

Upping the Ante: Putting Procurement in a More Strategic Role



A new report finds that procurement is in the early stages of playing a more strategic (versus operational or tactical) role in the modern organization.

Often seen as either an operational or tactical organizational function, procurement is shape-shifting and becoming more strategic as company leaders become more aware of the value that this critical department brings to the table.

So, rather than being solely operational (i.e., meeting daily purchasing needs) or tactical (focused on short-term, transactional activity), modern procurement teams are taking a more systematic, long-term view of organizational needs and developing holistic approaches to meeting those requirements.

And while many procurement activities are still rooted in operational versus strategic functions, a new survey from the IPG Group and JAGGAER uncovered some momentum in the direction of the latter. Based on survey input from CPOs, directors of procurement and other professionals, the organizations learned that procurement as a whole is being viewed more strategically than it was just four years ago.

Pushing for Change

According to the IPG and JAGGAER [report](#), things have developed rapidly among the best-in-class procurement organizations over the past five years. “In some organizations the process of radical change has been further accelerated with the COVID-19 crisis,” the organizations state in the report, “which has forced companies in many sectors to work even more closely and interactively with suppliers. They are looking to take new initiatives in digital transformation because traditional methods no longer suffice.”

On the other hand, they say many other organizations have put development projects—the digital transformation of procurement included—on hold as companies look to retain cash while they ride out the storm. Here are some of the other report findings:

- In relation to the new normal of digital procurement standards, the identified average performance can be interpreted as “underdeveloped.” Here’s how the organizations came to this conclusion: Based on the survey responses, IPG rates just over a third of the survey panel (34.5%) as achieving Standard Performance, and 11.8% as Professional Standard. Two percent are ranked as Top Performers. The remainder (51.7%) are ranked as Underdeveloped.
- The average number of suppliers managed by a strategic procurement professional has increased considerably—from 6 in 2016 to 16 in 2020. “This would seem to be a blip caused by COVID-19 because it is unsustainable for any length of time,” the companies note.
- Overall, procurement strategy maturity has improved over the past four years, but the “end-to-end process view” and future procurement areas are still being neglected.
- Procurement’s cooperation with certain functions and departments, notably quality control, research and development (R&D), production and marketing could use improvement.
- Procurement suffers from a lack of digital competence and cross-functional collaboration. “These must be addressed as a matter of urgency,” the organizations state.

Putting Out Fires

While procurement remains heavily weighted toward operational versus strategic functions, IPG and JAGGAER says that CPOs are “gaining in influence,” and that there’s been an increasing number of heads of procurements now at board level. In dissecting the procurement processes across the survey group, the companies asked about the percentage of time spent on specific processes (five of which were operational in nature and 10 of which were strategic).

Through this line of questioning, IPG and JAGGAER learned that the most time-consuming process activity is “running special projects to improve/develop procurement.” And while this may be considered a strategic activity, the companies say the hours expended in this area “must surely reflect a COVID impact on procurement, including a lot of operational firefighting or war room management.

“The time spent here shows a sharp increase on previous surveys but because of the exceptional circumstances it is difficult to ascertain,” the organizations point out. “...it is probably reasonable to assume that COVID-19 jumpstarted or accelerated some initiatives that were already waiting for approvals or resources.”

Making Progress

Looking ahead, the survey findings and report seem to indicate that we’ll see more procurement team filling strategic roles as the pandemic subsides and the daily “firefighting” returns to more normalized levels.

“Heads of procurement have moved up the hierarchy,” JAGGAER CEO Jim Bureau said in a [press release](#). “This gives procurement the visibility and proximity to the leaders of the stakeholder functions that they need to push for change, for investment, and for project sponsorship.”

