



Your 2020 Playbook for Technology Sourcing Strategy:

ProcureCon's Annual CIO-CPO Study

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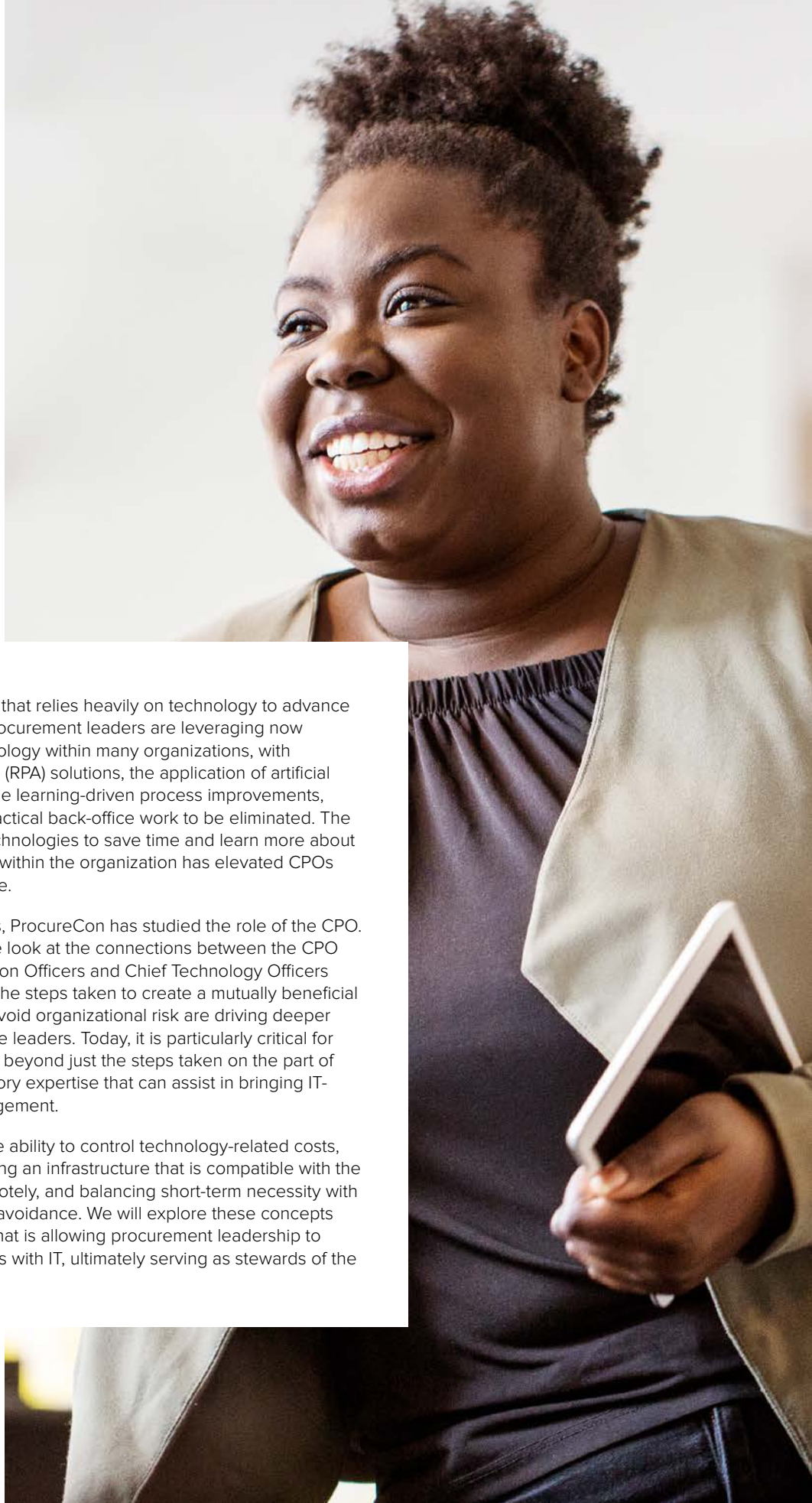


Executive Summary

Procurement is a discipline that relies heavily on technology to advance efficiency. The tools that procurement leaders are leveraging now include cutting-edge technology within many organizations, with robotic process automation (RPA) solutions, the application of artificial intelligence (AI) and machine learning-driven process improvements, and analytics allowing for tactical back-office work to be eliminated. The ability to utilize stronger technologies to save time and learn more about spend under management within the organization has elevated CPOs into a uniquely strategic role.

