



# Extend procurement's business influence

Transform procurement into an agile function to help its business influence.

KPMG Powered Enterprise | Procurement

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# Stepping out of the comfort zone

Organisations are facing change and disruptions that threaten their future viability. Consumerisation, expanding regulatory requirements, pricing pressures, an ever-evolving industry landscape due to M&A activity and shifts to outcome-based pricing are key forces compelling procurement leaders to reevaluate their role and their strategies.

In many organisations, procurement is commonly shrouded in an element of mystery. From a procurement leader's perspective, business context, visibility and full transparency across the company are often missing.

CEOs need full visibility to understand procurement's true value to the business, while CPOs need the right systems and processes in place to set them up for value-added success. They should be able to scale operations at speed and respond to today's rapidly changing business environment with agility.

Getting this clarity is in everyone's interests.

"Organisations need full visibility over their spend and buying behaviours if they are to drive a material and sustainable improvement in business outcomes. With a clearer view into spend information, leadership can take a more strategic approach to managing outflows and identify saving opportunities," says Eniko Fulop, Partner, Head of Powered Procurement at KPMG UK.

High-performing procurement professionals want to take on a broader and deeper set of strategic responsibilities. By undergoing a functional transformation process – which can facilitate the creation of a hyper-effective, transparent business unit – they can quickly begin to do so.



# The challenge facing procurement

Over the years, organisations have tended to view procurement as an administrative function, a service provider.





Needs have been identified by other departments and procurement has fulfilled.

The fact that procurement has been meeting the 'needs' of other departments is part of what has been preventing procurement from reaching its potential. Procurement requests have been reactive, and variable purchase history has been available.

Unfortunately, businesses are frequently spending money with their suppliers in an adhoc and unplanned fashion," says Cris Green, Coupa Practice Lead at KPMG UK. "In many cases, these outlays aren't on fringe products or services – they are often strategic in nature and therefore represent material risk. When Procurement is engaged (which typically isn't nearly early enough), they aren't given the background or the context, and don't have an opportunity to add significant value. They're not given the time to seek the best outcome for the business. They're told what's needed, and often it was needed yesterday."

This inadequate forward planning rigour across the business has prevented many procurement professionals from operating in a manner that is advised as industry best practice.

Once the procurement process gets underway, there's typically a lack of consistency in terms of how suppliers are sought and evaluated. Inconsistent replies to RFPs can result in an inequitable platform for evaluation and may add significant time to an already time-challenged process.

Underused data, legacy systems that fail to drive efficiencies and a reliance on manual processes are also commonplace. They can expose organisations to potential leakages, increasing risk and delivering a poor experience.

Despite these challenges, there's resistance to change the procurement function in many organisations.

**Procurement has been risk-averse** in an increasingly complex world that is characterised by empowered customers, emerging technologies, cyber threats, disruption and a battle for skills.

Procurement can be an agile function that monitors and proactively eliminates obstacles to efficiencies. It can help reduce wider business risks (such as those faced by supply volatility) and prove to be invaluable. However, to do this, procurement needs the structure and processes to make smooth, fast and reliable decisions while having transparency collaborating with internal teams and external suppliers.

# Transforming procurement: Understanding the possibilities

Procurement can offer maximum value to a business by taking on a strategic role – helping to proactively identify needs, deliver cost savings, de-risk the process, and secure supply.



Agility is at the heart of many business functions today, and procurement is no different. That agility, however, can only be possible when it is underpinned by proven processes, governance structure, access to the right data, and enabled by leading technology.

Only when purchasing and supply managers have access to the information and insights around the performance of the procurement function can the value of procurement to the business be truly understood.

This is of critical importance.

It enables procurement to demonstrate success categorically. It creates the opportunity to build trust and respect across the business, helping to cement its place as a trusted internal partner rather than a reliable order-taker.

By having leading processes and systems that are designed to address risk and enable businesses to be more resistant to external stressors, procurement can make quick, accurate and reliable decisions.

