



THE 2019 **Procurement & Sourcing Outlook**

A Whole New World

As the business world continues to evolve due to new technologies, globalization, and growing market complexities, procurement has changed right alongside. Procurement in 2018 looked nothing like it did ten, or even three, years ago.

For years, CPOs and their teams have added value to their companies through strategic cost cuts or supply chain changes, but today's procurement professional is redefining "value" altogether. Maybe that means finding new untapped markets or collaborators. Maybe it means data-driven "agile procurement," where software allows for CPOs to more accurately anticipate needs in existing markets.

In our work and conversations with clients, SC&H Group has observed recent trends in the procurement and sourcing field, developments that show us where this work is heading and what kind of efforts will best position your department for the road ahead. Here are some of the big-ticket changes that we've observed.

1.

Reorganizations, Mergers, and Acquisitions

Business never sits still these days: An ever-present churn of corporate reorganizations, mergers, and acquisitions has simply become the norm. USA Today reports that \$1.3 trillion in such deals changed hands in the first three quarters of 2018 alone, across multiple industries from fossil fuels to telecommunications, involving multinationals like T-Mobile, Marathon Petroleum, and Dell Technologies.

The impact on procurement has been significant.

When major players in a relatively close-knit supply chain make big changes in their corporate structure or absorb a competitor, the effects are felt throughout the industry. If the merger involves companies from different countries, as many increasingly do, the result could ripple throughout the globe and even lead to new regulations or requirements. CPOs need to ensure that their own company is equipped to handle massive changes in their supply chains and their partner corporations. With proper awareness of shifting global regulations and contracts that ensure compliance, reconfiguration doesn't have to mean instability in your systems, personnel, or profits.

There are major challenges, especially for procurement professionals.

The combination and balance of multiple service lines and contracts can leave CPOs wearing multiple hats and working long hours to make these transitions as smooth as possible. And not every merger is a success, as the rocky marriage of Amazon and Whole Foods showed throughout 2018. In 2019 and beyond, CPOs might help assess the potential partner company to determine their compatibility—not only in terms of contracts, supply chains, and market reach, but in terms of corporate personality. Do they share your values? Do they operate according to similar assumptions and principles?

2.

Outsourcing

This is part and parcel with the reality of constant restructuring and reconfiguration. A growing number of tasks in every industry are left to contractors, vendors, suppliers, and other outside partners who often have their own global networks. Increasingly, work is outsourced through AI and automation, which are collectively expected to add as much as \$30 trillion to the global economy by 2030. Even if your company isn't directly automating, chances are that your partners are or will be soon, which creates a whole new set of concerns for procurement officers.

The growth in collaborative work has made contracts even more essential to smart procurement.

Agreements have to be written to account for every conceivable risk, including the new ones resulting from increased globalization and automation. Just as importantly, the contracts have to be enforced with zeal. Successful CPOs must operate with the knowledge that their partners will be drawing on help from a wide number of partners of their own. Do your contracts hold them accountable for potential problems in that network? Do they compel them to ensure all work done in one country meets the standards and regulations in the places where your products are sold?

With increasingly globalized supply chains across all industries, CPOs can add additional value to their companies by staying up to date on the contract requirements and standards across global markets. You'll have a competitive advantage the better you understand the markets you operate in—and, with the better-than-average chance that mergers will impact your business, the markets you could potentially operate in.

3.

Data Security

The growth of outsourcing also means that companies are now beholden to an indefinite number of partners' data vulnerabilities. And make no mistake, everyone is vulnerable: from titans like Facebook and Target down to small businesses, data breaches were a continuing trend in 2018 and will likely remain so, as new business and commerce technology continues to outpace security solutions. But that doesn't mean the risk is shared across a supply chain. If your customers suffer a data breach because of a third-degree link in your network, they will still associate your company with the problem.

It has fallen to CPOs to ensure these partners' strict protection of customer and corporate data through rigorous contract writing and enforcement.

