



ORACLE®
PROCUREMENT
CLOUD

Five Minutes on Empowering Modern Procurement

Why Transforming Procurement Is a Top Priority
for the Modern Business

ORACLE®



“While there has been an increase since 2011 in those claiming strong relationships and understanding between procurement and the CEO and CFO, there remains a perception of lower levels of penetration and credibility in key business functions, such as marketing and manufacturing.”

The Deloitte Global CPO Survey 2016

Today's uncertain economic environment is driving businesses to look for ways to reduce costs and manage risk. The C-Suite is looking to procurement to deliver savings and mitigate supply chain risk, requiring deeper internal relationships and more-robust analytics. But labor-intensive processes and inadequate governance and systems soak up precious resource time and also hinder spend and risk visibility.

Investments in technology—particularly in systems that can help procurement organizations automate low-value transactional processes while driving preferred supplier compliance and capturing clean spend data—can generate bottom line savings, improve visibility into supplier risk, and free up resource time to focus on higher-value activities.

Take the next five minutes to see why transforming procurement into a modern business asset is critical, and why it should be a top priority for your business.

“Data from the 2016 CPO Survey showed that there was a need for a shift in procurement organizations—a need to continue to drive cost savings and manage risk, complicated by a belief on the part of CPOs that they lack the talent to implement their strategies, with the opportunity to utilize technology to address some of the gap.”

Ryan Flynn, Deloitte

“CPOs and their teams are actually increasing their responsibilities—they're being asked to be a part of more decisions and more initiatives. It's not just a shift in focus, it's also an expectation that the organization take on more responsibility.”

Don Good, Deloitte



FACT: Investments in traditional procurement technologies continue to grow—as do new, emerging disruptive technologies, but 60 percent of CPOs lack a clear digital strategy.

The Deloitte Global CPO Survey 2016

ADDING VALUE TO THE BUSINESS

As challenges consume more and more of procurement's bandwidth, they prevent the organization from focusing on activities that add value to the business, including

- » Capturing "next level" savings through deeper analytics
- » Driving compliance to negotiated contracts
- » Qualifying and evaluating suppliers and managing their risk

The Challenges Facing Procurement Today



Business is changing—fast. Growth prospects can change from one year to the next, shifting corporate priorities from the top line to the bottom line. Procurement needs to keep up.

Is procurement evolving in your company? A procurement organization that's bogged down by time-consuming tactical processes and not moving up the value chain into becoming a more-strategic business partner is unlikely to exert much influence in today's business environment.

TAKE A CLOSER LOOK

Is your business like the 61 percent of organizations whose CPOs believe they are being only "somewhat effective" in delivering value for their stakeholders? If so, then these challenges should ring true for you.

- **The number of suppliers to identify, contract with, onboard, and manage has grown.** In addition, supplier management has taken on a greater role in the organization, including initial and ongoing assessments of vendor compliance with regulatory requirements, company policies, financial viability, and any other requirements the company has for its vendors.
- **For many organizations, the number of back-end systems and the amount of supplier and item data has increased.** The growth in—and often degradation of—supplier and item data presents a significant challenge to effective strategic sourcing but also to efficient and compliant transactional procurement.
- **New demands on procurement have increased the quantity of work.** More transactions, requests for proposals, and bid evaluations along with more suppliers to select and bring onboard without a corresponding increase in headcount means that there is more to do with the same—or even fewer—resources.
- **The transactional part of procurement—the procure-to-pay cycle—is too labor intensive.** Too many tasks are still being done completely by hand or need some human intervention in the middle of the workflow—an unsustainable position as the quantity of work continues to grow.

Without a way to manage contracts proactively throughout the lifecycle (including authoring, approvals, and receiving alerts on expiring contracts so they can be renewed in a timely manner), it's difficult for procurement to fulfill their core responsibility of managing supplier relationships for the business.



What Should Business Expect from Procurement?



