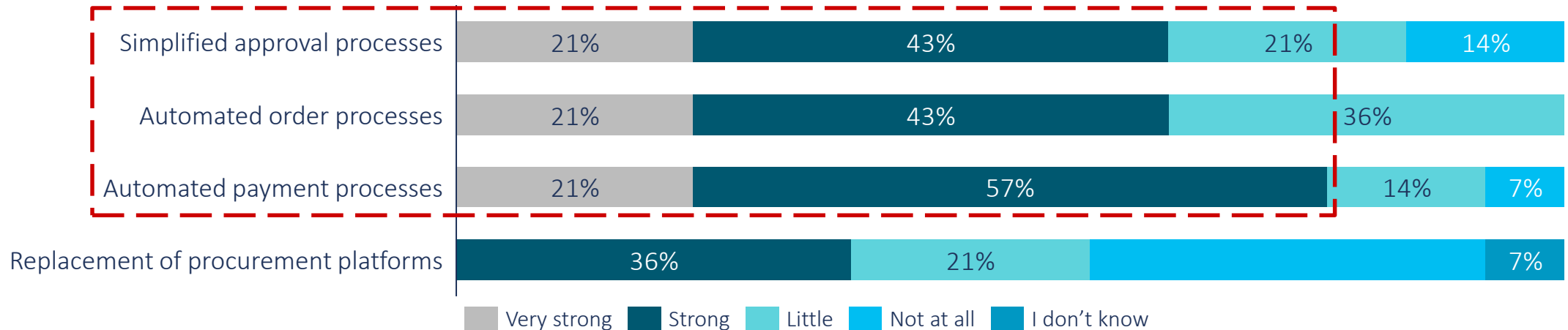


Executing smart contracts on the blockchain simplifies and automates procurement processes.

## Organizational Impact of Blockchain Technology



Smart contracts are an essential potential for the use of blockchain technology in procurement. How do you evaluate the following potentials for smart contracting?



- ▶ 78% think that the potential to automate payment processes is high with the aid of blockchain technology for smart contracts.
- ▶ 63% of the participants consider the use of blockchain technology for smart contracts to have strong potential for simplifying approval and automating order processes.

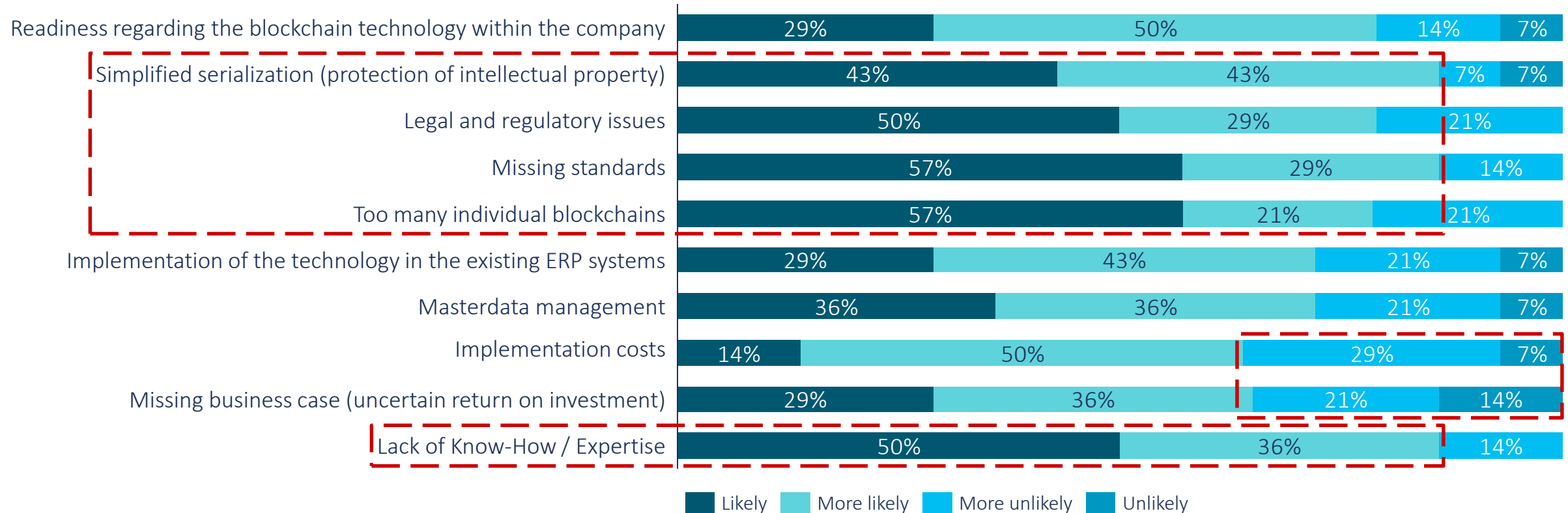
Source: Survey Camelot Management Consultants AG



The biggest obstacles for the use of blockchain technology are a lack of standards as well as legal or regulatory issues. Implementation costs or a respective business case is not seen as a problem.