For example, by using technology to standardise and manage RFP responses, procurement teams can save significant time. No longer do they have to navigate through a variety of responses, differing greatly in length and content. By standardising the process, not only is time saved but more informed decisions can be made.

“Good quality data is at the heart of decision making, especially in complex federated organisations,” says Fulop. “For example, having access to best of breed

technology enables the extraction of supplier data from scattered repositories like ERP platforms, document management systems, spreadsheets and emails. Consolidating all that data into automated dashboards, scorecards and analytics creates a 360° view of critical supplier performance areas such as Risk, Quality, ESG, Financials and much more. It can be a game-changer.”

By automating a number of tasks – including self-service portals for both suppliers and internal customers – time can be saved and used proactively. This time can be invested in strategic internal projects and **working collaboratively with peers and suppliers** to do things differently, to help capture innovation.

A transformed procurement function that’s working more closely with other departments – including supply chain and finance – can enhance performance and optimise cost and risk by providing a seamless customer-centric buying experience, driving category innovation, and increasing adoption.

By being able to embrace data, procurement can provide AI-driven insights and analytics to support business decisions, continue to evolve and help redefine what’s possible.

Having people with the right skills to lead procurement is critically important in this transformation. CPOs who embrace the opportunity for this new way of operating can deliver significant value for the organisation. And, possibly for the first time, they’ll be able to demonstrate it.



**Good quality data is at the heart of decision making, especially in complex federated organisations.**

**Eniko Fulop**

UK Head of Powered Procurement



# Redefining procurement with a target operating model

For the procurement function to transform into this forward-thinking department, closely integrated with the finance, supply chain and other key operating areas of the business, a leading-practice target operating model (TOM) is needed.



The KPMG Powered Enterprise processes are based on years of leading practice, enhanced with automation, and enabling businesses to transform their source-to-pay process, accelerating delivery and helping to maximise the value of their tech investment.

“The success of the KPMG Powered approach lies in focusing on functional transformation enabled by technology and embedded through change management,” says Fulop..

Based on a deep understanding of how transformation works, backed by KPMG firms’ extensive functional expertise and practical know-how, we have defined the **KPMG Target Operating Model** to describe the ‘model answer’ for how a leading procurement function should be. Described in the following six interlinked layers, the TOM helps to deliver benefits across the procurement function and the entire organisation:

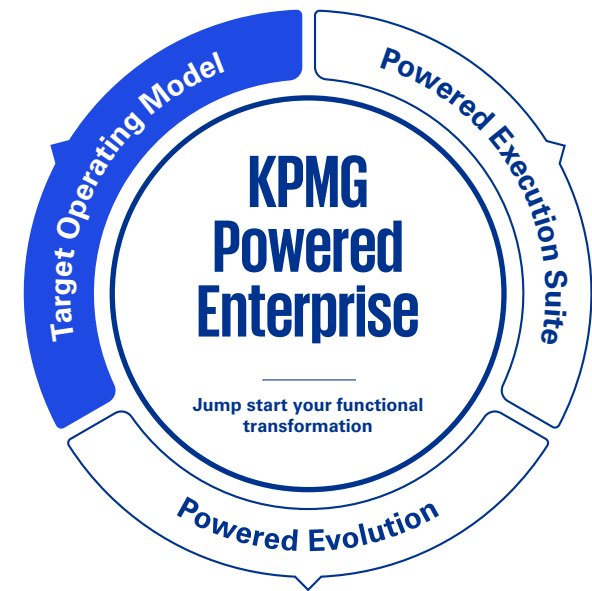
1. **Functional process:** Hundreds of predefined leading-practice processes sit within this layer.
2. **People:** Assisting the procurement workforce, including upskilling for the digital age.
3. **Technology:** From advanced analytics and tracing predictive analytics to cognitive decision centres and intelligent automation, technology can streamline processes and change how procurement operates.

4. **Performance insights and data:** KPIs, process performance indicators and enhanced reporting are all critical components of this layer.
5. **Governance:** Focuses on the risks in the procurement process, as well as duties and policies.
6. **Service delivery model:** The overall architecture of the delivery model.

