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EBOOK:

Building an Effective Procurement Organization

A comprehensive look at the core pillars of a Procurement team capable of supporting your company in 2022 and beyond.

Introduction

For all their differences, the giants of consulting and technology all have at least one thing in common. Their fondness of instilling fear, and promoting unrealistic expectations.

Just look at the way the Procurement function and its future is discussed. How the big guys tell it, Procurement groups are racing to meet a hard and fast deadline. If Procurement fails to fully innovate and digitize by 2022, they suggest, the function could find itself fading back into tactical obscurity or even disappearing altogether.

These bold, often fatalistic, predictions aren't completely unfounded. Emerging technologies, expanding markets, ever-increasing complexity and of course, very real external risk factors demand a Procurement function that didn't exist a decade ago. Within most organizations, they are still evolving, and the best amongst them will ever continue to evolve.

By attaching a timeline to the function's evolution, they suggest that change is something a single initiative can bring about. Waiting for all things to become clear in order for that one event to become clear can leave well-meaning divisions left behind.

In reality, developing a truly world-class Procurement function isn't a matter of going from Point A to Point B. It's about reaching Point B and continuing along past the end of the alphabet.

Transformation isn't a concept, but a conversation. It's not an initiative, but an continual imperative. It's not a destination, but a journey. And there's no real end in sight!

At Corcentric, we've always made an effort to shatter perceptions and rework definitions. Our engagements are only truly successful if clients reach a new understanding of what both Procurement their Partners, both internal and external to the organization, can provide them.

It's our hope that readers will feel inspired to look beyond the next decade and recognize that the timeline for Procurement's evolution doesn't end at 2025, 2030, or anywhere else. While some professionals might feel discouraged to learn their journey will go on forever, we think Procurement's true leaders will feel inspired.

With a well-aligned Procurement function fueled by a culture of continuous improvement, organizations won't just survive to 2022. They'll thrive for decades more and outlast the same outlets that predicted their demise.

Read on to learn more about building an organization with everything it takes to speed past these artificial roadblocks and drive into a future of continuous growth and improvement.

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01

People

Key considerations for structuring, developing, and ultimately, inspiring your team to meet the supply and spend challenges of today and tomorrow

People

Organizing and Optimizing Your Procurement Team

It's become a cliché to suggest that people are the heart of Procurement. If we're being honest, we've also helped perpetuate that notion. Like any popular cliché, this one holds more than a little truth.

Even in a world characterized by consistent innovation and digital disruption, Procurement can't function without a dedicated team.

While just about everyone – on paper, at least – agrees that the right people are essential to Procurement's success, opinions are still divided on how to most effectively find and organize those people.

- + **How should organizations structure their Procurement function?**
- + **How should this function relate to the organization as a whole?**
- + **Which Operating Model is Best?**

The truth is, there is no one-size-fits-all. The size and structure of Procurement will vary based on the operating model your organization employs.

Needs vary wildly across industries. As such, the optimal operating model will differ based on market conditions, competitors, and your organization's unique operations.

A company that operates manufacturing sites, for example, should likely consider a center-led or decentralized model. Guiding exclusively through corporate mandates is unlikely to support the needs of individual site-level managers.

In this case, a centralized model runs the risk of leaving sites underserved and could potentially stoke non-compliance. A financial institution, on the other hand, might not require so many branches and levels of operation.

For their purposes, leaving purchasing decisions and long-term strategy to a single department could work effectively. Disbursement (or lack thereof) also plays a big role in determining the appropriate

operating model. As you can probably guess, an organization with a single, central location will make better use of a centralized model than a business operating multiple sites will.

Those businesses will need to seriously consider whether a decentralized or center-led model better suits their capabilities and serves their goals, and in turn, configure supporting systems to reflect that structure.

High-performers tend to avoid "body shopping" contractors, and also avoid wholesale outsourcing to BPOs.

Rather, they tend to use more focused managed service providers.

— Deloitte's Global CPO Survey ¹

¹ Deloitte Global, Deloitte Global Chief Procurement Officer Survey 2021, January 2021.

Operating Models

The debate over the most effective Procurement operating model finds organizations divided into three primary camps.



Centralized

In this model, all of an organization's departments make their purchasing decisions through a single entity. All decisions and controls related to this entity's actions are set at the corporate level.

Pros:

- + Establishes a dependable, standardized sourcing process.
- + Leverages total corporate spend to develop strategies.
- + Optimizes resources and reduces redundancies.
- + Provides economies of scale that promote efficiency and knowledge sharing.

Cons:

- + Ignores the intricacies of individual markets.
- + Encourages maverick buying when site managers disagree with corporate mandates.
- + Increases costs and diminishes service qualities for certain commodities.
- + Could delay reaction times.



Center-Led

This operating model splits control. Strategic purchasing decisions are coordinated by a single, central entity. Transactional activities, on the other hand, are tackled by groups across the organization.

The same is true of established policies and best practices. Strategic declarations are made at the corporate level, while more tactical concerns fall on site managers and business unit leaders. A center-led Procurement model blends the benefits of both centralized and decentralized models while mitigating their relative drawbacks.

In addition to providing for the creation of a Center of Excellence, a Center-Led model leaves tactical decisions to those who are best equipped to make them. With the freedom – within reason – to act in their best interest, site managers will feel more inclined to accept Procurement's increased strategic role. In time, they'll participate in an open exchange of insights and best practices with both their peers at the site-level and central Procurement unit.

It's important to remember, however, that Center-Led is not a synonym for well-managed. An ineffective center-led function can easily find itself nurturing the negative aspects of both alternatives.



Decentralized

This approach sees a company's numerous departments and branches purchase independently to meet their own needs. They make their purchasing decisions at the site or business unit-level.

Pros:

- + Provides autonomy for individual business units.
- + Improves both site and business unit-level satisfaction with Procurement.
- + Expedites issue resolution.

Cons:

- + Does not allow company to leverage corporate spend or align on their objectives.
- + Discourages knowledge sharing between business units.
- + Increases the risk of high operating costs due to poor standardization.

Structuring Your Team

Before determining the structure of your Procurement team, you'll need to understand how best to segment roles.

Traditionally, Procurement's tasks are split amongst two types of professional:

- + **Tactical** – Concerned with more administrative and reactive processes, and fulfilling a repetitive workload.
- + **Strategic** – Take a holistic approach to purchasing and works to generate value beyond simple cost savings.

