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Procurement Experts' Outlook for 2023 & Beyond:

Driving Agility and Resilience Amidst Uncertainty

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Procurement Experts' Outlook is a curated collection of the insights and opinions of ten leading experts in the field of procurement. The eBook aims to explore the future of procurement in 2023 and beyond, and to provide valuable advice and strategies for procurement professionals and leaders looking to adapt and thrive in an ever-changing business landscape.

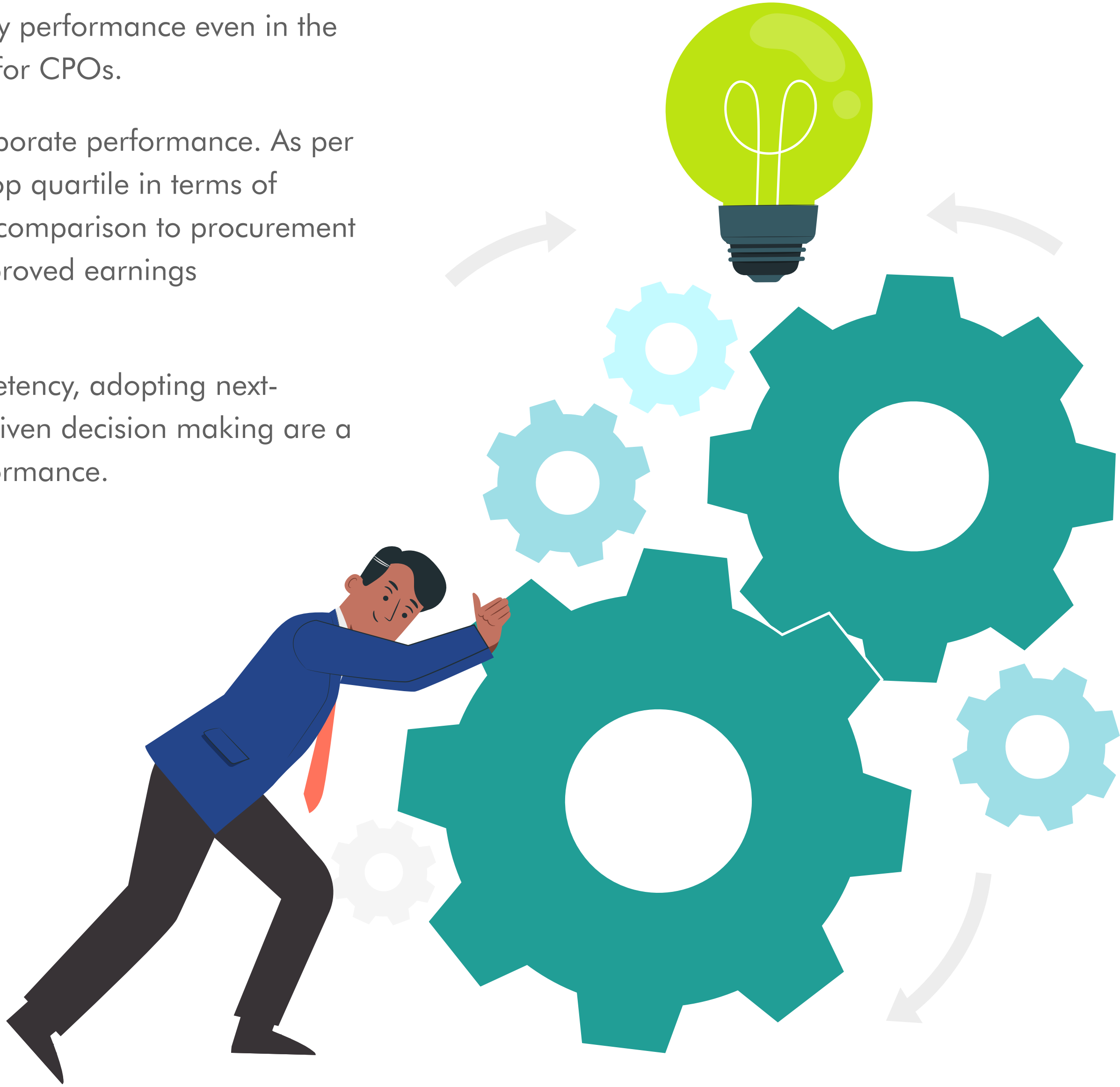
The theme of this “2023 & Beyond” edition is 'Embarking on a Marathon of Growth Amidst Uncertainty,' which reflects the challenges and opportunities that procurement professionals will face in the years to come. The experts featured in the book offer a wide range of perspectives on the future of procurement, including the impact of technology, the changing role of procurement in organizations, and the challenges of managing risk and uncertainty.

The eBook is divided into sections, each featuring the insights and recommendations of experts on topics, such as the future of supply chain management (SCM), the impact of Artificial Intelligence (AI) on procurement, the emergence of new business models, a renewed focus on Environmental, Social, and Governance (ESG) goals & sustainability, and the challenges of navigating a rapidly changing business environment. People, Process and Technology aspects are key to driving agility in response to changing market conditions, regulatory mandates and business requirements. Beyond cost reduction, enterprises must focus on developing resilient procurement functions and this requires proactive efforts, a clear strategy, and effective execution. The extent to which enterprises are able to drive agility and develop resiliency in procurement functions will determine how well they are able to navigate an impending economic downturn and tackle uncertainty and come out stronger.

The CPO (Chief Procurement Officers) role is undergoing transformation, with a lesser focus on delivering cost savings from transactional and operational activities. Enterprises expect CPOs to focus on building strategic capabilities across people, process, and technology facets to help achieve sustainable performance. Driving agility to help achieve healthy performance even in the times of significant disruption is a key value driver for CPOs.

Procurement health has a strong correlation to corporate performance. As per McKinsey analysis*, procurement functions in the top quartile in terms of health generate about twice the annual savings in comparison to procurement functions in the lowest quartile, translating into improved earnings performance at an organizational level.

Building in-house data & analytics skills and competency, adopting next-generation procurement technologies, and data-driven decision making are a few key imperatives for achieving sustainable performance.



The content in this eBook has been sourced from the contributors by means of 1:1 interviews & surveys.

