



The Procurement Maturity Model

How CPOs and their teams can level up and
prepare for the future of procurement



PREMIKATI

The New Era of Procurement

After ushering companies through years of the pandemic that brought with it supply shortages, rising costs, global scarcity issues, and a demand to meet stricter ESG goals, chief procurement officers (CPOs) have earned their seat at the executive table. But while procurement has been recognized for its positive impact, dealing with these challenges has sometimes come at the cost of burning out procurement teams.

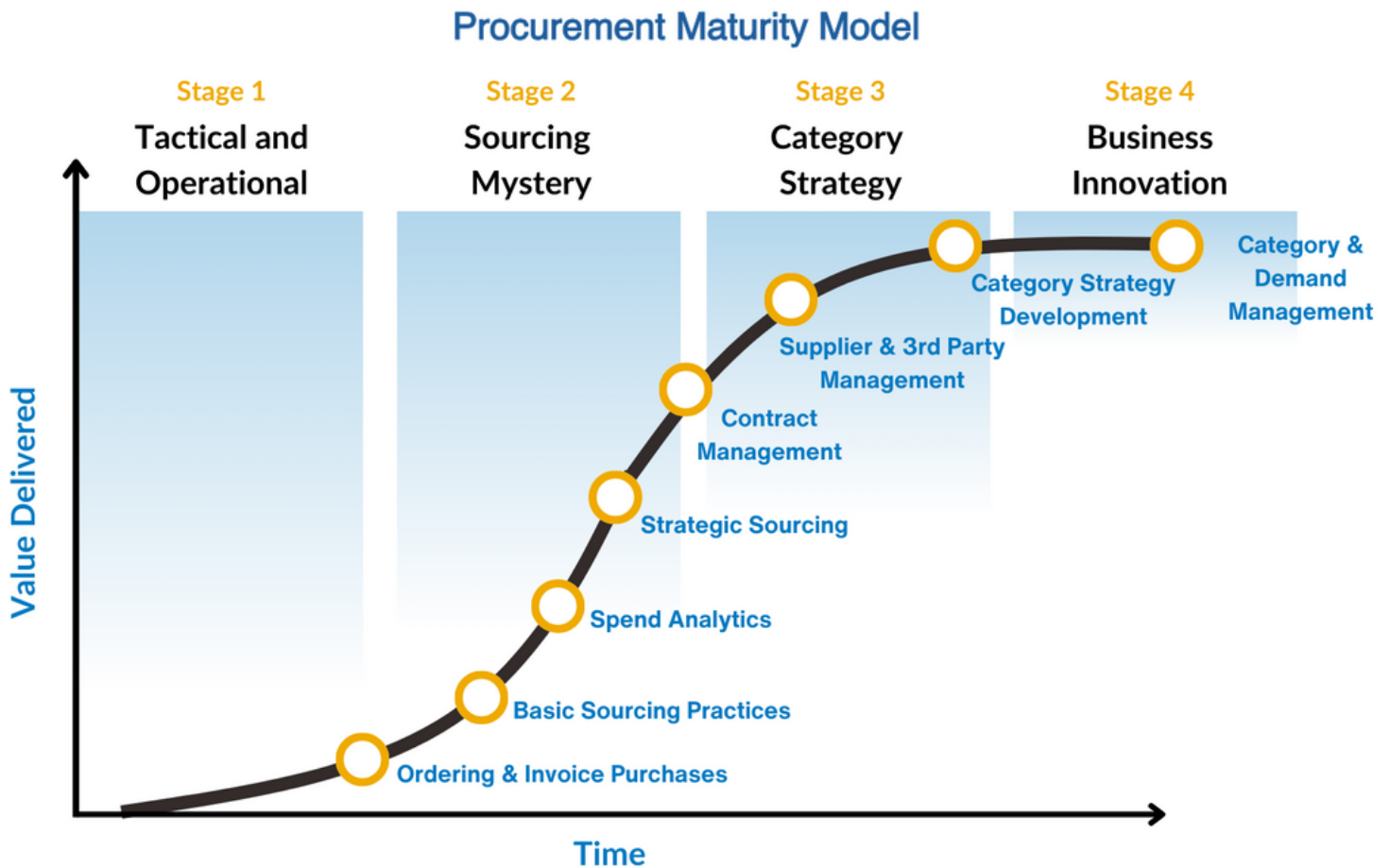
In this new era, procurement organizations with more advanced people, processes, and technology can reduce the impact of detrimental disruptions while adding value through smarter, more cost-effective, and more sustainable purchasing.

