ProcureCon’s Annual CPO Study

Exploring the Role of Technology in Procurement’s Strategic Transformation

A look forward into 2017
The role of procurement is changing, though the core commitment to creating value that drives its evolution remains the same. In a large part, these changes are being enabled by developments in the technology procurement has at its disposal, allowing CPOs to introduce automation, self-service buying, and detailed analytics that provide more easy-to-use tools that capture larger amounts of data. Thanks to this strategic visibility, CPOs now have more time to participate in building the roadmaps of the businesses they serve. Overtures to previously highly independent internal businesses are bearing fruit in the form of ROI, and procurement’s rising star has brought it into more direct partnership with internal leaders representing the IT organization, Marketing, HR, and the C-Suite, among others.

Marketing is an example of a category that has historically had a relatively free hand in dictating their spending strategy. Procurement teams realize that an approach that only focuses on cutting costs in the pursuit of savings is a recipe for conflict and may not yield the best possible results. In some cases, procurement may even recommend an increase in spending if they feel there is a chance to create greater value, functioning in a consultative role that in a more traditional procurement environment might be viewed with skepticism. Growth in outcomes-based service agreements is partly accountable for facilitating this value-driven paradigm, emboldening procurement with the ability to count on the creation of positive outcomes, streamlining buying in easier-to-manage categories and developing a consultative, value-focused role around those that are more complex.

While there is consensus on the part of CPOs that some degree of procurement centralization is a boon to their key missions of creating value, realistically, categories that cannot be sourced globally, as well as some region-specific vendor relationships are typically allowed to be managed on a regional or local basis, according to predetermined guidelines developed by central procurement leadership. For these reasons, a center-led model is emerging as the preferred organizational structure for procurement within global organizations. In the midst of these structural changes, the role of the CPO itself is being imbued with the authority to influence the larger strategies of the businesses they serve. With increasingly detailed analytics providing insight on patterns of spending, streamlined tools for processing routine purchases, and invigorated relationships with other department heads, CPOs are entering a period where they are more influential than ever before.
Additional Contributors

In addition to the benchmark data and analysis contained in this report, several top-ranking procurement officers have contributed their insight via interviews. Selected quotations have been used to supplement the statistical information contained in this document. Interviews are centered on benchmark findings and key trends are identified by research.

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Key Findings

Centralization of procurement may not mean scrutiny of purchases made across a global organization; rather, a Procurement Center of Excellence now serves as a strategic command center and provider of consultative value optimization, while recognizing that certain commodities cannot be effectively globalized.

Procurement is looking forward to greater levels of automation, Big Data utilization, and more internal client-friendly sourcing tools in order to transcend the tactical focus of their roles, fully dedicating themselves to strategy.

The strategic element of procurement is widely coming to focus on the concept of value creation. Within the role, a consultative relationship with other business leaders is the new gold standard, wherein procurement seeks to collaborate around sourcing by meeting teams half way, as opposed to taking a rigid stance aimed at simple cost reduction.
Research Analysis

The structure of the procurement department

While CPOs have been leading the procurement department in a strategic transition away from a purely tactical role for several years, the pace of change is not always rapid. Key business stakeholders need to be shown the value coming from procurement’s involvement, and in a mature procurement environment where “low-hanging fruit” savings have already been obtained, it can be more difficult to build a case for greater jurisdiction simply by pointing to positive effects on the bottom line. Greater strategic advancement can be based more on deepening relationships across different business units as procurement serves in a consultative role as stewards of value creation.

Currently, 52% of respondents are moving towards their goal of full strategic transformation on schedule, while 14% are ahead of schedule. Given the difficulty and scope of desired change, it’s not surprising that 31% of respondents aren’t satisfied with the pace of change within their organizations. Importantly, there is not a single respondent who claims that their transition is fully completed. This is more reflective of the ambitions of the department than a lack of ability to create change, and respondents who may have felt that they were at the end of their journey previously may have changed their minds when new opportunities presented themselves.

