

PROCUREMENT LEADERS

Leveraging
performance
management
to elevate the
strategic value
of procurement



IN ASSOCIATION WITH



Procurement proves its worth with transformative technology

Software advances are helping procurement teams to close the gap with other functions and integrate themselves more closely with the wider business

EXECUTIVE SUMMARY

- The digitalisation of procurement is accelerating. Analysts at Research and Markets forecast the value of the global procurement software market will increase at a compound annual growth rate of 10.2% in the period to 2025.
- While the potential advantages of digitalisation are well understood, many organisations are finding their programmes are not delivering the anticipated benefits because of deficiencies in previous technology offerings. Crucially, these inhibited adoption.
- Sophisticated best-of-breed software solutions are emerging, however. These can be integrated with existing procurement and financial platforms relatively easily and streamline the deployment of digital technology that can accurately track savings while helping to improve organisational agility.
- One particular area that is gaining traction is Procurement Performance Management, which can allow Procurement to build trusted relationships with other functions, most notably Finance, and demonstrate its strategic value to the wider business.

functions can expect further disruption and greater choice in future, leading to better solutions and faster transformations.

“Digitisation has led to the exponential growth of data, which will empower strategic decision-making when harnessed correctly. As such, selecting and implementing the right data and software solutions is critical to any successful transformation,” Procurement Leaders’ report notes.

“CPOs now recognise that upgrading their systems and data flows is essential if they are to transform the function into a more strategic, value-adding business partner.”

It adds that procurement digital transformation roadmaps tend to start with digitising the core procure-to-pay (P2P) process, including invoice processing. When those foundations are in place, the transformation then expands to other foundational procurement and vendor management processes.

HORRIBLE TRUTHS

However, Elouise Epstein, a partner with global management consultancy Kearney, argues that these procurement digitalisation programmes are, for many organisations, being undermined by fundamental deficiencies in the available technology.

“One of my overriding arguments – and it’s not really that shocking a finding – is that, historically, most procurement technology has been horrible. If not the actual functionality, it’s certainly the adoption, and it’s certainly the return on investment (ROI) that is horrible. And procurement technology has nothing to do with being digital. So, over the last few years, many organisations have been severely impaired having overpaid for technology that has vastly under-delivered,” she says. ➔

10.2%

Forecast compound annual growth of the procurement technology market in the period to 2025

Source: Research and Markets

Procurement digitalisation initiatives are accelerating as CPOs around the world seek to enhance their function’s operational effectiveness and strategic value. As this momentum continues to build, new research reveals that these digitalisation initiatives are advancing steadily with a host of sophisticated new technologies rapidly gaining traction.

Procurement Leaders’ *Procurement technology landscape* report notes the solution market has evolved rapidly in recent years: many options are now available to support a broad spectrum of activities. It cites data from Research and Markets that forecasts the value of the global procurement software market will increase at a compound annual growth rate of 10.2% in the period to 2025, which means



“Existing players have failed to deliver. I don’t think there’s any doubt about that. I think there’s a question about where you go from here and how much you mix best-of-breed versus legacy, but you can’t tell me that a \$30m source-to-contract system implementation that failed to live up to its benefits, actually is worth it. It’s not. I have clients with negative ROI on their implementation. It’s not even a debate anymore – it’s more what do you do about it.”

Epstein, who has nearly two decades of experience working with Procurement organisations to architect, design and adopt digital technologies, argues that despite their promises, most procurement technologies fail to deliver digitalisation.

“Take any source-to-pay (S2P) system. Even if you put it in successfully, all it’s doing is managing your spend. That’s not differentiating. That’s not actually setting you up to do strategic procurement and I know that because we are a consultancy and we get brought in to do strategic procurement and we don’t ever use those tools. It is like they’re an afterthought,” she says.

“Even if the platform is working 100% end to end, you’re still not achieving digital.