*Source: https://www.mckinsey.com/capabilities/operations/our-insights/reimagining-procurement-for-the-next-normal

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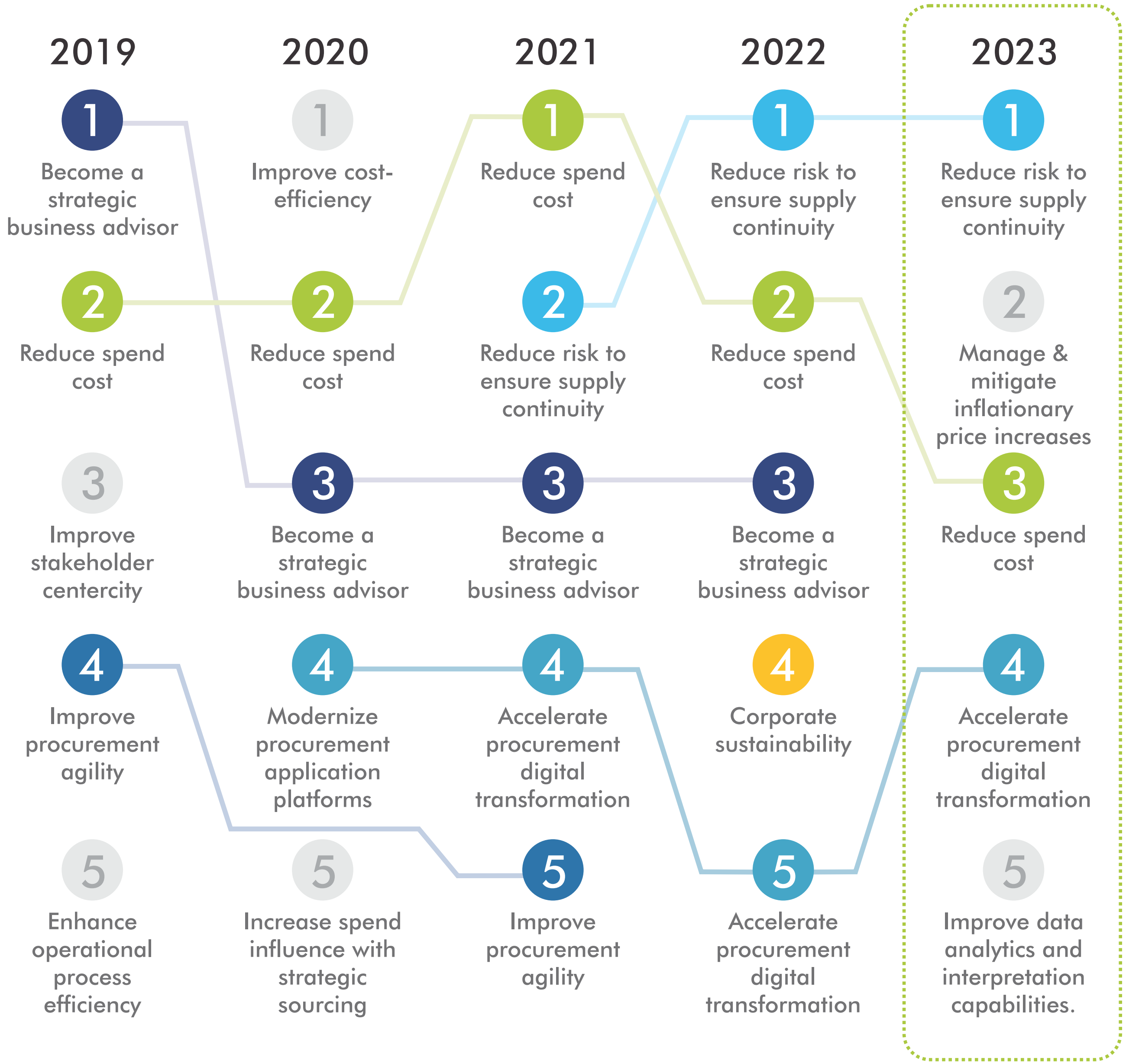
The Short Term View

In the short term, organizations are facing different challenges. While that seems like a rather banal observation, it serves to highlight just how diverse the set of problems procurement is facing, and how the problems change according to the unique make-up of each organization's supply chains, risk appetites & exposure, upper management, and financial resources.

Our experts have also chosen a number of different problems procurement should prioritize in the short term, as illustrated by the chart below.

Procurement's Top 5 Priorities Over The Years



Source : Zycus Research

Tania Seary

Containing inflation has been an increasing focus for procurement teams during 2022-23. As we launch into the New Year, procurement teams should now have their organizations fully set up to combat the tsunami of price increase requests coming from their supply base.

McKinsey suggested the establishment of a cross-organization 'Inflation Office' to coordinate efforts. But at a minimum, by Q1 2023 all procurement teams should have a thorough understanding of which elements of their cost structure should legitimately be impacted by CPI and commodity price changes and should be able to provide a checklist for negotiators to reveal the true basis for proposed supplier cost increases.

Jon Hansen

Alignment of objectives with key internal and external stakeholder goals and ensuring the gains from strategic sourcing translate into procurement outcomes. The entire C-Suite is going through major transformation of roles. Given procurement's strategic importance and the fact that it touches all areas of the enterprise through to end customers, CPOs must be the central coordinators of said transformation.

