

A force for positive, sustainable change:

The new value of procurement

A supply chain free of forced or child labor. An up to 40% corporate CO_2 emissions reduction. A procurement workforce with new tools, skills, and insights to work more effectively, leading to $222 million captured in seven years. These are real, measurable business outcomes that have one thing in common.

They were achieved by procurement.



Procurement in the spotlight

In the face of more frequent disruptions, shareholder activism and changing C-suite expectations, the procurement function has a tremendous opportunity. It can take a leading role in combatting some of the most challenging issues organizations face today across their supply chain networks, such as unethical labor practices, getting to net-zero emissions, recruiting top talent and enabling unique customer experiences—all while cutting costs. In short, procurement is poised to add new value that betters business, society and the planet.

Many procurement leaders understand this. Our "Fast-Track to Future-Ready Performance" research found that up to 26% of procurement leaders want to build "future ready" operations in the next three years—powered by new technologies, data and talent. But only 2% believe their operations are future ready today.

Is the disconnect just a matter of priorities? New Accenture research indicates the answer is more complicated.

About the Research

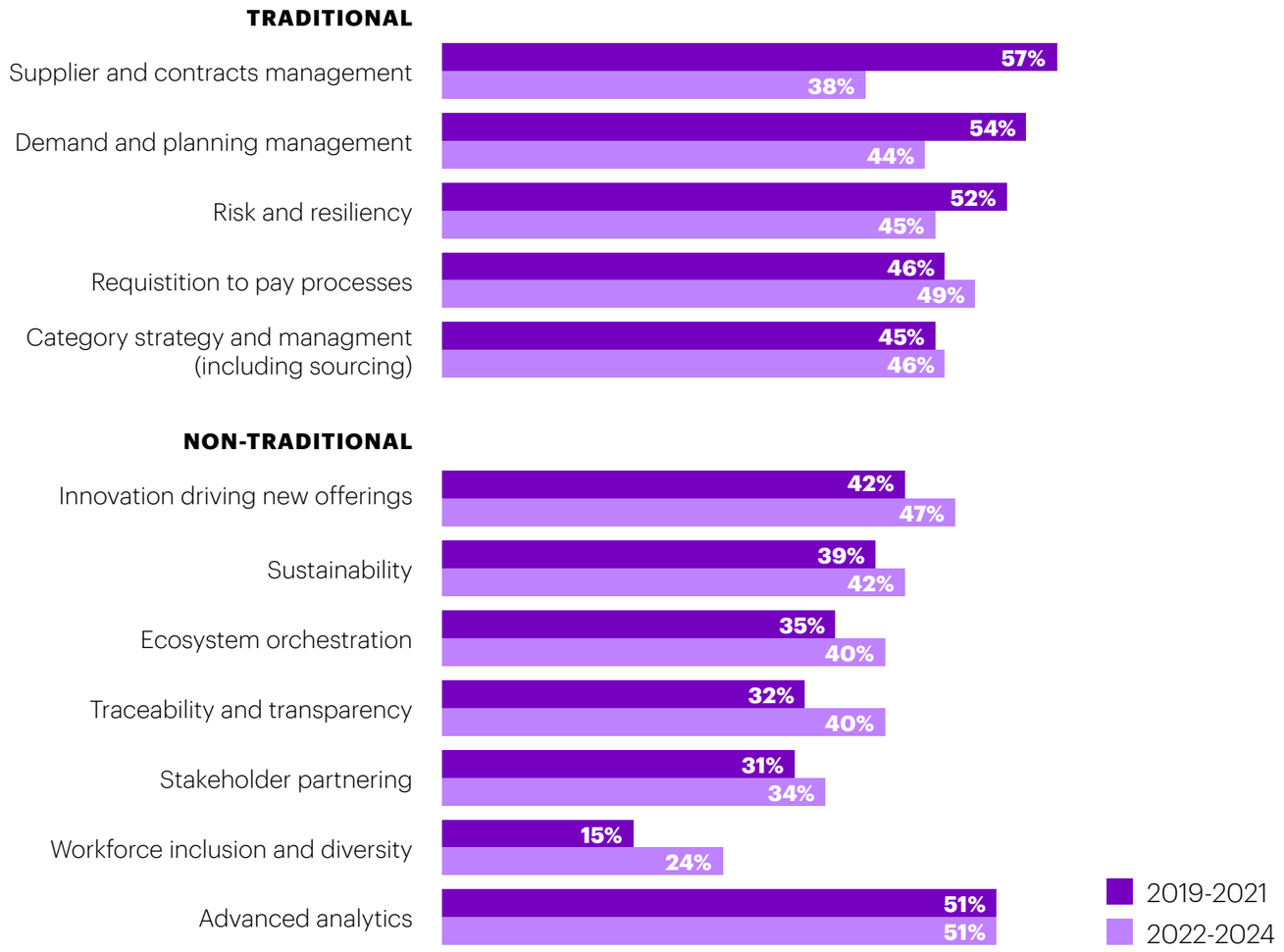
Accenture conducted a survey to explore procurement's new role in delivering value beyond cost savings. We looked at the possible challenges that are holding many procurement organizations back, the role automation can play in driving value and ways companies can systematically transform procurement from being cost and compliance driven to being value driven, while also addressing sustainability and responsibility issues.