## Organizational Impact of Blockchain Technology

**?** Where do you see the biggest obstacles for a future use of blockchain technology in procurement?



Source: Survey Camelot Management Consultants AG

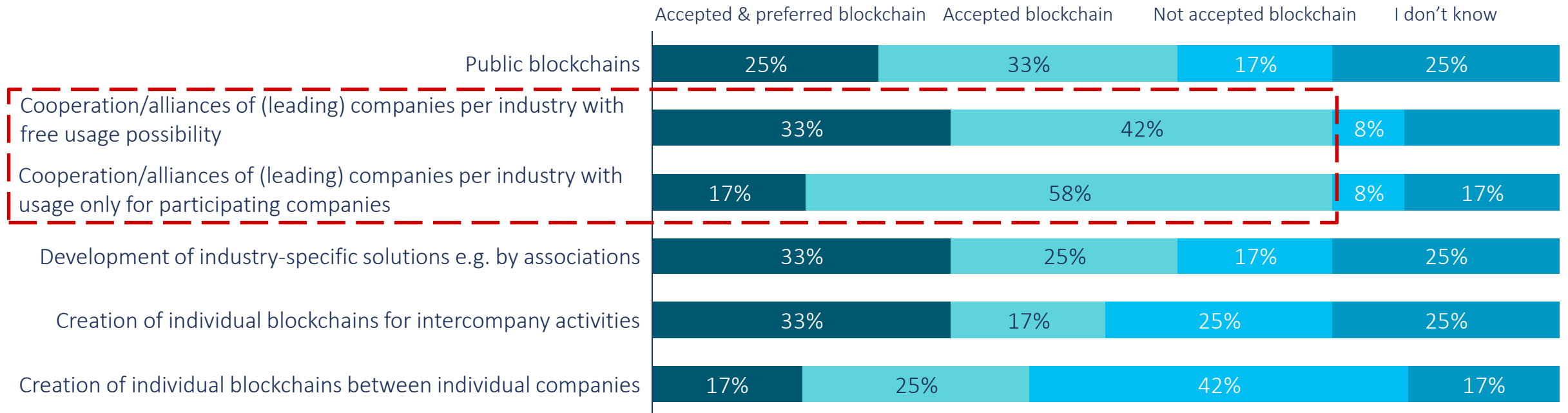


An either open or closed blockchain initiated by an alliance of leading companies in an industry is the preferred or accepted kind of blockchain according to 75% of the participants.

## Implementation of Blockchain Technology



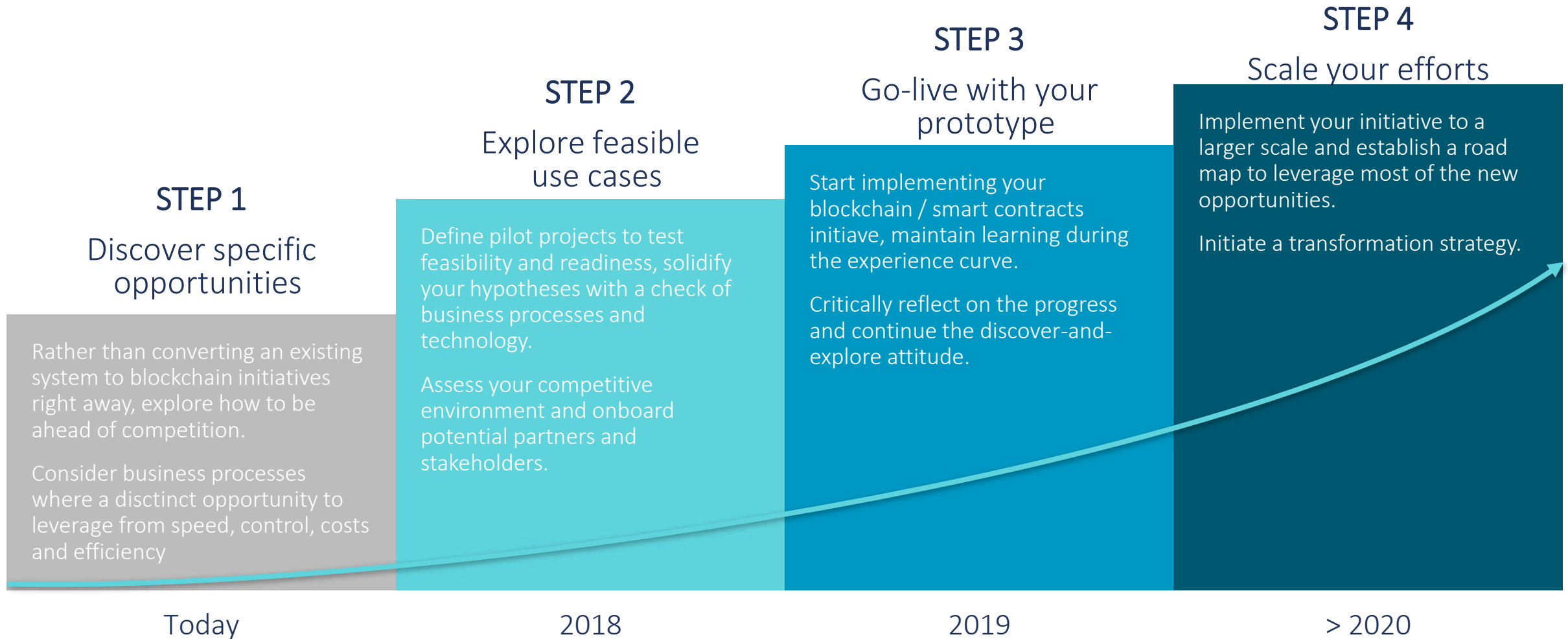
Transparency and security are one of the advantages of the blockchain technology. This requires joint blockchains. Who should operate and initiate blockchains and to what extent in the future?



Source: Survey Camelot Management Consultants AG



CAMELOT recommends a 4-step process to discover the potentials of blockchain and Smart Contracts in procurement.



# Contact

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