

# Procurement Needs a New Operating Model

## Part 3 of 3: Technology



This is the final part of the 3-part series about how companies must evolve their Procurement Operating Model to the next level, accelerate value creation, and make procurement become a competitive advantage to their organization.

In [Part 1](#), we talked about how procurement has to evolve its “Process”, moving to a much more agile, assertive, and proactive support model. In [Part 2](#), we addressed the most essential resource, “People”, and the need for talent to be much more diverse, have EQ, and be strong project managers ready to maximize value creation through innovation and cross-functional collaboration.

This final piece will focus on “Technology”, its key considerations, and why this is a critical element in next generation procurement organizations. While technology is an essential component of procurement’s future operating model, many procurement organizations are only at the beginning stages of their technology journey. Having the right technological landscape allows procurement to implement strategic sourcing best practices and to focus on value chain excellence (Level 4 procurement).

Since I have been in the position twice in my career to select a Source-to-Pay platform, I can share my personal experience and some of the lessons I’ve learned along the way.

### Demand a Seat at the Table

While procurement excels at finding the right products, services, and resolving complex business challenges, we don’t necessarily do a good job of advocating for resources on our own behalf.

Fellow practitioners have often asked me how to secure tech investments and what I did to prioritize digitization of the Business Spend Management (BSM) process versus other strategic investments. My response is that we need to think carefully and strategically about primary questions such as:

- Why do we need to digitize?
- How does this support the strategic objectives of the company?
- Why is this important for the business, procurement, finance, and IT?
- Why is selecting a BSM platform a procurement decision and not an IT or finance decision?
- Why should procurement drive the BSM strategy?
- Who are the most important beneficiaries of digitizing BSM?
- Which platform offers the most significant ROI/adoption and drives the most amount of value?

In my previous roles at both lululemon and VF Corporation (who use the usual ERP providers), I established a strong partnership with IT over time. The respective leaderships were receptive to understand what the business really needed versus what satisfied their agendas. This reduced common challenges around "the single throat," going with the ERP solution providers' suboptimal offering. Instead, we stayed focused on value, best practices, product vision, an end-to-end solution, and most importantly, the **end-user experience**.

Unfortunately, I've seen many procurement professionals leaving these critical decisions to others, unable to articulate why they prefer one solution versus another. For example, they may let IT "run the show" and select a platform, or sacrifice features and functionalities when the finance / accounts payable team prioritizes AP automation versus having an end-to-end vision. As a result, companies choose solutions that solve one problem while creating several others up- and/or downstream. Deployments fail to meet the entire organization's needs because a small group makes decisions in a silo, not recognizing the need for change management and without involving an essential group — **the end user**.

I firmly believe that procurement, not IT or finance, should drive a Business Spend Management platform's selection process. The CPO (or another senior leader within procurement) should lead the process while seeking partnership with the CFO, CIO, and other cross-functional executives.

As some readers know, I often use the analogy of buying a car. Just ask yourself: Would you let your neighbor buy a vehicle for you based upon some loosely defined criteria? Would you buy a cheaper car that comes with mechanical issues, requiring significantly more maintenance and/or mechanics? Would you buy a car that uses twice the amount of gas or has inferior safety features (1967 Mustang Shelby GT500 excluded)?

While we should set the selection criteria, we must ensure this is a collaborative process involving all relevant cross-functional partners. That will not only ensure the right selection criteria are defined with actual constraints, it will also enable a much smoother system implementation. We must take the approach that **we're all in this together** instead of procurement going off on its own without involving stakeholders. As said before, we want to get people on the bus, but we need to be the ones driving it.

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It's also worth noting that there has never been a better time to drive this conversation forward. Given everything that has transpired over the past 12 months, procurement now has the **political capital** to do this right now — there really a

## Taking the Risk to Make the Case

One reason why procurement hasn't always stood up for its own needs is that it does take courage. In many ways, as a procurement leader you have to put your career on the line and take charge of these decisions, standing up against, for example, the CIO.

When bringing forth new digitization ideas, IT will immediately lay claim that it is their decision. They want to understand integration, the cost of maintenance, data security, and what it means to their team. It is only natural given the nature of their role that they want to lead and we should welcome the partnership!

But while we need to address their questions and concerns, only procurement can truly identify and comprehend the full business needs to make the right short, mid, and long-term decisions around business spending.

I had situations like these when I started at VF Corporation and lululemon. In many cases, a CIO will want to implement technologies with which they are familiar. For many, it is an impulse to look to SAP or Oracle for solutions, thinking they can quickly "flick a switch" and be done with it. That is what has been done for decades. Upfront investments appear lower, and subscription cost often is baked into a much larger TCV (Total Contract Value). The reality is that these single-point solutions appear less costly at the surface, but leave lots of value on the table and still requiring system integration and implementation while the cost is often disguised in other areas. As mentioned in an earlier blog, remember that:

"First rule of being a CIO: never fall in love with software as you become a dinosaur."

**Imagine a world where you get access to new features and functionalities you didn't even know you needed in the first place!**

## Focusing on value

The CPO will need to do their homework to understand and explain what success looks like. This means defining and explaining the business requirements while talking about user AND supplier adoption, end-to-end process, speed to value, and system integration. There should also be conversations around how the various platforms are architected, possibly creating an advantage with access to real Community Intelligence, the ability to leverage best practices, and the opportunity to truly collaborate across companies and industries. These things enable procurement to continuously improve our performance and extract more value out of a platform on an ongoing basis.

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Once a CPO understands all requirements, they can confidently step up to the CIO and articulate what is needed, and more importantly why. A procurement professional who can do that can also stand up to the CFO, and ultimately the CEO, with the confidence to **put their career on the line**. And that is what you are doing because you are likely out of a job if your recommendation doesn't work out.

You must conduct your due diligence and build confidence, especially with the IT organization, to make this move. One way to position this is to let them know what they'll no longer need by implementing an end-to-end BSM solution. For example, you'll no longer need a scanning engine integrated into your ERP. You won't need people continually configuring and tweaking to keep integrations operational. System administration and suitability of your business processes become significantly easier, such as integrations to your banking systems. It provides one single platform that goes from sourcing all the way to payment, is scalable, and complies with rules and regulations worldwide.

Let's also not forget that IT is one of the biggest spenders in any company. They will be a key beneficiary, having full spend visibility into every dollar of spend across the enterprise.

Finally, I want to share my key selection criteria: always focus on **value** and not subscription **cost**. You're obviously better off with a 5X return on a \$1 million investment vs. a 2X ROI on \$500,000.

## Conclusion

Selecting the right technology is never easy. Many of us have examples of failed technology deployments that have cost our companies millions, not to mention lost reputation and value due to business disruptions. Making the right decision requires strong leadership, a clear vision, cross-functional alignment, and executive support.

When selecting a Business Spend Management solution, I strongly encourage procurement leaders to take the reins and make themselves responsible (and accountable) for choosing the right platform. Own the process, and don't sell yourself short by agreeing to suboptimal outcomes because you can't properly articulate where the value is or what it means to the business.

Let's face it. There is a reason why that latest fast car with all the bells, whistles, and newest technology is not the cheapest in the market, but if you want to race ahead of the competition, there's nothing better.



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