

Learn from the World's Best Procurement Organizations



In a perfect world, every procurement organization would be world-class. Supply chains would function without interruption, maverick spend would be eliminated, and every invoice would be traceable, properly attributed, and paid on time.

In the real world, though, businesses are better served by a piece of advice from champion runner Kim Collins: *“Strive for continuous improvement, not perfection.”*

This pursuit of continuous improvement is an essential part of staying competitive, cost effective, and profitable in today's fast-paced business environment.

But that doesn't mean you have to start from scratch. No matter what industry you're in, you can harness the same principles and techniques that power the world's top procurement organizations to inform your own decision making and improve your bottom line.

Insights from Top Procurement Organizations

The road to best-in-class performance and efficiency is unique for every business. But by embracing a set of core concepts, your procurement organization can become more adaptable and effective while creating value.

• **Improve Visibility and Efficiency with Integration**

Out of sight, out of mind—and pocket. From Europe to the Americas, global companies face the same problem: invisible spend.

Before you can maximize your organization's procurement efficiency, you need a firm understanding and overview of what you're spending in all your spend categories, including indirect procurement.

If your staff is buying simple, frequently ordered services or moderately priced goods outside your procurement process, you might be sacrificing significant savings and efficiency.

On the other end of the spectrum, indirect spend in areas such as travel, marketing, and professional services might be outside your procurement process in spite of their substantial amounts because they're seen as too specialized or complex for centralized management.

That may have been true in the past. But advances in technology and the growing adoption of all-in-one procurement software means managing indirect spend no longer needs to be rigorously siloed based on the relative expertise of select individuals.

Depending on your industry, travel, marketing, and IT services can account for substantial spends—and should be managed accordingly.

By integrating all of your spending through your procurement organization, you'll create greater opportunities to spot potential savings. You'll eliminate redundancies, trim maverick spend, and improve accountability.

When your procurement team has total visibility and control over spend, supply chain, and procedure, it's much easier to eliminate waste, optimize processes, and plan effectively.

▪ **Empower Procurement Organization Leadership**

Centralizing your procurement gives you an opportunity to engage key decision makers and empower both staff and suppliers to create continuous improvement.

Bring together senior leadership with internal experts and other key members of your organization to create centralized procurement functions.

The purpose of this team is not just to reduce waste and improve efficiency, but to ensure the goals of procurement leaders are properly aligned with those of your business as a whole.

Strong communication and transparency between key players encourages cooperation.

It mitigates potential roadblocks and enables you to streamline your sourcing and procurement processes, too.

▪ **Control Expenses with Spend Analysis**

The natural complement to integration is effective spend analysis. When your procurement team has total visibility and control over spend, supply chain, and procedure, it's much easier to eliminate waste, optimize processes, and plan effectively.

With proper spend analysis, you can:

▪ **Maximize Potential Savings**

Comprehensive knowledge of your total spend helps you identify the best supplier for each expense. You can use this information

to negotiate discounts and obtain the best terms and pricing for each area of spend.

- **Master Aggregate Spend**

Forewarned is forearmed. When you have full transparency on all areas of spend, you can plan more effectively for the future. Knowing the who, what, why, and how of procurement helps you remove bottlenecks and save time, money, and frustration.

- **Evaluate Suppliers**

Armed with insights gleaned from analytics, you can quickly identify quality issues, potential over-dependencies, and stress points at every level of the supply chain.

- **Boost Interdepartmental Communication and Efficiency**

Giving decision makers across your organization crucial data and total visibility to suppliers, contract terms, and planning helps ensure everyone is able to manage their spend more effectively.

- **Ensure Contract Compliance**

Contracts require diligent monitoring to ensure compliance and avoid waste. That's why they're best managed within your procurement organization. Analytics give you the information you need to ensure contract terms are fulfilled, preferred vendors are used, and prices are met.

- **Simplify Planning**

Past spending informs future decisions. Understanding your company's spending needs lets you create more accurate forecasts and collaborate with suppliers to streamline essential processes, reduce waste, and optimize future spending.

Spend analysis also gives you an opportunity to shift your focus from mere cost to what's known as Total Cost of Ownership (TCO).

Procurement professionals keen on building best-in-class practices for their organizations have opted to discard the obsolete "lowest bidder" model and instead consider the complex web of expenses associated with TCO.

Given that acquisition costs account for 25%–40% of the total cost for most products and services, it makes good sense to focus on not just what you're paying now, but how much value you can get from what you're buying.

Identifying and reducing TCO is essential to building a spending plan focused on value rather than cost.

Spend analysis—along with collaboration with senior management, internal stakeholders, and suppliers—enables best-in-class organizations to make this change successfully.

• **Take Control with Strategic Supply-Chain Management**

Centralizing your procurement processes and focusing on complete, transparent spend management establishes a framework for making intelligent supply-chain decisions.

How you organize your supply-chain management to execute procurement plans and policies can also improve not only control, but efficiency.

While there is no one-size-fits-all approach to supply-chain management, your organization can benefit from two key concepts:

- Proactive staffing
- Clear communication

Best-in-class companies use proactive staffing to allow members of their supply management teams to grow professionally while preserving functionality within the system.

Applying the concept of continuous improvement, these companies encourage staff to expand their skill sets as their roles evolve and they move into management.

These companies also hire staff with excellent internal and external communication skills, strategic ability, and a focus on TCO and creating value.

By choosing staff with these traits for your own team, you can use strategic supply-chain management to create strong relationships with management and suppliers, and improve overall efficiency while lowering costs.

• **Leverage the Power of Technology**

In years past, finding a centralized, optimized, and easy-to-use procurement solution was not just difficult, but largely impossible.

But with today's technology, leading companies use purchasing software to create a top-down, granulated view of spending.

With total buy-in at all levels of your business, everyone in your organization is on the same page.

Approvals can be automated. Transactions can be linked, verified, and attributed with ease. Rogue spending and costly mistakes are reduced or even eliminated.

The very best software even integrates with your enterprise resource planning (ERP) suite to avoid unwelcome surprises and ensure everyone's working toward the same goals with optimal efficiency.

Properly applied, e-procurement integration enhances strategic sourcing. It generates substantial savings costs and improves cash flow while assisting with contract compliance.

It also helps ensure every part of the supply chain, including reliable services and quality goods, are delivered without interruption.

Effective resource usage means costs are lower, and interconnectivity

boosts accountability, as well as relationship management with key suppliers.

When it's easy to track every dollar, your business can make sure it gets the most for its money at all times.

World-Class Procurement Creates Real Value

As its primary focus is spending, procurement is often given short shrift as a potential source of real, measurable value for a business.

But by understanding your spend, centralizing your supply chain management, and using powerful technology to provide essential data at all levels of your organization, you can integrate the goals of your procurement department with the goals of your business as a whole.

With increased efficiency, reduced costs, and improved engagement from all players, your procurement team will help create a nimble, profitable business that's not merely surviving, but thriving.

What's your goal today?

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