

September 2021

# PwC's CFO - CPO Procurement Perspective Survey

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## About the CFO - CPO Procurement Perspective Survey

This report presents the results of our CFO - CPO Procurement Perspective Survey. The survey was conducted amongst 91 Dutch companies across various industries in July 2021. Our sincere thanks to all procurement and finance leaders who participated.

The coming year will be a year of reinvention for a lot of companies. The impact of the pandemic has prompted procurement leaders to re-evaluate their value proposition, decisions and reinvent their way of working to mitigate disruptions and ensure maximum value delivery.

The report sheds a light on whether the procurement and finance leaders are aligned on the way forward regarding goals and priorities. Furthermore we highlight the key challenges and opportunities the procurement function is facing today and we provide insight in how procurement leaders can be more impactful.

This report provides the results of your survey, the overarching themes and conclusions can be found on the PwC website.

## Executive summary

The COVID-19 pandemic delivered unprecedented challenges and in many cases worsened issues that existed pre-pandemic. The recognition that there will be no swift “back to normal”, underlines the challenges companies face post-COVID. The coming year will be a year of reinvention.

Finance and procurement leaders have also seen a significant evolution in their roles and responsibilities over the last few years. With multiple operational and strategic risks to manage, strengthening the integration between the risk, technology, finance and procurement teams is crucial.

While the benefits of an aligned leadership team and aligned finance and procurement functions are evident, the partnership between procurement and finance is not yet as close as it could be. The survey shows that the procurement and finance leaders have aligned envisioned paths for (future) procurement, but do not yet make use of the full potential. The importance of collaboration is recognized, but a shared agenda to influence company-wide activities is not yet part of the collaboration.

Finance and procurement leaders both see joint innovation and Environmental, Social and Governance (ESG) criteria as important initiatives to make significant impact in the future, but also acknowledge that many procurement departments - because of operational complexity – are struggling with the velocity of technological and organisational changes.

The investment in talent and technology is clear, but the question is if the pace of change is fast enough to keep up with the rest of the organisation.

*The survey provides insight into the thinking of finance and procurement leaders, explores top of mind procurement issues and opportunities for companies today.*



# Survey topics

- 1 Survey participants
- 2 Internal alignment
- 3 Focus areas
- 4 Procurement maturity
- 5 Digitalisation
- 6 Future investment
- 7 Innovation
- 8 ESG / Sustainability

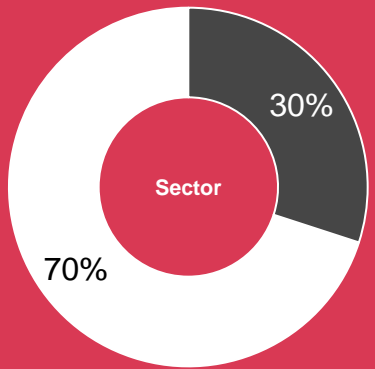
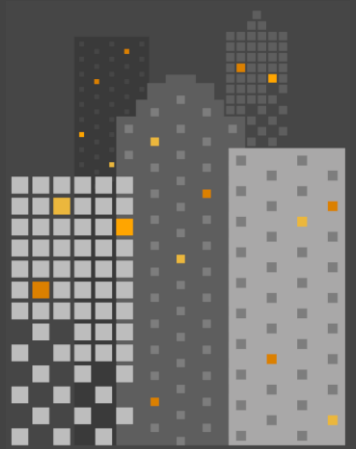


# PwC's CFO - CPO Procurement Perspective Survey

91 Dutch procurement and finance leaders

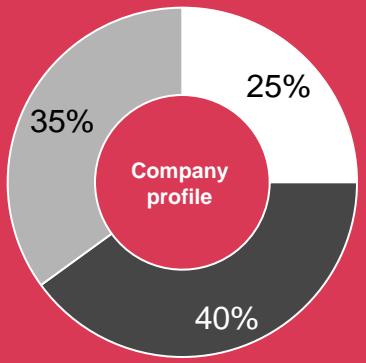
60% Procurement Leaders &

40% Finance leaders



- Industry
- Services

- Type of industry
- Retail and Consumer
  - Energy and Utilities
  - Engineering and Construction
  - Financial Services and Insurance
  - Industrial Manufacturing
  - Automotive
  - Technology and Information
  - Entertainment and Media
  - Telecom
  - Travel
  - Transport and Logistics
  - Business and Prof. services
  - Pharma and Life Sciences
  - Healthcare
  - Government / Public sector



