

Top Procurement Challenges Facing Businesses Today



Effective procurement relies on a carefully balanced set of procurement processes; in a typical procurement department, a team of professionals works closely to ensure everything works efficiently, from contract management to risk mitigation to supplier relationship management.

But no matter how well-oiled the machine or thorough the procurement professionals, every business faces potentially costly and frustrating procurement challenges now and again.

Overcoming Procurement Challenges

Modern procurement teams have evolved beyond their traditional role of simply obtaining goods and services for their company while seeking to reduce total spend to generate cost savings.

In addition to managing spend analysis and planning for their entire organization, procurement professionals manage supplier relationships, partner with their counterparts in finance, marketing, production, and sales to perform complex initiatives that bring together strategic sourcing, risk management, support for

promotional efforts, and process optimization in order to build value across all levels of the business.

The procurement challenges these teams face have grown in scope and gravity along with their responsibilities—and so has the team’s potential impact on the company’s bottom line.

As a result, when the procurement function faces a major challenge, solving it quickly and efficiently protects not just the department’s efficacy, but the financial and competitive health of the company as a whole.

In a well-planned and efficient procurement system, buying is a manageable mix of urgent purchases and planned ones. However, without adequate process development and attention to workflows (including things like approval hierarchies, contingency plans, etc.), buying may look a little, well, higgledy-piggledy.

Key Challenges Faced by Procurement Teams

Procurement managers (and their teams) at companies of all sizes face a variety of procurement challenges every day.

But the most common challenges seem to crop up at just about every business now and then.

Savvy procurement leaders plan ahead, building effective workflows and processes to deal with a familiar set of problems, including:

Maverick Spend

Whether you call them maverick spend, invisible spend, or rogue spend, purchases made outside your company’s established procurement procedures can be costly.

Why? Items purchased with rogue spend can’t readily be accounted for in inventory and financial records.

This complicates procurement strategy and financial planning, as well as departmental budgets, inventory management, and records for internal, external, and financial audits.

Process Inefficiencies

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When spend priorities shift away from strategic spend and toward last-minute buys at the cheapest available price, procurement processes begin to suffer.

For example:

- The overall procurement schedule is thrown into disarray, sacrificing potentially significant savings and value from negotiated discounts, vendor incentives, and early payment on scheduled buys.
- Production, marketing, and sales timelines suffer, complicated by extended bidding periods or requests for proposals (RFPs) on big projects and inconsistent delivery schedules and uncertain vendor reliability for small ones.
- Supplier-related issues, such as inadequate capacity, policy and process-related risk exposure, etc. may be overlooked in the name of simply obtaining the required goods and services as quickly and cheaply as possible, creating more expense and damaging existing supplier relationships and contract negotiation.

Supplier Management

Because they play such a key role in ensuring you get the goods and services you need at the right price, at the right time, and the right quality, your suppliers are more than just vendors.

Ideally, they're partners in building shared success. But managing supplier relationships takes more than the occasional coffee klatch or company holiday

card.

Done properly, supplier relationship management can become a critical part of an effective overall procurement strategy, pairing those preferred vendors who have the skill, capacity, and reliability to handle your most critical demands at your quality and price points.

But without an easy way to evaluate, onboard, monitor, and optimize the vendors in your supply chain, you'll likely face a host of complications, including late or missing shipments, duplicate orders, and a bloated, inefficient supply chain full of underperformers who take up attention better directed at your potential partners in productivity.

Risk Management and Mitigation

One of the most important, and often overlooked, sources of potential value within the procurement function is risk mitigation.

The inflow of goods and services, and the long, snaking supply chain that produces it, carries a hefty amount of risk touching on a number of factors, including:

- Compliance (Legal, internal, and industry)
- Supplier contracts
- Fraud (from theft, invoice fraud, etc.)
- Sourcing risks (product quality/cost, vendor compliance issues, delivery, tracking, etc.)

All of these risks can have a significant impact on the bottom line and competitive advantage, and are best managed with centralized, efficient, and transparent data and supply chain management.

Information Overload

From the smallest decisions ("Which vendor will give us the best value for our breakroom napkins?") to major challenges like multi-stage production initiatives, you need good data, and user-friendly access to it, to make informed and strategic choices.

A lack of a centralized data solution can wreak havoc on your analytics, planning, and macro-scale decisions—but it can also toss a spanner in the workflows at all stages of procurement.

Inaccurate inventory totals can lead to unnecessary orders, or a surprise lack of available product when it's needed most. Approval workflows can stagnate, and as delays spiral, discounts are lost and penalties or even cancellations can set your whole operation reeling. Budgets are off, reporting is inaccurate, and audits become not just inconvenient, but disastrous.

Automation is a Procurement Team's Best Friend

Squaring off against the potential pitfalls of procurement takes strategic thinking, an eye for detail, and a willingness to bring both your procurement processes and your organization into the digital age.

Equipped with artificial intelligence (AI) and focused on automation, modern procurement solutions take the struggle out of procurement and ramp up the value.

Consider these benefits, and how they can ameliorate your toughest procurement challenges:

- Centralized, cloud-based data management, integrated with your supply chain, sales, production, finance, and marketing teams, means all transactional data is proactively recorded and instantly available for spend analysis, advanced financial reporting and planning, and important supplier contract negotiations. No more maverick spend!
- Users can access their data from both desktops and mobile devices, and with triple-checked verification, everything from purchase order reviews and approvals to supplier evaluation and shipping performance reviews is faster and more accurate.
- eProcurement can be integrated with, or replace, outdated paper-based systems, saving your company on paper, document storage, and environmental impact costs.
- Supply chain management is easy to update in real time. Contingencies

for critical shortages or urgent reorders can be added to workflows automatically, and legal-reviewed boilerplate makes constructing, reviewing, and approving successful contracts a snap.

- Risk management is simplified and streamlined with greater data transparency and shared information for all stakeholders. Reporting, analytics, and audits are more accurate, complete, and efficient.
- Automation frees your staff from low-value tasks to focus on more strategic concerns. Human error decreases, speed increases, and your overall procurement efficiency skyrockets.

Is Your Procurement Team up to the Challenge?

Defeating even the toughest procurement challenges is a lot easier when your team has the tools and technology required to succeed.

By integrating automation and artificial intelligence into your workflows and freeing your staff to focus on the big picture, you can ensure your procurement department is building value, and a strong bottom line, for your company.

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