



What's Next for Procurement:

8 Trends to Watch in 2018

Source  ne
Management Services, LLC

8 PROCUREMENT TRENDS TO WATCH IN 2018

Introduction

The Strategic Sourcing experts at Source One share their Predictions for Procurement and Supply Chain Management in the New Year

Without a doubt, 2016 set a record for change and surprise. 2017, however, proved every bit as unpredictable as its predecessor. If Supply Management professionals have learned anything from another 12 months of uncertainty, it's that you must always expect the unexpected.

As we enter another unpredictable year, Source One's Procurement experts share their insight into the supply management **trends and conversations influencing** Procurement and Strategic Sourcing decisions in 2018.

Disruptions to the global supply chain in the form of hurricanes, policy changes, technological advantages, and more have commanded the attention of **agile organizations** and pushed Supply Management and Procurement functions to the forefront as strategic arms for **managing risk** and **capitalizing on opportunity**.

What About Generation X?

Since 2008, the Oxford English Dictionary has selected a Word of the Year. The selections, meant to summarize the cultural conversation, alternate between lighthearted and bracing reminders of world events. For every 'vape' or 'selfie' there's a winner like 'post-truth' to inject some seriousness. 'Millennial' has somehow never earned top honors. More than half a decade after capturing the zeitgeist, it's still a fixture of Procurement and Strategic Sourcing discussions.

Millennial talent presents a number of questions - and even more potential answers - for Procurement's future. Various sources cite the generation's **familiarity with emerging technologies**, thirst for **collaboration**, and generally **innovative spirit** as potential remedies for some of the industry's shortcomings.

Though they're routinely blamed for killing various industries, optimistic speculation suggests Millennials could bring new life to Procurement.

For all their unique skillsets, Millennials lack the **wisdom that can only come from decades of experience**. Though it's tempting to shout, 'out with the old,' Procurement can't hope to survive without the continued input of **senior resources**. It's up to professionals between the ages of 35 and 50 to bridge the emerging talent gap. As veterans leave Procurement and upstarts join the field, **Generation X will assume a newly prominent position in leading organizations**.

According to the US Bureau of Labor Statistics, Millennials will represent over half of America's workforce by the end of 2020. Their success will depend on successful collaboration with the other half.





TREND TWO

No More “One-Size-Fits-All” Hiring

Procurement professionals rely on apples-to-apples comparisons. They're at the very foundation of Strategic Sourcing. No one would dispute that judging buyers or suppliers with inaccurate data or inconsistent criteria could compromise any sourcing initiative. When it comes to assessing Procurement talent, however, such a **rigid approach is far less effective**. As Procurement's role evolves within leading organizations, the **skillsets** of its top professionals will likewise **need to evolve** — requiring hiring managers to look beyond traditional supply management position descriptions.

Even companies with high-performing, blended Procurement organizations often have trouble securing stand-out talent.

It's essential these organizations **begin to hire more open-mindedly**. There's no mold for the Procurement stars of tomorrow, but it's clear they'll balance analytical skills with people-facing talent. The best companies **leverage the principles of Strategic Sourcing** for more than cost savings. As a result, it's not enough for a member of their Procurement team to gather data and point to figures on a spreadsheet. Going beyond the numbers means developing and implementing strategies, managing stakeholder relationships, and predicting future trends. This will require **skills and expertise** as varied as Procurement's value proposition.

TREND THREE

Procurement Professionals Become Polyglots

If anything has slowed Procurement's evolution, it's the **(mistaken) perception that the department can't speak the language of other areas**. Marketing, IT, Telecom, and Human Resources teams are used to enjoying a certain independence. Each typically perform such critical roles within their organizations that outside interference is actively discouraged. Procurement, in particular, often *looks like* an intrusion. With its reputation for cutting costs at all costs, the department still has to work toward **changing its perception**.

For many, this will mean undoing a long history of friction between departments. Procurement needs to **present itself as an ally rather than an adversary**. Emphasizing their shared goals, they should stress the ways in which their **value goes beyond traditional cost savings**.

This process will go more smoothly if Procurement professionals enter these situations with a deep **understanding of the other departments' processes, goals, and metrics for success**.

Hiring managers should look for applicants with **broad ranges of experience**. A Procurement professional should boast intimate familiarity with any of the business areas their efforts will affect. They'll better engage both external and internal stakeholders while serving as ambassadors for Procurement.





