

# 2021 PRIORITIES IN SOURCING AND PROCUREMENT

To thrive in 2021 and beyond, organizations must develop employees' softer skills

After a year of upheaval and uncertainty, supply chain professionals are beginning to regain their footing and plan for what comes next. In early 2021, APQC conducted its seventh annual Supply Chain Management Priorities and Challenges research to learn about organizations' priorities and trends. As part of this research, APQC looked at the areas of focus for sourcing and procurement.

Nearly all of 2020 was rough for supply chains, and the effects of the COVID-19 pandemic have extended far into 2021. As part of its survey, APQC asked how well supply chains have responded to the pandemic. Based on the survey results, it appears that 1 in 5 supply chains barely survived.

Against the backdrop of the COVID-19 crisis, there are ongoing changes to the supply chain that began prior to 2020. Sourcing and procurement will remain a priority, with organizations focusing on improving several areas within procurement. To ensure they can remain relevant past the pandemic and keep up with the changing supply chain landscape, organizations should consider how better relationships with their suppliers and enhanced talent development for procurement staff can help them move forward.

## Current Trends

Many of the trends in supply chain directly affect sourcing and procurement. As shown in Figure 1, technology developments make up the majority of the top trends expected to impact supply chains by 2023.

### Top Trends Anticipated to Impact Supply Chains by 2023

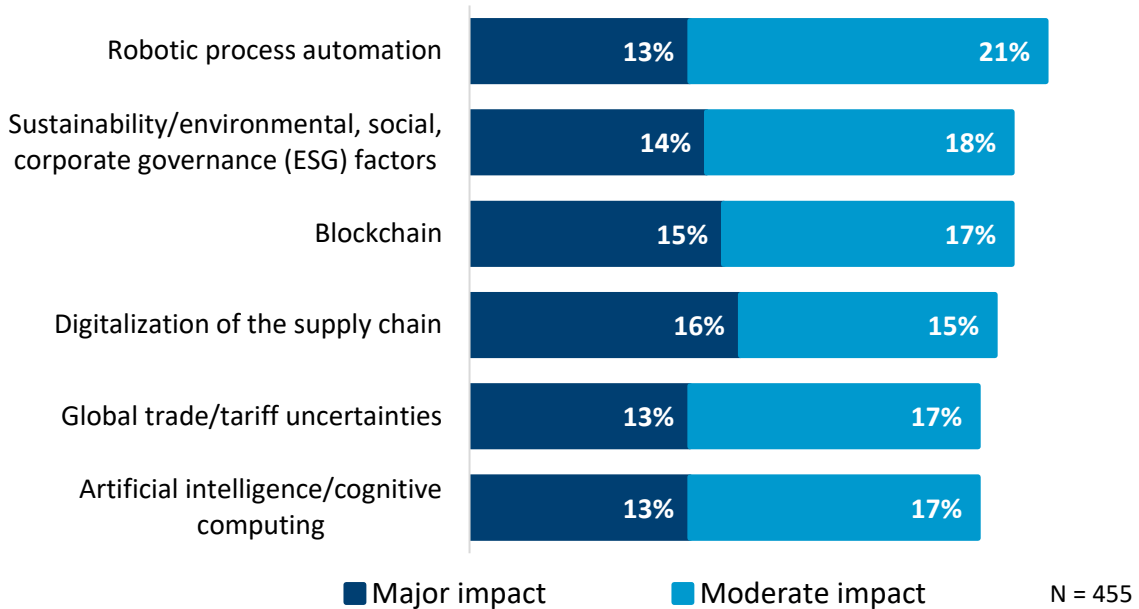


Figure 1

The top trend is robotic process automation (or RPA). Organizations stand to benefit from RPA because it enables them to automate repetitive tasks that do not require human oversight. In fact, removing human involvement in transactional work reduces the potential for errors. This technology creates opportunities for procurement staff to take on more valuable work.

Having more time for strategic tasks will enable organizations to increase focus on environmental, social, and corporate governance (ESG) factors, which make up the second trend anticipated to impact supply chains. ESG factors will prompt organizations to more closely evaluate how they perform as stewards of the environment, how they manage relationships with employees and their community, and how their suppliers perform in these areas. Sourcing staff will also be able to more carefully consider these factors as they identify and evaluate potential new suppliers and monitor existing suppliers.

The growth of blockchain also looks to make a significant impact on the supply chain in the near future. It can enable traceability and visibility within the supply chain, which can support an organization’s sustainability efforts. This further emphasizes the need for staff to create strategic, close relationships with strategic suppliers, as it can affect supplier contracts and how they are constructed.