Automation, standardization of policies, processes, systems and data is driving the reduction in volume of tactical work, but won't remove its need altogether, anytime soon. Even the most tech-savvy organizations, cannot claim to have completely eliminated their need for tactical tasks from their employees.

The question is how do we accurately predict the type of work that is required, and plan for a flexible workforce that can adapt to the continual shift in tasks as technology plays a greater role in operations.

Eliminating redundancies might mean staffing as few tactical resources as possible, but a more strategic plan will also include systems for helping tactical employees grow. Redundancies carries a heavy cost to the business in morale, reputation and cost, especially when compared to accurate planning and fostering a culture of life-long learning. Once you've developed roles, determined responsibilities, and devised reporting structures, need to fully staff your Procurement unit.

Managed Services vs Outsourcing

A valuable lesson learned during Covid times, is the ability to fluidly scale up and down your team, as demand fluctuates and your desired skills shifts in response to risk and increasing digitization. You have lower onboarding and training costs, and always get the skills you need, when you need them. Specialist Managed Services teams are an extension of your team, and can even guarantee results!

Predicting The Nature of Your Spend

You'll need to not only assess your organization's purchasing history to determine your people and technology strategy (and of course, the two should be considered together, rather than independently!) But also make use of predictive analytics, with input from disseminated goals linked to your corporate strategy, to help you understand future people needs. Typically, an organization that is rapidly expanding or generally focused on its Cost of Goods Sold will place an increased emphasis on direct goods. These organizations are more likely to staff commodity owners than category managers. Organizations with large amounts of indirect spend, on the other hand, should look to hire category managers with broad expertise.

Attracting Available Talent

Whilst hiring top talent is still a key focus, and with "sustainability" and "purpose" edging further up the list of needs for new candidates, competition remains fierce. The biggest skill gaps are still perceived to be the use of digital tools and analytics to leverage data to influence and collaborate with stakeholders CPOs will need to dig deep to develop their teams by a richer source than traditional hiring.

Developing Your Team

Deloitte's 2021 CPO Survey highlighted that even though there was a temporary reprieve in the ability to hire and retain talent, due to COVID-19 related lay-offs, the year-on-year trend over the last 10 years shows that it's still getting harder to recruit the **right** talent! Dare we even say, the 6th **right** of purchasing?

Whilst hiring FTEs for mindsets, such as "Adaptability" over traditional skill sets can widen the pool of talent and increase diversity, there's still some fundamental development best practices that will help enrich your procurement talent pool.

Introduce Rotational Programs

While conversations around Procurement's talent gap tend to focus on recruitment, retention is (at least) as pressing an issue for today's Procurement teams. Millennials, in particular, promise to shake things up with their survey-backed reputation for moving from job to job. Building rotational programs into your on-boarding processes is a great way to ensure they stick around and bring diversity of thought to the Status Quo.

They'll enjoy hands-on experience with Procurement at both its most tactical and most strategic while learning how the function relates to other business units. In time, they'll build the diverse skillset that will provide for Procurement's future. Graduate or junior fast track programs are also advised, but you better provide online learning tools to satisfy the eager, help monitor progress and give structure!

Encourage Mentorship—it's a 2 way street!

The generational shift is well underway across the business world. As ever, well-experienced players are retiring, and fresh talent enters the workforce. There's more formalized education available around the profession now, meaning new entrants don't necessarily need years to amass the basics. Unfortunately, hands-off talent development and increasing reliance on technology, may mean knowledge transfer is not always happening effectively. Whilst new hires often have a more innate aptitude for navigating the digital landscape, they don't always have the subject matter expertise to help design the processes or benefit from the experience of previous learnings.

Developing mentor programs allows top performers to share their hard-won knowledge with future business leaders. The programs will promote a culture that prides feedback and transparency. That's why, according to the American Society for Training and Development, a whopping 71% of Fortune 500 companies employ them².

Adopt Broader Set of Talent Models

True Artificial Intelligence isn't here yet. It may not arrive nearly as soon as the boldest predictions suggest. However, when it does arrive, which it will, it will change the shape of Procurement. Though most discussions around emerging technology tend to focus on who'll get replaced, new solutions will also mean new jobs.

Now is the time for Procurement leaders to train their teams to adapt. Preparation today could make the difference between losing jobs to computers and introducing new, tech-empowered roles to your Procurement function.

² ATD Research, Mentoring Matters: Developing Talent with Formal Mentoring Programs, November 2017.

PERCENTAGE OF EXECUTIVES AGREE THAT A SHARED PURPOSE:

89% results in greater employee satisfaction.

84% drives more successful business transformations.

81% leads to higher-quality products and services.

80% inspires greater customer loyalty.³

Inspiring Your Team

The same things that motivated past generations of employees won't work forever.

As millennials and Gen Z continue to flood the workforce, they bring with them a new set of priorities, an interest in society-wide issues, and a skeptical attitude toward the business world.

While many young professionals are eager to serve a higher purpose and perform meaningful, impactful work—they're increasingly unlikely to trust businesses. Nearly half believe businesses have no purpose at all beyond generating a profit.

Can Procurement's leaders turn the tide. If so, how?

By developing a clear purpose, clearly and consistently communicating this purpose, and working alongside their teams to deliver on it.

What's your purpose?

Not every company can play a leading role in lofty initiatives like eliminating deforestation or removing plastics from our oceans. Even the least mature business, however, can commit itself to doing better.

A purpose doesn't need to be world-changing to be life-changing.

When your team feels connected to something bigger than themselves, they'll come to work each day with a new level of engagement and a new commitment to success.

It's worth a note that the aftermath of how companies treated their employees during the worst times of Covid, will also likely linger for a lot longer than the restrictions themselves. Brand reputation and attitude towards employ wellness during what was arguably the biggest upheaval to our working lives in decades, will stick in minds of both existing staff and potential new joiners. The emotional contract between you and your team is something to be ignored at your peril!

Do you inspire, or extinguish enthusiasm?

³ Harvard Business Review Analytic Services, The Business Case for Purpose, 2015.

02

Metrics

A look at the metrics that can move Procurement beyond a cost-cutting department and into the role of a strategic advisor for the enterprise

Metrics

Why Measure Procurement's Performance?

Metrics are an oft-ignored, but a critical piece of any high-performing business. This is especially true in times of great change!

They enable internal and external stakeholders to understand how their hard work is paying off, help identify areas for improvement and importantly give confidence for pivot if that's what's needed.