Even if the platform is working 100% end to end, you’re still not achieving digital; digital is a whole different level of changing what we do in procurement

**Elouise Epstein,
Kearney**

That’s just the basic level of maturity. When we talk about digital; it is a whole different level of what we do in procurement.”

Echoing these sentiments, Pierre Laprée, founder and CEO of Per Angusta, a Procurement Performance Management Software as a Service (SaaS) provider, notes that, relative to other key functions such as sales or HR, many organisations’ Procurement functions are less mature and often lag behind in terms of their strategic technology deployments.

PLAYING CATCH-UP

“In terms of digital transformation, Procurement is possibly one of the worst-equipped and least visible functions in the enterprise. Compare this to Production, Sales, HR – all of these functions have very established methodologies, theoretical frameworks and key performance indicators (KPIs) that have helped them become accountable to the top management,” says Laprée.

“It’s improving, but you don’t have an agreed way of doing procurement. People are still reinventing the wheel. There’s no doctrine, no gospel in procurement as you ➔



When you are a Fortune 500 company, running your business in a spreadsheet cannot work. I believe that's the heart of the issue

**Pierre Laprée,
Per Augusta**

would find in other functions and I think this can be improved. If we want procurement to become more strategic, we need to get this sorted out. We need to put that behind us, so that we can elevate our role. It starts with accountability.”

Laprée believes accountability is much more clearly defined in other functions due to the greater power and maturity of the tools that are deployed to manage and report on their operations. For example, he cites how sales teams benefit from tools such as Salesforce or customer relationship management systems to manage sales pipelines, and how HR uses well-defined KPIs and applicant-tracking systems to manage talent acquisition pipelines. The lack of similarly sophisticated tools for procurement is holding the function back in many organisations, he asserts.

SPREADSHEETS' SHORTCOMINGS

“For procurement, all you have is savings. We have more than 100 clients. I'm not sure that two of them are counting savings in the same way. There are so many variations. And that's an issue because there's no benchmark, nothing to fundamentally measure. With our large client base, what we've replaced in 99% of the cases is Excel or SharePoint. So, this means that the very thing that strategic buyers are doing is simply entering numbers in an Excel spreadsheet and praying for the best,” cautions Laprée.

“I believe that you cannot grow as a function if you don't even have a basic

view of what you're doing in terms of your activity and your contribution. When you are a Fortune 500 company, running your business in a spreadsheet cannot work. I believe that's the heart of the issue.”

Alex Johnston, Principal Analyst at Procurement Leaders, notes that while widely used as a performance management and reporting tool, spreadsheet applications such as Excel have severe limitations.

“Excel is a powerful tool, and one that many procurement practitioners feel comfortable making use of. That said, underpinning procurement reporting with Excel is a limited and resource-intensive approach to a critically important activity.”

He adds that spreadsheet-based reporting is highly susceptible to user error, often relies on analysing and pulling together widely disparate datasets manually and frequently leads to procurement functions working with multiple, incoherent and incomplete versions of the truth.

TOOLS TO DO THE JOB

The *Procurement technology landscape* report agrees that the function has, until recently, lacked effective tools to deliver more strategic value-adding services. It points out, however, that this situation is changing. “Until a few years ago, the technology did not exist to support several procurement activities effectively. Today, however, many startups are disrupting the solution landscape by embracing emerging technologies,” the study notes. ➔



One such strategic technology that is catching the attention of forward-looking CPOs is Procurement Performance Management. Richard Nixon, Head of the UK and Nordics at Per Angusta, notes that Procurement has always recognised the importance of performance management, but has historically lacked mature tools to effectively meet this objective.

“We’ve always done Procurement Performance Management because you’ve got to justify yourselves to the organisation. No matter how much people argue, driving savings and value for money is the first base in scoring a procurement home run. So, certainly, if you don’t get to first base, you don’t pass go, you do not collect £200,” he says.

Nixon adds that, in the past, no solutions have been available to effectively



Richard Nixon, Per Angusta

manage the Procurement function’s performance, but this deficiency is now being addressed.

