

An overhead photograph of a meeting table with three people. The table is light-colored wood and holds a laptop, a tablet, a smartphone, a coffee cup, and several documents with charts and graphs. The people are seated around the table, looking at the devices and documents. The image is overlaid with a blue gradient at the bottom.

REDEFINING THE ROLE OF MODERN PROCUREMENT IN 2022

INTRODUCTION



Traditionally, the procurement teams have been labeled as cost centers; they are an expense that drains away profit from the bottom line. However, now the procurement teams need to change this outlook and project itself as a department that is commercially driven and adds value to the organization. It needs to stop playing the role of being just a support function. With modern businesses having exposure to complex issues like brand name protection, supply chain risk, regulatory compliances, audit etc., it becomes critical for the procurement professionals to reconsider their original position and align themselves to the strategic need of the business.

HERE IS HOW PROCUREMENT TEAMS CAN GO ABOUT ADDING-VALUE TO THE BUSINESS:

A background image showing three business professionals (two men and one woman) in an office setting, looking at a screen. Overlaid on this image is a large white number "1" and a quote icon consisting of two white double slashes between horizontal lines.

1

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HAVING A PROACTIVE APPROACH

Senior procurement professionals should have a proactive approach to understand where procurement stands in the overall business priorities.

In the view of changing business environment, it is imperative for the CPOs to have a plan for internal marketing and communication. The procurement function should take credit for cost savings it generates and the same time back up these claims with relevant data. The higher management needs to be made aware of the fact that savings generated exceed the costs of running the procurement function. This would help establish the fact that procurement is not a cost center; on the contrary it adds quantifiable profit to the organizations' book of accounts.



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OWNING SAVINGS

Being the “custodians” of savings, one of the primary responsibilities that rest with procurement is driving savings across the organization. Though this has been done by every procurement team, what is missing is the tracking of such savings generated. Procurement teams need to start “owning” these savings generated through their efforts, for example analytics should be used to identify issues like late payments of invoices or unrealized discounts from early payment.

Having such a system in place, would help keep track of savings generated by the procurement function till date and send alerts if the savings are lower than predicted level. This process would help in measuring, tracking and reporting realized benefits.



3

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STANDARDIZED AUTOMATED PROCESSES

A standardized procurement system makes it easier to track down unnecessary or duplicate orders. For example, purchases from non-contracted vendors can be reduced by having necessary approval workflows. This will increase the spend undermanagement and in turn will lead to reduced maverick spend. Such a standardized, automated process would help in saving precious man-hours that gets accumulated over time for doing routine tasks. The procurement professionals can then focus on more value-add tasks like negotiating price and delivery terms.

4

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VENDOR ANALYSIS

By having a global repository for all contracts, one can get visibility into each and every detail related to all contracts. After mapping contract value from the repository to the AP data in the finance system, contract utilization can be tracked, areas of spend leakages can be identified easily and corrective measures can be taken. This helps in plugging spend leakages due to contract over spend or non-compliance.



5

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INNOVATIVE SUPPLIER MANAGEMENT

By reviewing detailed profiles of each supplier, one can easily track down spend categories for each supplier. This would help in answering few pertinent questions like does the organization have vendors who are supplying same items at different cost.

Such a system would help to identify key suppliers and helps in collaborating with them for the long term financial planning of the business. Organizations need to realize that quality supplier base is the backbone of a strong supply chain and their expertise must be leveraged to gain competitive advantage. Generally, contracts and Service Level Agreements (SLAs) used to be the primary supplier management tools in the past.

But in the light of new paradigm shift, supplier management requires developing key supplier performance metrics, evaluating and suggesting corrective actions when needed. This would also help mitigate risk of noncompliance.



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ACTIONABLE INSIGHTS FROM STORED INFORMATION

Being a touch-point of communication with key suppliers and internal customers, procurement function is a store house of information. This robust information can be used to drive growth, process improvement and innovation. By harnessing such data with customized intelligent analytical tools, procurement can position itself as a strategic asset capable of providing impactful insights.

CONCLUSION

Through such an approach CPOs can transform Procurement's image from being a cost center to a profitable services provider, offering services that are scalable and responsive to changing customer expectations.



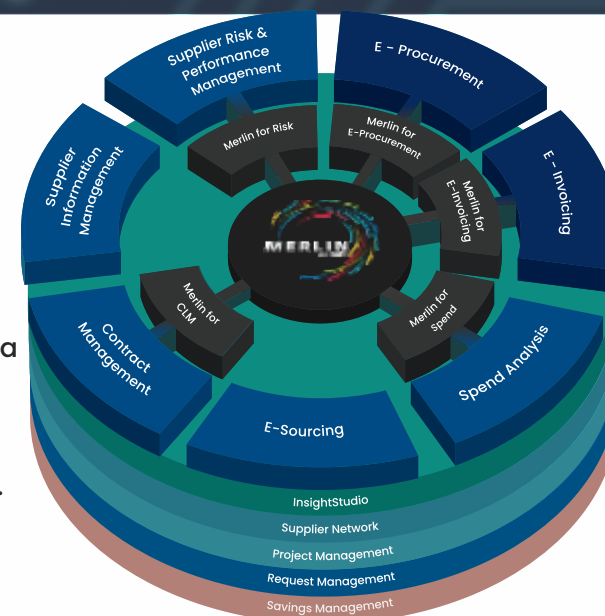
ABOUT US:

Zycus is the pioneer in Cognitive Procurement software and has been a trusted partner of choice for large global enterprises for two decades. Zycus has been consistently recognized by Gartner, Forrester, and other analysts for its Source to Pay integrated suite.

Zycus powers its S2P software with the revolutionary Merlin AI Suite. Merlin AI takes over the tactical tasks and empowers procurement and AP officers to focus on strategic projects; offers data-driven actionable insights for quicker and smarter decisions, and its conversational AI offers a B2C type user-experience to the end-users.

Zycus helps enterprises drive real savings, reduce risks, and boost compliance, and its seamless, intuitive, and easy-to-use user interface ensures high adoption and value across the organization.

Start your #CognitiveProcurement journey with us, as you are #MeantforMore.



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