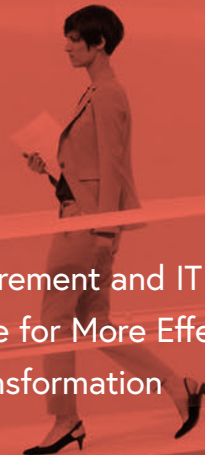# The 2024 ProcureCon

CPO CIO Report

How Procurement and IT Can Collaborate for More Effective Digital Transformation

The 2024 ProcureCon CPO-CIO Report

How Procurement and IT Can Collaborate
for More Effective Digital Transformation

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> "Fostering closer collaboration and establishing dual leadership in technology projects are key strategies for enhancing procurement's role in IT strategy. "

Executive Summary

This report is based on a survey of procurement, supply chain, and risk management leaders. It underscores the evolving role of procurement in strategic information technology (IT) planning, revealing a trend towards greater collaboration between chief procurement officers (CPOs), chief information officers (CIOs), and their respective departments.

The survey found that while 66% of procurement teams contribute to strategic IT planning, a significant portion of teams are still underutilized or informed only after decisions are made. Respondents indicate a need for procurement to have a more significant say in technology strategy, pointing to the potential for improved procurement processes and cost savings through better technology insights.

Finally, the respondents suggest fostering closer collaboration and establishing dual leadership in technology projects as key strategies for enhancing procurement's role in IT strategy and overall organizational efficiency.

About
the Respondents

The WBR Insights research team spoke with 100 procurement, supply chain, and risk management leaders from across the U.S. and Canada to generate the results featured in this report.

What best describes your role?

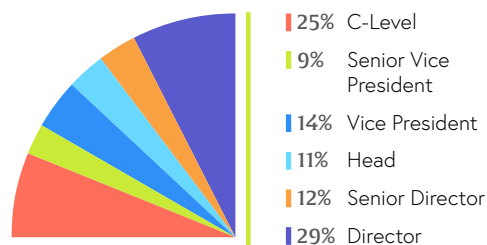- ▌37% Procurement
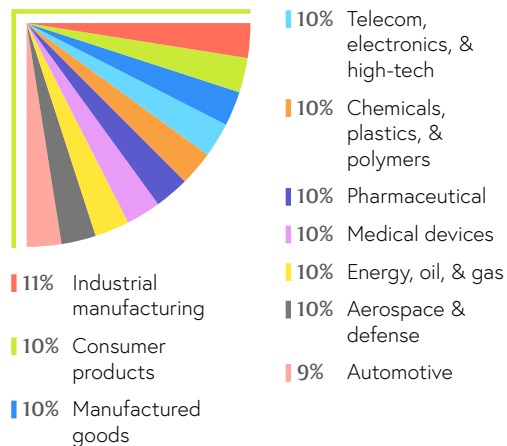- ▌37% Supply Chain
- ▌26% Risk Management
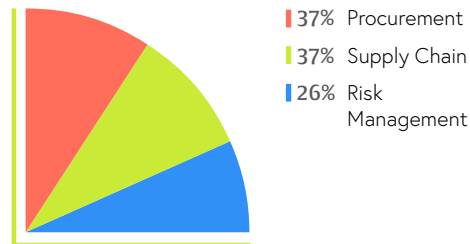
In each case, more than one-third of the respondents occupy roles in procurement (37%) and supply chain (37%), while 26% occupy roles in risk management.

What is your seniority?

- ▌25% C-Level
- ▌9% Senior Vice President
- ▌14% Vice President
- ▌11% Head
- ▌12% Senior Director
- ▌29% Director

The respondents are C-level executives (25%), senior vice presidents (9%), vice presidents (14%), department heads (11%), senior directors (12%), and directors (29%).

What industry does your company represent?

- ▌10% Telecom, electronics, & high-tech
- ▌10% Chemicals, plastics, & polymers
- ▌10% Pharmaceutical
- ▌10% Medical devices
- ▌10% Energy, oil, & gas
- ▌10% Aerospace & defense
- ▌9% Automotive
- ▌11% Industrial manufacturing
- ▌10% Consumer products
- ▌10% Manufactured goods

The companies in the study represent a variety of industries, including industrial manufacturing (11%), consumer products (10%), and manufactured goods (10%), among others.