- < € 1 bn revenues
- € 1-5 bn revenues
- > € 5 bn revenues



With multiple operational and strategic risks to manage, strengthening the partnership between finance and procurement is crucial

60+% of the respondents indicate that there is no full alignment on (financial) goals

Level of alignment between finance and procurement regarding procurement goals with financial impact



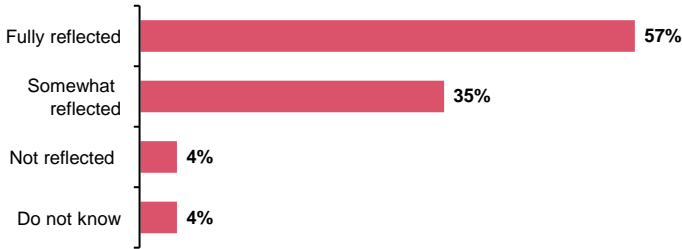
**Procurement lead:** "It is not only about P&L and spend alignment, it's about the whole finance/ procurement integration" (operation, risks and technology)"

The survey indicates that while the benefits of an aligned leadership team are evident and finance and procurement leaders both emphasize the importance of a partnership, a well-balanced and formalized relationship is not always the case.

65% of the procurement departments have joint targets with the business.

92% of the companies have translated their strategic company goals into procurement goals

How are the company's main strategic goals reflected in the procurement strategy?



## Cost reduction remains to be impacted most by procurement while leaders flag that focus must shift towards risk management

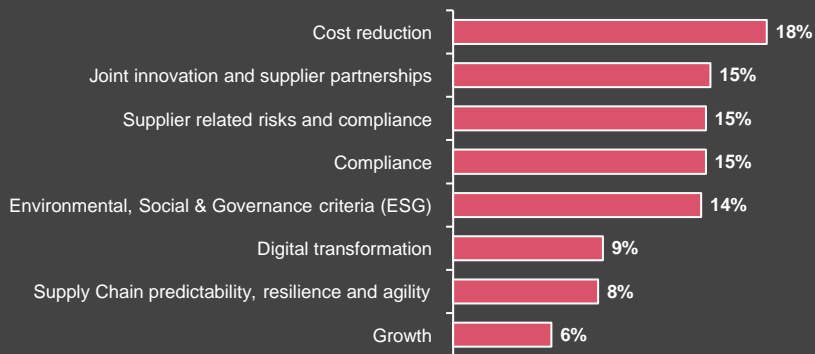
### Areas impacted by procurement

#### Top 3 Procurement

- 1 Cost reduction
- 2 Joint innovation
- 3 ESG / supplier related risks and compliance

#### Top 3 Finance

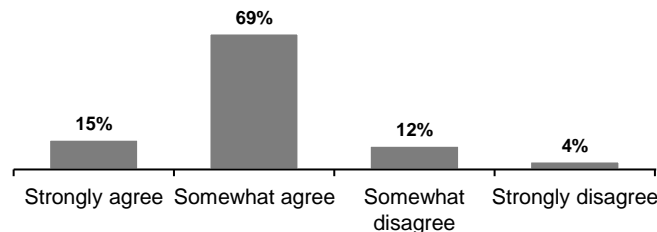
- 1 Cost reduction
- 2 Compliance
- 3 Supplier related risks and compliance



85%

of the procurement and finance leaders see the need to strengthen supply chain risk management and improve end-to-end transparency