Duncan Jones

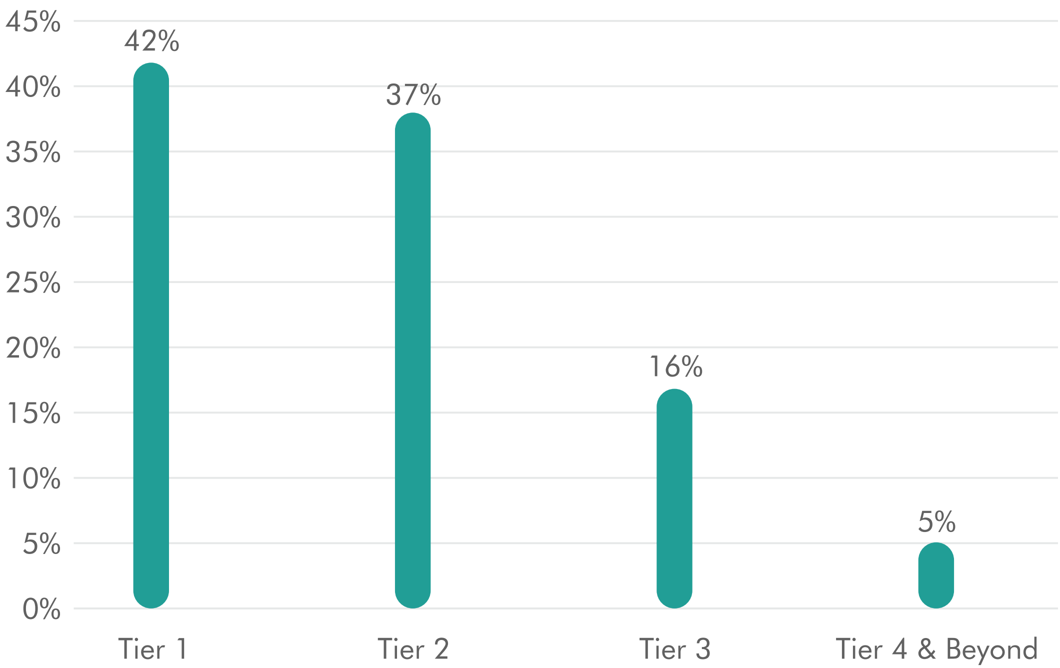
Improving supply chain resilience by adopting next-gen solutions & AI to enable them to do 'more with less.' Competitors are taking advantage of the wave of innovation in supplier management software. Procurement is always under-resourced, so great tools are vital if it is to manage the basics, let alone drive improvement.'

Supplier Risk

2019 was the start of a series of unrelated global events, resulting in supply failure and disruptions. These events have exposed several faults in supply chains, and the way organizations currently operate. To ensure long-term, sustainable procurement, it's important to build resilient foundations, that are able to withstand complex supply chains and global conditions, such as natural disasters, political instabilities and cyber-attacks.

To this end, supplier visibility into the nth tier is paramount. However, only ~20% of procurement teams have visibility beyond the 2nd tier of their supplier base.

Tier-wise supplier visibility procurement teams have today



Source : Horizon Survey, 2022

Tim Cummins

Organizations must develop increased levels of collaboration and through this, greater transparency. Modern procurement requires a shift in behavior that generates increased cooperation and the development of trust. That's a fundamental move requiring challenge to core beliefs around negotiated savings and competitive bidding, looking instead at partnering for mutual cost reduction, continuous improvement and innovation.

Dr. Thierry Fausten

To keep suppliers closer to the interests of the organization, shift focus from savings towards value creation, capture and distribution. In procurement parlance,: execute supplier relationship management with 'relationship' as the key term.

Canda Rozier

At the heart of risk mitigation is trust. And in the context of supplier risk management this is absolutely important. Building a transparent relationship with key suppliers is critical. From the start of evaluating a supplier, through the vetting and negotiation stages, onboarding, and throughout the life cycle management of the supplier, if you don't have transparency and trust, you will have increased, perhaps significantly, the risk associated with that supplier.

ESG

In the past few years, ESG has displaced many an acronym in corporate communications on sheer usage alone. While Europe pioneered the cause of sustainable procurement practices, the ESG wave has spread across the globe.

As organizations grow eager to highlight their ESG-friendliness, those that have delved deeper into the subject, have discovered the secondary benefits of ESG, including appealing to activist consumerism, increased reputation, reduced risk, access to capital, and innovation due to the diversity of thinking.

Procurement plays a vital role in driving ESG initiatives by ensuring that the products and services purchased align with the organization's ESG goals and values. Procurement professionals must understand the impact of their sourcing decisions on the environment, society, and governance, and work closely with suppliers to implement sustainable and ethical practices throughout the supply chain.

Metrics That Matter

Some of the critical metrics for enterprises in ensuring ESG-compliant procurement this year will include a heightened focus on

Environmental performance:

Measured by the % of spend on sustainable products and services, supplier sustainability ratings, and year-on-year reduction in carbon emissions.

Social performance:

Vital to ensuring diversity of supplier base, % of on-time payments, and lowering the number of outstanding litigations with suppliers

Governing performance:

The number of suppliers who are compliant with local and international regulations and standards, such as ISO 14001, ISO 26000, and the UN Global Compact, supply chain transparency & supplier data management are all important metrics.

Chris Sawchuk

From The Hackett Group's own studies on sustainability and ethical & diversity aspects, we've found that organizations are no longer focusing on ESG items solely because of government regulations. Internal motivations are at an all-time high, with a groundswell around ESG. Further, organizations aren't indulging in token gestures. They do it to retain employees, for one, but it's a long-term challenge that is likely to take a step back due to upcoming economic volatility.

We see a lot of debate on this nowadays – on how to keep the ESG agenda moving forward in a sensible way, accomplishing the goals of all stakeholders involved, and not abandon it mid-way – which is good. These conversations may slow down a bit, but won't stop during uncertain times, as long as it's sincere.

Duncan Jones

Participate in communities that share data about suppliers, such as audit results. Collaborate with competitors on industry-wide initiatives, because ESG is about improving all suppliers, not about competitive advantage from finding 'good' suppliers among a host of bad ones. Measurement is difficult, but at some point, every organization must decide what $ premium it is prepared to pay for better ESG supply. Therefore 'savings' must not be a metric on its own, it must be ESG-adjusted.

Tim Cummins

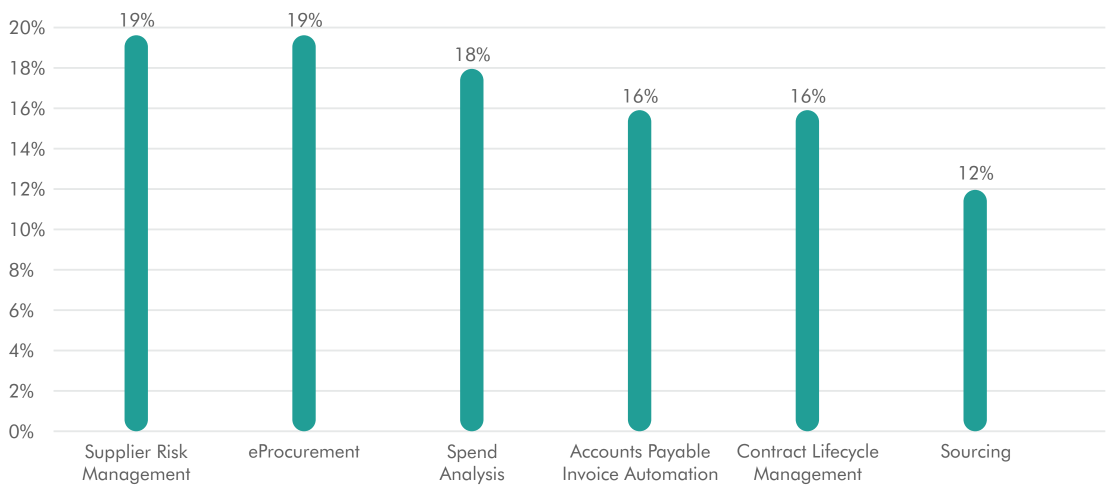
You don't impose ESG on others; you must walk the talk. You don't impose transparency; you demonstrate it's a shared behavior. You don't impose collaboration; it evolves through positive experience. So, procurement needs to self-assess and gain support for the change of role that these new values require.

