5 Reasons To Make Procurement Matter Now

THE SHELBY GROUP

Practical insights for building the business case for procurement automation at your organization

Today's cloud-based procurement platforms offer many advantages for companies seeking to gain greater visibility into—and control over—spend. The e-procurement market is expected to grow from $1.35B in 2016 to $2.75B in 2021.

Senior decision makers at organizations contemplating the adoption of a procurement platform will find plenty of information about the advantages of *doing procurement better* through process automation. What's missing from most of the available literature, however, are insights into how a modern procurement infrastructure can help companies accomplish *specific business objectives*.

Over the past decade, the Shelby Group has helped hundreds of organizations, from leading global brands to mid-tier enterprises, benefit from the implementation of procurement platforms and programs. We know from experience that there is no such thing as a one-size-fits-all business case for procurement transformation.

Five Reasons To Make Procurement Matter Now presents a practical guide for CFOs and procurement experts who seek answers to a fundamental question:

> How can implementing an enterprise procurement platform help accomplish specific business objectives unique to your business?

On the following pages, you'll find five different types of organizations, each with a different set of business objectives. Look for the one or two that most resemble the current state of your organization and you'll find a high-level business case for the role that procurement can play in helping you accomplish your objectives.

1 VISIBILITY: Get out in front of spend to produce accurate and timely financial reporting.

What level of visibility does your organization have into spend? Can you produce accurate and timely accrual reports to paint a clear picture of expenses and profitability? Do you have the purchasing processes and controls in place today to manage spend and improve bottom-line performance?

One of the most fundamental business benefits of implementing an enterprise procurement platform is the ability to better forecast the future by establishing a more accurate picture of the present. Ready to move from reactive to proactive spend management?

Today's procurement platforms offer significant advantages to organizations that have yet to build robust in-house procurement capabilities. Modern platforms create user experiences that make life easier and more efficient, facilitating adoption by employees, suppliers, administrators and approvers.

Concerned about potential complications that implementing a procurement platform may introduce into daily operations? Don't try to transform procurement overnight. Start with the basics of automating AP and PR/PO functions and evolve the procurement function over time.

BUSINESS CHALLENGES

- View into spend is after-the-fact

- Inability to produce timely and accurate financial reporting

- Lack of policy or governance infrastructure

PROCUREMENT REALITIES

- Procurement is a reactive function

- Manually intensive processes and ad hoc procedures

- Inability to predict or control spend

E-PROCUREMENT BENEFITS

- Manage budgets through pre-approval of spend

- Drive spending to negotiated contracts to achieve savings

- Produce timely and accurate financial reports

2 ACCOUNTABILITY: Gain control over budgets and predictability of spend.

How is the procurement function seen within your organization? Is it seen as a business impediment or as a business enabler?

Getting spend under management requires the active involvement, participation and support of business functions throughout your organization. An enforcement approach to compliance with procurement policies and programs rarely results in the levels of cooperation and collaboration required to drive bottom-line results.

Today's best-in-class procurement platforms enable organizations to break down barriers to compliance by digitizing processes and workflows, making life easier for employees, administrators and managers.

Centralized purchase requisitions and catalogs save time and help drive savings while approval workflows and budget monitoring increase accountability.

BUSINESS CHALLENGES

- Siloed business units lack common tools, processes and methodologies

- Limited or ineffective controls over spending

- Inability to drive savings

PROCUREMENT REALITIES

- Procurement functions are slow and inefficient

- Informal sourcing and contract management

- Procurement is transaction-based: phone/fax/email/spreadsheets

E-PROCUREMENT BENEFITS

- Centralized governance for key spend areas

- Procurement and AP functions are automated

- Supply base is rationalized to drive pre-negotiated savings

3

CAPABILITY: Enhance sourcing and supplier management to increase competitive advantage.

Are the different business units and departments within your company effectively managing suppliers to get the best business value? Are they negotiating competitive rates and contract terms? Most importantly, how much time are employees spending on operational procurement issues that take them away from doing what they do best?