CPOs are also responsible for ensuring that every company in their network are compliant with data regulations around the globe. 2018 saw new strict privacy regulations in Europe going into effect with the GDPR differ from any privacy laws in the U.S., a harbinger of a data future where different levels of regulation exist in every manufacturing or distribution market. These complexities may require CPOs to team up more frequently with their company's Chief Technology Officer, Chief Information Officer, and Data Protection Officer to draw up and enforce workable contracts in the new market.

It may not necessarily be a procurement department's job to know every detail of global changes in security policy and regulations, but the more you know, the greater an asset your department will be to your company. As mergers and acquisitions continue apace, contracts come together more quickly, and risk assessment becomes the coin of the realm in a widely outsourced market, it will benefit CPOs to know when potential partners are operating at the bleeding edge of data security. Identifying a reliable partner quickly will be an indispensable skill.

4.

Emerging Technology

Like so many industries, procurement will be potentially transformed by the emergence of recent technological developments like machine learning, AI, automation, blockchain, cryptocurrencies, and whatever new approaches spring forth tomorrow.

CPOs have more data at their disposal than ever before, and more ways to interpret, extrapolate, and utilize this data.

Some have already begun the technologies listed above to increase supply chain transparency, quickly identifying fraud or disruptions in their supply chains, and sourcing materials at an optimum price. They can pinpoint micro-values and losses with incredible accuracy, while also projecting trends into the future to anticipate need. This is obviously cause for celebration on one level, but it's also a reminder that the very role of the CPO is changing.

Creative, proactive deployment of these new tools will separate the successful CPO from the pack.

Finding new sources of value—or, given the growing trends toward reorganizations stated above, finding ways to ensure stability amid rapid change—will be the key to staying power. It will take vision to see through the noise and recognize how these new tools can be turned in to real value and opportunity. For example, the most cutting-edge CPOs will recognize that technology has brought procurement closer to other aspects of company's business. They will make continuous investment in their team's continuing education so that they can understand the role of technology in other departments. Understanding the marketing field, for example, will help procurement professionals find ways to identify potential competitive advantages and corporate partners. If you know which agencies are most like your company in terms of goals, corporate culture, and management style, you might position your organization to make quicker, more knowledgeable bids and find the best possible collaborators.

5.

The C-Suite Convergence

Contracts aren't the only occasions for collaboration among C-suite executives. Procurement has made CPOs look beyond simple cash value-seeking and made them seek alternate forms of "value" that involve tech, staffing, community engagement, market presence, and more. As such, they're thinking more like other C-suite executives and, in some cases, working directly with them.

Will automating a new software interface help streamline your procurement process or run modules to determine different approaches?

You can't make that kind of investment without buy-in from your CTO. And your broad arguments about those investments' overall value to your company will have to be heard by your CFO and CEO. These are your partners now, not just in executive leadership, but in positioning your procurement department for the challenges and opportunities ahead.

Some companies have even added new members to the C-suite, like Chief Digital Officer, that reflect the new state of tech-enhanced business in the 21st century. If the very concept of executive leadership is evolving, it's time to make sure that procurement doesn't get lost in the reshuffle. Show your department's value just as convincingly as you show the value of new tools, collaborations, and contractors.

In 2019 and beyond,

the opportunity exists to redefine procurement on your terms, for your company's needs, emboldened by a growing array of technology solutions.

You might work to automate transactions, reduce your manual workload, and devote more of your team's time to pursuing strategic operations. Above all, remain open to change and calculated risks, particularly investments in new technologies. Now is also the time for your procurement operation to improve your standing and role within your organization, to redefine your work as something that finds "value" in new, smarter ways. Your hiring, too, should evolve to find the people who can help you create and execute strategic plans for all of the above.

It will be an exciting year for the procurement profession, a time to rethink and enhance the work that you do and how you do it.



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