

## The technology agenda: How technology enables change

Getting full value from technology investments requires systemic change; routine workflows, strategic planning and relationships, and performance metrics must evolve to leverage the power of the new toolkit.

Digital technology is remaking the procurement function in two essential ways: it is changing how day-to-day operations are performed and at the same time enabling procurement's higher-level transformation into an increasingly collaborative and strategic function.

Our global surveys of over 500 procurement executives and 500 non-executive practitioners emphasize the importance of technologies such as mobility, cloud, and analytics to the procurement function. Beyond these essential building blocks are more specialized tools for collaboration, such as B2B commerce networks, knowledge exchange and collaboration platforms, and social media, all of which facilitate strategic partnerships inside and outside the organization. Meanwhile, automation of core processes is increasing, and procurement data is in wide use across organizations to drive strategic decision-making.

Getting full value from technology investments requires systemic change; routine workflows, strategic planning and relationships, and performance metrics must evolve to leverage the power of the new toolkit. Change management is a necessity as well, given the speed and impact of transformation. "Introducing new technology is something that happens pretty much every day around here," says Tim Thomas, head of procurement at meatpacking company JBS. But the effort is worth making. Those companies that get technology right will see payoffs in terms of efficiency and the overall value of the procurement function.

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### Tech trends drive change

*Executives say these economic and technology trends will have a significant influence on procurement in the next three years. Responses in rank order.*

1	2	3	4	5	6	7	8	9
Globalization	Commodity pricing	Business networks	Mobile technology	Talent/Skills shortages	Cloud computing	Regulation	Big Data	Geopolitical issues



## Procurement's new toolbox

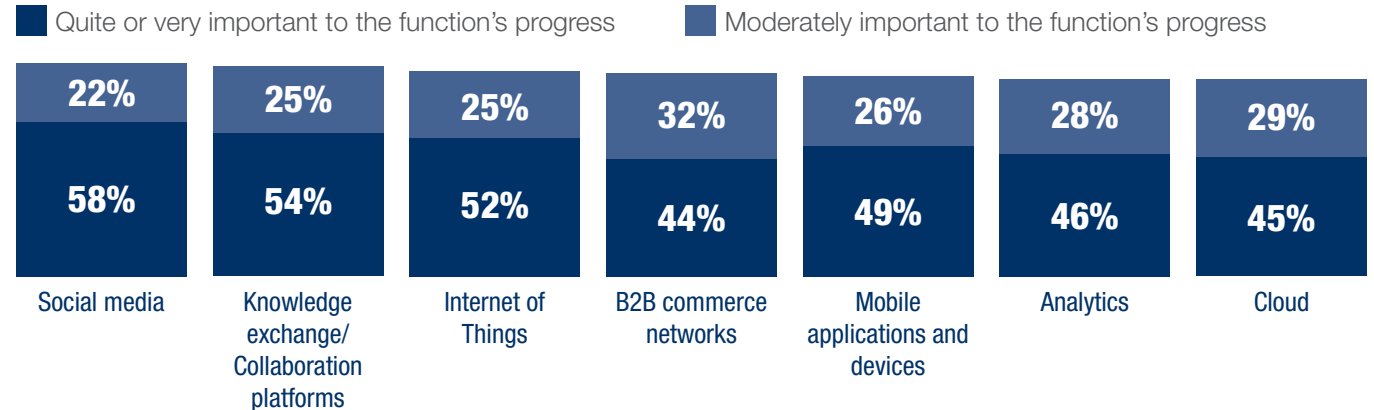
Technology is woven into nearly every step of procurement operations. Executives cite a broad range of technologies as significantly important to the procurement function's progress. That includes newer applications such as the Internet of Things (IoT), as well as B2B commerce networks and familiar collaboration and communication platforms. Practitioners agree, with a majority saying these same technologies are having a major impact on their day-to-day work.

All this technology facilitates greater collaboration inside the organization, and with external partners and suppliers—all at a time when increasing collaboration is one of the function's core strategic goals. The use of knowledge exchange platforms, B2B commerce networks, and mobile apps and devices deepens relationships inside and outside the firewall by enabling real-time information-sharing and communication. At the same time, increased automation of core processes allows much of that collaboration to be strategic rather than tactical in nature.