At this time of great change, many supply chain professionals find it challenging to improve their processes. In fact, 42 percent of those surveyed by APQC consider too much change to be an obstacle for their organizations. Close behind is a lack of support for collaboration, which is considered an obstacle by 40 percent of those surveyed.

The good news is that 68 percent of respondents indicate they have modified their supply chain strategy to address current challenges. These organizations know that remaining flexible during times of uncertainty is essential to both their survival and success. Even when performance is

poor, organizations should still track performance data. This enables them to evaluate practices and their associated results over the longer term to spur reflection and ultimately improvement.

## Areas of Focus

As shown in Figure 2, sourcing and procurement is one of the top areas of focus in 2021 for supply chain organizations. Across all industries, supply chain planning is the only area rated higher. For some industries, such as aerospace, automotive, consumer products/packaged goods, financial services/banking, and petroleum/chemical, procurement is the top supply chain area of focus for the year.

**Supply Chain Areas of Focus for 2021 (Cross-Industry)**

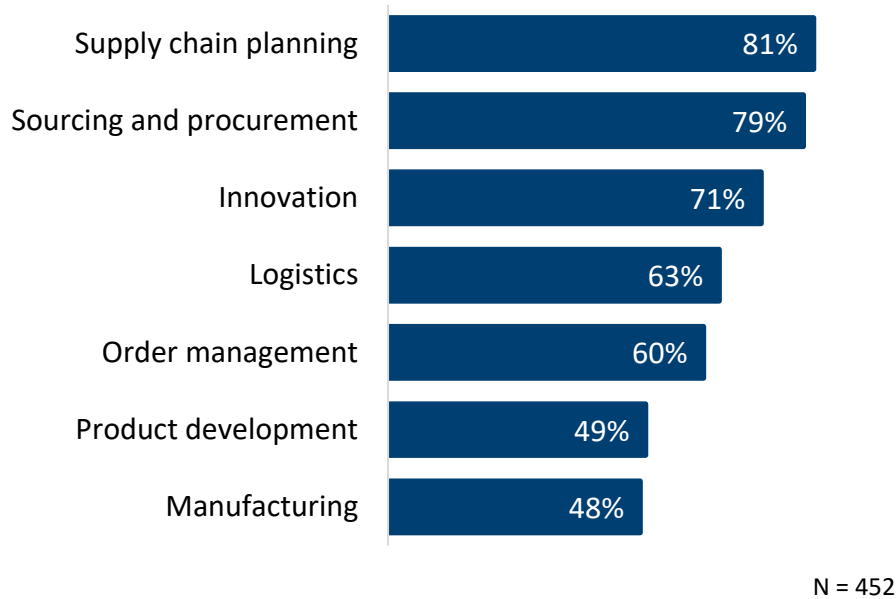


Figure 2

These results indicate that finding the right suppliers is of strategic importance to organizations in 2021. The immediate effects of the pandemic on the supply chain and events such as the disruption in the Suez Canal serve as stark reminders that organizations should be mindful of the geographic locations and companies from which they source.

Within sourcing and procurement, organizations are focusing this year on core responsibilities. As shown in Figure 3, supplier relationship management, purchasing, and procure-to-pay are the top three areas of focus.