This report guides you through four stages of the Procurement Maturity Model to help you understand:

- where your organization stands today
- how you can measure value at each stage
- when you can plan to move to the next stage

There's never been a more relevant time for you to innovate and find a path to achieve best-in-class procurement.

The Procurement Maturity Model at a Glance



As procurement teams mature over time, they can deliver more value in several ways.

Companies in Stages 1 or 2 of the model may not be in the best position to future-proof their businesses against uncertainty and risk. They're typically focused on more tactical ordering and invoicing tasks and may find it difficult to invest in sustainable, strategic procurement practices.

At Stages 3 and 4 of procurement maturity, doing well for the business and doing good for the world go hand in hand. Looking at each point along the model, you can see capabilities your organization can use to simultaneously increase resilience, drive greater value, and bolster ESG efforts. While more mature procurement teams can better manage spend to overcome supply issues and optimize the buying power of goods and services, they can also diversify their suppliers to support ESG goals. This results in both increased savings and improved sustainability.

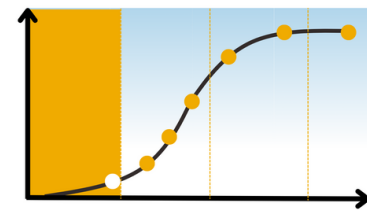
At the highest stage, best-in-class procurement optimizes lead times and builds resilience to better manage ongoing supply risk and business continuity risk. When a procurement team is operating at this stage, there is more optionality and improved governance, which provides suppliers with a better experience. This leads to high-innovation partnerships that can help an organization get ahead of their competitors.

“ Finding the right solution partner is the second-most important decision you can make after choosing SAP. Leveraging a group of Ariba and contract experts, such as Premikati's, saved us time, money and provided us confidence the implementation would be done right the first time. ”

Clinton Hazziez, Cancer Treatment Centers of America

Let's take a closer look at the people, process, and technology considerations that make up each of the four stages.

Stage 1: Tactical and Operational



Successful procurement operations are activated with three key elements: people, processes, and technology. By refining each one, organizations can better manage spend and optimize the way they support the business - all while meeting ESG and compliance requirements.

In Stage 1, organizations are buying goods and services, but there is no strategy in place behind these purchases. The work is purely tactical and operational. Employees make purchases by sourcing their own solutions, while finance team members, in addition to managing budgets, are tasked to process invoices and pay suppliers. At this stage, finance team members, in addition to managing budgets, are tasked to process invoices and pay suppliers. At this stage, finance team members usually don't ask questions about pricing, service levels, demand management, or quality.



People

Finance is responsible for managing a strictly administrative function.

They make sure invoices are paid and don't ask too many questions. There is no team, or even an individual full-time employee, dedicated to sourcing goods and services.



Process

There are few or no processes in place for managing suppliers.

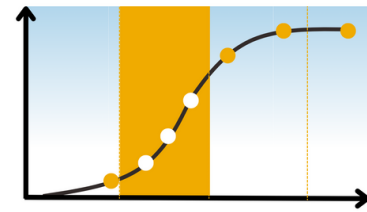
Any processes that do exist usually focus on ensuring that invoices are paid on time and matched, while making sure that accounting treatment is accurate.



Technology

With no formal procurement team members or processes, the organization does not have any Supply Chain Planning, Sourcing, Contract Management, Purchasing, AP, or Payments technology in place. It relies on the ERP for very limited spend analytics, mostly driven by general ledger expense accounts.