Our survey included 500 senior procurement executives and 500 non-procurement executives (including the C-level). Respondents represented companies in 12 industries and 15 countries, with a majority of companies generating annual revenue of US$1 billion to US$10 billion and up to 9% with revenue exceeding US$30 billion.

Setting new priorities, but not seeing them through

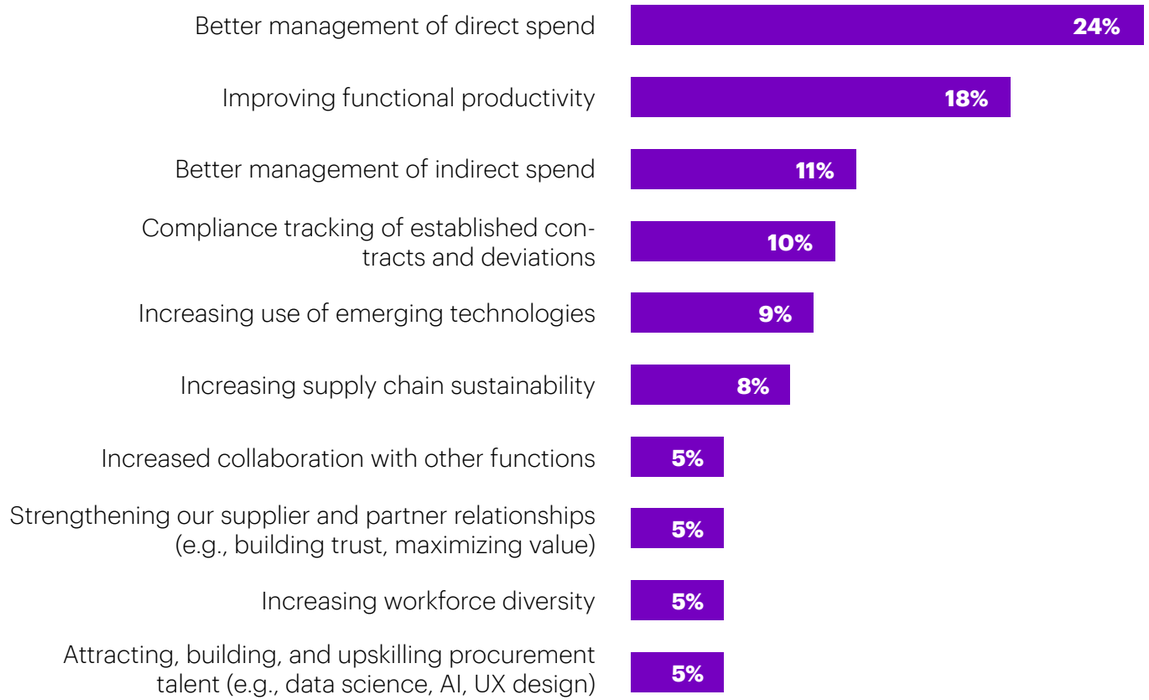
When asked about their top priorities now and in three years, the executives we surveyed listed typical concerns such as supplier contracts and demand and planning management. But they also mentioned non-traditional priorities such as sustainability and workforce diversity and inclusion, especially as they plan for the future (Figure 1).