“There has been a lack of connectivity between Procurement and the day-to-day operational activity of the business. Ensuring your projects are well-monitored, gaining full visibility over their progress and meeting end users’ requests is still widely done manually,” he says.

“There have been real issues around how we have been reporting our performance and, therefore, prioritising where we focus, reporting to management and aligning with our stakeholders. This has been like a missing piece in the jigsaw or it’s been a piece that’s been cobbled together with Excel. But now there are effective and sophisticated best-of-breed tools that can fill this gap.”

PERFORMANCE MANAGEMENT DELIVERS REAL-WORLD BENEFITS

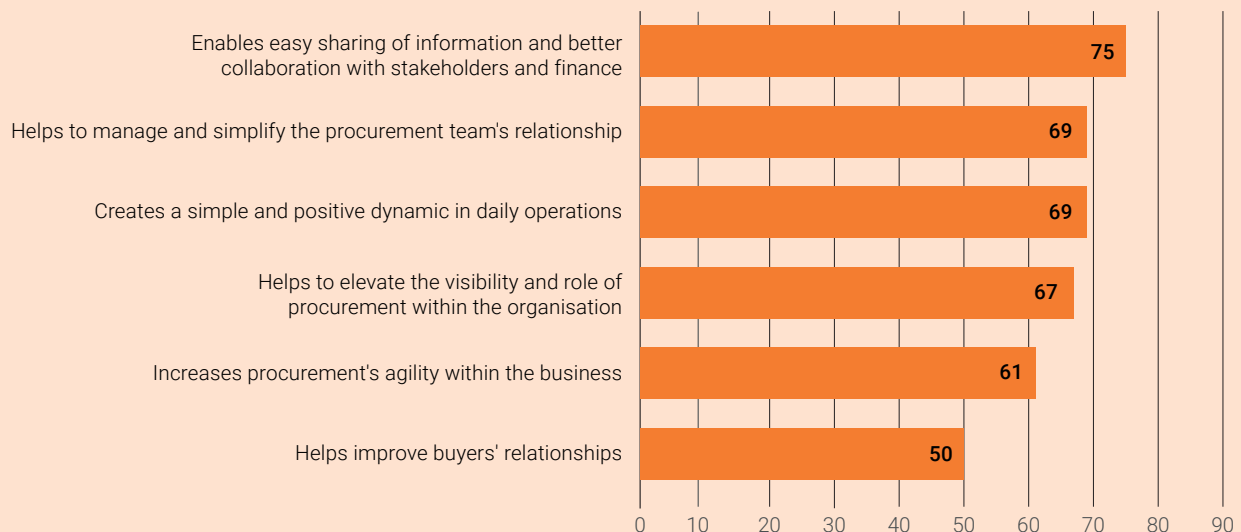
Adopting a Procurement Performance Management solution not only improves the efficiency of core procurement processes but also facilitates the sharing of best practices throughout organisations, according to Per Angusta’s *Customer Satisfaction Survey*, published in March 2021.

The report notes that Procurement Performance Management boosts team alignment, reporting accuracy,

stakeholder alignment and consolidates Procurement as a trusted partner with Finance.

In addition, applying common rules, discipline and transparency means Procurement’s value is better understood by the other business units allowing the team to focus on more strategic tasks, such as supplier innovation, sustainability challenges and risk management (see *Figure 1, below*).

FIG 1: OVERALL BENEFITS OF PROCUREMENT PERFORMANCE MANAGEMENT (% OF RESPONDENTS)





Jason Treida, Per Angusta

47%

of CPOs believe their CFO does not understand their performance indicators

62%

of purchasing directors declared that the finance department does not set targets on the KPIs defined for the purchasing activities

48%

of CFOs rated the quality of information provided by purchasing as medium to poor

Source: *Advanced Observations for Dynamic and Successful Relationships between CFOs and CPOs, Capgemini Invent, DFCG, Per Angusta*

According to Jason Treida, Per Angusta’s head of Americas, agility is key. “You need to be agile in being able to react and use those new solutions to solve your particular business issue at a given point in time. And then you need to be able to change according to your business needs. So, you need to be flexible and agile. We have open application programming interfaces (APIs) that allow our solutions to easily plug into existing platforms so you don’t have to have big development efforts to push or pull data,” he says.