For Procurement, the right metrics and reporting cadence can prove especially important. By presenting an objective view of the function, its behavior, and its results, they help to eliminate some of the biases and misconceptions that have previously stymied its efforts. Linking this clearly to neighboring functions like Finance is critical in effectively collaborating and working towards common goals.

The right metrics provide Procurement with imperative answers to the questions of budget and internal investment. Whilst the wrong ones can drive silo'd behaviors and worse still, promote a lack of perceived contribution to the wider organization goals.



Better Decision Making

Metrics provide the foundation for more strategic decision making. Making claims or taking action without the metrics to back them up is essentially an exercise in baseless assumption. Baseless assumptions are what left Procurement in tactical obscurity for decades. Embrace every opportunity to weed them out of your business processes and develop a more constructive, fact-based philosophy.



Performance Based Culture

Metrics help set expectations and goals at the department level and throughout the organization. With time, they provide for a workplace culture that prides accountability, transparency, and consistent innovation. What's more, they cultivate a data-centric environment that's ready to embrace Procurement's future. The power of data promises to fundamentally shift the business world. Why not start leveraging it today?



Effective Planning

Metrics make Procurement's business and category planning processes smoother. Whatever you're looking to measure, the value of clean, well-managed data can't be overstated. With new insights into supplier performance, category revenue, emerging risk factors, and the success of its sourcing initiatives – Procurement can lay the groundwork for a data-empowered future and build the business case for strategic next steps.



Executive Buy-In For Procurement

Metrics help Procurement market itself as a valuable, insightful business partner to both prospective suppliers and its peers within the organization. It's just smart business. With renewed credibility, Procurement will find itself better equipped to enable partners, engage the supply base, and earn executive buy-in for its own efforts.

Presenting on Procurement's Performance

Interactive dashboards and scorecards are now the "norm" for delivering Procurement metric results. However, the accuracy, reliability of data, and importantly the amount of time invested into generating these results differs hugely from top performers and those, who are not.

There is a fine line between offering the option for dynamic data investigation in order interrogate numbers for different stakeholders, i.e. making it relevant, and providing a common language for agreed representation of how you perceive success.

Equipped with drill-downs and visually appealing representations, they bring Procurement's data to life and encourage team members to actively participate in boosting its performance.

It's not only important that metrics are visually appealing, accessible on-demand, and shared on a regular basis. But it's also important for data to be intelligently interpreted and explained to promote common understanding.

Frequency of review depends on your organizational culture and climate, but it's important they become a predictable part of your company's operations.

Like introducing metrics in the first place, a dependable cadence and review promotes accountability and clues your team into the importance of actionable, accessible, and accurate metrics.

How?

Not all presentations are created equal. Here are a few best practices to employ and worst practices to avoid at all costs.



Do: Speak your audience's language

If Procurement's reputation has suffered in years past, it's because other business units don't consider it strategically valuable. Presenting metrics isn't enough to win over skeptics. Procurement needs to present its data in such a way that other units will find it meaningful and impactful. Ironically enough, that'll often mean tossing out the word savings.



Don't: Overdo it

This applies to colors, graphics, effects, text, and just about every element of your presentation. Employing 3D effects or a rainbow's worth of colors might catch the eye, but it will leave your audience fatigued and reduce their comprehension.



Do: Keep things consistent

Use the same colors, scales, and labels for related charts. Consistency will make it easy for your audience to assess differences across charts and graphs. It'll also reduce the chance of confusing viewers or presenting them with misleading information.



Don't: Expect Too Much

In a perfect world, your graphs and charts will all but speak for themselves. Sometimes, however, more complex charts are unavoidable. Don't leave your audience to discern the relationships between charts or assess their findings on their own. Strive to reach the perfect balance between showing and telling.

What Should Procurement Measure?

While the majority of Procurement groups still consider cost savings their most critical objective and most essential performance metric, the function's evolving role means it can no longer operate with such a narrow definition of high-performance. Contact Corcentric for a free, and bespoke current state analysis of spend analysis, to help identify likely targets for cost savings across both tail and direct spend. Of course, depending on your access to good source data, and the right tools, there may be a huge amount of metrics you can effortlessly track.

Metric	What	Why
Cost Avoidance	A close relative of cost savings, cost avoidance measures the cost increases that an organization may have experienced without Procurement's intervention. These include changes to raw material pricing and rate increases scheduled by suppliers.	Achieving year-over-year cost savings is nearly impossible. Cost avoidance takes this into consideration, looks at the big picture, and connects Procurement's efforts to the current state of the market.
Spend Under Management	SUM refers to the total amount of spend that is influenced by Procurement. A straightforward way to approach the figure is to consider the percentage of overall spend that Procurement has categorized and is working to actively manage.	Assessing SUM is a great way to build out a Procurement roadmap and establish future metric goals. It provides insights into what Procurement is successfully influencing, new opportunities to leverage spend, and any lingering gaps in visibility.
Cycle Time	Cycle time is the total time from the beginning of any process to the end. For Procurement, the cycles in question include: the source-to-contract cycle, supplier lead times on purchased materials, the procure-to-pay contract cycle, and the process of filling out a purchase order.	Reducing cycle times is an effective method for reducing costs and improving Procurement's standing throughout the organization. The figure is a valuable indicator of Procurement's efficiency and – often – the performance of its suppliers.
ROI	Simply put, Procurement ROI is the measure of the total cost of the department in relation to realized cost savings or avoidance over a given period.	Procurement's ROI is the backbone of its value proposition throughout the business. It's a direct measure of the department's success, builds the business case for executive buy-in, and helps ease any resistance from other business units.
Quality	Organizations can assess the quality of products and services by tracking metrics like defect or disruption rates.	Procurement's success and its reputation within the organization depend on its ability to identify quality suppliers and enforce compliance with established standards and service levels.
Compliance	This metric examines how well suppliers are adhering to contract terms and conditions. Oftentimes, organizations express contract compliance as a ratio of the number of non-compliant contracts compared to total contracts. Alternatively, Procurement might express it with the dollar value of non-compliant agreements.	Compliance figures communicate the efficacy of Procurement's supplier relationship and contract management efforts. Rampant non-compliance suggests the function is ineffective in both areas.

03

Processes

The questions to ask and factors to consider when developing Procurement's processes

Processes

Developing & Maintaining World-Class Performance

If Procurement professionals are known for one thing it's their love of a finely-tuned process. Procurement's fondness for procedure has certainly ruffled some feathers over the years, but it's also helped set it apart as a dependable, strategic entity.