What is the total amount of spend under management within your organization?

- 30% $250 million – $500 million
- 15% $500 million – $1 billion
- 55% More than $1 billion
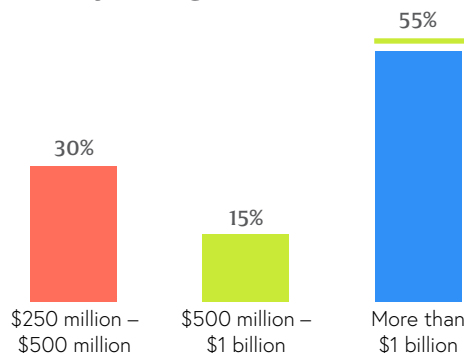
A slight majority of the respondents (55%) are from companies that have more than $1 billion in spend under management.

Key Insights

Among the respondents:

55% say their CIO takes the lead on technology procurement, but 41% say their CIO and CPO are equal partners.

48% say their procurement and IT teams collaborate regularly on shared objectives, while 28% say they collaborate always on all procurement objectives.

79% rate the effectiveness of the coordination between their procurement and information technology teams as either effective (50%) or perfect (29%).

The top two methods of collaboration between CPOs and CIOs are:
- Identifying opportunities to consolidate redundant software (53%)
- Exchanging best practices between departments (48%)

50% say both the CPO and CIO take the lead in driving procurement's digital transformation.

77% agree that difficulty sharing data is a very significant challenge.

83% currently rely on managed services for at least one procurement function. Among these respondents, most outsource the following functions:
- Market research and analysis (98%)
- Cybersecurity (83%)
- Supplier audits and compliance (60%)
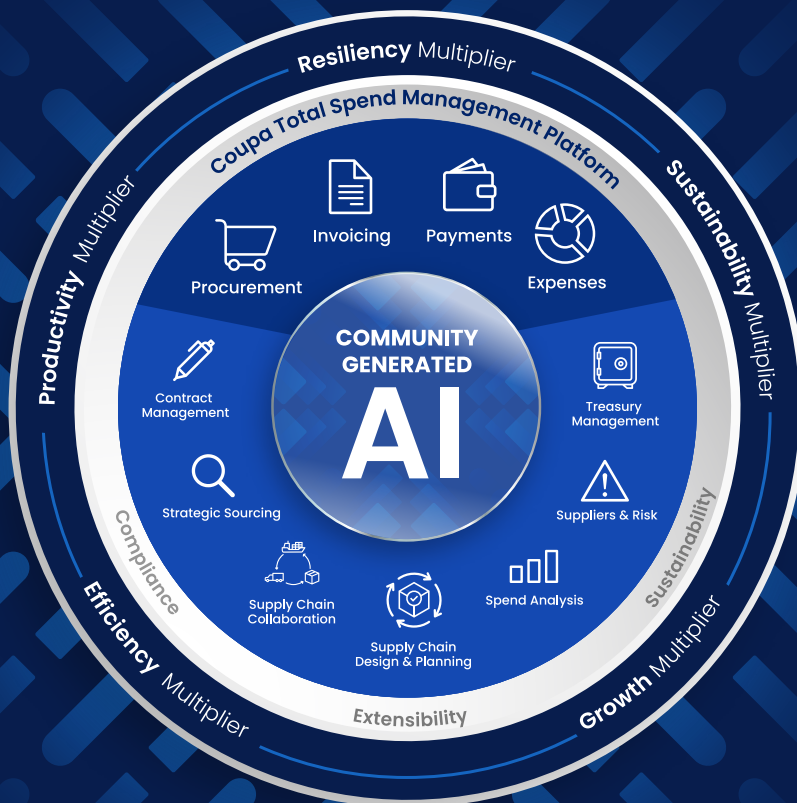- Procurement technology implementation (52%)

70% agree only somewhat that their current procurement technologies regularly give them new insights into spending, solving problems, improving processes, and generating cost savings.

