

CONSERO 

2017 Procurement & Strategic Sourcing Report

Facts & Analysis



PROCUREMENT

2017 Procurement & Strategic Sourcing Report

Corporate procurement is of significant value to a company's success, given the function's ability to impact the bottom line, manage and mitigate enterprise risk, and deliver the goods and services needed to drive corporate strategy. Senior procurement officers must work closely with fellow c-suite executives to ensure their departments have the support necessary to execute their function and that procurement strategy is aligned with business.

The procurement talent gap, heightened cybersecurity concerns, and global vendor risks are some of the many challenges this group of corporate executives need to overcome. In the year ahead, chief procurement officers will need to invest in the right technology and develop their talent in order to tackle the looming challenges while supporting the pursuit of higher profit.

Survey Structure & Methodology

Consero's 2017 Procurement and Strategic Sourcing Report was developed in connection with its January Procurement and Strategic Sourcing Forum. The 15-question survey provides insight into numerous industry issues including technology management, challenges in talent development, and supplier relations. Consero received 52 responses from senior-level procurement executives from various industries.

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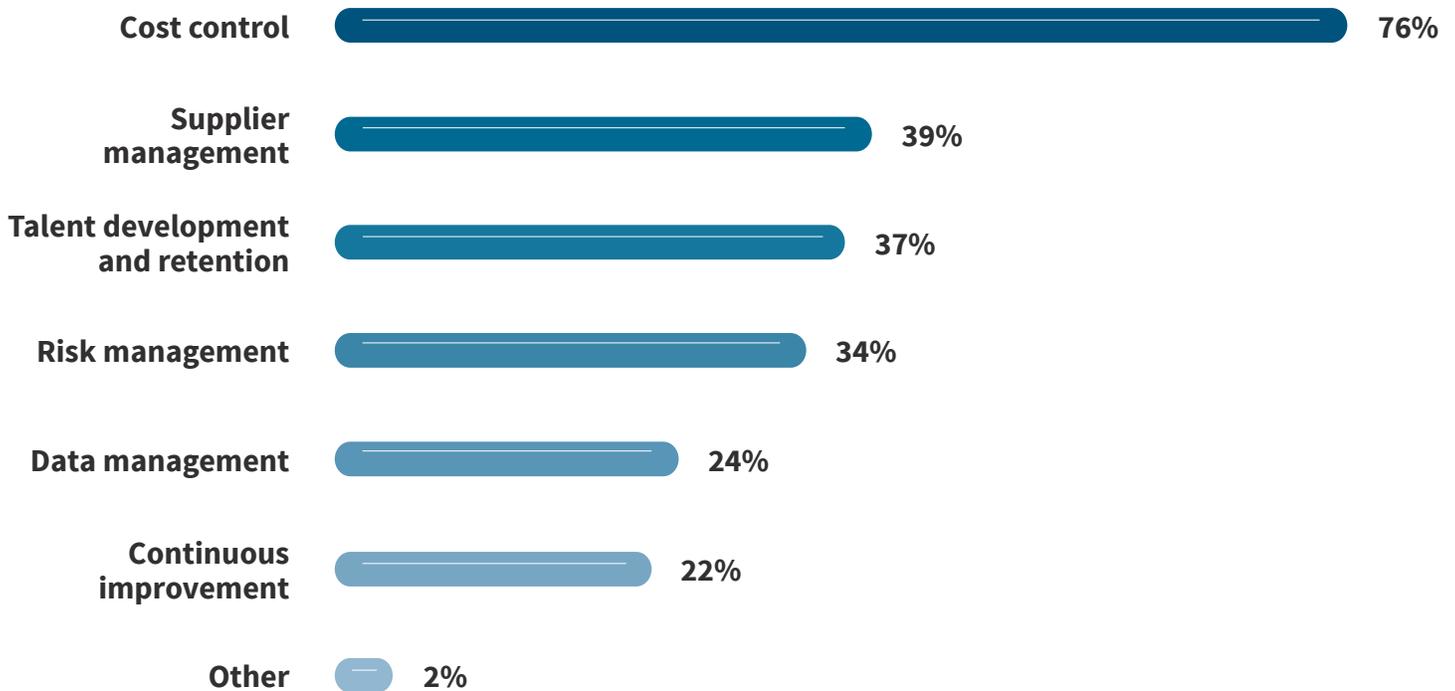
Priorities & Challenges

Three-Quarters Of Procurement Executives Name Cost Control As Their Top Priority In 2017

Cost control is a top priority for surveyed senior procurement executives in 2017, with 76% naming it as a main focus area for the year. Fewer, but a significant percentage are focused on supplier management (39%) and talent development and retention (37%). With regard to risk areas procurement executives will be monitoring closely this year, cybersecurity and third-party contracts top the list, with nearly half of respondents identifying both of these as top areas of risk in 2017, followed by regulatory compliance for 40% of those surveyed.