Figure 1: Procurement's strategic priorities today and in three years

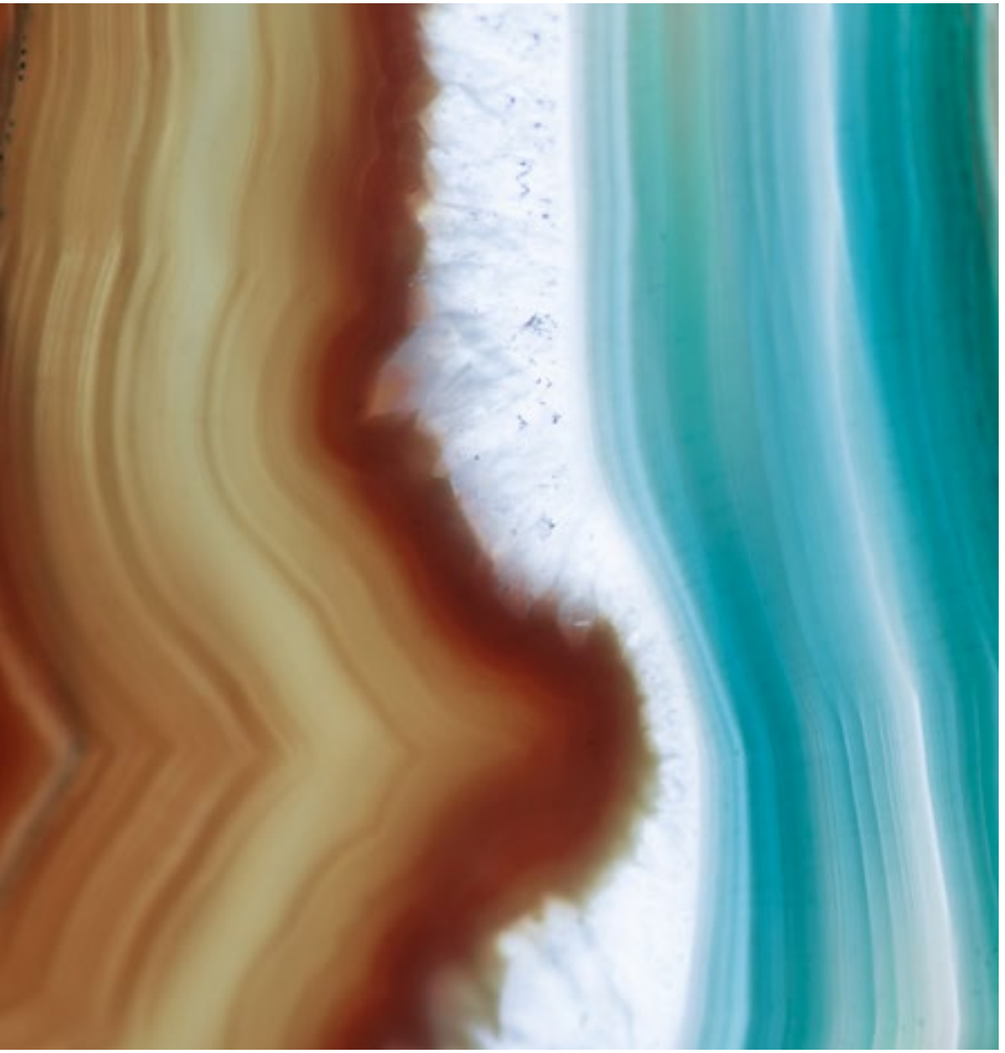


These responses show that today's Chief Procurement Officers (CPOs)—and others across the C-suite—are taking a broader view of the value procurement can create as companies evolve their linear supply chains into agile, robust supply chain networks. However, most procurement organizations are still spending more time on traditional activities (Figure 2).

Figure 2: Percentage of time respondents spend on an activity







Without the time to devote to new priorities, procurement's impact on the broader business is limited to its traditional role. Overall performance was most commonly described as "fair," indicating that traditional procurement expectations were met, but not advanced expectations like resiliency and better environmental, social and governance (ESG) performance. (Figure 3).

Figure 3: Procurement's performance today

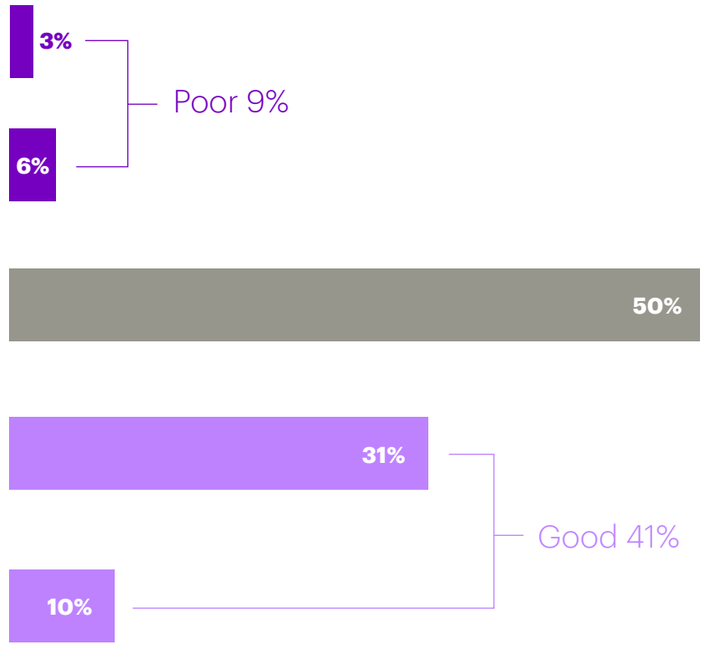
Very poor: Procurement leadership failed miserably on cost reduction, compliance and risk management