66% say their procurement organizations are included in the company's IT strategic planning process.

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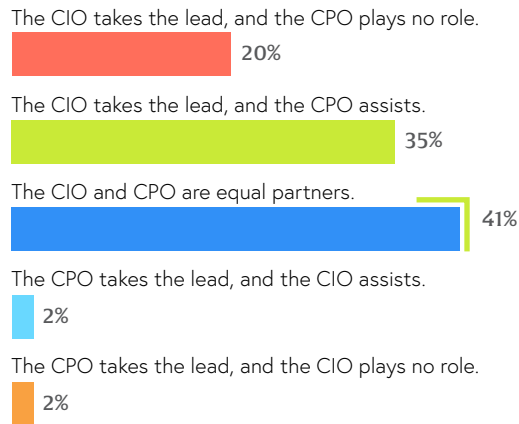AstraZeneca   AON   Casey's   Schneider Electric   scale

CPOs & CIOs
Collaborate on Procurement Transformation

In recent years, CPOs and other procurement leaders have played a much more important role in strategic decision-making. This is perhaps most prevalent in collaborations with the IT department, as technology procurement has emerged as a key differentiator for companies working to improve efficiency, reduce costs, and compete digitally.
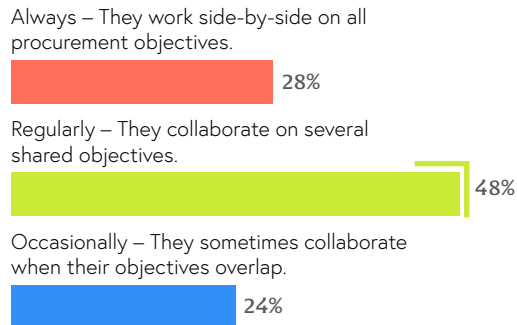
However, it also suggests that procurement leaders are still not fully integrated into the technology decision-making process, with only 41% of respondents reporting equal partnership between the CIO and CPO. This lack of collaboration could potentially lead to missed opportunities for cost-savings and efficiency gains in procurement, especially if new technology integrations impact the department.

What roles do your CIO and CPO or equivalents currently play in technology procurement, if any?

The CIO takes the lead, and the CPO plays no role.
20%

The CIO takes the lead, and the CPO assists.
35%

The CIO and CPO are equal partners.
41%

The CPO takes the lead, and the CIO assists.
2%

The CPO takes the lead, and the CIO plays no role.
2%

How often do your procurement and information technology teams collaborate on procurement objectives?

Always – They work side-by-side on all procurement objectives.
28%

Regularly – They collaborate on several shared objectives.
48%

Occasionally – They sometimes collaborate when their objectives overlap.
**24%**

The study reveals that in most organizations (55%), the Chief Information Officer (CIO) is primarily responsible for technology procurement, with the Chief Procurement Officer (CPO) either playing no role or serving as an assistant. This highlights the CIO's central role in technology decisions, underscoring the importance of IT leadership in steering the digital agenda of organizations.

Nonetheless, the majority of respondents (76%) report that their procurement and information technology teams collaborate regularly or always. This frequent collaboration is crucial for aligning technology procurement with organizational needs and goals, facilitating a more strategic approach to purchasing decisions.

How would you rate the effectiveness of the coordination between your procurement and information technology teams?