Like finance and human resources, procurement is undergoing a transformation that shifts their role away from administrative, task-driven work to a role that provides greater value to the business.

The expectations of the business are leading to a different set of priorities for procurement. To meet expectations, the ideal transformation for procurement organizations includes specific adjustments that add real value to the business.

Transforming Procurement

| When Procurement | They Can |
|---|---|
| Spends less time on traditional transactional activities and more time focusing on how they affect other areas of the business. | Strengthen their traditional role as stewards of corporate value by ensuring the spend control and cost savings needed to maintain margins. |
| Transforms their thinking and expands their responsibilities to risk assessment and contracting. | Expand procurement’s influence over business policy and become catalysts of business change—the focal point for managing risk. |
| Adopts technology that streamlines and automates traditional activities and provides value in the form of self-service capabilities to employees. | Get the procurement house in order by standardizing, streamlining, and automating processes to allow them to shift their focus. |

“It’s one thing for a purchasing professional to create a contract, but if I haven’t also thought through all the ways my internal customers could potentially engage that vendor—access them and contract out with them for services or goods—then I’ve opened the door for anybody else to create a relationship.”

Don Good, Deloitte

Businesses today need procurement to play a more strategic role—one that makes the enterprise more effective at managing the supplier base and driving both bottom line and top line value.



FACT: 53 percent of CPOs say procurement-related risk has increased in the last year.
The Deloitte Global CPO Survey 2016

Transforming Procurement: Why It's So Hard to Do



IT'S NOT JUST YOU

- » **55 percent.** The average amount of spend that's contract compliant. Why such a small percentage? To name just a few reasons:
 - Employees didn't know about the policy
 - The systems that are provided for employees are too difficult to use
 - Employees circumvented the process and bought directly from vendors
- » **63 percent.** The amount of spend that is linked to a purchase order
- » **47 percent.** The amount of addressable spend that is actually sourced

Source: Ardent Partners, *CPO Rising 2015, "The Agility Agenda."*

While managing costs and off-contract spend continue to be priorities—particularly given the current economic volatility—providing satisfactory supplier management capabilities to the business is rising in importance.

You know where you need to be, so why is getting there so difficult? Why is transforming procurement so difficult to achieve?

THERE'S A LOT TO BE DONE

A quick look at the statistics in the sidebar gives you a glimpse of just how much work there is to be done. Procurement still struggles with its old nemesis of off-contract spend, but much of the challenge lies in outdated processes.

For example, of the companies surveyed, 65 percent said their procurement group lacked standardized, streamlined, automated processes, so just getting to the starting line of transformation was still very much a work in progress.¹

Unfortunately, without these modern capabilities, procurement organizations will end up dealing with everything from manual data entry to inconsistencies across vendor negotiations and contracts to missed cost savings. They may even have difficulty leveraging negotiated contract terms into actual purchases (or enforcing the policies that point corporate purchases to contracted vendors). This issue—referred to as *contract leakage*—almost always results in higher costs.

SO WHAT'S FIRST?

A key first step in transforming procurement is for the procurement organization to expand its influence in getting more of the company's addressable spend under management so that a greater percentage of this spend goes to vendors who have been selected by procurement and who are under contract for more favorable pricing.

Greater demands on procurement are coming from all directions. Businesses are looking to reduce costs as economic volatility continues and many emerging markets that had propelled global growth are struggling. At the same time, businesses are continuing to grow through mergers and acquisitions. Much of this activity requires significant support from procurement. With so many incoming changes, a procurement organization that doesn't do the basics well will quickly fall behind.

FACT: 70 percent of CPOs are focused on user engagement and experience through delivering self-service solutions.