Poor: Procurement leadership has barely delivered on its traditional tasks such as cost reduction, compliance and risk management

Fair: Procurement leadership fulfilled its traditional role of driving cost reduction, compliance and risk management

Very good: Procurement leadership has helped deliver top-line growth, driven cost reduction and compliance management and mitigated risks associated with COVID-19

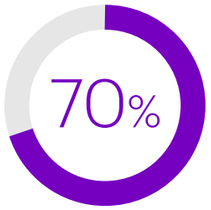
Outstanding: Procurement leadership has delivered top-line growth and helped improved sustainability, inclusion and diversity, etc.



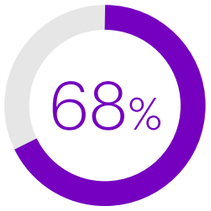
Slow progress and missed opportunities

Why don’t procurement organizations have the time to devote to their expanded priorities, even though they understand the value? Many lack the modern information technology (IT) tools and platforms they need to collaborate effectively or capture and leverage data to make better decisions. As a result, when procurement does focus in new areas, it often does so in an ad hoc way with unsophisticated capabilities and approaches. This results in missed opportunities to add greater value to the business (Figure 4).

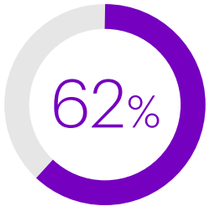
Figure 4: Procurement’s missed opportunities to add value



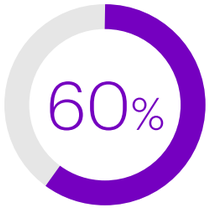
of respondents said task-oriented innovations happen on a case-by-case basis when working with the ecosystem on innovation.



reported that procurement has a passive role in developing products and services wherein it focuses on current suppliers and only approaches new suppliers during market research for a sourcing exercise.



said procurement still pulls manual reports from the enterprise resource planning (ERP) system on an as-needed basis to understand third-party spend.



said they have no defined inclusion and diversity playbook or policy.



Unlocking procurement's potential

What will it take to increase the value procurement brings to a company's supply chain network and the broader business? Before procurement organizations can benefit from improved data, technology and practices in an effective and sustainable way, they need to chart the course.

They must define and quantify the value procurement can bring to the business, suppliers, customers and society clearly and holistically.

Holistically measuring value

Thirty three percent of the executives we surveyed said they aren't able to measure procurement's non-financial contributions. Examples include sustainability, innovation and inclusion and diversity. Without being able to measure its contributions, procurement can't demonstrate the value the C-level expects. Even procurement's financial value often can't always be measured accurately. As a result, CPOs spend much of their time defining and proving their impact.

A tool like the Procurement 360° Value Meter shown in Figure 5, can help. With this tool, CPOs and the broader C-suite can clearly define both financial and non-financial value. They can also establish metrics for consistently tracking and measuring that value with all stakeholders.

> With this value meter, businesses can align on targets for the procurement function.

It shows how procurement can help the company achieve its overall business goals, such as financial performance, resiliency, innovation, inclusion and diversity, sustainability, talent and employee and customer experience. And it identifies activities that should be automated so the procurement organization can concentrate on things that drive greater, more strategic value.



