

Deloitte.
Insights



Agility: The antidote to complexity

Deloitte 2021 Global Chief Procurement Officer Survey

Deloitte Consulting LLP's Supply Management and Digital Procurement practice marries cutting-edge digital tools with market-leading consulting services to drive insight around spend management and deliver increased cost savings at a faster pace. Aim for the best return on investment on your third-party procurement spending through Deloitte's cloud-based solutions and services, driving category management, supplier management, and sourcing of indirect and direct materials. Contact the authors for more information or read more about our [Supply Chain and Network Operations services on Deloitte.com](#).

Contents

Executive summary	2
Chapter 1: Value redefined, delivered, and protected	5
Chapter 2: Agile procurement	12
Chapter 3: Building agile procurement	15
Chapter 4: The many faces of an agile, evolving CPO	28
Chapter 5: Taking the next step toward becoming agile	31
Endnotes	33

Executive summary

THERE IS NO question that we face an increasingly volatile world, but in adversity lies opportunity. Deloitte's previous installment of the Chief Procurement Officer (CPO) Survey explored how procurement organizations have begun to address complexity and risk while continuing to generate value. Business leaders are facing a growing "circle of concern"¹ related to climate change, geopolitical stability, increasing societal expectations, and of course, world health, but they also have the chance to use this environment as a springboard to future success.

2020 has been in many respects, the "year of supply chain." All aspects of the function have been exposed and challenged. Few businesses have emerged unaffected, whether via explosive growth (e.g., online retailers) or decline (e.g., travel and hospitality). So, what do we have to look forward to in a postpandemic world and how can CPOs prepare for success?

As supply risks continue to rise (e.g., supply disruption, commodity and global trade risk, cyber security, competitive threats, intellectual property (IP) risk, and brand risk to name a few), many leading CPOs are rising to this challenge by expanding their "circle of influence." They understand that to address these layers of complexity and volatility, while simultaneously managing input costs, they must build new and deeper alliances with the business and suppliers.

They must also build new capabilities and nimbly engage a digitally enabled ecosystem of suppliers that position them to deliver new value streams and innovations that result in true strategic advantage.

Looking beyond the pandemic, the recent growth in complexity, risk, and need for external innovation may have also finally opened the door for procurement's arrival as a true strategic partner.

Looking beyond the pandemic, the recent growth in complexity, risk, and need for external innovation is increasingly opening the door for procurement to be seen as a true strategic partner. CPOs have expanded their value propositions beyond just cost reduction and supply assurance to an orchestration of broader value, one in which they influence demand, drive innovation, and work closely with strategic suppliers and partners to drive commercial compliance, increase speed to market, accelerate M&A integration/divestiture programs, and drive continuous improvement. To get there, they've had to overhaul legacy processes, policies, metrics, tools, and (perhaps most challenging of all) mindsets, while still delivering measurable value improvements that clearly show up on financial statements.

With the increasing levels of complexity that we highlighted in our last survey have come increasing levels of sophistication in operating models and a greater application of digital technologies to manage that complexity. Much can be learned from those who have succeeded despite the challenges. This year, we correlated the attributes and capabilities of survey participants to delineate what high performers do differently and how they harness agility to deliver value even in the face of headwinds (see sidebar, “Survey methodology”). What we found was that leading CPOs:

- **Have a broader understanding of value** and deploy a wider, more sophisticated set of levers to unlock, measure, and protect value.
- **Focus on relationships** and influence across functions and supply markets.
- **Invest in agility** by developing talent and accessing capabilities, knowledge, and experience leveraging on-demand, hybrid service delivery models (e.g., teams augmented

with external support services). They utilize configured (not fully customized) end-to-end integrated processes and solutions—*independent* of whether best-of-breed or full-suite solutions are used. They also prioritize data—both internal (master data capture and consumption) and external (market intelligence)—to make fact-based decisions leveraging predictive analytics to find hidden opportunities and emerging risks.

It turns out that agility is indeed a sort of antidote that helps inoculate firms against complexity and risk so that they deliver healthy performance results even in the toughest of times. This agility seems to be built through ambitious project portfolios with targeted investments that develop these capabilities. These increasingly fast, iterative, and cross-functional projects are using technology and analytics to target efficiency gains while also improving organizational/talent models. Building agility is not a distraction to delivering performance; it’s a critical enabler.



SURVEY METHODOLOGY

We took a focused, hypothesis driven, quantitative view to measure agile capabilities and performance outcomes in order to assess how different organizations performed relative to one another and test the hypothesis that agility enables higher performance.

Measuring agility (capability)

In this year's report, we added some new questions to help gauge agility and build an "agility index." The top quartile agile procurement organizations are deemed "agility masters." We wanted to see if agility does in fact correlate with higher Procurement performance and other Procurement capabilities.

The dozen or so capabilities included in the index are:

- Level of alignment to changing stakeholder objectives and metrics
- Supply market intelligence to improve sensing and prediction
- Practices related to supply chain resilience and risk/compliance management
- Predictive analytics and advanced technology to improve rapid decision-making
- Process-oriented practices (e.g., sourcing criteria addressing supply risk)
- Alternative resourcing models (e.g., on-demand category expertise)
- Improved talent and talent management processes/practices
- Utilization of agile development skills, including for procurement transformation

Measuring performance (outcomes)

Traditionally, high performance in procurement would revolve around return on investment (ROI), cost savings, operational efficiency, supply performance, and meeting of stakeholder objectives. In this year's edition of the report, we included the following in our definition of "high performer" (i.e., top quartile):

- Procurement "performance to plan"
- Extent of stakeholder influence based on:
 - Active role in stakeholders' decision-making
 - Stakeholder/"customer" satisfaction (self-reported)
 - Quality of influence (executive advocacy)
- Procurement level of influence (based on level of actively sourced spend)
- Labor productivity (based on spend managed per full-time employee [FTE])

Chapter 1: Value redefined, delivered, and protected

Understanding enterprise value

A look at the list of priorities that CPOs reported for the next 12 months reveals that their priorities are clearly, in almost every category, increasing (figure 1). In this year’s report, for the first time in its 10-year history, CPOs did not name “reducing costs” (traditional spend reduction) as their top priority. New entrant “driving operational efficiency” is on top, albeit very closely followed by reducing costs. Despite all the talk about resiliency, cost continues to be the central focus for CPOs and CFOs at the end of the day, organizations need to be cost-competitive to thrive in the next normal.

CPOs are now wrestling with the increased value delivery challenge while also having to become more efficient. Even more interesting is that these priorities are not directly in conflict with one another but rather intrinsically linked. CPOs clearly recognize that with efficiency improvements and digitization comes the capacity and capability to up their game.

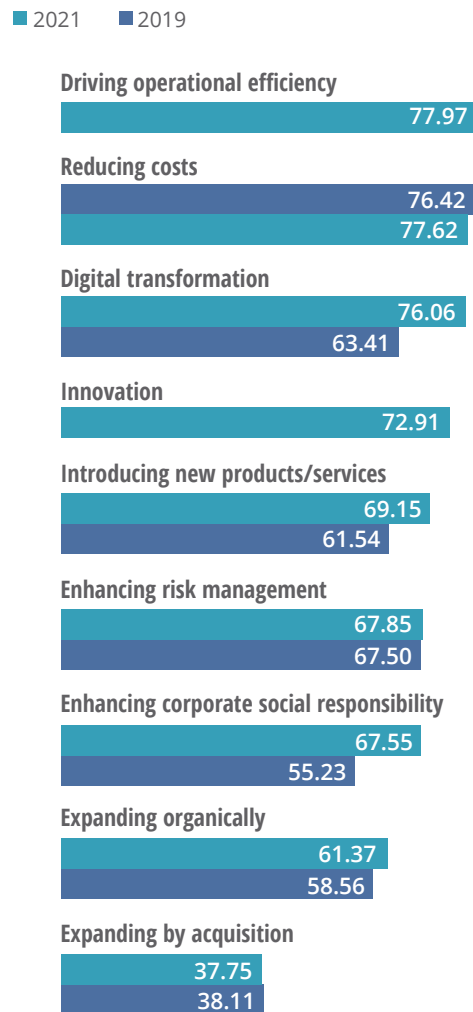
Additionally, when looking at these priorities relative to the 2019 report:

- Digital transformation (which remains high on the list) has grown significantly in importance (20% jump vs. 2019, representing the second largest increase of any priority since 2019; 48% of CPOs now report this as a strong priority).
- Corporate social responsibility (CSR) saw the largest increase of any priority since 2019 (up by 22%) with high performers x3 more likely to be formally measured on it. The fact that CSR is

FIGURE 1

Procurement priorities are changing (and increasing) for CPOs

Over the next 12 months, how much of a priority are each of the following business strategies?



Note. The graph follows Likert-scale weighted score.
Source: Deloitte Global CPO Survey, 2021.

now discussed regularly at the board level, is a recognition that spend, if managed well, can do societal good.

- Surprisingly, enhancing risk management remained almost entirely unchanged.

The procurement value proposition has always been rooted in getting more for less, and ultimately the organization's vision and expectations regarding how "more" is defined has clearly started to evolve. It's no longer just about more products and services at a lower cost, but about a broader range of improvements (e.g., speed to market and innovation enablement) and in many cases ROI. The evidence is clear: The average number of priorities CPOs are reporting is increasing, as is the overall relative importance of each.

The evidence is clear: The average number of priorities CPOs are reporting is increasing, as is the overall relative importance of each.

Improved efficiency and digitization will enable the necessary shift from more episodic sourcing/contracting and cost savings, to a more active stakeholder engagement and relationship management model focused on stakeholder priorities such as top-line growth, digital transformation, operational efficiency, and other factors such as CSR.

