



## Procurement in the spotlight

### *Priorities and Challenges for CPOs in 2021*

The economic shocks and supply chain disruption that emerged in 2020 affected every aspect of procurement—and by many metrics, procurement delivered. Deloitte’s 2021 Chief Procurement Officer Survey revealed that 85 percent of organizations met or exceeded cost savings targets. Yet, cost management is only one component of procurement’s role, and in the post-pandemic marketplace, CPOs are facing increased expectations for high performance across numerous KPIs, including risk management, sustainability, and innovation.

Today, the business spotlight is shining on procurement. The CPO’s role is shifting from that of an operator and steward to a transformational catalyst and strategist. After a year where supply assurance and cost management were essential to maintaining enterprise resilience, now is a time for procurement to step up and prepare the enterprise for growth. Doing so will take transformation for operational efficiency, strategically managing risk, and enhancing and expanding the talent pool.

### **Focused on efficiency, costs, and digital transformation**

In Deloitte’s CPO Survey, for the first time in 10 years, “reducing costs” was not the highest priority. Instead, nearly 78 percent of respondents cited “driving operational efficiency” as the first priority, with 76.4 percent reporting cost reduction as a close second. To be sure, these priorities move toward the same end—cost management—and cost reduction is an outcome. A more effective and efficient supply chain is oriented toward cost management while also driving innovation and growth.

As a part of this, CPOs need to look beyond sourcing decisions and consider how to extract more value from every dollar spent. This takes transformation of processes and workflows using technology that permits deeper insight into spend patterns and demand management. No surprise then that the third highest priority for CPOs, as reported in the Deloitte survey, is “digital transformation,” which has grown from 63.4 percent in 2019 to 76 percent 2021 (nearly commensurate with the priorities of efficiency and cost reduction).

The top three priorities for CPOs are interconnected. In an effort to drive cost out of the system, decisions on supplier relationships may have introduced inefficiencies, risks, and a lack of visibility. Digitally transforming to use modern S2P applications means putting procurement at the core of the business and empowering the CPO to drive strategy, purchasing decisions, and innovation. With a transformed ecosystem of tools and data, enterprises can begin to automate core workflows, use AI to spot opportunities, and deploy a scalable business-owned solution that fosters collaboration.

***Efficiency and cost reduction will always be paramount for CPOs, but those priorities must be balanced against assurance of supply.***

## An imperative for deeper risk management

Leveraging spend and driving economy of scale is valuable, but supply chain risk can jeopardize enterprise continuity. The events of 2020 showed just how actively and deeply risk must be managed.

IN DELOITTE'S SURVEY,

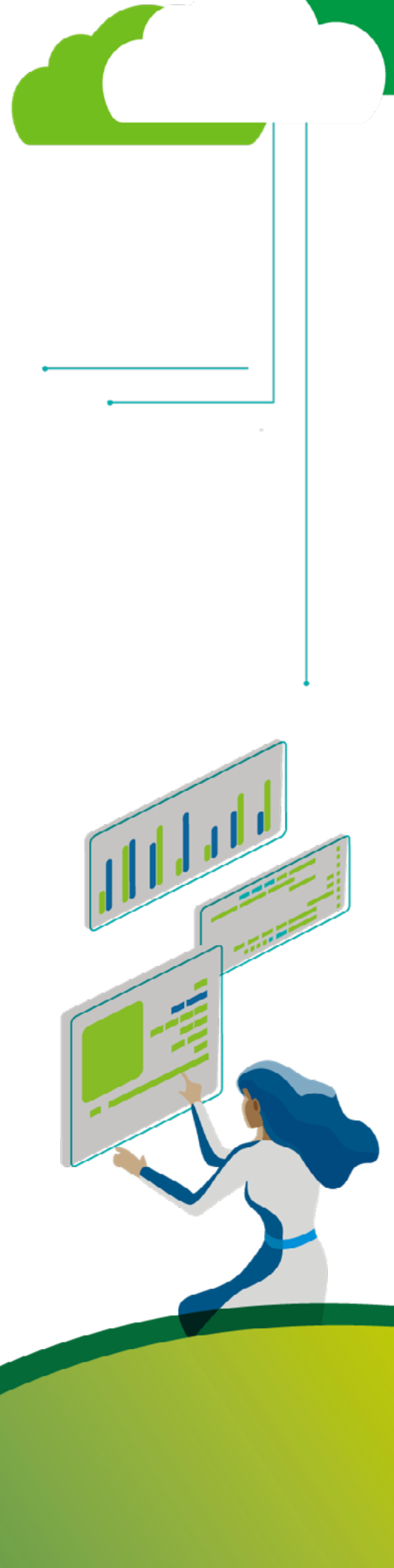
**56%**

of CPOs reported that key suppliers faced bankruptcy or were severely hampered in 2020.