Figure 5: A framework for measuring 360° Procurement Value

Financial

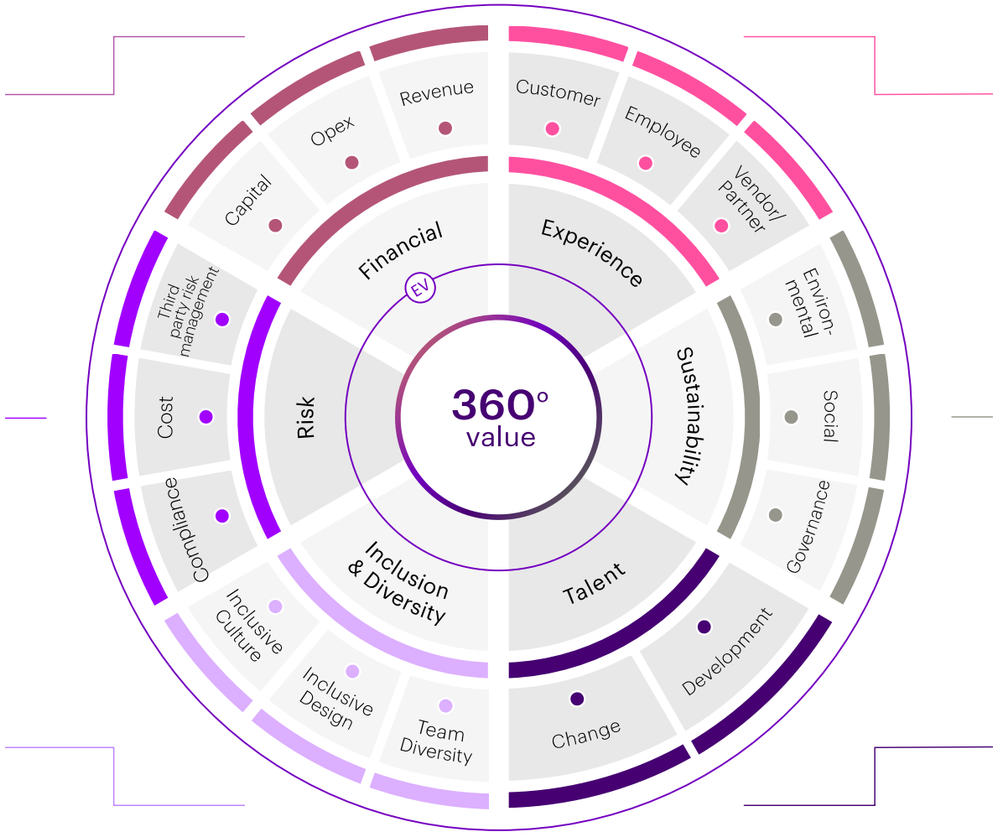
Indicator	Outcomes to measure
Cost saved	Good cost vs. bad cost, cost per transaction, total sourcing and procurement cost per $1,000 in revenue, self-service transaction through automation, outcome-based contracts, vendor negotiation
Capital efficiency	Working capital, inventory turnover/optimization, cash cycle, cash management
New growth	Implementation and adoption of digital procurement solutions (cloud, analytics, automation, IoT, etc.)

Risk

Indicator	Outcomes to measure
Resiliency in procurement	End-to-end visibility (extent of multi-tier supplier visibility), multi-sourcing (concentration of suppliers), nearshoring, manufacturing diversification
Agility	Flexible sourcing, diverse supplier base, management of categories with very high spend and demand variability
Innovation	Internal, ecosystem partners (leveraging external partners), centers of excellence
Risk management	Business continuity plans, proactive risk monitoring, supplier financial stability, visibility

Inclusion & Diversity

Indicator	Outcomes to measure
Inclusive culture	Sense of belonging among diverse workforce
Gender diversity	Increased percentage of gender diversity at all levels of procurement, including leadership
Ethnic and racial diversity	Increased percentage of ethnic and racial diversity at all levels of procurement, including leadership
Sourcing diversity	Businesses led or owned by historically underrepresented groups or women



Experience

Indicator	Outcomes to measure
Stakeholder (internal & external) satisfaction	Changing customer priorities, fast and efficient frictionless selection/purchasing/delivery experience
Vendor/partner experience	Ease of invoicing, dispute resolution, vendor performance, level of collaboration, average supplier lead time (in days) on purchased materials
Employee engagement	Productive vs. non-productive hours, employee turnover

Sustainability

Indicator	Outcomes to measure
Environmental	Waste reduction, carbon neutrality, circularity
Social	Responsible sourcing, traceability, health and well-being
Governance	Regulatory compliance, transparency, ethical practices, data protection, trust