Senior procurement executives will need to maintain sufficient support from their leadership teams to ensure necessary departmental resources. To generate leadership support for procurement, 89% of senior procurement executives say they use early engagement strategies, while an additional 65% analyze stakeholder needs to grow department support.

Figure 1: What are your top priorities for 2017? (Select all that apply.)



Priorities & Challenges

Figure 2: What are your top areas of risk in 2017? (Select all that apply.)

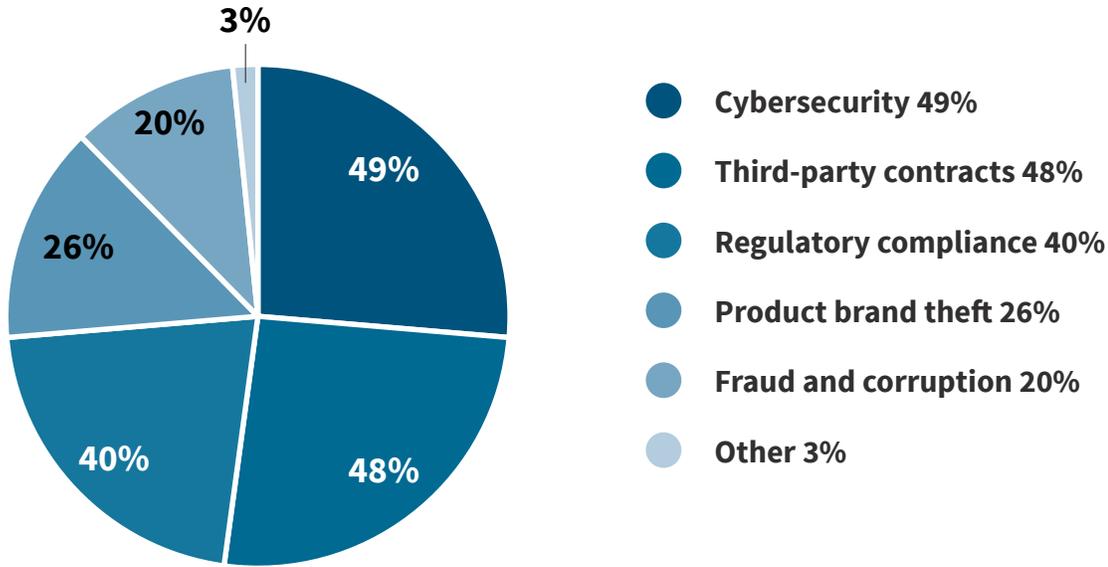
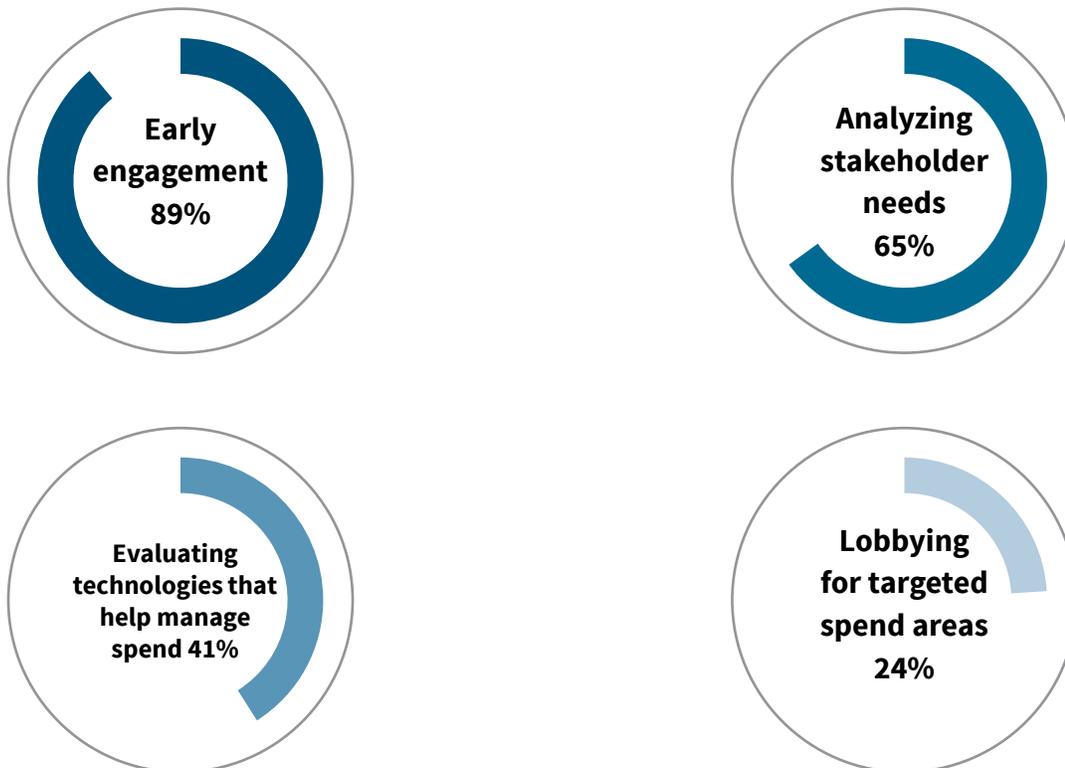


