

Revolutionizing finance & procurement: Strategies shaping the future in 2024

A playbook for S2P alignment & collaboration







- ◆ They work in partnership: setting KPIs together, sharing data and working on joint initiatives across the entire S2P journey.
- ◆ They leverage intelligent solutions like Artificial Intelligence (AI), Machine Learning (ML) and automation to streamline processes, improve transparency and eradicate silos.
- They have strong leadership and a culture that empowers professionals, giving them the tools, expertise and support needed to build healthy relationships across the S2P cycle.

But how far away are organizations from meeting this gold standard?

To answer this question, we conducted a study to explore the dynamics of S2P functions in today's landscape, interviewing and surveying over 60 S2P professionals across procurement, finance and senior business leader roles.

Our research revealed something striking: While finance and procurement teams are taking proactive steps to strengthen efficiencies and drive innovation, misalignment between teams and siloed S2P data is hindering growth.

In this guide, we'll explore how finance and procurement professionals can work in better alignment and more effectively leverage S2P data to create a healthy, agile business. We'll reveal:

- The joint initiatives finance and procurement professionals are (and should be) working on
- The top priorities of S2P leaders over the next 12 months
- ✓ How organizations are leveraging AI and automation to streamline S2P processes

### PROFILE OF SURVEY RESPONDENTS

The global respondents who took part in our survey and interviews can be categorized into three groups: finance professionals, procurement professionals and senior leaders (whose roles span across the C-Suite). Our respondents work in a wide range of organizations, across industries such as retail, financial services, pharmaceuticals and more.







## Key insights: 5 lessons for 2024



### Senior business leaders are most optimistic about S2P alignment

Senior business leaders are almost twice as optimistic about S2P alignment. When asked, 25% of senior business leaders said they're incredibly aligned compared to 13% of finance and procurement professionals.



### CFOs and CPOs must bring S2P professionals closer together

53% of finance and procurement professionals say that their CFOs and CPOs work together collaboratively, but their actions do not bring the procurement and finance teams together. This lack of collaboration can damage S2P processes by creating inefficiencies, lengthening lead times and heightening risks.



### S2P data is being underutilized

Only 7% of finance and procurement professionals say their ability to leverage S2P data is excellent. They also identified 'improving our ability to collect and use S2P data for intelligence' as another top priority, while senior business leaders did not.



### There's an opportunity to elevate procurement's strategic capabilities

100% of finance professionals believe their function is viewed as a trusted advisor compared to 66% of procurement professionals. Procurement also scored its ability to uncover the root cause of issues poorly.



### Adoption of AI must accelerate

Professionals across the board believe that solutions that give their organization full visibility of data would improve performance. Yet, only 10% of S2P professionals say their organization has already invested in AI or ML solutions. Leadership must invest more in advanced solutions like AI if they're to unlock the value of their S2P.

### SECTION 1

# The evolution of S2P - procurement and finance's expanding role



### 100% OF FINANCE PROFESSIONALS BELIEVE THEIR FUNCTION IS VIEWED AS A TRUSTED ADVISOR COMPARED TO 66% OF PROCUREMENT PROFESSIONALS

## The changing dynamics of S2P functions

There's no denying that the roles of procurement and finance professionals are evolving. Digitization, sustainability, strategic sourcing, and supplier relationship management are all influencing the need for S2P teams to upskill. Take the automation of S2P processes as an example. The adoption of solutions like AI and automation are driving the need for more technical skill sets in order for professionals to be able to collect, read and utilize S2P data effectively.

There is also an overarching pressure for professionals to create more value across their business and transform their role from transactional accounting to trusted advisors. We can see from our survey that finance professionals are more confident in this area than their counterparts: 100% of finance

professionals believe their function is already viewed as a trusted advisor within and across their business; however, only 66% of procurement professionals believe this.

"There's a battle for procurement to be viewed as an equal partner. In Covid - when there was a need to get materials to the right place, at any price - procurement was key. Now that cost is becoming more important again, things are shifting back."