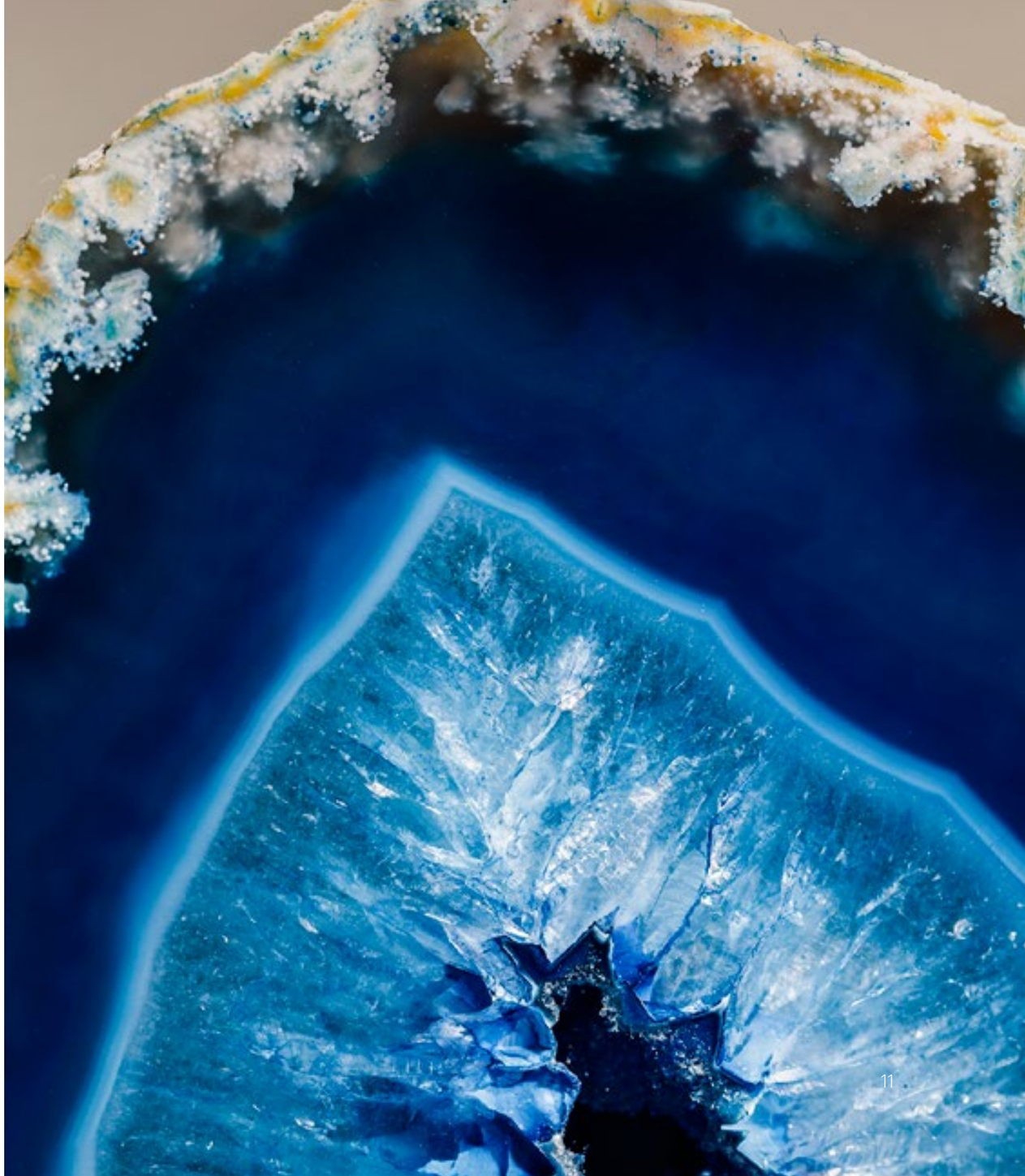
Talent

Indicator	Outcomes to measure
Procurement mastery	Skill and capability development
Workforce productivity	Procurement cycle time, percentage of purchase orders electronically approved, cycle time (in hours) to place a purchase order
Digital skills	Technology maturity within procurement function, digital technologies/tools used, digital workforce
Leadership	Value beyond cost and efficiency, decision-making culture (instinct or data analysis or using advanced technologies)
Culture	Strategic company mindset (e.g., zero-based driven transformation focused)

Six dimensions of value

The 360° Value Meter defines and measures complete and meaningful procurement value across six key dimensions.

Aligning to each dimension creates measurable results that expand procurement's impact on the company and the world.



01

Financial

Deliver sustainable savings across pricing, consumption and inventory while identifying new opportunities to reinvest these savings across the business.

