




5 Key Considerations to Drive a World Class Procurement Organization



Whether you're a Chief Procurement Officer of a large enterprise, the CEO of a technology startup, or you hold purchasing responsibilities at a mid-market company, you likely have a perspective on how to optimize procurement at your company.

It's hard enough figuring out which products to purchase in your personal life, let alone doing so at scale for your company. But with the right tools, talent and strategy in place, you can improve procurement in a way that creates value and makes the purchasing process easier. To help you, we've put together a list of the 5 most common procurement challenges we hear in the market today.





1. How can I increase visibility into my spend?

One of the best ways to improve procurement is to increase visibility into spend. If you don't know who's purchasing what within your organization, then you won't know where or how to optimize procurement activities. Yet nearly two-thirds of procurement leaders say they have limited or no visibility past their Tier 1 suppliers, according to a Deloitte survey.

Increasing visibility into spend across your organization requires a way to track all purchases. Technology that automatically captures transaction data provides the most efficient way to achieve this oversight, because it's unlikely that all employees can manually provide this data to a procurement leader on an accurate and timely basis for every purchase.

Fortunately, there are many different types of technology platforms that provide a centralized, automated way to track and analyze spend across your organization. These include accounting platforms that allow employees to easily upload receipts or automatically pull transaction data from online purchases, as well as procurement platforms where all online purchasing activity takes place within the platform, so the visibility into this spend is available at all times.



2. What procurement risks do I need to be most mindful of?

The majority of CPOs say managing risks is a strong priority, according to the Deloitte survey. However, you can't manage what you don't know. That's why visibility into spend is so important. Once you have oversight over all procurement activities, you can better manage key risks such as:

1. Budget risk:

Whether you have a strict budget that you need to stay under or a department has a budget they need to hit in order to maintain their purchasing allowances for the following year, you need to know how various departments' procurement tracks against budget.

2. Fraud/cyber risk:

From employees misappropriating corporate funds, to suppliers fraudulently charging your company, to cyber-criminals stealing corporate credit card information to make fraudulent purchases, you need to have clear insights into procurement activities and costs throughout your company so that you know whether something runs afoul.

3. Supply chain risk:

The actions of the parties within your supply chain can affect your own company, whether it's because a supplier's lax cybersecurity provides a backdoor into your corporate data or because a supplier's unethical business practices could hurt your reputation. Thus, you need to have clarity on who your suppliers are, and it helps to minimize risk by having clear protocols regarding which vendors employees can purchase from.

4. Compliance risk:

Depending on your industry, you might face unique compliance risks regarding who you can purchase from and how you report that information. Having visibility into spend and a system that defines purchasing protocols for employees can help you reduce the risk that you'll run afoul of laws related to procurement.

5. Macroeconomic risk:

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3. How does tail spend management create value?

You may think of tail spend as more of an afterthought, considering that it accounts for a small portion of your procurement. However, full visibility into tail spend and the ability to better manage tail spend purchasing can create value for your company in key ways such as:

1. Direct cost savings:

If you're not actively managing tail spend, then you might not be getting the best prices for certain products, or you might be procuring unnecessary goods. For example, employees might waste money on duplicate orders for small items such as office supplies if there's no system in place to track tail spend.

2. Procuring better products:

Cheaper does not always mean better value, so if you're not managing tail spend in a way that leads employees to purchase from preferred suppliers, then they might be spending money on inferior products. If you have a system in place to procure better products, these purchases might provide more value to your company through better performance and perhaps by lasting longer so as to provide lower total costs of ownership.

3. Reducing risk:

If you don't have a way to manage tail spend, then you could expose your company to many of the risks as described in Question #2. In particular, having a platform that makes it easier to manage who your employees purchase from can reduce supply chain risk, considering that tail spend otherwise typically includes a large number of vendors.



4. How can my company drive additional value through strategic sourcing?

To improve sourcing capabilities, it is critical to do 2 things:

1. Develop a strategy around how you want to manage your spend and the types of suppliers you want to do business with
2. Develop processes and implement technology to execute your strategy. Procurement platforms can make it easy to set parameters around who your employees purchase from and how; however if you do not have the correct overarching strategy in place, you will likely miss out on key savings opportunities.

We have found it helps to work with a partner that specializes in strategic sourcing to drive additional value at speed. GoProcure's strategic sourcing process includes proprietary methodologies around spend analysis, data mining, negotiation and project management to identify savings opportunities; this process can deliver 10-20% savings on your spend envelope.

Increasingly technology can assist with driving additional value through your strategic sourcing process. Artificial Intelligence and predictive analytics can help you better understand your purchasing patterns and can identify potential suppliers issues in advance. This can have a significant impact in your sourcing strategy.



5. How do I ensure I have the best talent in my procurement organization?

As much as technology can help your company improve procurement processes, these processes can be supercharged with the right talent. The right talent allocation model first starts with defining a talent strategy for your organization.

Depending on your organization's size, you may or may not need a Chief Procurement Officer; we often find the responsibility of procurement to fall under the CFO or another executive, depending on the makeup of the company. Regardless of where procurement sits, it's important to allocate specific responsibility to someone to manage procurement end to end. Driving the right process is important to ensure your organization is protected from risk (any specific purpose leaving) and is set up for scale.

With the right structure in place, you need to look for talent that has the right skillset to immediately drive value. We find three traits to be critical for a strong procurement hire:

1. Subject matter expertise
2. Rigorous financial and analytic skills
3. High EQ

Finding cross functional leaders is challenging - many of the organizations we work with prefer to work with a talent partner to help them continually fill their organization with the right quality of talent to drive a world class procurement department.



Have Confidence in Your Procurement

"World Class Procurement Requires World Class People, Process and Technology"

The challenges procurement organizations face are consistent whether you are a multinational organization or a mid-market business. As procurement becomes increasingly complex, it is most important to have the right procurement strategy in place specific to your organization's need. Surrounding strategy with the best talent, best technology and strong processes enables organizations to capture the most value out of the procurement function.