No business unit is better equipped to get the trains on track and ensure they stay there.

Remember, there's no one-size-fits all strategy for implementing processes and enforcing compliance. Your particular operations will vary based on organizational maturity, geographic distribution, headcount, and the complexity of Procurement's technology.

Though a number of variables will impact Procurement's processes, it's essential that the department not accept any variation once these processes are established. To

optimize workflows, reduce cycle times, and avoid rework, organizations must insist on consistency in the way goods and services are sourced, procured, and contracted.

Even isolated exceptions will send the wrong message and undercut Procurement's efforts to gain executive respect.

Push-back is possible – even likely, but the well-appointed Procurement department shouldn't consider this an obstacle. Rather, it's evidence that they're doing their job.

Designing a Process

Like any business decision, Procurement's efforts to design new processes should follow an intense period of research and self-reflection. It starts with asking the right set of questions. The following considerations should factor into processes at both ends of the purchasing process. These considerations will grow more specific as Procurement moves from identification through to long-term change management.

- + **What are Procurement's goals?**
- + **What risk factors should Procurement attend to?**
- + **How are decisions made?**
- + **Will a new process reduce disruption or create more?**
- + **How are roles and responsibilities distributed?**
- + **What service level is the organization aiming for?**
- + **How does the process integrate with others?**
- + **Do other groups carry out similar processes?**



Spend Analysis

No transformative initiative – no initiative of any kind, for that matter – can get off the ground until Procurement leverages its spend data. The function can't pursue savings or supplier consolidation without purchasing data to guide its decision making.

Remember, however, that data on its own doesn't do Procurement much good. By segmenting purchases into spend cubes, Procurement can begin to identify opportunities and turn raw information into decisive action.

Key Considerations

- + How disparate are the data sources?
- + How well do you understand your spend profile?
- + Which business unit leverages the most spend power?
- + What trends can you observe in your spend data?

Benefits

- + A more holistic, strategic approach to spend management
- + Informed decision making throughout the sourcing process
- + Optimized working capital
- + Better risk management
- + Access to category-specific opportunities
- + Reduced maverick spend
- + Benchmark insights to assess Procurement's performance



Strategic Sourcing

Successful Procurement teams deploy a standardized process for Strategic Sourcing. Repeatable and sustainable, the process helps minimize inefficiencies and provides a foundation for a more nuanced understanding of Procurement's essential role. As a best practice, organizations should establish standard operating procedures and communicate them across Procurement. Sharing an SOP will ensure each team member understands their unique role, help the organization avoid rework, and optimize its cycle times. While this is just one step in building a culture of transparent, constructive knowledge sharing, it's among the most essential. With SOPs at the ready, team members can apply your preferred processes to make Procurement into a dedicated, effective category manager.

Key Considerations

- + What is the primary goal of your sourcing efforts?
- + Is there a category management structure in place?
- + What is the role of each business unit in the process?

Benefits

- + Increased visibility into the supply base
- + A shift from reactive to strategic Procurement
- + More informed, strategic purchasing decisions
- + Stronger relationships with more trustworthy suppliers
- + Streamlined operations
- + Optimized value for every dollar spent



Contract Management

Effective Procurement groups maintain clear, consistent processes for managing their contract lifecycles. Taking a proactive, hands-on approach ensures that businesses are prepared for critical dates like expirations and auto-renewals. The process runs smoothly when Procurement leverages tools and templates to keep team members informed and shorten the source-to-contract cycle.

Unfortunately, far too many organizations focus exclusively on what happens before signing their contracts. Many even forget about compliance and long-term management altogether. A more strategic approach doesn't just ensure better terms and pricing, but keeps your team up-to-date on relevant information like legal and sustainability compliance.

Key Considerations

- + Are there policies in place to guide end users?
- + Are the steps clearly spelled out?
- + What tools and templates are available?
- + Are the roles and responsibilities of all participants defined?

Benefits

- + Avoid litigation from contract non-compliance
- + Avoid financial penalties associated with illegal or unethical supplier behavior
- + Deliver greater value to customers
- + Reduce costs and cycle times associated with contracting



Supplier Relationship Management

Procurement's work isn't over when the ink dries on its contracts. It's crucial to establish systems for assessing relationships and ensuring they remain fruitful. A successful SRM program will emphasize mutual respect and cultivate a culture of continuous process improvement. This will allow the relationship to evolve into a strategic partnership and ensure both parties serve each other effectively.

Maintaining open lines of communication ensure that suppliers are intimately familiar with the inner working of your Procurement function and the organization as a whole. With this level of visibility, they'll allocate their resources more effectively and more efficiently address your prevailing concerns.

