Top 10 Issues Facing Procurement Leaders in 2022 and

How to Solve Them

THE BEST RUN **SAP**

Introduction

Procurement has stepped into the spotlight. Organizations all over the globe are struggling to simultaneously tackle multiple challenges, including ongoing supply chain issues, increasing materials costs, a drive toward sustainability, evolving regulations, and changing consumer expectations. Executives are looking to you – procurement professionals – to address them.

How have you responded? By rising to these challenges and helping your company thrive, you're extending your role as a strategic business force. This enables your organization to become more agile, accelerate time to market, deliver on its sustainability commitments, and meet customer demands. That's on top of your traditional responsibilities, including driving down costs, managing compliance, and mitigating risk. In other words, you have a lot on your plate.

The Hackett Group, a strategic consultancy and benchmarking firm, has published a report identifying the top 10 issues facing procurement professionals in 2022.[1] The Deloitte Global 2021 Chief Procurement Officer Survey identified a similar set of priorities.[2]

This e-book delivers insights into these challenges and shows how SAP can help you overcome them.

1. "**The Procurement Agenda: 2022 Key Issues**," The Hackett Group, 2022.
2. "**Deloitte Global 2021 Chief Procurement Officer Survey**," Deloitte Insights, 2021.

Top 10 **Challenges in Procurement**

1	**Mitigating Supplier Risk to Help Ensure Supply Continuity**
2	**Reducing Spend**
3	**Acting as a Strategic Advisor to the Business**
4	**Driving Corporate Sustainability**
5	**Accelerating Procurement Digital Transformation**

6	**Improving Analytics, Modeling, and Reporting Capabilities**
7	**Aligning Skills and Talent with Changing Business Needs**
8	**Modernizing Procurement Application Platforms**
9	**Boosting Agility**
10	**Improving Stakeholder Centricity**

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Mitigating Supplier Risk to Help Ensure Supply Continuity

Risks are everywhere. Your suppliers can be affected by everything from the COVID-19 pandemic, price fluctuations, and labor shortages to natural disasters and trade tariffs. Procurement leaders expect supply chain disruption to continue throughout 2022, and perhaps even longer. For instance, many high tech companies expect supply chain shortages into 2023.

In the Hackett Group's many years of surveying procurement leaders about their top issues for the year ahead, spend reduction is frequently at the top of the list. But this year, supplier risk is a more pressing concern. It's topped the list for the first time ever.

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There's a good reason for that. Our Agile Procurement Insights Research, conducted in collaboration with Oxford Economics, showed that organizations have significant room for improvement in supplier risk management.

Only 49% of executives regularly refresh their risk mitigation plans to address potential disruptions.[3]

Only 32% of executives say their procurement function's supplier risk management is highly effective.[4]

Only 50% of executives can quickly find alternative sources of supply when needed.[5]

53% of executives say that when it comes to direct spend, their organization has one or more products that it purchases from only one supplier.[6]

Years of supplier optimization have led to overreliance on too few suppliers. This can be risky even in the best of times, especially for a critical product.

HOW TO MITIGATE SUPPLIER RISK

As disruption becomes increasingly commonplace, procurement professionals need to learn how to anticipate and manage these ever-evolving risks to maintain business continuity. You shouldn't focus only on your tier 1 suppliers. You need to keep tier 2 and tier 3 suppliers on your radar, because if they experience issues, there will likely be a ripple effect on your business.

A robust risk management plan can help you pinpoint vulnerabilities in your supply chain, address potential disruptions, and continually evaluate your mix of suppliers to meet customer demands and business goals. This is especially important for consumer products, life sciences, and high tech companies, which are subject to ever-changing consumer preferences, supply chain risks, and compliance requirements.

3.–5. "Getting Closer to See Further," Agile Procurement Insights Research by SAP, in collaboration with Oxford Economics, 2021.
6. "Close Collaboration That Goes Beyond Transactions," Agile Procurement Insights Research by SAP, in collaboration with Oxford Economics, 2021.