“That’s what I think is completely new in the industry. A lot of the old legacy S2P solutions are going to face a real challenge because they’re not set up that way. So, you can have a strong core P2P system or a strong core ERP, and then you can bolt on the best-of-breed solutions around that. You can be agile and switch quickly instead of going out to the market for a whole new system that’s going to take a year or two to implement and evaluate, and cost millions and millions of dollars.”

BREAKING BARRIERS

Procurement Leaders’ Johnston believes that these new agile solutions are helping Procurement build a strategic value proposition by providing options to define how it wants to support the business beyond traditional narrow cost-savings considerations. He explains how a more sophisticated approach to performance management can link directly to Procurement’s roadmap and help to break down interdepartmental barriers within organisations.

“Procurement performance measurement is too frequently based on siloed considerations of performance, with functions designing their reporting in a way that fails to address the needs of senior stakeholders outside of Procurement. In many organisations, Finance and Procurement are working with a non-aligned set of financial metrics,” says Johnson.

He adds that effective Procurement Performance Management can help to break these departmental silos and enhance communication and cooperation within an organisation – particularly between Procurement and Finance.

“A key challenge is exploring

opportunities to align the reporting and analytics between Finance and Procurement. This can be part of a larger data harmonisation effort, looking at developing and aligning data dictionaries and business glossaries,” he says.

“Talking about Procurement Performance Management has an impact on the way a Procurement organisation works internally, and how we reflect on the function within the broader enterprise.”

DATA-DRIVEN DISCUSSIONS

For Kearney’s Epstein, the ability to share procurement performance data, based on trusted metrics across the organisation, is key to breaking down the divisions that frequently exist between procurement and the wider business.

“We often find Procurement talking on different planes with Finance, Legal or other functions. So, how do we get past that? We actually start to bring data to that discussion to demonstrate our value and then we bring finance along on the journey,” she says.

“It’s about relationship building to get Finance and the C-level to understand the value Procurement is bringing. And we need to be able to clearly quantify this value.”

In this context, Per Angusta’s Laprée points to the September 2019 report, *Advanced Observations for Dynamic and Successful Relationships between CFOs and CPOs*, which was published by consultancy Capgemini Invent, the French national enterprise network DFCG and Per Angusta. According to the study, three-quarters of CFOs who have successfully completed joint initiatives with Procurement report having a level of mutual understanding with their CPOs that is good or very good

Purchasing managers report that the main success factors identified are “the strong alignment established with the Finance department” and “the establishment of a relationship of trust”. This is also linked to establishing common governance and sharing common indicators.

“Through the culmination of the joint initiatives, collaboration between financial managers and purchasing managers takes a better shape,” the study notes.

“Communication is a means of ➔



Transparency and alignment will help you build trust; earning the trust of the CFO is paramount for procurement

**Pierre Laprée,
Per Angusta**

satisfying the Finance department's needs for transparency from the Purchasing department. In addition, better communication will help meet the need purchasing achieve their goal of having more decision support from finance."

Laprée believes CPOs must build relationships based on trust and that they can only earn this trust through transparency. This, he argues, can be best achieved if Procurement can demonstrate to both Finance and the wider organisation that its data is absolutely trustworthy.

DELIVERING GREATER VALUE

"You need to structure your activity, goals, ambitions and results. These need to be laid out in a clear and repeatable way so that you can then provide transparency to your CFO. Once they understand your numbers, then you've built common ground. This is why Procurement Performance Management is so vital; it delivers a single source of truth," he says.

"This transparency and alignment will help you improve the relationship until you arrive at a point where trust is in place, and earning the trust of the CFO is paramount for Procurement. Procurement Performance Management is just about that: it's building this foundation of trust, so you can have the strategic conversations."

