

Procurement's endgame

Attendees at a Procurement Leaders roundtable in Chicago, partnered with Roland Berger, consider ways the function could develop once it breaks the shackles of daily firefighting

One week after Arctic temperatures brought Chicago to a standstill, a forward-thinking group of procurement executives took advantage of the thaw to join a vital exchange of ideas around the hot topic of 'procurement's endgame'.

Gathering in a downtown hotel that was once home to Al Capone's dentist, the talk at the roundtable wasn't of the city's rich past. Instead, delegates were interested in considering how they were going to take their teams to a future where procurement is part of business strategy, using its unique view of the value chain

to drive commercial decision-making. Procurement Leaders and Roland Berger partnered to bring the conversation to life and push delegates to think differently about the opportunity in front of them.

Representing industries from auto manufacturing, telecoms, fast-moving consumer goods, healthcare and beyond, each of the executives provided a unique view while contributing to the shared sense that procurement could evolve if it could break out of reactive mode.

These are some of the key takeaways and challenges that were surfaced in that discussion.

FINDING TOMORROW'S TALENT
Delegates were optimistic about procurement teams' potential to become enablers for the business. But the transition from the process-focused, tactical skill sets that comprise many of today's functions to those of the strategic, data-led innovators of tomorrow is still mysterious.

One executive asked the group: "Where do you find this talent, rather than hoping it finds you? We've found academic institutions a disappointing source". Others commented there were very few – fewer than five, possibly – academic





institutions in the US that could be considered a notable source of graduate talent for procurement. Which wasn't to say that graduates would not be interested in the function; rather, that procurement organisations had no obvious way of getting their presence in front of graduates/developing talent with the right skill sets.

Equally, where few companies have talked about the potential of data scientists and hiring those roles, these dedicated skill sets can feel a world away for many organisations. Although many around the table agreed the future of the function would likely involve greater specialisation of roles – relationship managers, analytics experts, and so on – these were widely seen as either a luxury, difficult to hire for, or often both in today's climate. 'It's not until there's a pull from the business that we feel we're able to look at hiring these different profiles,' said one executive.

REALISING VALUE

There were few arguments with the suggestion that procurement's ultimate goal was to become an enabler of business decisions that drives value to the top and bottom lines. Executives paid particular interest to ways of changing the context of today's challenges to prove procurement's ability to

manifest those capabilities. One executive commented: "We really struggle to have the work that we do be realised by the business. Those savings need to hit the bottom line – those occasions where we've helped stakeholders manage risk or build a relationship with a key supplier; those need to help our credibility, but they get lost all too often." While that wasn't a universal problem for delegates, there were several shared challenges in the same vein.

For many, procurement was at the mercy of the culture in the organisation: did their stakeholders 'get it' when it came to procurement? In that sense, the ongoing mission is to continue to get wins for the business and to demonstrate that specifically. Setting the tone for that conversation, then, is key: "We need to move away from thinking about our stakeholders as customers," said one CPO. "We should be partnering with them to meet business challenges, not always playing the support role."

AMBITION VS PROGRESS

Roland Berger representatives were keen to emphasise the opportunity created by procurement's position of visibility across the value chain: CPOs and their teams could be heavily involved in business strategy and linking supplier

capability to customer needs. But that enthusiasm requires a reality-based strategy. One executive reminded everyone, 'We're always firefighting but we're perfectly able to prioritise – these are the priorities for our business. And sometimes that's managing change happening across the organisation, or responding to commercial pressures, but it's rarely a situation where we can say that we can have a great solution for the business in a year's time once we've tried some new technology – it needs to be done yesterday and at no extra cost.'

Another point of view came from elsewhere on the table: 'There is going to be tremendous cost-pressure in the months, maybe years, to come. But the question is whether that gives you leverage because your stakeholders need you to be bold, or whether that gives you an opportunity to make the case to change something.'

Summarising a deep discussion: procurement professionals in Chicago felt they had to look at small wins to help them gain the credibility they needed to break these cycles, but to truly move the needle, the emphasis had



to be on freeing up resources to focus on key areas. As one CPO said: “We need to get much better at knowing what to stop doing – that’s so often overlooked.”

Teams are still stuck adapting to business and market shifts, however, and the call for them to become more proactive, while important, overlooks the fact that many just don’t know how to do that. One roundtable delegate summed it up: “If you want to be proactive, you probably need better

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video to learn more about
Procurement’s endgame*

people, better technology and a company culture that supports that shift. Otherwise, forget it.”

ASSESSING NEW TECHNOLOGY

Several CPOs at the roundtable commented that while analyst organisations and stakeholders talk breathlessly about artificial intelligence, blockchain and predictive analytics as a way of driving change, they don’t offer guidance on the market itself or how to assess vendors.

For all but very large organisations, there isn’t an appetite to experiment or invest resources in areas in which they lack confidence. One CPO phrased it: “I need to know the value prop. I need the business to understand why we want to invest and I need to know how a technology can fit into our roadmap, because the cost of experimenting is our time, my reputation and the huge risk of complexity.”

This, then, is the barrier to becoming a nimble and curious function: organisations often need guidance on how to think about making investments in solutions. Several CPOs noted that they knew the risks of getting left behind, but they couldn’t get around the risks of wasting their time on something unfamiliar or unproven – which

may suggest why certain large vendors remain so dominant despite the diverse options of the vendor market.

BE MASTERS OF CHANGE

A final thought: procurement leadership needs to be able to anticipate and weather change and reposition its capabilities to take advantage. The Roland Berger-articulated concept of the procurement endgame is vital here: by starting with the idea of where the function needs to be, leaders can build a roadmap to narrow down and articulate procurement’s value proposition to stakeholders to drive towards that goal.

Executives noted the perennial challenges: “My leadership team doesn’t necessarily see the value”; “we can’t find a consistent message that sticks with stakeholders”; and “we talk about capabilities, but we can’t improve everything at the pace we need to.” But the suggestion that teams might be more deliberate in understanding the opportunity to automate, to become more specialised in various ways to address stakeholder needs and become drivers of organisational change, left a powerful message: big decisions lie ahead for those looking to move beyond today’s cycles. ■