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Furthermore, the right technology can help you stay on top of supplier risks to protect your business, for example, by helping you identify your highest-risk suppliers so you can focus on managing them. Technology can also help you anticipate potential disruptions through real-time threat monitoring or provide visibility into your multitiered supply chain.

HOW SAP CAN HELP

SAP® Ariba® Supplier Management solutions help you:
- Gain comprehensive visibility into the root causes of risk
- Proactively track and report on risks impacting your suppliers before they impact your business
- Integrate supplier qualification and risk-based segmentation with your source-to-pay processes

- Set up risk scores, incident alerts, and third-party risk assessments for your suppliers
- Find alternative suppliers by accessing **SAP Business Network** – a dynamic digital marketplace where millions of buyers and suppliers transact
- Continuously monitor suppliers to reduce reputational, compliance, financial, sustainability, and operational risks

Plus, the **SAP Ariba Supply Chain Collaboration for Buyers** solution gives you visibility into multiple tiers of suppliers and their inventory levels in real time. This enables you to get advance notice of potential upstream shortages and help ensure you get all the parts you need on time.

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Reducing Spend

The COVID-19 pandemic has left an uncertain economic climate in its wake. As inflation soars, many companies are experiencing rising costs for goods, materials, and labor. Hackett's research found that 42% of companies expect higher prices and cost volatility in 2022.[7]

Organizations don't want to pass on these increased costs to customers, so they're looking to procurement to help reduce spend.

Chances are, you've already grabbed most of the low-hanging fruit, so you'll need to get creative about cost savings. You'll need to use everything in your arsenal – from supplier relationships to contract terms and even hedging. Plus, you'll need to focus on value, not just cost. We have some tips to help you.

7. "The Procurement Agenda: 2022 Key Issues," The Hackett Group, 2022.

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HOW TO REDUCE SPEND

We've identified six ways you can drive down spend:

Optimize your supplier base by consolidating spend with fewer suppliers while leaving enough redundancy in your supply chain to mitigate risk.

Develop category plans to help you maximize cost savings and reduce risk in each spend category.

Strengthen your hand in supplier negotiations by coming equipped with proper data and a clear strategy.

Collaborate with suppliers on product design to discover new innovations, reduce costs, and improve manufacturability.

Tame tail spend by giving employees a simple way to buy indirect materials from preferred suppliers while adhering to policies and processes.

Analyze your off-contract spend to identify opportunities to bring high-impact goods and services on contract – and negotiate pricing at the same time.

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In some cases, spend reductions won't be possible. For example, if inflation pushes the global price of a certain component or material up by 15%, the best you can manage might be limiting your cost increase to 7%. If that happens, you want the right data to demonstrate how procurement has delivered value against the odds.

HOW SAP CAN HELP
SAP solutions can help you:

- Optimize your supply base by enabling you to select from millions of suppliers across hundreds of categories on **SAP Business Network** and generate competition to drive down costs
- Make the procurement process smooth through the replacement of complex steps with guided buying and spot buys through the **SAP Ariba Buying** solution

- Bring tail spend under control by enabling people to buy more than 100 million items sold by trusted suppliers through the **Spot Buy** capability (which integrates with Amazon Business)
- Create category plans using rich data from the **SAP Ariba Spend Analysis** solution to help you make smart decisions
- Negotiate competitive deals using our portfolio of **SAP strategic sourcing solutions**, then enforce negotiated rates by connecting the source-to-settle process
- Analyze market costs based on your purchasing history
- Collaborate with your suppliers and contract manufacturers on design to improve costs and manufacturability

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Acting as a Strategic Advisor to the Business

Procurement is really stepping up. It's working to boost business agility. It's helping organizations become more resilient and adapt faster to disruption. It's pivoting to address ever-changing customer demands, accelerating time to market. And it's helping companies meet their environmental, social, and governance (ESG) objectives through ethical, sustainable supply chains. All the while, it's taking care of its traditional responsibilities: reducing cost and mitigating risk.

Procurement's new role is reflected in the results from our Agile Procurement Insights Research. In the research, we identified a group of leaders – around 10%

of executives – who outshine the rest. We discovered some interesting findings.