Stage 2: Sourcing Mastery



In Stage 2, organizations begin to capture value from the purchase of goods and services. They start hiring full-time procurement professionals to support purchases, assess sourcing, manage contracts, and oversee contract negotiations. As procurement teams add formal sourcing to take advantage of large-scale buying power and negotiated contracts, the organizations can take more factors into account and balance prices, sustainability, and risk. One interesting element of this is integrating supply chain planning technologies into the sourcing process. Companies in supply-chain-heavy industries will want to have a supply chain digital twin in place for performing supply chain planning and complex sourcing optimization at the same time.

Opportunities to drive value become more apparent through a formal sourcing process, such as holding formal sourcing events. Finance and procurement team members may reach out to help stakeholders run such events - building sourcing mastery and generating value for the business to free up cash for investments.



People

In Stage 2, organizations hire finance and procurement professionals to support the purchase of goods and services, as well as oversee contracts.



Process

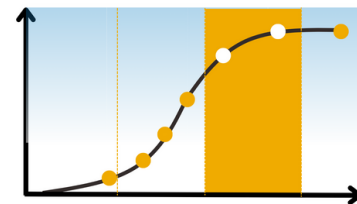
As finance and procurement team members begin running sourcing events, they put formal processes and SLAs in place to define what is needed from stakeholders when running an event.



Technology

At this stage of maturity, it quickly becomes clear that organizations need more robust technology to scale the wins from early sourcing events and to manage multiple sourcing events per quarter.

Stage 3: Category Strategy



In stage 3, with more advanced resources and capabilities for procurement and sourcing processes, organizations can now add value by focusing on category strategy. Category managers play a critical role here, but they need the right technology to support scaling.

Limited tech creates ripple effects. Gathering information on spend and suppliers squanders time. Silos between supply chain planning, third-party risk management, and sourcing lead to delays and rework. Sourcing events aren't run as often as they should be, and teams can't always model the scenarios they need to achieve the best results for the business.



People

Organizations hire team members to focus on specific spend categories.

This drives value and allows procurement to secure a seat at the executive table as a strategic asset.



Process

Engagement models are defined with a clear ownership model, such as RACI. Many organizations use a 5 or 7 step model which enables them to achieve maximum value from category management.

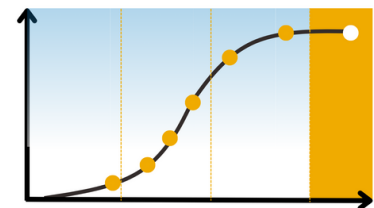


Technology

The best technology is delivered as part of an end-to-end process to optimize the supply chain and ensure compliance.

At this point procurement is automated and uses community-powered sourcing programs to address total spend and save time.

Stage 4: Business Innovation



In stage 4, organizations have captured the maximum amount of value from each category. Procurement and sourcing leaders are partnering effectively with sustainability, compliance, and supply chain operators to empower the entire procurement process. This enables stakeholders to not only get the most value out of their purchases and ongoing supplier relationships but also identify opportunities to increase agility, do more good, and drive business innovation in partnership with suppliers.

People

The procurement organization includes category managers who understand the pain points of their business partners, as well as best practices for their categories.

The strongest sourcing professionals at this stage define and manage the sophisticated planning processes required to increase resilience and support business innovation.

Process

Procurement leaders partner with business leaders to review strategic plans and research ways to support business goals with existing and new supplier relationships.

QBRs may include a review of a supplier's roadmap and negotiation to obtain early access to new products, features, and/or services, ultimately helping the business get a competitive advantage.

Technology

Best-in-class procurement organizations use one S2P platform to manage all of their spend and spend processes in one place.

