



POINT OF VIEW

Create the procurement function of the future today



There's a lot of talk about how digital technology and analytics will revolutionize tomorrow's procurement function. But what many CPOs don't realize is that they can take advantage of the future today.

When it comes to digital transformation, procurement teams are in a unique position: not only can they bring in technology to significantly improve their function but they can also help the business with broader initiatives. Procurement has a deep understanding of the procure-to-pay process, but through category managers, it understands many end-to-end processes, such as hire to retire through HR. Procurement also has the advantage of access to broad analytics to show the impact on performance, and the experts to draw insights and guide action.

But most procurement functions have yet to engage with the business in this way. Indeed many have yet to fully digitize procurement: a study by The Hackett Group finds that only 32% of procurement functions have a strategy to take advantage of digital solutions.

CPOs around the world are stepping up to take advantage of the digital revolution. But how can you make sure your efforts deliver the impact your business expects? First up, it's important to understand that investing in technology and analytics alone will not deliver results. You need to combine it with robust processes, deep functional knowledge, and the right talent.

To help, we've identified five accelerators that will boost procurement's journey towards digital transformation.

Generating value from digital

We know that procurement can't deliver digital transformation on its own. These accelerators (figure 1) will help you take full advantage of new technologies:

1. Have clear objectives that support the business strategy

As a CPO, before you can set the objectives for your function, you must first bring in your knowledge of the wider business strategy and targets. Use your seat at the leadership table to have an active voice in the organization's strategic direction. Go beyond cost savings and focus on outcomes such as:

- **Profit growth:** Drive revenues by improving time to market, accessing supplier-driven innovation, enhancing price-point elasticity, and developing new products and services

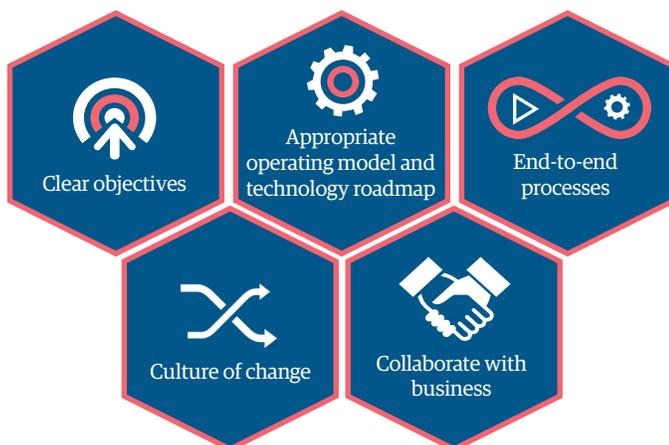


Figure 1: The five digital transformation accelerators

- **User experience:** Give business users a seamless experience when ordering products and services. And improve supplier experiences to become their customer of choice
- **Risk mitigation:** Segment suppliers against a risk framework that includes financial risk, supply assurance, and reputation
- **Operational efficiency:** Standardize and automate processes to improve productivity, efficiency, and outcomes
- **Working capital:** Dynamic discounting can provide data and insights into asset utilization and lease versus buy strategies
- **Innovation:** Collaborate across the supply base to access new ideas

Only then, with clear, business-aligned goals, can you decide which digital technologies procurement needs

2. Rethink the procurement operating model and build a technology roadmap

To make sure your operating model is ready for digital, ask yourself a few key questions:

- *Are your policies and processes standardized to simplify digital implementation?* For example, many companies have rushed to adopt robotic process automation, but without standard processes this technology will struggle to meet expectations
- *Do you have the right resources and skills to deploy digital solutions?* For example, if the function has a high number of category managers but few process or systems experts, a new digital solution could be tougher to implement first time. And once you start gaining new insights from data, do you have the skills to apply critical thinking and make more informed decisions?
- *Do you have a technology roadmap?*

If you want digital to deliver long-term gains, assess technologies across four horizons:

- **Legacy technology:** Your existing technology that delivers value and can inform your digital plans

- **Latest technology:** Solutions like robotic process automation, analytics, artificial intelligence and dynamic workflows. Procurement must understand how they deliver the best ROI
- **Emerging technology:** Keep an eye on what's at the prototype stage, such as blockchain, so you know how they will affect processes and future requirements
- **Future technology:** Understand solutions such as cognitive strategic sourcing, where a robot does much of the sourcing activity, so you make long-term decisions today

3. Integrate end-to-end processes

Procurement doesn't operate in isolation. Your function must become better integrated across its own back, middle, and front office. And also across the business as a whole, with finance and the supply chain in particular, to create an end-to-end process. If digital is going to have a major impact, procurement must be informed by these activities and guide them.

