



Perhaps it's time for procurement to be deregulated?

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“The more things change the more they stay the same”– Jean-Baptiste Alphonse Karr

Being the first to penetrate a particular industry niche often results in substantial rewards. Building or growing an organization and even recovering from supply chain interruptions are all about first-mover advantage. Speed, urgency, agility, and innovation dominate. There is no time for ‘business as usual’. But Procurement is not keeping up with the pace. Procurement departments need to elevate their role from process owner and executor to process enabler and advisor. As noted in recent Gartner® research, "a Gartner survey of IT and BU leaders showed that 20% of surveyed organizations had not used the SPVM team for technology purchases in the last two years.". Procurement support functions are not evolving fast enough to keep up with the pace, volume, and complexity that their organizations need. It's time to introduce self-service sourcing into your organizations.

Introduction

For at least the last two decades, procurement departments have been fighting maverick buying. You may think that leading organizations should have this under control by now. Could it be that because no procurement self-service options have been established, organizations are continuously bypassing the procurement department when spending?

If your procurement department continuously does not meet strategic objectives, is always under time and budget pressure and overloaded with too many tasks, it might be time to engage the end-user community.

The problem is that the external world fluctuates, and organizations are constantly bombarded with change such as:

- geopolitical, social, and climate volatility
- long term sustainability
- proliferation of technologies
- risks are ever-increasing.
- the supplier landscape is changing.
- globalization vs nationalism of commodities
- social equity disparities
- lack of skills and staff retention
- speed in decision-making.
- near real-time data analysis; volume of data available for analysis

Risks are ever-increasing, and the supplier landscape is changing. A lot of time, money, and energy is being spent on large-scale procurement transformations to make procurement more efficient, but this once-off intervention is not enough to keep up with the pace of change.

To help drive spend under management (SUM) when you battle time, budget and skills constraints, follow these five steps.



¹ Gartner, IT Sourcing and Procurement Leaders: Four Steps To Enable Self-Service and Elevate your Role, May 2023
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Analysis

Step 1: Build an executive alignment framework

Build a framework that will enable Procurement to continuously align to the business's needs and effectively engage with executive stakeholders. Whether you are reporting to the board, the CEO, CFO, or CSCO, the key is to ensure that the communication channel is open and that clear dialogue exists on how procurement can deliver measurable value, aligned with the organization's strategic objectives.

Some practical steps to improve engagement:

- Build a stakeholder engagement map showing the effort required for influencing each stakeholder group for the list of projects that Procurement will collaborate on.
- Build a communication plan documenting the goal, cadence, and channel for communication with executive stakeholders and procurement staff.
- Set up regular collaboration sessions to track and discuss progress. Be able to pivot priorities when needed.

The end goal is to make procurement relevant for business stakeholders. They need to see procurement as an enabler of business value, either by addressing risk or making the most of opportunities. Procurement's demonstrable ability to pivot based on changing business needs is crucial in this relationship.

SCP use case for a mining customer

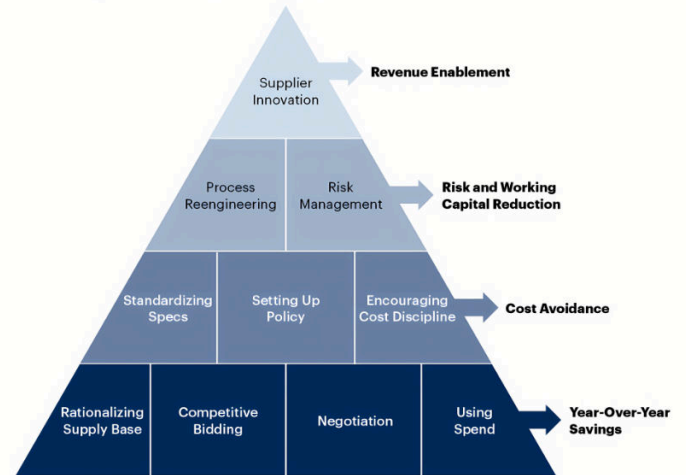
Business stakeholders questioned the value that Procurement added. Procurement had to understand these concerns and build an engagement framework to influence these pain points.



Step 2: Continuous review of procurement value in the light of risk and opportunities

Procurement needs to be clear on rethinking how to measure procurement value. Gartner model below refers to some value levers that can be adopted as objectives or key results focus areas.

Rethinking How We Measure Procurement Value



Source: Gartner
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Gartner, Ignition Guide to Creating a Strategic Plan for Procurement, February 2024

Gartner

Once you understand your corporate objectives and define the procurement goals that can support these strategic outcomes, ask yourself the following:

- What procurement value propositions do my business partners need?
- Which projects can our team drive or collaborate on to support these value propositions?
- Which metrics will prove the value?
- How can we continue to evolve and improve outcomes?

SCP's use case for a mining customer

After an in-depth process that included extensive international benchmarking, our mining customer concluded that they would need to make functional shifts to move to an improved operating model. This operating model would enable, guide, advise, and even designate some activities to end users for a self-service approach, while empowering the business to operate more independently.

Key results and SMART goals were defined to address the following outcomes:

- Avoid unnecessary expenses.
- Reduce contract savings leakage.
- Improve pre-approved managed spend.
- Achieve greater savings through sourcing optimization and standardization.
- Reduce process costs.
- Reduce invoicing processing costs.
- Reduce cost to manage supplier information.
- Reduce cost to onboard new suppliers.
- Reduce effort with managing and creating contracts.
- Reduce time managing contract repositories.
- Reduce effort on sourcing activities.
- Ensure security and support governance.