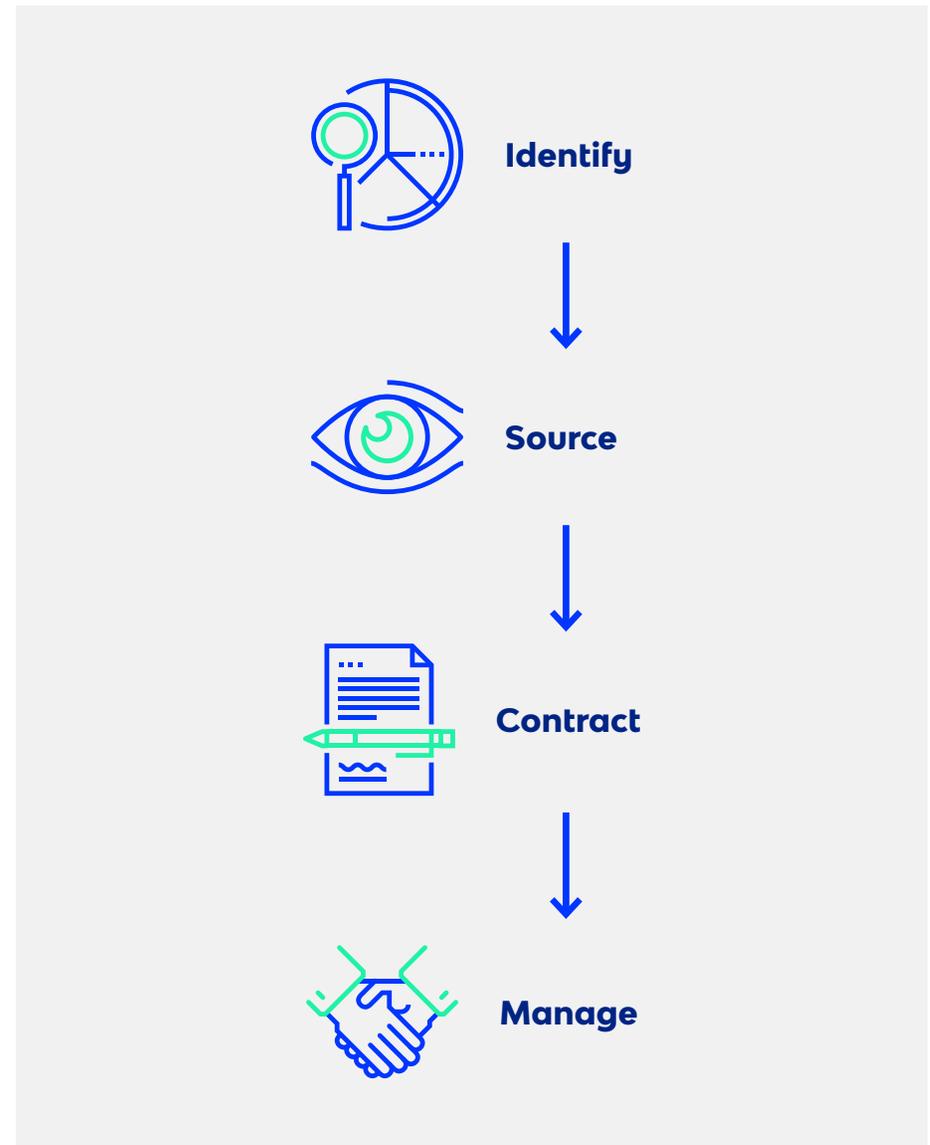
Key Considerations

- + How is supplier performance measured?
- + Does the organization value continuous improvement?
- + How is year-over-year change reported?

Benefits

- + Additional value adds from strategic suppliers
- + More informed decision making across the supply chain
- + Reduced costs
- + Opportunities for supplier-led innovation
- + Process efficiencies due to supply base consolidation
- + Ongoing process improvement

End-to-End Process:



04

Tools

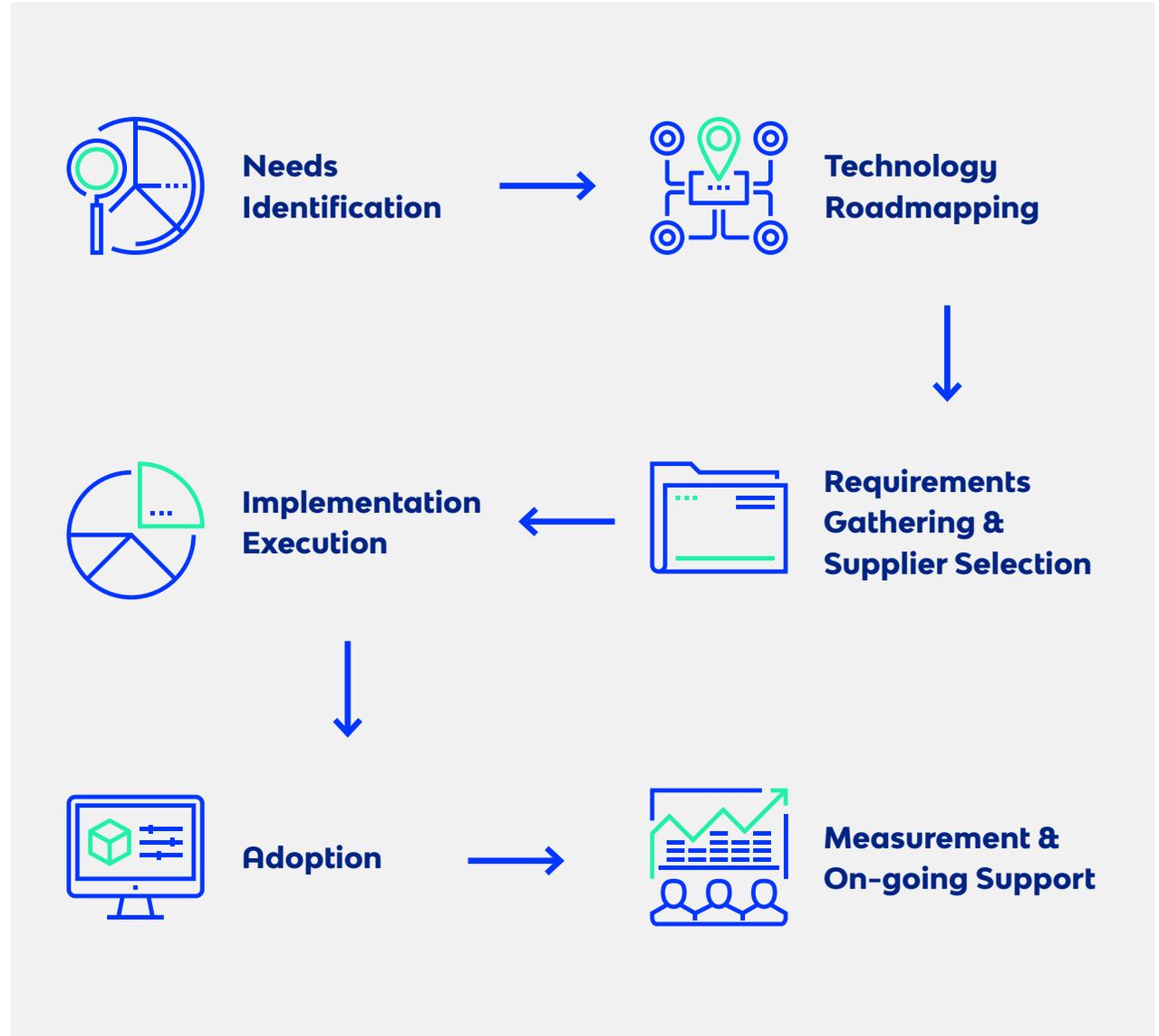
From requirements setting to implementation, best practices for realizing a quick return on your Procurement technology investments

Tools

The Full Process

Introducing a new Procurement tool isn't as simple as making a selection. Like any strategic initiative, a technological project requires strategic planning and is most effectively tackled in phases. Before jumping in the first phase, however, a number of conversations are in order. Even if you choose not to leverage third-party support you'll need guidance in the form of Target Business Outcomes.