- **29%** Perfectly coordinated
- **50%** Effectively coordinated
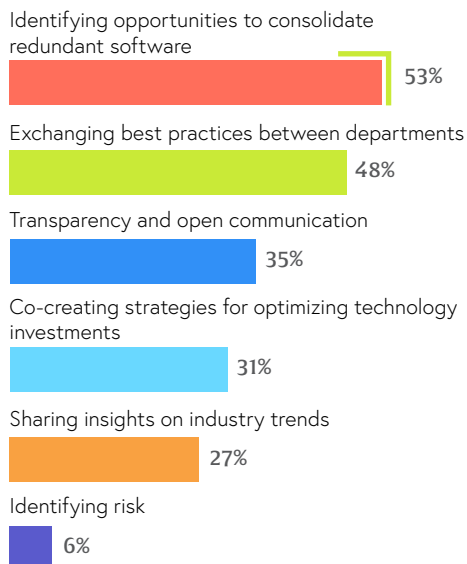- **21%** Relatively coordinated
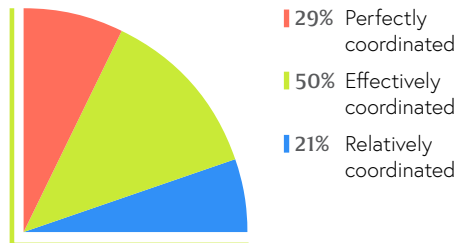
Furthermore, the effectiveness of coordination between the procurement and IT teams is rated as either 'effective' or 'perfect' by 79% of respondents. This high level of satisfaction with teamwork effectiveness is significant for overcoming siloed operations, suggesting that when these departments work closely, they can better support each other's objectives.

The study also finds that CPOs and CIOs collaborate the most on specific priorities. Most of the respondents (53%) say that identifying opportunities to consolidate redundant software is one of the two ways these leaders collaborate the most. This type of collaboration could result in considerable cost savings for the organization as well as streamlining processes and systems in procurement.

The second way these leaders collaborate the most is by exchanging best practices. The IT department has a wealth of knowledge about the technologies that the company uses, which means it is in an excellent position to teach procurement teams how to get the most out of their technology. Similarly, procurement is an ideal position to guide the IT department on acquisitions.

In what ways do your CPO and CIO or equivalents collaborate the most?

Identifying opportunities to consolidate redundant software
53%

Exchanging best practices between departments
48%

Transparency and open communication
35%

Co-creating strategies for optimizing technology investments
31%

Sharing insights on industry trends
27%

Identifying risk
6%

Who takes the lead in driving procurement's digital transformation at your organization?

- **50%** Both the CPO and CIO or equivalents
- **26%** The CIO or equivalent
- **24%** The CPO or equivalent
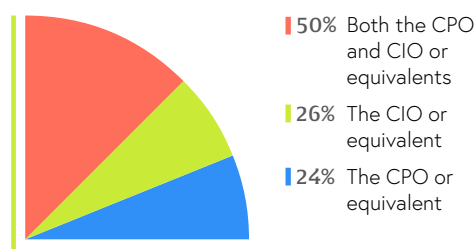
Finally, half of the respondents say that both the CPO and CIO share leadership in driving digital transformation within procurement. This collective approach may reflect a strategic move towards integrating procurement more deeply with digital initiatives, ensuring that procurement strategies are well-aligned with the latest technological advancements.

> **The collaboration between procurement and IT departments is pivotal for successful digital transformation within organizations.**

In most cases, equal collaboration on digital transformation may be ideal, especially when that transformation is a direct initiative of procurement. However, 26% of the respondents say the CIO takes the lead, while 24% say the CPO does.

To gain a better understanding of what types of benefits procurement can enjoy when these leaders collaborate, researchers asked the respondents to describe how their CPOs and CIOs (or equivalent leaders) work together for procurement's digital transformation. According to the responses, the collaboration between procurement and IT departments is pivotal for successful digital transformation within organizations.

The respondents say these leaders start by identifying core challenges and needs, moving through the evaluation of technology solutions, and finally, working together on the implementation and onboarding of chosen solutions. CPOs lead by setting priorities and identifying the functional requirements of new technology solutions, while IT brings technical expertise, assessing the technical feasibility and security of potential solutions.

Together, they ensure that selected technology investments are aligned with organizational goals and operational needs. The respondents emphasize the importance of regular meetings and collaboration sessions for decision-making, indicating a partnership approach to digital transformation.

