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Supply Chain Excerpt


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To Crack Procurement Complexity, Make Processes Simple by Design

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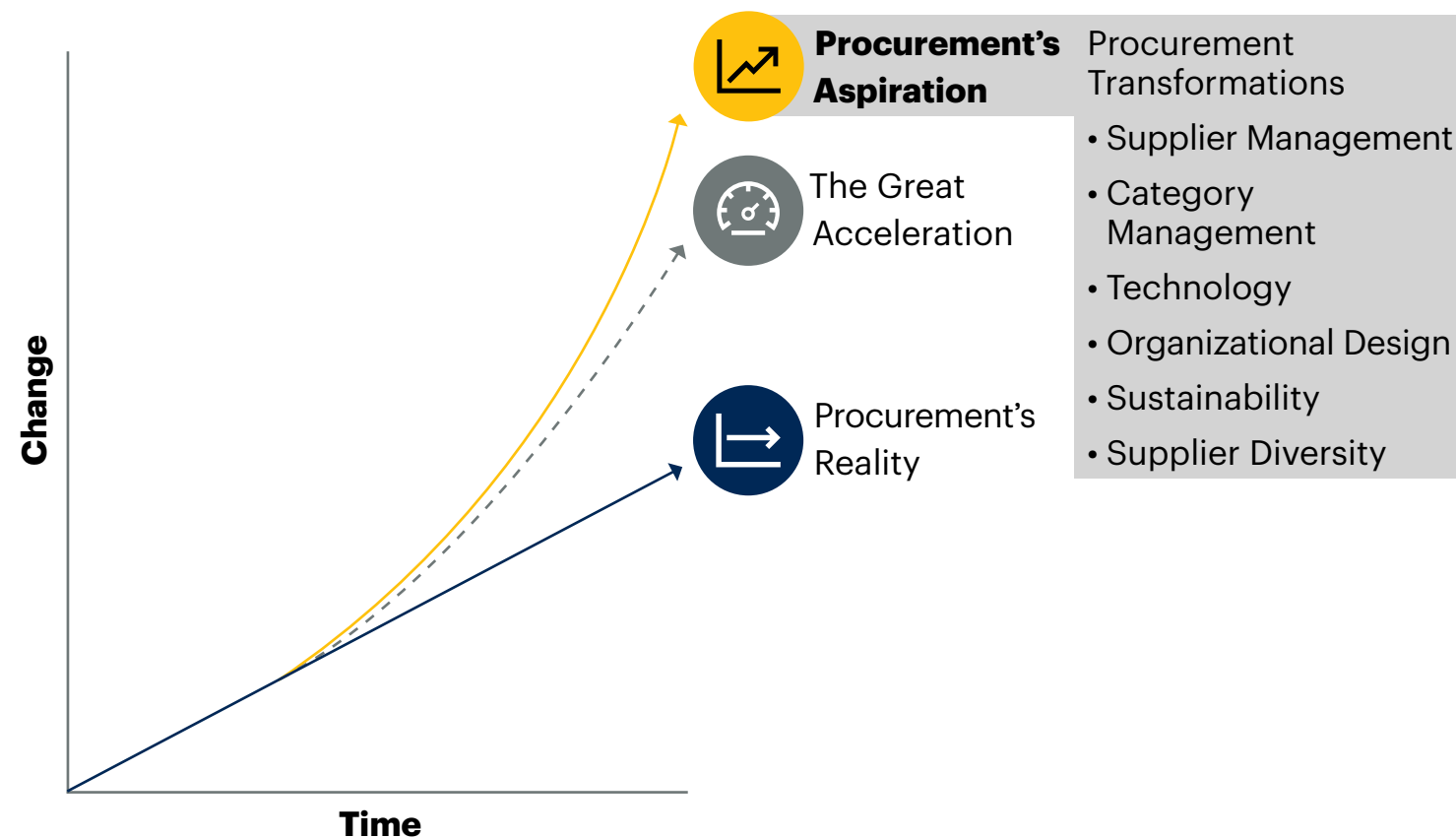


Rapid global changes are making procurement processes increasingly complex, but the standard streamlining tactic of cutting out steps can worsen the problem for employees and teams. Organizations such as Trinity Health and Bayer, on the other hand, are designing user-friendly simplicity into each stage of their workflows. The benefits include increased cost savings and worker engagement — and other functions can consider adopting this model, too.

