WHITEPAPER

The evolution of procurement: then and now

In 2021 Argon & Co surveyed a group of 200 procurement and finance professionals within the UK, France, Germany and the US on a range of topics within procurement, from the pandemic and Brexit to technology and sustainability.

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This whitepaper is the first in a series, comparing and reviewing the key findings from the survey 2021 survey with the one conducted in 2017

The role of procurement departments within businesses is constantly evolving. The year 2020 will be remembered by many as the year the world stood still and locked down as a result of the Covid-19 pandemic. However for the procurement profession it was undoubtedly one of the busiest years on record, thrust into the limelight due to lockdowns, shortages and stockpiling. Procurement became a word on the top of everyone's tongue.

Are we likely then to see large changes in responses to similar questions between 2017 and 2021? Did the pandemic make a lasting difference to how procurement is perceived and managed within a company? Or has it identified the need for further enhancement of a function that is crucial to most businesses?

To gain insight into this, we purposefully kept some questions identical to or similar to those which were asked in 2017. In this article we review the major differences and similarities identified between the two response sets.

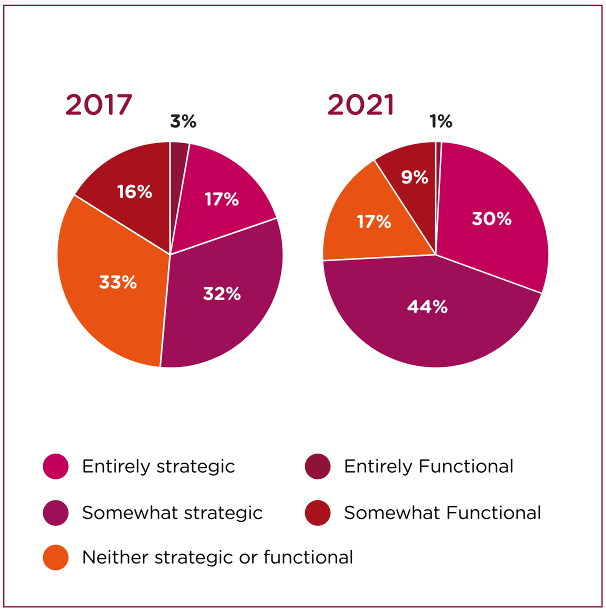
A question of perception

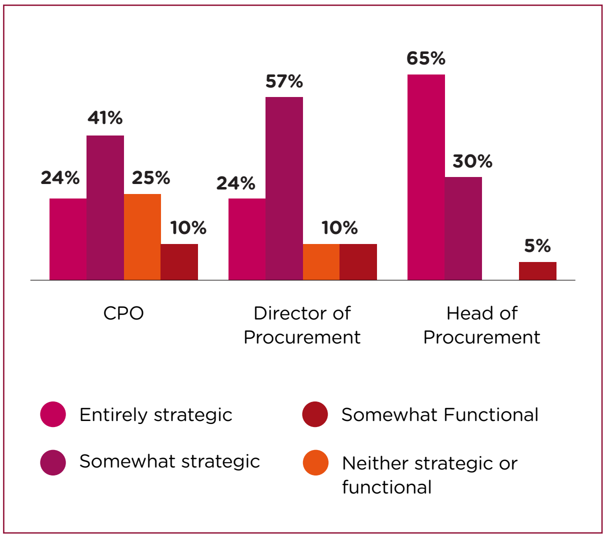
In recent years, procurement has come to be looked upon as a strategic function, particularly by those within the department. In fact, when asked the question of the perception of procurement within the business, 74% of respondents to our survey in 2021 view procurement as either 'entirely strategic' or 'somewhat strategic' – up from 49% in 2017.

It would stand to reason that this is a result of the COVID-19 pandemic, which highlighted the importance of procurement and its potential to enhance, or even salvage an organisation's strategic potential. However, the data also shows another picture, when reviewed with a different lens.

There is some discrepancy among the views of procurement respondents based on their job title: 65% of Heads of Procurement believe that the department is entirely strategic, compared to just 24% of CPOs.