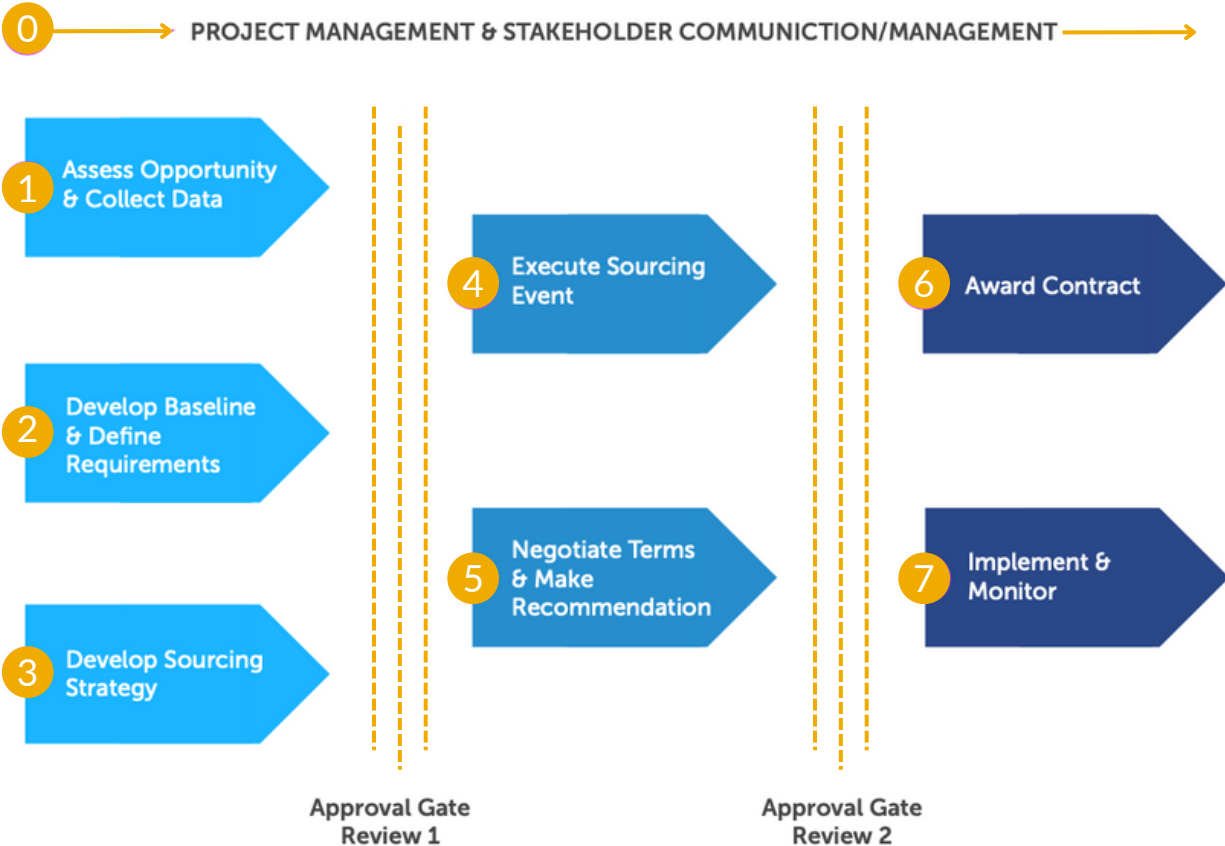
Organizations also are routinely leveraging the latest insights from AI and community data to continuously optimize their performance.

7-Step Strategic Sourcing Process to Maximize Value

Implementing strategic sourcing as a vital procurement process will enable you to achieve maximum value from category management. To do that, many companies follow the 7-step strategic sourcing process.

As you reach Stage 2: Sourcing Mastery in the Procurement Maturity Model, you can focus on formalizing steps 3 through 5 of the 7-step strategic sourcing process. This will add immense value to your organization.