External consultants and subject matter experts are also engaged during the process when needed. This suggests an openness to external insights to complement internal expertise, thereby optimizing the outcomes of digital initiatives.
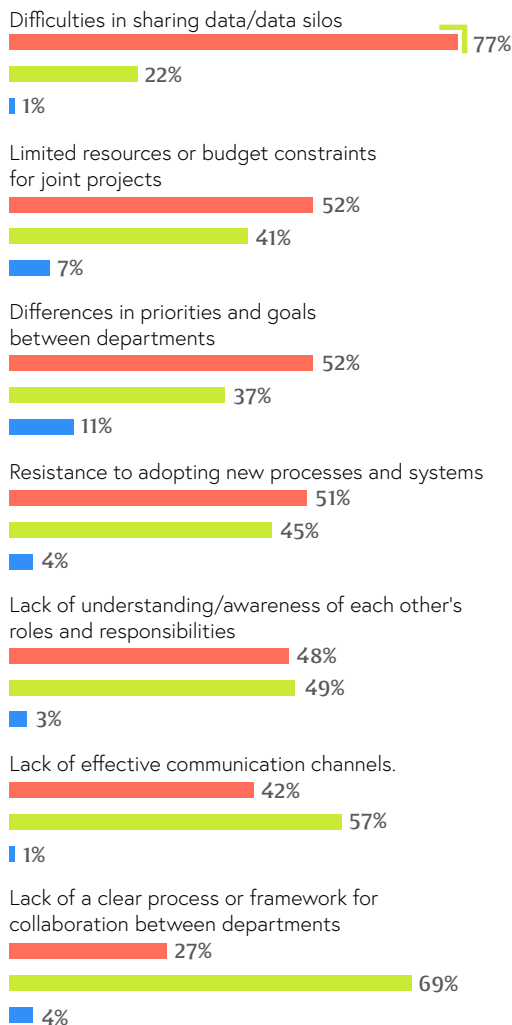
Overall, the findings underscore the pivotal roles of CIOs and CPOs in not only leading technology procurement but also in fostering collaboration between their departments. Such collaboration is key to successfully leveraging technology to overcome procurement challenges and achieve broader organizational objectives.

Outsourced
Services Are Critical to Overcoming Procurement and Technology Challenges

How significant are the following challenges when your organization's procurement and technology leaders need to collaborate on a project?

▌This is a very significant challenge.
▌This is a somewhat significant challenge.
▌This is not a challenge.

Difficulties in sharing data/data silos
- 77%
- 22%
- 1%

Limited resources or budget constraints for joint projects
- 52%
- 41%
- 7%

Differences in priorities and goals between departments
- 52%
- 37%
- 11%

Resistance to adopting new processes and systems
- 51%
- 45%
- 4%

Lack of understanding/awareness of each other's roles and responsibilities
- 48%
- 49%
- 3%

Lack of effective communication channels.
- 42%
- 57%
- 1%

Lack of a clear process or framework for collaboration between departments
- 27%
- 69%
- 4%

Cross-departmental collaboration is key to maximizing efficiency and innovation, and understanding the barriers that hinder this process is crucial. Procurement and IT departments face shared challenges that must be overcome together, especially those that relate to procurement technology.

The study reveals 77% of respondents identify difficulties in sharing data, or data silos, as a very significant challenge. This is a critical barrier to organizational efficiency, as effective data sharing is essential for procurement and technology departments to collaboratively leverage insights and make informed decisions. The prevalence of data silos not only hinders the seamless exchange of information but also limits the potential for technological solutions to drive cross-departmental synergy.

Limited resources or budget constraints for joint projects are cited by 52% of respondents as a very significant challenge. This underscores the importance of strategic financial planning and resource allocation. Budget limitations directly impact the ability of procurement and IT departments to undertake collaborative projects that require new investments in technology.

The finding that 52% of respondents see differences in priorities and goals between departments as a very significant challenge points to the need for aligning departmental objectives. Discrepancies in
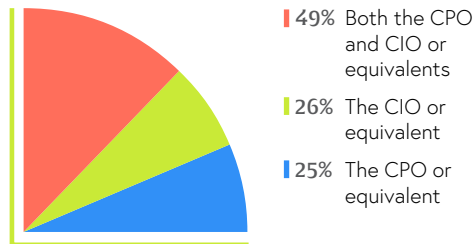
priorities can create friction and impede collaborative efforts between procurement and technology teams.

Establishing common goals that benefit the organization as a whole can facilitate better cooperation and leverage technology to address procurement challenges.