Leaders are more likely to say that procurement "somewhat" or "significantly" helps the organization achieve key goals, such as improving profitability, driving innovation, improving product quality, and bringing new products or services to market faster.[8]

Leaders are more likely to say their chief procurement officer (CPO) has a vision and road map for transforming the procurement function to provide more strategic value to the business.[9]

8., 9. "Leaders Aim Higher," Agile Procurement Insights Research by SAP, in collaboration with Oxford Economics, 2021.

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When procurement professionals help business stake-holders achieve their objectives, it creates a virtuous circle. Stakeholders bring them into processes (for example, new-product development) earlier, so procure-ment can better understand their business goals and add more value. This in turn helps procurement gain even greater influence within the organization.

HOW TO ACT AS A STRATEGIC ADVISOR TO THE BUSINESS

Yesterday's procurement function can't meet today's business needs. To deliver on your growing responsibili-ties as a procurement professional, you must overhaul legacy processes, policies, metrics, tools, and mindsets. At the same time, you must continue to deliver measur-able value that shows up on financial statements.

To extend your role as a strategic business force, you should create influence by:
- Building closer relationships within the business and with suppliers
- Clearly understanding each business stakeholder's needs and tailoring their messaging and approach accordingly (for example, using risk alerts to flag issues affecting manufacturing, leveraging intelligence from supplier conversations to get ahead of changes in demand, and looking for crossover between bills of material to support product development and finance teams)
- Speaking the business language
- Having an executive presence at the table during planning and budgeting
- Better managing supplier performance
- Showing that you can help drive change across your business

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HOW SAP CAN HELP

SAP solutions can help you:

- Proactively manage supplier risks, product quality, and more, so you can work even more effectively to help your organization meet its strategic goals
- Achieve a high degree of process automation so that procurement is almost invisible, enabling you to spend more time on proactively collaborating with the business, rather than managing routine work and putting out fires
- Use data, analytics, and AI to embed intelligence into decision-making, helping procurement be a trusted advisor to your business

- Use guided sourcing capabilities to empower people from outside procurement to actively participate in the sourcing function, creating operational efficiencies and cost savings
- Maximize ROI by combining SAP solutions with our services teams' deep expertise in business processes, best practices, and diverse industries
- Use **SAP Business Network** to rapidly find, screen, and onboard suppliers
- Manage contingent workers and services providers through **SAP Fieldglass® solutions** to help you reduce risks and improve ROI (see **section 7** for further information)

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Driving Corporate Sustainability

You play a pivotal role in helping your organization achieve its sustainability objectives. After all, you decide what your company buys, who it buys from, which country or region to source goods from, and the diversity of your suppliers. Your decisions help your company deliver on net-zero emissions goals, reduce and reclaim waste materials, empower a more diverse workforce, and achieve compliance with sustainability regulations.

Customers, investors, business stakeholders, and local communities are demanding that organizations operate ethically and sustainably. Plus, regulators around the world are likely to demand that organizations collaborate with suppliers on ESG reporting. This will force businesses to work harder to reduce their environmental impact.

Companies that are ahead of the sustainability shift are reaping rewards. For instance, the Global Sustainability Study 2021, conducted by Simon-Kucher & Partners, found that 34% of people are willing to pay more for sustainable products or services.[10] By contrast, if the media finds poor labor practices or environmentally damaging activities in a supply chain, the company can face severe reputational damage.

But fostering sustainability isn't just about doing the right thing. There's growing evidence that it increases profitability and generates competitive advantage. It also helps build resilient businesses that can cope with unexpected disruptions. In today's turbulent business environment, resiliency is a key capability.

10. "Global Sustainability Study 2021," Simon-Kucher & Partners, 2021.

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HOW TO DRIVE CORPORATE SUSTAINABILITY

Previously, procurement focused on sustainability improvements to drive cost savings within the organization's internal operations, for example, by switching to efficient light bulbs to cut energy bills.

Now, you're being challenged to drive sustainability across your organization and its supply chain. For example, you can build a fair, resilient supply chain by establishing a supplier code of conduct that incorporates ESG requirements. You can encourage people to buy from ethical or minority- and women-owned suppliers through integrated procure-to-order tools.