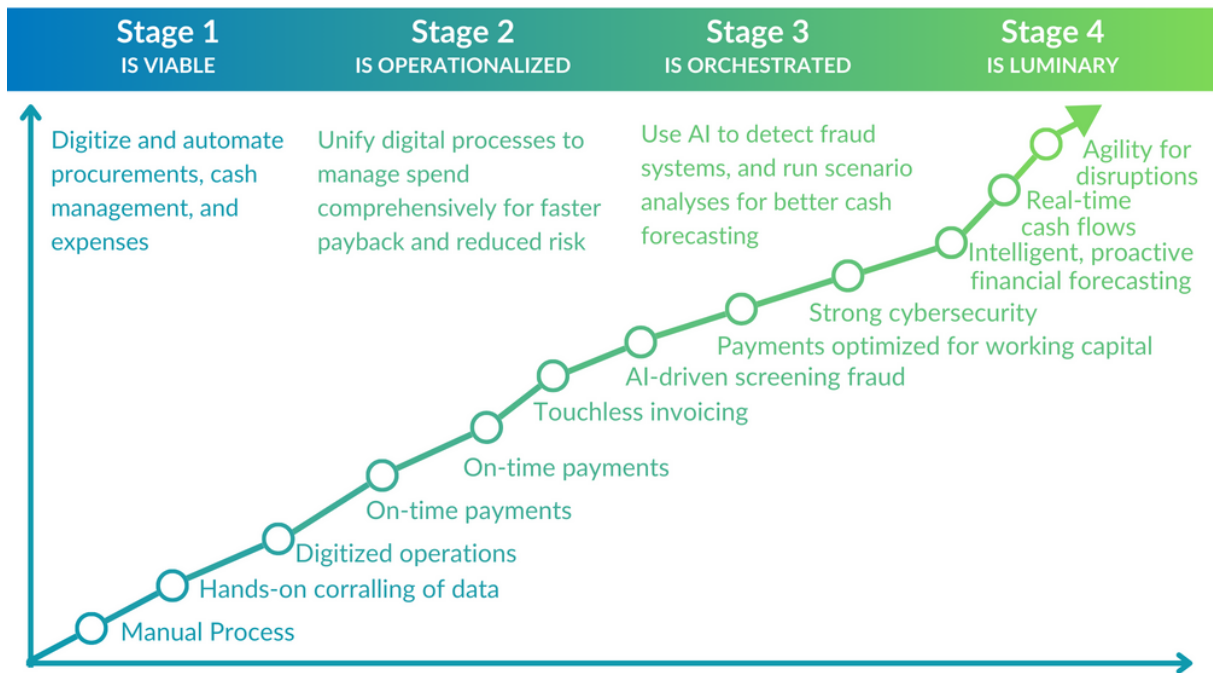
Moving up to Stage 3: Category Strategy ultimately enables sourcing leaders to become true partners to the business by implementing the full strategic sourcing process. They do things like measure supplier performance and identify opportunities for continued value creation. And, in addition, they deploy end-to-end technology to enhance supply chain and compliance efforts.



The Time to Begin the Journey is Now

Investing in your people, processes, and technology at such a significant scale can seem daunting — especially if plans have gone through drastic change over the last few years. But making the commitment to advance your organization’s procurement maturity is a decision you’ll be glad you made, even in the years to come. By taking a few straightforward yet critical steps now, you’re setting up procurement to thrive.

Procurement Maturity Model



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| <p>STAGE 1</p> <ul style="list-style-type: none"> • Make tactical and operational work more efficient and less prone to error | <ul style="list-style-type: none"> • Start automating and digitizing spend processes |
| <p>STAGE 2</p> <ul style="list-style-type: none"> • Establish a procurement team and support sourcing events • Manage suppliers by using segmentation | <ul style="list-style-type: none"> • Continue to digitize and automate spend processes • Explore how a BSM platform can streamline processes across P2P |
| <p>STAGE 3</p> <ul style="list-style-type: none"> • Run enough events and model enough scenarios for business success • Be regarded as a strategic asset | <ul style="list-style-type: none"> • Run quarterly business reviews to measure performance and identify opportunities • Invest in a BSM platform |
| <p>STAGE 4</p> <ul style="list-style-type: none"> • Increase overall resilience and support business innovation • Partner with stakeholders to understand strategic objectives | <ul style="list-style-type: none"> • Manage all spend and spend processes on one BSM platform • Routinely leverage insights from AI and community data |

About PREMIKATI

Premikati is a procurement and supply chain management consulting firm. We help our clients, both buyers and sellers, with all facets of procurement strategy.

For more information, visit premikati.com