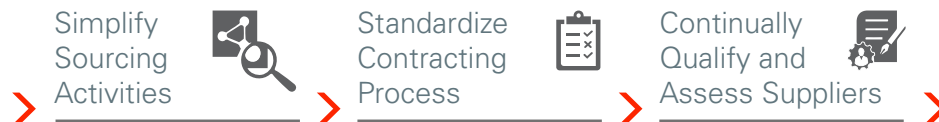
The Deloitte Global CPO Survey 2016

Getting Your House in Order: How Transformation Happens



The goal is clear. You can't contribute at a higher level unless your house is in order. But how does that happen?

Think of transforming procurement as a continuum. The journey starts with the basics—streamlining and automating transactional activities—and then moves to the next steps: streamlining vendor negotiations, making vendor selections, and executing contracts. Take a look at the milestones at this point on the continuum.



- Simplify your sourcing activities with standardized language and intuitive tools that let people across your organization collaborate and approve negotiation documents during the authoring process. They can then deliver them to suppliers more quickly.
- Standardize the contracting process and use preapproved language designed to enforce business policies. During contract negotiations, quickly identify deviations from standard language so that reviewers can quickly highlight risks, make required changes, and provide approvals prior to finalizing the document.
- Qualify and assess suppliers to support supplier management programs and make better sourcing award decisions. Promptly alert procurement when qualifications are expiring or when new information becomes available that might affect supplier qualifications, capabilities, or risk.

The goal is to add value that will help procurement organizations gain influence and be a better partner for the business.

ADD VALUE WITH RISK MANAGEMENT

How can procurement organizations proactively and comprehensively manage increasing supplier risk? Here are two key points:

- » **Adequately vet potential suppliers** for compliance with company business requirements so your business partners are properly qualified before they're invited to bid. For example, does the potential supplier comply with specific industry regulations? Is the supplier financially stable? Does it adhere to a company code of conduct, such as compliance with anti-child labor laws and minority business contracting?
- » **Manage suppliers proactively** throughout their lifecycle with your business by requiring periodic requalifications, tracking contract expiration dates, and having a systematic way of updating a supplier's profile when new information becomes available.



FACT: With thousands of customers around the world—and incorporating a multitude of industry-specific, multinational, and global capabilities—Oracle ERP Cloud Service is the leading cloud solution for finance, procurement, and project executives.

Increasing Opportunities: The Transformation of a Modern Procurement Group



What are the benefits of such an extensive transformation, and why is it so important for business to have a modern procurement organization?

Changing dynamics in the global market make qualifying and selecting suppliers more critical than ever. Procurement organizations that diligently manage their suppliers—everything from awarding business and onboarding, to negotiating and executing contracts, to ensuring that supplier qualifications are up to date, to managing preferred supplier usage—will have a greater impact on the success of your business.

THE OPPORTUNITIES OF TRANSFORMATION

A transformed procurement organization becomes a vital part of the business. Not only is such an organization more influential, but its expertise extends far beyond traditional administrative roles. With a modernized procurement organization you can

- Protect the business from risk and decrease your cost base by rationalizing suppliers after an acquisition.
- Become the focal point in managing supplier risk by ensuring that all suppliers (including those from recent acquisitions) are properly qualified so you can actively source and direct spend to those preferred suppliers.
- Proactively manage the contract lifecycle: identify contracts that are nearing their expiration, renegotiate them, and make sure any changes in policy or vendor status are reflected in the updated terms and conditions.
- Provide fast and compliant procurement services to other areas of the business.
- Offer ideas on cost savings and top-line value generation that go above and beyond traditional sourcing activities.

THE BOTTOM LINE

Using technology to modernize tactical operations transforms procurement into a more-strategic partner for the business and expands procurement's influence throughout the organization.

Oracle's integrated cloud technology offers solutions to streamline and automate traditional, transactional procurement and help you better manage supplier qualifications, sourcing activities, and contracts throughout the supplier lifecycle.

CONTACT US

To learn more, please call **+1.800.ORACLE1** to speak to an Oracle representative or visit https://cloud.oracle.com/en_US/procurement. Outside North America, visit oracle.com/corporate/contact/global.html to find the phone number for your local Oracle office.

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