Procurement value: Opening the aperture

CPOs are responsible for delivering against an ever-growing set of expectations, and as the data shows, "high performers" tend to have a balanced scorecard of metrics that go well beyond cost



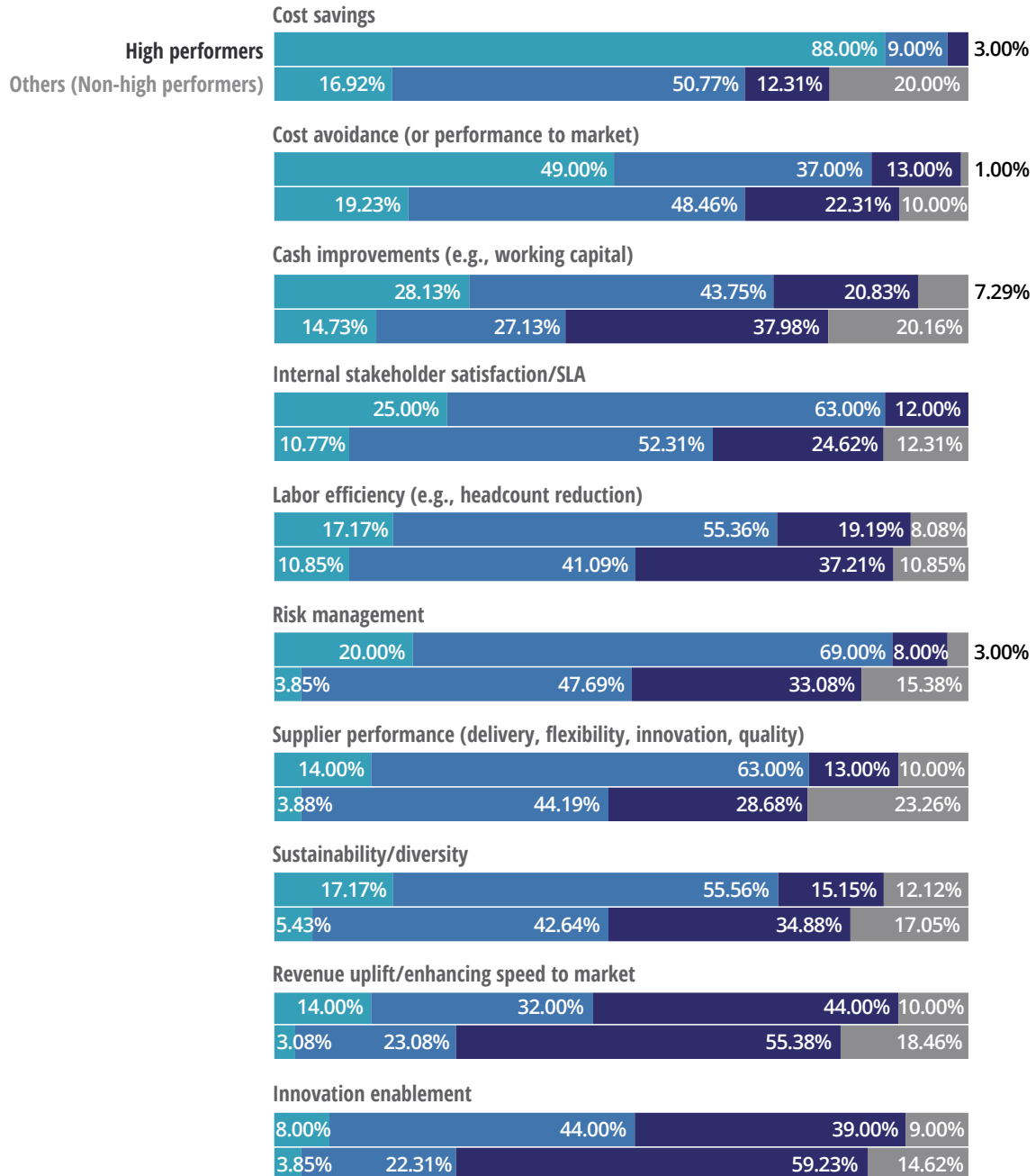
savings or cost avoidance, which is still the most common metric that CPOs are held accountable to. Most strikingly, despite the increasing importance of CSR or environmental, social, and governance (ESG) to the CPO mandate, formal tracking of performance against these goals is strong among high performers but is not broadly part of the scorecard for much of the general population (figure 2). As the role and expectations of the CPO and procurement organization evolve, the metrics must evolve too.

FIGURE 2

High performing CPOs performed better on a broader set of KPIs

How has your procurement function performed over the last 12 months in the following areas?

■ Exceeded plan ■ Met plan ■ No formal performance tracking ■ Did not meet plan



Source: Deloitte Global CPO Survey, 2021.

PERFORMANCE TO TARGET

Even with steady or increased savings targets, a majority (85%) of organizations were able to meet or exceed their targets. Although the business requires more than just cost savings/avoidance, the majority of firms met/exceeded their other objectives with the glaring exception of revenue and innovation targets—both of which are challenging to calculate and measure.²

Interestingly, there is also evidence that revenue targets were similarly achievable: Deloitte research found that the average CFOs expected their firms to achieve 88% of their originally budgeted 2020 revenue.³

Cost avoidance is alive and well, but definitions for savings and avoidance can be decidedly pointless if they are not transparent, linked to verifiable data, and have targets/plans set early between procurement and stakeholders. As noted above, CPOs are self-reporting generally good news in terms of hitting their targets, particularly regarding cost, but there is a sense of lack of ambition in terms of target-setting and/or the targets being poorly defined, measured, and tracked. We fully expect more and more CFOs and CEOs to increasingly demand CPOs to deliver cost savings that are visible to the bottom line (with more robust tracking to prove it), while at the same time expecting delivery across a much broader set of key performance indicators (KPIs) on their scorecards. Not surprisingly, high-performing CPOs leave others behind when it comes to being formally measured on a broader set of KPIs (figure 3).

STAKEHOLDER INFLUENCE

Stakeholder decision-making: The survey asked whether the procurement function has an active role in stakeholders' decision-making in seven areas—listed in the order of level of involvement—outsourcing/offshoring, financial

planning and budgeting, make vs. buy, corporate risk management, digital strategy, product development, and M&A. More than two-thirds of CPOs reported involvement in the first five areas, and in all cases, involvement increased by ~10–23% compared to 2019. However, nearly 40% of procurement organizations are still rarely involved in digital strategy (37%) and innovation (39%) even though the actual resources in those areas often come from commercial third parties.

“Customer” satisfaction (self-reported):

Interestingly, CPOs' perceptions of how effective procurement is as a critical/strategic partner has, in several key areas, fallen (e.g., IT, Finance, Legal, and HR, dropping ~2–6%), but perhaps most notably, the biggest change has been in Manufacturing Operations where there was a 42% increase. Clearly the link back to rising corporate expectations is at play, but so too is procurement's ability to dig in and protect operations and supply continuity during significant disruptive crisis events such as the ongoing pandemic.

Quality of influence: The great news is that the executive team is mostly (~80%) supportive or very supportive of investing in and advocating for procurement. The trick is in understanding how to leverage this to increase the quality of influence across the organization.

Overall, high performers:

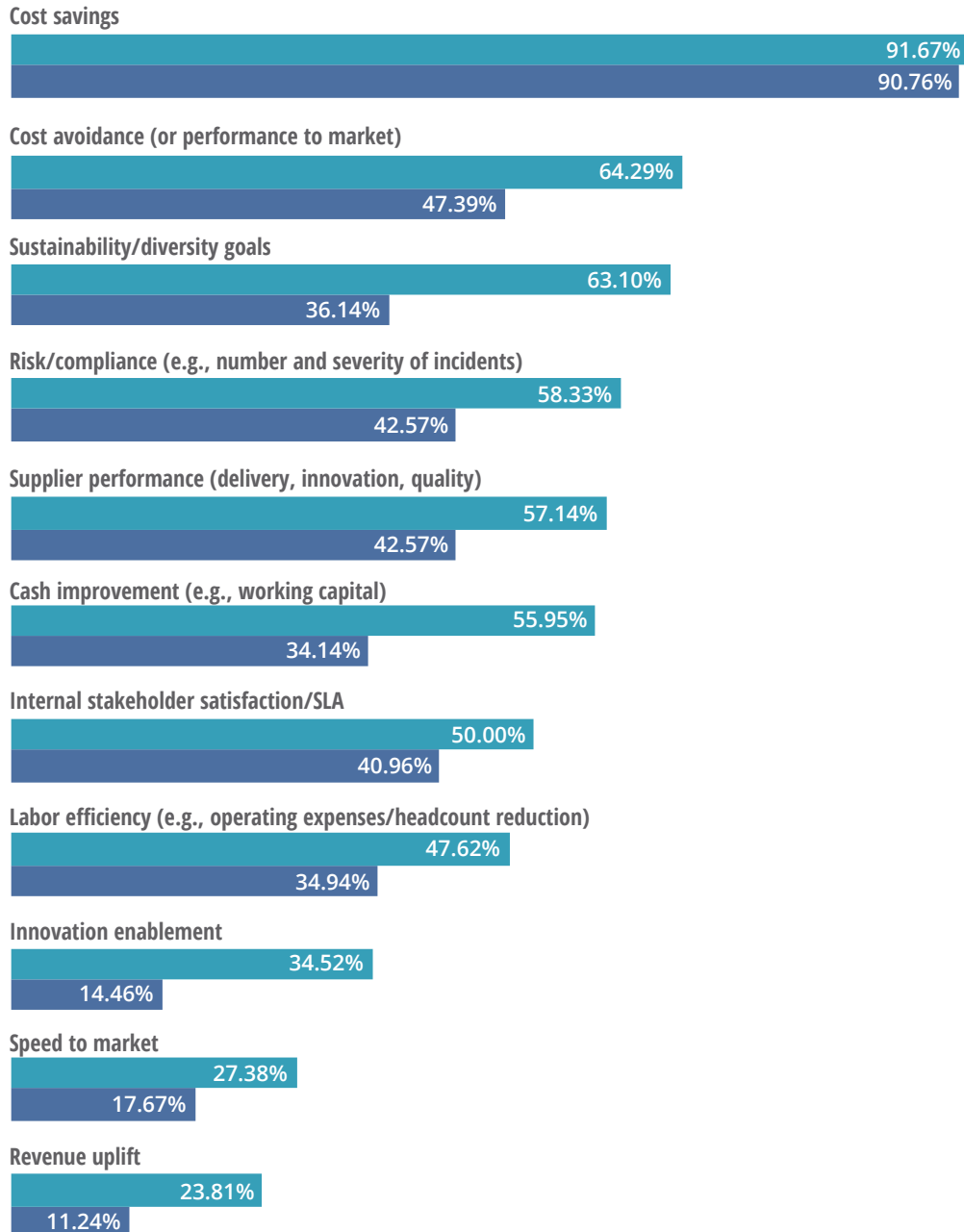
- Self-reported greater stakeholder satisfaction with almost all key functional partners including Finance, IT, Legal, and HR
- Are 70% more likely to be involved in all decision-making (e.g., financial planning, risk, etc.)
- Are twice as likely to play an active role in make vs. buy decisions

FIGURE 3

High performers more commonly get formally measured on a greater breadth of KPIs

Which of the following do you get formally measured on? (Select all that apply)

■ High performers ■ Others (Non-high performers)



Source: Deloitte Global CPO Survey, 2021.

Protecting value: The CPOs' expanding risk portfolio

Although CPOs consistently rate risk management as an overall priority (sixth this year), there is some evidence that leaders are simply unaware of all the end-to-end supply chain risks to which their organizations are exposed. And that's a problem.

The ability to detect, measure, and manage risk remains a challenge—one that the pandemic has only intensified. Since the 2014 Deloitte CPO Survey report, the level of perceived risk has risen slightly during the five subsequent report editions. This year, the pandemic was clearly a major factor (>70% believe that risk has increased somewhat or significantly over the last 12 months), also leading to adverse impacts on freight costs, revenues, and working capital.

Supply assurance has clearly been the biggest challenge in the last 12 months with:

- Fifty-six percent of firms stating their key suppliers went bankrupt or were severely hampered
- Forty-one percent needing to expedite shipping to keep critical supply lines flowing
- Thirty-six percent saying suppliers are failing to meet new requirements
- Thirty-two percent losing revenue due to supply shortages
- Eleven percent realizing brand damage directly resulting from supplier issues

Given the cost focus, and how CPOs are measured, it is not surprising that two of the top three concerns of CPOs are related to their ability to continue to deliver on their cost reduction goals in a prolonged COVID-19 environment or a potential economic downturn. Although CPOs are primarily worried about the pandemic-related economic issues and continued impacts on supply assurance,

interestingly, the next two major risks are internal: overall internal complexity and digital fragmentation (figure 4).

