



# Stop holding back. Start tackling five common obstacles.

**Five reasons why procurement organizations don't transform—  
a point of view from the KPMG Powered Enterprise team.**

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# Change.

It's critical to staying ahead. Especially for the procurement function, steeped in old habits and long-standing processes that could be slowing valuable progress.

Yet with so many disrupting factors facing the function, it's difficult to know where to start in transforming to a more modern way of working that brings greater value to the business.





## It goes beyond technology.

Many organizations look to solutions that offer artificial intelligence or robotic process automation. But the challenge facing procurement is bigger than simply rolling out the latest digital trend. It's time for procurement to elevate itself and start having a much wider, more strategic conversation.

Helping the function to gain recognition—at board level—by delivering greater value, risk reduction and market insight that goes beyond simple cost savings.

**71%<sup>1</sup>** of CEOs plan to radically transform their organizations' operating model

Procurement must build alliances across departments—particularly with finance and IT—to demonstrate its value. And move beyond a simple, transaction role.

It's vital to get this right, with over half of CEOs saying that acting with agility is the new currency of business.<sup>1</sup> Meanwhile, almost 80% of CIOs say their digital strategy is only moderately effective, or worse.<sup>2</sup> So what is stopping the function from evolving? We look at the five top areas that we see holding back our procurement clients...

**1 Stop misunderstanding what transformation means**  
Often, the right measurements and metrics are not put in place up front in digital projects—but this is a critical step in aligning viewpoints of what success means. For one role it could be increased efficiencies, for another, an improved customer experience. It's important to have a shared vision with clear outcomes that everyone can stick to.

**2 Start reacting to political and business change**  
New and changing regulatory pressures, global political change and uncertainty, and growing consumer expectation all make for a more complex role for procurement. Not wanting to introduce new risk, it's easy to sit still and avoid change. Focussing instead on tightly managing the supply chain and keeping procurement costs to a minimum. But this is causing a lost opportunity for the function. This time of change gives more reason than ever to adopt a more efficient and modern procurement approach that can navigate—and even profit—from these changes.

**80%** of CIOs say their digital strategy is only moderately effective, or worse<sup>2</sup>

### 3 **Start progressing beyond the cloud**

Adopting a cloud platform is the first step. But it is only the first step. How can you maximise your new and more flexible platform? What systems can you start migrating to the cloud? And are you using it to quickly spin up new services, processes or reporting possibilities? Deploying cloud and then stopping at that is akin to doing nothing at all.

### 4 **Stop ignoring the digital talent deficit**

Procurement might be missing the digital skillsets needed to take the function forward using evolved technology, solutions and processes. Dedicated digital specialists are required. They can be acquired by developing existing talent or bringing in new specialists. With supply a challenge in the sector, consider incentives to encourage some staff to retrain where possible.

### 5 **Start focussing on the data**

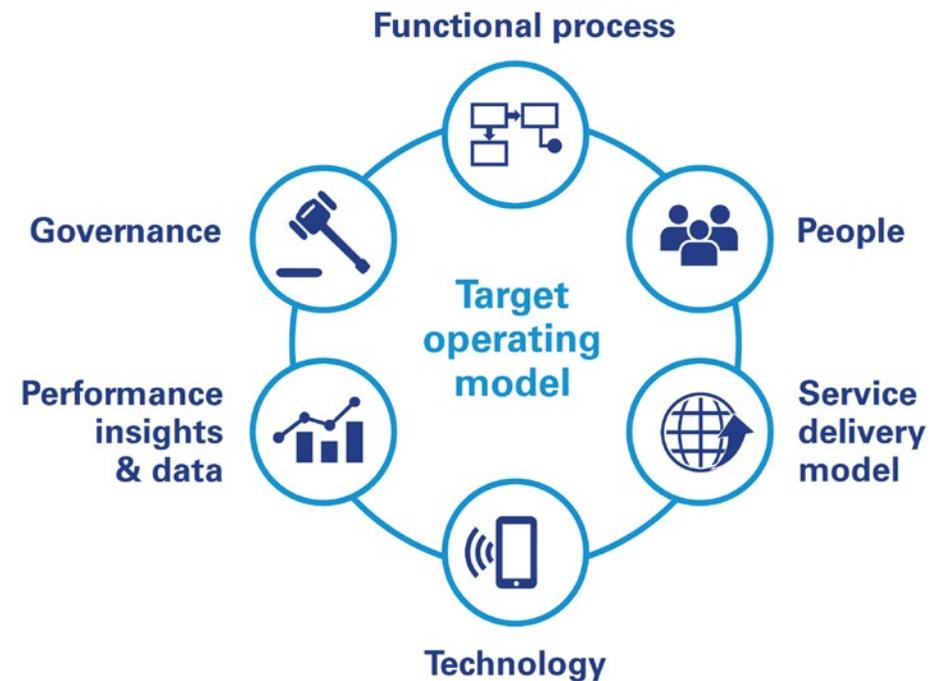
It's often forgotten about, with poor data only discovered halfway through transformation—when it's too late. It's vital that procurement understands where all their data comes from, and where it sits in the business. Particularly given the myriad of data sources that come from working with a complex supply chain. Cleaning that data before any big business change project is critical. And, as mentioned previously, the right role is required to do this. Define who is responsible for taking care of data. Create a new role for a data scientist or similar, so you can determine where the responsibility lies.





# Starting a more strategic conversation.

By addressing these five key areas and mapping out an end-to-end process change project, based on a pre-defined methodology and clear end-state, the procurement function can start to engage in more strategic conversations and bring more value across the business.



# Stop making excuses. Start making it work.

This goes beyond theory—it's borne out in practice. One example is a US-based risk management and insurance services company, which had attempted to integrate its purchasing and accounts payable departments using a software solution. When this failed to provide clarity, they turned to KPMG for a cloud-based approach. This resulted in improved oversight and standardised global processes, which tripled the business' spend under management (a key performance metric). 45% of manual invoicing was transformed to e-invoicing. And 57% of users logged into the cloud solution within the first month of its launch.

It shows that having the vision to transform is only the first step. The appropriate technology must be properly and flexibly implemented, with clear metrics for success and a steady hand upon the tiller. Only in this way can procurement be recognized as an effective function of the future that can run alongside the finance function, and IT too. Procurement must build connections across departments to break beyond its walls—unlocking more value across the business, measuring success beyond simple cost savings alone.



**57%** of users logged into the cloud solution within the first month of its launch



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- build **agile functions** that evolve as you grow
- help your people **adopt and embrace change**
- **exploit new technologies** for value and performance
- **drive future success** with the latest leading practice.

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1 Global CEO Outlook Survey, KPMG International 2018

2 Harvey Nash/KPMG CIO Survey, KPMG International 2018

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