

CPO SPARK

Reinventing Procurement for a Better World

Discussion Summary

Digital Roundtable
12 May, 2021

Reinventing Procurement for a Better World

On May 12, 2021, the Financial Times, in association with Globality, held the first of four CPO Spark think tank sessions focused on how leading global companies are creating the future of procurement, challenging the status quo, and adopting new and innovative ways to create the agility required to succeed in today's rapidly changing global economy. The opening session focused on digitizing procurement, navigating disruption, and positioning companies for future growth. The event brought together Chief Procurement Officers (CPOs) from diverse industries—including technology, professional services, health care, CPG, media, telecom, and financial services—to discuss the significant economic and social impact procurement can have.

Key Takeaways

- The COVID-19 crisis has underscored why agile, resilient procurement models and value chains are necessary.
- Many larger companies with legacy systems and inherent complexity face an ongoing need to “fix the basics.” This may be difficult to solve through traditional approaches and “bolt on” solutions.
- Openness to new technologies will require a mindset shift amongst some senior executives, away from a traditional focus on competition and negotiation, towards a focus on enhancing collaboration and business management.
- Procurement must recruit and retain people with appropriate key competencies, familiarity and engagement with technology.
- Companies need to integrate the procurement function at the heart of their mission, rather than seeing it as a purely transactional process.

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Getting Back to Basics

From the outset of the discussion, there was clear agreement among the participants that adopting technological solutions was of obvious benefit. Although it can be difficult to focus on the future during times of disruption, the COVID-19 crisis has highlighted the importance of agile procurement functions and the risks of being dependent on analog processes, legacy technology, and traditional suppliers and sources for services and goods.

The re-evaluation of dependencies and building in of fallback systems can be enhanced through technological support. Although this scenario could result in early adopters gaining a market advantage, notable variations exist in how different sectors have experienced technological adoption and how these systems have coped under the pressure of the pandemic. Tech and fintech firms in the group, for example, did not feel the shock of the pandemic as extensively when the shift to remote working occurred, given their ground-up investment in technological systems. As one attendee noted, the COVID-19 pandemic even acted as a tailwind for firms that had already been building AI and machine language capabilities across their platforms, highlighting the potential competitive edge that technology can provide in the face of continually evolving challenges.

As one of the CPOs stated, however, this contrasts with the experience of many large multinationals, for whom legacy systems that are currently in place can slow down procurement's ability to add strategic value. In some instances, this is exacerbated by the fact that companies have not recognized or effectively incorporated the competitive advantages that technology can offer. For other attendees, however, the pandemic had highlighted a fundamental "need to fix the basics" where technology was concerned, particularly in organisations that have grown through M&A activities. Various participants spoke of how they had already sought to adopt technologies including AI, automation, and ERP systems prior to COVID-19. One participant shared how the company was beginning a long-overdue digital transformation, and the only question was how ambitious it should be. Another CPO emphasized the importance of implementing cutting-edge technologies at the start of a transformation program rather than waiting until the final stages of the process.

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Getting Back to Basics (con't)

Various participants, however, acknowledged that a lack of familiarity or engagement with technology may have led to underinvestment in technology. This has led some companies to use unsuitable “bolt-on solutions” or to overlook technological solutions as part of a wider transformation program. Indeed, despite their longevity, some companies have not recognised or effectively incorporated the potential advantages that technology might bring. One attendee noted that “severe underinvestment in technology” had left their organisation in a position where “today we pay the price for ten years of watching this happening directly under our own nose”.

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The Importance of People

Creating new sources of value not only requires the use of technology but also demands that procurement teams evolve and acquire a different set of competencies than in the past. As noted by one CPO, this challenge cannot purely be solved by adopting technology, but requires decision-makers to understand and embrace the potential that technology holds for transforming their operating models. Many participants agreed on this point, with one executive arguing that the roles needed to fulfil procurement functions in today's world may not have even been created or identified yet. As one CPO noted, by focusing on “key stakeholder portfolio managers,” procurement functions can better support their business users.

When addressing the specific skills needed to direct procurement strategies and implement an effective end-to-end workflow, one participant noted that it is essential for a CPO and their senior team to have knowledge of business analytics: “If they don't even know what business question they should be asking, the structure and insights [needed] to make a connection are really, really hard.” Outside of senior executives, companies need to provide employees with a baseline awareness of the crucial issues facing the business and to hire talent with appropriate IT experience. These goals, however, can be harder for some organisations to achieve than others, with smaller organisations in particular facing difficulties attracting top-tier IT experts.

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Organization Purpose and Transformational Mindset

Building a new procurement function for the future also requires redefining organizational purpose and creating a compelling platform for change. As one participant noted, enabling large-scale transformation requires CPOs to embrace the potential value and impact that technology can have on enhancing collaboration and transforming business. Many business leaders “grew up in a competitive [and] not a collaborative world,” but this reality is rapidly changing as client-facing relationships shift from a “transactional” to a collaborative model with procurement, business users, and suppliers partnering to bring strategic innovation and value to their companies.

In this new world, procurement must move from being seen as a transactional function to a process with integral strategic value, which must be embedded at the heart of a company’s mission. This new purpose is critical for businesses seeking to achieve ESG targets that are increasingly important and complex. CPOs have a unique opportunity to enhance the strategic value of procurement by expanding its reach within and outside of their companies and considering the role that technology like AI will play in this transition. As one CPO acknowledged, stakeholders are demanding more, and delivering only the basics is not enough to meet their heightened expectations. As highlighted by another attendee, to achieve this companies must shift away from procurement’s “obsolete” category-led approach and vertical processes, and focus instead on creating a dynamic marketplace environment for fulfilling the needs of typical business stakeholders in a holistic manner.