These clear, attainable goals should serve as a golden thread. Every decision your team makes, every option it chooses to avoid, should tie directly back to these initial conversations and their resulting outcomes. Ensure these targets are communicated across the organization, and you'll avoid sinking time and effort into a fruitless initiative.





Needs Identification

Whatever Procurement's maturity, there are undoubtedly areas where it can stand to improve. The first step in any technology-centric initiative is identifying where these opportunities are. This is where you'll solidify those target business outcomes and prepare your team to pursue them in earnest.

Take a look at Procurement's approach to entire Source-to-Pay cycle. Where are there bottlenecks between you and your target business outcomes? If your organization has never made a real investment in Procurement, visibility into spend could be lacking. A more strategic, well-supported function might find issues farther along in the sourcing cycle. Perhaps Procurement is failing to derive maximum value from its contracts or falling prey to rampant maverick spend.

Your initiative won't have direction unless you've taken the time to make a thorough, objective assessment. Once you've done so, you'll have a better sense of how should prioritize investments and, more crucially, how to prioritize your efforts to navigate the marketplace.



Technology Roadmapping

Depending on your existing technology portfolio, you might have a lot of gaps to fill – or just a few. Regardless, you'll almost certainly want to break your investment into a series of phases using a technology roadmap.

Budget is just one of many potential roadblocks you'll need to keep in mind. Beyond dollars, Procurement will need to assess the organization's ability and willingness to make an investment and carry out change management. It comes down to both strategic impetus and executive sponsorship. More than anything else, these will dictate the shape and size of your roadmap.

Ensure the technology roadmap accounts for present day needs while offering flexibility for the future. While a robust Source-to-Pay suite platform might look like a magic bullet, a hasty, hefty investment could wind up exhausting Procurement and alienating its peers. Take care to invest strategically. Which solutions will quickly address Procurement's needs and help build a business case for more investments in the future? These should emerge as the priorities that dictate the path forward.



Requirements & Suppliers

All that hard work makes it even more tempting to cut corners once Procurement is finally ready to navigate the market. A typical organization might send out a lengthy RFP with questions derived from templates or reverse engineered from some cursory internet research. They'll wind up making their selections based on little more than a demonstration and a price tag.

A more effective approach will see Procurement define its ideal state before moving out into the market. After all, no organization is looking for a generic solution. They're looking for a tool that will provide both quick ROI and a wealth of opportunity to evolve and generate value. Once Procurement has settled on the ideal state it's moving toward, it can craft a question set tailored to its specific needs. This will not only make it easy to differentiate between superficially similar suppliers, but will also help those suppliers right-size their solutions.

If Procurement already has a number of solutions in place, this approach will help determine whether the function needs to add, augment, configure or replace within its existing repertoire.



Implementation

Even if Procurement has taken the time to design its ideal solution, it's important not to forget the change management that's still ahead. Breaking implementation into manageable phases can smooth things out, but there is more to it than that.

Change management is, ultimately, a people problem. Any efforts to redesign processes or reallocate resources should not only take advantage of technological capabilities, but provide the best possible end user experience. While change management and training are not synonymous, training is an all-important part of the process that shouldn't wait until Procurement's go-live date.

Engaging stakeholders at each stage in the process is essential for both securing their buy-in and taking advantage of their expertise. Invariably, a number of individuals will distinguish themselves as champions for change. These stakeholders will recognize the value a tech-enabled Procurement team can bring and help to mitigate the influence of less enthusiastic parties.



Adoption

Realizing the full value of a Procurement solution depends on Procurement and the organization as a whole leveraging it correctly. Even the best, most robust tool is nothing more than an enabler. There are no magic bullets!

Without adoption, tools like eSourcing software for example, are only effective when carrying out strategic sourcing events. Left as a vehicle to send out spreadsheets, it won't do the organization any good. Spend analysis tools, too, won't do their job without input from an end user who can review, interpret, and act upon its data.

The simplest Procurement technology around has great value potential. It's only possible to realize this potential when the organization insists upon successful adoption and holds each stakeholder accountable. From the design stage through implementation and roll-out, no one can forget the role they play in adopting the new solution.



Measurement

Surely, Procurement has built a business case and arrived at a projected ROI by now. These likely played a role in budget allocation and helped keep stakeholders motivated throughout implementation and adoption. Now that a new solution is in place it's time to determine which specific metrics will justify this ROI as well as how Procurement will collect them, measure them, define them, and report on them.

Savings are an obvious goal, but how is the term defined? Does the definition evolve from category-to-category? Do 'soft cost savings' like cost avoidance count? Without a definition for success, Procurement isn't necessarily destined to fail. The function will undoubtedly struggle, however, to determine whether or not it has truly succeeded.

Maintaining your solution and monitoring its success requires ongoing effort from your organization. Procurement will need to establish an organizational structure that can oversee continuous maintenance activities like catalog management, off-catalog requests, exception management, and new supplier on-boarding – to name just a few.

The Case for Managed Services and Outsourcing

Tail spend management is a hot topic these days. As procurement organizations grow, mature, and introduce technology, most are staffed and funded with the expectation that they'll address 80% of organizational spend.

Easier said than done. Many larger organizations with spend profiles of \$1B or more are just starting to manage any of their spend strategically. Others have invested in procurement, but failed to see the expected results. Still others are searching for answers in the technology landscape, but lack the organizational readiness to reach their objectives. For each type of organization, there is almost certainly an area of spend that lies outside of their core competencies.

Concerning outsourcing, there are a few dimensions to consider:

- + **Where are you lacking the category expertise necessary for strategic sourcing?**
- + **In which categories does Procurement lack market leverage?**
- + **Are there opportunities to improve market leverage by aggregating spend with other suppliers?**
- + **How efficiently does Procurement support back office operations like exception management and invoice processes?**
- + **Is Procurement capable of continuous improvement across these activities?**
- + **Could technology or consultative support enable any of these activities?**

The bottom line is that there is a breaking point for every organization where procurement core competency and ROI reaches diminishing returns. It may be the 20% that makes up the tail, it may be specific categories where expertise doesn't make sense to bring in house, it might be indirect spend as a whole, or even the entire procurement function for growing organizations focused elsewhere. Depending on your organization, goals, and value drivers, there is likely an area that makes sense to leverage external resources, expertise, or economies of scale to augment the organization and capture value that could otherwise not be obtained.

Best of Breed vs. Full Suite

When designing a technology roadmap, one question nearly always comes up. Should Procurement opt for best-of-breed solutions or a full suite? ERP-led with a best of breed cushion of tools? Or S2P suite with augmented best of breed apps?