CPOs may not yet fully understand the expectations placed upon them to revisit their global supplier footprint as the rules of global trade change. As we write this report, trade tensions with China continue to rise and show no signs of slowing anytime soon. The importance of improving overall resiliency of supply chains, beyond direct suppliers for critical materials, will still have a big role to play in the months and years ahead.

Around 70% of CPOs felt that they had good visibility on the risks that existed in their direct (tier 1) suppliers. Yet only 26% were able to confidently predict risk within their supply bases. And, only 15% had visibility into tier 2 or beyond. The COVID-19 crisis highlighted the need to better understand the end-to-end supplier network and the risks that exist beyond direct suppliers. This will be a critical capability to achieve agility.

The COVID-19 crisis highlighted the need to better understand the end-to-end supplier network and the risks that exist beyond direct suppliers. This will be a critical capability to achieve agility.

Interestingly high performers were:

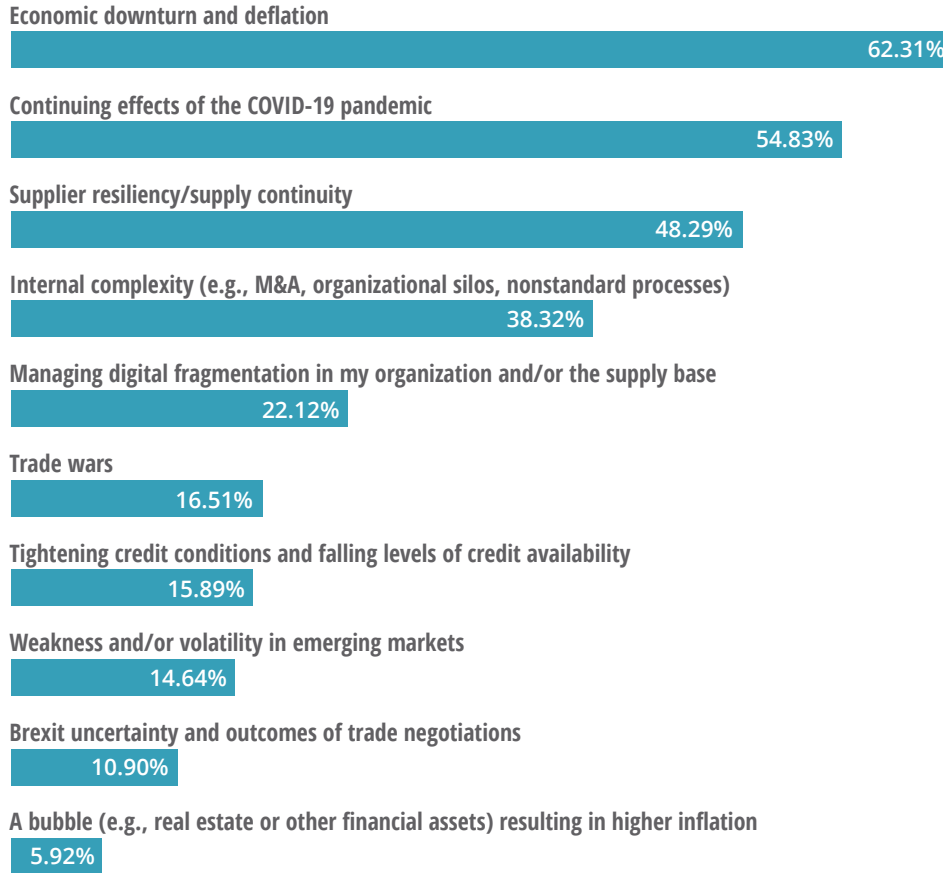
- Ninety-five percent more likely to have high visibility into their tier 1 suppliers
- Half as likely to have low visibility into their tier 2+ suppliers with respect to risk

One emerging competency is the use of predictive analytics to sift through the masses of data to find the risk signals to investigate. Unfortunately,

FIGURE 4

Many CPOs are worried about internal complexity beyond pandemic-related risks

Please select the top three scenarios that present the greatest risk to your organization



Source: Deloitte Global CPO Survey, 2021.

predictiveness is also currently a blind spot, with only 22% of organizations saying they were able to identify and predict risk arising from their supply markets “to a large extent” or “completely.”

Procurement has an outsized influence on the overall resiliency of organizations and there is a need to move at the speed of the market, and with

stakeholders, to proactively address the risks and revenue-generating opportunities that firms are facing. This need for speed to deliver value in the face of complexity is part of the broader “agility imperative” for procurement and one that requires a combination of operating model, talent, and technology enhancement to address.

Chapter 2: Agile procurement

SO HOW DOES Procurement become “agile,” and what’s the payoff? The term “agile” is not new, but it has transcended its roots in software development (and now product/service development more broadly as digital becomes more pervasive) and has become a key differentiator in customer operations, supply chains, and within back-office operations/shared services—and Procurement is increasingly infused across all of these and more.

Agility is defined as the ability to think and draw conclusions quickly, and move nimbly and easily. Procurement agility certainly fits this definition well in terms of being able to:

- Actively monitor fast-moving stakeholders and supply markets
- Predict and prioritize a seemingly endless stream of risks and opportunities
- Decisively orchestrate internal/partner resources to quickly and flexibly respond
- Configure upstream supply chain and procurement itself to become more agile
- Transform the culture to be one of build to evolve vs. built to last

It’s not just some abstract ideal but can be a fundamental priority in how the operating model is structured across each of the operating model layers.⁴ It’s also a way of transforming, and even a “way of thinking” necessary, to achieve mastery and address complexity.

Embracing agility traits allows the procurement function to address the challenges shown in figure 1. CPOs who move fast with stakeholders are staying relevant and transforming themselves on

the fly with the help of new thinking and new digital resources. They’re also proactively addressing top-line opportunities afforded by their relevant stakeholder relationships and deeper supplier intelligence.

The agility masters outperform their peers on all the major performance metrics: hitting savings targets, hitting other targets, spend influence, stakeholder influence, C-level influence, and stakeholder satisfaction. They are a select class of Procurement organizations who outperform against their stated or measured goals, excel at risk mitigation, and demonstrate impressive ambition (and requisite transformation) to realize their visions.

Beyond just strong performance in the face of adversity—or, as we discussed in our 2019 survey, in the face of complexity—agility masters can both deliver now and transform themselves to deliver in the future. Said another way, mastery of agility gives CPOs better odds to execute against goals highly valued by stakeholders, that are considered strategically impactful, and that are ultimately personally fulfilling for CPOs and procurement teams.

So, what can procurement teams do to up their agility game? Turns out, customer-centricity is key. No matter what the flavor of business transformation—lean, total quality management, customer relationship management, agile development, or design thinking—the “customer” is at the center. Agility masters perform better on a higher “quality of [stakeholder] influence” rather than just the “quantity of sourcing-centric [spend] influence.” There’s a fascinating and beautiful paradox: The more CPOs are involved, the more

value they can deliver, and with more value, more stakeholders will look to them for help.

Furthermore, high-performing agility masters are:

- Twice as likely to leverage hybrid managed service support models to access knowledge, capabilities, and experience not available in-house
- Eighty-two percent more likely to have fully deployed, or be in process to scale, predictive analytics (e.g., for spend/margin prediction)
- Fifty percent less likely to have businesswide and C-suite support as a barrier to realizing the shift from tactical/operational to strategic focus

Agility in the extended enterprise

Supply chain has been a big focus in the last few months and there is now an ever-increasing focus on the end-to-end supply chain up to and including the multitier supply network. It is no surprise, therefore, that supplier collaboration was CPOs' second biggest focus to unlock the most significant value in 2021 (on par with investing in digital transformation and significantly more prioritized than other options). This area is multifaceted and includes numerous opportunities for digitally enabled engagement and collaboration in areas such as supplier information management, supplier performance management (cost, quality, fulfillment, etc.), supplier risk and compliance management, supplier innovation, and supplier relationship management (SRM).

In particular, the digital capability gap in SRM is clearly recognized. Currently, 52% of organizations surveyed are not using SRM tools for supplier collaboration, the least explored technology category. Solutions for supplier risk and compliance management are only the third most in-use solutions, with 24% claiming moderate or

full use, but this subset of supplier management does have a higher share of organizations piloting such tools (38% using them to some extent).

The more CPOs are involved, the more value they can deliver, and with more value, more stakeholders will look to them for help.

Apart from the broad concerns related to postpandemic economic recovery, CPOs feel that supply assurance (and supplier resilience) is the top risk issue to address, but they also feel that digitally enabled supplier engagement/collaboration is critical to generating broader value. This is evidenced by the fact that enhanced supplier information-sharing was the top supply risk mitigation strategy (75%) ahead of activating alternative supply sources (~70%) and shoring up inventories (50%).

Obviously, it's hard to collaborate with hundreds or even thousands of key suppliers in a scalable fashion when you have minimal resources and tools. A combination of technology and focus (i.e., developing a robust approach to supplier segmentation considering value potential/size of spend, risk score, and performance rating) becomes mission critical.

A Deloitte report aptly highlights the importance of collaboration (internal and external) and underlines Procurement's opportunity as an enabler: *Collaboration can increase resilience both by helping organizations make decisions and communicate more effectively, and by fostering a sense of trust ... When the pandemic hit, many CXOs realized they needed to speed decision-making and improve communication within their organizations.*⁵ Procurement is key to supporting

that in and beyond the four walls of the business, often acting as the bridge between functions and supply networks.

Agility: The key questions

Ultimately, CPOs need to be asking themselves three key questions in the journey to becoming more agile and establishing the foundation on which performance can be unlocked, and delivered both now and in the future:

1. How do we construct an agile procurement model that allows us to access the talent we need, with the capabilities/knowledge/experience we need, when we need it?
2. How should we set up our systems and processes to increase efficiency, unlock capacity, and enable a scalable foundation that can adapt to the challenges of the moment?
3. How do we harness data to understand what is happening, predict/model potential outcomes, uncover opportunity, support alignment, and make better decisions, faster and with more assured/measurable outcomes?

In the next chapter, we will break down and explore each of these areas and provide the evidence behind what high-performing agility masters are doing to realize success.

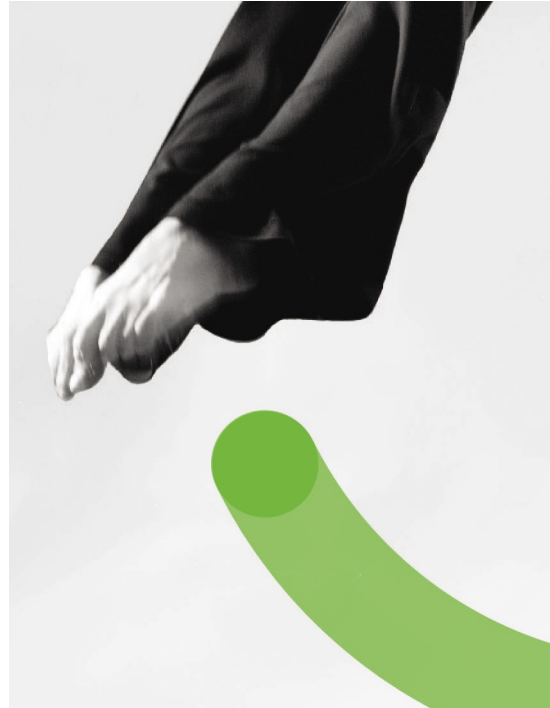
Chapter 3: Building agile procurement

WITH PROCUREMENT ENGAGING many key stakeholders and even more business-critical suppliers, one would ask how can CPOs build agility to deliver higher performance without adding additional resources? The answer lies not just in periodic simplification/standardization of processes, policies, and systems, but also in taking a more systematic approach to accessing and deploying flexible resource pools, accommodating variability of demand and supply, and rapidly reconfiguring the value chain and internal processes to meet business needs and market demands.