Over the past several years, ProcureCon has studied the role of the CPO. Within this report series, we look at the connections between the CPO role and the Chief Information Officers and Chief Technology Officers within their organizations. The steps taken to create a mutually beneficial technology roadmap and avoid organizational risk are driving deeper relationships between these leaders. Today, it is particularly critical for the relationship to advance beyond just the steps taken on the part of the CPO to establish category expertise that can assist in bringing IT-related spend under management.

Top of mind in 2020 are the ability to control technology-related costs, the importance of developing an infrastructure that is compatible with the need for many to work remotely, and balancing short-term necessity with long-term stability and risk avoidance. We will explore these concepts as well as the technology that is allowing procurement leadership to advance their conversations with IT, ultimately serving as stewards of the future of their organization.



Additional Contributors

In addition to the benchmark data and analysis contained in this report, several executives and industry experts have contributed their insight via interviews. Selected quotations have been used to add context and color to the statistical information contained in this document. Interviews centered on benchmark findings as well as key trends identified by research.



Siddharth Ramesh
Senior Manager,
Strategic Sourcing
VSP Global



Joanna Martinez
Founder
Supply Chain
Advisors, LLC



Andrew Speakes
Global Category
Leader - Technology
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Key Findings

1

Procurement is taking a progressively more active role in sourcing technology within the majority of organizations. It would appear that the work that CPOs have done over the past several years to bridge gaps around IT category knowledge and demonstrate value in the sourcing process are paying off. Currently, 44% of respondents now believe that technology sourcing should be fully owned by Procurement, while this is already a reality within 36% of represented organizations.

2

Just over a third of respondents indicate that their IT and Procurement groups are actively coordinating around risk prevention strategies. With social distancing having challenged organizations to react within a dramatically truncated timeline, maintaining an active focus on risk is something that cannot be ignored. While active coordination between the CIO and CPO occurs on an ad-hoc basis or as needed by project, a shared awareness of the importance of risk mitigation is just one of the unifying factors bringing these business units closer together.

3

Procurement teams have now generally advanced within their digital transformations to the point that they are ready to begin exploring more advanced capabilities, such as the use of artificial intelligence and machine learning to eliminate or cut down on the amount of tactical work that requires hands-on engagement from team members. This will allow the relationship between IT and Procurement leadership to deepen thanks to the potential for accelerated insights delivery and pattern recognition.



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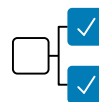
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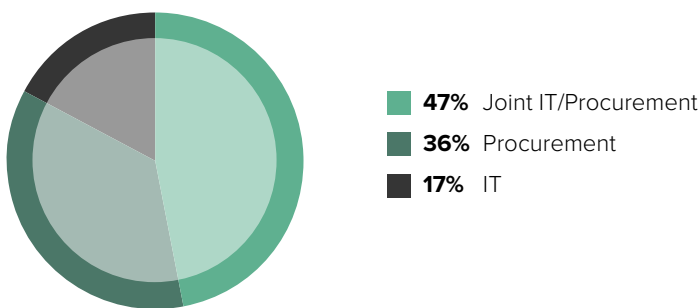
Research Analysis

How Procurement relates to IT leadership

The relationship between Procurement and IT leadership has deepened over the past several years, coinciding with IT costs growing as a share of total indirect spend within many organizations, as well as the complexity that cloud software can add to contract negotiations and license management. Procurement is well suited to manage these negotiation processes and consolidate visibility to apply economies of scale and supplier diversity strategies to this critical category.

Category knowledge has been a challenge in the past; our 2019 edition of this report found that 48% of respondents were either hiring for category knowledge within IT, engaging with strategic consultants, or both as a method to bring closer coordination between their Procurement and IT groups. Two years later, those investments are paying off.

Who handles IT procurement within your organization?



Sourcing responsibility shared between IT and Procurement is relatively normalized compared to 2019, while the number of respondents who report that IT holds responsibility for managing the sourcing of technology has decreased by 5%.