Finally, 51% of respondents report resistance to adopting new processes and systems as a very significant challenge. This suggests that there are cultural and behavioral barriers to technological adoption.

This resistance can slow down or even prevent the successful implementation of technological solutions intended to enhance procurement operations. Encouraging a culture of innovation and openness to change is essential for procurement and technology departments to effectively collaborate and harness the benefits of new technologies.

When you need to outsource a procurement technology project, who usually takes the lead in the effort?

- **49%** Both the CPO and CIO or equivalents
- **26%** The CIO or equivalent
- **25%** The CPO or equivalent

Some of these challenges can be overcome by internal changes. However, others will likely require partnerships with third-party organizations and outsourced experts. Almost half of the respondents (48%) say the CPO and CIO (or equivalents) both take the lead when it comes to outsourcing a procurement technology project. This is likely the most
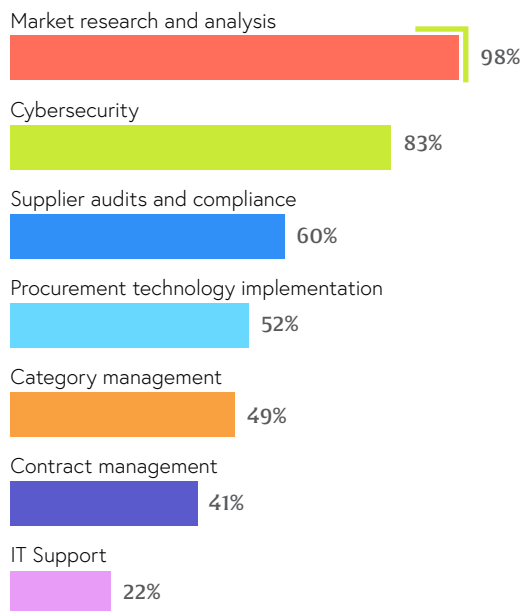
optimal approach, as both leaders can share insights and play a role in identifying the best partner for the project.

Do you currently rely on managed services for any of your procurement functions?

- **83%** Yes
- **17%** No
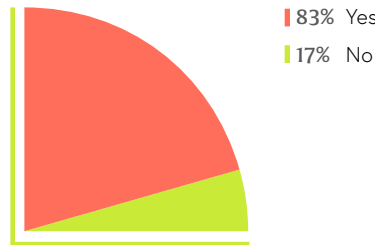
Furthermore, managed service providers are now playing an increasingly large role in the procurement department. A significant majority of the respondents (83%) say they currently rely on managed services for at least some of their procurement functions. Only 17% keep all their procurement functions in-house.

Since you said, "Yes," which of the following managed services do you currently use to augment your procurement team?

Market research and analysis
98%

Cybersecurity
83%

Supplier audits and compliance
60%

Procurement technology implementation
52%

Category management
49%

Contract management
41%

IT Support
22%

> Collaboration between procurement and IT can lead to the development of more sophisticated audit and compliance technologies, thereby enhancing efficiency and compliance.

The predominance of outsourcing in market research and analysis, with an overwhelming 98% of companies that outsource engaging in this practice, underscores its importance in procurement. This reliance on external resources for market insights points to the necessity of harnessing specialized knowledge and technologies that may not be internally available, facilitating a strategic advantage in procurement decisions that can be leveraged by IT departments to streamline and enhance technological implementations.

83% of companies that outsource rely on third parties for cybersecurity, which highlights the critical role that security plays in the procurement process. Cybersecurity is not only vital for protecting sensitive data but also integral for ensuring the integrity of digital transactions. Procurement teams working closely with both their IT departments and third-party contractors can ensure that cybersecurity measures are robust and adaptive, safeguarding the company against evolving cyber threats. Furthermore, 60% of these companies are outsourcing supplier audits and compliance. This demonstrates the complexity and regulatory demands of modern supply chains.

Lastly, the outsourcing of procurement technology implementation by 52% of these companies indicates a strategic prioritization of technology in procurement processes. Procurement leaders acknowledge the need for specialized technological solutions to optimize procurement operations. There is also an opportunity for procurement and IT departments to work together in selecting and implementing the most effective technologies.

