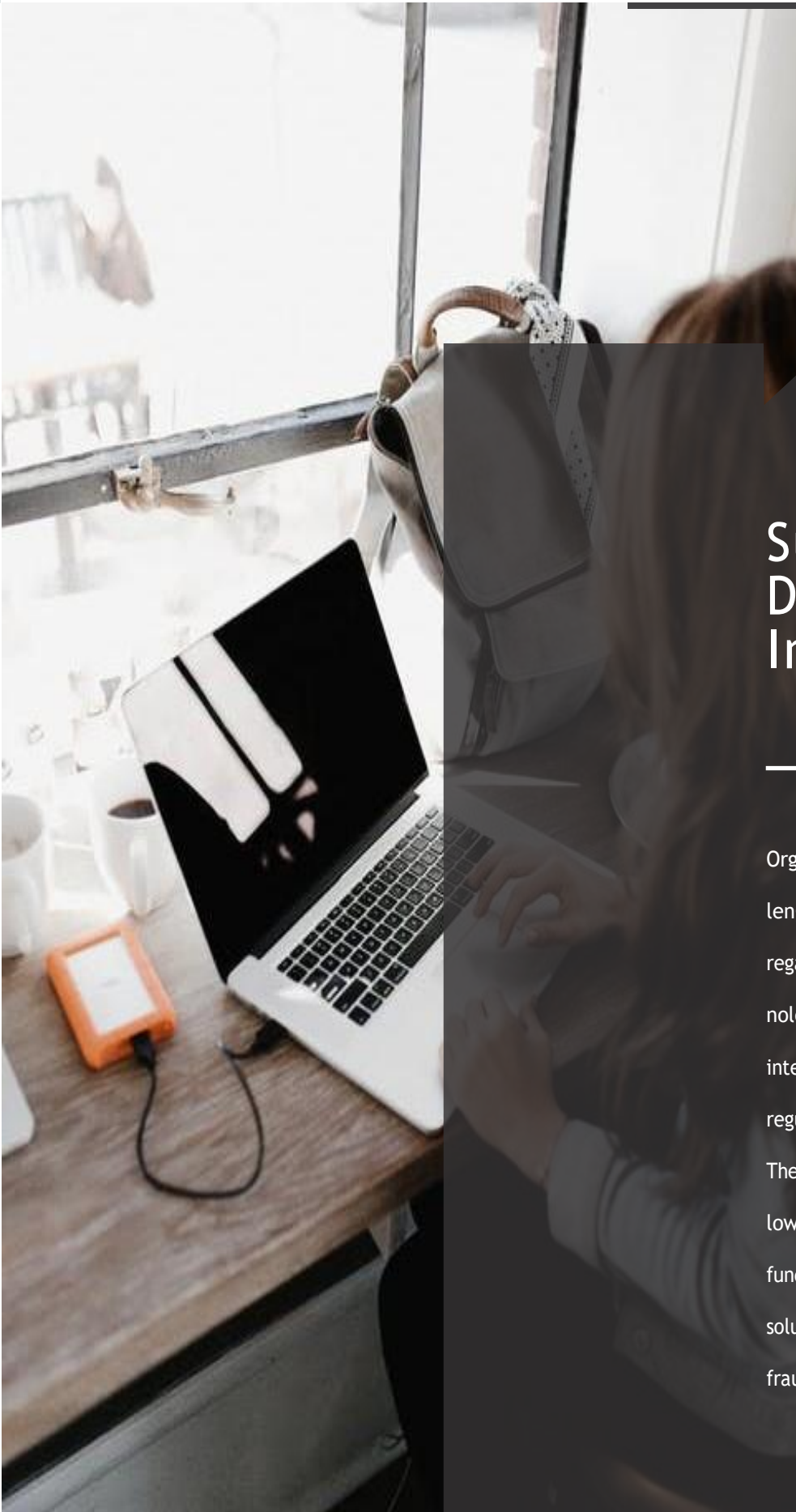




Digital Transformation of Procurement

Procurement leaders are now expected to be the driving force for innovation in most organizations, helping realize the promise of artificial intelligence and begin to reverse the productivity slump.



Supply Chain Disruption in India

Organisations mentioned other challenges including contingency issues regarding returns, slow pace of technology implementations, government interference with counter productive regulations, lack of standardisations. They also mentioned industry specific low margins crippling procurement funds, demand for more sustainable solutions, sudden rise in raw materials, frauds, risk issues.

In 2020, curbs on the movement of people and non essential goods affected the supply



chain, leading to a shortage of raw materials.

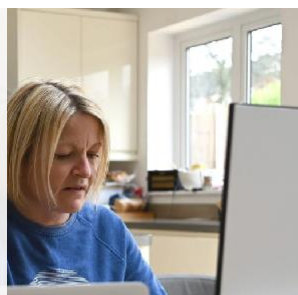


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Executive Summary



Indian organisations still have a long way to go to achieve complete automation of the procurement function. Very few organisations have achieved more than 60% automation.