By contrast, the share of respondents who report that Procurement holds sole responsibility for sourcing technology within their organization has increased by 11%, suggesting that as Procurement teams become more adept at understanding the nuances related to IT, they bring that knowledge and their category management tools to the sourcing process. As such, the case for their management of this activity becomes much stronger.

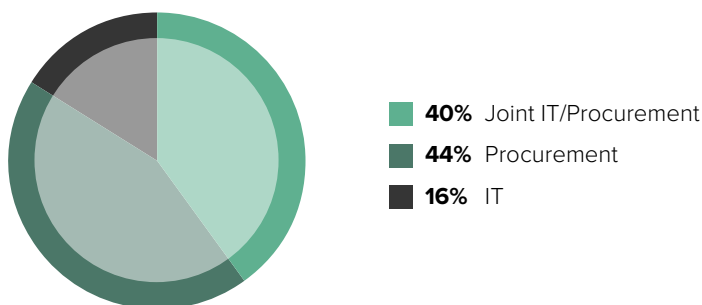
"I think the current challenging environment has brought us together, working more closely than previously, albeit remotely. We needed to adjust our original plans and remain flexible to address what happens next. While the beginning of the pandemic may have been more reactive, as in quickly moving employees into a work-from-home environment, the focus now is on how we can be proactive and anticipate what comes next, i.e. plan for increased lead times, potential supply shortages, increased bandwidth and network needs, etc.

I think the impact on the Procurement/IT leadership relationship going forward will be to continue with a greater degree of engagement and revisit our plans continuously so we can adjust where and when needed. Being agile has been key and will continue to be moving forward. There are additional aspects of sourcing we need to be concerned with and to determine how best to handle them. We need to look at our suppliers with a different lens now. For instance, will our suppliers still be around next year, next month, next week, and are they truly partnering with us as we face the unknown? How can we help each other?"



Andrew Speakes,
Global Category
Leader - Technology,
IBM

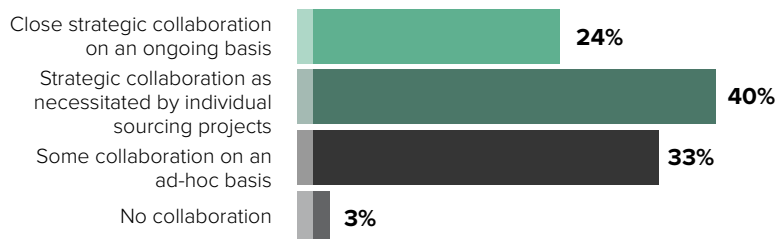
Who do you believe should handle IT procurement?



44% of respondents feel that Procurement is the ideal group to manage IT sourcing spending, even more so than a combination of Procurement and IT. This further supports the hypothesis that Procurement is becoming more confident in managing sourcing within the IT category.

This represents a relatively dramatic shift from our findings in 2019, where 62% of respondents felt that a joint IT and Procurement-driven approach would be preferable. The ability of the Procurement organization to fully step up and own sourcing activities around technology is another significant milestone in the maturity of the discipline. With several years of experience managing software licenses, an IT sourcing team can become fluent in the technology elements of the role, and implement best practices around spend management.

What is the current level of coordination between the CPO and CIO?



Although CIO and CPO time is at a premium, almost a quarter of respondents report that the CIO and CPO within their organizations make time for close, ongoing strategic coordination.

About one-third of respondents report that these business leaders are more likely to collaborate on an ad-hoc basis. This is consistent with findings from 2019, where 23% of respondents saw close collaboration between these officers and 49% reported ad-hoc collaboration. These findings suggest that a mutual appreciation between the CIO and CPO is most often expressed by the allocation of time and resources into category specific sub-teams. Coordinating strategy between department heads, while important, can be scheduled with less frequency.

“Although everyone is rightly focused on the impact of COVID today, the relationship between IT and Procurement has actually been transitioning for years. At the onset, technology groups built the tools that their companies needed. There’s been a tsunami of change as third party software businesses have enabled a shift from Build to Buy models. CIOs have immense purchasing power within their firms, and the influence and power that go with it.

