

Procurement's Journey to Excellence: A Blueprint for Embracing Disruption and Driving Growth



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Procurement is experiencing a period of rapid transformation driven by many factors, including changes in the macroeconomic environment, evolving stakeholder expectations, and emerging technologies. These circumstances present procurement with a unique set of challenges and opportunities.

To gauge the most important challenges, priorities, and opportunities facing procurement today, KPMG LLP (KPMG) recently surveyed over 400 global procurement leaders and then joined Art of Procurement for a live discussion about what they learned.

“ We wanted to better understand the challenges that procurement is facing today and the types of things that they are focusing on as they come into the next year and beyond.

We also wanted to learn about the challenges procurement has faced over the last year or two and what they are doing about it.

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Dipan Karumsi

Principal, KPMG LLP
Procurement & Outsourcing Advisory

Challenges Facing Procurement

The volatility of the global economy presents procurement with a complex web of challenges they must continuously work to solve. Escalating inflation rates, supply chain disruptions, and geopolitical tensions all add pressure for procurement, as do marked increases in material and freight expenses. Additional costs demand innovative approaches; procurement has to be proactive, agile, and quick to respond amid such volatility.

However, as procurement leaders report, the fragility of the global supply chain is still a top-of-mind concern. Factors such as the disruptive impact of the COVID-19 pandemic and geopolitical conflicts, like the war in Ukraine, have rendered global supply chains increasingly vulnerable.

Inadequate data management exacerbates all of these challenges, as many in procurement are struggling with outdated systems and technological infrastructure, making it difficult for them to cope with expanding volume and the demands of modern data management.

Key Priorities for Procurement

Improving Stakeholder Relationships

Procurement recognizes the need to build stronger relationships with C-suite executives and other key stakeholders. By forming these connections, procurement can more effectively align their approach with the overarching business strategy, ensuring that their efforts contribute directly to company-wide definitions of success. This collaborative approach not only enhances procurement's strategic relevance, but it also positions them as a trusted partner.

The importance of procurement roadmaps

Procurement roadmaps are becoming increasingly important for achieving alignment with stakeholders in the wider business, as well as ensuring a structured approach to system investments and leveraging emerging technologies such as generative AI. Roadmaps are crucial for organizations looking to ensure their strategic vision for the future becomes reality.

According to the KPMG survey, 84 percent of companies have roadmaps for the next 1 to 3 years, while just over half of roadmaps extend to the 3 to 5-year time horizon.

“In general, a roadmap is a way that organizations can prioritize and define their investments and capability building. Procurement needs to find a mechanism to align with the broader organization and leadership on the vision, the expectations, the role that procurement will play, and the outcomes that the business can expect to get from procurement.”



-Len Prokopets
Managing Director at KPMG
Procurement & Outsourcing Advisory

Investing in new technologies

Procurement organizations need to invest in new technologies to streamline operations, drive efficiency, and deliver value. Generative AI, for example, can provide valuable insights into supplier performance and enable procurement teams to make better data-driven decisions.

“We are extremely bullish on the coming changes from generative AI. Generative AI is coming in on top of orchestration layers and low-code, no-code, and regular AI machine learning. We have identified around 60 procurement use cases that span the gamut of procurement’s scope,” said Len Prokopets, Managing Director in KPMG’s Procurement & Outsourcing Advisory.

Leveling up procurement’s Contract Lifecycle Management (CLM) technology can also significantly improve their ability to mitigate potential risks. The survey revealed that 41 percent of respondents lacked a centralized document repository for contract management, highlighting a critical area for improvement. By adopting CLM technology, procurement teams can streamline contract management processes, enhance visibility into contract terms and obligations, and proactively identify and address potential risks.

41 percent “is an astounding number given it’s a basic technology to at least put your contracts into one spot – let alone clause management and some of the other things associated with it. That technology is widely available. I think organizations might be underestimating what it could do for them,” said Dipan Karumsi, Principal, KPMG Procurement & Outsourcing Advisory Practice.

Managed services for emerging cloud technologies also give procurement the opportunity to more effectively manage upgrades and remove friction for different functions in the business when it is time to scale.

“With the introduction of new cloud technologies, maintaining them post go-live is where we’re seeing more of a move towards managed services for upgrades and enhancements. We are also seeing the introduction of new roles like content management. How do you keep online catalogs and other content up to date? The moment people go into a procurement platform and don’t see pictures, reviews, content, and details, they won’t like the shopping environment, and they are more likely to defect,” said Dipan.

Talent and Hiring Strategies:

The war for top procurement talent persists as recruitment and retention continue to challenge Human Resources teams across industries. The scarcity of skilled procurement professionals is a thorn in the side of many organizations, preventing them from meeting the evolving demands of the business and building the strongest teams possible to meet the supply market challenges of the day.

Procurement teams see this shift in capability requirements as well, and it is leading them to reevaluate their operating models, eyeing third-party services and strategic outsourcing as solutions to talent shortages. This approach aims to offload routine tasks like third-party risk management and procure-to-pay processes, allowing procurement professionals the opportunity to redirect their focus towards higher-value strategic value creation.



Embracing ESG Principles:

The KPMG survey reveals that, although it is not yet at the forefront of short-term priorities for many global companies, Environmental, Social, and Governance (ESG) considerations are poised to redefine procurement practices.

“Despite all the buzz and high expectations around ESG ... current investments are not a priority,” said Len. “What we see as we look to the next set of investments and the next generation of capabilities is that having a sustainable supply chain will jump to the top and actually replace procurement operations as one of the top three priorities.”

This long-term thinking means aligning procurement methodologies with sustainability imperatives and socially responsible sourcing is increasingly crucial. Effective communication channels with C-suite executives and stakeholders will be pivotal in aligning ESG strategies with organizational goals as these types of initiatives gain more momentum.

Conclusion

The path forward for procurement is rife with challenges. From a turbulent global economy to vulnerable supply chains and emerging technologies that are poised to disrupt the way we live and work, these are challenges that demand innovative solutions, agility, and a balanced approach to short-term proactivity and long-term planning and roadmapping.

Procurement must adapt to this changing landscape and seize the opportunities presented by AI, evolving stakeholder relationships, new approaches to recruiting and retention, and ESG initiatives. Ultimately, leading procurement organizations will rise to the top by streamlining their operations, enhancing spend management efficiency, and delivering tangible value to the organization as a whole.