Figure 3: What steps have you taken to generate leadership support for your department? (Select all that apply.)



Relationship Management Is The Greatest Skill Gap In The Procurement Department

A majority of surveyed procurement executives (57%) reported an increase in staff size over the past year. Less than a quarter said their staff has decreased, with the remainder (24%) reporting no change. With reference to a budget for talent development, 46% of those surveyed did not experience a change in budget, while 12% said their budget decreased. For those whose budgets did not increase, they should consider spending time identifying the analytics that drive the most value for their operations and invest time and existing budget accordingly.

With regards to hiring new staff, 51% of respondents do not believe there is a sufficient pool of talent available to support their hiring needs, indicating that procurement executives will need to explore more effective recruitment strategies in coming months. As to skill gaps within their departments, 44% of chief procurement officers believe that relationship management is lacking among their staff, while a sizeable 39% find a need for more leadership skills. Senior procurement leaders should work with executives and departments facing similar talent gaps to address both of these issues.

Figure 4: How did your staff size change in 2016?

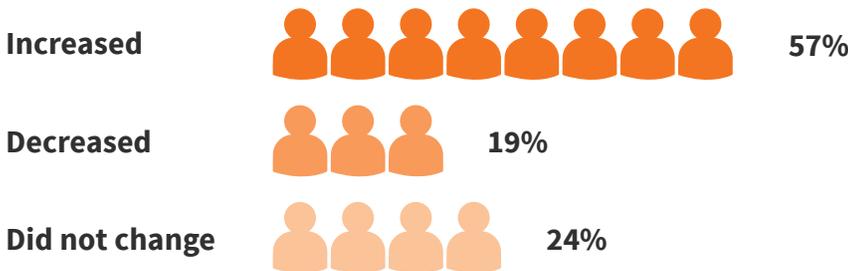
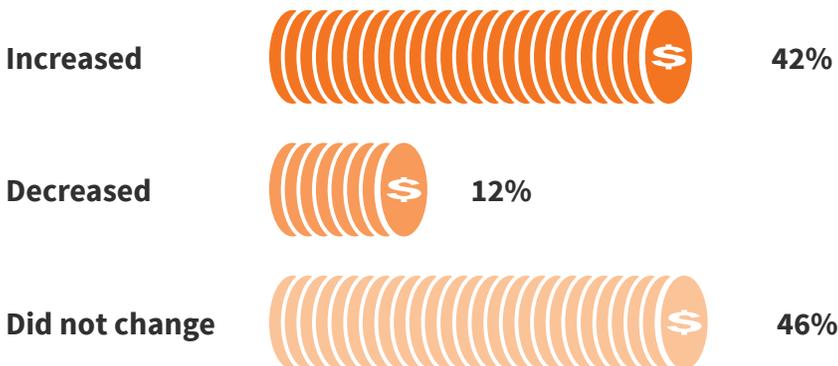


Figure 5: How did your budget for talent development change in 2016?