Amid that, only one-third of CPOs reported good visibility on risks to their tier one suppliers and just 18 percent were tracking risk in the supplier base. What is somewhat perplexing is that despite the significant risks procurement faced in 2020, CPOs still ranked “enhancing risk management” as the sixth most important priority over the next year. The number of respondents reporting this priority (67.8 percent) is nearly unchanged from 2019 (67.5 percent).

Going forward, CPOs are called to fully understand the expectations placed on them for restructuring supply chains and more actively managing risk. In a globalized marketplace, visibility into risks across tier one suppliers is not enough. To remain resilient, agile, and predictive, CPOs need deep insight into second, third, and even fourth tier suppliers. They need to be able to see in near real time, whether there is a critical node whose risk profile is changing, whether it is due to materials access, regulatory issues, or geopolitical matters. Without this, CPOs are forced to operate from a place of relative ignorance where they are reactive instead of proactive, irrational rather than strategic.

Procurement organizations that transform to permit visibility across all supplier tiers become market leaders equipped to respond to disruptions from a place of strength, capitalizing on opportunities while pivoting as needed to preserve the assurance of supply. A component of this transformation to world-class procurement is data governance and the implementation of modern S2P applications and efficient processes. From this footing, procurement can begin to apply AI and machine learning to pour through data and identify the full scope of supply chain risks. It is what allows CPOs to build essential contingency plans. So when risks do emerge, the enterprise has the playbook to mitigate them—provided it also has the talent to do so.



## Securing talent and capabilities for growth

In procurement, workforce skill sets are as important as technology. Procurement must be viewed as a core capability that requires conventional skills (like negotiation and contract management) as well as digital and strategic savvy. This is a substantial challenge, as only 50 percent of respondents to the CPO Survey reported having the skills in-house to deliver on their strategies. Currently, according to the survey, CPOs are focused on acquiring technical skills, with 55 percent investing in strategic sourcing/category management and 42 percent investing in sourcing/negotiation.

*Yet, the second highest ranked area where CPOs are investing is digital analytics (49 percent).*

Hiring new talent with analytics skills may be an enduring challenge, as such skills are coveted in nearly every business area, across nearly every industry. Additionally, given how quickly innovation in analytics and AI capabilities is progressing, enterprises require a workforce that is equipped with the foundational knowledge to work with new technology and think innovatively about use cases that can be addressed with emerging capabilities.

World-class procurement thrives on focused investments in capabilities and people. Looking over the last decade of CPO surveys, since 2011, high-performing organizations have been two times more likely to spend greater than four percent of their budgets on training. And even as training budgets have fallen over this time period, the decrease has been three times greater for low-performing organizations. The correlation is clear—high-performing procurement organizations invest in people, including through continuous learning, aspirational talent models, and performance-enhancing tools designed with the end-user in mind.

## Thriving in a time of uncertainty

Today, the vendor landscape is global and complicated. Risks are multifaceted and numerous. Emerging technologies are disrupting strategies and business models. The 2020 pandemic was the wake-up call to transform to meet 21st century challenges; and the procurement organizations that are awake in 2021 are moving quickly to enhance efficiency, manage cost and risk, and grow the business.

Getting there requires trusted data to predict and model outcomes, identify trends and opportunities, and make better decisions. That comes hand-in-hand with moving away from legacy systems to modern applications designed for deep category management and visibility. And all of this takes talent equipped with technical and strategic competencies. Acquiring and implementing these capabilities allows procurement to not only deliver on its topline priorities but thrive and compete at a time when the value to the enterprise has never been more important.

## Ready to begin your procurement journey?

*Please reach out!* We value the opportunity to speak with you, to learn about your challenges and goals, and to share more about how our procurement transformation and Coupa's technology can help you unleash real results with a bottom-line impact.

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