The broad range of technologies in use allows procurement organizations to capture more data than ever before. This information also enables quicker, more informed decisions that contribute to cost savings and other rewards. "We're able to see things now in two or three minutes that would have taken us a couple of days in the past," says Mr. Thomas.

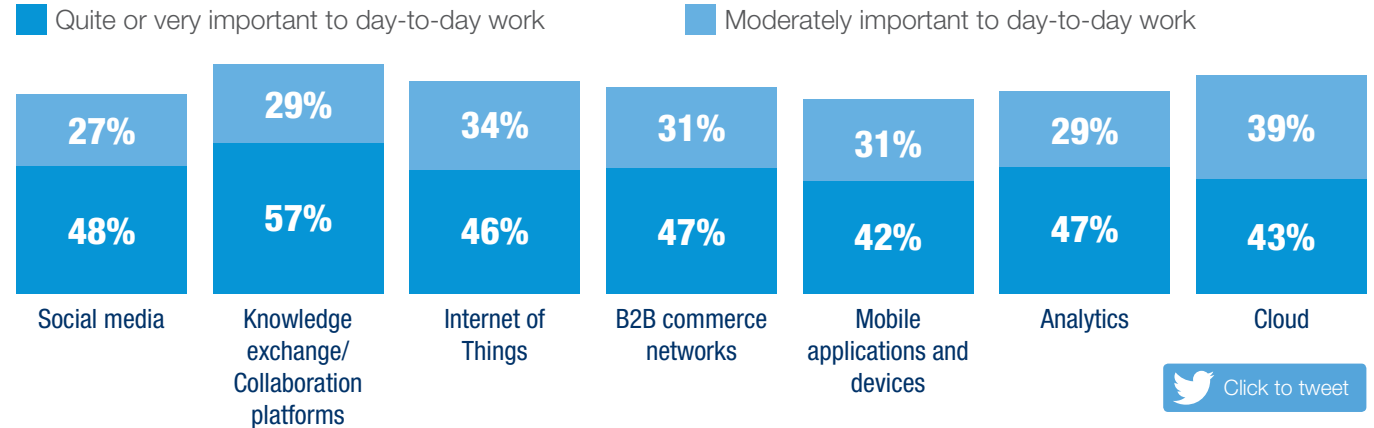
### Technology drives progress

Executives say the following technologies are...



### Technology powers day-to-day work

Practitioners say the following technologies are...



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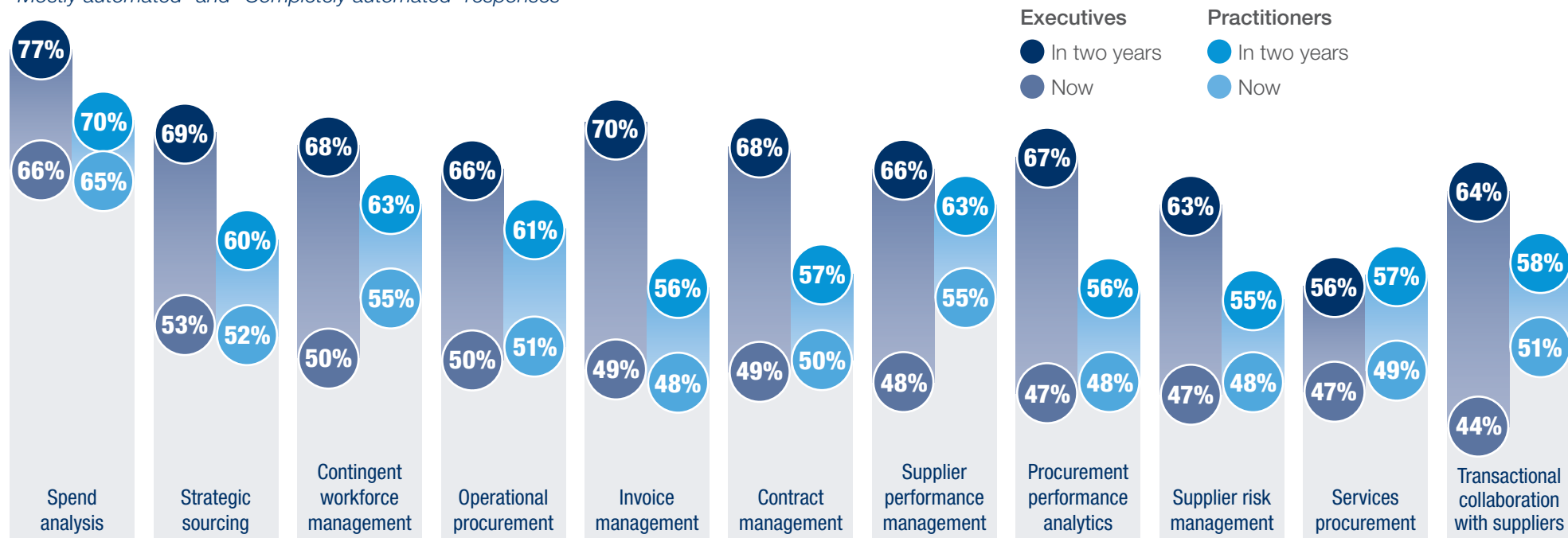
And holding the keys to this valuable information enhances the strategic position of the procurement function within the organization it serves. Over half of all respondents say procurement data is being used across the company for decision support. This establishes the function as a source of insight and innovation. “Procurement increasingly sets the foundation for the strategic intent of the spend,” says the chief procurement officer for a large US-based financial services firm.

