



CPO Game Changer Series

Volume 2:

New and Improved Technology

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CPO Game Changer Series Volume 2: New and Improved Technology

In 2015, a procurement department's ability to use technology to among other things, help scale resources, gain greater visibility, and make smarter decisions should be a critical competency. In fact, a recent Ardent Partners survey of more than 300 CPOs identified the deployment of new and/or improved technology as a critical driver to get a procurement team's performance to the next level. This report examines the value of process automation tools across the source-to-settle process – from upstream, strategic sourcing to downstream, procure-to-pay.

Game-Changing Technologies for CPOs

In 2015, procurement organizations as a whole and Chief Procurement Officers (“CPOs”) in particular frequently find themselves in the untenable position of having to enhance their performance while maintaining the resources that they currently have. Many have reached a plateau in their performance, and are hard pressed to overcome such plateaus without an infusion of fresh staff and/or talent into their ranks. But this alone cannot propel CPOs and procurement teams over the obstacles that lay before them.



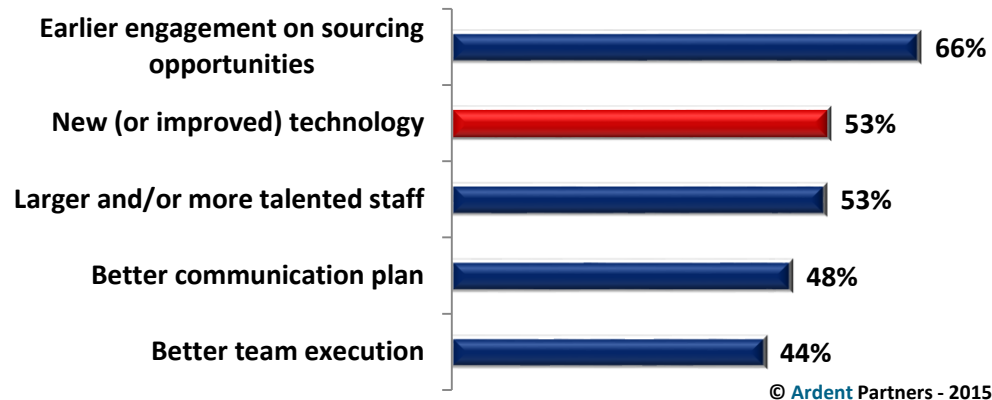
New and improved technology solutions that automate the source-to-settle process can be true game changers for understaffed and overwhelmed procurement organizations. Conversely, the lack of automation across core process areas, in this day and age, leaves CPOs and procurement organizations susceptible to the failures of the past and constrains each group’s ability to gain and maintain credibility and optimize operations and performance.

Given the large number of procurement transformations that have been heavily enabled, if not driven, by the usage of supply management technologies, it remains surprising to see the low market adoption rates of the different solutions (see Figure 2, Page 5). Procurement leaders overseeing fully manual processes are not well-positioned to take on the challenges of the decade ahead. These leaders must understand that the solutions introduced over the past fifteen years can no longer be dismissed as some sort of fad. They should reflect on the longer-term needs of the larger enterprise and understand that they most likely outweigh any short-term challenges that can arise from tackling new projects and introducing organizational change. Progressive leaders are not pulled kicking and screaming into the future; they embrace the changes that can help improve performance and position their teams for future success.

In a recent survey of 318 CPOs and other supply management leaders, Ardent Partners found that a majority of respondents believe that deploying new or improved technology solutions is a game-changing strategy that can propel their organization to the next level of performance (see Figure 1). CPOs that prioritize technology adoption as a top strategy have

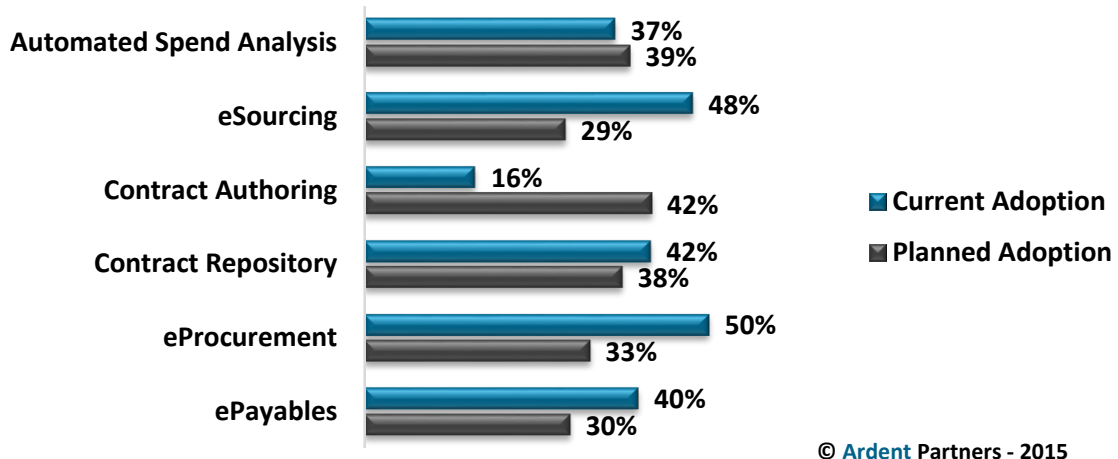
the pulse of market innovations and position their organizations to overcome performance plateaus.