- Strategic Procurement Advisor







### How are S2P teams driving stakeholder satisfaction in today's landscape?

Below are examples given to us by procurement and finance professionals in our study.



### **FINANCE**

- Delivering services on time and of a high quality
- Actively approaching clients, maintaining engagement
- Consistently investing in products and team members
- Taking time to understand the challenge/ problem thoroughly
- Data-driven spend analysis
- Collaboration with stakeholders in decision-making processes
- Seeking regular feedback to build entrenched, sustainable feedback loops that drive improvements



- Measurement of NPS, delivery of surveys, review panels' monitoring of KPIs
- Proactive, regular engagement and ongoing communications to keep everyone informed, updated and part of the process
- Tailoring services to specific needs. For example, to satisfy my CFO I need to find cost reductions
- However, to my end user, satisfaction is always having products available
- Delivery on time and on budget





### The source-to-pay end-to-end journey

In order to meet stakeholder expectations and operate with greater agility, leading organizations have taken proactive measures to strengthen the collaboration between their finance and procurement teams to create a healthier S2P function. You can see what this looks like in the the graphic to the right:

 Invoice receipt Invoice reconciliation Payment settlement Update account payable system

- PO creation
- Confirm good receipts
- Supplier performance management

 Derive taxonomy Spend visibility & spend reporting

Opportunity assessment

• Spend data consolidation

Data normalization & classification

Determine compliance

Spend Analysis

Category profiling

- Identify sourcing projects
- Supply market assessment
- Identify supplier
- Run sourcing events/RFX
- Select supplier
- Benefit tracking

SOURCE-TO-PAY JOURNEY

- Negotiate contracts
- Execute contracts
- Manage contract compliance
- Vendor management

Requisition

- Catalog creation & shopping cart
- Create requisition

Purchase planning

Requisition workflow and approvals



## What's on the horizon for S2P leaders?

UNLOCKING SAVINGS IS THE NUMBER ONE PRIORITY FOR FINANCE AND PROCUREMENT PROFESSIONALS OVER THE NEXT 12 MONTHS.