That's not all. You have the power to reduce your company's carbon impact by collaborating with direct spend trading partners to accurately forecast demand, trim excess buffer stock, and avoid unnecessary shipments. Plus, you can assess a supplier's environmental impact and labor practices during the onboarding process. These steps can help you take a proactive, effective approach to driving sustainability.

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HOW SAP CAN HELP

Building a sustainable future takes a village – or rather, a global ecosystem. SAP solutions can help you:

- Select diverse suppliers from **SAP Business Network** – more than 25% of the suppliers on our network are marked as diversity suppliers
- See how each supplier fares on forced labor, environmental, human rights, and ethical sourcing indexes before you onboard them
- Build resilient supply chains that can respond rapidly to disruption
- Set real-time risk alerts at each step of your source-to-pay process

- Implement supplier risk assessment, monitoring, and mitigation for your suppliers worldwide using **SAP Ariba Supplier Management** solutions
- Digitalize and optimize your supply chain to reduce waste using **SAP Ariba solutions for direct spend**
- Holistically measure, manage, and optimize your sustainability goals spanning people, the planet, and profits with the **SAP Cloud for Sustainable Enterprises** solution

Listen to our **podcast** to hear about **Coca-Cola's environmental program** and the company's advice for other organizations.

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Accelerating Procurement Digital Transformation

Digital transformation is high on the agenda. Hackett's research found that 61% of companies are working on enterprise digital transformation, and 39% are planning to upgrade a major technology platform or introduce a new technology.[11]

This is a step in the right direction. After all, accelerating digitalization helps procurement functions better steer their organizations through disruption. Lean, automated processes can help them react promptly to the unexpected. Meanwhile, greater use of data, analytics, and AI can enable better-informed decisions and stronger results.

As things stand, organizations face several challenges on the path to digital transformation. For example, our Agile Procurement Insights Research revealed that:

• **Organizations have had mixed success in process automation.** Nearly 4 in 10 (37%) executives say that most or all of their procurement processes are manual.[12]
• **Organizations aren't making enough use of data and analytics.** Only about half (54%) of executives say their procurement technologies enable them to make data-driven decisions about spend across the organization.[13]
• **Many companies have been slow to adopt AI.** Only half (51%) of executives use machine learning or AI-based analytics technologies to analyze data for decision-making.[14]

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11. "**The Procurement Agenda: 2022 Key Issues**," The Hackett Group, 2022.
12.–14. "**Procurement-Powered Performance**," Agile Procurement Insights Research by SAP, in collaboration with Oxford Economics, 2021.

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- **Adoption is a key issue.** The new solutions you procure and implement can't deliver any benefits unless people actually use them. So, it's concerning that 41% of executives say low adoption of new processes and technologies within procurement is a barrier to digital transformation of their procurement function.[15] If procurement isn't fully using its own processes and technologies, how can the rest of the organization be expected to?
- **Companies often struggle to cultivate an executive champion who promotes innovation**. This can make it hard to secure investments in new technologies.

HOW TO ACCELERATE PROCUREMENT DIGITAL TRANSFORMATION

In our Agile Procurement Insights Research, we identified a group of leaders who outshine their peers. Leaders are more advanced in their procurement digital transformation, and their investments are paying off. For example, leaders are much more likely to say digital transformation of their procurement function has generated a "moderate" or "significant" improvement in areas such as operational efficiency, supplier performance management, and compliance. What's more, leaders are much less likely to experience issues such as maverick spend, overcharges, and duplicate payments.[16]

SAP Ariba solutions were named **"Customer's Choice for Procure-to-Pay Suites"** by Gartner in 2021.

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We recommend procurement professionals take three key actions to emulate the leaders' success:

Embrace data and analytics

Unlock the power of AI

Drive adoption

Discover how **Woolworths Group Limited** is **transforming procurement** to be more streamlined, efficient, and sustainable.