The need for agility in workforce deployment and skill acquisition

Agility includes quickly marshalling cross-functional resources (and suppliers) to get the job done. For example, our research shows that high performers have higher degrees of cross-functional and cross-enterprise teaming as well as better cross-training and incentives that help break down silos. Even so, CPOs still need to have the right talent and keep that key talent from getting bogged down with conflicting priorities, a top issue cited as the key barrier in shifting from tactical to strategic. The strategy for acquiring that talent also has an impact on agility. For example, some firms like to hire supply chain graduates right out of school while others like to bring in more specialized hires in combination with external resources, or both.

The survey results indicate that such full-time hires are clearly the main source of talent, and while new



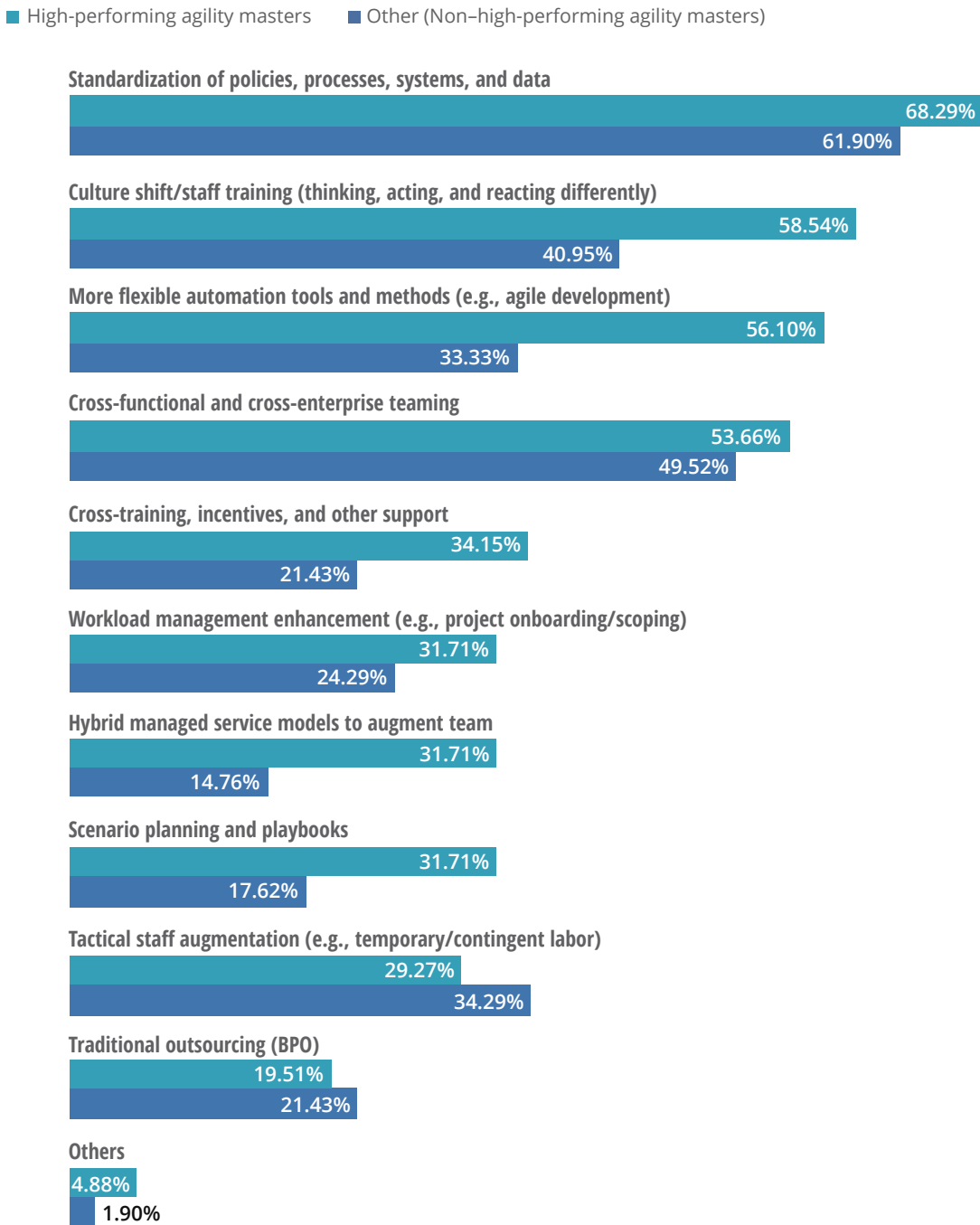
more flexible work options have removed some of the critical restrictions, as expectation continue to rise, the challenge of recruiting the right talent will get harder. CPOs must continue to adapt and more readily consider and adopt a broader set of talent models, and while some are beginning to leverage “internal agile workforce deployment” (i.e., using staff from within business unit procurement, corporate procurement, other functions, shared services, and/or CoEs) and the “on-demand category expertise” channel (figure 5), there is still clearly a long way to go.

Regarding externally sourced talent, we found that high performers tend to avoid “body shopping” contractors, and also avoid wholesale outsourcing

FIGURE 5

Hiring is a focus, but there is a growth in leveraging agile workforce options

What strategies are you using to manage workload volatility and enable greater agility?



Source: Deloitte Global CPO Survey, 2021.

of their functions to large BPO providers. Rather, they tend to use more focused managed service providers (MSP) models—e.g., category management/transformation execution support, tail spend management, market intelligence, and other specialized CoEs that are extensions of their existing teams (Deloitte refers to this as a “hybrid operate” model). We found that high-performing agility masters were almost twice as likely to leverage these hybrid operating models and flexible automation tools and methods.

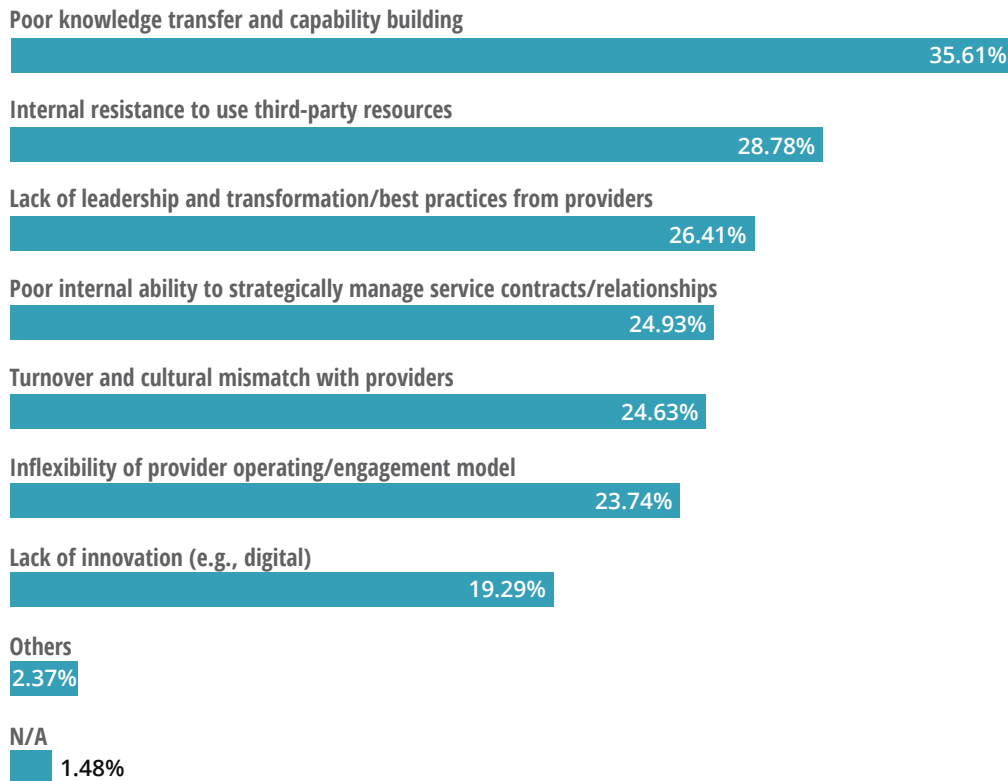
New hybrid services models are likely increasingly favored because traditional BPO models can be subject to issues such as:

- Poor knowledge transfer, where providers execute against service-level agreements (SLAs) but don’t necessarily help procurement build its own native capabilities. In fact, poor knowledge transfer was cited as the biggest challenge by survey respondents (figure 6)
- Managing complex relationships throughout the life cycle as they mature, or even worse, they stay fixed and don’t flex with procurement’s evolving needs
- Lack of agility of the provider to adapt the relationship (and vast number of contractual measures), and the SLAs to respond to the dynamic nature of the business

FIGURE 6

Knowledge transfer and capability building is the top challenge when outsourcing

If you have used outsourcing or managed services in the past, what have been the major pain points? (Select all that apply)



Source: Deloitte Global CPO Survey, 2021.

The events of 2020 forced many CPOs into a virtual operating model nearly overnight, and supply-side executives faced an agility test like no other to manage unforeseen disruptions. CPOs have had to mine their contract portfolios, renegotiate contracts, support mission-critical suppliers, transition staff to virtual operations, ramp-up supply risk capabilities (albeit somewhat late in the game), tap existing suppliers for new digital capabilities, and find new digitally savvy suppliers to help meet category needs while supporting customer-facing innovation opportunities. For example, a life sciences firm earned revenues by selling at on-premise events with physicians, but the pandemic forced sales and marketing teams to work with IT and the procurement travel and events category team to arrange a virtual event to engage physicians in a new digital venue, thereby also building a new capability that could be leveraged postpandemic.⁶

In terms of attracting and acquiring talent, it was slightly less difficult last year likely due to more short-term availability driven by COVID-19–related layoffs, but the year-on-year trend over the last 10 years shows that it’s getting harder to find and recruit the right talent (in part as the skill sets required

continue to evolve at an ever increasing pace). Instead of the overall group where 36% indicate that it’s getting harder, only 24% of high performers indicate the same. This could also be because high performers foster resilient workforces by hiring for specific mindsets, such as adaptability, instead of skill sets. Talent and human resources teams can take a cue from this approach taken by

high performers and rethink traditional job descriptions and application requirements, which would widen the pool of applications and increase diversity, as suggested in another Deloitte research.⁷

In terms of skills, the biggest skill gaps are those related to using digital tools such as analytics to leverage data to influence and collaborate with stakeholders. Core “technical” procurement competencies such as category management and supplier management are only as good as the ability to implement and scale them with stakeholders. This implementation skill gap is clearly seen where a third of CPOs highlight digital and soft skills as the biggest gaps for their teams. The CPOs even perceive this gap within themselves personally, with about half citing a development gap in their “digital aptitude” generally and 43% citing a gap in analytics more specifically.