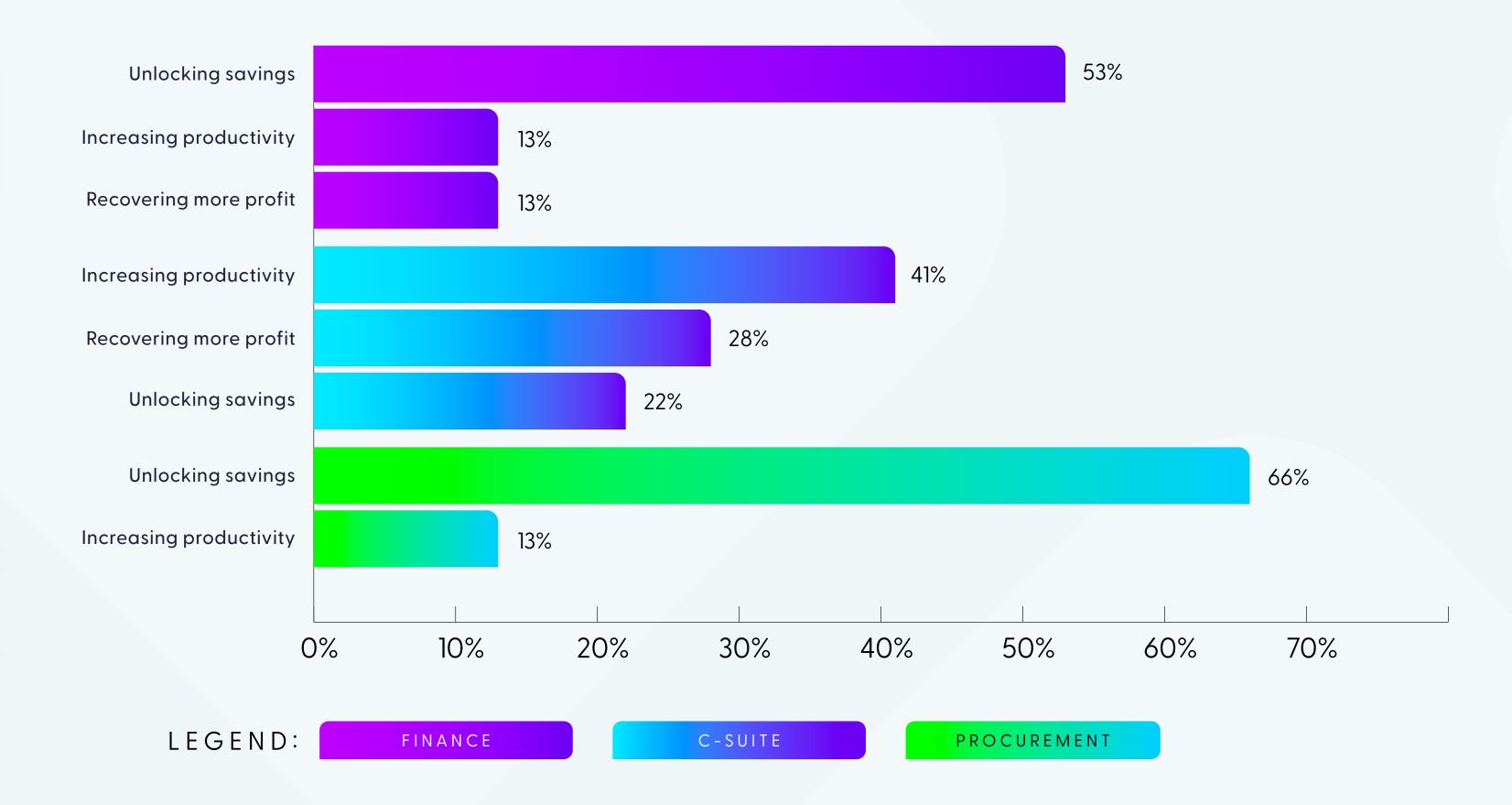
As expected, unlocking savings, recovering more profit and increasing productivity are top priorities for S2P professionals across the board. Many procurement professionals voiced concerns around supply chain stability, efficiency and safety over the next year, making sure they can source the best price and products without creating higher levels of risk.



"Being able to make the most out of analytics technology, especially in areas concerning spend analysis."

- Strategic Procurement Advisor

### WHAT ARE YOUR TOP PRIORITIES FOR THE NEXT 12 MONTHS?



### SECTION 2

# S2P's alignment: Working in parallel rather than partnership



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"In our organization, purchasing and finance are very siloed; we don't share common goals. One of the very few projects we've worked together on is around ESG and sustainability reporting requirements, which means we sometimes work together to collect data in those areas."

- Director of Corporate Accounting

Anyone working within the S2P process will know the importance of transparency, collaboration and efficiency.

Across the board, finance, procurement and leadership teams agree that greater alignment would result in more cost savings and greater efficiency and productivity.

Senior business leaders also pointed out in our study benefits including a reduction in surprise expenses, and greater opportunities for negotiation with vendors, as a result of greater S2P team collaboration.





## What long-term benefits would the alignment of your organization's finance and procurement team bring?

### Below are examples given to us by S2P professionals in our study.

- "The procurement team would be able to focus more on driving value and quality, and the financial team would be able to eliminate tedious tasks."
- "Strategic alignment would result in stronger competitive positioning and organizational success."
- "Better processes, accuracy, and timeliness would better the bottom line for the company, which means financial performance could be achieved."