“As one can see in the industry, best-in-class companies tend to centralize; and if they’re not fully centralized, they’re ‘center led.’ I do believe that the best model isn’t one that is purely centralized, it’s one that has a coordinated, holistic, global strategy for how it’s going to procure, and that would be something that has a foundation on similar and consistent processes, procedures, and tools across the whole company. It’s a strategy that creates centralization around the commodities that can actually and truly be global. However, there’s always going to be a need for localization at both the regional level and the purely local level, because not everything can be implemented and managed globally, especially your supplier relationships. There is always going to be a need for on-the-ground local and regional support; especially with clients, because procurement at the end of the day has to be close to its clients, and they’re not always in corporate, so there needs to be a level of accountability to the business that has to be localized. In my opinion, it has to be centralized where it makes sense, and localized where it makes sense, but one coordinated model is the right model going forward.” - John Proverbs, Head of Procurement, KLA-Tencor
“Before you can begin to lead a globalization effort, it’s important to define a common language and understand and (perhaps, more importantly) agree on the objectives. Does globalization refer only to expanding the procurement organization, or does it include the broader enterprise? Is the opportunity to drive service enhancements via new skill sets within existing resources or via entirely new resources? Is this initiative driven by a goal to improve the cost to deliver to the business? It’s important to examine the different angles to make sense of the situation, in addition to boiling it down to the cost per transaction. The main question I ask, and that my teams ask, is ‘what is the cost to deliver?’ That drives our strategy and helps us determine how we approach any globalization initiative. It’s critical that the CPO understand the globalized nature of the business already. If they’re not globalized, perhaps a fully centralized organization at any given point in the process, the CPO needs to determine what relationships need to be nurtured to position the organization with the right collaborative business partners to ensure the success of the initiative.” - Kurt Meiers, SVP of Procurement, SDI

While CPOs and their equivalents are making undeniable progress towards greater responsibility in their organizations, the wide variance in whom they report to demonstrates that there is no single linear path to follow. Rather, procurement needs to tailor their strategies to match the structure and values of the leadership within their individual businesses. Given the fact that procurement’s activities are closely tied to the creation of savings, the largest single share of respondents (28%) report directly into their finance department. Reflecting a trend towards greater authority and consolidation of responsibility within procurement departments, 24% of respondents now report directly into the C-Suite of their organizations, while for 18%, procurement reports into supply chain. The remaining 30% of respondents either report to operations or into another department entirely.

While procurement in the majority of cases still does not report directly into the C-Suite, a full 50% of survey respondents believe that is the ideal setup, indicative of the desire for the CPO to take on an influential role within the organization with strategic influence among top business leadership. Almost a quarter of respondents believe procurement should report into finance, while 10% think that supply chain should be where procurement reports in. Only 6% believe procurement should report to operations, while 2% would designate another department altogether as the center for procurement reporting. The push for strategically focused CPOs to join the ranks of key business leadership can be seen in the desire for a relationship with the C-Suite on the part of a full half of respondents.
“We’re noticing a large trend toward procurement transformation that is driven by the C-Level. Beyond the CPO, it’s driven mostly by the CEO and CFO, who are driving both effectiveness in terms of better value and also efficiencies in terms of centralizing, automating using technology, and driving better efficiencies through the processes and the teams involved in all sourcing activity. We’ve also noticed that part of the procurement transformation is through partnerships developed with technology providers to identify the gaps and fix them, rather than taking an all-or-none approach. This approach gives the CPO the flexibility of working with external services and technology partners, and bringing in subject matter expertise, the automation and tools, and the best practices they need for elevating their roles and developing more strategic engagement with their business stakeholders. At the same time, there are strong policies that are now being driven by CEOs, ensuring that procurement is engaged on all spend over certain thresholds, to varying degrees. The level of involvement could vary, but having complete freedom for different functions is gone, and more and more companies are moving toward an approach where procurement is universally engaged on spend.” - Jagadish Turimella, Chief Operating Officer & Co-founder, GEP

