5 Ways to Transform Your Procurement Organization From Tactical to Strategic

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Procurement still relies heavily on manual and administrative processes—it's ripe for a transformation. In fact, 45%* of procurement executives have expressed their intention to accelerate digital transformation efforts in anticipation of an economic downturn.

In the current corporate landscape, where budgets are tight and the labor market is challenging, it's crucial to address any inefficiencies. Failing to do so means missing out on opportunities to save time, improve data quality, increase transparency, and deliver cost leadership.

However, procurement transformation is about more than just cost savings. It involves shifting from a tactical execution function to a strategic role in the business. Achieving this shift requires a comprehensive evaluation of your people, processes, and technology utilization.

So how does an organization accomplish procurement transformation?

Here are 5 ways:

1	**Automate Processes to Transform Procurement from Tactical to Strategic**
2	**Develop Strategic Catalogs to Deliver Cost Leadership and Drive Efficiency**
3	**Increase Guided Buying to Reduce Maverick Spend**
4	**Digitize Change Management and User Communication**
5	**Enhance Admin Skills to Unlock Innovation and Solve for Business Problems**

*Source: Hackett Group 2023 Procurement Key Issues

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5 Ways To Transform Your Procurement Organization From Tactical To Strategic

1 | Automate Processes to Transform Procurement from Tactical to Strategic

In the realm of procurement, maintaining visibility and creating efficiencies is crucial for success. Procurement technology plays a vital role in achieving significant improvements in these areas by automating approval processes, driving data consistency, enabling e-invoicing, and utilizing online catalogs.

Often, companies rely on separate purchasing and invoicing tools that are not integrated or automated, causing additional complications and delays in the ordering process. This not only leads to inefficiencies, but typically leads to companies paying higher prices for goods and services as they are unable to consolidate spend to drive better price points.

With e-procurement software, digitizing purchase requests and approvals enables the business to get what they need faster, but in a consistent and compliant manner enabling better Procurement outcomes. The automated routing of documents to the next stage in the process and sending them to approvers to sign online saves valuable time and eliminates manual steps. And when Procurement approves a catalog, approvals can even bypass the typical bidding process as the pricing has been set! This removes the tactical execution from a buyer enabling team members to turnaround their purchase requests faster allowing employees to focus on more high-impact work.
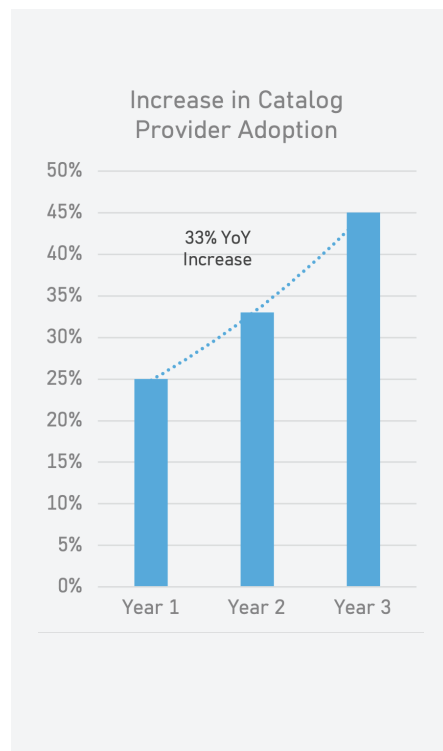
Moreover, encouraging suppliers to adopt automated invoicing not only improves data accuracy and ensures timely payments, but also reduces the manual workload for the procurement team. In fact, an impressive 70% of invoices from Jabil's 36,000 suppliers now utilize e-invoicing, with 35% of invoices being completely touchless enabling Finance to spend more time strategic initiatives. This transformation has revolutionized our business, shifting its focus from tactical to strategic operations.

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2 | Develop Strategic Catalogs to Deliver Cost Leadership and Drive Efficiency

Curating strategic catalogs leads to enhanced efficiency, and ultimately cost leadership. The development of strategic catalogs has proven instrumental in transforming a company's procurement organization as they serve a dual purpose: reducing maverick spend, and delivering cost and time savings to businesses.

Catalogs offer buyers a convenient means to compare suppliers and make purchases based on price and availability. Moreover, they provide procurement organizations with valuable insights into purchasing patterns and buyer behavior. By centralizing product pricing and information, catalogs streamline the procurement process, reducing the time and effort spent on purchasing and deliver high-quality data for easier spend analysis.

By leveraging the power of strategic catalogs, procurement teams can drive compliance, negotiate better rates with strategic suppliers, and ultimately contribute to the company's bottom line. In fact, the result of this endeavor has also been notable within Jabil's own procurement organization. We host over 500,00 items with 66 unique supplier punch-out catalogs, and by implementing guided buying strategy with our catalogs, we've seen an impressive 33% year-over-year increase in the adoption of catalog providers. By directing users towards strategic suppliers, we're reducing maverick purchases and ultimately delivering cost leadership.