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Jonathan Tah/ Company CEO

their organizations. Out of the interviews conducted across 15+ industries in India, 37 were online, and 38 were telephonic interviews.

This is especially important as growing a business in a global economy pressure tests every system across the organization. Which means capturing and using the right data can be more challenging than ever. All systems have to communicate so that data comes together quickly and gives leaders the visibility to make decisions and respond to the rapid pace of change.

Intelligent Spend Management requires a comprehensive view of spend across the organization. Accurately accounting for and managing an external workforce can be difficult as this workforce includes a broad array of independent contractors and temporary staff as well as services providers like agencies, consulting firms and facilities management companies.

Organizations recognize the pivotal role this workforce plays, with 65% of the research participants saying external workforce is important or extremely important to operating at full capacity and meeting market demands, and 68% stating it is important or very important to developing .



Just when the world needs to boost productivity to recover from the worldwide pandemic, markets are facing potentially dire of both goods and labor. Procurement leaders are now expected to be the driving force for innovation in most organizations, helping realize the promise of artificial intelligence and begin to reverse the productivity slump.

As economies begin to show signs of growth, and crisis management evolves into recovery, we wanted to analyze the challenges in procurement and assess the pace of digital transformation across various industries in India. We conducted a survey that encompassed insights from 75 respondents – people in charge of procurement in



digital transformation across various industries in India

Majority of Indian organisations found internal user adoption of procurement technologies, differential internal processes, and headcount reduction as barriers to attain optimum production level. Indian companies have been frequently facing indirect and direct procurement issues, particularly when purchasing specialized and other non essential products. Other challenges cited by companies include government interference with counter productive regulations, lack of standardisations, industry specific low margins and crippling procurement funds.



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Overall challenges and Procurement Challenges



Supply Chain Disruption in India

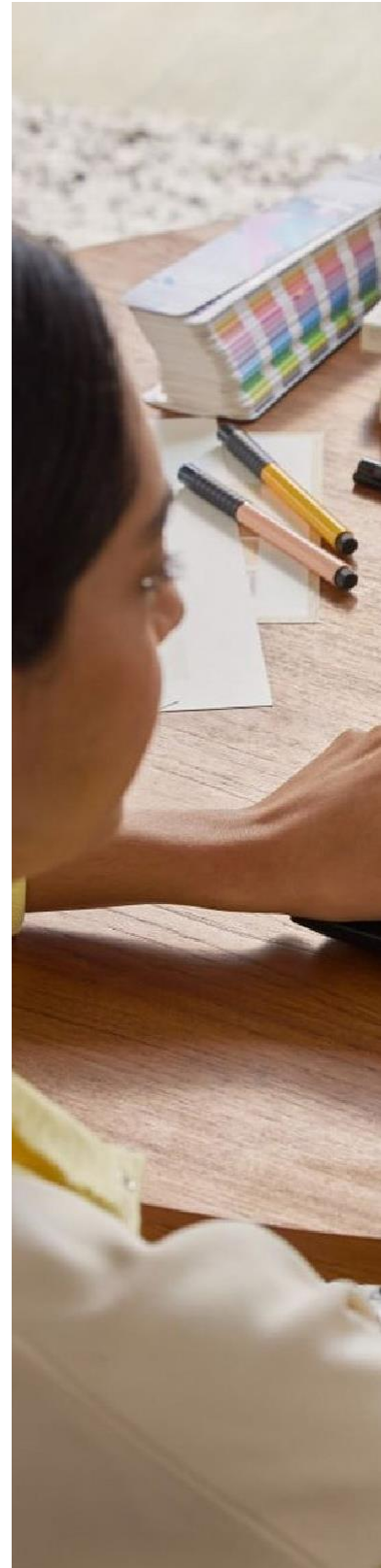
Industries such as automotive and pharmaceuticals were severely hit due to supply chain disruptions owing to their dependency on a single source for most of the requirements. The disruptions have led to longer product cycle and increased financial liabilities.



Organisations mentioned other challenges including contingency issues regarding returns, slow pace of technology implementations, government interference with counterproductive regulations, lack of standardisations. They also mentioned industry specific low margins crippling procurement funds, demand for more sustainable solutions, sudden rise in raw materials, frauds, quality and risk issues.



More than 75% of the respondents stated that internal user adoption of procurement technologies, differential internal processes, and headcount reduction have hindered organisations from attaining optimal production level. Old technology and confusing data have also impeded procurement function across more than 50% of organisations. Internal user adoption is a challenge for 87% of enterprise level organisations and for 82% of small and medium organisations.



