

Insights from Economist Impact research

What's keeping CPOs up at night

And what could give you peace of mind



Introduction

What's keeping CPOs up at night

If you're in Procurement, or have responsibility for managing your supply chain, you've likely had sleepless nights in the last few years helping your organization navigate continuous waves of disruption.

It took a pandemic to illustrate Procurement's valuable role in enabling business continuity.

In a global **study**¹ sponsored by SAP, Economist Impact surveyed 430 C-suite executives to understand how businesses and industries are transforming Procurement to meet current and emerging challenges – disrupted supply chains, rising costs, and growing uncertainty.

If your procurement function hasn't transformed from a strictly financial or operational function to one that creates value and plays a key role in risk management, why not?

This is a golden opportunity for Procurement to retire outdated tactics and reimagine Procurement as a value creation engine, taking advantage of mature digital technologies. For example, cloud technology can help identify potential shortages beyond tier 1 suppliers and enable Procurement to predict delays and devise contingency plans to keep production moving.

There's no better time to reinvent Procurement.

This paper provides advice for Procurement to move forward based on research findings, with ideas on how specific cloud technology can help shorten the journey and give peace of mind.

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¹ Economist Impact, *Chain reactions: Building value in procurement through digitalisation*, June 2022. All data points and quotes are from this research report unless otherwise noted.

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Insight 1

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Risk, risk and more risk: How Procurement plays a key role in mitigating enterprise risk

The board and senior leadership are recognizing the prominent role that Procurement plays in reducing risk across the enterprise, including keeping their companies out of the headlines. Companies are becoming more cautious about the suppliers they engage:

More than 1/3 of CPOs say that supply chain risk is the top organizational risk they'll focus on over the next 12-18 months. This is to be expected given persistent supply chain issues. Labor shortages are the second-highest priority, which is driving up the need to engage an external workforce.

Sustainability/ESG (environmental, social, and governance) is third. Procurement is key in helping the enterprise achieve ESG objectives, particularly when it comes to helping suppliers support its ESG objectives, ensuring traceability in the supply chain, and achieving supplier diversity goals.

"We're working upstream with our suppliers to say 'okay, we've made these commitments as a company and the supplier base is part of that commitment, and as part of our supply chain, we are looking for you to make some similar commitments."

Chris Shanahan
CPO, Thermo Fisher Scientific Inc

CPOs report:

37%

say that supply chain risk is one of their top priorities for organizational risk

35%

cite labor shortages as a top priority

32%

cite sustainability/ESG as a top priority

Cloud technology solutions that help reduce risk:

SAP® Ariba® Supplier Risk solution: Make risk due diligence a natural part of the source-to-pay process – reducing supply chain and operational disruption while protecting your revenue and reputation.

SAP Business Network: Drive supply chain resiliency by identifying and addressing risks in your supply chain in tight coordination with trading partners.

SAP Ariba Buying and Invoicing solution: Manage compliance in virtually every country and currency to deliver what the business needs, where it's needed.

SAP Fieldglass® Contingent Workforce Management application and SAP Fieldglass Services Procurement application: Gain visibility and actively manage your external workforce, improving ROI and reducing risk.



Insight 2

Beyond cost reduction: Procurement's evolution to value creator

Procurement is central to enable Production and other parts of the business to keep moving, and keep customers – and shareholders – happy. CPOs put cost savings at the top of the list of areas they'll focus on to deliver increased value. This is to be expected given the financial implications of shortages and delays, coupled with explosive shipping costs, pricing volatility and inflation.

Reducing risk is second. Executives are having to rethink age-old strategies of low-cost, globally dispersed supply chains, just-in-time manufacturing, and lean inventory management. Reshoring or nearshoring are also up for consideration, yet they require significant investment and are not a quick fix.

It's not surprising that demand management (23%), direct spend (22%) and inventory management (21%) are next-level priorities. These are all areas in which Procurement has a unique role to play – and add value to the enterprise.

"Procurement plays a major role in managing high profile, strategic work, and people are now realizing that doing it well translates into competitive advantage."

Peter Smith
Managing Director, Procurement Excellence Limited

CPOs report:

45%

say cost savings is a top area they'll focus on to deliver increased value in Procurement.

38%

cite reducing risk as a top focus area

23%

cite demand management as a top focus area

Cloud technology solutions that help create value:

SAP Strategic Sourcing solution: Enable sourcing and commodity managers to more easily reduce costs, integrate source and contract processes, speed time to market, and leverage supplier innovation for both direct and indirect materials.

SAP Ariba Supplier Risk solution: Make risk due diligence a natural part of the source-to-pay process – reducing supply chain and operational disruption while protecting your revenue and reputation.

SAP Ariba Buying and Invoicing solution: Help procurement teams manage more spend with less effort – and improve savings and scale along the way.

SAP Fieldglass portfolio: Quickly add the talent and resources it takes to stay competitive by helping your organization get the right resources when needed – turning service providers and contingent workers into a versatile, value-driving, and business-building external workforce.



Insight 3

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From back office to front office: digital technologies supercharge Procurement

From reducing cost and risk to enabling speed and agility, the benefits of digitization are numerous. Yet, Procurement is often still in the dark ages, saddled with manual processes or multiple technologies that fail to offer an end-to-end solution.