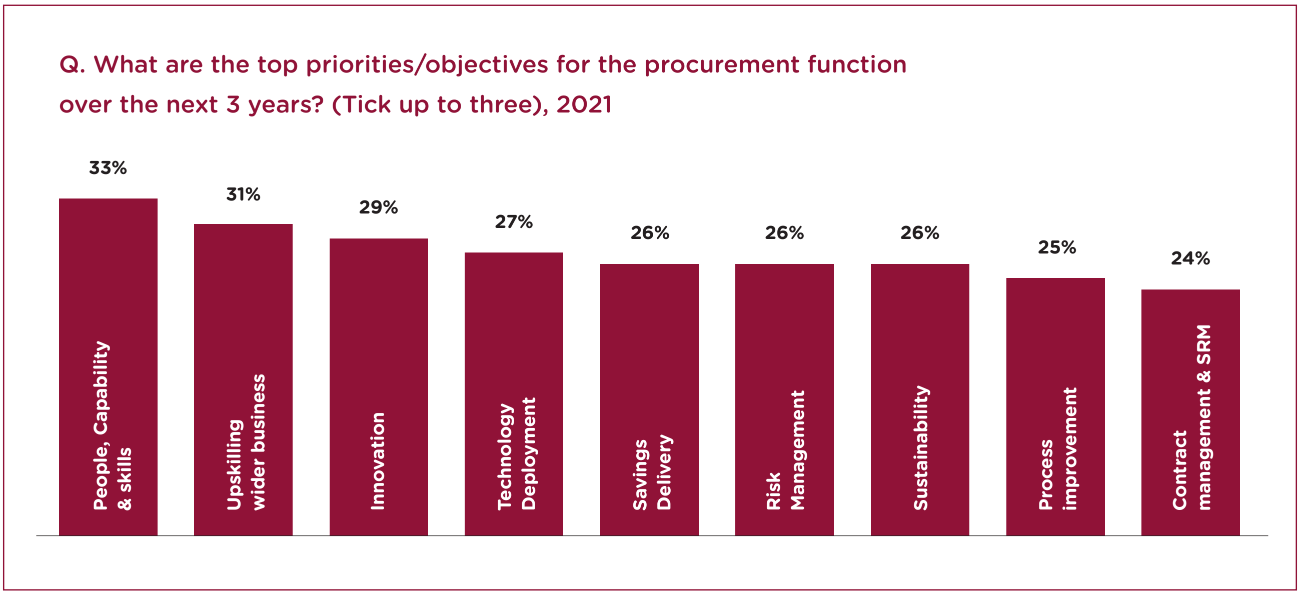
Of course, the question of perception is largely subjective and differing definitions of what constitutes 'strategic' may be contributing to these disparities. Perhaps CPOs have a wider range of responsibilities than Heads of Procurement. As concerns such as ESG (Environmental, Social, and Governance) gain prominence, that which was previously perceived as strategic, is now no longer seen to be so. In general the definition of 'strategic' is a constantly moving target, and procurement is no exception.





Shifting priorities

In addition to the changing perception of procurement from functional to strategic, views on what is most important to the success of procurement departments have also changed in recent years.



In 2017, technology deployment was top priority, with 72% of respondents citing this as the most significant area of focus for their teams over the next two to three years. This year, however, our survey indicates that people, capability, and skills development is the most important priority.

What has caused this shift? Again, COVID-19 seems likely to have played a role. The pandemic has illustrated that it is people that provide organisations with true resilience. Even equipped with the most advanced technology, without people that know how to use it, and communicate with other departments, technology is effectively useless.