Research methodology

Literature review and theoretical framework

Indirect and direct procurement and reconciliation issues remain an area where companies face challenges due to paucity of time while purchasing. However, majority of the companies seem to have overcome the issues of contract leakage. 50% of Indian enterprise level companies are faced with reconciliation issues and supplier performance issues at regular intervals.



THE PROCUREMENT FUNCTION AND ITS ROLE IN BUSINESS

By enabling new collaboration potential, digital networks bridge the information gap in source-to-pay operations and reduce the complexity of compliance, both of which are even more difficult to execute on a global scale. Before a transaction takes place, suppliers are vetted and business policies monitored. And as supply chains grow more complex, the ability to collaborate becomes even more valuable.

IT Spend and Pace of Digital Transformation in Procurement

A supportive culture and backing from not only the executive team, but the entire business or organization.



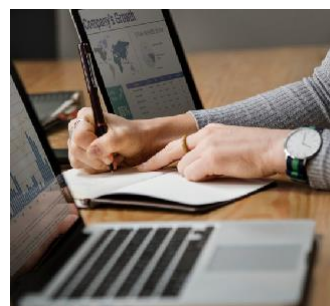
An understanding of, and access to, basic and advanced digital procurement technologies Total real-time spend visibility. Centralized control with decentralized security. Simplified vendor selection and management. These are just a few of the benefits digital procurement brings to the table through a blend of big data and next-gen tech.



A comprehensive digital strategy, with clearly defined goals and an operating model oriented toward growing value rather than reducing expenses. Poised as it is between vendors in the supply chain, in-house “customers,” and assorted executive stakeholders, procurement occupies a singular role within a business.



More than 80% of the organisations have allocated up to 10% (less than 5 to 10%) of their IT spend for the procurement functions. Considering the development and turmoil in the market since the outbreak of COVID 19, there has been budget reductions 77% of enterprise organisations* are also spending up to 10% of their total IT budget



on upgrading their procurement functions 47% of small and medium sized companies have allocated less than 5% of their total IT budget towards digitalising their procurement function. 41% of the organisations have automated their procurement function up to 10% while another 30% have achieved up to 25% automation This shows



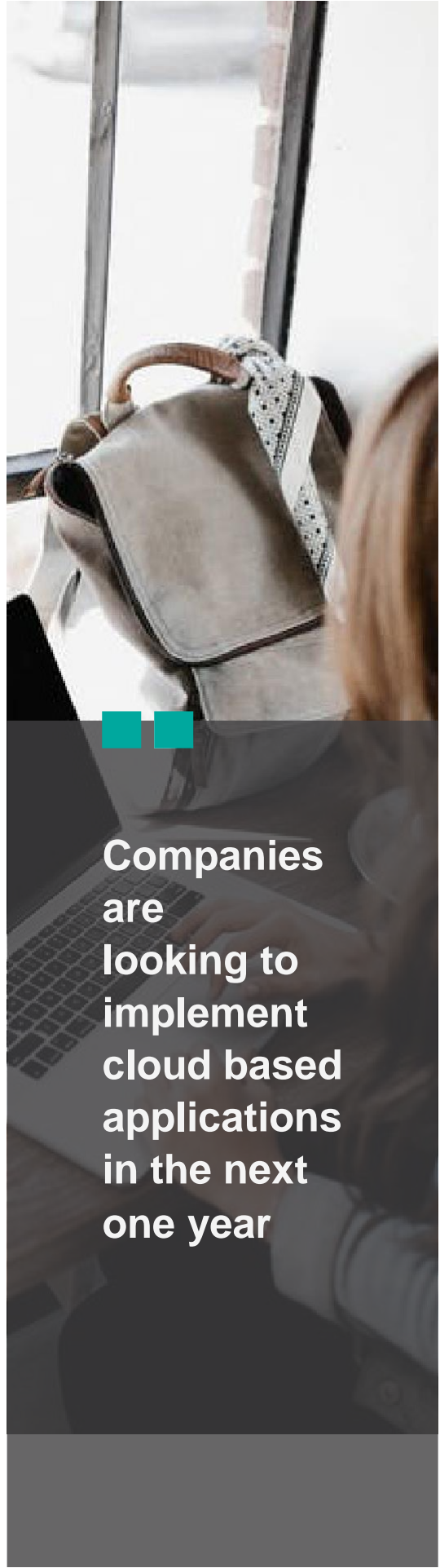
that much work is left for organisations to completely switch to fully automated systems for procurement (automation) 47% of large organisations have only achieved 5%-10% automation and only 17% of them have been successful in implementing automation of 40% and above 76% of small and medium organisations.

Technologies Implemented

Cloud based app usage is common among 63% of enterprise organisations and AI-ML and Analytics big-data is also popular among 60% of enterprise level organisations.