Simplification is easier said than done, of course. Chief procurement officers (CPOs) have always had to make trade-offs between cost, quality and speed. But the “great acceleration” of socioeconomic and environmental trends has added new factors into the equation, such as sustainability; diversity, equity and inclusion; multiple kinds of risk management; and innovation.

Merely working around complexity through technology and talent initiatives — a tactic most procurement leaders have tried — is not a viable path forward because it doesn’t address the underlying problem. Organizations have digitized, outsourced and offloaded simple procurement tasks, and directed the trickiest work to the most competent or to specialized staff. But employees who always get the toughest assignments burn out, the specialist talent pool is finite and onboarding takes time. Most importantly, in all these scenarios, the complex work stays complex. These limited workarounds have enabled procurement to get by but they will not enable it to get ahead (see Figure 1).

» **Figure 1. Procurement Must Transform to Keep Pace**
Pace of External Trends Versus Procurement's Aspiration



Source: 2023 Gartner Procurement Functional Transformation Survey

CPOs must solve complexity with simplicity, and it is imperative they do so now. Procurement is undergoing transformations as rapidly as it can to keep pace with change, and every new or redesigned process has the potential to make complexity worse.

Don't Fall Into the Efficiency Trap

Many procurement leaders think process simplification involves identifying and eliminating inefficiencies in workflows. That's the common view, and it's also wrong. Removing unnecessary steps from a process is streamlining, which is not the same as simplification. To gauge how complicated a process is, don't look at the number of steps, look at their complexity.



Overzealously cutting steps from a process, or creating one with too few of them, increases complexity. Like instructions for assembling furniture, each stage of a procurement process provides guidance for the person carrying out the task — and the more thorough the roadmap is, the better. In highly complex situations, staff need more steps to guide them. Because existing process improvement methods can lull procurement leaders into removing steps, they need a new framework specifically intended to combat complexity: designed simplicity.

Adopt Designed Simplicity, but Remember It's Harder Than It Seems

We define designed simplicity as a user-experience-based approach to business process management that seeks to reduce complexity by deliberately designing procedures, tools and stakeholder interactions to be easy for users to understand and/or execute.

In evaluating whether a process is simple, defer to the users' perspective. If they think it fulfills the four characteristics shown in Figure 2, then it's simple. Leaders should adhere to five keys to cut complexity.

» Figure 2. Drivers of Designed Simplicity in Practice

 Characteristics of a Simple Process	 Keys to Designing a Simple Process
<ul style="list-style-type: none">• No gaps or ambiguities in the workflow when it goes live• Job is easier to do with the workflow than without it• Workflow is easy to understand and follow• Workflow covers even rare scenarios	<ul style="list-style-type: none">• Leaders, managers and staff work as an integrated team• Leaders delegate but stay closely involved• Leaders take steps to minimize added difficulty• Learning and development is baked into actual work• Specific effort is made to recognize change adoption

