December 2014 – Article - Procurement Predictions for 2015

2014 was an exciting year for the procurement profession: sourcing and contract management practices pushed their way to the top of the executive agenda on repeated occasions. We witnessed the on-going struggles of Public Sector to hold their contractors accountable to their contractual promises and deliver effective value for money. And we also saw shocking evidence of procurement fraud among several headline corporate and public bodies.

So what will be the big ticket items for procurement in 2015…? Here’s 10 headlines we think will be trending throughout the next year:

1. Procurement fraud will rise even more. It’s an easy operation for fraudsters to infiltrate and until the profession is allowed to bring in appropriate governance and controls on all areas of spend, then the disgusting headlines we’ve seen in previous years will prevail. In fact my prediction is that things will get worse before we get the full opportunity to address fraudulent practices and safeguard organisational spend.

2. Only the legal profession will gain from the new public contract regulations. Let’s not kid ourselves about the Emperor’s new clothes, the new EU legislation will do very little to address the underlying culture of litigation and greed. The ‘ambulance chasers’ may need a few months to reconsider the new legislation, but the existing level of claims and disputes will return within 12-18 months of the release of these new regulations.

3. Supply chain resilience will become increasingly significant. It’s not sexy and it certainly doesn’t help deliver immediate tangible business benefits, however mapping supply chain risk and dependency is going to become one of the key value-retention skills of the global organisation. The challenge will be investing adequate resource to this activity, despite the plethora of headline disasters that have befallen some well-known corporates.

4. Cost savings will continue to over-dominate procurement’s agenda. It’s unfortunate, but true: the majority of the procurement profession will remain obsessed with cost savings, often at the expense of all other deliverables. While this continues to be the case, the rest of the organisation may consider the procurement profession to be relatively narrow-minded and limited on its ability to deliver real bottom-line value.

5. Skills shortages will continue to grow. The skills gap in procurement will continue to grow, especially as organisations continue to look for more rounded commercial capabilities from their supply-facing staff. As it is, top quality procurement professionals will continue to be highly sought after. Key areas of skills focus for 2015 will include: strategic sourcing, contract management, supplier innovation, negotiation/influencing, and internal/external engagement. The titles may already be familiar, but the depth and expectation of value-driven capability will certainly increase as the year progresses.

6. Agility will replace the ‘shoring’ debate. The whole ‘where shall we locate?’ outsourcing debate will continue to drone on and grow weary. The new debate is now about how we create agile production and adaptable supply chains. Here, the key differentiator is responsiveness to external environmental influences, such as rising labour costs, political unrest or scarcity of resources (amongst others). The supply chain that can demonstrate adaptability and an ability to relocate key capabilities by itself, becomes the resilient outsourced supply of the future.

7. Stakeholders will begin to recognise the value of contract management. It’s obvious, isn’t it? Suppliers do not freely self-regulate, and so dedicated and competent resource is required to manage-in the promises of business benefits that were made on paper during the bidding phase. As procurement starts to articulate this business need to the rest of the organisation then its credibility will grow, and less scepticism will remain around paper-based procurement savings.

8. TCO will start to refocus on TVO. The future of procurement, and its success in 2015 and beyond, is wholly caught up with our ability to evolve beyond cost savings. Hence the need to focus on the total value offering made by the supply chain. The leading organisations of 2015 and beyond will think of value in terms so much more than just cost; and procurement too can deliver on this strategic agenda.

9. Sustainable procurement will continue to under-deliver. Let’s face it: we all know it’s needed and yet many just pay lip service. Sustainable procurement (or responsible procurement) has only delivered superficial benefits to date, compared to the real value of what it is capable of delivering if taken seriously. Its unlikely procurement will lead this debate in 2015, but we should develop a ‘readiness’ to respond to the demands that our leaders will eventually place on the supply chain to deliver sustainable social and environmental benefits alongside the financial.

10. Consultants will continue to push unworkable SRM and Category Management solutions. Yes it’s true, sadly we will continue to see consulting companies push processes, methodologies and toolkits that are simply unfit-for-purpose throughout the coming year. As trainers, we regularly have to ‘pick up the pieces’ and un-do the unnecessarily complicated and over-engineered solutions that get delivered in. I suspect 2015 will be no exception. We have to recognise that the key to step-changing performance is the development of internal capabilities, not reliance on external consultants.

All in all 2015 will bring many considerable challenges for the procurement profession as we continue to compete for scarce resources. The headline opportunities regarding procurement’s role in delivering organisational success will increase throughout next year and beyond. So let’s ensure we are on the right side of those headlines, promoting the value-added benefits that our profession so regularly delivers for our organisations!

Happy New Year to you all!