#### SENIOR BUSINESS LEADERS

- Fewer surprise expenses and last-minute spends
- Faster decision-making and review of initiatives that aren't strategic or profitable
- ✓ Better processes, accuracy, and timeliness would improve the bottom line for the company which means financial performance could be achieved
- Reduced process friction and misaligned objectives
- Enhanced cash flow management, accurate budgeting and cost savings
- Enhanced negotiations and improved transparency with suppliers



#### **FINANCE**

- Visibility of cash flows and driving cost savings
- Efficient workflows
- The ability to mitigate potential risks and identify opportunities
- Enhanced communications internally and with clients
- Smoother contract negotiations
- Strategic alignment, resulting in stronger competitive positioning and organizational success
- More flexibility able to adapt to the market dynamically



#### **PROCUREMENT**

- Ability to identify cost savings
- We would realize increased working capital along with an increased AP balance and more consistent pricing with our core vendors
- More proactive evaluation of spend under management
- The procurement team would be able to focus more on driving value and quality, and the financial team would be able to eliminate tedious tasks
- Improved compliance
- Faster approvals of budgets
  Singular reporting and single
  source of truth



Despite this awareness, our research shows that the majority of professionals aren't confident their S2P function (or leadership) is as closely aligned as it could be. Interviews with procurement and finance professionals revealed that the silos that currently exist between S2P departments are commonplace — if not culturally accepted by organizations.



"Throughout my career, it's always seemed strange to me that the finance and procurement teams don't work closely enough. We're not working off of the same radar. We're not working off the same books. I have been more successful at building partnerships with our legal team."

- Procurement Leader for Fortune 1000 Company



# How aligned are finance and procurement functions?

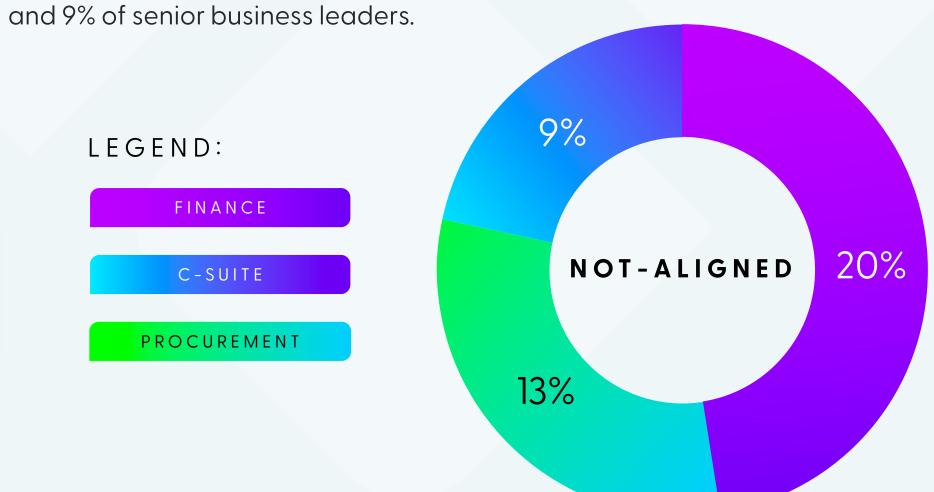
THE MAJORITY OF S2P PROFESSIONALS AGREE THAT THEIR CFO AND CPO WORK TOGETHER COLLABORATIVELY, BUT THEIR ACTIONS DO NOT BRING THE PROCUREMENT AND FINANCE TEAMS TOGETHER.

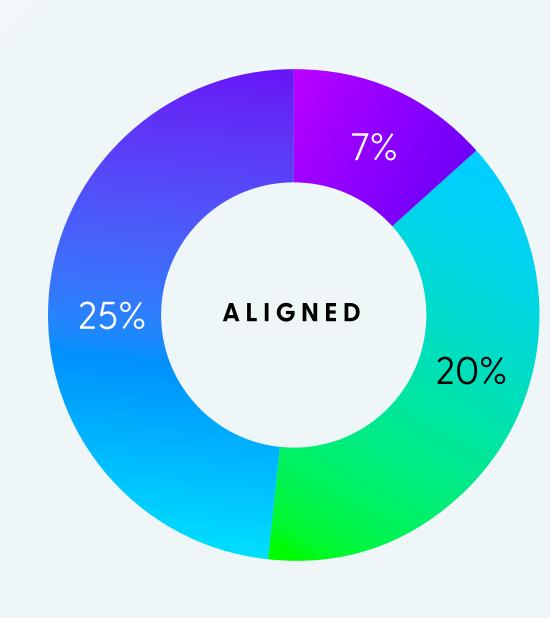
There are varying levels of confidence in the alignment of these two teams according to our research. Senior business leaders are most optimistic about how aligned procurement and finance teams are within the business (25% of senior business leaders said they are incredibly aligned compared to 7% of finance professionals and 20% of procurement professionals).