### “The risks related to our critical suppliers are transparent”



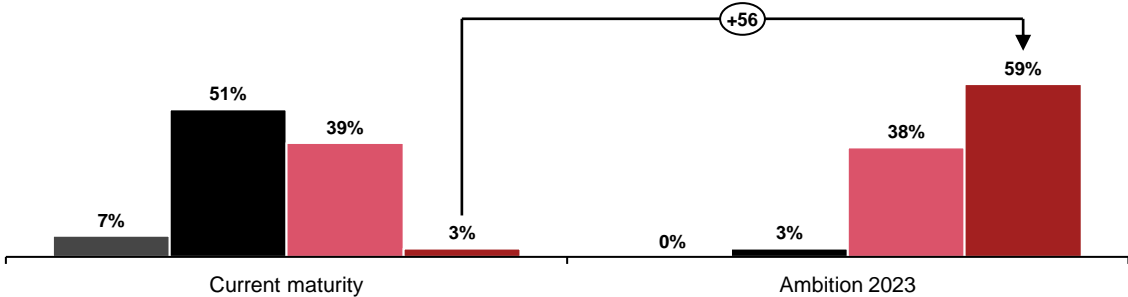
**Procurement lead:** “We are as organisation exposed to many supplier related risks, supplier risk management is therefore not an extra but a ‘must have’.

Our main challenge is not the 1st tier suppliers, but the other tiers as well (chain/network of suppliers), from the start of the relationship until the end of the relationship.”



Procurement and finance leaders believe in the potential of the procurement function driving value and competitiveness while navigating organizational changes and increasing complexity

Overall representation of current maturity versus maturity ambition of the procurement department



Finance leaders evaluate the current maturity of procurement lower than Procurement leaders (1.8 versus 2.5)

Finance leaders would like to see an ambitious development towards 2023. Maturity development from 1.8 to 3.7 (finance) versus from 2.5 to 3.6 (procurement).

- Basic: transactional with focus on availability
- Functional: focus on price reduction/ negotiation
- Advanced: strategic business partner, technology enabled
- Value driver: driving value and innovation

How to improve? Some reflections shared by procurement and finance leaders

Agility

“Procurement processes are long and complex. Can we simplify with a customer perspective in mind?”

Commercial / sales skills

“Add value and competitiveness by developing commercial skills. Align goals and work closely with sales and commerce to add more client value”

Talent

“Invest in young talent, enhance quality of staff. We develop different skills and competencies within the workforce to develop towards a strategic business partner”

Innovate

“Surprise...act as innovation broker by bringing in new ideas and innovations from suppliers to the business”



## Digital transformation is accelerated by disruptions, CPOs must join in and not miss this opportunity

### Technology roadmap

40% of the procurement leaders do not have a comprehensive digital roadmap for the coming 2 years. This is a great concern as the maturity gap between business and procurement is getting bigger.

### Decision making

Procurement leaders know that technology and data driven decision making are essential to stay relevant, but are struggling with their (future) needs to deliver the right value to their companies.

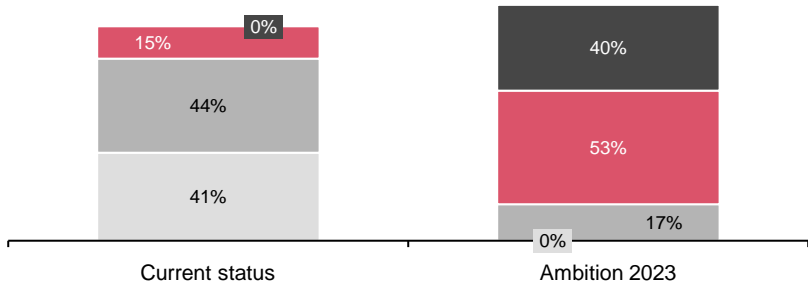
### Partnership

Finance and procurement acknowledge that for P2P excellence and financial agility a partnership between finance and procurement is a must, which needs attention and formalization.