AI

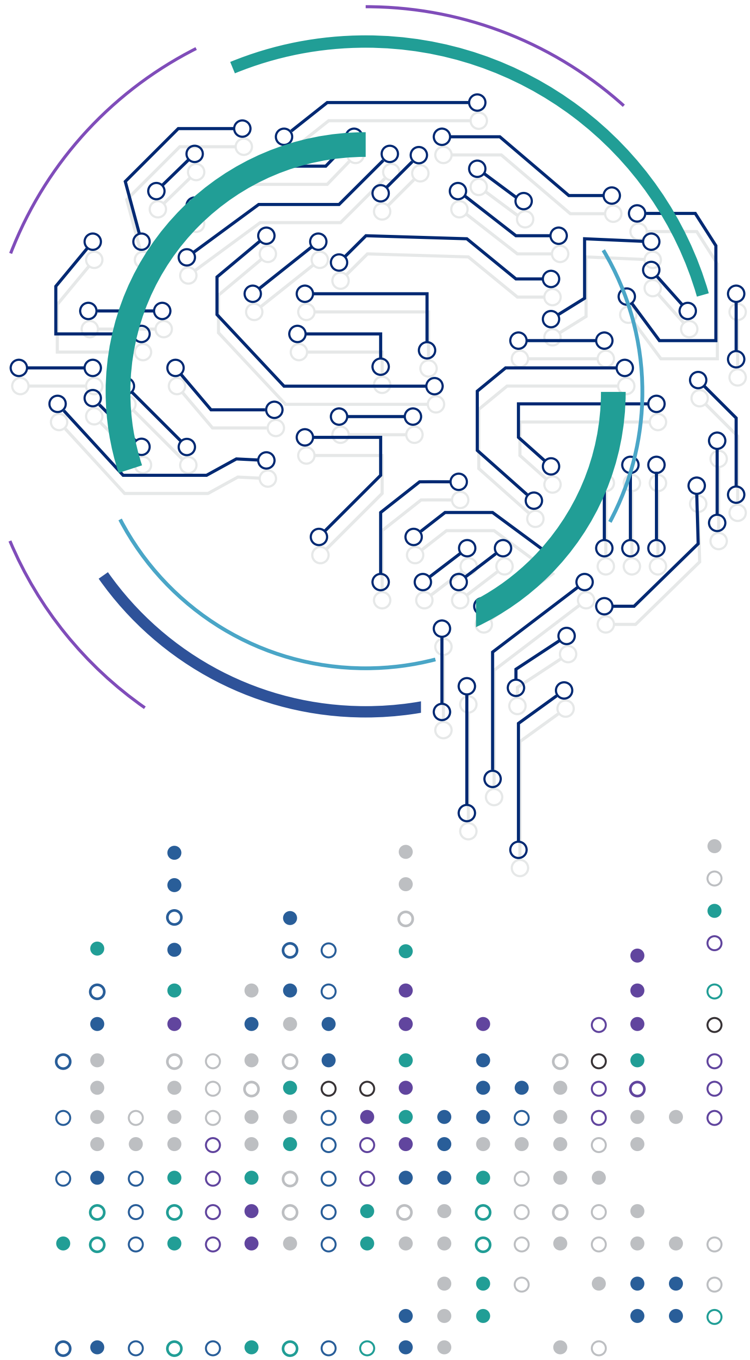
New developments in AI are creating exciting opportunities for procurement professionals. For example, the emergence of predictive analytics and prescriptive analytics is enabling procurement teams to identify patterns in data and anticipate future trends, helping them to make better decisions and manage risk more effectively. In addition, AI-enabled chatbots and virtual assistants are becoming increasingly common in procurement, providing real-time support to stakeholders and automating routine tasks.

However, the adoption of AI in procurement also presents new challenges, such as the need for robust data management and governance frameworks. Procurement professionals must navigate these challenges while leveraging the benefits of AI to drive efficiency, improve decision-making, and enhance value for their organizations. Investment in next-generation technologies will only deliver value if organizations have the right information architecture and data governance policies, in-house skills to interpret data, and effective change management.

Process that will derive maximum value from AI & Cognitive procurement



Source : Horizon Survey, 2022



Herve Legenvre

Organizations need to use AI to support ambitious goals! This should not be limited to automating low value-added activities. How can we use AI for cost, risk, sustainability, etc.? This should result in a significant impact, even if this is scaled step by step.

In the long run, procurement should play a key role in enabling data sharing along supply chains. For now, procurement lacks the culture that can help deliver this. However, AI will deliver more if we go beyond data silos; the potential is real and significant.

Dr. Thierry Fausten

Artificial Intelligence offers powerful data analytics capabilities, provided that it uses an appropriate computing model, and it is fed with reliable data. Procurement can maximize the benefits from this technology by ensuring access to trustworthy relevant data to bring transparency to the upstream and downstream supply network. This will enable the creation of common grounds for the management of supplier relations, allow the detection of disruptive trigger events, and support the enforcement of ESG & sustainability policies.

Chris Sawchuk

AI is dependent on data. Data that has been generated by years & decades of automation. More & more digitization generates more data, helping AI grow. AI helps create advantages, although what was an advantage yesterday, may not be one today. AI enables you to act on these advantages quickly - as more use cases are developed, people can start trying & getting comfortable with them - as that grows, we can start applying it to all the other use cases out there.