"Traditionally procurement and finance are not speaking the same language"

- Strategic Procurement Advisor

Finance professionals show the least amount of optimism about internal alignment. 20% say they are not aligned compared to 13% of procurement professionals







## Exploring the CFO and CPO relationship

The majority of S2P professionals agree that their CFO and CPO work together collaboratively, but their actions do not necessarily bring the procurement and finance teams together. 53% of finance and procurement professionals agreed with this compared to 47% of senior business leaders.

# What joint initiatives are finance and procurement teams working on?

There are many organizations who already have S2P functions working towards shared goals through joint initiatives, and many who have these initiatives in the pipeline. On the following pages, we share examples of these initiatives provided to us by finance and procurement professionals.



# The joint initiatives S2P leaders are working on

Below are examples given to us by S2P professionals in our study.

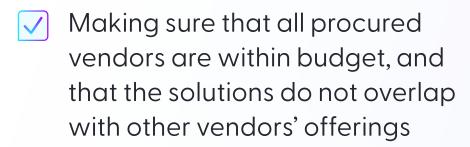


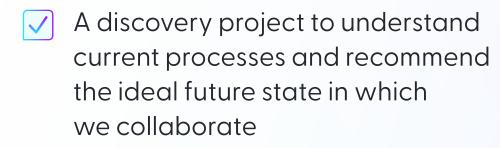
#### SENIOR BUSINESS LEADERS

- ✓ Identifying a business intelligence platform
- Targeted cost reductions for net solution savings
- Implementation of vendors that can help us negotiate contracts down
- Cash flow models for larger CapEx purchases to identify specific times of the year when we have higher cash flows and departments with capacity for servicing/replacing equipment
- Unifying the purchasing environment and bringing business services and finance teams closer together

- Working together to track and execute savings initiatives with various 3PL providers
- Reducing SaaS costs
- Bringing together referral management so that we can communicate better with the finance billing teams
- Streamlining vendor invoicing and payments

#### **FINANCE**





- Sourcing and shipping our raw materials in a cost-effective manner, while meeting certain production windows. This involves careful financial planning, as well as detailed timelines by our procurement team
- Working on ways to reduce cost, tightly manage supply to reduce overstock, and more timely documentation of inventory transactions









### PROCUREMENT

- Working jointly on all cost and cash savings initiatives, as well as tracking, validation, and fiscal planning
- ✓ Implementing a procure-to-pay solution
- Working together to combat inflation and improve payment terms
- Working on license/cost allocation and rationalization
- ✓ Identifying alternative providers for commission processing software as well as data plugins for our ERP

- AP automation processes—reflecting on open orders to understand cash flow impacts
- Cost averages and cost projections, as well as inventory valuation
- Working to get all documents processed from within our ERP instead of sharing files via email or file management system