Best of Breed

A range of tools designed to support particular stages in the source-to-pay cycle.

- + Benefits from a narrow focus and singular resource allocation. Procurement can count on a best-of-breed tool to meet its particular needs at a specific stage.
- Employing numerous solutions means carrying out numerous implementations and managing multiple vendor relationships. Data integration is never seamless and reporting can be silo'd. Metrics will need to be thought of well in advance, which can lead to rigidity and lag time to respond to change.



Full Suite

A single solution that covers the full source-to-pay cycle

- + The efficiency of a one-stop shop – one implementation, one vendor relationship, wholistic reporting. Less IT resource via integrations to manage. Data doesn't fall between the gaps, few errors sneak in, and duplication of effort is significantly reduced between systems.
- Not all solutions are built equally, with all having their weaknesses. Not all platforms are true platforms, i.e. built on a common or unified code base to benefit from faster developments and true seamless data flow between apps.

Which is right for your Procurement department?

In short, it depends.

You need to do what's best for your organization by identifying your true requirements and finding them in the market.

Here's what you'll need to look for in a selection of best of breed solutions:

- + Spend Analysis
- + Strategic Sourcing
- + Contract Management
- + Supplier Management
- + Procure-to-Pay

With the right a platform...

“The whole is greater than the sum of its parts.” The trick is finding the right fit for your business, and making sure you have the right people in place to really drive optimal results!



Spend Analysis

The first step in the sourcing cycle is also the first place Procurement should consider leveraging a solution. Spend analysis platforms have been around for a long time and just about every Procurement team will leverage one of some kind. Since they're relatively easy to implement, they make sense for organizations that are just beginning to consider Procurement solutions. It's important, however, to draw a distinction between the two types of spend analysis tool. Simpler tools offer little more than a reporting function. They enable Procurement to view their historical spend, but otherwise offer little in the way of genuine insight. More comprehensive tools empower the function to cleanse, aggregate, and analyze spend across multiple data sourcing.

Key features of these tools include:

- + **The ability to integrate data from multiple sources.**
- + **The ability to normalize suppliers, payment terms, and other relevant details.**
- + **The ability to enrich this data with additional external information where relevant.**
- + **The ability to classify data in a Procurement-facing category tree.**
- + **The ability to view, analyze, manipulate, and export data with a dynamic reporting interface.**



Sourcing

eSourcing platforms are a great starting point for any Procurement group looking to invest in technology – particular where savings is the primary goal. Even the most basic tools have the potential to boost efficiency and dramatically increase Procurement's ROI.

While the sourcing software landscape is crowded, organizations can simplify the selection process by looking into three classes of tools:

- + **Basic**
Allows Procurement to shepherd basic quotations in a more organized, manageable, and collaborative fashion. While light on bells and whistles, they enable efficiency with templates and other features for engaging and comparing suppliers.
- + **Intermediate**
eSourcing tools provide additional flexibility with features for collecting and evaluating proposals as well as some project and category management capabilities.
- + **Advanced**
Sourcing suites allow for expressive proposal collection and leverage scenario based optimization technology. This is typically reserved for large, complex categories to drive volume aggregation, solve for complexities, or simply generate the next level of value.



Contract Management

While it can get tough to differentiate between sourcing tools and their capabilities, it's easy to draw a line in the sand when it comes to contract management software.

- + **Simple Contract Repositories**
Organizations that are lower on the maturity curve will find immense value in these tools. Bringing contracts out of the filing cabinet and into a centralized, searchable database goes a long way in boosting efficiency and cutting down risk. You can't go wrong working one of these into the early stages of your technology roadmap.
- + **Robust Contract Management Platforms**
Things start to get interesting when tools introduce workflow and authoring features. The more mature your Procurement team, the more benefits it'll receive from a traceable workflow for routing contract approvals and redlines. Authoring capabilities empower Procurement and Legal to build contracts from a library of clauses and templates. This will prove most valuable for organizations where Legal and Procurement are already working hand-in-hand to mitigate risk.



Supplier Management

Like contract management tools, supplier management solutions vary enormously when it comes to complexity. Any software that interacts with suppliers will involve some kind of repository for agreements and other relevant documentation. Beyond that, more robust tools feature two key types of features.

- + **Supplier on-boarding and qualification**
This can be as simple as capturing relevant information to bring suppliers into your system and allow for more robust segmentation and document management. It can become complex quickly, however, when the tool layers in qualification requirements at the organizational and category levels as well as regulatory restraints based on industry.
- + **Supplier performance management and scorecarding**
Once suppliers are on-boarded, qualified, and awarded business, the most critical will warrant at least some level of monitoring and management. This could entail KPI tracing and regular business reviews. Supplier performance software can support this by pulling data from across Procurement's suite of tools and aggregating it into scorecards and reports.



Procure-to-Pay

That brings us to full suite solutions. The procure-to-pay landscape is no less crowded than the one for best of breed solutions. It's full of numerous players offering platforms with varying degrees of differentiation and a range of specialties and specifications.

Organizations who start their technology journey by introducing P2P suites enjoy the opportunity to kill several birds with one stone, but they also welcome a great deal of challenge and risk. When determining the right path for your organization, it's essential to consider the take the organization's appetite for change, Procurement's reputation, organizational complexities, budget allocation, and Procurement's own capabilities into account. Evaluating tools, Procurement needs to keep all of the following in mind:

- + **eCatalogs**
Internally managed or "punch outs" to defined supplier catalogs online, these will come with varying degrees of capabilities and control. Check the manual effort needed to maintain them, and where possible, outsource any effort to your supplier!
- + **Requisitioning**
This should encompass both on-catalog and off-catalog purchases for products and services.

- + **Approval workflow**
While standard for any P2P suite, its configurability will vary. Ensure it's flexible enough to meet Procurement's requirements and that the provider is capable of guiding the organization through implementation.
- + **Purchase orders, Receiving, Invoicing**
The PO through Invoicing process will provide for a number of interactions with suppliers and provide essential to adoption.
- + **eInvoicing**—true eInvoicing is becoming a hot topic for future development. A combination of AI and Machine Learning can be used to minimize the traditional error rate with dated OCR-scanning technologies. Another area that will see increasingly significant automation of tactical tasks in coming years
- + **Matching, Automation, Exception Management**
These capabilities – and the efficiency gains they produce – are essential crucial for building a compelling business case.
- + **Payment**
While some platforms offer payment capabilities, the majority do not. Again, this will be a space to watch for wider coverage of your process needs!