HOW SAP CAN HELP
We're ready to support your procurement transformation journey with:
- Deep technical expertise and established solutions spanning the source-to-settle process and numerous spend categories
- A customer-first approach
- **Dynamic services** that support millions of customers across hundreds of countries
- **Extensions and automation** services to transform procurement processes to suit your unique business needs
- **Expert advice** on transforming procurement processes into a competitive differentiator
- Deep industry experience and expertise, so we understand the specific challenges in each industry and help you overcome them

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Improving Analytics, Modeling, and Reporting Capabilities

Over the last few years, new technologies have enabled a wealth of sophisticated analytics, modeling, and reporting capabilities. But while these new solutions have been embedded across other business functions, procurement has largely been left out. Now, it's facing calls to catch up. In fact, 74% of organizations have a current initiative under way to enhance and further develop their data, insight, and analytics capabilities.[17]

Procurement still has a long way to go. Just 17% of procurement functions have large-scale deployments of advanced analytics. Moreover, only 38% of procurement functions have large-scale deployments of data visualization tools.[18]

When procurement invests in digital transformation, it pays off. For instance, the leaders we identified in our Agile Procurement Insights Research have much stronger data and analytics capabilities than their peers. For example, a staggering 99% of leaders use machine learning and AI-based analytics technologies to analyze data for decision-making, compared to just 45% of other organizations. What's more, 70% of leaders can gain a clear view of overall spend automatically in real time, compared to just 17% of others.[19]

17. "2021 CPO Agenda: 10 Key Issues Procurement Needs to Act on Now," The Hackett Group, 2020.
18. "The Procurement Agenda: 2022 Key Issues," The Hackett Group, 2022.
19. "Leaders Aim Higher," Agile Procurement Insights Research by SAP, in collaboration with Oxford Economics, 2021.

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HOW TO IMPROVE ANALYTICS, MODELING, AND REPORTING CAPABILITIES

Data is at the heart of analytical, modeling, and reporting capabilities. As procurement functions digitally transform, they're automating and digitalizing more of their processes, which will create treasure troves of data that companies can analyze to gain valuable insights. Your organization must implement robust master data management to help ensure that the data you're analyzing is comprehensive and trustworthy. You should also look for areas where third-party data can deliver added value and increased intelligence. Companies that have multiple systems of record should cleanse, classify, and harmonize their data on a single model to conduct analyses.

Furthermore, your procurement function should choose solutions to help glean insights from its data. In parallel,

procurement must ensure its teams have the right data and analytical skills to unlock maximum value from the new solutions.

HOW SAP CAN HELP

SAP solutions can help you:

- Classify and enrich your company's spend data with machine learning–based data classification and enrichment, plus market intelligence from **SAP Ariba Spend Analysis**
- Use advanced analytics and a centralized view to better understand your spend by supplier, buyer, category, and part to drive savings and deliver strategic value
- Gain even deeper insight and powerful data visualizations by using **SAP Ariba Spend Analysis with the SAP Analytics Cloud and SAP Data Warehouse Cloud** solutions

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Aligning Skills and Talent with Changing Business Needs

The Hackett Group's report states that procurement professionals should develop new skills to help them play a more strategic role within the business. For example, it advocates for procurement professionals extending their capabilities around sustainability, data-driven intelligence, and supplier risk management.

The Deloitte Global 2021 CPO Survey extends this idea by urging procurement professionals to build capabilities that help strengthen organizational agility. After all, agility is key to helping businesses respond rapidly to disruption.

Specifically, the Deloitte research highlights that the top CPOs (which Deloitte terms "high-performing agility masters") are more than twice as likely as other CPOs to use hybrid service delivery models.[20] In other words, they augment teams of employees with external people.

20. "[**Deloitte Global 2021 Chief Procurement Officer Survey**](#)," Deloitte Insights, 2021.

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This raises a key point. To source sought-after skills, procurement professionals are increasingly turning to contingent workers and services providers (organizations that supply services delivered by people, such as consulting firms). You may be interested to learn that:

42% of workforce spend is on contingent workers and services providers.[21]

63% of executives say contingent workers and services providers help their organization compete in a digital world.[22]

62% of executives say contingent workers and services providers provide extra capacity to help manage peaks in demand.[23] That's particularly useful when dealing with sudden shocks.

