



7 Procurement Trends to Watch in 2017

Source One Executives Share Their Supply Management and Procurement Predictions for the Upcoming Year

7 Procurement Trends to Watch - 2017 Edition

2016 was certainly a year for the history books. Between the seemingly endless US Presidential election, the United Kingdom's exit from the European Union, the rapid spread of the Zika virus in South America, and the continued turmoil in the Middle East, it appears there's no corner of the world immune to some form of supply chain disruption. As a result, companies are renewing their focus on their supply chain operations and investing in building a unit equipped to handle the supply management challenges of tomorrow.

While it is still too early to see the impact of some of the 2016 political shifts, there are still commonalities across the industry in how companies are responding the turbulent year. Source One's executive procurement consultants share their insight into the procurement and supply chain trends they've observed over the last year and what they anticipate in the year to come.

Saying "Goodbye" to Decentralized Buying

To organizations who have long established a procurement organization, the idea of *not* having a designated procurement team seems outlandish. However, for many companies decentralized purchasing owned by designated departments has simply been the norm. Over the past year and expected to continue, companies are recognizing the need for centralized procurement divisions for guiding purchasing decisions. Primed by a semi-steady economy, many organizations are experiencing rapid growth prompting a major business need to establish a centralized Procurement and Supply Management Team wholly focused on managing supplier relationships, maintaining contract compliance, and keeping costs down.

Transcendence of Procurement through Transformation

Simply having a strategic sourcing framework isn't necessarily enough for companies looking for a continuous impact. Taking a tactical focus has allowed Procurement groups to deliver on their goal of managing purchases, but as we've seen over the past year: there's a shift in priorities happening for more mature procurement groups. Best-in-class organizations are taking their Procurement focus one step further, driving resources to more strategic, revenue- and value-focused teams. This means assessing and advancing Human Capital practices, tools and technology, processes, and metrics – all with the goal of evolving the function to meet new goals and leverage procurement for a continued competitive advantage.

Changing the Conversation to Action

Year over year, we tend to see and hear similar themed discussions at industry events. *"Tips for Negotiating Better"*, *"X Number of Skillsets for Today's Procurement Professional"*, *"Advantages of Procure-to-Pay Software"* – the list of topics procurement professionals seek additional insight on is endless. The problem, however, is turning these high-level recommendations into actionable strategies within a Supply Chain Management and Procurement department. The surface level information isn't cutting it anymore for supply management leaders who want to achieve results. As a result, companies are seeking actionable roadmaps for improving various components of their organization, whether it be implementing category management plans, improving talent management practices, or investing in new technologies.

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Hiring with an Open Mind

Recruiting is tough, especially when it comes to supply management and procurement organizations. The field is limited on talent, leading many companies to work with specialized staffing firms or seek staff augmentation options. And, even with the expert support, companies still end up hiring the wrong-fit professional or fail to fill their open positions entirely.

The problem? It's not because the talent options presented by these firms who specialize in pursuing passive talent and are equipped with recruiting databases beyond well-known job boards are sub-par. The problem lies within the expectations of the hiring employers.

All too often, employers look to fill positions with a strict idea of the relevant experience and skillsets – usually very specific to their job description, such as direct experience sourcing a specific material or product for X number of years. Consequently, they fail to look more broadly at candidates with softer skillsets such as strong math and data analytics skills, business acumen, and consultative approach that could easily be applied to their available position. Best-in-class companies are catching on to the benefits of taking an abstract approach to filling their open supply management positions. And, these candidates are providing unique skills and perspectives that not only allow them to deliver on their tactical job responsibilities but also challenge the status quo for improving the organization.

Matching Metrics to Maturity

No, measuring procurement's value on savings isn't going away completely, but it is definitely no longer the sole metric. Today's best-in-class organizations are moving well beyond savings to focus on the added value procurement drives such as supply base diversity and supplier driven innovation. These metrics do not necessarily apply to every procurement organization – and they shouldn't. Forward-minded organizations are matching the metrics they track to the maturity of their procurement department. Meaning, rather than applying blanket performance metrics, companies are taking a look at the goals and value they want to see out of their procurement groups and deciding metrics accordingly. As the procurement function continues to evolve so will how their value is measured.

A Blurring of Lines Between Services and Solutions Providers

Without a doubt, the need for external expertise has remained constant as forward thinking organizations steadily seek innovative and creative strategies for solving business challenges. In years prior, this meant deciding between a technology solution or support from a specific service. The need to select one or the other is rapidly dissolving in the supply management space, as the line between solutions and services providers blur. The "Provider of the Future" is one that isn't strictly a technology or services firm, but one that is enabled by technology. More and more companies are seeking an organization that will provide strategic advice and implementation support that is backed by technological solutions.

Building the Business Case by Comparison

In almost all areas of the business, there is no additional persuasion necessary for action than knowing it's what you're competitors are doing. If your competitors have access to detailed market intelligence, your company should too. If your competitors are leveraging an innovative technology for process improvement chances are, so should you. The same is true when it comes to investing in your procurement and supply management organization. And the curiosity into competitor supply management operations is not only growing but also being used as a business case for the direction companies should take within their own operations. Over the past year, companies are increasingly seeking benchmark reports that provide insight into how they stack up to their competitors – a trend that isn't expected to go anywhere. But the key takeaway here is not that you should be doing things *exactly* in the way that your competitors are doing. Understand the *benefits* they're getting, but also understand the *risks* to which they're exposing themselves. Be sure to select the course of action that's best for you – it's not always synonymous with "best in class"



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