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Procurement
Now Plays an Important Role in Strategic IT Planning

The intersection between procurement strategies and technology integration is crucial for organizational efficiency and innovation. Procurement can play a critical role in the strategic planning processes that will guide the company toward its next wave of technology implementations and changes.

How much do you agree with the following statement: "Our current procurement technologies regularly give us new insights into spending, solving procurement problems, improving procurement processes, and generating measurable cost savings."

- ■ 29% Agree Strongly
- ■ 70% Agree Somewhat
- ■ 1% Disagree Somewhat
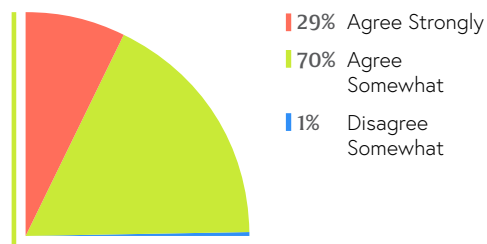
Most of the respondents (70%) only agree somewhat that their current procurement technologies regularly give them new insights into spending. They only empower them somewhat to solve procurement problems, improve procurement processes, and generate measurable cost savings.

To improve in this area, procurement leaders must be involved in technology strategy, especially when it comes to identifying and implementing solutions that could improve visibility in procurement and enable procurement teams to generate insights.

To what extent is the procurement organization involved with the IT strategic planning process (i.e., creating the 1-, 3-, or 5-year strategic plan)?

They are included in the strategic planning process, working alongside IT leadership to develop the strategic roadmap.

66%
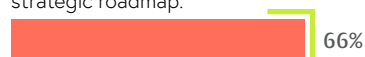
They are informed of decisions from the finalized plan.

26%

They are informed only when IT projects are ultimately initiated.

8%

Currently, 66% of the respondents say their procurement teams are included in the strategic planning process, working alongside IT leadership to develop strategic roadmaps for IT strategy. However, more than one-fourth of the respondents (26%) say procurement is merely informed of finalized decisions by the IT department, while 8% say they are informed only when IT projects are ultimately initiated.

The findings highlight a significant trend in which procurement teams are becoming integral players in IT strategic planning, suggesting a shift towards a more collaborative approach in harnessing technology to address challenges. This integration is crucial for ensuring that procurement decisions align with long-term IT strategies and that IT acquisitions can help procurement solve critical challenges.

However, the fact that more than one-third of the respondents (34%) say procurement isn't included in the strategic planning processes with IT is concerning. This lack of collaboration can lead to misaligned goals and decisions, resulting in wasted time, resources, and potential conflicts between the two departments.

To address this issue, organizations should prioritize the involvement of procurement teams in IT strategic planning processes. By involving procurement from the beginning, IT leaders can gain valuable insights into procurement's needs and challenges, enabling them to make more informed decisions that align with the organization's overall goals and objectives. This collaboration can also improve communication and foster a better understanding between the two departments, leading to more efficient processes and successful outcomes.

Conclusion:
How Collaboration Between Procurement and IT Will Change

In their final line of questioning, researchers asked the respondents to describe how they foresee collaboration between their procurement and technology teams changing over the next three years. The respondents expect collaboration between the departments to increase over the next three years.

Many anticipate that this closer cooperation will be driven by the growing necessity to integrate digital technologies into procurement processes. A significant number of comments highlight the anticipation of more organized and strategic collaboration efforts aiming to address the challenges of digital transformation within organizations.

There is also a clear recognition among the respondents of the potential for improved outcomes through enhanced collaboration, particularly in planning, selecting, implementing, and maintaining technology solutions and security practices. Some are anticipating more collaboration between the two departments as business needs change and technical expertise becomes more crucial, indicating adaptability in the relationship between these teams.

Although some respondents believe the current level of collaboration is satisfactory, the overall narrative suggests a move towards a more synergistic and cohesive approach to tackling procurement and technology challenges in the face of digital advancements.

Key Suggestions

1.