Regardless of where you begin your journey, technology will be a key enabler of procurement's success. In an ever-evolving landscape, it will continue to augment and enhance the value of procurement well into the function's exciting future.

05

Role

It all comes down to the role Procurement plays. However well-staffed and well-equipped, Procurement cannot deliver until it occupies a prominent position and commands respect internally

Role

Making Procurement A Trusted Strategic Advisor

It all comes down to the role Procurement occupies within the organization. However well-staffed and well-equipped, Procurement cannot deliver until it occupies a prominent position and enjoys respect internally.

Four main factors define Procurement's role within an organization:



Procurement's Vision for the future.



Procurement's Interaction with internal and external stakeholders.



Procurement's Perception across the organization.



Procurement's Function throughout each stage of the purchasing and sourcing cycles.

Vision

Procurement isn't what it used to be. Even better, it's no longer just Procurement itself making this claim. Last year's Deloitte CPO survey found that a heartening 73% of the function's leaders believe they've secured the confidence and support of their business.

These high-performing, highly-valued CPOs all started somewhere. Before they could win over their peers in the executive suite, they had to redefine Procurement's perception of itself and arm their teams with a new understanding of their potential.

Communicating Procurement's value always starts with a thorough, objective period of self-reflection. Whatever the function's size or maturity level, these conversations should reach three definitive conclusions:

- + A series of clear, aggressive, sustainable career paths to ensure top performers mature into business leaders.
- Armed with this three-pronged vision for the future, Procurement will enter the next stage of conversations with momentum and a new sense of confidence on its side.
- + A mission statement that aligns with the organization's core values and resonates enterprise-wide.
 - + A proactive approach to new technologies to distinguish it as an innovative unit.

Interaction

The next step in optimizing Procurement's image is taking a closer look at the function's interactions with stakeholders, suppliers, and executive leadership. At each stage, Procurement could find itself either recognized as a valuable ally or dismissed as a low-value nuisance. Procurement might not like what it learns, but these lessons will provide valuable fuel for its journey toward a more prominent position.



Stakeholders

Use these questions to identify the role Procurement plays in the eyes of your stakeholders.

Voluntary vs. Mandated

Do stakeholders actively seek Procurement's guidance or do they perceive the organization as a necessary evil?

Decision Support vs. Outsourced Execution

Do stakeholders trust Procurement to drive strategic initiatives and provide for better decision making or do they leave it with tactical manual tasks?

Value Added vs. Regulator

Do stakeholders consider Procurement an asset to their initiatives or do they view it as mere cost-cutting?



Suppliers

Identify whether Procurement in your organization is utilized as a Processor, Negotiator or a Relationship Manager with your suppliers.

Processor

Procurement is there to ensure that purchase orders are filled and contracts are signed. Their value is limited to the very basics of keeping things on track.

Negotiator

Procurement takes an active role throughout the contracting process and leverages its considerable skills to attain far more than a competitive price.

Relationship Manager

Procurement's interactions with suppliers survive long after the ink has dried on its contracts. They view relationships as ongoing strategic opportunities and work hard to promote transparency, collaboration, and mutual benefit.



Leadership

It is important to know whether executive leadership in the organization views Procurement as a mere informant, a partner or somewhere in between.

Informant

Procurement provides data, but holds little in the way of actual responsibility.

Consultant

Procurement occupies a semi-prominent position within the organization and is occasionally trusted to influence decisions.

Partner

Procurement has the executive suite's ear and has direct influence on decision making and strategic planning.

Perception

Right or wrong, stakeholders across the organization perceive Procurement a certain way. Sometimes this perception comes from years of close collaboration and successful engagements. More often, it's colored by a mix of hearsay, office politics, and outdated misconceptions.

In either case, it's important for Procurement to get to bottom of things and learn how it's viewed across the organization. The function can't devise a plan for changing its perception if it doesn't understand what that perception actually is. And it can't reach this understanding from a silo.

The more Procurement closes itself off, the more likely it is to misjudge its internal reputation.

An isolated team might expect that Marketing, IT, and other business units value and respect its input. All the while, these same folks could be bending over backwards to avoid engaging with Procurement.

It might mean grimacing through uncomfortable conversations, but Procurement needs to ask the tough questions and insist on honesty from internal stakeholders, suppliers, and executive leadership.

Once they understand the how, why, and what of their relationships, Procurement can devise a roadmap for closing the gap between where it is and where it wants to be.

Function

At this point, Procurement knows the truth about its standing within the organization and across the supply chain. The hard work of self-reflection is not, however, over just yet. Now it's time for Procurement to dive into its processes and assess their maturity and sophistication. Where does your organization fall on the Procurement Maturity Model?

Laggard / Transactional	Maybe your organization is still mired in the low-value past. If that's the case, you've probably already reached this conclusion several times over in your discussions with stakeholders and suppliers. A tactical Procurement unit makes its purchases on a reactive, as-needed basis and adds little in the way of strategic value. If stakeholders engage them at all it's likely because they've got no other options.
Traditional / Shared Services	These groups do things a little differently than their purely tactical peers. They proactively look out into the market and make purchasing decisions with more than sticker price in mind. They're unlikely, however, to enjoy the internal clout that a more mature entity might. At this stage, they're still mostly stuck in a silo and still prey to outdated ideas about Procurement's value.
Augmented / Supplier Management	Procurement groups at this stage exert control and drive decision making long after purchases are made. Their expertise and strategic know-how go a long in dictating how and why the company makes its decisions. What's more, they're a trusted advisor throughout the life of vendor relationships
World-Class / Supply Management	These are the rare Procurement group that occupy an utterly essential role within their organization. Thanks to a strong, consistent identity and a team of flexible resources, they're an indispensable asset with a hand on every link in the supply chain. Internal stakeholders value them, suppliers trust them, and executive leadership considers them an indispensable asset.

What's perhaps most impressive about these groups is that they never stop improving. Fueled by a culture of growth and change, they're always on the lookout for ways to refine their processes and better serve the business.

The Corcentric Difference.

We are an organization of industry experts that have a deep understanding of the markets we serve and the problems we solve for our customers. We take a consultative, insight-led approach to every interaction, and combine people and expertise with technology to deliver better solutions. As industry experts in the business of helping business, we pride ourselves in our relentless focus on customer satisfaction. The success of our customers is a reflection of our success.



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