Procurement Leaders' Johnston agrees,

noting that CPOs are increasingly targeting a more strategic proposition for the function and are looking to reposition Procurement away from its traditional narrow cost-reduction remit.

"The function needs to pivot towards more holistic value delivery. A more positive narrative that can underpin this pivot – or proposed pivot – is that Procurement is in a unique position as an interface between the business and its supply chain to deliver significant value in areas such as innovation, sustainability and risk," he explains.

"If CPOs want to demonstrate the value that Procurement not only drives currently but hopes to drive in the future, it will need a clear methodology and platform to do so. If Procurement cannot elevate the metrics it uses to assess its own performance, it will struggle to justify resourcing these areas or to build a meaningful strategy to improve contributions in these areas."

Per Angusta's Laprée says: "We already get some of those requirements from our customers. Depending on their size and maturity, procurement teams are willing to embrace new dimensions of performance such as environmental, social and governance, carbon neutrality and codevelopment.

"Standards, KPIs and associated processes have yet to be defined, but those initiatives are paving the way for a renewal of procurement's responsibilities and contribution at a corporate level," he says.

Kearney's Epstein believes tools such as performance management systems can help to increase the strategic value procurement functions are able to deliver to the wider organisations in which they operate.

"Procurement needs to throw cost savings out the window. Just get cost savings digitised and move on. The days are numbered for the CPO who has a focus solely on cost savings. If you're the leader of Procurement, the only way to track your progress on that is through Procurement Performance Management. That's it. You can build it in a dashboard, you can build it any way you want. The reality is that this is Procurement's path to relevance at the board level. It's that simple." ■



Action points

Six steps CPOs should take to optimise Procurement Performance Management

1 Identify: Identify all possible opportunities to reduce spend, cut risk and boost vendor quality. Complete visibility means no sourcing opportunity slips by.

2 Prioritise: Prioritise sourcing projects based on criteria such as value and risk. Reshuffle priorities as necessary.

3 Forecast: Produce a reliable savings forecast for each sourcing project. Build realistic and shared objectives. Enjoy a trusted figure for the total contracted savings your team is committing to delivering in the future.

4 Collaborate: Complete transparency in the sourcing process facilitates collaboration within the procurement team, along with finance and other stakeholders.

5 Measure: Assess progress in meeting your procurement goals. Be alerted to events and bottlenecks that threaten your performance.

6 Communicate: Armed with trusted reports, share your progress with finance and business stakeholders. Adjust your priorities to best meet their urgent needs.

ABOUT OUR PARTNER

Per Angusta is a cloud-based Procurement Performance Management solution that provides increased visibility into the strategic sourcing process, enabling better collaboration and transparency, and providing comprehensive savings reporting to show the value provided by procurement. Representing businesses of all sizes in the public and private sectors, Per Angusta enables procurement teams to be more agile and productive. Enhanced visibility into team performance and improved reporting let teams focus on the strategic side of procurement, creating value and innovation for their stakeholders. Combining flexibility and an intuitive user experience with immediate and significant ROI, Per Angusta is the optimal procurement ecosystem with more than 30 out-of-the-box software integrations.

W: www.per-angusta.com



PROCUREMENT LEADERS

Product manager, partnership products: Steve Hall

Production manager: Peter Ellender

Writer: Robert Jaques

W: www.procurementleaders.com

T: +44 (0)20 7501 0530

Partnership opportunities: Matt Dias

T: +44 (0)20 7819 1029

E: m.dias@procurementleaders.com

© A Procurement Leaders publication in association with Per Angusta. All rights reserved

PERMISSIONS AND REPRINTS

Reproduction in whole or part of any photograph, text or illustration without written permission from the publisher is prohibited. Due care is taken to ensure that the content of this publication is fully accurate, but the publisher cannot accept liability for errors and omissions.



Published by: Procurement Leaders Ltd
Prospero House,
241 Borough High Street,
London, SE1 1GA, UK