Expected value for procurement

(examples, not exhaustive)

Up to **10% to 15%** sourcing savings across direct and indirect spend

Reduction of **more than up to 15%** in selling, general and administrative costs (SG&A)

Up to **3-5%** in cost of goods sold (COGS)

A decrease in operating costs of as much as up to **50%**

Financial value in action

A global food-products giant found that the processes involving indirect spend management—such as goods (e.g., office, cleaning, lab supplies) or services (professional, marketing services) required significant improvement.

Starting with two European pilot markets, the company and Accenture developed a strategic operating and design plan for a cloud-enabled, intelligent procurement model that would offer flawless service, greater visibility and insights and overall value. In the pilot markets, the model has cut the time needed for indirect supply chain procurement in half. Spend optimized for savings through existing contracts and catalogs has increased from 40% up to 65% and is expected to rise up to 90% after global rollout.

Expected value for procurement determined based on Accenture's experience working directly with businesses across industries and geographies.

02

Talent

Give your people the tools, skills and confidence they need to excel in their jobs today and prepare their place in the workforce of the future.

Expected value for procurement

(examples, not exhaustive)

Organizational agility that allows the procurement workforce to adapt and respond nimbly to changing demands

Up to **40%** in productivity improvement through automation and new tools and insights

An environment where the **right** resource—human, technology or agile workforce—is consistently tapped for the **right** task

Talent value in action

A global banking company is on track to capture $222 million over the next seven years—double its target—after giving its procurement workforce the tools and skills it needed to work more effectively.

Previously, due to lack of data, procurement employees struggled to identify what the company was purchasing. They also found it difficult to proactively approach key stakeholders because they lacked established relationships or clear lines of ownership. New cloud-based tools and insights now give workers the data they were missing, allowing them to learn best practices, work in new ways and achieve sustainable results.

Expected value for procurement determined based on Accenture's experience working directly with businesses across industries and geographies.

03

Experience

Provide engaging and seamless experiences for all internal and external stakeholders that drive sustained value-creation behaviors.

Expected value for procurement

(examples, not exhaustive)

Up to **25%** enhancement of the stakeholder experience

Up to **40%** or more increase in spend under management

An "always on" intelligent business process that gives all stakeholders **what they need, when they need it**

Experience value in action

A global pharmaceutical company has been aggressively reducing its operational cost over the past seven years to improve profitability. Procurement was an issue because it suffered from high contract leakage, and its employees were frustrated with the buying process and its eProcurement solution.

By implementing a new buyer portal, the company has created a single trusted source to support all procurement-related questions—and guide buyers to the right channels—across the company's geographic locations. The portal has cut contract leakage up to 7%, increasing compliance and driving significant savings that are helping the company meet its three-year operational cost-reduction target.

Expected value for procurement determined based on Accenture's experience working directly with businesses across industries and geographies.

04

Inclusion & Diversity

Accelerate responsible sourcing practices considering diversity, ethics, labor practices and location in buying decisions delivering long term value to the enterprise and community.

Expected value for procurement

(examples, not exhaustive)

Increase supplier diversity by directing spend to certified diverse suppliers across markets

Help build trust-based supplier ecosystems that **operate, grow and innovate together**

Reduce the risk of supplier non-compliance (e.g., regulatory, safety and privacy)

Inclusion & Diversity value in action

A global confectioner partnered with Accenture to advance the company's commitment to fair trade practices. Accenture worked with the company to implement a blockchain solution that establishes the origin of every cocoa bean and serves as the single-source-of-truth throughout the supply chain.

The pilot was a success, logging 50 shipments of slave- and child-labor-free beans, and the program is now launched at scale. This effort shows the viability of the confectioner's vision: that responsibly produced chocolate should be the industry standard.

Expected value for procurement determined based on Accenture's experience working directly with businesses across industries and geographies.

05

Sustainability

Thread sustainability into procurement activities—designing for circularity and supporting net-zero operations—in line with cost and business needs.

Expected value for procurement

(examples, not exhaustive)

Drive up to **40%** CO_2 emissions reduction

Lower energy procurement costs by up to **5% to 15%**

Create up to **5% to 15%** consumption and cost reduction through demand management

Sustainability value in action

An industry-leading automaker has goals to reduce its Scope 1 and 2 emissions by 80% and its Scope 3 emissions by 40% by 2030. A large part of the company's emissions-reduction strategy focuses on switching to low-carbon energy sources. The automaker used to purchase energy for its facilities based purely on cost. But now it is looking past the price tag to identify new ways to save energy. To do so, it recently launched a venture capital arm investing in purpose-driven entrepreneurs who are focused on developing renewable energy sources.