There’s an inherent conflict with the CPO, who often lacks staff with the technical knowledge to contribute beyond conducting an RFP process. Yet that’s important here, because no two services or pieces of software are alike. An objective evaluation of the real business needs can be the difference between money well-spent and funds wasted.

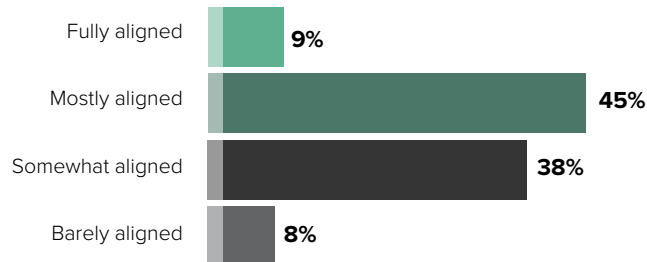
Relationship-building here is important, particularly to avoid a tug-of-war around responsibilities. Companies benefit immensely when the two leaders – CIO and CPO – collaborate and leverage their different but complementary skills to move the business forward.”



Joanna Martinez,
Founder,
Supply Chain
Advisors, LLC

Building a mutually beneficial strategy

How well-aligned are Procurement's goals with those of the IT organization?

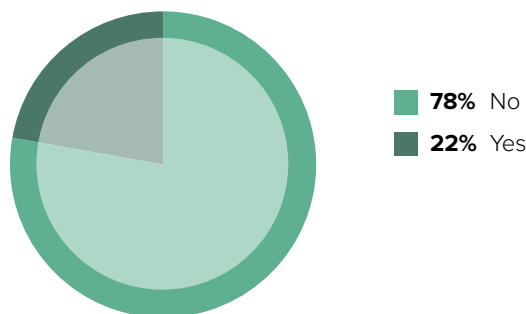


Alignment between IT and Procurement has continued to improve. This is potentially another reason why Procurement has been able to take on a more active role in sourcing technology within some organizations.

While the frequency with which department heads come together has not increased in a meaningful way, it's interesting to observe that the alignment between Procurement and IT has continued on an upward trend.

The share of respondents who feel that they are mostly aligned with their counterparts has increased to 45%, from 38% in 2019. The share of those who report full alignment has actually decreased from 17% to 9% year over year. The proportion of those who are barely aligned is now only 8% compared to 12% in 2019. No respondents report a total lack of coordination, compared to 6% in 2019.

Do procurement and IT share any KPIs?



Shared KPIs are not considered a key strategy element linking Procurement and IT within the majority of respondent organizations. Where IT and Procurement do share KPIs, they are overwhelmingly in the areas of compliance and cost management.

"Since the start of lockdown, especially in California, we went to a work-from-home model. To date, at least 80 percent of our company is still in the remote work space model.

What has been extremely impressive is the way we quickly pivoted. Not only are we able to function, but I've been able to drive better business outcomes and keep hitting our deliverables across our different organizations. That's been largely due to digital transformation in the way we do meetings.

We've been running a small pilot of Microsoft Teams for almost a year, and trying to roll it out, work with all our teams, and get feedback from the pilot users. Fortunately, I was part of the pilot. I happened to get a glimpse of Teams earlier. Even the pace at which Teams was rolled out across the enterprise and how the users have adopted it, I frequently comment, especially the IT teams, that this is possibly the fastest IT enterprise-wide deployment that's been not only successful, but also hugely impactful in terms of making sure the organization stays connected as well as helping people be productive and keep the work going on.

That's what was most essential at that time. It's forced rethinking of how the workforce needs to be managed. There are a lot of options being discussed now. I think the end result will be that a significant portion of the workforce is going to remain remote. This is happening across other companies — especially in the tech industry.

None of that could have been possible without our agility in adopting the digital tools that have enabled us to work from home."