It's clear that contingent workers and services providers are important spend categories. But most procurement professionals lack visibility into these workers – including who they are, what they do, and which systems and facilities they access.

Furthermore, many procurement functions struggle to manage contingent workers and services providers effectively. As a result, their organizations can encounter issues that are serious risks, such as:
- Digital security breaches
- Maverick spend
- Substandard work
- Delayed projects
- Overcharges
- Duplicate payments

21.–23. "**Agility Isn't Always on the Payroll**," Agile Procurement Insights Research by SAP, in collaboration with Oxford Economics, 2021.

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HOW TO ALIGN SKILLS AND TALENT WITH CHANGING BUSINESS NEEDS

Contingent workers and services providers are reshaping organizations' talent supply chains and providing significant competitive advantage. But to manage these spend categories effectively, you need:

The right strategy. Quite often, procurement functions attempt to manage contingent workers and services providers like financial transactions. In other words, they concentrate on contracts and POs, but they don't look at things such as each worker's skills, responsibilities, credentials, and security access. But unless you can manage these aspects of contingent workers and services providers, your business remains exposed to significant risk.

The right technology. Contingent workers and services providers often slip through the cracks because they sit outside traditional HR systems used to manage employees. While procurement systems can help you manage contracts and POs, they typically don't help manage other aspects such as compliance and security. For that, a vendor management system (VMS) is needed.

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HOW SAP CAN HELP

We can help you navigate **each step of your external workforce management journey**. You can use our **quick assessment tool** to find out your organization's maturity in external workforce management and discover how to improve.

Technology will play a key role in your journey, so it's important to choose the right VMS. We've created a list to help you **spot the common pitfalls** in choosing a VMS – and learn how to avoid them.

> Discover how **SAP Fieldglass solutions** are adding value at **Capgemini** and **Philips**.

What's more, **SAP Fieldglass solutions** offer rich functionality to supercharge your external workforce management. They can help you:

- Improve ROI and reduce risk from your contingent workers and services providers
- Manage the end-to-end process – from finding and onboarding resources to invoicing and beyond
- Gain deeper visibility and manage important aspects of your contingent workers and services providers – from workers' skills, credentials, and responsibilities to compliance and security
- Connect with our partners who can help you find the right talent, implement e-signatures for contracts, run background checks, and much more

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Mitigating Supplier Risk to Help Ensure Supply Continuity	Reducing Spend	Acting as a Strategic Advisor to the Business	Driving Corporate Sustainability	Accelerating Procurement Digital Transformation	Improving Analytics, Modeling, and Reporting Capabilities	Aligning Skills and Talent with Changing Business Needs	Modernizing Procurement Application Platforms	Boosting Agility	Improving Stakeholder Centricity

Modernizing Procurement Application Platforms

Modern procurement technology is essential to enabling efficient processes, customer-centric workflows, and user-friendly interfaces. That's why many procurement functions are working to modernize (that is, consolidate and upgrade) their IT landscapes. As part of this, they're replacing dated legacy applications and point solutions, which often support only certain elements of procure-ment processes.

> We're seeing a big rise in the adoption of cloud-based core procurement application suites (with adoption up **29% year over year**).

HOW TO MODERNIZE PROCUREMENT APPLICATION PLATFORMS
Procurement leaders are using modernization as an opportunity to better support end-to-end procurement processes. In line with this, we're seeing a big rise in the adoption of cloud-based core procurement application suites (with adoption up 29% year over year), and best-of-breed solutions (up 22% year over year).[24]

Process digitalization helps increase compliance with procurement policies and reduce maverick spend. Critically, process automation also boosts efficiency. It enables procurement professionals to spend less time on routine tasks so they can focus more on driving value and innovation.

24. "**2021 CPO Agenda: 10 Key Issues Procurement Needs to Act on Now**," The Hackett Group, December 2020.