## Automating procurement

Automation of procurement processes is happening in a big way—and having an impact at the highest levels. Automated processes are changing relationships with suppliers by shifting the topic of discussion from mundane procedural considerations to more strategic concerns. When static RFPs managed with spreadsheets become collaborative online processes, true partnerships can blossom.

### The state of automation

*As of today, how successfully does your organization automate the following procurement functions? How successfully will these functions be automated in two years?*  
*“Mostly automated” and “Completely automated” responses*



But the spread of automation is not evenly distributed. Spend analysis is furthest along, with two-thirds of both executives and practitioners claiming successful automation of the process today—perhaps because respondents included the use of spreadsheets, Microsoft Access, and other database tools rather than only dedicated software. Other advanced areas include strategic sourcing, contingent workforce management, and operational procurement.

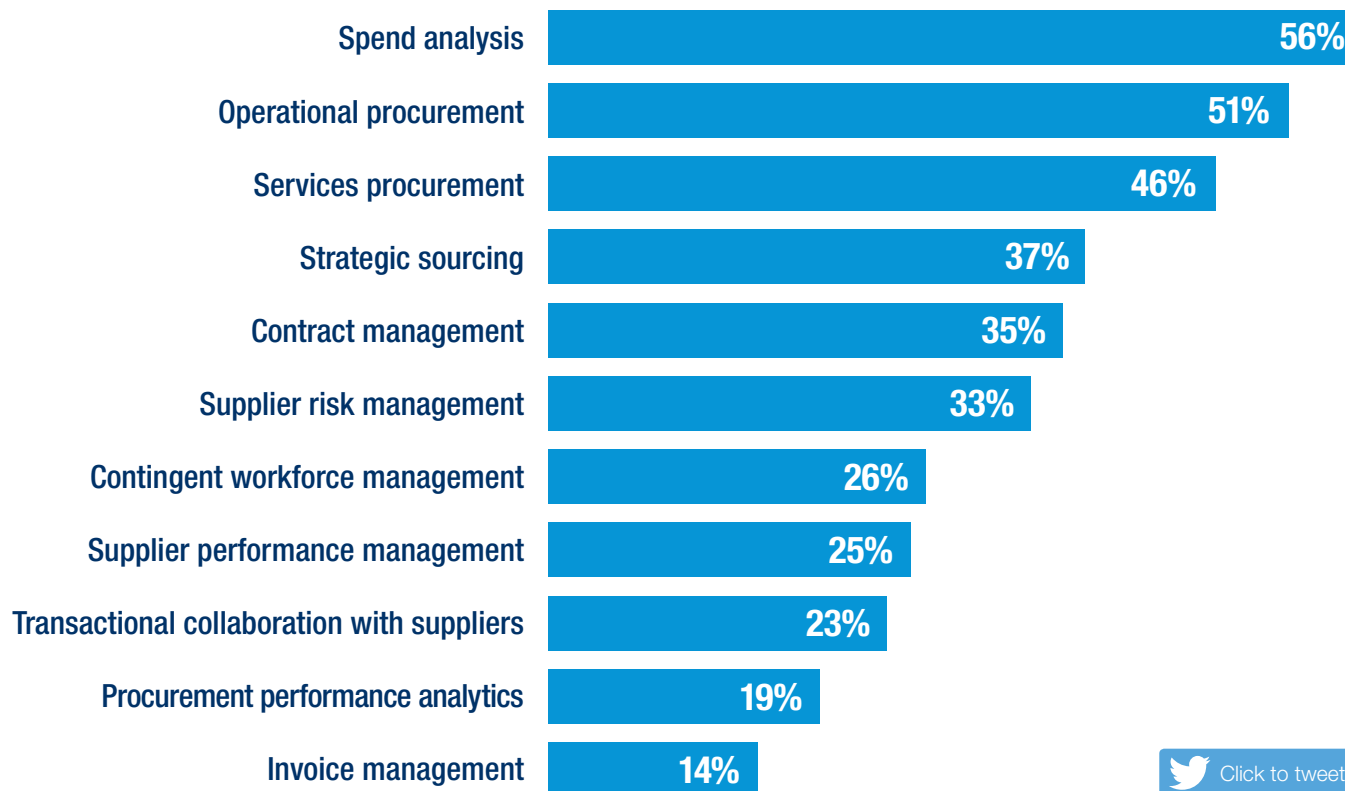
That said, executives are more optimistic than practitioners about the pace of automation within their procurement organizations. In areas such as invoice management and contract management, executives foresee considerably higher levels of automation in two years than the practitioners who use these tools on a daily basis.