Environmental concerns are also changing the course of many people's careers, even their salaries. The automaker ties compensation at the management level to energy savings and carbon emission reduction. And the role of procurement has evolved from a "strictly procurement" focus. Instead, it's part procurement, part investor, part energy manager, part sustainability.

Expected value for procurement determined based on Accenture's experience working directly with businesses across industries and geographies.

06

Risk

Create sustainable operations and supplier ecosystems that earn stakeholders' trust and provide the license to operate, grow and innovate.

Expected value for procurement

(examples, not exhaustive)

Reduced cost and reputational risk due to poor quality

As much as **95%** supplier compliance rate through embedded risk assessments and workflow logic

Spend optimization of up to **0.5% to 3%** through collaboration and innovative supplier relationships

Risk value in action

Accenture's new blockchain-enabled Sustainable Procurement Hub and its platform, the Accenture True Supplier Marketplace, which we began rolling out in fiscal 2021, are helping us qualify and onboard suppliers we invite to work with Accenture. Our new Supplier Sustainability Assessment aims to streamline the process of collecting environmental, social and governance data, and provide a user-friendly tool that standardizes the collection of information, further centralizing data in a single location and enabling responsible buying while driving transparency.

Broader improvements to our Supplier Risk Management Model allow us to identify and manage risks, check that suppliers support our commitments—including environmental sustainability, human rights, inclusion and diversity—and enable us to better focus on relevant suppliers and take further investigative action where appropriate.

Expected value for procurement determined based on Accenture's experience working directly with businesses across industries and geographies.

Figure 6: An oil and gas company targets 360° Value with an intelligent procurement transformation

Financial

- **8-12%** sourcing savings for materials, **4-7%** for services
- **20+%** equipment (rental) reduction via improved utilization
- **3-5%** catalyst, chemicals, gases reduction

Experience

- Increased compliance with preferred suppliers by **25%**
- Reached **70%** touchless transactions for materials
- Higher utilization of contractor spend management system for services

Risk

- Improved adherence to approved manufacturers list
- Strategy alignment with Health Safety & Environment (HSE)
- Incremental spend optimization of **0.5% to 2%** via comprehensive supplier management

Talent

- **20%+** productivity improvement through automation (e.g., outline agreements)
- Integrated planning with business stakeholders, powered by data
- Digitally confident organization (advanced analytics)

Sustainability

- Metrics alignment with API and IPIECA guidance
- **15-20%** energy efficiency improvements
- Enhanced ESG innovation incentives with strategic partners

Inclusion & Diversity

- **10%** increase in spend with diverse suppliers
- Established supplier mentorship program
- Improved compliance with government contracts



PROCUREMENT VALUE METER

Measuring impact across spend categories

Importantly, businesses can also tailor the 360° Value Meter to various procurement categories. For example, for travel, procurement can ensure preferred vendors in their supply chain network include sustainable airlines or provide visibility into hotels' carbon footprints. Procurement can also work with stakeholders to revise corporate travel policies to reduce travel instances that would impact sustainability. It can also encourage employees to become "green flyers."

For energy, procurement can help create a business case outlining the economics of a renewable energy program—for instance, using solar—to make manufacturing plants more sustainable.These actions all can contribute to procurement's efforts to help build a supply chain network with zero carbon, zero waste, and zero social risks.

The point is procurement can initially adopt the 360° Value Meter to create greater value broadly for internal and external stakeholders and eventually drive its use down to the specific category level to generate even greater impact.



The value-creation journey never ends

With both stakeholder demands and C-suite expectations changing, procurement has myriad new opportunities to add value—and new types of value. The burning question is, how do organizations take advantage of these opportunities?

At the core, procurement ultimately must move to an intelligent, data-driven operating model to create future-ready procurement operations. But the starting point is alignment and clarity. Procurement and the business must more specifically and effectively define, measure and agree upon what they mean by "value."

Fundamental to that effort is a comprehensive, holistic measurement tool, such as the Accenture Procurement 360° Value Meter, that is based on quantified targets and ensures these targets are understood and approved by the C-suite and key stakeholders. With this tool, procurement and the business can guide procurement's transformation—from its traditional cost- and contracts-manager role into a creator of significant, strategic value.

Perhaps never before has procurement faced such heightened expectations, but also so many ways to help drive enterprise growth and competitiveness. It's time for procurement to seize the moment. We're here to help.

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