Organisations are also using Bio symmetric, crowdsourcing software, telematics and precision planting software. Agri-based organisations are using yield monitoring and forecasting software, autonomous tractors and drones. 65% of organisations are heavily reliant on cloud based applications to ensure seamless procurement functions. Close to 50% of the organisations are using AI and machine learning technologies to increase overall efficiency of procurement functions. 65% of organisations have installed specialised software to tackle the problem of overcharges and duplicate payments, which ensures cost reduction. However, the issue of contract leakage is mostly taken care of by the software that manages procurement. 67% of enterprise level organisations have installed specific software to address overcharges and duplicate payments. However, they are not concerned about

contingent workforce challenge. Only 21% have prioritised 3D printing and collaboration networks and platforms 60% of enterprise level organisations have prioritised AI/machine learning software to enhance their procurement function. 42% of small and medium organisations have plan ned to invest in cloud technologies to augment their procurement function. Organisations are on the lookout for software concerning HR/sales/inventory management, and CAD tools. Agri-based organisations are planning to invest on telematics and precision planting, and other farm automation tools. AI and machine learning are the major areas of interests from the point of view of organisations, along with cloud based technologies (41%). Drawing on e-commerce litera-ture, two types of business relationships are identified that buying organisations may seek to establish and maintain when dealing with e-procurement systems.



Companies are looking to implement cloud based applications in the next one year

Responsiveness Profile

Cost reduction and compliance have improved moderately. Significant improvement was noticed in areas such as risk management and automating routine tasks.

Almost 67% of enterprise type organisations have witnessed moderate improvement in suppliers' performance management while have achieved significant improvement in risk management Cost reduction and compliance have improved moderately. Significant improvement was noticed in areas such as risk management and automating routine tasks Almost 67% of enterprise type organisations have witnessed moderate improvement in suppliers' performance management while 50% have achieved significant improvement in risk management. Any process of change has risks and doubts associated with it.



OPERATIONAL EFFICIENCY

Poor adoption of new processes and technologies within the procurement process is central to restricting companies from achieving high efficiency through digital transformation (48%). There is limited adoption technologies among 45% of the firms. Lack of funding affects around 30% of the organisations Nearly 70% of enterprise organisations face procurement challenges.



SUPPORTING OPERATIONAL REQUIREMENTS

Inadequate adoption of new procurement processes and technologies Red tape, favoritism, misuse of power are reasons cited by respondents. Companies are also affected by financial instability, lack of customer trust on online support. Agri-based organisations have low adoption due to less awareness of technologies. These thoughts are reasonable and to some extent positive, but they must also be accompanied by the conviction that standing still can lead to failure and even destruction of the organization itself.

Operational efficiency and supplier collaboration have shown significant improvement due to digital transformation of procurement

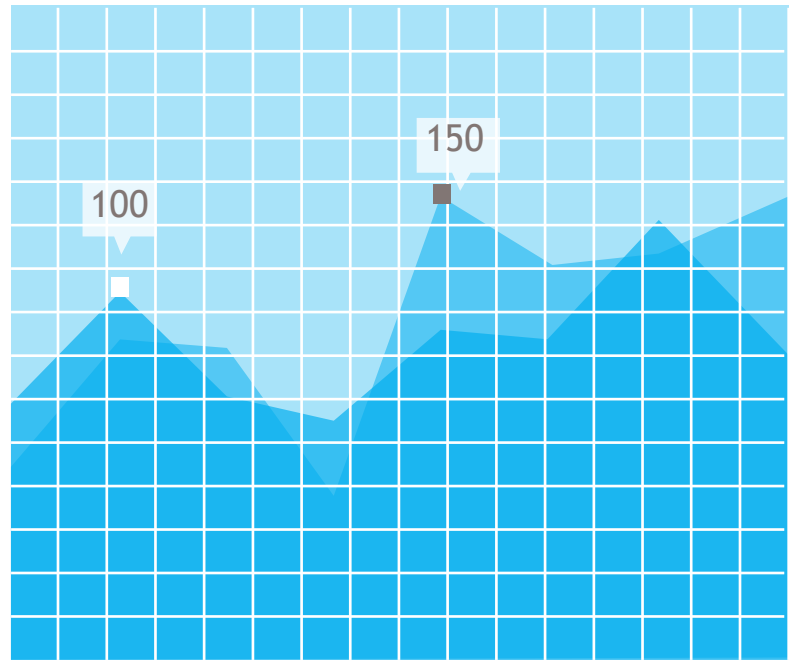


2022

BARRIERS IN IMPLEMENTATION

supporting the organisation's need for a diverse and globally competitive supply base by identifying the critical materials and services required to support company strategies in key performance.

Statistical Growth Review



Operate and interact with information outside your own data ecosystem.

35 %

Defining procurement strategy

50 %

managing the procurement process and supplier base effectively and efficiently.

93 %

20 %

supporting operational requirements

Providing procurement leadership to the organisation.

41 %