Figure 1: The CPO’s Top Game Changing Strategies



Over the past decade, supply management solutions have become generally more affordable, more usable, and easier to deploy. But as Figure 2 illustrates, current technology adoption remains low up and down the value chain. Ardent Partners research shows that procurement teams that are successful in deploying supply management solutions and driving user adoption see, on average, higher returns than other functional teams (i.e., HR, finance, etc.) do from their technology investments. Given this reality, CPOs should confidently push the case to automate the entirety of their processes and then focus the team on executing the deployment plan and generating a strong ROI.

Figure 2: Technology Adoption – Current vs. Planned



Strategic Sourcing, Procure-to-Pay, and the Full Suite Approach

As CPOs and procurement practitioners prepare for 2016, they have the need *and the capability* for advanced technology solutions to automate and link the source-to-settle process – upstream, strategic sourcing and downstream, procure-to-pay (P2P).

In the context of strategic sourcing, fully-automated solution suites can perform much more of the heavy lifting for procurement teams that often find themselves swimming in data, processes, and tasks. The solutions help to make processes scalable and repeatable, and allow procurement teams to focus more on strategic planning and improvements. For example, automated, **spend analysis tools** can help teams make more informed sourcing decisions, understand internal and external contract compliance rates, and understand how competitive their suppliers are and if they are performing as planned.

Other automated sourcing technologies, like **eSourcing**, can allow procurement teams to scale their operations, conduct more sourcing events, and collaborate more effectively with their supplier base. Modern **contract management tools**, like contract authoring and repository solutions can breathe new life into old processes and bring agility, collaboration, and visibility to procurement teams of any size. Modern **supplier management tools**, like **supplier information management (SIM)**, are additional value drivers for procurement and sourcing teams that are awash in supplier data and need to quickly and accurately access and leverage it. Likewise, **supplier performance management (SPM) tools** blend multiple sources of data to help sourcing teams accurately and fairly evaluate their suppliers' performance, which can determine the status of the supplier relationship.

Procure-to-pay technologies can be real value drivers for procurement teams looking to take enterprise performance to the next level. For starters, **eProcurement** tools bridge the gap between upstream sourcing and value negotiation and downstream purchasing and value realization. In sum, eProcurement tools leverage existing suppliers, drive greater on-contract spend/contract compliance, and link directly with AP/Finance. Likewise, **AP Automation solutions** (also called “ePayables”), digitally and directly link purchasing with invoicing and payment, closing a gap between the two groups where value is often lost. Integration, speed, efficiency, reduced risk, faster remittance, and new savings opportunities are the primary ways that AP automation can be a real value driver for CPOs and AP/Finance leaders, alike.

“Fully-automated P2P tools can provide greater visibility into the needs of the enterprise, and allow procurement and AP to collaborate and deliver them.”

Automated P2P tools that link eProcurement and AP automation on a single platform embody the goals of operational procurement and accounts payable. With procurement and AP linked on either side of the spectrum by a common platform, AP can peer into the buying habits of procurement and better manage invoices and supplier payments, while procurement can better track spending and help reign in maverick/off-contract spend.

Ultimately, linking upstream and downstream processes with a fully-automated and integrated source-to-settle suite can be even more of a game-changer for supply management leaders than automating a single sub-process area or two as the value captured in one area can be magnified across the entire process. For most CPOs and other procurement leaders, that is the ideal, new and improved technology end-game. Even if near-term budgets do not support a suite investment, procurement teams should develop a technology roadmap for the future that contemplates the automation of most, if not all processes.

Conclusion

As business leaders prepare for 2016, a majority of CPOs understand that technology is a path forward for them, their organizations, and their enterprises – one that leads to enhanced performance. Procurement teams simply cannot operate with the same resources and be expected to deliver ever-increasing value to the enterprise. They will need an infusion of fresh talent, process alignment, and technology solutions to propel themselves and the enterprise to the next level of performance. Fully-automated, end-to-end sourcing and P2P solutions can be real game-changers for procurement departments by helping to increase the speed, efficiency, and effectiveness of the operation. Certainly, there are many variables to consider before deciding to adopt and automate. But, for those organizations that can do it, and do it well, a fully-automated source-to-settle solution suite can be a force multiplier for a procurement team, allowing it to scale their skills and expertise and extend the value generated across the source-to-settle value chain.

Appendix

About The Authors

Andrew Bartolini, Chief Research Officer, Ardent Partners



Andrew Bartolini is a globally-recognized expert in accounts payable, sourcing, procurement, and supply management. Andrew focuses his research and efforts on helping enterprises develop and execute strategies to achieve operational excellence within their finance and procurement departments. Andrew is also the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 200 times in eight different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their accounts payable, sourcing, procurement, and supply management operations and his research is currently part of the Supply Chain/Management curriculum at several US universities. He actively covers the technology marketplace as well as trends in sourcing, procurement, supply management, and accounts payable and has been published or quoted in leading business publications including The Wall Street Journal, Business Week, Investor's Business Daily, Forbes, and Fortune, as well as the major trade publications focused on accounts payable and supply management.

Prior to becoming an industry analyst, Andrew developed, packaged, deployed, and used supply management solutions on behalf of enterprises in the Global 2000 while working for Ariba and Commerce One. Additionally, his experience in strategic sourcing (where he managed sourcing projects totaling more than \$500 million in aggregate client spend), business process transformation, and software implementation provides a “real-world” context for his research and writing.

Andrew has been named a “Pro to Know” by Supply and Demand Chain Executive three times and holds a B.A. in Economics from The College of the Holy Cross and an M.B.A in Finance from Indiana University. He welcomes your comments at abartolini@ardentpartners.com or 617.752.1620.

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About Ardent Partners

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