

The Future of People, Process and Technology in Procurement



As the Millennial generation comes of age and enters the workplace, working life in a host of professions is set to change, and procurement won't be an exception. In this whitepaper we look at the changes you can expect to see in the workplace, the procurement department and technology over the coming years and offer some considerations for the future.

Short history of Procurement

In order to consider the future of procurement, it is first necessary to look at its past to see how it has evolved as a function and profession. Whilst the practice of purchasing supplies has long been a part of human history, it was traditionally viewed as a purely transactional process – getting your goods for a good price and getting them from point A to B as quickly as possible.

Before the First World War, purchasing was mainly seen as a clerical function, but as the Second World War unfolded, the role of purchasing grew, as factories and mines needed supplies to support the war effort. In the 1950s & 1960s purchasing continued to advance its standing; as it became a more refined function, the number of trained professionals increased with departmental structures beginning to appear in organisations and a managerial approach took shape. With the introduction of the function to major public bodies and powerful intergovernmental organisations, such as the United Nations, procurement began to turn itself into a better-recognised discipline. Through the 1970s and 1980s, there was a greater focus on purchasing strategy, as more recognition was given to 'value for money' and buying quality, rather than simply buying something 'as cheap as possible'.

In September 1983, Harvard Business Review published a seminal article by Peter Kraljic on purchasing strategy. In it, Kraljic delivered a wake-up call to organisations,

encouraging them to recognise the strategic value in their purchasing departments. Perhaps the most significant change to procurement though - as with most other industries and professions - has been the introduction of the internet and digital technology. With the commercial internet service providers' emergence in the 1980s, people began to realise the potential of the internet and computing as a credible and powerful business tool.

However, it was not until much later that procurement started to adopt electronic solutions, shifting from traditional paper-based functions. As the decade progressed, procurement became increasingly integrated as a corporate function, as companies began to recognise its importance within the overall corporate strategy. This crucial shift in the perception of procurement, and its consequent integration, ignited a broad transformation of the business function, fuelled strongly by the development of supply management software solutions which help automate the process.

How have things changed?

For the seasoned procurement professional of Generation X, much has changed over the last 30 years. When they began in the profession, frequent face-to-face communication, regular phone calls, and desks covered in papers were the status quo. Of course, all that has given way to email-laden inboxes, instant communication tools and social media, and with it, a very different way of working. Moreover, given that Millennials have now exceeded Generation X as the largest living generation,

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this change in working is set to become even more prevalent. With the eldest of Millennials now in their early 30s, we are beginning to see them occupy more managerial and senior positions within workplaces. What this means is they're beginning to imprint their beliefs and values on the workplace, shaping it to how they want organisations and teams to function – that is to say, more transparency and collaboration with a greater emphasis on digital technology and a better work-life balance.

So, in 2016, with expectations of work having changed radically and with each generation having its own zeitgeist and aspirations, employers need to realise that they cannot treat each the same way and must accommodate this medley of generations in their workforces.

Generations of Difference

A cursory glance at studies into generations quickly reveals the stark differences that exist. For instance, with Baby Boomers, work is an addition of self-actualisation, whilst with Generation X they were likely to stay in their first company for the rest of their lives, with a view to working their way up the corporate ladder. They were also likely to get married early, have children and were looking for stability. Unlike the two previous generations Millennials are not necessarily in a rush to settle down and instead of looking for work life balance they are looking for work that will inspire them and offer them flexibility to have it all.

Increased Mobility & Collaboration

Now that there are almost as many mobile devices as there are people in the world and internet is easily accessible for most of us, we have already started seeing the beginning of the change with colleagues, business partners and clients spread around the world.

It is now very common for employees to work in different locations or on the road and still act as a team. This is a huge benefit for businesses as it increases the opportunities to utilise the best talent in the market without needing to tether them to a desk in a single location. It has enabled globalisation of nearly every company and means that all companies, in theory, have the ability to compete for global customers and suppliers.

The future of workplace and procurement lies with the Millennials so in order to understand what is to come, we need to understand them and how they will shape the field.

How will Millennials change the workplace?

Millennials are looking for inspiring, meaningful and challenging project-based work with career growth opportunities. They want inspirational and supporting leadership, and flexibility with the possibility to work remotely. They also expect to have access and input to key decision makers, strategy and the big picture – not just being pigeon-holed to their job descriptions. With the

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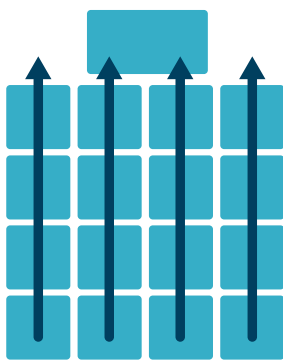
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Millennials taking over the workplace, the structure of companies is evolving from hierarchical to flatter, more team-focused organisations.