Procurement also plays a critical role in forecasting, planning, controls, and budgeting. That way, budgets and approvals can then appear automatically in the ordering system.

And in supply chain and accounts payable processes, procurement can influence how goods receipts are assigned correctly and consistently, and link through to invoice approval. This will help suppliers get paid on-time with no need for manual intervention.

4. Build collaborative relationships

Having strong relations across the business makes a difference. Technologies need consistent data to be effective and this data sits across functions. For example, when it comes to IT category sourcing, all business functions need to be involved:

- **Finance** agrees the budget, accounting codes, volume forecasts, and auto approvals
- **IT** confirms the specification and product availability in systems, budget approval, and demand forecasts

- **HR** shares the organization's team structures so you can apply the right workflows
- **Supply chain or finance** details the goods receipt process
- **Legal** approves the supplier contracts
- **Suppliers**, once on board, must become part of the end-to-end process so products or services are delivered on time and to the contract

Collaborating in this way makes everyone aware of their roles, which means data from the sourcing activities is where it should be in the ordering system.

5. A culture of change

With a culture that embraces rapid change, experimentation, and innovation, new technology will take hold and create competitive advantage. And as the pace of change is not slowing, procurement functions with streamlined operations will adapt more quickly and be ready to support the business.

With these accelerators in place, you will be ready to realize the full power of today's digital solutions.

Reimagining outcomes with digital

Think big. Reconsider what's possible. You're not looking for minor adjustments. You don't want to be restricted by what's considered best in class. You want a major shift that revolutionizes the user experience and operational efficiency.

There are many opportunities within reach right now if you combine design-thinking techniques, domain expertise, and digital technologies. For example, with design thinking, analytics, robotic process automation, and machine learning, procurement can cut purchase order processing cycle times from 24 hours—previously considered world class—to seconds.

Or consider this: integrating supplier management activities with real-time analytics and artificial intelligence monitoring can provide up-to-the-minute performance

data highlighting potential issues before they happen. This gives buyers and suppliers more time to build a relationship and think about innovations they can introduce.

We're not talking about a utopian vision here. Both of these scenarios are possible with today's technologies.

Bringing it to life

Let's take the process an employee goes through to purchase a laptop. Procurement can deliver real business impact with the following conditions in place:

1. A laptop contract with standard pricing, delivered through an integrated category management and sourcing process, and led by an IT category expert
2. End-to-end integration with finance:
 - a. Budgets with detail down to the team and user level so that policies and supplier contracts guide user choices
 - b. Pre-approved spend within defined budgets for purchase requests

3. Laptop details such as pricing and models, with pre-approval details available in the ERP
4. An ordering portal, like an IT catalog, lets users request a laptop themselves. And with cognitive technology it identifies spend patterns across the business

With all of this in place, the user can request a laptop, receive approval, and have the order released to the supplier within seconds. This brings a number of benefits:

- Procurement has full control over spend
- Users make purchases that comply with business policies
- Users buy laptops at the correct price with no price creep
- Operations staff spend less time processing orders so they can deliver higher value work

These results enhance the user experience, and improve operational efficiency. What's more, the impact helps business grow profits, and manage risks. Digital technologies are opening up boundless opportunities for procurement. These five accelerators will bring the possibilities of tomorrow to you today.

About Genpact

Genpact (NYSE: G) is a global professional services firm that makes business transformation real. We drive digital-led innovation and digitally-enabled intelligent operations for our clients, guided by our experience running thousands of processes for hundreds of Global Fortune 500 companies. We think with design, dream in digital, and solve problems with data and analytics. We obsess over operations and focus on the details - all 78,000+ of us. From New York to New Delhi and more than 20 countries in between, Genpact has the end-to-end expertise to connect every dot, reimagine every process, and reinvent companies' ways of working. We know that rethinking each step from start to finish will create better business outcomes. Whatever it is, we'll be there with you - putting data and digital to work to create bold, lasting results - because transformation happens here, at Genpact.com.

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