For example, we will be able to ask questions relating to contracts: - what type of risks we have, model scenarios around the possibilities, etc.

Allow me to end with a story - a pharmaceutical company's board member asked a procurement leader, 'How do I know I'm better off than competitors? How can you prove it to me?' 'Don't just get me savings, what advantage can you create?'

What do we need to answer those questions? Establish a realm of what you know & don't know and start expanding the former, with AI.

New Product Development (NPD)

New Product Development (NPD) is a critical focus area for procurement professionals as it can significantly impact an organization's competitive advantage and long-term success. Procurement plays a crucial role in enabling NPD by ensuring the timely and cost-effective procurement of the necessary materials, services, and equipment required for the development and production of new products.

Procurement can support NPD by establishing collaborative relationships with suppliers, working closely with internal stakeholders to understand their needs and requirements, and leveraging market intelligence to identify emerging trends and technologies. By doing so, procurement can enable faster time-to-market, enhance product quality, and reduce costs, all of which are essential for effective NPD.

Additionally, procurement can leverage data analytics and digital technologies to optimize sourcing strategies and streamline procurement processes, thereby freeing up more time and resources to focus on NPD initiatives. By adopting a strategic approach to NPD procurement, procurement professionals can enhance their organization's innovation capabilities and achieve sustainable competitive advantage in today's rapidly evolving marketplace.

Kenneth Baldwin

Procurement professionals must develop deep supply market and cost modeling expertise in specific product areas to provide valuable insights to stakeholders along the journey of new product development (NPD). By thoroughly analyzing the supply market and cost structures, procurement can identify the optimal suppliers, sourcing strategies, negotiate favorable terms, and ensure cost-effectiveness throughout the NPD process.

Jon Hansen

The answer is not ‘can’ procurement contribute to NPD, but why it hasn't been as involved as it should. For example, Cisco relies heavily on its procurement team during the development of new products. The reasons are obvious - from sourcing new components for early product development and testing through to ensuring accurate costing to make the successful transition from research to final end-customer production and distribution. This is just one example, but in more cases than not, procurement should proactively get involved with NPD.

Dr. Thierry Fausten

Many industries already integrate suppliers in the New Product Development process. The main challenge for procurement is to identify and attract the most appropriate suppliers to contribute. Beyond this aspect, procurement, as a market-scouting function, can feed external information back internally on product trends and innovation pathways; and it does it better when it knows what it should be looking for.

Tania Seary

The value that procurement can contribute to new product development (NPD) is limitless. As the intersection between the business and the supply base, procurement is in the perfect position to identify and implement product innovation.

What is required is an open mind and an opportunity mindset – and, of course, the commercial capability to 'make it happen.' Building a procurement team that has a culture of 'creating value,' not just 'reducing costs' is key to making sure that procurement pros are open to new ways of creating value for their business.

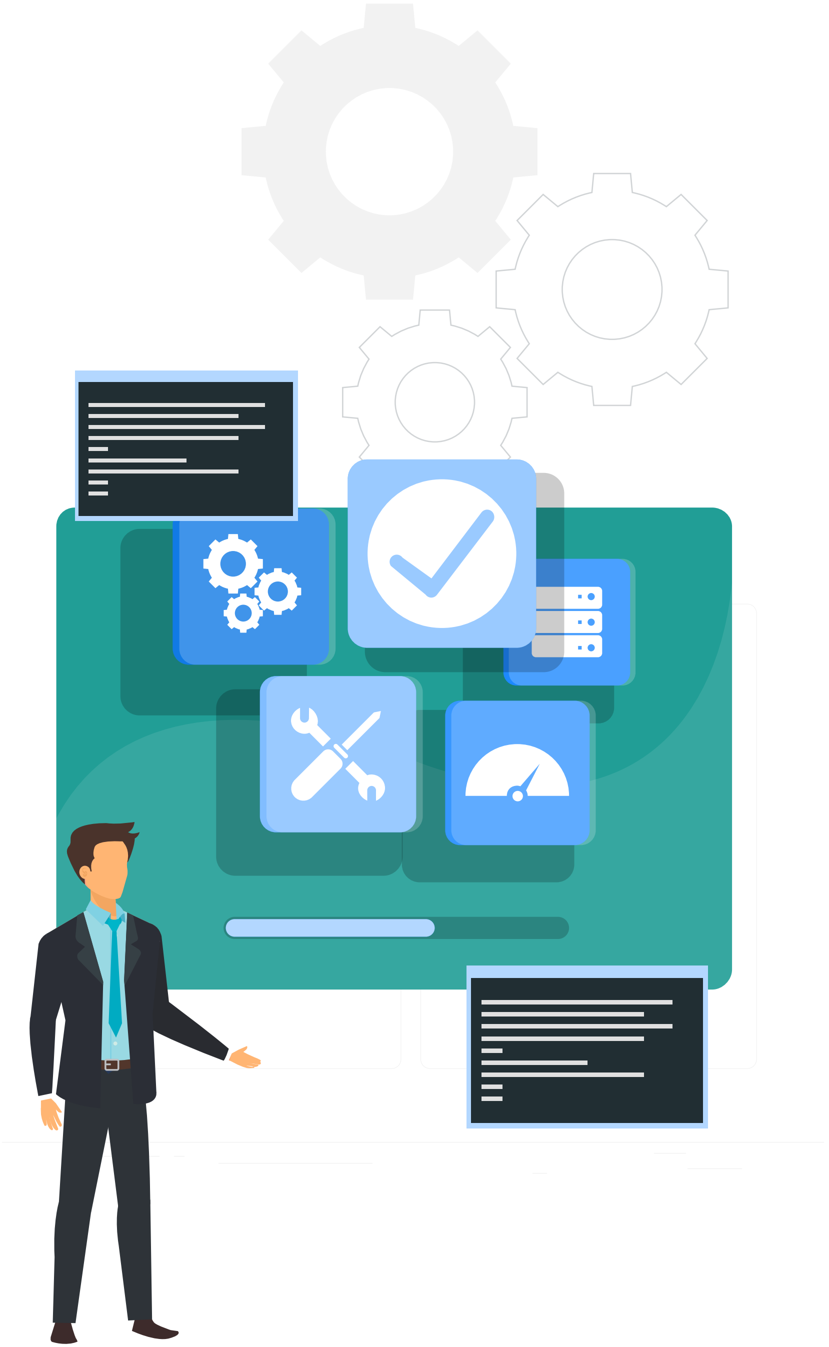
Key Performance Indicators (KPIs) and reward systems, along with structured business processes that support NPD, will go a long way to ensuring NPD is part of your procurement team's DNA.