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HOW SAP CAN HELP

With SAP Ariba solutions, you can digitalize and simplify your processes on a single, integrated platform in the cloud. Our solutions help you bring simplicity, clarity, visibility, and control to diverse spend categories across your organization. This empowers you to **source**, **procure**, and **pay** for goods and services efficiently and effectively while bringing new value to the business by integrating spend into your other business processes and systems. Our strong capabilities are why **SAP was named a Leader in the 2021 Gartner Magic Quadrant for Procure-to-Pay Suites** report for the sixth consecutive time.

What's more, **SAP Fieldglass solutions** support the end-to-end process for working with contingent workers and services providers. The solutions cover everything from finding and onboarding resources to invoicing and beyond. Plus, they help you improve ROI and reduce risk by managing each worker's compliance, security access, performance, and much more. That's far more than you get with a standard procurement system.

Discover how **Vorwerk** and **M-Industry** are **achieving success** with SAP solutions.

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Boosting Agility

If procurement wants to be more strategic, it must be more agile. The key is learning to react quickly to changes. There are two sides to this.

First, procurement needs the ability to respond rapidly when internal stakeholders' objectives change. For instance, if the company wants to launch a new product that requires different raw materials, it shouldn't take months to find, vet, and onboard a new supplier.

Second, procurement must react quickly to changes in the market to accelerate time to market. That could be sudden supply chain disruptions, fast-changing consumer expectations, price fluctuations, or other factors fueling market volatility.

Many procurement functions have significant room for improvement. For example:
- If disruption strikes, procurement should rapidly transition orders to backup suppliers. But only half (50%) of executives can quickly find alternative sources of supply when needed.[25]
- Visibility into inventory levels can help procurement predict and prevent product shortages and overages. However, fewer than half of executives have visibility of near-real-time or real-time inventory levels in their own facilities (48%) or in supplier facilities (46%).[26]
- Advanced analytics can help procurement get a better grasp on supplier risk, yet the technology is underused. For instance, 56% of executives say their procurement

25., 26. "Leaders Aim Higher," Agile Procurement Insights Research by SAP, in collaboration with Oxford Economics, 2021.

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function interprets and makes recommendations automatically based on third-party data about shipping disruptions impacting tier 1 suppliers, which drops to 37% for tier 2 suppliers.[27]

These capabilities are most important in direct procurement, although they apply to indirect procurement too.

HOW TO BOOST AGILITY

There are many ways in which you can boost agility within procurement. Making processes faster, more flexible, and more user-friendly will help you react more quickly to shifting business objectives. This can also earn you kudos internally and help you provide a more strategic contribution to the organization.

To enable swift reactions to changes in the market, your top priority should be gaining visibility. This helps you anticipate risks and gives you more time to respond. For instance:

- It's important to collaborate with suppliers to gain insights into the risks affecting their business, as well as their inventory levels.
- You can use third-party data to enable automated recommendations about potential disruptions affecting your suppliers (such as shipping disruptions, commodity price fluctuations, or geopolitical influences).
- You should build redundancy into your supply chain so that you can rapidly source goods from alternative suppliers when needed.

27. "**Leaders Aim Higher**," Agile Procurement Insights Research by SAP, in collaboration with Oxford Economics, 2021.

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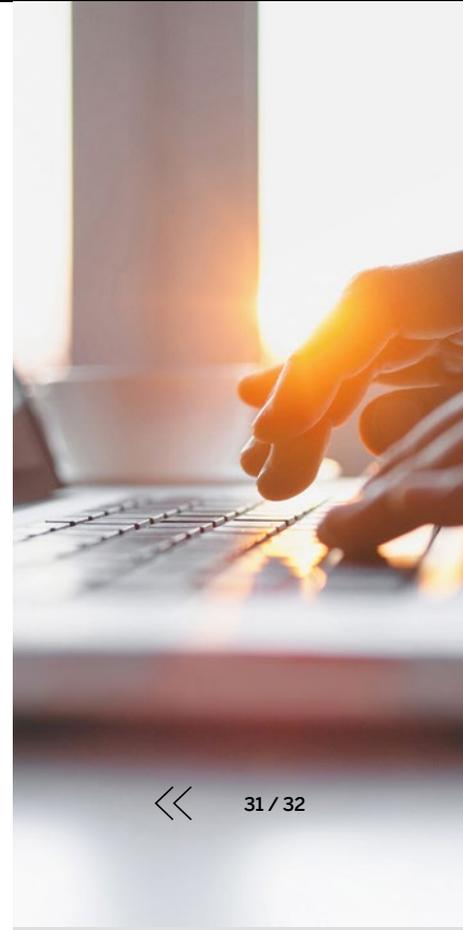**8** Modernizing Procurement Application Platforms

