

# Procurement Trends That Will Change Your Business



The procurement industry is experiencing tremendous change. Advancements in technology, business practices, and consumer demands are driving this change and transforming procurement as we know it.

Here are the top trends that will shape procurement even further in 2018:

## Increased Automation and Agility

Despite the booming P2P technology market, we're still surprised at the sheer number of businesses that use Excel to manage purchasing. If the Wall Street Journal's recent article encouraging people to "stop using excel" is any indication, this is the year it's going to become less prevalent in purchasing.

Frankly, Excel can't keep up with the demands of today's purchasing professionals, especially because it is so prone to human error. Procurement systems are increasingly becoming cloud-based technologies, and as a result are becoming faster and more efficient.

Budget reports are being viewed real-time on smart phones to make smarter purchasing decisions, approvals are happening on the go instead of being stuck in

inboxes for days, and procurement teams have easy access into metrics around cross-organization spending practices.

If that's not the beauty of agility, we're not sure what is. Faster purchasing processes mean that organizations can keep up with consumer demand and remain competitive.

Efficiency also means that procurement can spend more time considering technologies that plug into existing solutions to continue driving value for the business, like artificial intelligence. While we don't foresee robots taking over anytime soon, we anticipate 2018 will be the year that we begin to really understand how procurement will be impacted by these exciting possibilities.

## **Improved Perception of Procurement**

Increasing the speed and agility of purchasing processes is having some unforeseen side effects; it is improving the perception of procurement throughout other parts of the business. As the global economy continues to upturn, the focus is shifting away from cost savings and more towards strategic investments.

The conventional stereotype of procurement professionals as "pencil-pushers" and "number-crunchers" is becoming less relevant as organizations begin to rely more heavily on them to create value rather than respond to cost pressures.

This trend has been developing over the last few years, but increased cross-organization collaboration brought on by greater adoption of procurement technologies is empowering procurement professionals around the world.

## **An Unfortunate Talent Shortage**

As procurement's job requirements change, the talent landscape changes with it. This month's DHL Research Brief entitled *The Supply Chain Talent Shortage* described a severe talent shortage where "demand for supply chain professionals exceeds supply by a ratio of six to one."

An estimated 25-33% of the current supply chain workforce is at or beyond retirement age, and there are simply not enough qualified people to fill those gaps. The reason for the shortage is not only high demand, it's finding candidates

who fit the changing job requirements.

The Brief explains that companies describe the ideal procurement employee as someone who has operational expertise, a high-level of analytical capabilities, leadership qualities, strategic thinking, and a knack for innovation. Sounds super easy to find, right? Wrong.

A whopping one third of companies have taken no steps to create or feed their talent pipeline, so hiring will be an issue for procurement in 2018 and beyond.

## **Advanced Spend Analytics**

The daunting concept of leveraging “big data” is still too unwieldy for most procurement professionals to wrap their brains around.

But what about that metrics dashboard that comes standard with your newest technology? Procurement solutions with robust spend analytics software capabilities, built-in or easily customizable, have helped organizations make data-driven decisions, create better processes, and find other complimentary procurement technologies.

In 2018, technological trends like machine learning will augment existing solutions and deliver smarter insights to procurement.

## **Growing Consciousness of Supply Management**

Forbes called 2017 “The Year for Supply Chain Transformation.” With Hurricane Harvey and other catastrophic natural disasters disrupting supply chain processes around the world, 2017 was undoubtedly a year to step back and assess.

Organizations asked their procurement teams tough questions like, “How can we protect our supply chain from risk?” and “Would reducing our number of suppliers help?”

Driven by external factors like natural disasters and political changes, these evaluations resulted in more centralized buying practices, vendor consolidation,

and higher standards for suppliers.

Fast forward to 2018. If 2017 was the year of transformation, 2018 is the year of supply chain sustainability. With more streamlined supply chain processes, organizations can now turn their focus towards sustainability.

In response to consumer demand for ethically-sourced products, environmentally-friendly methods of distribution, and greater transparency in ingredients, companies are tasked with the conundrum of creating partnerships that are both economically viable and ethically sound.

## **Cybersecurity Concerns**

The first half of 2017 saw a 13% increase in data breaches from the last half of 2016 and a 164% increase in stolen, lost or compromised records. With numbers like those, it's no wonder that cybersecurity is becoming a focus area for many organizations.

Procurement teams must fiercely protect the sensitive personal and financial information they use on a daily basis. With responsibility for supplier relationships, procurement must also ensure that the supply chain is protected from cyber-attacks.

It is essential that purchasing works with suppliers to put security plans in place, ensures compliance both within procurement and throughout the organization, and stays up to date with the latest schemes to prevent risking exposure.

## **The Function of Procurement in 2018**

The mission critical function of procurement hasn't changed:

Helping reduce costs by getting the best price and quality for goods and services. There are, however, many other responsibilities that have been added to the mix – and for good reason: procurement is the only function that has its hands in all parts of the business.

Businesses have come to rely on procurement teams to think outside the box, like sharing best practices from other departments and thinking creatively about

sourcing opportunities. In 2018, we will see automation and agility, advanced spend analytics, and ethical supply management keeping procurement on its toes, while a talent shortage and cybersecurity concerns continue to be a concern for growth.

We think procurement is up for the challenge. Do you? Please share your thoughts and comments - we'd love to hear them!

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