Procurement Talent Management

Figure 6: Is there a sufficient pool of trained procurement talent available to support your hiring needs?

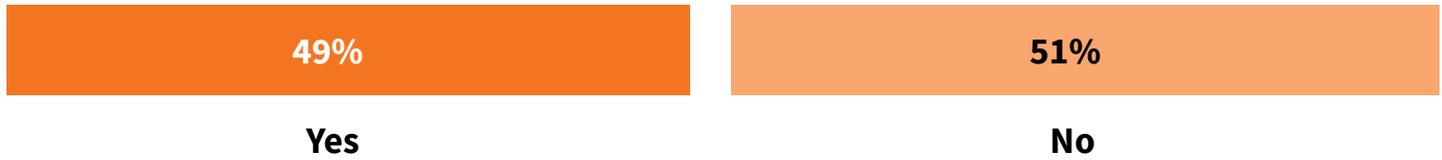
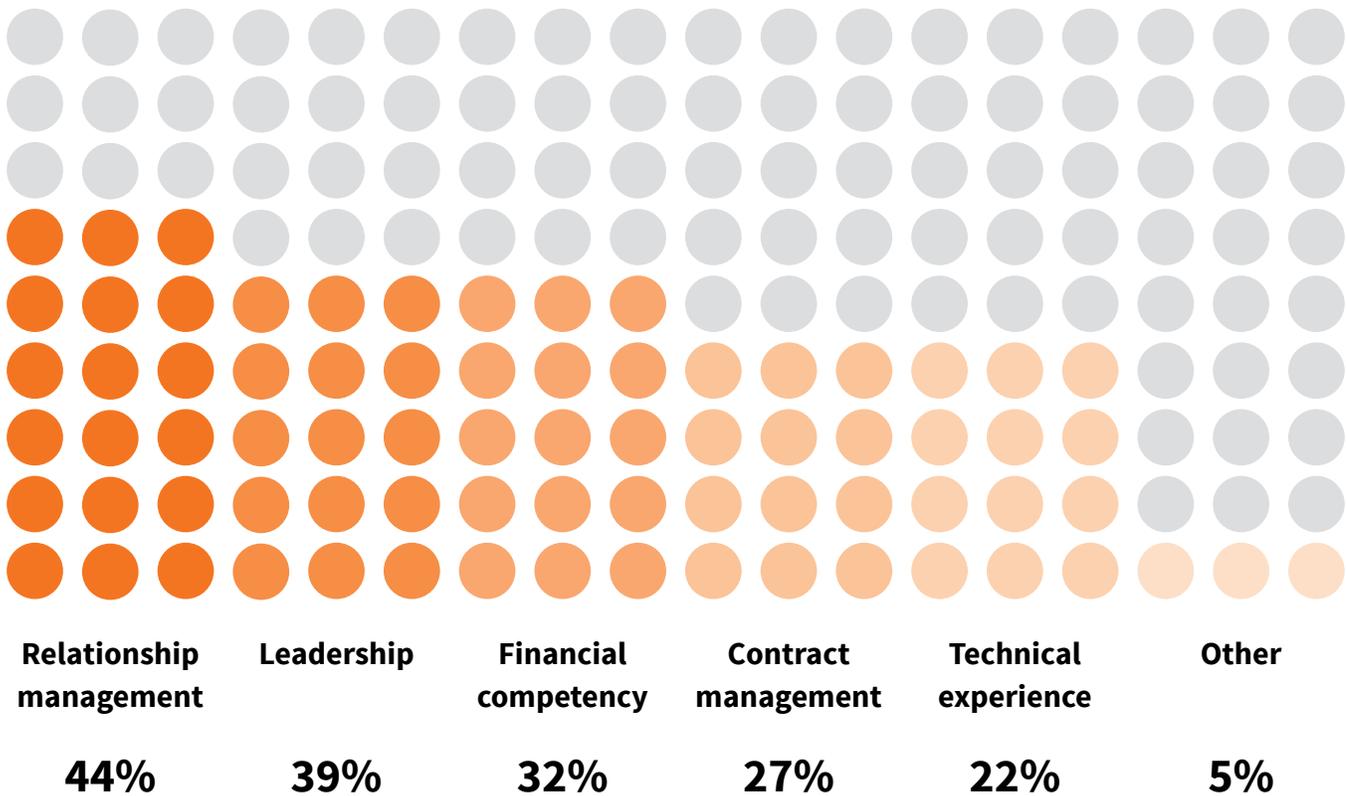


Figure 7: Where do you see the greatest skills gap in your department? (Select all that apply.)