Communicating the value of procurement across the business and developing influence

Procurement continues to seek greater strategic influence within their organizations, making it critical to continuously demonstrate value to key stakeholders. Particularly in an environment where procurement may have already made an impact on the bottom line through implementing new processes and tools, the task may involve redrawing the lines around what kind of value the department is capable of creating and continuing to push for more responsibility. Despite these difficulties, 45% of respondents feel valued, and 23% feel their contributions are fully understood and celebrated. While more than half of respondents feel they are either fully valued or close to it, 29% still place their level of value as neutral, neither valued nor actively ignored, though 3% do state that they are actively being undervalued.

*Most companies in today’s world are buying goods and services and assembling them to create the product that they go to market with; whereas in the past, self-manufactured goods were more common. The future is based around assembling them in the most productive way. And sourcing is in a unique spot, being the experts at how to engage those third parties, develop appropriate levels of partnership and relationship, and drive the greatest value from that.

I think as we look at our role from a corporate strategy perspective and a spend management perspective, we have a critical role, ensuring that we are helping to support the business to define what
is the most effective structure and model to assemble goods and services. And so that requires very close involvement in the full spectrum of activities, from strategy to execution.” - Scott Wilkerson, VP of Enterprise Sourcing, McKesson

The alignment procurement shares with the business at large can be a factor at play in their ability to create and demonstrate value that resonates with key leadership, and in that regard, there is also work to be done by the majority of respondents. While 26% of respondents are now fully aligned with the goals of the business at large, 40% are mostly, but not all the way there. Another 29% are stuck in the middle, without a significant misalignment to report, but at the same time without the complementary goals that would allow them to synergize more fluidly with other business leaders. Finally, 5% of respondents report their goals are somewhat misaligned with those of the business that they support. When it comes to the mission of creating value, procurement is often highly focused on the interpretation of value being a positive effect on the bottom line, which can create friction with departments where outcomes are a primary concern, as opposed to costs. Part of the strategic transition that procurement is undergoing is the development of a consultative relationship with other departments that focuses on value while aligning goals and achieving mutually satisfactory outcomes.

“The future of the department centers less on being ‘procurement’ in its current form, and more on being a strategic business organization, and not selling the fact that you can process a PO faster, or close a transaction faster, or save a few dollars, but that you can figure out how you can actually align with the company’s strategic objectives, and enable the company to perform and meet those strategic objectives, and speak in the terms of value. Language will center on what value the department can bring, and what risk they can mitigate to help the company achieve its fullest strategic value. In other words, the onus is on the CPO to talk like a member of the executive team, as opposed to talk like somebody who is just going to process a purchase order.” - John Proverbs, Head of Procurement, KLA-Tencor

“The age-old value proposition in procurement has been savings, but in today’s world, procurement must establish itself as a true business partner with all of the stakeholders who are essentially procurement’s customers. They have to see value through a true business partnership with procurement that goes beyond savings, and that today tends to take the form of having a seat at the table in key strategy discussions and long-term planning.

For example, there are a lot of new trends in IT and some of these trends are actually shaped by the CPO and SMEs within the IT procurement space. While IT strategy itself lies within the IT function, for a lot of new investments in IT, such as cloud, SaaS, and mobility, procurement is influencing and continues to influence the direction of the conversation by providing strategic inputs.” - Jagadish Turimella, Chief Operating Officer & Co-founder, GEP

The role that procurement takes in shaping global strategy is most commonly a consultative, value-creating role that plays to the strengths of the department while aligning to the strategic interests of the departments with which they are tasked with working. This
As innovation accelerates and supply markets become more volatile, have you invested in resources (tools, staff, or 3rd-party support) to ensure efficient scalability (expansion & contraction)?