TREND FOUR

Procurement Rethinks Retention

Leading companies - the ones who've already fully enabled Procurement's strategic potential - are always in need of **top-notch talent**. The market for talent is poised to grow far more competitive as colleges introduce supply chain programs and emerging organizations embrace Procurement's benefits. Juggernauts like Amazon have also started to poach Procurement leaders. Organizations have their work cut out for them, but **new models for providing feedback and rewarding success could provide the right start**.

Reviews done only once a year won't suffice anymore. Procurement and Supply Management professionals are invested in their **professional development**, and they need to know their managers are equally invested.

To retain top talent, Procurement groups need to apply a **proactive, strategic method to employee management**. Constructive feedback, recognition, and professional advancement must become part of an ongoing dialogue.

Employees lacking **a clear career path will jump ship**. They cannot see how their future goals align with their company's mission. Employers in Procurement can remedy this by taking time to **learn the personal interests and aspirations of their team members**. Actionable paths for accepting new roles and responsibilities promote a more engaged, motivated workforce.

More Audits for International Supply Chain

2017 was anything but ‘business as usual’. Increasing geopolitical tensions presented supply chain managers with **heightened levels of risk and volatility**. Notably, North Korea has played a particularly important role in the ongoing drama. As tensions continue to rise, it’s entirely possible that other countries could inspire similar action.

Companies with international supply chains **must pay closer attention than ever to their supply base**. In 2016, for example, an American sports apparel company discovered that they were unwittingly procuring textiles from North Korea.

Without warning, one of their Chinese suppliers had outsourced labor to its controversial neighbor. This was not an isolated incident. **Porous national borders and inconsistent policing make global Procurement riskier than ever**. A **lack of due diligence** can lead organizations to break international laws and incur serious penalties.

No one can afford to let their Procurement operations go unchecked. Companies will need to work harder to **secure relationships with trustworthy suppliers** and **conduct more regular audits of their operations**. Unannounced visits and inspections could make the difference in avoiding serious supply chain consequences.





Sourcing Groups Become Reputation Managers

Consumers are committed to supporting businesses that hold themselves to **high moral and ethical standards**. The transparency afforded by the internet and social media makes it easier than ever to dig deeply into a company's dealings and determine which ones measure up. What's more, **new platforms provide the means for controversy to evolve into campaigns of public shame**. Once an unethical, illegal, or immoral action is exposed, it's almost immediately common knowledge for millions. Procurement has to **take the lead in ensuring ethical practices across supply chains** to protect corporate reputations.

Procurement should consider ethics as crucial a **risk management concern** as any other supply chain disruption.

An untoward agreement, or a misleading product label, might not seem as bad as an earthquake, but the damage to operational integrity and consumer confidence can prove even greater. The issue of ethics becomes far more complicated as supply chains grow across continents. **Procurement teams must contend with cultural and legal differences** and sometimes consider the moral cost of a better price. Locating ethical suppliers means taking into consideration the human, animal, and environmental concerns that dominate the contemporary discourse.

Procurement needs to set strict standards, perform consistent audits, and develop training programs to promote compliance with ethical guidelines.

