



Procurement – the challenges and its changing role

Procurement is becoming an integrated function – fully embedded into business processes – that supports your end-to-end value chain and business ecosystem of customers and suppliers.

The key grip in a film crew. The back four of a soccer team. The quartermaster in an army unit.

What do they all have in common? It's this: while they may all lack the glamor of the stars of their respective shows, they are all of them vital to collective success.

Take the last one, for instance. Quartermasters don't train the troops, or lead them into combat – but without them, there would be no food, fuel, or water. Or clothing. Or field services.

Procurement in business is just the same. It's a beyond the scenes function, but it's vital – and it faces challenges.

Cinderella, disconnected

Those challenges fall into two broad categories.

The first is this back-room, Cinderella status. It's not glamorous, and so the value it brings to the business is not understood by the rest of the organization. It's seen as functional or maybe tactical, rather than strategic. In many cases, it has

to compete for talent with other parts of the enterprise, which leads to retention issues for key members of staff, who may feel their career prospects would be better elsewhere.

The second can be summarized as disconnect. Procurement's role makes it prey to multiple, non-integrated processes and systems, making it hard to share data or to achieve visibility across the organization. It's not the lack of integrated systems, either: frequently, systems are also outdated and leave gaps in the process, leading to excessive manual processing and a poor experience for end-users.

The disconnect extends to supplier interaction. Procurement often has only limited visibility of the picture beyond its major suppliers. There are challenges in interactions between procurement and other parts of the business, such as operations, business, IT, and finance. As a result, business stakeholders don't keep the procurement team in the loop when they begin to work with suppliers. This means that, in turn, there is less collaboration with, and management of, the supplier portfolio than there might be, and weaker risk processes, too.

A new and better future

Many organizations are waking up to these challenges. They see that a new and better future for procurement is possible.

This is a future in which the procurement function is digitally woven not just into the operation, but the strategy, of the business. A centralized organization model can, for example, facilitate innovation and competitiveness, rather than merely act in a fulfillment capacity. This same model can incorporate the increased use of shared services and business process outsourcing (BPO) for service delivery, maintaining a sustainable set of processes and metrics for managing the external team. A Center of Excellence can carry out strategic activity, and digitization can make the most of the efficiency and value of sourcing and procurement tools and enablers.

A new role for procurement will also see supplier relationships improve. When data is better managed, suppliers can be better profiled – but also, innovation can be more easily initiated, and better monitored. Better supplier management also makes it likely that procurement can play a greater role in meeting the organization's corporate social responsibility (CSR) commitments.

Also, right now, the skills of the procurement team are frequently misaligned to the changing needs of the business, especially in the areas of digitization and analytics – but the growing awareness of procurement's potential is increasing the pressure to implement bespoke training and digital skills programs. This is another way in which the procurement role is evolving.

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- [Procurement – going frictionless](#)
- [Procurement – real-world transformational benefits](#)

Procurement is changing in order to address broader issues, too. The global pandemic has, of course, made an impact on businesses' ability to meet their own supply requirements, and has created a greater need for flexibility.

In addition, and finally, the drive for sustainability, which is now pretty much universal, means that organizations are collaborating ever more closely with their suppliers to reduce the ecological footprint of product sourcing.

Integrated procurement – frictionless and intelligent

In short, we are witnessing a significant change in the role of procurement within the enterprise. In response to new as well as long-standing challenges, there is pressure for it to become an integrated function supporting the end-to-end value chain, fully embedded into business processes, to increase the extent to which it supports customers and suppliers alike, as well as the business as a whole.

In the next article in this short series, we'll take a look at how digitization can facilitate this change. A [frictionless approach](#) to procurement, incorporating technologies such as cloud, artificial intelligence (AI), robotic process automation (RPA), and blockchain, will tackle the disconnect issues, and increase the efficiency and value that procurement can bring to the business.

As we'll see, when all this happens, and procurement goes frictionless, then, perhaps, it will get the recognition it deserves.



Greg Bateup (Head of Digital Procurement Services, Capgemini's Business Services) has worked with clients to deliver business transformation and BPO services for almost 30 years. For the last few years, Greg has focused on the digital transformation of the source-to-pay function, and how organizations can not only drive efficiencies in the procurement function, but also drive compliance and savings.

To find out how Capgemini's [Digital Procurement Services](#) offer maximizes your digital investment to drive frictionless processing across your procurement function, contact: businessservices.global@capgemini.com

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businessservices.global@capgemini.com