31% Yes, we aligned ourselves with key suppliers who can help us meet our needs for scaling
49% We are assessing elements of the business to determine where this type of scaling may be required
20% No, we believe that our current resource model can adapt to the challenges in the market

Procurement’s role is affected by forces beyond the internal workings of their organizations, and fluctuations in the supply market may increase the level of challenge being faced by sourcing teams, creating a need for scalability in the face of market variation. The challenge for procurement is such that 31% of respondents have already taken steps to build scalability into their supply chains, and another 49% are in the process of appraising where the need for scalability is present within their organizations. Only 20% of respondents have assessed their situations and found no need to build additional scalability into their sourcing strategies.

strategic approach is currently embraced by 69% of respondents, far and away the most common strategy. Interestingly, the second most commonly reported strategic role is that of procurement having full say in defining global spending strategy, in place for 20% of respondents compared to 11% who are maintaining a purely tactical role.

“Whether it’s here at SDI or in my prior roles, I think there are a couple key factors to how procurement continues to show value within an organization.

First and foremost, procurement’s got to continue to figure out how to measure the traditional yardstick of savings with credibility. More importantly, we must ask, ‘How can procurement become an active, collaborative, and real partner with their finance organization within their respective business?’

In most organizations—or at least in a lot of them—much of the revenue flows out the ‘back door’ to suppliers. Procurement can build on the idea of cash management, whether it’s accessing payment discounts, or improving days payable outstanding, or working on capital inventory optimization strategies that can support corporate financial needs and goals.

“Building partnerships within your organization opens up a whole new world and puts procurement into a more strategic role, able to affect real change and impact business outcomes. This enables the CEO to ensure the revenue and profitability levels are where they need to be to meet their goals.” - Kurt Meiers, SVP of Procurement, SDI

“To clarify, when we talk about a global spending strategy, the objective is to look at your spend for a good or service on a national or global scale and determine if the industry supply base can support such an initiative. Certain types of purchases, generally services are more challenging as you stretch the industry supply-base service capability because of inherent infrastructure issues they have, challenges with business languages, different legal & tax practices, commonality of the product, distribution challenges, service reach, affiliations versus direct presence, etc.

Do you discover to really understand the market’s capability to service your global spend strategy? Most suppliers will over commit to win the business and this generally results in poor performance, so really vet out the opportunity and supplier capability before announcing your intentions.”- Greg Tennyson, CPO, VSP Global

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Exploring and developing different sourcing techniques

Procurement is in the midst of examining a variety of solutions and sourcing techniques on a case-by-case basis. Though some trends hold true across the board for procurement departments, such as the desire for a more strategic role, there can be variance in terms of how procurement manages tactical processes related to their niches within the business based on factors such as organizational size, available resources, and areas of responsibility.

The need for different approaches can be seen in the distribution of respondents who are expanding direct internal sourcing versus those who are adopting increased, outsourced, or collaborative sourcing strategies.

Internal sourcing is being expanded by 43% of respondents, while 34% are not changing their sourcing practices. On the other side of the coin, 23% of respondents are expanding the amount of sourcing they are putting through third parties or through collaborative sourcing.

“Technology does provide value as a service, but let’s extend the argument. There has been a lot of focus around self-service aspects of procurement, and you see a lot of this in the sales organization around customer relationship management in a self-service model. That philosophy needs to embed itself within the procurement function, so you enable the business to do more of what I call ‘heavy lifting’ themselves. This means allowing them to create a sourcing event—have an RFX tool, an online e-sourcing tool—that allows them to start generating a sourcing event based on an intake form. That puts procurement in an advisory role—a consultative role—where they’re overseeing the event, making sure that the right terms and conditions are referenced, the score carding makes sense, and they can help with prequalifying suppliers.

For procurement to continue to shift to a consultative role, we need our tools to be self-service. For instance, around spend analytics—we orchestrate the dashboard, but we allow the business to do their own queries, and to some extent even create their sourcing wave strategy. We’re there to consult with them, to show them how to do it.