TREND SEVEN

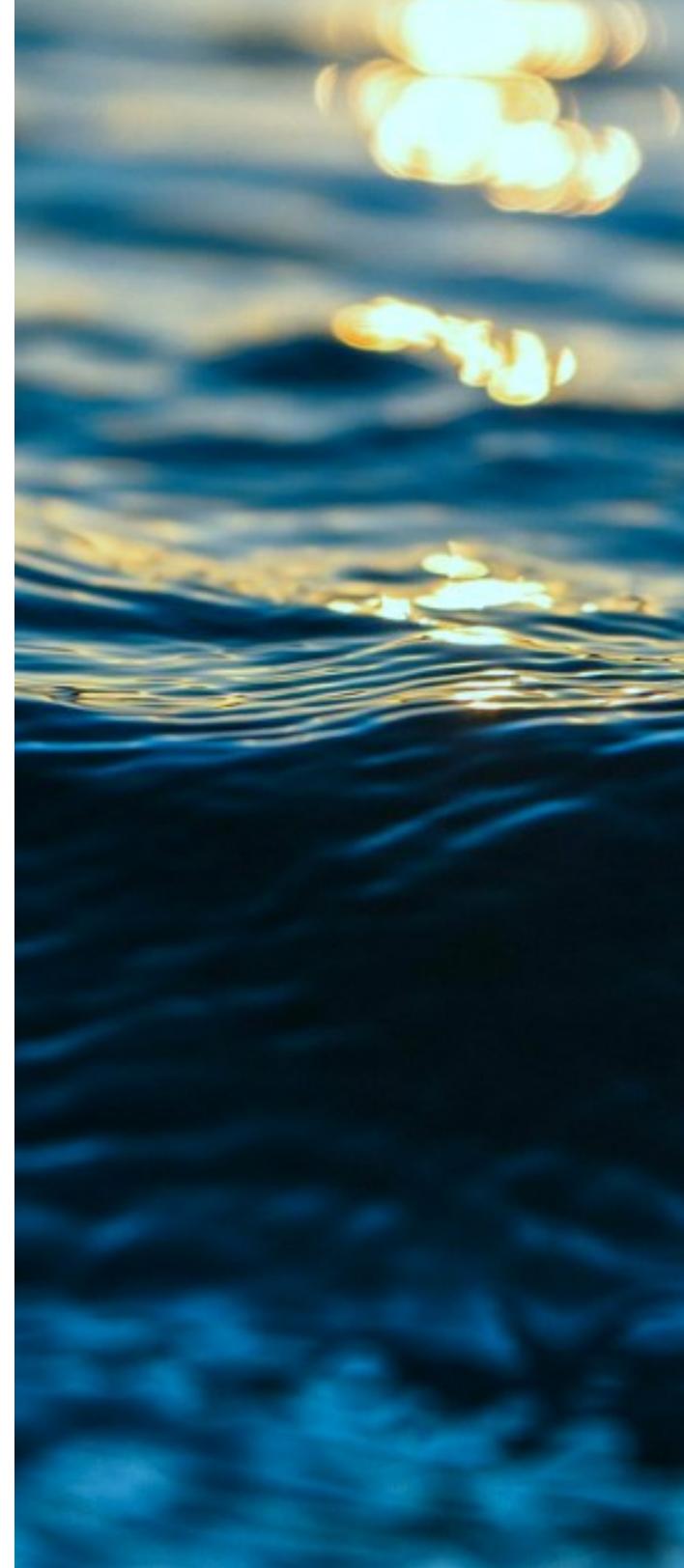
Swimming Against the Current

The true Procurement and Strategic Sourcing leaders are fighting an ongoing trend. As more and more companies embrace Procurement and its offerings, **many are taking the idea of cost-savings too literally**. They are focusing purely on the *cost* of services rather than **assessing the value a provider might bring**. As a result, they're choosing their Procurement services providers based on price tag alone. Allying themselves with massive BPOs, **these companies are settling for a reactive, tactical version of Procurement**. That low price, in many cases, is far more than they ought to pay.

More strategic Procurement providers need to unveil their competitor's shortcomings and **educate companies on the value they can bring**.

Whereas a Procurement BPO typically provides inexperienced professionals and impersonal services, a more strategic group can offer subject matter experts along with tools and techniques geared toward an organization's individual needs.

Companies are not about to stop outsourcing Procurement services. They are, however, likely to **experience diminishing returns if they do so with only price in mind**. Providers who offer end-to-end solutions, flexible technology, broad category expertise, and specialized attention need to **make themselves known**. After all, Procurement is only as valuable as its most valuable practitioners.





TREND EIGHT

Prepare for the Worst, Capitalize on the Best

December 2017 marked ten years since the start of the **Great Recession**. With the economy looking as strong as it has throughout 2017, it's tempting for companies to continue relying on the tools, teams, and techniques that helped them survive past 2008. **Companies who fail to take new measures, however, could be looking at another disastrous era should another recession occur.**

Taking a closer look at Procurement is a great way to start preparations. The thorough, strategic approach of **leading Procurement groups is an essential tool for both cost-cutting and risk management.**

When a new recession rears its head, companies will require more of both than ever. With an expert, right-sized Procurement unit, organizations can **more confidently make the decisions that could secure not only future savings, but the very future of their business.** Many companies – even large ones – still lack dedicated Procurement functions. Don't be surprised if these are the same companies that disappear when the economy takes a turn for the worse

Don't wait until it's too late. Invest in **expert Procurement and Strategic Sourcing services** today. You'll not only weather whatever troubles lie ahead, but your organization will thrive in spite of them.

ABOUT SOURCE ONE:

Source One Management Services LLC is a procurement and strategic sourcing services firm founded in 1992. With over two decades of experience within the supply management and procurement consulting space, Source One delivers bottom-line savings for clients across dozens of industries. Offering a wide-range of procurement services from spend analysis and benchmarking, to category management and total procurement transformation, Source One remains the number one provider for cutting costs, optimizing spend, and saving time and resources.

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