**40%** of procurement leaders and 75% of finance leaders assess the procurement department as a technical novice (level 1)

**93%** of the procurement and finance leaders set a clear ambition for the coming 2 years to further develop towards a high level of automation with data driven procurement (level 3 & 4)

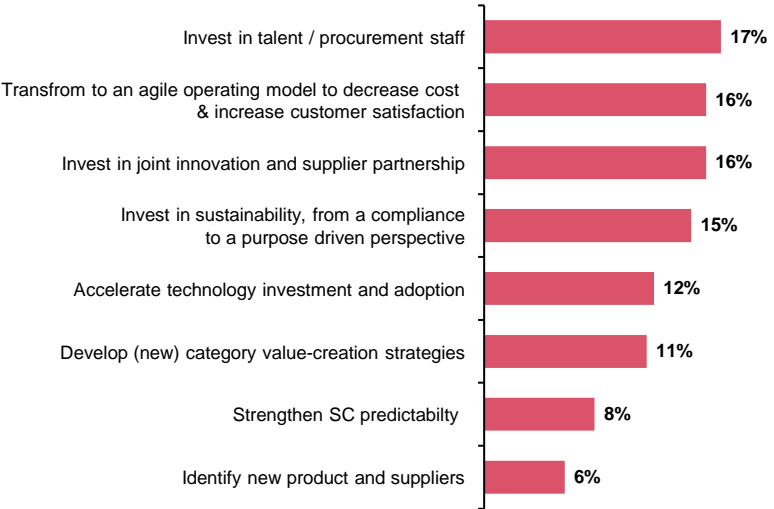
Technology enablement of the procurement department



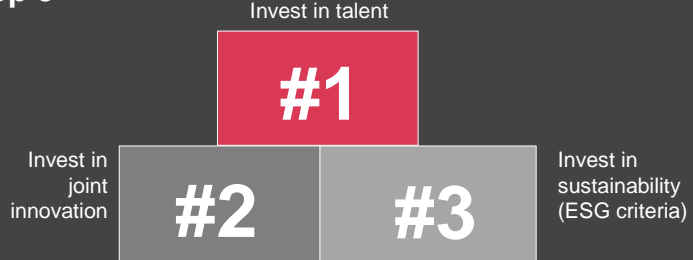
- Level 4. Technical champion: data driven procurement, state-of-art technologies deployed (e.g. AI, predictive analytics)
- Level 3. Horizontal integrator: integration with internal & external systems (e.g. supplier platform), high level of process automation
- Level 2. Vertical Integrator: uniformly used technology mainly for source to pay, one data model, spend analytics in place
- Level 1. Technical Novice: fragmented IT landscape, semi-maual data exacts

To enhance value delivery, procurement leaders see the investment in talent and upskilling as key while finance leaders focus on technology and agility

Procurement initiatives seen as the most important to enhance value delivery in the long run



Procurement top 3



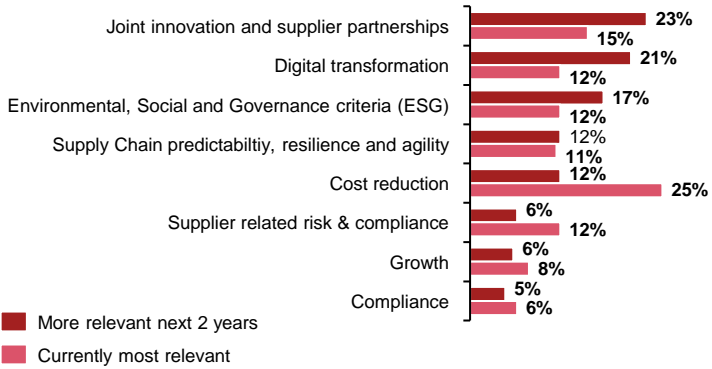
Finance top 3



Investment priorities to enhance value delivery of the procurement department

# Procurement must become part of driving joint innovation, digital transformation and ESG but need to develop their strategic involvement