Siddharth Ramesh,
Senior Manager,
Strategic Sourcing,
VSP Global

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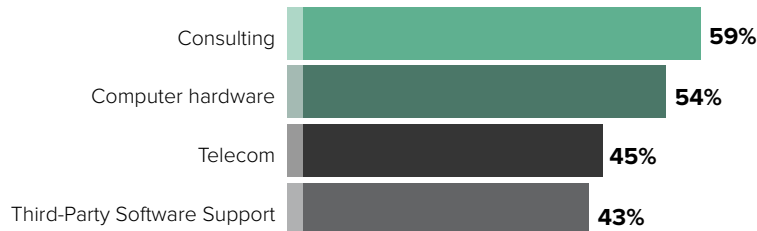
"One of the reasons our [procure-to-pay technology selection] process was successful is that we had a very strong business-IT partnership." - Sue Kampe, SVP, CIO

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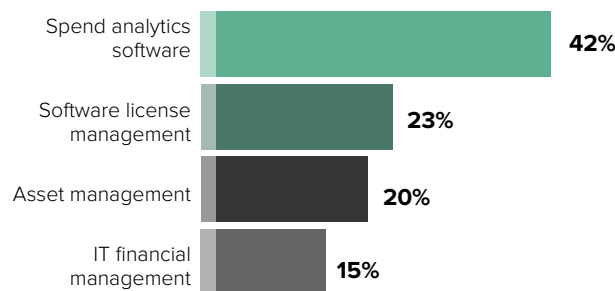
Which IT spend categories are you pursuing or planning to pursue to improve service and/or reduce costs?



Unlocking value for IT is being facilitated by consultants in many cases, followed by hardware improvements. These two categories tend to have an immediately appreciable impact. Telecom and third-party software support can also deliver immediate impact and are also important areas for further investment. Ultimately, more than one strategic investment area may be required in order to meet the current demands for flexibility and adaptability in the working environment.

The use of consultants is also a popular method for bridging gaps in strategic direction. Adjusting to a heightened need for digital transformation can also be a factor that increases the need for outside expertise to stabilize a rapidly changing environment.

What solutions are you using to manage your software licenses?



Software licenses must be managed effectively, and the right tools ensure that this is feasible. Currently, 42% are using spend analytics software as a core element of their software license management strategy.

"I think the best approach for IT and Procurement to align is to work side by side as one team with an aligned goal in mind. In other words, Procurement should be included at the very beginning of any project so we can bring the most value and highest level of support. When Procurement is engaged early it allows our stakeholders to focus on their IT role and let us manage the procurement pieces and help fill in the gaps where the stakeholder isn't familiar. I've had the best success when I'm viewed as being part of the IT team and join their team meetings and sit in the same area (either physically or virtually).

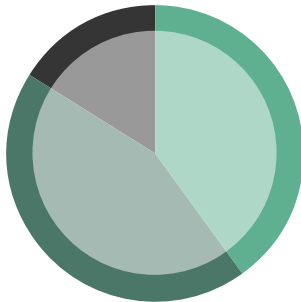
Working side by side and following agile principles, we can adjust and change course as needed. Being flexible has been critical under the current circumstances."



Andrew Speakes,
Global Category
Leader - Technology,
IBM

Serving as stewards of the organization's future

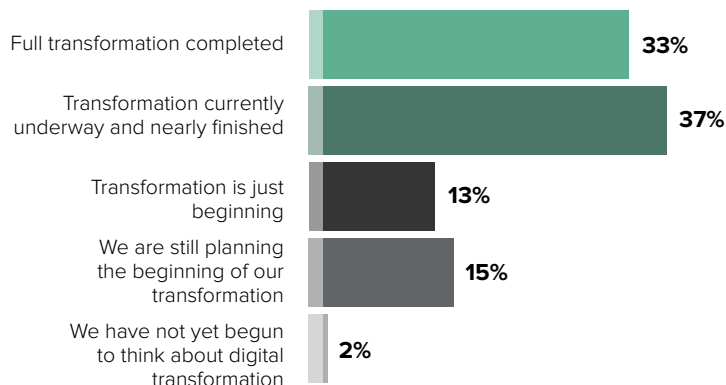
Are you collaborating with your peers in procurement or IT to improve your security strategy?



Risk mitigation has been a hot topic for several years within the Procurement community, and the number of respondents who now collaborate with their peers at least somewhat in order to develop a mutual risk management strategy has grown to nearly half of all respondents.