## The future of procurement: The technology agenda

According to the financial services executive mentioned earlier, this disconnect may come down to a matter of perspective: while practitioners are focused on their specific roles and responsibilities, executives are more concerned with the big picture. “Being separated from the actual process of doing the daily work may lead executives to be more optimistic about automation getting better,” he says. “But when you are living it every day, it is probably harder to see that there are improvements on the way.”

### The value of automation

*Practitioners say the following process automations provide value by saving time, increasing efficiency, and enhancing insight. Choose up to 3.*



Still, practitioners are seeing considerable value from automation. Automation of spend analysis and operational procurement—among the most mature technologies in this area—are providing the greatest value, with services procurement close behind. The automation of strategic sourcing, while less well developed in many procurement shops, is a significant driver of value as well.

## A focus on high performers

Our survey findings indicate some clear trends emerging among companies with superior financial performance, both in terms of profit margin and revenue growth. These companies tend to be more aggressive in their use of technology across a number of areas.

Among the key findings of our survey:

- Executives from high-profit-margin companies are more likely to cite business networks as a top trend influencing procurement, to say IoT is important to the progress of the function, and to emphasize the importance of mobile applications and devices in two years.
- Meanwhile, executives from high-revenue-growth companies are more likely to use workflow and financial modeling tools to manage risk, while practitioners from this group are more likely to say collaboration platforms, social media, B2B commerce networks, and IoT are important to day-to-day work.



## Risk management and performance measurement in a new environment

Technology and the new capabilities it enables lead to other changes that must be managed carefully. Enhanced collaboration and technological integration bring new levels of risk to the organization. At the same time, traditional measures of performance must be updated to accommodate the digital era.