Talent and human resources teams should consider hiring for specific mindsets instead of skill sets. This means rethinking traditional job descriptions and application requirements, which would widen the pool of applications and increase diversity.

Many organizations have implemented systems to automate transactional processes. And, new robotic process automation (RPA) solutions and technologies such as artificial intelligence (AI) and machine learning (ML) will really drive a fundamental shift in the work that people will do, with a much

stronger focus on strategic work which can’t easily be automated. Not everyone will be able to make this transition and CPOs will need to put specific focus on training, hiring, and acquiring the strategic capabilities that they will need to deliver on their strategies and goals in the future.

Soft skills can be trickier to acquire via training. The old adage of “hire for attitude—train for aptitude” applies to acquiring agility-centric traits. For example, characteristics such as resiliency, creativity, empathy, and tenacity are important to look for in an agile “next-gen” Procurement professional (with integrity assumed as a given) to drive change in complex and often challenging work environments and cultures.

What’s interesting is that despite the acknowledged soft and digital skills gaps, CPOs seem to be investing most heavily in the technical skills, with strategic sourcing/category management (55%) and sourcing/negotiation (42%) occupying the first and third spots, respectively. Digital analytics is a solid second (49%) with business partnering (40%) and leadership effectiveness (37%) not far behind ... but softer skills such as diversity (25%), emotional intelligence (24%), and conflict management (17%) feature much further down the list.

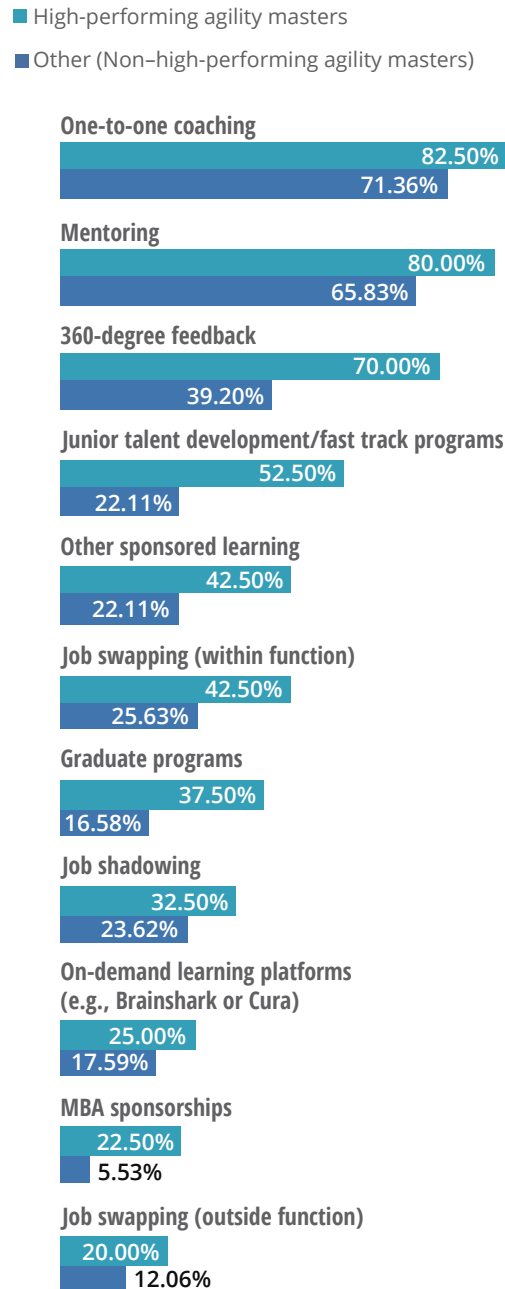
Closing capability gaps doesn’t happen on its own though and requires budget. Yet, while training budgets are often first to be cut, we found that training budgets increased from 1.8% of total Procurement budget in 2020 to 2.1% in 2021. High performers invest even more (2.4%); the real difference though is with high-performing agility masters that adopt more holistic and robust talent development strategies (figure 7).

We increasingly find that talent development itself is becoming more agile in terms of just-in-time coaching/mentoring and project/job rotation to develop new experiential skills and competencies on the fly rather than just putting staff through periodic one-size-fits-all training programs. For example, high-performing agility masters are significantly more likely to conduct 360-degree feedback, perform one-to-one coaching, engage in job swapping (inside and outside the function), sponsor graduate programs, leverage fast track programs for junior resources, and support other sponsored learning to develop talent. As one

FIGURE 7

High-performing agility masters’ talent development strategies are more robust

Which of the following approaches do you leverage to develop talent? (Select all that apply)



Source: Deloitte Global CPO Survey, 2021.



research pointed out: *“Giving workers a voice in what they do also helps organizations act more dynamically and in real time. Top-down approaches based on identifying business needs and then finding or developing the skills to put against them will always be slower than approaches that allow workers to self-select based on their interests and abilities. Organizations that figure this out can benefit from the increased agility and resilience to change that are critical to navigating constant disruption.”*⁸

The idea is to have a scalable and standardized process that facilitates rapid redeployment of resources to different areas/tasks across the business, simplifying cross-training, and accelerating ease of deployment.

This sort of standardized-yet-flexible operating model is also an increasingly prevalent and powerful approach that also supports process automation, bringing standardization and scale while still supporting unique stakeholder requirements.

Strengthening the digital core and technology adoption

Given that the highest-performing, most agile organizations tend to be the ones at the forefront of technology testing, adoption, and scaling, procurement peers would naturally be interested to know what this group is eying for its next investments. The largest adoption of “next-gen” technology is focused on advanced descriptive/diagnostic analytics and visualization to identify opportunities and RPA to help automate more repetitive tasks that are typically transactional/operational in nature (for now).

Most interestingly is in the difference between the level of full adoption of these next gen technologies, we found that high-performing agility masters:

- Are 4–5 times more likely to have fully deployed advanced analytics/visualization
- Are 10x more likely to have fully deployed RPA solutions
- Have fully deployed predictive analytics capabilities (12% vs. 0% for others)
- Are 18x more likely to have fully deployed AI/cognitive capabilities

But not everyone is there yet, and even top performers seem hesitant to adopt more transformative tools; maybe they are yet to determine how best to integrate them into their existing model or are still navigating how to build stakeholder and team trust in these technologies. One thing, however, is abundantly clear: The digital divide is perhaps the most prominent gap between the high-performing agility masters and the rest of the pack (figure 8).

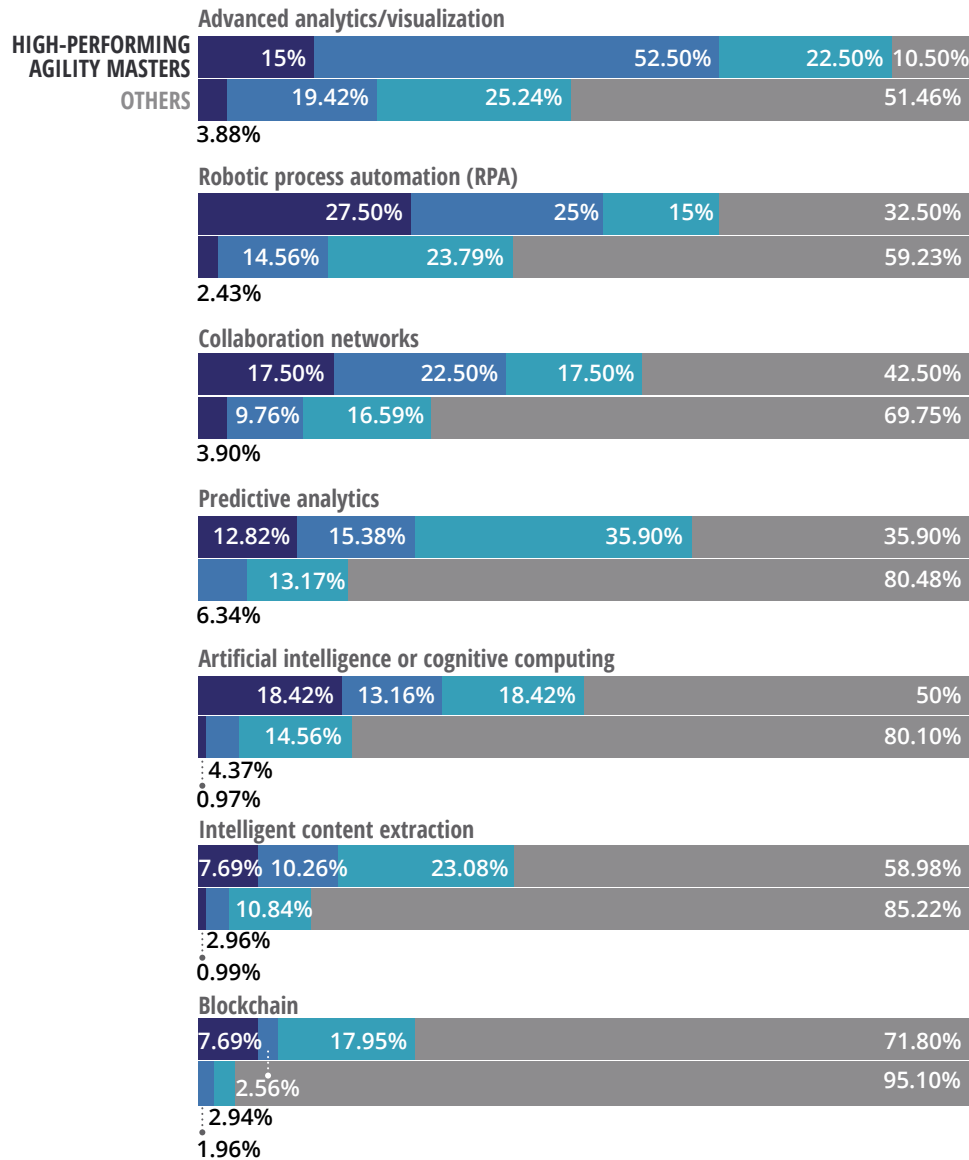
The top three benefits of “next-gen” technologies as reported by the CPOs are process efficiency (65%), process effectiveness (50%), and increased agility (50%). This efficiency bias is no surprise given that efficiency was the top-cited (albeit pandemic-influenced) enterprise priority being selected at a

FIGURE 8

High-performing agility masters are ahead in adopting next-gen digital technologies

To what extent are the following “next-gen” digital technologies currently used by procurement?

■ Fully deployed ■ Scaling ■ Piloting ■ Not started



Source: Deloitte Global CPO Survey, 2021.

rate 1.5x higher than any other option. So, equally unsurprising is the focus in the procure-to-pay (P2P) process (e.g., RPA). This year RPA was the fastest-growing area (33% higher adoption versus the 2019 report), but strategic procurement

processes were beneficiaries of the focus on analytics.