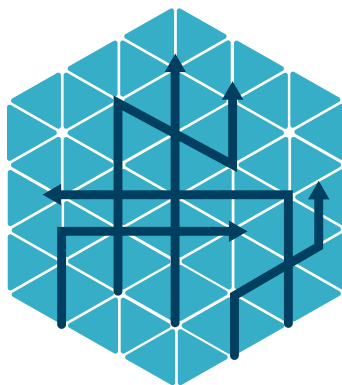
On a more personal level, Millennials also place a greater emphasis on collaboration and societal contributions. As Professor Susan Eisner (2005) explains in her article 'Managing Generation Y', "Meeting personal goals is likely to matter to [Millennials], as is performing meaningful work that betters the world and working with committed co-workers with shared values ... It is a truly global generation, socially conscious and volunteer-minded."

With this in mind, it could be argued that procurement offers attractive career options for Millennials. Now whilst procurement might not instantly spring to mind as a career option, it does present a wide range of global opportunities in different industries, categories and sectors where they can have real responsibility and an impact from an early stage. This is important as Millennials relish new challenges and experiences, and embrace change. Therefore, they are not necessarily looking to stay in the same organisation or career path for the rest of their lives. The knock-on effect for employers is that they need to step up their game to retain the best people, because if Millennials do not feel aligned with their organisation's actions or outlook, they are quite willing to look for opportunities elsewhere.

Career Progression



Conventional Ladder Progression



Emerging Lattice Pathways

Google-like organisations are attractive to the Millennials as they offer the idea of meaningful work within an exciting environment. And while it might sound idealistic, Millennials want a career where work is a passion, not a punishment. Coupled with their preference to work remotely, with flexible work hours, the constrictive 'nine to five' doesn't appeal to them. That's not to say they're lazy because, if they enjoy their work, then they will put in the hours, even if they fall outside of the traditional working day.

With a lot of procurement people seemingly falling into the profession, rather than as a result of a conscious career choice, it seems procurement has an image problem as a dusty, dry and archaic profession that is only surface deep. To appeal to Millennials, procurement needs to undergo a rebrand, and to begin shouting about the commercial clout, global impact and positive societal effects that it can have when done well.

How will Millennials change the procurement process?

No longer viewed as a mundane purchasing function, procurement has started to prove its commercial value to those outside the department; it has demonstrated its ability to create savings and is now focused on unlocking value. Its transformation has taken it from a back-office function to a collaborative and progressive department that is leading change and facilitating innovation in the supply chain.

As a result, procurement is well on its way to becoming a trusted advisor in businesses, gaining a place at the board level where it is adding its voice and influence to business decisions. Procurement will no longer be labelled as the 'department that holds the purse strings' but rather an enviable department, known for its skilled people that can use powerful technology to deliver value, vision and innovation to the business.

For the Millennials who embrace innovation, sustainability, corporate social responsibility and are environmentally conscious, this new-looking procurement department looks very attractive. These engaging topics are ones that procurement has a real effect upon, where, equipped with the right tools such as supplier value management and real-time analytics, it can make informed decisions at the right-time.

Although we have highlighted the traits that differentiate Millennials from other generations, there is a lot that each

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generation can learn from one another. Where one generation falls short, the other can step in to support them. Whilst Generation X excel in stakeholder management and project management, they haven't grown up with digital technology and therefore are typically slower in their adoption of it.

Millennials, on the other hand, being digital natives are much more comfortable with continuously changing technology and for them software is not a nice addition but an absolute necessity as Luis Peluffo Johansen, Global Category Director at Rockwool stated:

“Procurement technology is no longer a luxury but required for good business practice and efficiency optimisation within a procurement organisation”.

So whilst Generation X may be apprehensive towards new technologies that can seem daunting, Millennials can encourage and support them, extolling the benefits that come from using an integrated procurement software; benefits such as reducing manual processes and having greater insight and oversight of procurement data and practices.

How will procurement technology change?

According to Deloitte's 2016 Global CPO Survey, whilst cost savings remain high on the CPO's agenda, more and more they are beginning to focus on increased supplier collaboration and they believe that procurement technology will play an integral role in helping them to achieve this goal.

Right now, most procurement departments are using or implementing at least some kind of a technology solution but for those that have a rudimentary system in place, it won't be long until they find themselves needing a smart tool that can manage everything from spend analytics to supplier value management and purchase-to-pay. Therefore, investing now in an integrated procurement solution could pay dividends in the long-term, with any delay only costing your organisation more in missed potential savings and risks.

CPOs are primarily focusing on the following strategies to deliver value over the next 12 months



Consolidating Spend



Increasing level of supplier collaboration



Restructuring existing supplier relationships

Source: The Deloitte Global CPO Survey 2016

A lot of service providers offer integrated modular systems that allow you to take one capability with the possibility to 'switch on' others at a later stage. So, even if your budget or requirements only stretch to one capability, you can lay the groundwork now for an integrated procurement system and build incrementally from those foundations. Retaining paper-based processes in this digital age is a naïve strategy and one that is sure to leave you standing alone on the platform when everyone else has caught the train.

