The role of procurement has changed significantly in recent years due to accelerating demands to deliver business impact more efficiently. The role of procurement is not only integral for optimizing savings, but also for realizing strategic initiatives that directly impact profit.

Success in source to pay hinges on understanding the procurement function’s maturity. This means allowing it to keep up with business change, stay aligned to strategic goals, and move towards best-in-class.
Procurement has become a cornerstone for opening up market opportunities, enabling innovation, and mitigating enterprise risk. With rapid business change and market disruption, the procurement function must continue to lead in taking advantage of new opportunities.

Digital solutions, big data, and analytics offer opportunities for procurement to accelerate decision-making to focus on strategic initiatives while also improving productivity. The digital world, with greater reliance on mobile applications, is increasing employees' expectations of how procurement should deliver its services by providing quick and easy ways to source and order products, process requests, and find new suppliers.

Many organizations have yet to capitalize on procurement’s potential. Despite controlling 50–70% of a company’s spend with third parties, organizations often regard procurement as a transactional, rather than strategic, function. As a result, focus is on the delivery of short-term, unsustainable savings rather than a cohesive strategy that allows procurement to impact profit.

Without effective assessment and monitoring, procurement functions can suffer from:

- Unfavorable market pricing
- Underperforming suppliers
- Failing supplier relationships
- Limited access to market opportunities and innovation
- Greater exposure to third-party risk
- Uncontrolled business spending
- Inconsistent supply chain performance, and increasing supply chain issues

**An end-to-end procurement assessment**

To gain a comprehensive, end-to-end assessment of a procurement function’s maturity, Genpact’s Procurement Maturity Diagnostic offers a four-step framework (figure 1). The cloud-based solution leverages Genpact’s procurement domain insights, process knowledge, and digital expertise gained from designing, transforming, and running procurement functions for many Fortune 500 clients.

Working with the procurement leadership team, Genpact assesses and defines improvement priorities through a structured set of workshops, and refines those for delivery. The diagnostic establishes a clear understanding of procurement’s capabilities, maturity, and business performance by assessing the function against Genpact’s 24 core procurement areas across the front, middle and back office (figure 2). It also compares the organization to best-in-class to provide a comprehensive gap analysis (figure 3).

The assessment examines the procurement function at different levels of analysis, and is underpinned by key design and delivery dimensions that include:

- Design: process, information, technology, people and controls
- Delivery: service, continuous improvement, risk management and governance

The results are then compared through different lenses including business unit, geography, supplier and business stakeholders. This

**Figure 1: Procurement Maturity Diagnostic framework**
Figure 2: Procurement assessment areas and levels

provides a full view of the procurement function and identifies opportunities to leverage digital technologies, for example, touchless invoice processing and spend optimization.

Simple to understand, yet comprehensive, the diagnostic quickly pinpoints issues, whether they are in a process, region, or category, and clearly shows procurement leadership teams their functions’ strengths and weaknesses. By delivering actionable insights, the assessment informs procurement strategies, and helps set improvement priorities and targets. Underpinned by deep experience in procurement transformation and delivering procurement services, Genpact creates improvement strategies that generate quick and sustainable business impact.

Figure 3: Sample maturity heat-map output
Realizing best-in-class procurement

By acting on the opportunities identified by the diagnostic, procurement organizations can:

- Rapidly increase EBITDA and working capital within six months through activities such as specific category management projects, efficiency gains from rapid process automation, and improved spend controls
- Establish formal procurement strategic direction and deployment to improve business partnering
- Analyze and resolve capability gaps by improving talent acquisition and retention
- Increase ROI by up to 30% by targeting greater efficiency and absolute profit
- Deliver short-term productivity gains of 25% on transactional activities, such as source to contract

By generating actionable insights and delivering greater value to the business, the Procurement Maturity Diagnostic enables a procurement function to become a strategic partner.

Challenge

The procurement function at a financial services firm was underperforming due to ineffective processes and systems, a large number of suppliers, and limited contract compliance. The organization had poor visibility and governance of its procurement operations, and limited integration with accounts payables.

Solution

Genpact introduced its Procurement Maturity Diagnostic, and interviewed key stakeholders to pinpoint issues and opportunities in:

- Category management – Genpact realigned the sourcing organization, and deployed strategic category management practices through supplier scorecards and playbooks, robust dashboards, and automated workflows to track supplier engagement. Genpact also rolled out an e-RFx solution and introduced KPIs to improve sourcing effectiveness
- Redefining procurement processes – To standardize procurement processes and improve transactional efficiency, Genpact implemented tail-spend management and tactical buying, and established a master data management program. Genpact also facilitated the adoption of Oracle to improve contract management and catalog penetration

impact

As a result, the company:

- Optimized $2–$3 million in working capital by reducing early payments by 85% and implementing P-cards
- Improved contract compliance
- Increased purchase order (PO) coverage from 8% to 60%, and improved PO throughput by creating a central spot-buy team
- Realized savings of $10–$12 million by establishing category management and an additional $3 million by introducing purchase-requisition control checks
- Achieved $8.5 million in savings by optimizing procurement processes and increasing organizational effectiveness

Global financial services company uses procurement diagnostic to realize over $20 million in business impact

About Genpact

Genpact (NYSE: G) is a global professional services firm focused on delivering digital transformation for our clients, putting digital and data to work to create competitive advantage. We do this by integrating lean principles, design thinking, analytics, and digital technologies with domain and industry expertise to deliver disruptive business outcomes – an approach called Lean DigitalSM. We deliver value to our clients through digital-led, domain-enabled solutions that drive innovation, and digital-enabled intelligent operations that design, transform, and run clients’ operations. For two decades we have been generating impact for clients including the Fortune Global 500, employing 77,000+ people in 20+ countries, with key offices in New York City, Palo Alto, London, and Delhi.

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