But if you think about it, who has the vested interest in the outcome, who has keener insights into the data, who wants to drive savings? It’s the business. Why not provide them with the tools that they need to drive those outcomes, as well as provide consulting and advisory services to the business? This will accelerate procurement gaining its seat at the table, because now we’ve enabled the business to be more successful, and we’re removing those perceived blockers that the business has in procurement.”- Greg Tennyson, CPO, VSP Global
Pressure to mature as a strategic voice has lead many procurement teams to focus on identifying the technology tools that can play a role in reducing, automating, or outsourcing tactical processes, giving them the time and flexibility required to support that role. One of the innovations that introduce additional flexibility around technology is the entry of as-a-service options into the marketplace. Currently, 42% of respondents have not yet had the time to start evaluating the potential benefits that as-a-service models could provide, while 14% don’t see applicable value and 6% are worried that there is too much complexity involved in sourcing as-a-service providers.

By contrast, 29% of respondents are engaging the market to determine what benefits they may be able to gain from the adoption of these emerging models, and 9% have already become actively engaged with a partner utilizing these models.

“We’ve seen significant growth in the last 12 months, so our ability to be scalable and to respond quickly is front and center. Technology helps us quickly distribute buying guides and other strategic information to our buyers, keeping us connected and further increasing our scalability and agility.” - Kurt Meiers, SVP of Procurement, SDI

When it comes to the factors that actually motivate procurement to settle on vendors, savings potential is the major standout, which 60% of respondents report as their number one, most appealing characteristic. For 20%, pricing is the most important factor in selecting vendors, while the remaining 20% of respondents are virtually evenly split across other factors, with the exception of compatibility with other systems, which only 2% of respondents felt ranked as their top concern.

Sourcing specialty categories and raising the standards of operations

Procurement’s value-creating role, once established, can be extended to cover spending from departments that in the past would have preserved a degree of autonomy in their purchasing. One example is marketing, which is increasingly being charged with collaborating with procurement around the control of spending for value preservation and fraud prevention, particularly around programmatic spending. The zeal with which procurement has been invited to help control marketing spending is clearly demonstrated by the 53% of respondents who exercise a dominant influence over sourcing marketing services within their organizations, and the 29% who have full control.
“I think a key success factor is the ability to have a category sourcing team with domain knowledge of marketing. To presume that teams with a generic attitude of marketing as another category to be managed is not going to be very effective. The sourcing and procurement teams need to be equipped with people who understand the unique requirements within marketing, and who can go toe to toe with leaders in the department. They are never going to be the marketing experts, nor should they be, but they should be able to understand nomenclature, the business requirements, and be a partner in evaluating success criteria. Whether you’re looking at anything ranging from agency spend, and the agency record; or print; or other digital services that are being acquired, the sourcing representative needs to have some knowledge in that arena. Ideally, it’s someone that maybe has had a stint in their career in marketing, and knows it intimately.” - Scott Wilkerson, VP of Enterprise Sourcing, McKesson

“Marketing used to be an area of spend with a great deal of tension. People jealously guarded a creative category, telling procurement that they just didn’t understand. In today’s world, marketing stakeholders are incredibly data driven; that’s the fundamental change. Demand generation and campaign management tools put marketing ROI in the hands of the CMO. They can now speak as a professional to the CPO about ways to optimize efforts and where best to allocate budget. The CPO and the CMO can be much more aligned. Before marketing was a data-driven category, it was one of the toughest categories for the CPO to crack into. But in today’s ROI-driven world, it’s a perfect fit.