Nine Out Of Ten Procurement Executives Do Not Believe Their Tech Infrastructure Meets The Needs Of The Procurement Operation

In 2016, 67% of surveyed procurement executives increased their use of metrics to evaluate the performance of the procurement department. However, a distressing 82% of respondents in 2017 are dissatisfied with the level of insight extracted from company data. There is obviously room for senior procurement executives to make better use of the data that they collect and measure.

Procurement executives are equally frustrated with their technology infrastructure, with 88% reporting that their tech infrastructure does not meet the needs of their operation. To address this issue, 54% of surveyed procurement executives plan to invest in spend analytics in 2017, 46% in e-procurement tools, and 25% in electronic data interfaces. Mobile technologies and cloud-based computing can expect just an 18% increase in spend this year. Given the focus on cost control, it is no surprise that spend analytics tools are a primary tech priority for this group of senior procurement executives.

Figure 8: How did your use of metrics to evaluate procurement change in 2016?



Figure 9: Are you satisfied with the level of insight you are able to extract from your company's data?

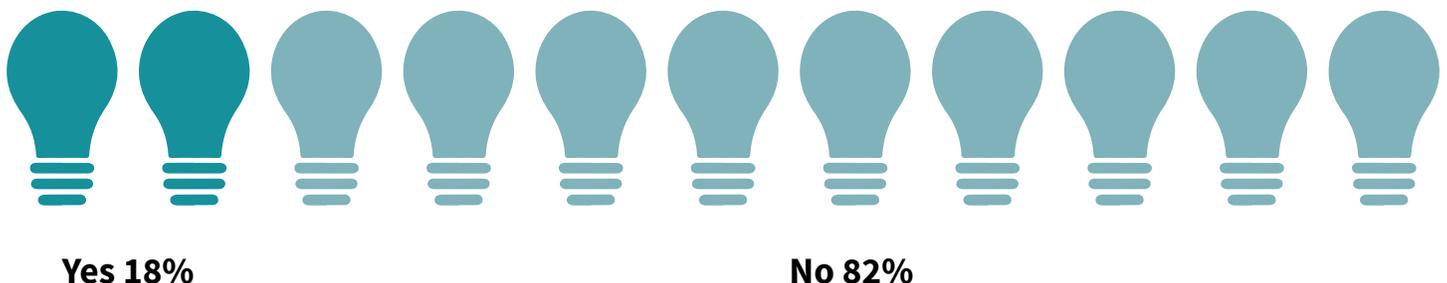


Figure 10: In what technologies do you plan to invest in 2017? (Select all that apply.)