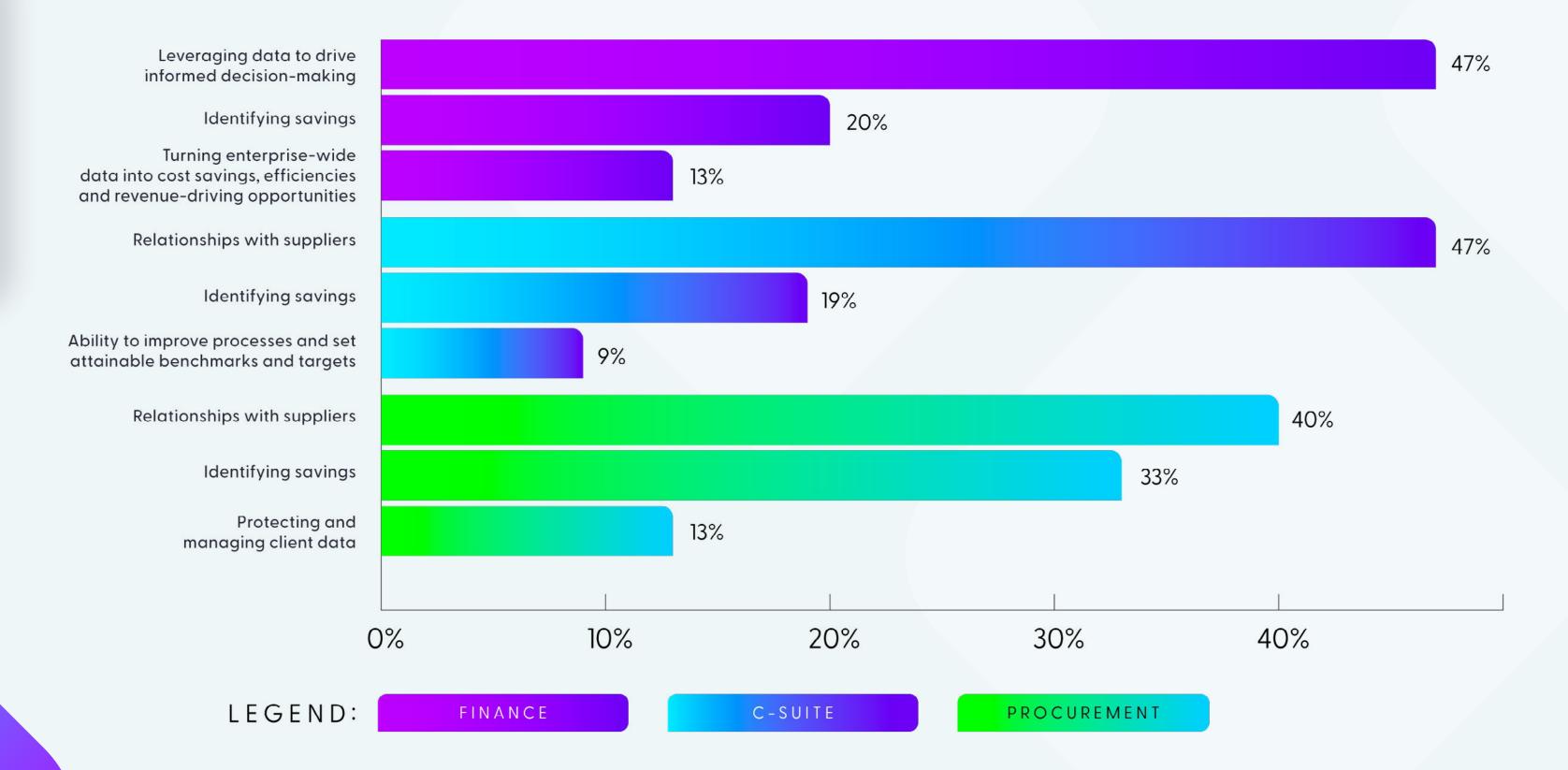
Despite many professionals identifying joint initiatives, there appears to be misalignment between how commonplace this is for finance, procurement and senior business professionals. For example, when asked if they are working on any joint initiatives, 93% of procurement professionals said they were, yet only 47% of finance professionals and 63% of senior business leaders agreed. 34% of senior business leaders and 47% of finance professionals said there are no current joint initiatives at all.



# Priority areas for 2024: Exploring the strengths and weaknesses of S2P functions

WHEN ASKED WHAT THEIR STRONGEST
ABILITY IS, 47% OF FINANCE PROFESSIONALS
SAID LEVERAGING DATA TO DRIVE
INFORMED DECISION-MAKING, WHEREAS
40% OF PROCUREMENT PROFESSIONALS
SAID RELATIONSHIPS WITH SUPPLIERS.

#### WHAT ARE THE STRONGEST ABILITIES OF YOUR TEAM?





Recovering lost profit and uncovering the root cause of issues were identified as two areas of improvement by professionals. These sit hand in hand, and are a critical area for organizations to prioritize over the year ahead, especially as we enter another period of turbulent economic conditions and supply chain complexity.