Convincing business stakeholders to actively engage the procurement function in achieving these goals can be difficult. And forcing suppliers to change the way they do business with your company can be even more challenging.

An enterprise procurement platform can help you streamline processes and reduce cycle times to make life easier for buyers and suppliers. When properly configured and optimized for your unique business needs, a modern procurement infrastructure can help you transform your supplier base into a value chain that helps drive savings, performance and competitive advantage.

BUSINESS CHALLENGES

• Fragmented supplier base increases operating costs

• Not aggregating spend for better value, pricing or terms

• Inadequate supply chain risk management

PROCUREMENT REALITIES

• Procurement isn't aligned with business strategy

• Lack of supplier base rationalization or proactive vendor management

• No plans for business continuity/risk mitigation

E-PROCUREMENT BENEFITS

• Enhance collaboration and engagement with stakeholders

• Leverage supply chain for competitive advantage

• Embed processes for risk management

4 RESILIENCE: Use P2P levers to respond to changing market and financial conditions.

Control over indirect spend can play a significant role in planning for, responding to and managing changing market and financial conditions. The degree to which such financial governance can be exercised—without significant business disruption—is determined by the maturity of an organization's procurement operations.

Companies without a robust and efficient procurement infrastructure lack the controls needed to plan for and adjust indirect spend across functional areas and divisions. As a result, making needed reductions to indirect spend can be difficult and cumbersome.

Today's best-in-class Procure to Pay (P2P) platforms help facilitate effective budget governance by providing increased visibility into—and control over—indirect spend. Rather than resorting to abruptly implemented spending cuts, more granular adjustments to budgets and approval levels can be planned for and implemented over a longer period of time to minimize business disruption.

BUSINESS CHALLENGES

- Produce realistic forecasts under multiple scenarios
- Standardized processes that are controlled and auditable
- Proactively manage spend according to strategy

PROCUREMENT REALITIES

- Procurement is a reactive function
- Manually intensive processes and ad hoc procedures
- Inability to predict or control spend

E-PROCUREMENT BENEFITS

- Drive bottom-line impact through sourcing and procurement efforts
- Improve cash management through increased visibility and control
- Exert control over budgets

5 AGILITY: Facilitate rapid growth and scalability while maintaining control over spend.

Few phases of corporate evolution are more challenging than the "takeoff" stage, where the enterprise is focused on growing as rapidly as possible.

At this stage, a conflict often arises between the need for autonomy and the need for controls. The lack of internal systems for managing procurement and sourcing results in overspending and impedes accurate financial reporting.

Fortunately, the evolution of SaaS procurement platforms have enabled fast-growing companies to adopt best practices that were once only found inside larger, more mature enterprises. Today's e-procurement systems help companies embed processes to facilitate rapid growth with automated workflows that speed up cycle times while enabling effective spend management, accurate financial reporting and mitigation of supply chain risks.

BUSINESS CHALLENGES

- Rapid growth and uncontrolled spend
- Lack of processes and controls for scaling efficiently
- Inability to produce timely and accurate financial reporting

PROCUREMENT REALITIES

- Procurement creates time-consuming bottlenecks
- No procurement or sourcing governance or infrastructure
- Procurement is seen as an inhibitor to growth

E-PROCUREMENT BENEFITS

- Digitize procurement processes to reduce cycle times and inefficiencies
- Embed infrastructure for spend management and risk mitigation
- Scale faster and more efficiently

Accelerate procurement success
with platform-enabled solutions from Shelby

Procurement departments everywhere face a common challenge. How can you increase transparency, control and compliance in order to deliver measurable business benefits to your organization? Today's cloud-based procurement platforms offer powerful and flexible tools to integrate best practices into daily operations. However, a low utilization of features and misalignment with business processes can negatively impact your success.

The Shelby Group is the global leader in platform-enabled procurement optimization. With hundreds of platform implementation and support engagements to our credit, Shelby can help accelerate your success through each step of your journey with Platform Implementation, Program Optimization and Procurement Operations solutions.

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