

The Not-too-Distant Future of Procurement

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Procurement is fast rising as a critical and increasingly professional function. Based on the challenges of the past few years, procurement is set to play an even more significant role in tackling and solving critical business problems rather than just managing and optimizing processes. What does that mean to your organization? You will need a highly skilled team in place capable of getting you there.

Building a Technical/Strategic Procurement Team

According to the [U.S. Bureau of Labor Statistics](#), logistician (those that manage how a product is acquired, allocated, and delivered) employment rates are projected to grow 30 percent from 2020 to 2030. However, putting a team together in the current environment is not an easy feat.

While figuring out how to react to the pandemic and supply chain chaos, it became clear that implementing better ways of doing things and making sense of data in real-time was critical. Many existing procurement teams were just not up to the task. The power of technology would drive skills that rose in importance across every segment of the procurement ecosystem.

So, the procurement teams of the future will require:

- Technology-based procurement experience
- The ability to grasp and understand risk and risk mitigation
- Predictive analysis, based on the use of big data and artificial intelligence
- The ability to communicate and collaborate

Procurement teams will leverage automation, monitoring suppliers for early indicators of threats before they are catastrophic. They will also need to construct and maintain buyer-supplier relationships. How does this all take place? It starts with strategic sourcing, establishing and nurturing relationships, and tying everything together via intelligent software.

Strategic Sourcing—Smart and Fast

Strategic sourcing is transforming the way businesses view buyer-supplier relationships. It involves spending analysis, data-driven supplier selection, ongoing engagement with vendor partners, and weighing the value delivered through a vendor relationship, not just the cost. Building buyer-vendor partnerships based on collaboration, accountability, and innovation reduces costs and improves supply chain efficiency and reliability. It involves:

- Recognizing decisions based on total cost, including fees and logistics
- A focus on partnerships vs. transactions
- Identifying vendor capabilities

Through strategic sourcing, all parties work at building a long-term, ongoing and collaborative relationship, which ultimately results in cost savings. It enables continuous feedback and a platform to share data and collaborate on innovation. Strategic sourcing considers return on investment (ROI) at every step to understand the potential benefits of engaging with a new vendor.

Relational Currency

Once vendors are in place, maintaining vendor relationships can be a challenge in the best of times, but the lack thereof is glaring in the worst of times.

It's important to step back and realistically evaluate each vendor. What do they provide? What role do they play in your business? For example, are they a sole supplier? How do they comply with established terms historically? Where are their flexibilities? What are the expectations and goals of both parties? Where can both sides improve?

Without this level of understanding, effective communication doesn't exist—opening the relationship up to misunderstandings. It's the ongoing communication and a hands-on approach that enables you to address problems and deliver feedback that results in continuous improvement. If the vendor interacts with multiple departments and users, stay on top of their experiences. And, if they aren't interacting with various departments, are you sufficiently using their expertise?

Ideally, vendors in your supply chain should be a trusted part of your organization. There is an increasing focus on partnerships with distributors supporting sales efforts. Using the distributors that offer the best solution to each issue faced is the best approach. In all cases, don't step over dollars to save pennies. Price will always be necessary, but the future is increasingly based on understanding the total cost of ownership.

There will always be tough times and global circumstances. Having these relationships in good and challenging times might be the one thing that enables you not just to survive but to thrive, regardless of the conditions. When it gets tough, picking up the phone to discuss requirements, delays, or any challenge is mandatory.

Your professional staff should have the skill to lead with carrots instead of sticks. Pulling business is so stone age. Instead, negotiate well with future opportunities as a "carrot" to perform, rewarding suppliers that function well! Those who have relational currency have the best chance of getting things done.

Intelligent Software—Tying It All Together

Manual pen-to-paper days are long gone. If you are not relying on smart software to help define the best sourcing options, manage inventory, schedule, find alternatives and create self-serve on open orders, you're not considered competitive. All players within the supply chain should be operating in real-time to identify problems and react to changes rapidly.

Smart software includes, but is not limited to:

- AI/ML-based predictive analysis
- Digital RFPs and evaluation
- Tracking procurement savings
- Access distributor marketplace
- Monitoring vendor performance
- Risk Management

- Vendor negotiations
- Real-time status updates
- On-demand audit trails
- Real-time price and availability
- Monitoring inventory levels

Building a team of the future is virtually impossible without arming them with smart software. Team members must understand and embrace technology instead of shunning it. Everything a "Future Pro" does is entangled with "how can I make this happen?"

There's one more relationship to manage, though.

Bridging the Engineering and Procurement Collaboration Gap

A gap has long existed between engineering and procurement departments—each has different goals. Procurement teams focus on price and availability, while engineering focuses on technology. The solution lies in understanding, collaboration and cooperation.

True collaboration involves creating an easy flow of information between these teams. The engineering team must be able to present their point of view to the procurement department to grasp the logic behind the design and material choices. This boils down to the BOM for ordering components and supplies.

Advancements in software technology across cloud computing, analytics, and platform architectures expose the possibilities for error. True collaboration comes from cloud-based software that effectively manages BOMs so that the gap between procurement and engineering teams can begin to dissolve. This software can reflect the latest changes by the team and changes in the market. Complex analytics and real-time pricing/availability empower your teams to make rational and informed decisions that benefit both cost and quality.

Procurement is rapidly moving into a more significant professional role. The procurement team's importance to the entire enterprise and vendors is burgeoning. The time is now to train, hire, automate and arm them with the ability to future-proof your efforts.

About the Author

Carolyn Mathas is a freelance writer/site editor for United Business Media's EDN and EE Times, IHS 360, and AspenCore, as well as individual companies. Mathas was Director of Marketing for Securelink and Micrium, Inc., and provided public relations, marketing and writing services to Philips, Altera, Boulder Creek Engineering and Lucent Technologies. She holds an MBA from New York Institute of Technology and a BS in Marketing from University of Phoenix.