S2P Implementation: Pre-Requisites

Before embarking on a Source-to-Pay (S2P) implementation, it is critical to ensure that the necessary groundwork is in place to achieve a successful outcome. Pre-implementation activities help organizations to establish a clear understanding of their procurement process, identify areas for improvement, and define the scope of the implementation.

One critical pre-implementation activity is to establish a cross-functional team that includes key stakeholders from across the organization, including procurement, finance, and IT. This team can help to ensure that the implementation aligns with the organization's broader strategic goals and that all relevant requirements are identified and addressed. Additionally, the team can help to build a strong foundation of support for the implementation across the organization, ensuring that all stakeholders are aware of the benefits of the new S2P solution and are committed to its success.

Other critical pre-implementation activities include defining the project scope and goals, selecting the right S2P solution, establishing a project plan, and identifying and addressing any potential roadblocks or challenges. By focusing on these pre-implementation activities, organizations can lay a solid foundation for a successful S2P implementation that delivers significant benefits to the organization.



Duncan Jones

Document scope, goals, and timeline clearly and concisely. Find champions who will embrace it but strive also to identify and win over the luddites. They will not only resist change themselves, but also undermine your initiatives and mobilize dissent unless you get them on side.

Canda Rozier

Understand what the goals are and have organizational agreement on how to measure them. Ensure all stakeholders, including external or ancillary ones, are engaged from the start of the project. Have a robust communications plan – a number of implementations fail or underperform due to lack of a good and thorough communications strategy.

Herve Legenvre

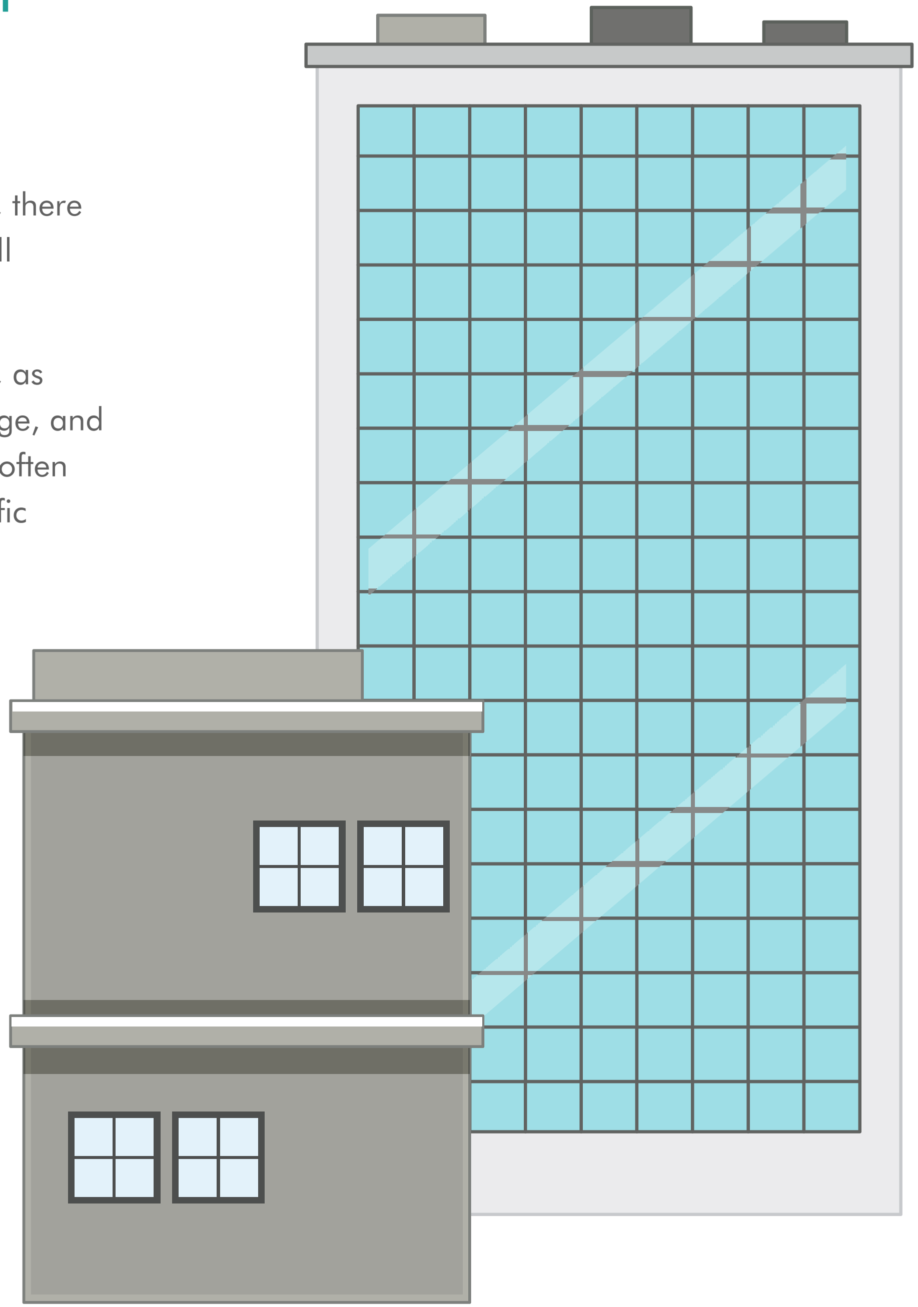
Simple: focus on the user and what they try to achieve!

S2P Implementation: Large Enterprises versus Mid-sized Organizations

The implementation of a digital Source-to-Pay (S2P) solution is a critical process for procurement, regardless of an organization's size. However, there are significant differences in how S2P is implemented in large and small companies.

In larger organizations, S2P implementation tends to be more complex, as there are typically more stakeholders involved, more suppliers to manage, and a more extensive procurement process to support. Large organizations often require more robust and customizable S2P solutions to meet their specific needs.

In contrast, medium-sized organizations tend to have simpler procurement processes, fewer suppliers to manage, and may benefit from more out-of-the-box S2P solutions that are more cost-effective and easier to implement. Moreover, medium-sized organizations often have more flexibility to adapt to new solutions and processes quickly.