As companies gain an appreciation for the central role that Procurement plays in driving enterprise success, they are realizing that by digitizing Procurement, they will supercharge its ability to create value for the enterprise.

CPOs stated the top drivers of digital transformation are category management (42%), user experience (38%), sourcing automation (28%), and mobility solutions (27%), reflecting the impact of the pandemic. Digital technologies enable swift, effective sourcing and collaboration with suppliers, support flexible ways of working, and increase agility. Furthermore, adoption is critical – if solutions aren't easy to use, they won't be used – and desired outcomes won't be achieved.

"The procurement function now includes an advance warning role, indispensable to planning and resilience, for which digital communication and software solutions are of the essence."

Economist Impact

CPOs report:

42%

say category management is one of the top 3 drivers of digital transformation

38%

say user experience is one of the top 3 drivers of digital transformation

44%

say that disruptions caused by COVID-19 are a top driver of the increased pace of digital transformation of Procurement

Cloud technology solutions that digitize Procurement:

SAP Ariba Buying and Invoicing solution: Digitalize and simplify your procurement processes with a single, integrated offering in the cloud.

SAP Ariba Sourcing solution: Enable sourcing managers to more easily create and manage the sourcing pipeline to rationalize the supply base, negotiate lower pricing, and respond to unforeseen demands.

SAP Business Network: Digitalize manual supply chain processes to increase productivity, decrease operating costs, and free up full-time employee capacity.

SAP Ariba Services: These services help you realize value at every stage of your digital transformation journey, from initial set up to ongoing adoption and success.



Insight 4

1 2 3 **4** Conclusion

The strategic need for the external workforce: is Procurement positioned to manage this?

The external workforce is a critical lever to scale up and down, and source scarce and in-demand skills. The tight labor market has only exacerbated the need for external workers.

43% of CPOs said they will increase the use of the external workforce. They state risk reduction, cost savings and the shift to flexible work planning as the top drivers for this increase.

The irony is that without properly managing external workers – whether they be contingent workers or services providers – executives may unwittingly increase the risk to the organization. Digital security breaches, compliance issues and more mundane issues like duplicate payments are all too common.

CPOs report:

43%

will increase the use of the external workforce

50%

state risk reduction as a top 3 reason their organization is increasing the use of an external workforce¹

35%

are concerned about the impact of labor shortages over the next 12-18 months²

Cloud technology solutions that help reduce risk:

SAP Fieldglass Contingent Workforce Management application and SAP Fieldglass Services Procurement application: Gain visibility and actively manage your external workforce, improving ROI and reducing risk.

SAP Fieldglass Assignment Management solution: Centrally deploy, manage, and pay external resources across facilities and diverse projects – with a single solution.

SAP Fieldglass Worker Profile Management application: Manage and track your external workforce with standardized worker records in one place.



¹ Everest Impact: Looking out: The rise of the external workforce and its impact on internal functions, June 2020

² Insights from Everest Impact research



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Conclusion

It's Procurement's time to shine, yet there are barriers to overcome

It would be hard to dispute the business outcomes of digital transformation. Yet, like any significant investment, the business case for procurement digital transformation needs to be compelling for it to be a priority over other projects competing for investment dollars.

CPOs cite several barriers to digital transformation including the lack of clarity over return on investment, budget, and stakeholder buy-in. Many would agree that Procurement has to do a better job of selling the business outcomes that will result from investing in procurement digital transformation. Perhaps this is a contributing factor to Procurement lagging other functions in digital investment.

Despite the sleepless nights that Procurement is facing dealing with the impacts of the pandemic, there is a silver lining: without a doubt, the pandemic demonstrated that Procurement is crucial to business success. Just think of the additional value Procurement could deliver if it had the benefit of increased automation and digitization.

"Businesses are willing to invest a lot of money in digitalization, so if you're saying you don't have the budget, it's more because you haven't done an effective job of selling the return of the investment internally."

Phil Ideson
Founder, Art of Procurement

CPOs report:

31%

cite the lack of clarity over return on investment as a barrier to digital transformation of Procurement.

30%

cite budget as a barrier

22%

cite stakeholder buy-in as a barrier



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WHO WE ARE

Brainbox Consulting is headquartered in the Netherlands and also has a presence in India and the USA. With more than 5+ years of Procurement Industry experience and a team with 25+ Ariba Certifications, we provide end-to-end and Innovative solutions in procurement technology & services to redefine modern sustainable procurement



BRAINBOX | SERVICE PORTFOLIO

PACKAGED SOLUTIONS	CONSULTING SERVICES	INNOVATION GARAGE
<ul style="list-style-type: none"> • SAP Ariba Implementation (S2P) for large enterprises - E2E implementation of the procurement process • Sourcing as a Service (SaaS) - Strategic Sourcing for medium-sized businesses • SAP Ariba implementation for medium-sized businesses • Digital Supplier Network (DSN) Packaged Solution - Ariba Network implementation for medium-sized businesses 	<p>Adoption services</p> <ul style="list-style-type: none"> • Improve Guided Buying experience • Rollout Services • Business change management • Supplier enablement • Techno Functional Consulting • Solution Architecture • Integration Consulting • Project/Program Management <p>Procurement Assessment</p>	<ul style="list-style-type: none"> • Chatbot • Static Punchout Catalogs • Ariba Automated Test Suite • Robotic Process Automation (RPA) • BTP Solutions • Analytics dashboard

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