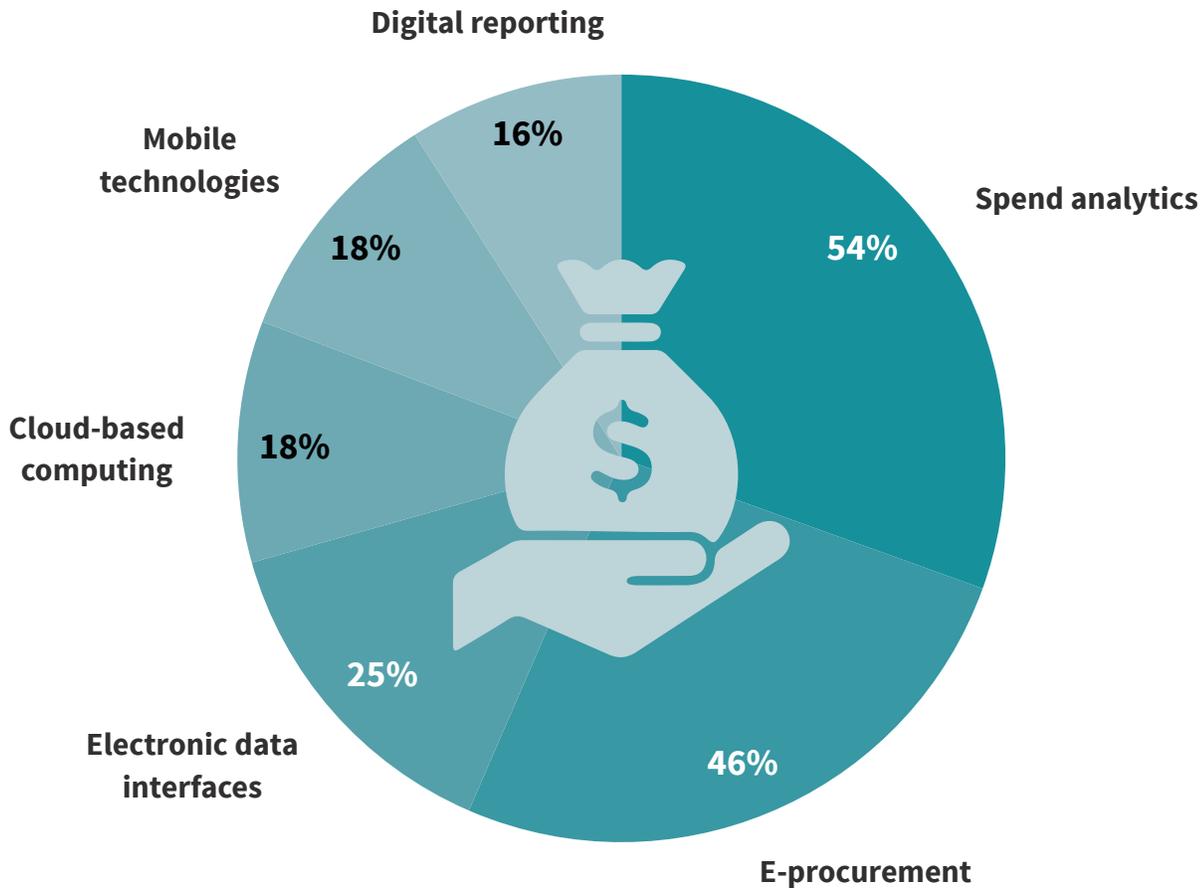
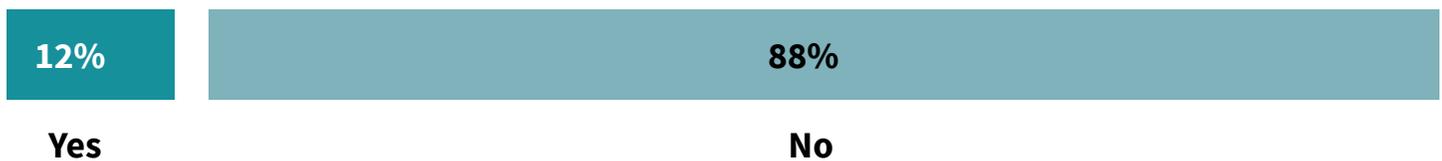


Figure 11: Does your current technology infrastructure meet the needs of your procurement organization?



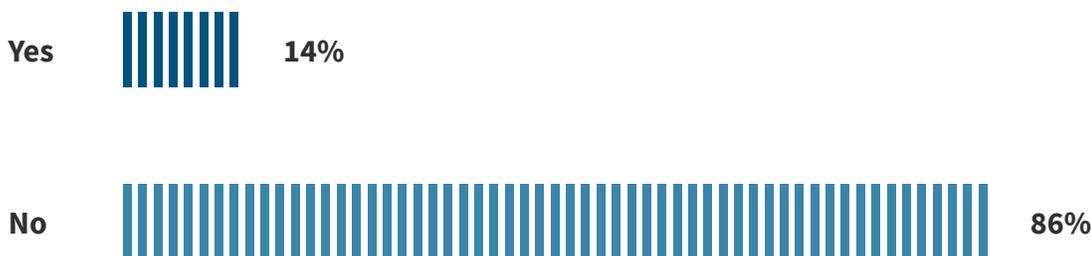
Procurement Officers Do Not Believe Vendors Are Focused Sufficiently On Minimizing Risk

In 2016, 39% of procurement executives increased their number of suppliers, while an equal 39% decreased the number of suppliers. In the year ahead, only 15% of those surveyed plan to outsource more of their procurement operation, with the remaining 85% keeping existing processes in-house. A resounding 86% of senior procurement officers do not believe their vendors are focused sufficiently on minimizing risk, a worrisome data point that warrants the close attention of this group in the months to come. A total of 26% of respondents use a performance dashboard to measure the effectiveness of their supplier relationships, with 38% planning to leverage such tools in the coming year. With the right tools, procurement executives will be in a better position to manage and improve supplier relationships and associated risks.