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HOW SAP CAN HELP

Our solutions empower you to automate and accelerate the source-to-pay process across numerous spend categories. So, if plans change, you can pivot quickly.

In addition, **SAP Ariba Supplier Management** solutions enable you to:
- Obtain comprehensive visibility into factors creating risk
- Track and report on risks that could affect your suppliers
- Integrate supplier qualification and risk alerts with your source-to-pay processes
- Establish risk scores, incident alerts, and third-party risk assessments for your suppliers
- Use **SAP Business Network** to:
  – Find alternative suppliers
  – Get automated alerts from logistics providers

– Collaborate with suppliers to help ensure they have the required capacity and inventory to maintain business continuity
– Exchange documents digitally
– Process invoices in an almost-touchless way

SAP Strategic Sourcing Suite can help you accelerate time to market by enabling rapid materials sourcing for new products. It also facilitates rapid sharing of engineering changes, which can help build-to-order and engineer-to-order businesses cut order fulfillment times.

Discover how **Philips** **rapidly pivoted** its business when the pandemic hit. Plus, find out how **Aramco Europe** **supercharged its agility** by transforming into an intelligent enterprise.

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Improving Stakeholder Centricity

The executives surveyed by the Hackett Group said that to become a modern, strategic, business-enabling function, procurement must focus more closely on the needs and expectations of its stakeholders. That includes customers who buy finished products, internal business stakeholders, and suppliers.

To put it another way, procurement needs to view itself as a service organization, with stakeholders as its customers. It needs to sell its services to the business and deliver real value. Critically, its solutions and processes must be easy to use, otherwise people will circumvent them.

HOW TO IMPROVE STAKEHOLDER CENTRICITY
To become more stakeholder-centric, your procurement function should:
- Develop a deeper understanding of stakeholders' objectives and focus on helping achieve them
- Help ensure that stakeholder-facing people have the right skill sets to strategically advise the business
- Redesign its culture and operating model to revolve around providing excellent stakeholder experiences
- Make its processes more flexible
- Introduce self-service capabilities where it makes sense to put power in the hands of stakeholders

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HOW SAP CAN HELP

SAP solutions can help you provide great stakeholder experiences.

Our **guided buying** capability takes internal stakeholders through the correct purchasing process. It gives them one place to find what they need – including spend categories that haven't been sourced by procurement. It serves up customized suppliers, commodities, and processes for each user, and employees can make purchases in just three clicks.

Additionally, our **Spot Buy** capability enables internal business stakeholders to buy from trusted suppliers in a central business-to-business marketplace. Employees can choose from more than 100 million items, and the solution is ideal for one-off or emergency purchases.

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Conclusion

In this e-book, we've explored the top 10 issues facing procurement in 2022. So how can you put these insights into action?

For starters, you should have a clearer picture of where to focus your resources and investments. And it's important to recognize that all the items on this top 10 list have some things in common, including:

- Requiring procurement to collaborate more closely with suppliers and internal business stakeholders
- Challenging procurement professionals everywhere to extend their skill sets and capabilities
- Helping procurement play an even more important role within the organization
- Highlighting that success depends on having the right technology

We're here to help you every step of the way. We deliver the procurement insight and infrastructure you need to confidently take on any business challenge. Our solutions offer ways for employees to collaborate with suppliers all over the world – bringing speed, scale, and savings to procurement and fresh innovation to the business.

It's clear that 2022 is set to be a year brimming with challenges and opportunities for procurement. Are you ready?

If you'd like to discuss any of the topics in this e-book in more detail or learn more about how we can help you address them, **contact us** or visit us **online**.

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