Establish Collaborative Leadership on Procurement Technology Projects: Ensure both CPO and CIO take leadership in outsourcing procurement technology projects. This dual leadership approach leverages the strengths and insights of both departments, maximizing the chances of selecting the best partner and solution.

2.

Outsource Functions Like Marketing and Cybersecurity: As shown in the research, many companies are currently outsourcing these functions. By doing so, organizations can gain access to cutting-edge expertise and technology, strengthening their procurement processes.

3.

Involve Procurement in IT Strategic Planning: Include procurement teams in the strategic planning process for IT projects from the outset. This inclusion ensures that procurement's needs and challenges are considered, leading to more aligned decisions and enhancing the organization's overall strategy.

4.

Foster Closer Collaboration Between Procurement and the IT Department: Encourage regular collaboration and communication between the procurement and IT departments. By fostering a closer relationship, both departments can gain a better understanding of each other's roles, needs, and challenges, leading to more effective collaborations and outcomes.

About
the Authors

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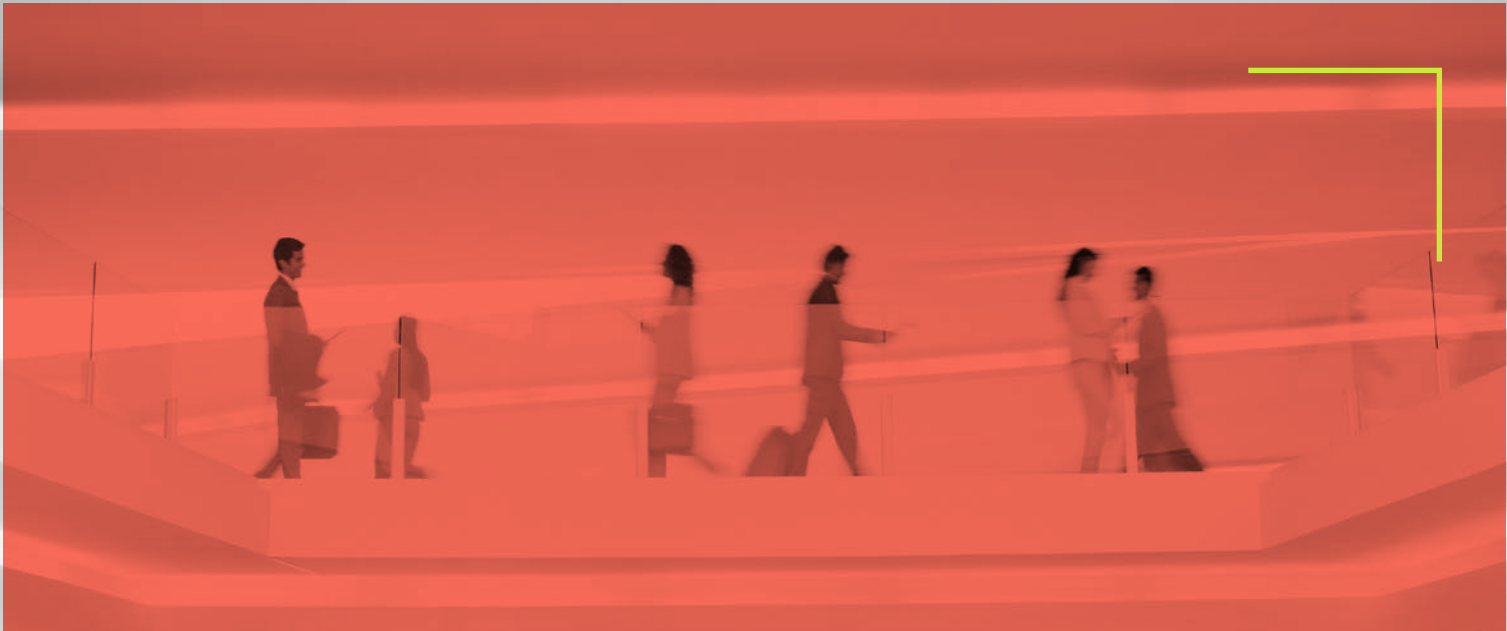
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