### Sourcing/Procurement Areas of Focus for 2021

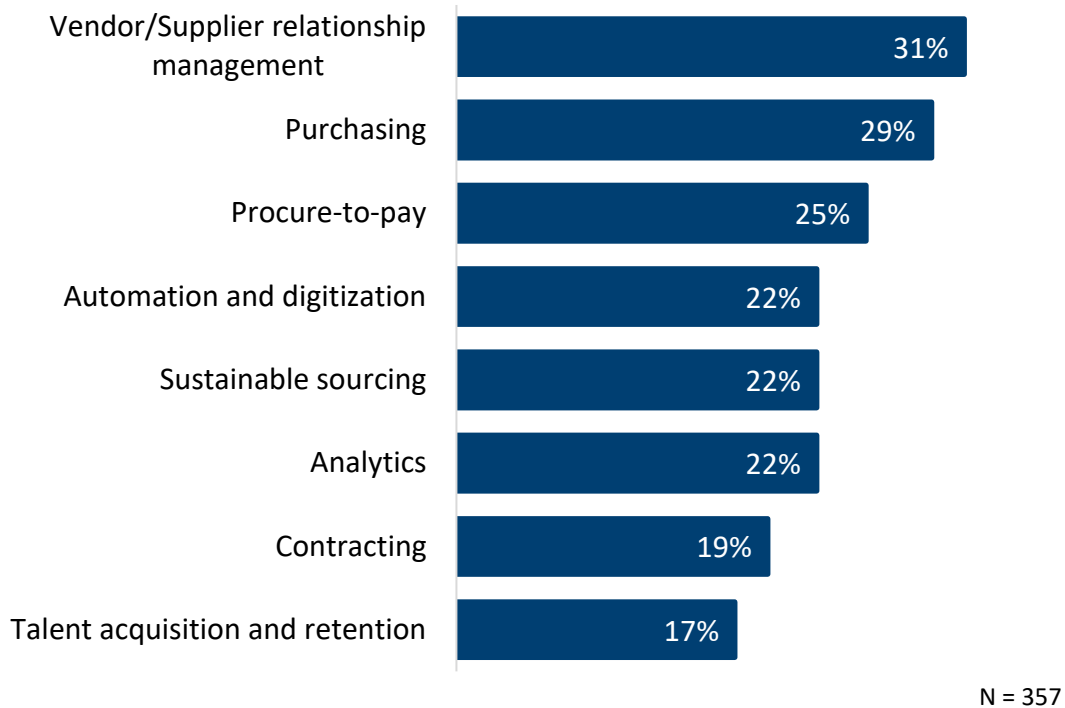


Figure 3

These results are a shift from the previous year. Going into 2020, the top procurement area of focus was automation and digitization. This year, it has fallen to fourth on the list. The pandemic has reinforced the importance of suppliers to organizations' success, and realigned focus areas in the process.

The re-emergence of supplier relationship management and procure-to-pay as top areas of focus indicates that organizations are looking at collaboration opportunities to improve their positions. New approaches to supplier relationship management affect the entire procurement process by creating long-term, mutually beneficial partnerships. Streamlining the end-to-end procure-to-pay process helps overcome internal resistance to collaboration by showing the benefits of cross-functional alignment.

### 2021 PRIORITIES

As with their areas of focus, organizations' 2021 priorities for sourcing and procurement have shifted since last year. Supply chain professionals indicate in APQC's research that their top five sourcing and procurement priorities for 2021 are as follows:

1. Implement methods to reduce supplier costs
2. Standardize processes
3. Focus on sustainable sourcing
4. Identify and implement best practices
5. Improve collaboration and communication

In 2020, the top priority for sourcing and procurement was to standardize processes. The greater emphasis on reducing supplier costs again reflects the impact of the pandemic on supply chains. Organizations are looking at new approaches to sourcing that can be cost efficient and prevent disruptions that impact the business. They also are prioritizing sustainability more than in the past. In 2020, sustainable sourcing was not named as a priority, and now it is among the top three.

Collaboration continues to be a theme for procurement in 2021, with it being in the top five priorities. It is key to implementing effective supplier relationship management. The crises of the last year have shown that organizations must work closely with their key suppliers to mitigate risk and quickly address unexpected situations that arise. Through collaboration and stronger relationships, they can identify weaknesses and create solutions that are mutually beneficial. Encouraging collaboration within the organization can also help make the business more resilient.

Although the reduction of supplier costs is a top priority for organizations, they should take care in their approach. The constraints of the current business environment make it tempting for organizations to take drastic steps to reduce costs, but they should not sacrifice relationships and collaboration with key suppliers. Strategic relationships can provide valuable support during periods of uncertainty.

## Use Talent Development to Achieve Goals

Sourcing and procurement make up a key supply chain area of focus and a top priority for organizations. The impact suppliers can have on the business plays an important role in how organizations are approaching this year. They understand that strategic collaboration with key suppliers can position them for success.

This focus indicates a needed shift in strategic supplier relationship management for many organizations. Rather than using their position to push for the lowest cost, organizations must focus on mutually beneficial objectives. This enables both the organization and its strategic suppliers to develop pricing models that benefit the relationship. Creating and maintaining these kinds of relationships requires that procurement staff no longer view suppliers as a risk to mitigate or as the source of a purely transactional relationship.

As the needs of organizations shift, the skills required of procurement staff are also shifting. It is not common for employees to already have all the softer skills needed for the development and maintenance of strategic supplier relationships. Procurement and sourcing not only need strong communication skills, but also business ethics, stakeholder management, relationship building, and leadership skills. In the absence of a steady source of professionals with these skills, organizations must provide development opportunities to their talent. APQC's research on talent development in sourcing and procurement shows that there are still large gaps when it comes to these opportunities.

Procurement professionals have access to certifications, university programs, and online development courses, and although these are helpful, they do not provide valuable on-the-job experience. The solution is that organizations should not rely on one method for developing the skills in their employees. They should look to employ a combination of traditional training programs, mentoring with more experienced staff, and on-the-job experiences to develop the skills needed for procurement's more strategic tasks. It is by developing the softer social and

business skills that support collaboration that organizations can improve their relationships with strategic suppliers and support their objectives for the current year.

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