"You need to be able to trace information all the way back to its source and throughout every stage of the S2P journey. Without this, contracts can get stuck or lost in the process. It's like a farmer who doesn't have any idea why the water in the river stopped when someone dammed it up six farms up."

- Procurement Leader for Fortune 1000 Company

Many of the professionals within our study revealed that not being able to uncover the root cause of an issue was one of their top frustrations within their role as it can impact vendor relationships, cost savings, and operational efficiency. It can be a complex issue to resolve, especially for those with legacy systems and a culture which (albeit inadvertently) encourages finance and procurement teams to work independently of each other.

### SECTION 3

# How to harness the full potential of your S2P function



### What do high-performing S2P functions have in common?

First, **they break down silos** to ensure finance and procurement professionals are working together towards the same goals and using the same KPIs.

Second, they understand that S2P data is packed full of insights that can benefit the health of the whole business. From the big picture across departments to the critical details within the supply chain, this data is where finance and procurement professionals can find all the information they need to expand their impact across the business. S2P professionals have the power to not only identify savings and efficiency, but also to help create healthier processes, relationships, and margins.



#### **HEALTHIER MARGINS**

Dynamic businesses recognize the value that can be hidden in their data from across the ecosystem, for both immediate wins and long-term gains. It's critical for increasing cash flow, recovering more profit and achieving better margins, for both immediate wins and long-term gains.



### STRONGER RELATIONSHIPS

Healthy businesses appreciate the value of supplier relationships and work to actively maintain them. S2P data can help professionals balance nurturing these relationships while recovering profit by optimizing payment terms.



### **SMARTER PROCESSES**

High-performing businesses are proactive, taking preventive measures and looking for new opportunities. Accurate and real-time data can help you better identify the root cause of issues, and optimize S2P cycles from start to finish.



### INSIGHTFUL ANALYTICS

A robust data foundation means you can more effectively leverage advanced technology solutions like automation and AI, as well as bring speed, accuracy and resiliency to your S2P function.

So, how do S2P professionals make this happen?



### 4 ways to improve business health



Establishing and sustaining strong relationships across the S2P cycle is a critical component of business health. All respondents are aligned in their view that **better communications and alignment across S2P functions** would highly benefit the organization's performance.

It's not only internal relationships that contribute to the health of a business. Relationships that S2P professionals have with vendors and suppliers are also critical – something that has been magnified since the pandemic. Our research suggests that finance professionals are more confident in this area compared to procurement teams (60% of finance leaders and 40% of procurement leaders believe they have strong relationships with suppliers).

Interestingly, one of the most frequently mentioned joint initiatives of interest for procurement and finance

professionals included **enhancing supplier coordination and negotiations**. Many of the professionals we have spoken to reflect this sentiment, explaining how beneficial it would be for procurement and finance teams to work together earlier on in the 'process' to ensure they are working towards the same KPIs.

Cultivating these relationships starts with a concerted effort from senior business leaders to establish channels of communication between stakeholders and bringing together teams during key decision-making stages such as setting budgets and defining KPIs. This sentiment is felt across the board, as 50% of our respondents said culture and leadership are critical to a successful S2P function.



2

Acknowledge that S2P data is the beating heart of business health

ONLY 7% OF FINANCE AND PROCUREMENT LEADERS SAY THEIR ABILITY TO LEVERAGE S2P DATA IS EXCELLENT.

Data analytics (when used as a holistic solution across both finance and procurement) is the foundation of a healthy S2P function. It can empower individuals, nurture relationships, facilitate collaboration, grow margins and improve processes. However, there is a general consensus that much more can be done by organizations to leverage S2P data. Only 7% of finance and procurement leaders say their ability to leverage S2P data is excellent.

While the majority say that their abilities are adequate, all agreed that there's room for improvement when it comes to collecting insights from data to make efficiencies. 60% of S2P professionals and 56% of senior leaders agreed that their team can 'somewhat' collect actionable insight from their data to fix errors and make efficiencies across the businesses.