Every company reaches an enlightened moment when they know that for every Dollar, or Euro, or Yen they put into demand generation, they are going to drive ‘X’ amount of additional revenue. It’s no longer a guessing game; it’s a mathematical, formulaic approach, and the CPO can be part of that.” - Paula Shannon, SVP, Lionbridge Technologies

With a broadening range of categories where procurement is taking an active, even dominant role in sourcing, it’s critical that the department be able to take stock of its ability to function and strive for constant improvement. For 35% of respondents, the area that demands the most attention is the formulation of strategy. Technology, with an outsized role to play in enabling organizational efficiency, is the second most common area of priority, with 26% of respondents stating it’s their most pressing area in which to improve. Operations is not far behind, with 24% of respondents, followed by the 15% who have other concerns at the top of their minds.
When it comes to the third-party procurement service providers that respondents are engaging with, just under a quarter are fairly satisfied with the performance they are experiencing. The majority, 55%, are neither displeased nor overly enthusiastic about their current relationships. While they may be serving their purpose, lingering inefficiencies and potential for improvement keeps procurement from feeling fully satisfied. Unsatisfied by the performance of their procurement partners, 18% of respondents feel a pressing need to improve, and 3% are completely unsatisfied with the performance of their third-party procurement services.

In order to improve satisfaction with their third-party procurement service providers, procurement is utilizing several different approaches. The two most common are developing new performance goals with the suppliers that respondents are already aligned with, versus identifying new suppliers that have the potential to meet and exceed their standards. For 16% of respondents, the most common tactic that they will employ is increasing the frequency of their communications, while 9% prioritize the collection of additional benchmarking data. Ultimately, part of the challenge procurement faces is ensuring they are in a position to fully benefit from their supplier relationships. Communication is key, both externally to define strategy and scope, and internally to communicate value that is being created.

“One challenge we see for global organizations is that there’s a behavioral change required to take full advantage of developing procurement styles. We see procurement officers engage with their stakeholders and look at outcome- and ROI-driven models to develop procurement strategies. But then, at the end of the day, they’re not given the authority to direct or implement the supplier or vendor changes that they may have championed.

This is tough; it’s bad for the company, bad for the procurement officer, and it’s certainly bad for the partner or vendor. Partners or vendors have engaged in an offer or service with some notion of a global contract or volume commitments that the procurement officer is unfortunately not in a position to deliver.

We see this play out frequently, and that’s probably frustrating for the procurement officer. Focusing on the ROI of their efforts, as opposed to the cost savings, is surely the way forward.”- Paula Shannon, SVP, Lionbridge Technologies

Category management is a commonly outsourced procurement function, especially in the case of categories which might require specialty knowledge such as energy. Supply market intelligence is another service commonly sought out by procurement, as even if a team is able to conduct its own intelligence gathering, there is still significant value in further understanding the market. In a
similar vein, supply risk management is being examined by 44% of respondents, creating another layer of oversight around the supply chain and helping procurement adhere to internal and external standards; something that 38% of respondents are also doing through the adoption of compliance services to cut down on or eliminate breaches.

“Sourcing is in a unique position in this environment to be an expert, to help companies make choices as to how to assemble the right goods and services they take to market for their business. A critical objective that’s even more abundantly clear these days, is that we are in business to enable the business—we should be reducing friction, and making it easy for business units and functions to achieve their goals. It’s not about us driving our goals. We need to drive value and define value in the way that our business partner calculates value.

I’d say a critical opportunity is around supplier-enabled innovation, and how we leverage the capabilities of our suppliers to bring new concepts, new innovations, and new ways of thinking about our business as a way to drive value. Both technology advances and related services are creating new opportunities to be disruptive, causing us to reexamine classic ways that we’ve acquired goods and services and used them in our companies. We need to be comfortable with taking risks around those disruptive technologies in a controlled, smart way, and to continue to learn from them, iterate, and pivot in the same way that the technology market is evolving.” - Scott Wilkerson, VP of Enterprise Sourcing, McKesson

Exploring the potential of procurement automation

The imperative to become more strategic has procurement seeking out tools that can allow them to cut out repetitive or overly tactical processes, and their progress in this area can be seen in the 66% of respondents who have adopted P2P (procure to pay). P2P solutions allow a much closer level of coordination between procurement and finance departments, streamlining much of the work that would otherwise accompany a purchase. Similarly, 59% of respondents are using spend analytics software that can help them to identify patterns of spending that can be taken advantage of in a strategic manner, while half use contract management software.