New design standards will bring increased usability

People favour what they know and by having elements such as buttons and icons within procurement platforms more closely resemble those that you would find in every day digital interactions, it is possible to make the software more appealing and less daunting to use. Moreover, people have come to expect these design standards within software platforms, having invested time to learn these digital cues, and therefore companies will inevitably start incorporating them.

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Tied to this increased demand of improved usability is the concept of personalisation. People already expect personalised solutions instead of generic one-size-fits-all software systems rolled out en masse to everyone in the organisation. In the future even smarter and more customisable software that is tailored to your specific needs will help you make faster and more effective decisions. For instance, smarter software can give you real-time notifications and insight, alerting you to critical trends in the supply chain. Automated notifications of risk, savings opportunities, and supplier relationship improvements enable procurement professionals to focus on strategic initiatives to increase value.

This trend of customisation and personalisation is already underway with current software solutions already offering personalised and integrated dashboards specific to each user. Even today, solutions are also able to map and detail supplier lifetime value across the entire strategic procurement process, thereby providing organisations with visibility into their supply base at every stage.

This trend is set to continue too, with future procurement platforms sophisticated enough to integrate with social media and other open data sources, mining and monitoring them to provide actionable foresight for organisations. Imagine having real-time alerts and updates on market trends, natural disasters,

and geopolitical events that might impact your organisation, offering you the ability to take proactive steps to mitigate risks and commercial calamities. Further iterations of the software would see it become smart enough to identify new relevant sources of data, allowing it to automatically expand its scope of information and improve its own accuracy. What's more, this smarter software will display the data in an accessible and digestible format, customisable to the preferences of the user.

Whilst this smarter functionality is still a few years away, current systems are already expanding in their scope and intelligence. The digital age has allowed us to amass volumes of data from various sources, and modern day procurement systems are starting to tap in to that valuable resource, blending and analysing datasets to produce insights for procurement.

Although it is currently a very manual process whereby data analysts are required to leverage the system tools, we are heading in an exciting direction. For example, hospitals could realise procurement savings from analysing datasets that on the surface seem completely unrelated. They might have a large catalogue of medical prosthesis that they want to reduce to a small selection of the highest quality and best value options. They might realise that by blending together the records detailing which prosthesis models are implanted in which patient, along with patient satisfaction surveys, they could identify which

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brands of prosthesis were most effective, and thereby reduce their expenditure on them. At the minute, this requires the datasets be identified and analysed manually. However, in the future, procurement systems will consider these datasets automatically, aggregating traditional siloes of information to inform procurement decisions and effect greater savings and supplier value.

Is there still a place for procurement professionals?

With all the advances in digital technology set to come our way, you'd be forgiven for thinking the future is looking quite bleak. After all, if these smart procurement systems are capable of thinking autonomously, what role is there for procurement professionals? However, whilst these systems will replace mundane and repetitious actions, a human touch will still be needed to make informed decisions and carry out the human side of procurement; maintaining stakeholder and supplier relationships.

Far from being scary, the future of procurement will help expand the function's role commercially. It will become more customer-centric, focusing on speed-to-market, sustainability and innovation in order to meet customer demands rather than concerning itself solely with cost and quality. In turn, these developments will increase the procurement professional's remit, transforming it into a much more strategic – and even advisory – role that sits more centrally within the wider organisation. Of course, stepping up to that expanded role will require procurement to have the right people with the right set of skills who can act on the information that these new procurement solutions will provide.

Conclusion

As we have discussed, Millennials are set to shape not only the workplace but also the procurement profession as a whole. Their preference for transparency and collaboration will see departments become more open and team-driven, interacting with other parts of the organisation to gain insight and improve overall performance. Their affinity for technology will ensure that procurement software is at the heart of this. Procurement is already well on its way to becoming much more than a cost cutting and savings function and it will no longer be known as the department that won't let you buy the laptop you want. Instead it will be a hub of innovation with a recognised input into business

decisions. While sustainability, corporate social responsibility and the environment are becoming even more prominent topics, procurement will have even larger role to play in analysing risk and taking responsibility of the supply chain.

How can you prepare for the future?

Generation X

- Don't try and stop the change – instead, embrace it.
- Try to keep up with technology changes – ask a millennial for help when you need it instead of forcing your team to work in old ways.
- Be open-minded about the future
- Look to learn from millennials' behaviour – social, responsible, online, collaborative, value driven rather than task driven.

Millennials

- Engage with suppliers, partners and stakeholders on the phone and face-to-face instead of always emailing or messaging.
- Learn from Generation X about thorough project management – technology cannot replace this skill.
- Learn about engagement and buy-in that's at the heart of Generation X's way of working. Communication is not all online.
- Understand that processes might take a little longer to change than you'd like them to.

Preparing the Procurement department

- Align procurement with the wider business needs.
- Move away from a tactical to strategic procurement such as supplier relationship and value management, global sourcing and outsourcing.
- Find and nurture the right talent.
- Concentrate on supply risk management.
- Build relationships with your key suppliers.

Understanding the Scope of Technology

- Implement an integrated tool that can cover not only your current but also your future needs.
- Choose an innovative provider that will be able to partner with you rather than just provide you a piece of software.