Procurement organizations need to set clear departmental objectives to apply and enhance capabilities towards existing and new challenges.

Procurement value must be constantly evaluated as business risks and opportunities develop.



Step 3: Transform Procurement from process execution and delivery to a process advisory service

SCP use case for a mining customer

SCP's mining customer realized that for Procurement to be a valued business partner to the organization, they needed to shift their focus from process executor to process enabler and advisor.

This meant that end customers were able to become self-service sourcing specialists. The key philosophy was to:

- guide and empower business partners to execute their own sourcing initiatives
- develop the execution abilities of these buyers
- provide sourcing advisory support from Procurement in the form of an internal advisory help-desk
- develop self-service guides, tools, and templates
- conduct random compliance checks

A - Identify self-service sourcing commodities

To enable this shift, our customer identified a pilot of commodities where risk and opportunity management could be deregulated.

Here are some examples that we have come across that typically entail less than 2% of spend and less than 5% of PO volume.

- memberships
- subscriptions
- entertainment
- team building
- facilitation
- strategy advice
- test services
- auditors
- events management
- investor relations
- branding and marketing
- conference services
- media services

B - Agree a cross-functional RACI with appropriate guardrails

Our mining customer agreed on a cross-functional business partner RACI within the boundaries of risk and compliance guidelines for these pilot commodities.

The procurement department's focus should change from executing on the procurement function to enabling the process. For example, a wide group of business stakeholders are involved with risk management (Risk and Compliance, Audit, Finance, General Management and Operations – quality risk). Procurement's role is to be accountable and to ensure that the risk is effectively governed and controlled across all these stakeholder groups, but the risk department, for example, can be held responsible for the execution.

Here is a sample template that explains the role of this self-service sourcing user, referred to as the 'disciplined self-service sourcing user' (DSSU):

Disciplined self-service user (DSSU):

An end user who successfully completed the required training and who has been authorized through a delegation memorandum to source and contract items on behalf of the mining company that are required in their department or cost center.

Channel	Commodity	Method	End-user responsibility	SCM responsibility	Requirement
Disciplined self-service sourcing	Commodities approved for self-service sourcing	Self-service channel	<p>DSSU will execute sourcing event on digital procurement platform</p> <p>DSSU will release the purchase requisition in accordance with the relevant expenditure approval chain</p> <p>DSSU will execute contract lifecycle activities</p> <p>DSSU is responsible for maintaining contracted items as well as catalog details in approved categories</p> <p>DSSU is responsible for expediting orders for item purchases within approved categories</p>	<p>Define commodities available for self-service</p> <p>Provide guidance, coaching, advice and support to end users when required</p> <p>Review DSSU attitude, behavior, capability and compliance to this policy. Necessary and appropriate actions will be taken in case of undisciplined behaviour</p> <p>Develop self-service training material and guidelines</p>	<p>DSSUs must attend required training and pass competency test on a periodic basis</p> <p>DSSUs must ensure compliance to this policy as well as the mining company's policies and procedures when executing sourcing events</p> <p>Undisciplined behaviour must be remedied by DSSUs, failing which necessary and appropriate actions will be taken</p>



C - Create tools and knowledge sharing articles to support self-service sourcing users

Create checklists, templates, and compliance training for designated self-service users identified by functional leaders.

Typical documentation:

- commodity checklist
- processes
- procedures
- sourcing templates
- contract templates
- procurement training material – designated self-service users
- how-to guides

Step 4: Create a process that enables constant engagement with self-service sourcing users

Clear parameters need to be set for where and when the procurement team of advisors need to be involved to review, evolve, intervene, and support.

Procurement teams should focus on:

- defining data-driven processes that can provide insights on where self-service users can get stuck
- designing process and data-driven checks and balances for commodities that can be flagged if bypassed
- reporting and insights that can give feedback on DOA and approval inconsistencies
- in-process help-desk support via online chatbots, or messaging where insights can be shared with Procurement for continuous improvement
- in-process training guides where insights can be shared with Procurement.

Step 5: Implement an agile feedback loop to enable the self-service sourcing user approach

With any innovation comes challenges. Procurement would need to ensure that the emphasis remains on speed and agility and shortened feedback loops.

To enable the self-service sourcing user or the sourcing business partner model, the following key competencies may be required:

• Expert process advisor

Shifting from applying expert process knowledge when executing tasks to providing expert process advice to business partners through in-transaction guidance, coaching and mentoring.

• Sourcing execution lead

Identifying, evaluating and supporting business partners to develop disciplined sourcing execution capabilities.

• Business partner enablement

Identifying, developing and designing tools, aids, methodologies and processes to make it easier for business partners to execute some of the sourcing activities on a self-service basis.

• Data analytics and business insights

Moving Supply Chain's overall analytics capability from descriptive to prescriptive by developing and implementing tools and methodologies to unlock actionable insights.

• Content enrichment

Working with various internal and external stakeholders to expand and enrich supplier chain content.

Conclusion

- Like any new program, it will be difficult to implement a self-service sourcing initiative without influential executive sponsorship and continuous improvement.
- Procurement needs to find ways to deliver value even if they're constrained by time and their budget.
- The only way forward is to enable self-service users across the business.
- This implies that the procurement department needs to shift its focus from execution to more of an advisory function and that they provide sufficient guardrails for business users to be able to engage as self-service sourcing users.
- Procurement must ensure that the end-to-end procurement process is digitally enabled to support the process with insights driven by data points.
- Procurement ... what do you say? Are we ready to share the load?

Evidence

SCP procurement transformation experience in mining

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