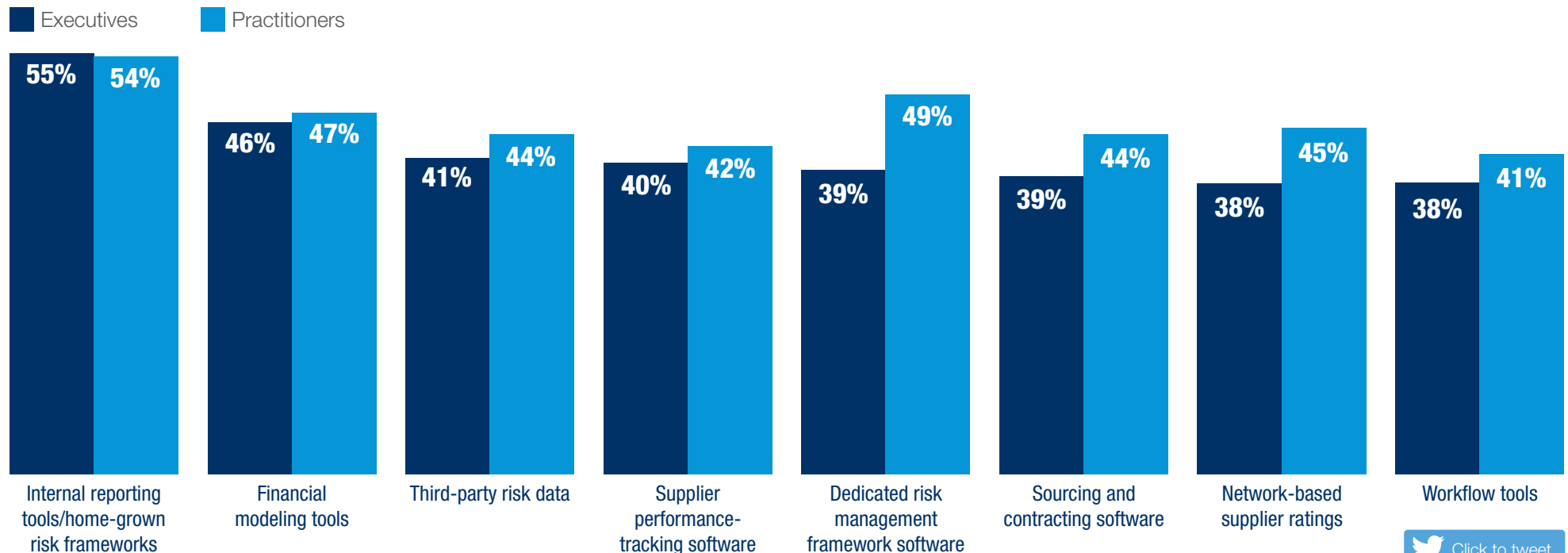
Dominique Gaillard, vice president of financial operations for Verizon, works closely with the big telecom provider's procurement function. He says the company's more strategic suppliers have become so embedded in the business that his team has to use collaboration technologies to address risk management needs. His experience is not unique: while many executives say that increased collaboration with suppliers introduces new risks, well over half of them say that an up-to-date procurement function allows them to better manage it.

The role of technology is critical here. Internal reporting tools, financial modeling tools, and dedicated risk management framework software are among the most commonly used risk-management technologies. More advanced approaches, such as third-party risk data and network-based supplier ratings, are also in use.

Performance metrics also need updating for the digital era. Among the Key Performance Indicators (KPIs) used to track procurement outcomes, those focusing on technology—the number of suppliers with automated collaboration and the number of touchless transactions—are utilized by less than half of respondents. Yet the executives who do use these KPIs rate them as valuable to their organization, an indication of the disconnect between the way procurement is done today and the way value is measured.

### Technology helps mitigate risk

*What are some of the technology-enabled solutions you are using to manage supplier-related risk? Select all that apply.*



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Technology culture must become an integral part of procurement culture for its full value to be realized.



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## Building a technology culture

Technology alone cannot transform the procurement function. Skills and culture must evolve as well if tech-powered procurement is to reach its potential. But finding employees with the right skills, and building the right culture around them, can be a challenge.

“It is very tough for us to find people who are qualified,” says Michael Merlin, vice president of procurement for integrated resort developer and operator Las Vegas Sands Corp. Indeed, survey responses show technology skills are among the hardest for executives to find. And practitioners recognize that their technology capabilities need upgrading. Less than half are very or quite proficient with technology, while one-quarter are slightly proficient or not proficient.

But skills alone are not enough, and technology without the right culture around it is of limited utility. Mr. Gaillard says getting workers to use the new tools made available to them can be a challenge unto itself; the company has had to actively encourage employees to use the purchasing software it developed. Technology culture must become an integral part of procurement culture for its full value to be realized.

## Conclusion

The future of procurement is built around technology. Digital tools that streamline everyday processes, drive collaboration, and add strategic value already have become competitive necessities, and their importance will continue to grow in the years ahead.

Yet these changes in the technological realm require organizations to rethink some longstanding ways of doing business. From supplier relationships to risk management, performance metrics, and human factors, the basics of procurement are being transformed in the digital era.

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