Interestingly, there is a cluster of four technology areas (predictive analytics, AI, networks, and

content) adding nearly as much value as RPA and advanced analytics, but these are simply not being adopted as aggressively even. Blockchain, on the other hand, is still trying to find its footing beyond limited use cases in financial services and supply chains. This presents an opportunity going forward, but adopting technology is not without its challenges.

Getting the digital house in order

The top three barriers to effective application of technology in procurement are quality of data, poor integration across applications, and lack of funding. Low-agility organizations struggle with integration and funding.

On the flip side, the top two enablers of successful digital procurement transformation are:

- A clear enterprise digital strategy (with executive sponsorship), and
- Maintaining a holistic view of digital transformation (i.e., not just automating P2P)

Agility masters prioritize standardization of processes and data upfront, and they tend to value building a dedicated transformation team to handle the effort. Eliminating the friction of these barriers allows them to find and unlock more value.

For these agility masters, digital is already a core part of their operating model, as well as a key tenet of future strategies. Their first investments typically target process efficiencies and quick savings, which then “self-fund” more strategic and digitally intensive improvement areas alongside stakeholders. As more technologies are adopted and insights extracted, the more opportunities become clear, and the more value can be created. This was also highlighted in our recent smart factory article: *“With the right architecture in place, this can also pave the way for use of*

*information from the smart factory throughout the broader Digital Supply Network using data across the connected ecosystem to inform fulfillment, product development, planning, supply, and customer service.”*⁹

Yet the agility story is not all about perfect execution. Separating successful deployments from the “learning opportunities”, failing fast, and then incorporating that into the next effort is critically important to stay ahead.

The “I” in digital procurement ROI:

Earning an ROI on technology investments requires investment. Most of the procurement organizations in the report spend 12–15% of their budgets on technology with high performers and the most agile typically investing a higher percentage of their budgets on technology. From our experience, it is not just the dollars spent but the level of focus and quality of the integrated digital capability development road map that differentiates the returns that are realized.

Suite or not too suite, that is the question:

Typically around 30%, described their procurement technology architecture over the next five years as most likely to be ERP-led with surrounding best-of-breed tools. The second most common was a source-to-pay suite with complementary best-of-breed tools, followed by a combination of source-to-contract (S2C) and P2P suites.

For most organizations, a single system is not enough. In the general population, just 12% said they would use only a source-to-pay (S2P) suite, and only slightly more (14%) of the agility masters said the same. As a fascinating aside, none of the agility masters said that they planned to use homegrown tools as their core strategy/ architecture.

Most firms (nearly 75%) generally favor a “hub and spoke model”—with the hub being a centralized system such as an ERP suite or a S2P suite from

which key processes and master data can be standardized. With the increasing digitization of supply chains, and specifically the processes within the Procurement function, leaders are embracing an ecosystem of Procurement solution partners, especially in core and strategic processes that enable competitive advantage.

This balancing of “hub” systems with best-of-breed tools reflects a finding from our 2019 survey, that proliferation of numerous tools and data sources can sometimes create a source of bad complexity, but for “complexity masters” (those who are top quartile performers that also overcome the greatest risk/complexity), they can adopt the best tools for the job and deliver faster speed to value. The decision of ERP vs. suite vs. niche best of breed must not be performed hastily or politically—otherwise you might be buying some “cement shoes” that will slow your transformation.

Information is power: Leveraging analytics

Analytics is quite simply the most exciting and impactful digital area happening in procurement and value chains with three of the top four “next-gen” technology areas expected to have the highest impact in procurement in the next two to three years. Despite this, all but spend and savings performance is viewed as “most valuable” by less than 50% of respondents. A fact likely connected to the respective progress made to date in the digitization journey of many and further evidence that there is still a long way to go.

Analytics is arguably the most straightforward way for CPOs to add value at the proverbial table by providing better decision-making support for stakeholders and better supporting Procurement transformation using analytics-created insights and intelligence. It can be a powerful tool to help “connect the dots” between strategy, integrated business planning (from forecasting to

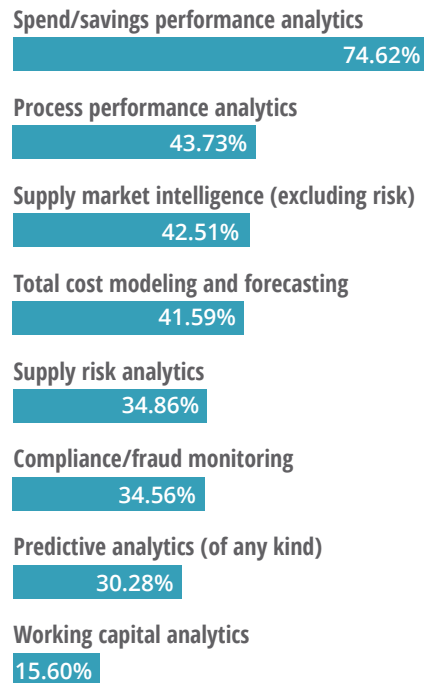
downstream supplier management), scenario planning (linking into complex sourcing events and extended networks), supplier collaboration/innovation, and risk management.

Analytics also supports the procurement strategies related to total cost of ownership (TCO) analysis, negotiations support, SRM, demand analysis, and supply base restructuring. Good analytics further provides a road map toward adoption, from spend analytics (and resulting savings performance) to supporting cost analytics and category/market intelligence, to additional analytics such as process analysis (e.g., process mining) or risk/compliance/fraud-focused analytics. Most survey respondents found value in analytics in terms of spend and savings performance (figure 9).

FIGURE 9

The value of analytics to drive savings and spend management performance

Which of the following types of analytics have you found most valuable?



Source: Deloitte Global CPO Survey, 2021.

As descriptive analytics get mastered, predictive analytics (moving toward prescriptive) are being built for commodity prices, demand, spend, risk, and even extended network design. Industry leaders are trying to move to “predict/anticipate and prevent/prescribe” leveraging advanced analytics, AI, etc. These analytics begin to bring in additional data inputs, such as commodity indices, benchmarks, and customer/supplier data, and help to identify opportunities more effectively, and even enable driverless organization concepts where insights from analysis are used to define and write back actions into systems, for example, purchase order creation, processing/updating of forecasts, and even production plans.

Finding the signal in the noise

While supply risks often seem unlimited, budgets clearly are not. Chapter 1 highlighted the lack of risk visibility upstream in the supply chain, but third-party risk management and additional requirements for environmental and social goals extended to the supply base can be just as important—and just as challenging to implement. This is where high-performing procurement organizations can align their supply chain and supplier capabilities to enterprise priorities (e.g., high performers self-assess their enterprise CSR capabilities more highly than the overall report group, but they also explicitly link those CSR priorities to supplier engagement strategies [figure 10]).

Thirty-two percent of high performers treat supplier diversity as mature or strategic compared to other at only 15%. Interestingly, this is somewhat contradictory to the early strategic prioritization question, and as we saw, there are very few who are formally measured on it. This likely means that while many recognize its importance, until they are truly measured against it, it is unlikely many will see the progress they would like.

Businesses often tie supplier diversity metrics into broader diversity and ESG metrics up to the board level, and this will likely increase further given the trend toward sustainability-based accounting standards.¹⁰ The report also shows that regional and industry variations will play a factor (e.g., North American firms adopt supplier diversity more while European firms have higher supplier measurement related to carbon impact).

While many recognize the importance of supplier diversity, it is unlikely that many will see the progress they would like until they are truly measured against it.

Analytics plays an important role in supporting top-down corporate diagnostics/transformation efforts for supply risk management, sustainability, governance, risk management, and compliance (GRC), IT risk, contingent workforce, and other programs. The emerging third-party Data-as-a-service (DaaS) providers and cloud-based S2P providers are increasingly building this community/network intelligence into their solutions for scoring and benchmarking of supply chain resilience, sustainability performance, and more. This has brought faster and deeper analytics for transformation, and a framework that allows supply organizations to build their own predictive analytics and use (and feed) them by integrating them most dynamically into ongoing processes, such as sourcing and supplier management.

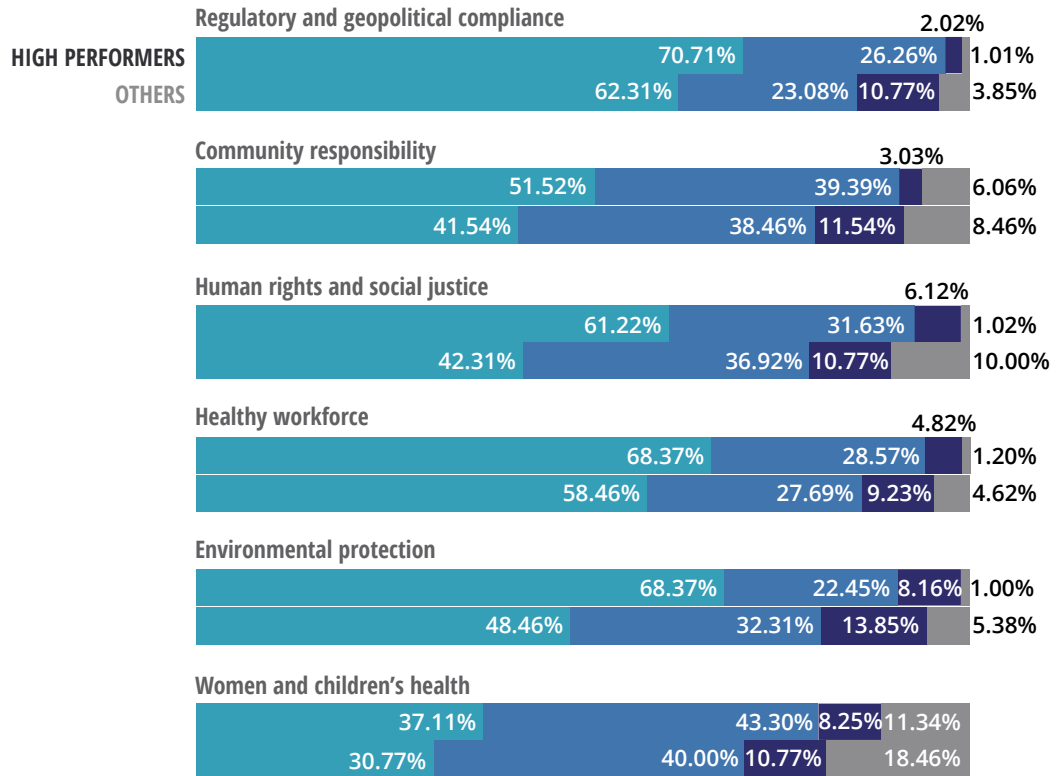
Advanced technology is being deployed within supplier risk/compliance management at 35% of high performers, 45% of agility masters, and only 15% of the rest. But sophisticated technology isn't always needed, as evidenced here:

FIGURE 10

High performers prioritize CSR topics far higher (13–44%) than everyone else

How would you rate your CSR performance according to the below categories?

- Address, higher priority
- Address, lower priority
- N/A today but plan to address
- N/A today and no plans to address



Source: Deloitte Global CPO Survey, 2021.