Most relevant elements currently versus next 2 years for procurement



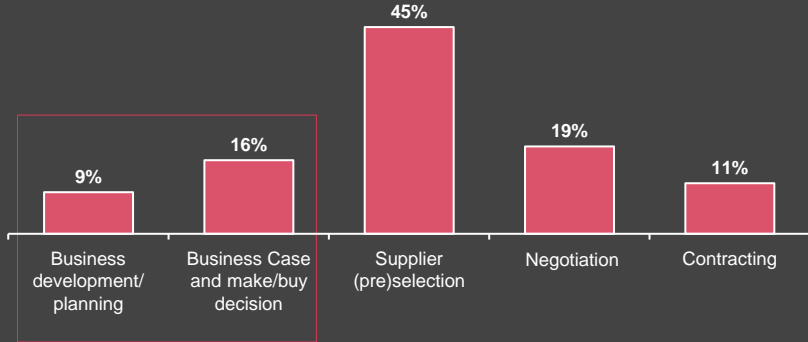
Procurement focuses on the activities that are in their direct circle of influence. This brings efficiency and effectiveness with the risk of not innovating or surprising the business.

Procurement sees cost reduction, joint innovation and ESG criteria as “currently most influenced and most relevant”. Finance leaders would like to see more future focus on joint innovation and digital transformation to realise growth as this is currently most important for finance leaders



of the procurement and finance leaders see procurement as a driver of innovation, but only 25% of procurement departments are fully involved on a strategic level

In what stage of the process is procurement involved?



## Finance and procurement leaders see climate change as key topic and huge opportunity

### ESG Investment

*Finance lead: "procurement leaders that invest in (social) reputation leadership, have a big head start on their competitors"*

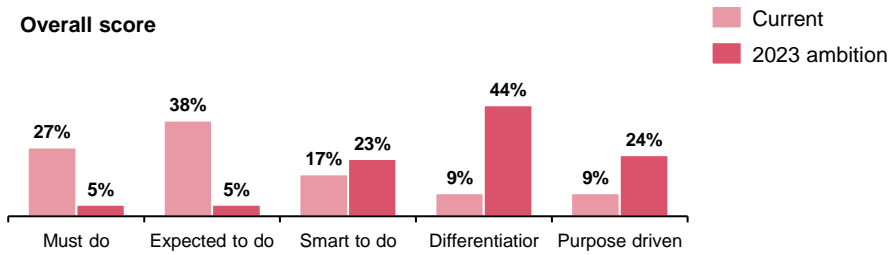
### Procurement strategy

*Procurement lead: "we re-evaluated our purpose and the areas of impact and we see sustainability / ESG as a really important part of the strategic procurement strategy to become successful"*

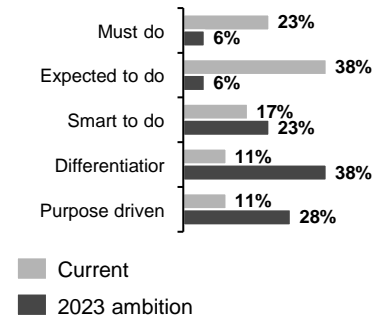
### Making the difference

*Finance lead: "procurement could make the difference within our company's strategy by really understanding customer needs".*

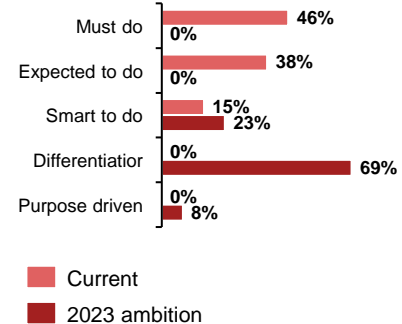
### Perceived added value by procurement contributions to ESG aspects



#### as perceived by Procurement Leaders



#### Finance Leaders



**Must do:** Reduce operational and compliance risk

**Expected to do:** Reduce reputational risk

**Smart to do:** Operational and value chain cost savings

**Differentiator:** Innovation and growth, new opportunities and brand enhancements

**Purpose:** Increasing value to society and the environment beyond business economics

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