Of course, transforming any business function can be daunting, but by **knowing what success looks like** and mobilising other areas of the business, that process becomes significantly easier – helped, of course, by the experienced Powered Procurement team, which can help inspire and empower your people to embrace change.

KPMG professionals can deliver technical expertise across all aspects of procurement, including procure-to-pay, source-to-pay, general ledger, accounts payable and general ledger. By creating a procurement function that is freed from the shackles of years gone by and has the permission, processes, and technology to do things differently, businesses can begin to see the world differently.

CPOs and their teams can work in tandem with other departments to be reliable, trusted, and effective business collaborators by taking a strategic, data-driven and supplier-centric approach to procurement.





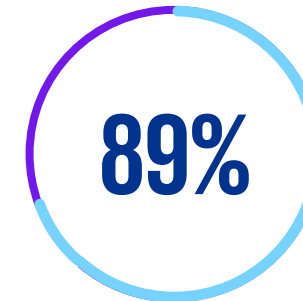
# Thinking five moves ahead

KPMG in the US worked with a global bank holding company to refine its e-procurement function, with the remit of putting a strategic solution in place for its procurement team.

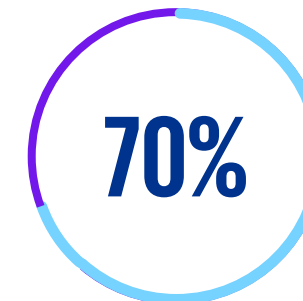
By combining the KPMG Powered Enterprise framework with a Coupa e-procurement cloud platform, the company was able to benefit from immediate procurement enhancements.

These included:

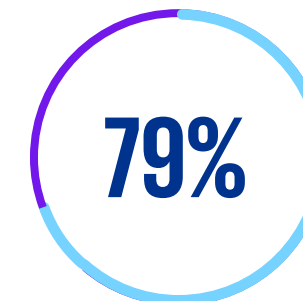
- Improved user experience for 45,000 internal users and 9,500 suppliers, focused on simplicity, transparency, and intuitive functionality that encourages self-service and new behaviour
- Accounts payable, procurement, and sourcing operations consolidated in a single enterprise spend management organisation
- Supplier information management functionality established, with real-time information accessible to customers via Coupa dashboard reporting
- Very strong Week One performance metrics: System accessed by 4,000 individual users; 2,900 purchase orders generated; 2,800 invoices approved; and 874 suppliers linked in to new system.



of CEOs believe the **digitisation of operations and the creation of next-generation operating models** has accelerated by months or years.\*



of CEOs recognise the importance of collaboration and a fluid approach, with 70 percent saying **“new partnerships will be critical to continuing our pace of digital transformation”**.\*\*



of CEOs say **“protecting our partner ecosystem and supply chain is just as important as building our own organisation’s cyber defences”**.\*\*

\*KPMG 2020 CEO Outlook COVID-19 Special Edition

\*\*KPMG 2021 CEO Outlook COVID-19 Special Edition

# Key takeaways

- 1. Traditionally, procurement has been more of an administrative function than service provider**, meeting the needs of other departments rather than taking a strategic role.
- 2. As a consequence, there has been a lack of consistency in terms of how suppliers are identified and evaluated.**
- 3. A transformed procurement function can manage risk, enable businesses to be more resistant to external stressors and make quick, reliable decisions** – shifting from reliable order-taker to trusted partner.
- 4. By having access to information and insights around the performance of procurement**, purchasing and supply managers can understand the true value of the function.
- 5. By working with other internal functions, procurement can enhance performance** and help optimise costs by providing a seamless customer-centric buying experience.
- 6. By using data effectively, procurement can provide AI-driven insights and analytics to inform and support business decisions.**

# Contact us



## Eniko Fulop

UK Head of Powered Procurement,  
KPMG in the UK

✉ [Eniko.Fulop@kpmg.co.uk](mailto:Eniko.Fulop@kpmg.co.uk)

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