- Supplier risk as a core part of supplier selection criteria during sourcing at 62% of high performers, 77% of agility masters, and only 29% of the rest
- Measuring suppliers on transparency, e.g., suppliers' support of business continuity planning (BCP) and managing their next tier of critical suppliers, is done by 36% of top performers, 39% of agility masters, and only 14% of the rest

Nonetheless, digital capabilities are critical to scaling up the analytics, intelligence, and workflows (with embedded real-time decision support and alerting) that will not only build

one-time resilience improvements into the supply chain (e.g., next-gen supply risk management tools), but also the resilience and agility of Procurement's own processes to deliver and protect the supply value.

Fixing the 'D' in digital (data)

It's no big secret that bad data means bad analytics. Increasing the number of analytic engines consuming bad "fuel" just creates more waste and polluted processes. Those processes are "prosumers" (producers and consumers) of data,

and process quality and data quality go hand in hand, and generating quality data is an imperative that can no longer be ignored—especially as external data is increasingly utilized (supply market intelligence will be the second highest area of focus coming out of the pandemic)—and nobody wants a polluted data lake on their property from which the drinking water is sourced. And yet, there’s a lot of dirty data out there polluting the analytics and workflows. Not surprisingly, poor

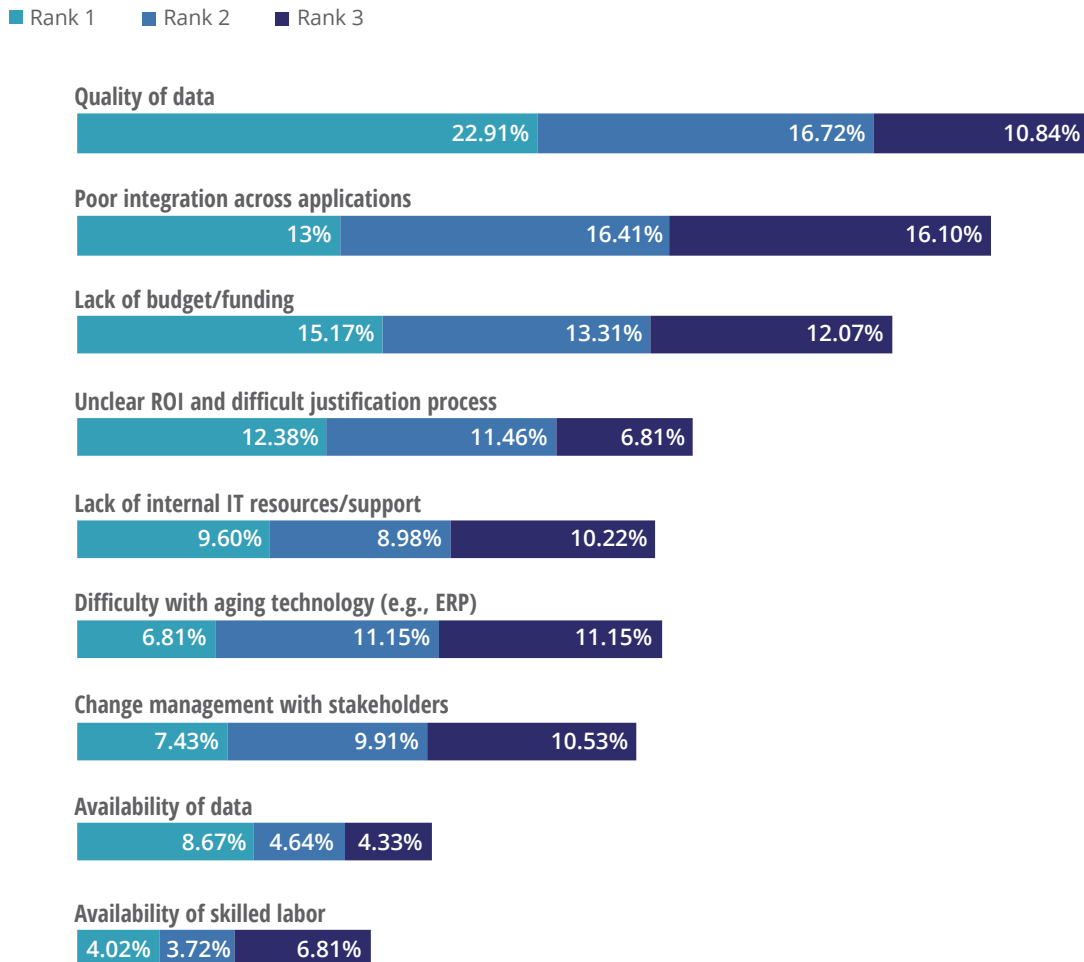
data quality was cited as the biggest challenge in effective application of digital technology (figure 11).

Internal data stores will also continue to proliferate as firms augment the limited (and sometimes fragmented) data models of their cloud-based S2P applications and “suites”—especially since specialist “best-of-breed” applications offer quick time-to-value until large cloud S2P providers can

FIGURE 11

Poor data quality and lack of integration are still top challenges

What do you see as the main barriers to the effective application of digital technology in procurement? (Select and rank top three)



Source: Deloitte Global CPO Survey, 2021.

match those capabilities. This internal data complexity and the organizational complexity that helps drive it are the two highest-stated risks after the trifecta of the pandemic, continued economic downturn, and supply continuity.

The good news, however, is that CPOs recognize the data issue and want to fix it. In fact, if CPOs had additional budget to invest, the top-rated area would be “analytics and data management tools” (which is rated even higher than hiring more FTEs). Furthermore, the No. 5 issue in the “Top 5” list (out of 11 choices) was solely focused on data quality, with 42% of CPOs wanting to invest in it.

Solving data quality problems is a big topic, but the report does offer some insights:

- Data quality must be explicitly named and addressed as part of a broader digital strategy and form part of digital transformation; simply buying more tools without addressing the data that flows through those tools makes the problem worse
- Standardization has been a clear theme in the report as it enables better configurability. This is especially important in areas related to master data (suppliers, contracts, spend taxonomies, roles, metrics, cost types, etc.)

More advanced Procurement organizations are not relying on, or held back by, their IT partners. High performers still have over twice the level of self-perceived high stakeholder satisfaction compared to their peers, but they can control their own digital destiny while still being good collaborative partners internally with IT.

Procurement functions, like other functions and business units, need to control their own data destiny.

Procurement functions, like other functions and business units, need to control their own data and we find that although many can self-fund the improvement of data quality through focused projects (e.g., reducing costs and inventory by fixing duplicate suppliers and items), the best organizations make these improvements iteratively on their journey and then failsafe the data quality formally within process execution and system configurations.

Chapter 4: The many faces of an agile, evolving CPO

THE MINDS OF CPOs are split among the many hats they must wear: an internal service provider, an outward-facing business representative, and an orchestrator that must match demand with available supply and capacity. CPOs have numerous jobs to perform and masters to serve. Achieving high performance can be as elusive as the oft-mentioned “seat at the table” that procurement often desires, especially in times of high volatility, and especially that there are now many proverbial tables to sit at (even if virtually). As one CPO said: *“Procurement touches every part of business from the board to the front-line operator. We underestimate the impact we can have to be a catalyst for the organization, as we are so focused on being a good operator or steward of the organization’s wallet. We can and should be more like the rise of the CFO from back-office accountant to the CEO’s right-hand lieutenant.”*

CPOs have indeed been transcending their roles as *operators* (e.g., doing deals, saving money, managing contracts) and *stewards* (e.g., assuring supply and compliance) toward roles of transformational *catalysts* and intelligent *strategists*. Deloitte highlighted these four roles 10 years ago for the CFO, and it has never been more applicable to the role of the CPO (figure 12).

Here’s what we learned about how CPOs spend their time across these roles:

- CPOs spend a third of their time as a catalyst
- Low-agility CPOs spend 10% more time on transactional activities than the average

- High performers spend almost 15% more of their time as strategists
- High performers are targeting 50%+ of their time be spent on strategic activities





Of course, a CPO is only one person. While the CPOs in the survey may only personally spend 20–25% of their time in the “operator” role, it’s the allocation of the broader team that indicates whether the procurement organization is able to escape “the tyranny of the tactical.” Unfortunately, those procurement employees are spending a whopping 74% of their time on transactional and operational activities—which inevitably pulls the CPO in ... and down.

Procurement teams of the high-performer group, conversely, spend ~63% (~15% less) of their time on these types of activities. We also found that “agility masters” don’t spend as much of their time doing strategic work as the high performers, but they’re spending more time engaged on transformation to build capabilities on the fly that helps them deliver higher performance down the road.

In addition to annual performance and time allocation questions, this year’s edition of the survey assessed the personal motivations, ambitions, and characteristics of CPOs—their perception of procurement as a field, their path into procurement, and where they ultimately want to go with their careers. We also explored four archetypes for procurement leaders—operators, stewards, catalysts, and strategists—to frame capability and ambition in the context of current performance and improvement goals.

FIGURE 12

The evolution of CFOs and CPOs across the four roles over the last 10 years

The four faces	CFO (2011)	CPO (2021)
 <p>Operator</p>	Balances cost and service levels in delivering on the finance organization’s responsibilities, and adapts finance’s operating model as necessary. Talent management, offshoring, and shared service decisions are often critical issues.	Running day-to-day purchasing operations, including req-to-pay processes, tactical sourcing and contracting, managing supplier contracts, handling supplier/stakeholder inquiries, and handling disputes.
 <p>Steward</p>	Leads accounting, control, risk management and asset preservation. Focuses on ensuring company compliance with financial reporting and control requirements (including information security).	Protecting the business: supplier/supply chain risk, internal risk/compliance, cash preservation, orchestrating third-party compliance, and ensuring supply fulfillment and continuity in support of business continuity.
 <p>Catalyst</p>	Gains business alignment to identify, evaluate, and execute strategies, and serves as a business partner to other decision-makers. The Catalyst establishes a structure of enterprise accountability for results, drives enterprise execution, and gains acceptance from business management.	Restructures the supply base (and broader value chain) and supply management capabilities (organization, processes, metrics, systems, data) within procurement and adjacent business areas.
 <p>Strategist</p>	Provides a financial perspective on innovation and profitable growth, leveraging this perspective to improve risk-awareness, strategic decision-making and performance management integration, as well as translating the expectations of the capital markets into internal business imperatives.	Engages the business and supply markets strategically to meaningfully impact business outcomes: supplier innovation, digitalization, extended network design, and strategic category management and SRM.

Source: Deloitte Global CPO Survey, 2021.

Generally, those that focus most of their time as operators and stewards are moderate- or low-level performers. They tirelessly do their best to deliver value and defend the firm but tend to react and struggle to find the time to proactively attack more strategic opportunities. Catalysts are ambitious and want to transition their organizations from middle or bottom tier to upper tier. Strategists look to realize ambitions—they can contribute to business strategy from their redesigned, optimized organization.

High Performers see risk as only slightly more important than operations and instead want to spend more time on overall strategy and have more streamlined operations and greater control over risk management:

- Seventy-three percent spend 20% to 40% of their time influencing and shaping overall strategy
- Sixty-seven percent spend only between 10-20% of their time on core operations
- Eighty-two percent spend between 10% and 20% of their time on reducing risk and ensuring compliance
- Sixty-five percent spend 30% to 50% of their time influencing and shaping overall strategy

Moreover, high performers see and recognize leading transformation and driving change as a key success factor—requiring application of a catalyst mindset. Both today and in an ideal world, most masters spend 30% to 50% of their time on strategic transformation. It’s also likely that using

transformation projects to drive a broader procurement agenda leads to better management buy-in for the function, thus creating a virtuous cycle of success.