Figure 12: How has the number of your suppliers changed over the last 12 months?



Figure 13: Do you believe that your vendors are focused sufficiently on minimizing risk?



Supplier Relations

Figure 14: Do you use a performance dashboard to measure the effectiveness of your supplier relationships?

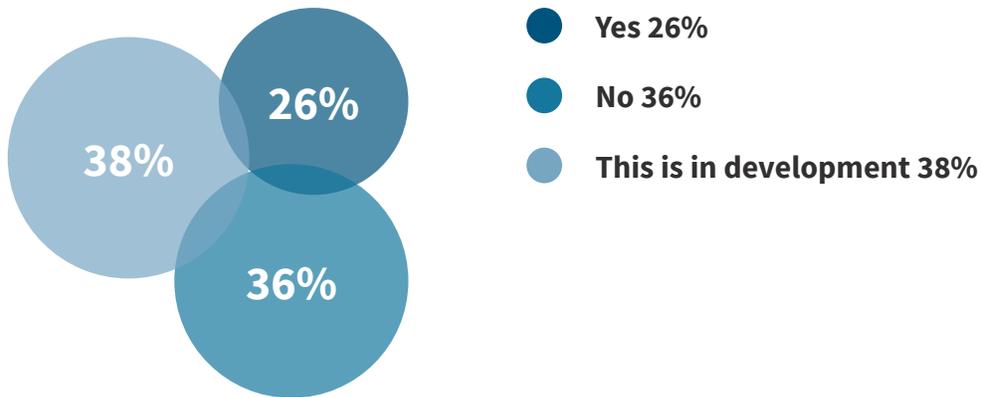
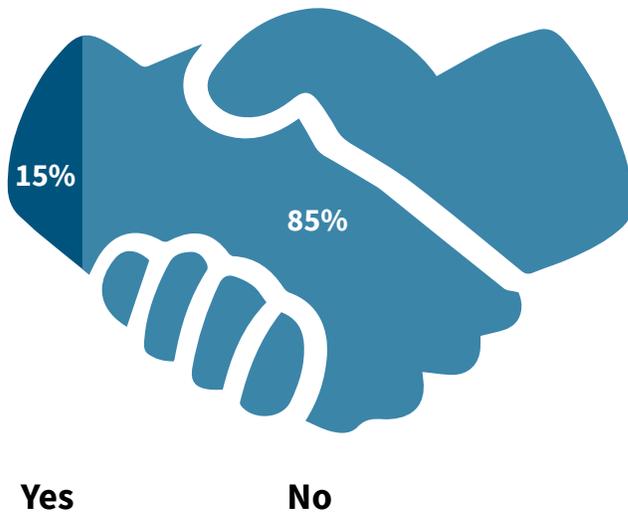


Figure 15: Do you plan to outsource more of your procurement operation over the next year?



Conclusion

Lessons For The Industry

Chief procurement officers have significant challenges in the year ahead, including lack of data insight, insufficient technology infrastructure, and a continued fight for cybersecurity. Continued investment in the right tech tools and people should help this group of executives meet their goals. Corporate procurement leaders should continue to engage with their leadership teams early and often in order to gain the support—and resources—they need to manage their departments effectively. Through proper supplier relations management and a laser focus on cost cutting, chief procurement officers will be able to deliver a positive impact to their company's bottom line.

About Consero

Founded in 2010, Consero Group is an international leader in creating function-specific events for senior-level executives in industries that include Legal, Compliance, Brand Protection, Customer Experience, HR and Procurement, among others. Based in Bethesda, Maryland, Consero is best known for transforming the executive experience through intimate, invitation-only programs in a sophisticated learning environment with high-level content. For more information on Consero, please visit www.consero.com.

Opportunities To Participate

Opportunities to participate at future Consero events may be available on a limited basis. Please contact our team for additional information.

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UPCOMING EVENTS

Procurement & Strategic Sourcing Executive Roundtable

June 22, 2017
The Palmer House Hilton
Chicago, IL

Procurement & Strategic Sourcing Forum

December 3–5, 2017
PGA National Resort & Spa
Palm Beach Gardens, FL