Increase in Catalog Provider Adoption

33% YoY Increase

(Year 1: 25%, Year 2: 33%, Year 3: 45%)

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3 | Increase Guided Buying to Reduce Maverick Spend

In the realm of procurement, guided buying stands as a beacon of efficiency and cost-effectiveness. This approach empowers employees to make purchasing decisions that align with an organization's procurement policies, thereby reducing the risk of maverick spend. Non-compliant, maverick purchases can have a detrimental impact on a company's financial performance.

Despite having documented corporate policies in place, ineffective communication of strategic pricing to buyers results in low compliance and ultimately, missed savings opportunities. Procurement teams often negotiate rates with strategic suppliers, yet how do you encourage team members to purchase from these preferred suppliers? When users bypass the preferred provider catalog, opting instead for free-form requests, this leads to missed opportunities for consolidated spend and better pricing.

To address this issue, companies can implement a "Guided Buying" approach through a digital adoption technology to guide the user through the purchasing process. The guided buying approach will monitor what a user is entering in the procurement software, and based on the user-specific entries immediately communicate policy or influence the user's next step.

The integration of digital adoption technologies with a procurement technology can automate a procurement team's ability to actively guide employees towards preferred providers, ensuring strategic contracts are utilized and preferred pricing is secured. This not only streamlines the procurement process, but also reduces maverick spend and enhances spend leverage, demonstrating the power of guided buying in transforming a company's procurement organization.

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4 | Digitize Change Management and User Communication

As with most software platforms, eProcurement tools introduce hundreds of new features yearly. That pace of change can present a training hurdle for users, leading to a higher volume of help-desk tickets for the procurement organization. The ability to support users at their point-of-need is essential in keeping them informed about new tool capabilities and procurement policies. A one-time user training is rarely sufficient.

Digital adoption technologies coupled with procurement technologies provide a great solution for ongoing user training and streamlining communication of features and policy updates. And with much less time spent on help-desk tickets, your procurement team can accomplish more with less time spent on inefficient administrative or manual tasks.

Jabil strategically implements digital adoption technology alongside procurement technology to foster user adoption, streamline change management, and enhance employee communication.

Digitizing change management and user communication has the potential to revolutionize a company's procurement organization. By optimizing processes and leveraging technology, businesses can enhance efficiency, encourage user adoption, and ultimately achieve faster return on your e-procurement investment.

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5 | Enhance Admin Skills to Unlock Innovation and Solve for Business Problems

When you first purchase a procurement technology, the typical implementation training provides the basic foundational elements of getting started – you're given the pieces of how things work, but you're on your own to put the pieces together to solve for your unique needs. Without understanding the full breadth and depth of the tool's capabilities, you're missing out on the true value of the technology. Organizations that invest in enhancing their e-procurement administrator skills beyond daily transactions have a much better chance at unlocking this value.

Additionally, like most software services, e-procurement features constantly evolve. This creates a challenge for users to keep up, usually resulting in an influx of help-tickets for the procurement and IT teams. However, when e-procurement is implemented and optimized for your specific business needs, it can serve as a time-saving mechanism for the organization, rather than a drain on valuable resources.

To overcome the continuous user training challenge, companies can consider augmenting their staff with experienced e-procurement leaders, sending their existing admins to advanced training courses, or even outsourcing their full procurement activities to an experienced partner.

Having the right people with the right skillsets coupled with the right technology can accelerate the return on your e-procurement investment and turn your procurement function from tactical to strategic.

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The Jabil Advantage

Jabil is one of the world's largest manufacturing solutions providers, with 250,000 employees across 100 facilities in 30 countries. The world's leading brands rely on Jabil's unmatched breadth and depth of end-market experience, technical and design capabilities, manufacturing knowhow, supply chain insights, and global product management expertise. This experience gives us a unique perspective into the procurement, supply chain, and logistics industries.

Because of this unique perspective, Jabil's Procurement Technology Services offers exceptional practitioner experience with rich procurement technology expertise. Our services are designed to assist companies in embarking on a digital transformation journey for their procurement function by implementing the right technology and optimized processes. Here at Jabil, we are committed to helping companies elevate procurement from being merely tactical to becoming a strategic business tool.

Proven Success

Jabil manages over $6B in annual indirect procurement spend, so it's vital to make it easy for the 48,000 procurement technology users to quickly access the items they need, when they need them. To achieve this, Jabil completed a major transformation of its procurement process and implemented technology and automation that make Source-to-Pay as efficient and profitable as possible. In fact, in the first 4 years, we saw a 7x return on our procurement technology investment.

Now, we're extending Jabil's experience as a service so you can gain similar advantages and benefits with your procurement technology. Keep focused on growing your business while Jabil's experienced procurement teams evolve your procurement processes from manual, administrative tasks to a strategic advantage with real benefits to your bottom line.

Our team transformed procurement from a tactical bureaucracy to a strategic asset for Jabil, and we can do the same for you.

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About Jabil

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