Finally, a more strategic transformation mindset was more prevalent in the CPOs of the high-performers and agility masters groups. While 27% of the high-performing agility masters (the intersection of these two groups) saw procurement as mission critical, 41% see it as literally “a way to

change the world by reshaping global supply chains” (compared to only 17% of the rest). Although not every CPO necessarily needs to adopt this view (e.g., those in more localized and service-oriented firms), it does demonstrate a vision and line of sight that offers a more powerful and strategic way in which to frame supply beyond purchasing (per Kraljic circa 1983), and perhaps inject a little more passion and conviction allowing for enhanced engagement with stakeholders, staff, and suppliers.

Chapter 5: Taking the next step toward becoming agile

THIS REPORT HAS highlighted how the priorities of the CPO are growing although formal metrics that institutionalize these priorities are still being implemented. The good news is that, in general, the executive team is supportive or very supportive of investing in and advocating for Procurement. The trick is to understand how to leverage this support to increase the quality of influence across the organization.

We have uncovered some troubling facts. Procurement must better understand supply networks and put more focus on restructuring supply chains. This leaves us wondering if CPOs do not yet fully understand the expectations to revisit their global supplier footprint, particularly as the rules of global trade continue to evolve.

CPOs rely heavily on hiring FTEs to access the capabilities they need. However, those that win the war for talent will adapt more quickly and will be more likely to consider and adopt a broader set of talent models (we already see that high-performing agility masters were twice as likely to leverage hybrid operating models and are accessing talent from wider spectrum of sources).

And, perhaps, most worryingly of all is the growing digital divide between the high-performing agility masters and the rest of the pack and the lack of focus on solving underlying data issues. All this may go a long way in explaining that while 70% think they can execute on their strategies, the large majority of CPOs (>50%) express a real lack of confidence that they are set up for success.

Agile capabilities do, in fact, strongly correlate to (and we believe drive) results, and building agility requires next-gen operating models, diverse resource pools (who think, act, and react differently), and, of course, new best-in-class digital capabilities. Putting the stakeholder/customer (and the associated demand) at the center is a great start, but the promise is only as good as the track record of delivery. CPOs need to tap into the amazing power of supply markets with a more open-minded and flexible way of thinking.

At the end of the day, becoming agile is not an end unto itself or a buzzword. Rather, it is about transformation and building a set of capabilities and proving out the value and ROI of such endeavors by tracking appropriate metrics deliberately and methodically throughout the transformation program. It necessitates a deeper and more transparent understanding of the work, a careful curation of how resources are deployed against that work, and the driving of alignment across a diverse set of stakeholders to secure consensus, align priorities, gain support/resources/funding, and then execute. Being agile in procurement requires a hunger for progress and an appetite for risk, executing more development programs, failing fast (on a smaller scale), iterating, and ultimately getting to a great solution more quickly.

This year's survey provides the clearest evidence yet that agility is the best antidote to the increasing complexity facing CPOs. Agility allows organizations not only to take advantage of a dynamic set of opportunities presented by an ever-changing world, but to do so faster and better than the competition.

CPOS' "TO-DO" LIST TO BECOMING AGILE

We found that there is a clear set attributes that CPOs should acquire to become agile:

1. Gap assess your internal agility:

- Determine your ability to flexibly deploy resources on demand and understand barriers
- Understand if your team possesses the capabilities/potential to become more agile
- Segment and assess processes to determine proliferation and overall consistency
- Run scenarios and test you team and organizations ability to respond quickly and effectively

Action:

- 1.1 Review your workload (and associated drivers) and current operating model
- 1.2 Conduct process mining to understand the complexity of your process
- 1.3 Assess how you allocate resources to workload

2. Define a truly balanced scorecard:

- Understand and build risk, resilience, and agility metrics across procurement
- Measure metrics frequently during transformation to test progress
- Embed agility and resilience into your operating model and incentives

Action:

- 2.1 Move beyond the one-off pilots and start using scalable platform capabilities
- 2.2 Invest in fixing your data and evolve processes to be predictive and autonomous

3. Build and execute against a comprehensive digital road map:

- Enhance internal sourcing and procurement capabilities through advanced analytics
- Understand workloads by process and process step and map issues/identify opportunities to create value through digitization

Action:

- 3.1 Define a holistic digitization strategy (considering impact beyond just efficiency) and road map
- 3.2 Build use cases for Internet of Things (IoT), 5G, blockchain, control towers, and collaborative workflows enabled by AI/ML

4. Build collaboration muscle:

- Put stakeholder/customer management at the center of your strategy
- Think of MSPs and ecosystem partners as your extended enterprise
- Architect a clean (low technical debt) digital infrastructure

Action:

- 4.1 Flip your linear sourcing-centric approach to third-party/partner management
- 4.2 Develop a holistic supplier management approach (including onboarding, risk, performance, etc.)

5. Adopt an agile mindset (and even methodology):

- Use design thinking to move quickly, iteratively, with stakeholders/customers
- Build capabilities that deliver focused outcomes
- Increase program cycle frequency and readjust priorities to match stakeholders

Action:

- 5.1 Eradicate sequential waterfall processes
- 5.2 Implement project portfolio management for visibility/coordination

Endnotes

1. Excerpted from Stephen Covey, *The Seven Habits of Highly Effective People* (Free Press, 1990).
2. Forty-five percent of procurement organizations in our survey do not measure these two areas.
3. Deloitte, *CFO signals™: Q4 2020*, 2020.
4. Deloitte's procurement operating model framework covers aspects such as strategy and planning, governance and stakeholder management, organization and talent management, processes and capabilities, and technology and analytics.
5. Punit Renjen, *Building the resilient organization: 2021 Deloitte global resilience report*, Deloitte Insights, January 25, 2021.
6. Deloitte Life Sciences client (name withheld).
7. Instead of hiring talent for specific skill sets, organizations should pivot to hiring for specific mindsets, one of which should be adaptability. This may mean having HR rethink traditional job descriptions and application requirements, which would likely widen the pool of applicants and increase diversity. See Renjen, *Building the resilient organization*.
8. Erica Volini et al., *The social enterprise in a world disrupted: Leading the shift from survive to thrive—2021 Deloitte Global Human Capital Trends*, Deloitte Insights, December 9, 2021.
9. Stephen Laaper et al., *Implementing the smart factory: New perspectives for driving value*, Deloitte Insights, March 30, 2020.
10. SASB, "Global sustainability and integrated reporting organisations launch prototype climate-related financial disclosure standard," press release, December 18, 2020; Amanda Medress, "Answering your questions about the Value Reporting Foundation," SASB, December 21, 2020.

Acknowledgments

The authors would like to thank **Kyle Ransom, Robert Elliott, Grant Potts, Abhisek Singhal, Mauricio Taborga, Sumanth Kumar, Thomas Nichols, Juliane Francia,** and **MacKenzie Suderman** of Deloitte Consulting LLP for their contributions to this report. The authors would also like to thank **Abrar Khan** for his support in the review and development of the report.

About the authors

Jim Kilpatrick | jimkilpatrick@deloitte.ca

Jim Kilpatrick is a principal and Global Supply Chain & Network Operations leader for Deloitte Consulting, and the leader for Consumer Products industry in Canada. He has led global supply chain transformation programs delivering significant impact through supply chain optimization and leveraging advanced supply chain systems and technologies. His expertise includes supply chain strategy, supply chain planning, distribution and logistics, strategic sourcing and procurement, and manufacturing operations.

Jennifer Brown | jennibrown@deloitte.com

Jennifer Brown is a principal and Global Supply Management & Digital Procurement offering leader with a focus in the Life Sciences & Health Care practice. Her unique blend of clinical industry experience and supply chain implementation expertise allows her to drive value from third-party spend through category management strategies, supplier management, and strategic sourcing of materials, and to define new procurement operating models, drive M&A synergies, and deploy cloud-based solutions to manage the source-to-pay cycle.

Ryan Flynn | rpflynn@deloitte.com

Ryan Flynn is a principal at Deloitte Consulting LLP with more than 18 years of experience helping global companies capture value through enhanced management of supplier and third party relationships and improved operational efficiency. He specializes in leading large scale source-to-pay digital transformations, covering strategic sourcing, contract management, procure-to-pay, and supplier management. He has worked across multiple industries, with a focus on the Technology, Media & Telecom industry.

Aaron Addicoat | aaaddicoat@deloitte.com

Aaron Addicoat is a senior manager of Deloitte Consulting LLP with 15 years of procurement experience in both industry and consulting across a wide variety of both direct and indirect spend categories and leading large, complex global transformations across industries, most notably in life sciences and manufacturing. During his career, he has consistently delivered value for clients focusing on capability assessments, op model redesign, cost reduction, supplier development, process improvement, risk management, and compliance management throughout Europe, the United States, and China.

Pierre Mitchell | pierre@spendmatters.com

Pierre Mitchell leads procurement research and IP development at Spend Matters, and is the chief architect of the firm's industry leading SolutionMapSM framework. He has 30 years of industry, advisory, and research experience and is a recognized digital procurement transformation expert specializing in advanced supply processes, practices, metrics, and enabling digital tools and services. Previously, he led procurement research at The Hackett Group, and also coined the term "guided buying" in his role as the industry's first procurement technology market analyst at AMR Research (now part of Gartner Group).

Contact us

Our insights can help you take advantage of change. If you're looking for fresh ideas to address your challenges, we should talk.

Industry leadership

Jennifer Brown

Principal | Global Sourcing and Procurement | Deloitte Consulting LLP
+1 201 892 7015 | jennibrown@deloitte.com

Jennifer Brown is the leader of Deloitte's US Supply Management and Digital Procurement practice, as well as the leader of the Global Sourcing and Procurement practice.

Ryan Flynn

Principal | US Supply Management and Digital Procurement | Deloitte Consulting LLP
+1 404 631 2390 | rpflynn@deloitte.com

Ryan Flynn leads Deloitte Consulting's Third Party Management practice and brings more than 18 years of experience helping global companies capture value through enhanced management of supplier and third party relationships. He specializes in leading large scale digital source-to-pay transformations, covering strategic sourcing, contract management, procure-to-pay, and supplier management. He has worked across multiple industries, with a focus on the Technology, Media & Telecom industry.

Deloitte.

Insights

Sign up for Deloitte Insights updates at www.deloitte.com/insights.



Follow @DeloitteInsight

Deloitte Insights contributors

Editorial: Abrar Khan, Rupesh Bhat, Aparna Prusty, and Preetha Devan

Creative: Govindh Raj and Sonya Vasilieff

Promotion: Hannah Rapp

Cover artwork: Sonya Vasilieff

About Deloitte Insights

Deloitte Insights publishes original articles, reports and periodicals that provide insights for businesses, the public sector and NGOs. Our goal is to draw upon research and experience from throughout our professional services organization, and that of coauthors in academia and business, to advance the conversation on a broad spectrum of topics of interest to executives and government leaders.

Deloitte Insights is an imprint of Deloitte Development LLC.

About this publication

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.