Jon Hansen

While the scope may be bigger and wider with a big company, the framework for success is consistent - communication and collaboration with key stakeholders both within and external to the enterprise. In other words, we must adopt a ‘crisis mindset’ and ‘leadership will’ in all areas of the procurement process including implementing a digital strategy.

Herve Legenvre

Usability, supported by automation, is the key factor here. Using bots is an easy patch but only as a last resort solution. If we end up with legacy systems bridged together with a myriad of bots, these legacy systems will be even harder to modernize.

For many years, we have heard we need an e-commerce-like experience. On a marketplace, people often enjoy searching for the right solution but in a work context they want immediate access to the solution. Users need a single point of entry that can take them either to a catalogue, to a marketplace or which initiates a request. Simplicity for users is a condition for success today.

Finally, we can offer some stakeholders access to a tool so they can autonomously run a supplier selection. The role of buyers here is to act as architects and create solutions that deliver a seamless user experience to their stakeholders.

Canda Rozier

I think one of the biggest mistakes that both global and mid-size companies make with S2P implementations is they focus on the product features of the system, instead of starting with a diligent review of their current processes and policies. There's an adage - 'If you always do what you've always done, you'll always get what you have always gotten.' And this applies 100% to S2P implementations. If you don't start by re-evaluating your underlying policies and procedures, you run the risk of simply automating broken or less than ideal processes.

Tania Seary

Large global enterprises – on the whole – do not take S2P systems implementations seriously enough.

We all understand the value of an efficient S2P system – and the last few years have continued to amplify these benefits – quick onboarding of new suppliers, transparency of spend, identification of 'bad actors,' managing liquidity, employee engagement and satisfaction, and efficiency.

However, CEOs/top management underestimate the total value that these systems deliver to the company, and therefore do not invest enough in making sure they are successful. They would invest more if they understood that a new S2P process is actually a culture change, not just a technological implementation.

Procurement teams should be cautious about implementing S2P systems without whole-hearted support and commitment from the top.

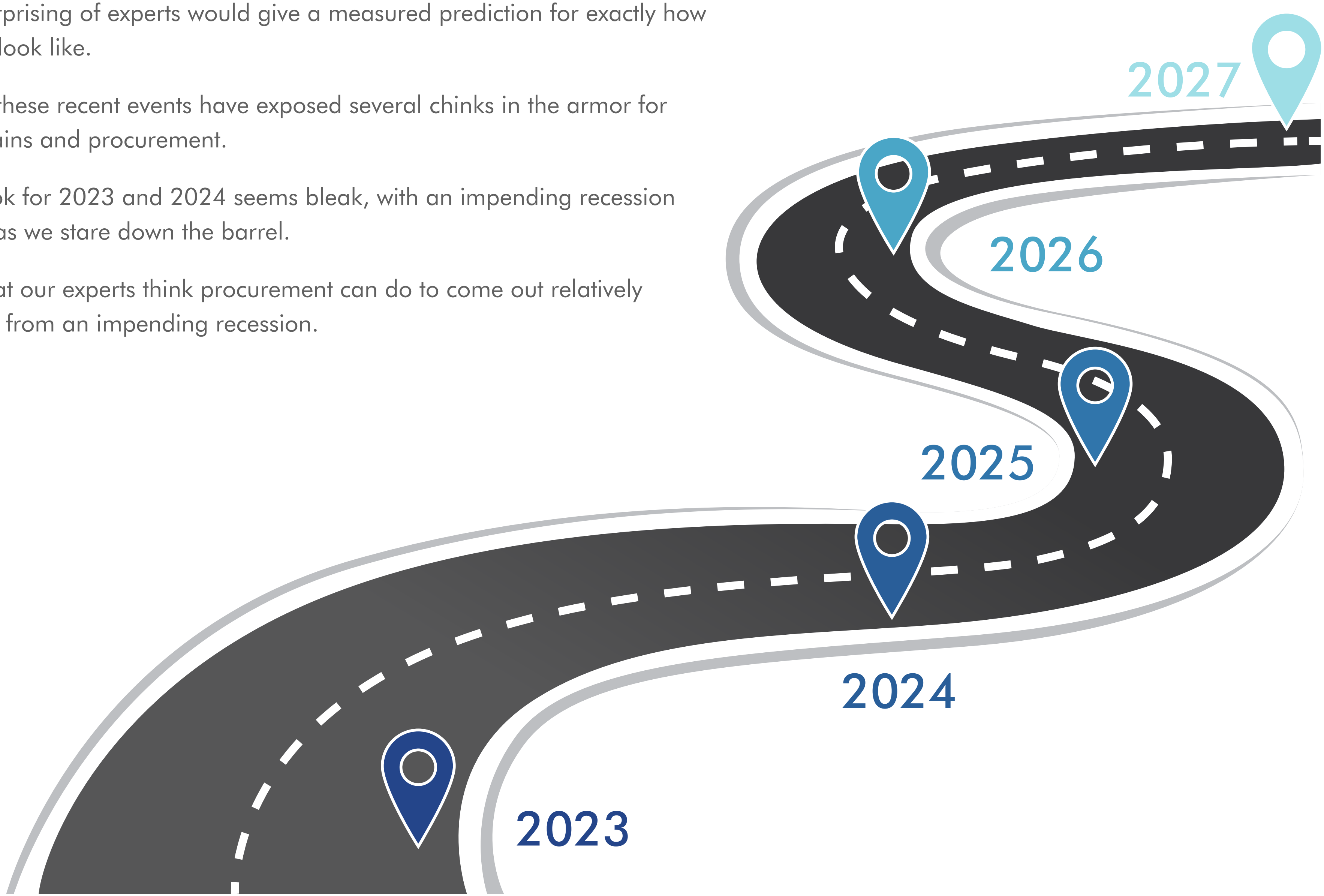
The Long Term

Given the past 5 years of uncertainties and supply chain disruption, even the most enterprising of experts would give a measured prediction for exactly how 2024 will look like.

However, these recent events have exposed several chinks in the armor for supply chains and procurement.

The outlook for 2023 and 2024 seems bleak, with an impending recession facing us as we stare down the barrel.

Here's what our experts think procurement can do to come out relatively unscathed from an impending recession.