Sourcing solutions, when used effectively, are another seriously time-saving tool that 41% of respondents are actively using. Interestingly, less than a third of respondents are using supplier management tools, suggesting that the majority of respondents are predominantly focused on solutions that both simplify their roles and workload and provide a higher degree of visibility, a critical element in spend management.

*Procurement is much like any function within a company—it’s under pressure to reduce its operating costs, drive greater efficiencies, and be more effective in the outcomes that it provides. I think it’s inevitable that procurement will continue to become a leader in how to automate transactions. For example, today, you can create a touchless purchase transaction spinning off of catalogs. You can imagine a scenario where*
someone in your business goes shopping. They find what they want to buy; it’s on catalog. It already has the preferred-supplier relationships set up. Price point, contract terms, all of the relationship issues are resolved. It routes for approval—and you can even simplify your approval process if it’s against catalog. It then gets approved.

The system auto-generates a PO. The PO goes to the supplier through a transaction hub, system-to-system—nobody’s re-keying that order on the seller side, you have system talking to system—and then the supplier picks and packs based on what was ordered. Their system generates an invoice. The invoice goes through the transaction hub. It is then matched through optimal character recognition, AI, or other technology to the PO, and then scheduled for payment. Payment is done electronically leveraging ePayables, Blockchain, or another technology to make the payment happen. To a large extent, the more that you can drive on catalog spend, you create those efficiencies and that’s been in play now since early 2000’s. I see that extending now into other aspects of procurement. We’re on the cusp of seeing more automation, auto-generation, artificial intelligence, robotics within the procurement space, and I think it’s ripe to be on the leading edge of how to use technology to drive efficiencies, and to be more effective at using those resources to focus on the ‘value add.’”
- Greg Tennyson, CPO, VSP Global

Ideally, procurement can recoup the largest amount of time to dedicate to strategy through the automation of repetitive or formulaic processes. Building out an automated approach to procurement will typically progress in stages, and while respondents were spread out around the amount of automation that they had already brought into their strategies, though only 12% have not yet begun to work automation into their strategies. The two largest shares of respondents are evenly divided between the 1 – 20% range, and 21 – 40%, indicating that most procurement teams are experimenting with automation, expanding and fine tuning their solutions as they go. At the upper end of the spectrum, 15% of respondents have automated somewhere near half of their processes, while 3% have automated between 61 – 80% of theirs. For 6%, procurement processes are almost all, if not fully automated.

“We’re about 70% automated with our clients today. As we move forward, improvements in technology will significantly improve that number. More dynamic and fluid pricing environments, increased electronic enablement, and systems that are more integrated will reduce the amount of human touches needed, moving automation closer to the 85 – 90% range in the very near future. Machine learning, predictive and smart technology, is developing and evolving so quickly that very soon we’ll be able to make an assessment, identify an item and then price it, in real time, within the current market environment automatically. We’ll be able to pull that price and supplier information back into the system that ultimately generates a purchase order automatically, tremendously improving speed-to-delivery and increasing the value for the client.” - Kurt Meiers, SVP of Procurement, SDI

“We’ve observed a liberation of the CPO. Before procurement automation technology, spend-related data was difficult and time consuming to collect. These tasks are now largely done by technologies—specifically those that integrate into the company’s ERP infrastructure.
That changes things enormously. The CPO can focus, not on data collection and compliance, but on analyzing data and understanding its business implications. CPOs can also reassess the standard, historical way in which they’ve managed and structured their categories. This is a huge area for improvement because classical categories may not be flexible enough to embrace new global business processes and technologies.

For example, in the marketing category, you often have separate, discrete activities. To rethink that category, you can decouple high-priced creative and strategic activities—leave those with the agencies—and bundle, or recouple, marketing operational or executional categories like web publishing or campaign management.