One of the most topical challenges that Procurement and IT are currently facing is the development of a technology infrastructure that creates flexibility and accessibility for the business, while at the same time remaining vigilant to the potential for significant risks. These include fracture points such as data loss, reputational fallout related to the mismanagement or appropriation of customer information, and business continuity challenges. It's critical to understand your first degree supplier relationships and the relationships that they have with their own suppliers radiating out from your organization.

How far has your organization progressed in its digital transformation? (Movement to embrace cloud solutions, break down silos, integrate automation, etc.)



"Managing risk has always been important, but we are now seeing just how critical it is as we witness the impact of the pandemic. The current situation has led to critical suppliers struggling, and for some even bankruptcy.

The move to a remote work environment, for many of us, has made digital transformation an immediate need. Where there were plans in the works already, the pandemic has certainly expedited them. Suppliers who still relied on manual processes and paper POs and invoices were forced to go fully digital in a short period of time if they wanted to continue doing business. Now that they are digitized, it puts them in a position to further improve their operations by infusing processes with automation and artificial intelligence and working toward a 'no touch' workflow from source to pay."

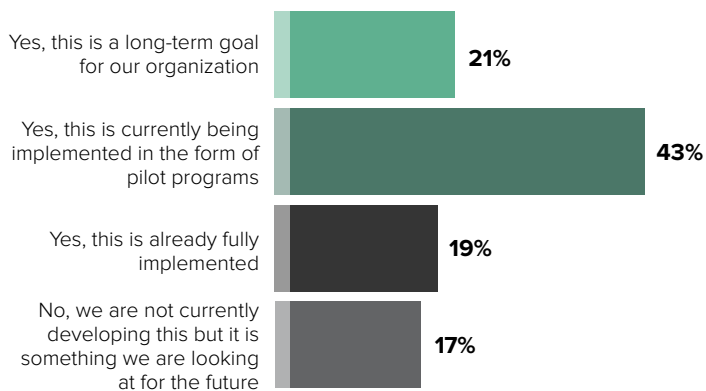


Andrew Speakes,
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Digital transformations have been accelerated within many organizations during recent months as a response to social distancing. The share of respondents who are advanced or feel that they have reached their initial transformation goals is 70%. Only 2% of respondents have not yet begun planning digital transformation.

Comparatively, 13% of respondents felt that their digital transformation was just beginning in 2019, signaling a truly significant shift in the progress that the majority of organizations have been able to make towards establishing digital infrastructure.

Is your organization developing a “cognitive procurement” model, where AI and machine learning are relied upon to remove tactical work from procurement workflows and deliver insights?



Significantly, 43% of respondents are in the midst of implementing pilot programs to support the broader rollout of cognitive procurement. After developing a digital infrastructure, taking advantage of the ability to more easily access data is a powerful next step that can allow Procurement to deliver exponentially more value to their key stakeholders.

“One thing that I have found out, especially over the last three months, is that there has never been a better moment in time for Procurement to shine. It goes to prove some of the great things that our team has been able to accomplish and impact the organization.

It just feels like this is an inflection point, but Procurement should grasp the opportunity to work more closely with IT and try to identify all avenues to add value, not only to the IT group, but also to the organization as a whole. It feels like this is the moment to shine.”



Siddharth Ramesh,
Senior Manager,
Strategic Sourcing,
VSP Global



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Key Recommendations

- 1 Continue to develop technology frameworks for improving visibility and managing your technology licenses.
- 2 Coordination between Procurement and IT leadership can now align around critical priorities. Establish a roadmap for the future that accounts for both desired transformation milestones and security.
- 3 Maintain strategic meetings between the CIO and CPO within a long-term recurring framework. The application of day-to-day strategy will be carried out by specialized sub-teams within many organizations, executing a framework of goals defined by executive leadership.
- 4 As digital transformations continue to be pursued, the concept of cognitive procurement is coming to the fore. Continue to eliminate tactical processes through the introduction of automation. The next stage of Procurement evolution will be based on the delivery of data insights to key stakeholders from sources that until recently would have been too difficult to analyze manually.

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Methodology

The results analyzed in this report were gathered from responses to a benchmarking survey delivered to executives within the procurement industry. 100 executives responded to the survey. Interviews with featured contributors were conducted after survey data was compiled, and centered on benchmark results.

About The Authors

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