Herve Legenvre

Combating inflation is next on the agenda. More advanced corporations are creating forward looking views on sensitive cost drivers. They revisit their footprint and their make versus buy decisions. Some organizations cease relationships with suppliers who abuse the situation and try to regain a bargaining position so they can strengthen their supplier relationships. Some organizations have started to redesign product portfolios to eliminate diversity and regain bargaining power.

Next to these priorities, moving to a more strategic role is still on the agenda of many procurement teams. This entails investing in digital solutions that both automate and augment the capability of buyers.

Finally, sustainability and decarbonation also appear as priorities for many procurements organizations.

Tim Cummins

It's time to adopt outcome- and/or value-based measurements. This can be achieved by ensuring the gains from strategic sourcing translate into procurement outcomes. Procurement must evolve towards operating as an integrated business service, instead of narrow operation as a functional silo focused on compliance.

Dr. Thierry Fausten

Focus should be on improving supply chain risk management practice, through technology-enabled data collection and analysis. Update operating model and strategy to increase agility in decision making and execution. Improve existing resources (human, systems, processes) to stay current as required by company strategy and market.

Reminder: It is easier to improve an existing talent than attract and retain a new one.

Kenneth Baldwin

Stakeholder Engagement should be the long-term priority. This can be achieved by adopting next-gen solutions & AI to enable procurement to 'do more, with less.' All the various compliance rules and regulations have made purchasing complex for stakeholders, in a time with compounding complexity from various avenues. We need tools/tech to de-mystify requirements driving speed into the process.

Dos and Don'ts

Dos

Tim Cummins

Do undertake comprehensive stakeholder analysis, including their role, reaction and needs. Also, do act on what you discover!

Duncan Jones

Align procurement staff's KPIs with those of the business units or functions they support. Procurement's KPIs such as savings only matter to the extent that they enable the wider business to succeed.

Tania Seary

The best organizations do everything to ensure their S2P implementation is successful. And what does everything include?

In the first instance, leading companies (and there aren't many of them!) set aside a significant budget to support the change program – this includes training, online support, a comms program, and visible leadership of the implementation.

It also means 'burning the boats' – that is, stopping all other ways of managing S2P. This takes courage and thorough planning but is vital to ensure that there is system compliance.

Don'ts

Chris Sawchuk

Don't try to take on too much. An organization building capabilities for Supplier Relationship Management approached me for advice. They ignored my suggestion for a pilot program and launched with 150 suppliers – what I call a 'peanut butter spread' - thinly spread across avenues, very little accomplished. Step back and figure out what you can digest vs taking on more, going wide and not accomplishing much.

Canda Rozier

Don't be afraid to embrace change and be willing to step outside your comfort zone. Don't be afraid to fail or take (corporately reasonable) risks.

Kenneth Baldwin

Don't try solving every pain point (all at once). Instead, tackle the issues that will deliver the greatest value to stakeholders.

Key Takeaways

Here's a collection of the most pertinent pieces of advice from our panel of procurement pundits.

Chris Sawchuk

Don't look at the past to determine the future. The future is about creating and maintaining advantage.

Kenneth Baldwin

Spend more time listening to business stakeholders to understand their issues in working with procurement and the source-to-contract process, and then help solve problems.

Jon Hansen

Solutions should be built for 'how the world should work instead of optimizing for how the world does work.' Procurement teams need to see their roles in the context of this truth.

Tim Cummins

Be excited by the opportunities to reinvent your role and purpose!

Duncan Jones

Invest in great software, and great implementation consultants to bring you best practices, change management expertise, and pre-integrated portfolios of solutions.

Dr. Thierry Fausten

The most precious resource an organization has is its staff: make sure to attract, develop and retain the large pool of skills and behaviors needed to ensure the workforce is coherent, cohesive and performing.

Canda Rozier

We live in exciting and ever-changing times, and procurement can be a key contributor to a company's success in navigating this. Embrace the challenges!

Herve Legenvre

Invest in people! They need time to step back, reflect, look at the big picture and learn. To do this, leaders need to prioritize better and make sure people dare to go beyond running the same old process every time.

Tania Seary

Do whatever you can to make sure you remain agile and resilient. You and your team need to be able to 'ride the wave' of change, not drown in it. Enjoy the ride!

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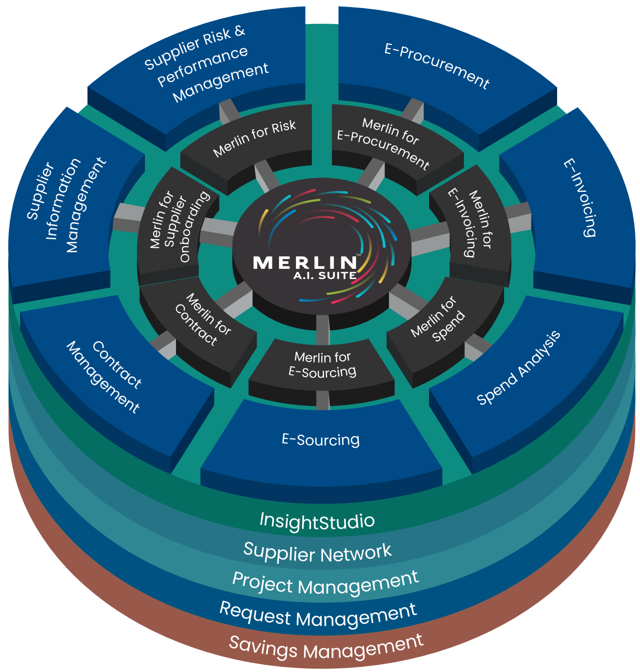
Zycus is the pioneer in Cognitive Procurement software and has been a trusted partner of choice for large global enterprises for two decades. Zycus has been consistently recognized by Gartner, Forrester, and other analysts for its Source to Pay integrated suite.

Zycus powers its S2P software with the revolutionary Merlin AI Suite. Merlin AI takes over the tactical tasks and empowers procurement and AP officers to focus on strategic projects; offers data-driven actionable insights for quicker and smarter decisions, and its conversational AI offers a B2C type user-experience to the end-users.

Zycus helps enterprises drive real savings, reduce risks, and boost compliance, and its seamless, intuitive, and easy-to-use user interface ensures high adoption and value across the organization.

Start your #CognitiveProcurement journey with us, as you are #MeantforMore.



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