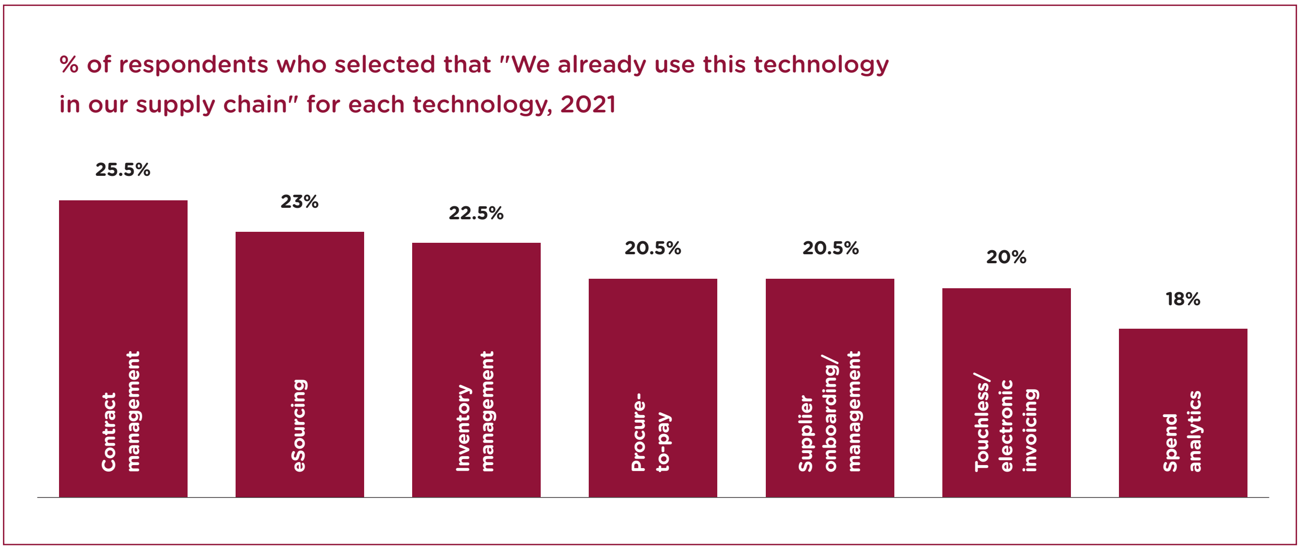
It is also possible that technology deployment is no longer a priority as this goal has been more or less achieved. What has become apparent is that the need for people to know how to use the technology is more important now. This could especially be the case if previously there has been an underinvestment in procurement resources, resulting in an increased need for training, that has been illuminated by the stresses of multiple supply shocks over the last few years.

System choice consistency

While there have been some dramatic shifts within procurement departments in certain respects, in others, consistency has prevailed. For instance, when it comes to system choices, in both 2017 and 2021, Contract Management systems appear to be the most prevalent, with eSourcing being the second choice in both years too. This may be an indicator that procurement technology, whilst increasingly varied in terms of available options, has made a relatively insignificant impact in the last four years.

New technology types haven't penetrated procurement functions and changes have been marginal, perhaps this could be another reason for the shift away from technology deployment when it comes to procurement priorities. The lack of change in this area could also reflect newer, different technologies in other areas that are making an impact – meaning investment is spread more thinly across different areas and the budget of procurement departments is being squeezed. The spread of technology penetration, whilst generally low at between 1 in 4 and 1 in 6, is consistent across all of the major system segments. This could indicate that the large, modular S2P (Source-to-pay) systems, that cover many of systems that add most value to them, some of which could be innovative technology covering ESG or supplier risk.

However, the classic and easier to implement systems, like eSourcing and Contract management, are still leading the pack. A possible explanation is linked to data quality and availability; both systems require a relatively low level of integration and master data management. As Clive Humby said way back in 2006, “Data is the new oil”, so it feels that procurement still has more to do to catch-up and make the most of the data available to it as a function.



What next?

Back in 2017, the year 2020 felt like a momentous number as the start of a new decade. Nobody could have predicted the impact it would have had on the world though. The procurement profession, whilst stretched, was thrust into the limelight and we can see the reaction to this in our survey results.

Whilst it’s unlikely another earth-changing event will occur in the next four years (we all hope!), There will be constant change in the world we live and work in. Procurement is always going to be at the fulcrum of such changes so it needs to make sure it keeps up. Personally, I’m hopeful we’ll be able see that change in the next edition of our survey without the need for a global pandemic!

Survey methodology and demographics:

The survey consisted of 200 professionals with either a Head of, Director of or Chief Officer role within Procurement or Finance. Respondents worked across a variety of sectors at companies with revenue ranging from £250m to £5bn that were based in one of four countries: the UK, France, Germany the US. There was an even split of procurement and finance professionals as well as countries represented in the responses. No one industry made up more than 35% of responses.

About Argon & Co

Argon & Co is a global management consultancy that specialises in operations strategy and transformation.

With expertise spanning the supply chain, procurement, finance, and shared services, we work together with clients to transform their businesses and generate real change. Our people are engaging to work with and trusted by clients to get the job done. We have offices in Paris, London, Abu Dhabi, Amsterdam, Atlanta, Auckland, Chicago, Dusseldorf, Lausanne, Melbourne, Mumbai and Singapore.

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James has experience in procurement consulting and UK government, focusing on cost optimisation, outsourcing and process improvement, including optimising the use of technology. He has industry expertise in private equity, healthcare, manufacturing financial services and technology. With proven success in developing and leading large-scale transformation projects, procurement digitalisation, and cost optimisation on time and within budget.