This saves money, improves efficiencies, and reduces time to publish. With this mindset, you have a CPO that’s not just an advocate for cost savings, but is fundamentally transforming the way their company goes to market.

The CPOs that I’ve met absolutely want to work at that level.” - Paula Shannon, SVP, Lionbridge Technologies

In the next 18 months, many respondents are planning on ramping up the level of automation they employ, seeking to continue their efforts to win back time to apply to strategy. The share of respondents without any automation integrated into their procurement approach is cut down to just 3%, while just 12% of respondents will have automated under 20% of their procurement processes. Based on the distribution of respondents who fall between the 21 – 60% range, it seems that many respondents are on their way to doubling the amount of procurement processes that they automate within the next year and a half. Five times as many respondents plan on automating between 61 – 80% of their procurement processes in the next 18 months, and 9% will be almost fully automated by this time. These results illustrate that, regardless of the total level of automation they will have achieved by that time, the large majority of respondents will be working on increasing their use of the technology based on its potential to aid them in their strategic transformations.

“Today, the CPO’s role has evolved into a facilitator that brings innovation and thought leadership to the table through a variety of resources — both internal and external — and engaging subject matter experts from outside industries, including some suppliers. All of these are sources of insights and development. With these resources, the CPO has to play the role of a facilitator instead of building a large organization that has a repository of these ideas. The same is applicable for technology. Today, it’s easy to understand enterprise spend and then start identifying patterns and areas that are good candidates for automation. We’ve seen a lot of automation on the P2P side, with many RPAs (robotics process automations) around creating ‘no-touch’ or ‘low-touch’ conversions of all of the requisitions into POs, processing those POs, and processing the invoices. The vast majority—80 to 90 percent of all P2P processes—don’t need intervention, don’t have exceptions, and can automatically be processed through technology, reducing manual effort.” - Jagadish Turimella, Chief Operating Officer & Co-founder, GEP
Key Recommendations

Continue to embrace a strategic role based on consultative value creation, setting guidelines for the global organization and engaging directly with stakeholders across the business.

The CPO role is one that should be present at high-level, strategic discussions across the business. It’s not about simply cutting costs any more — it’s about gaining an appreciation of the goals of other business leaders, then working with them to deliver results that are optimized for ROI. It’s a much more relationship-driven niche to occupy, but also highly rewarding, as taking a co-owner role in the value being created across the business opens doors that can lead to increased resources and influence.

Integrate technology—including automation tools and self-sourcing options—to eliminate more tactical processes, while embracing Big Data and analytics in order to leverage the insights that buying patterns uncover.

Make no mistake—technology is a big part of the trends that have brought the CPO role to where it now stands, and will continue to be a driver in the future. Simply put, as tech has given more effective management tools to the procurement organization, it has also put the CPO in a position where the most obvious sources of value creation have already been explored. To keep up their forward momentum, CPOs will need to stay cresting the wave of innovations that can optimize reward and minimize costs.

Create global sourcing guidelines that account for both sourcing that must occur at a local or national level as well as potential disruption in global markets in the near term.

What CPOs need now more than ever is the ability to be flexible, and fully utilize the resources that are at their disposal from their internal and external partnerships. The dynamism of suppliers, the knowledge of other business leaders, and the functions of tech should all contribute to an approach that looks to the future while accounting for the unexpected in the here and now. In an unpredictable time, the CPO can’t afford to stick to a single lever of value; instead, the role has become one that explores options, recognizes and takes advantage of patterns, and breaks the mold in search of a better way of doing things.
Appendices

Methodology
The results analyzed in this report were gathered from responses to an on-site benchmarking survey delivered at ProcureCon Indirect West 2016, as well as digitally to CPO’s within the ProcureCon database. 35 executives responded to the survey. Interviews with sources were conducted after survey data was compiled, and centered on discussion of benchmark results.

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