

Procurement Leaders: How the Best Are Leading the Way in Strategy



Long tasked with squeezing every possible drop of savings from every dollar spent, procurement teams are all too familiar with the phrase, “There’s always room for improvement.”

And when it comes to optimizing both overall procurement and supply chain strategies for the digital age, procurement professionals are always on the hunt for ways to generate value as well as savings.

One of the most useful and accessible ways to gain insights into strategic sourcing and the latest in effective procurement practices is to take a page from procurement leaders at the top of the profession.

From digital transformation to risk management, chief procurement officers (CPOs) working as thought leaders in c-suites, senior leaders in procurement management, and supply chain executives all have insights and wisdom to share.

By examining the best practices they’re defining—and redefining—today, procurement teams can help ensure they contribute to an optimal return on

investment (ROI) while reducing waste and expense, building value and supporting the goals of the organizations they support.

Key Practices Used by Today's Procurement Leaders

In their 2019 Global CPO Survey, research firm Deloitte connected with 481 top-performing global CPOs from 38 countries whose organizations represented a combined annual turnover of more than \$5 trillion U.S. Their goal?

To find out more about the practices senior procurement staff at global companies are using to maximize productivity, competitive advantage, value creation, and digital transformation as part of their procurement strategies.

And while the specific approaches used varied with regard to preferred technologies and methodologies, the leaders surveyed shared a commitment to, and focus on, several key areas they defined as essential to achieving high performance, strategic sourcing, and enterprise-scale value with accompanying cost savings:

- **Collaboration**
- **Procurement Leadership and Talent**
- **Digital Transformation in Procurement**
- **Shifting Focus from Savings to Value**

Collaboration

In the future, the gold standard for an effective and strategic global supply chain will be built, in large part, on a collaborative, rather than competitive, model. While the CPOs Deloitte surveyed agreed that the primary goal of procurement was to both drive and support innovation and business priorities, the survey also revealed the growing importance of collaboration with:

- **The C-Suite.** As with many other business processes associated with digital transformation, optimizing procurement with tools such as automation, artificial intelligence, and advanced analytics requires full buy-in and vocal, enthusiastic support from executives. This support is not only essential to implementing important process improvements, but in

developing a company culture where procurement is allowed to drive value creation, innovation, and strategic initiatives as well as cost savings. Consequently, procurement professionals who want to generate and maintain such support need to find ways to connect with other executives and ensure procurement's goals and processes directly align with and support those of the organization.

- **Other Businesses.** Partnering with other businesses provides opportunities for strategic growth and innovation. And with only 24% of those surveyed marking themselves as “excellent” strategic business partners, now's the time for CPOs and other senior procurement professionals to build relationships with other organizations and seize competitive advantage, bigger profits, and access to more diverse resources in their supply chain.
- **Suppliers.** Improved collaboration with suppliers is important for several reasons. The first is that it provides a real and immediate way to reduce miscommunications, improve supplier relationship management, and connect vendor information streams to your own systems for improved end-to-end optimization of your procure-to-pay (P2P) workflows.

Secondly, and perhaps even more importantly, such collaboration—particularly if supported by the use of a procurement solution with supplier management capabilities, such as PLANERGY—provides much-needed transparency into global supply chains that have grown longer, more complex, and distressingly opaque beyond first-level suppliers. Deloitte found that 65% of the procurement leaders they surveyed reported limited or even no visibility into their supply chains beyond Tier 1 suppliers.

Such limited visibility opens organizations to wildly dangerous levels of risk exposure from compliance, reputation, and performance issues. The opposite, however, occurs with greater transparency; Deloitte found CPOs at high performing organizations were more than two-and-a-half times as likely to have full supply chain transparency as compared to their less successful peers.

Leadership and Talent

While just under half (49%) of the surveyed procurement professionals considered their teams ready and sufficiently skilled to execute their organizations'

procurement strategy, nearly three quarters (72%) spent less than 2% of their budget on training and development of their procurement teams and leaders.

Interestingly, as with collaboration, top performers dedicated twice as much or more on training and achieved superior results.

Digital Transformation in Procurement

Even as we enter the second decade of the twenty-first century, digital transformation remains a point of contention for procurement leaders.

While digital transformation is considered nigh-inevitable in all verticals and industries, different CPOs have varying opinions on the tools and techniques to be used, and the extent of their deployment in bringing their companies into the digital age.

Regardless, the survey also revealed a growing awareness of the importance of tools like robotic process automation, blockchain technologies, artificial intelligence and machine learning, and the Internet of Things (IoT) connecting supply chains via sensors, robotics, and both virtual and augmented reality.

Companies that want to perform and thrive in the digital age need to be comfortable with, and leverage with appropriate skill, these technologies.

Shifting Focus from Savings to Value

The procurement function has a history of trying to balance tight budgets against high expectations for savings.

But as global supply chains expand and collective understanding of how optimization of essential processes grows, both global CPOs and the procurement teams they lead find their roles evolving, incorporating new goals:

- Reducing total cost of ownership (TCO).
- Improved risk management through:
 - Elimination of waste
 - Reduced rogue spend and invoice fraud
 - Comprehensive and collaborative supplier relationship management

- Deep data analysis of all financial, supply chain, and internal process efficiency data to improve decision making, strategic sourcing, and overall organizational planning.
- Pivoting toward a universal optimization of *all* business processes, built on a foundation of continuous improvement and real-time access to all business data for optimal reporting, forecasting, and strategic development.

In pursuing these goals, companies shed the inefficiencies and waste that accompany legacy tech and tools, while gaining greater productivity from staff that can use their skills more strategically.

Choosing a cloud-based, centralized procurement solution like PLANERGY gives procurement departments of all sizes the opportunity and power to implement all areas of digital transformation, from supply chain management to developing new products in partnership with key vendors.

With modular, scalable and customizable tools at their disposal, small businesses can create a long-term, growth-driven strategy that moves the focus from savings to value and optimal business process management over time.

Alternatively, companies with the budget and resources can choose to completely overhaul their software environment, center procurement and accounts payable (AP) as strategically important centers of data and process optimization, and begin to see significant changes in productivity, profitability, and competitive performance.

Ultimately, what matters most in applying the wisdom gleaned from today's top procurement leaders is a willingness to invest in the tools required to achieve the goals they prioritize.

Becoming the best requires ambition and a commitment to positive change.

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The Best is Yet to Come

You don't need to be a CPO or a global procurement leader to understand just how important both the procurement and supply chain mastery are to achieving and maintaining growth, profitability, and competitive strength in the years to come.

With inspiration from today's global CPOs and the help of advanced digital transformation tools, you can create and implement procurement practices that ensure your business is ahead of the curve and ready to take on the competition.

What's your goal today?

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