Leverage advanced technologies like Al



"Data visibility builds collaboration. Often, procurement and finance are fraught by the fact that they have different metrics, KPIs and sources of data. They don't have a common scoreboard to measure performance or encourage collaboration."

- Procurement Leader for Fortune 1000 Company

Among the most frequently mentioned joint initiatives of interest from this study are those relating to automating and streamlining processes. Professionals across the board believe that solutions that give their organization full visibility of data would improve performance. 27% of finance professionals, 33% of procurement professionals, and 22% of senior business leaders agree with this statement.

Our data optimistically shows that investing in and using automation has already become a priority across S2P functions (with 40% of finance and 37% of procurement saying it is already a priority). Strikingly, only 10% of respondents have already invested in AI or ML solutions.

However, one procurement leader has revealed within our study how their organization is leveraging generative Al and Machine Learning to streamline processes. "By adopting a rules-based approach to Al, we're able to deploy chatbots that can help answer common questions and improve customer service. But it has to be thoughtfully done. You have to look for the dropout points."







4

Collaborate on joint initiatives



"Procurement isn't often invited to the table, or engaged meaningfully when it comes to establishing things like the budget. Better relationships would mean procurement can be involved in a 3-5 year capital plan and help to build long-term strategic relationships with suppliers."

- Strategic Procurement Advisor

Aligning finance and procurement teams starts by establishing shared goals and KPIs. This means inviting these professionals to have meaningful discussions when it comes to setting budgets and strategies for the next year, and making sure each team is able to leverage the same high-quality data in real time through training and support. This will help to strengthen collaboration, transparency and efficiency throughout the entire S2P journey.

A culture that views these departments as trusted advisors and acknowledges their role in creating healthier business is also key for senior business leaders if they're to retain talent. As one of our respondents said, "the CFO is a key internal customer/stakeholder for procurement teams."



"Better communications are critical – but this needs to be underpinned by solid, consistent and automated processes. Part of that includes training and understanding of how to use those systems and processes."

- Director of Corporate Accounting

### SECTION 4

# 10 essential questions to strengthen S2P partnerships



Below are 10 questions you can use to help your organization align its function, and get professionals working towards the same goals. These prompts will help you identify any areas of improvement and demonstrate where your teams may be working in parallel, rather than partnership.

### 10 questions to ask your business leaders



Are the KPIs for your finance and procurement teams aligned to common business goals and objectives?



In what ways are new technologies (i.e. Al and ML) integrated into your current S2P processes, and how do you plan to expand their use?



Do you regularly review and adjust KPIs to ensure they reflect the evolving priorities of both departments?



How does your organization encourage open communication and feedback between finance and procurement teams?



How do you measure success in your S2P collaboration?



Are you able to leverage reliable S2P data effectively to find savings and prevent errors?



What steps are being taken to address strategic alignment?



Can you name joint initiatives between your finance and procurement teams?



How frequently do your teams engage in cross-functional training or knowledge-sharing sessions?



Are you able to establish healthy long-term relationships with suppliers?







# Realizing the value of your data

To unlock the full potential of your S2P function and contribute to the overall health of the business, you'll need S2P data intelligence solutions that deliver key insights.

At PRGX, our proprietary technology rapidly and securely transforms huge volumes of data into valuable insights. Powered by machine learning and built to minimize business disruption, our tech-enabled services and data intelligence solutions are able to identify savings, recover revenue, and improve long-term compliance for stronger business health.



Empower your finance, merchandising and procurement teams to expand their impact with profit recovery and contract compliance solutions mastered by experience and accelerated by technology.



### **WE CAN HELP YOU:**

- Turn enterprise-wide data, from accounting to ERP and procurement, into cost savings, efficiencies and revenue-driving opportunities.
- Optimize processes by providing you with full data visibility and insights that guide strategic financial planning and drive stronger profits.
- Balance nurturing supplier relationships, ensuring compliance and recovering profit to realize the true value in contracts.



To find out more about PRGX, visit prgx.com