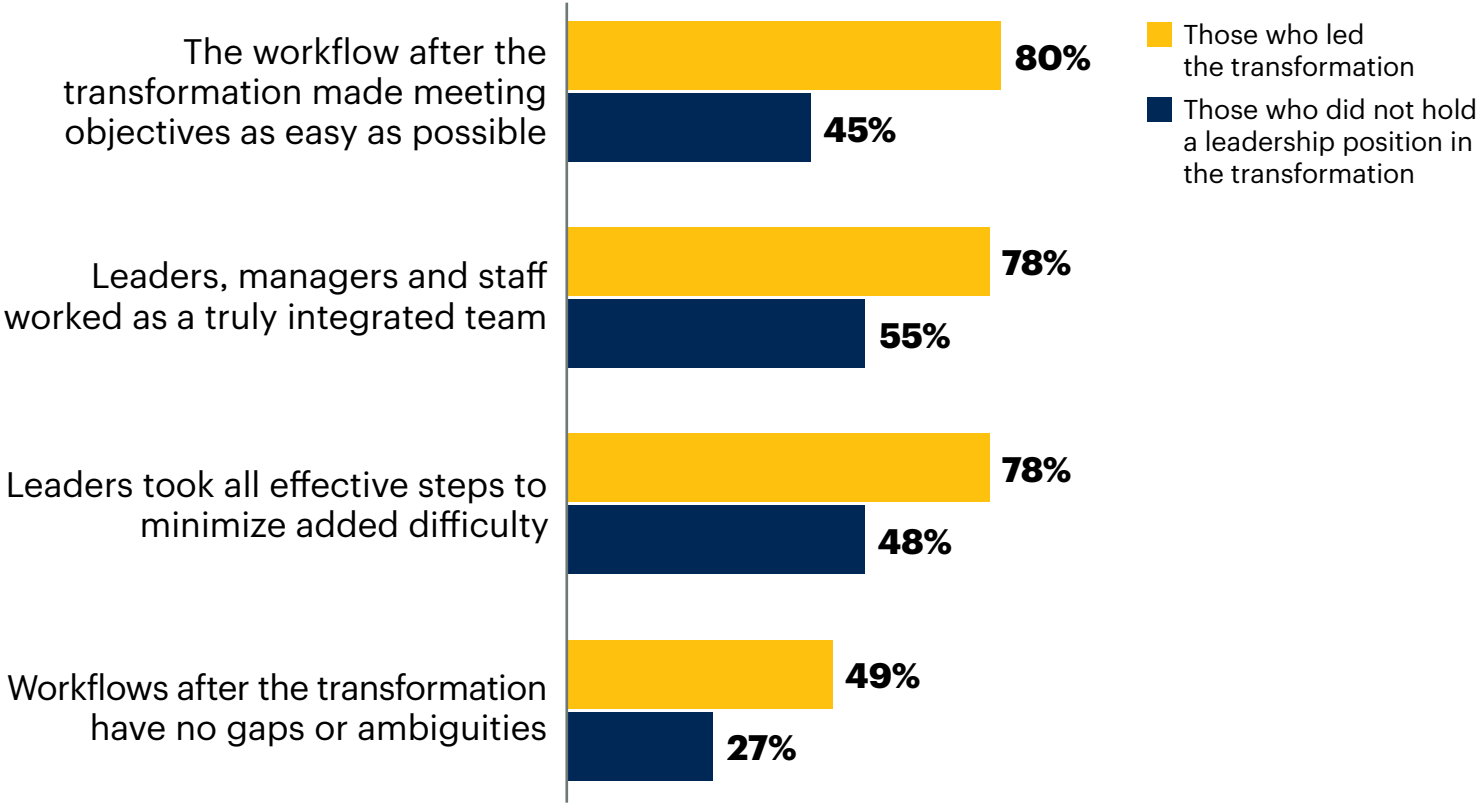
Source: Gartner

The principles of designed simplicity may seem obvious, but they are difficult to implement in practice. For example, only 49% of procurement transformation leaders believe they successfully created complete processes (see Figure 3).¹

What’s more, many leaders believe they are designing simplicity into processes, while the views of the nonleaders charged with carrying them out indicate they are not. This difference of opinion is evident across all nine designed simplicity drivers mentioned in Figure 2, with leaders consistently overestimating how well the process and its creation adhered to them.

» Figure 3. Leaders Are Overconfident About Their Processes

Percentage Agreeing With Each Statement



n = 150 procurement professionals (n = 94 transformation leaders; 56 = nonleaders)

Q. Please indicate the extent to which you agree the following statements described the workflows related to the transformation at the time the transformation was implemented.

Source: 2023 Gartner Procurement Functional Transformation Survey

The lesson is clear: give users a seat at the decision-makers' table in process improvement initiatives as part of a truly integrated team co-creating change. Staff must have real input in the design, not just opportunities for feedback. If users can't execute a procurement process consistently and effectively, the value to other stakeholders will be inconsistent and inadequate.

How to Increase Your Odds of Success

Between 2018 and mid-2023, the average procurement professional was involved in or subject to almost seven functional transformations. As of mid-2023, they averaged nearly three initiatives, simultaneously, with their current employer, with each transformation pursuing an average of five objectives. That strategy places a heavy burden on leaders and staff, requiring sometimes dozens of new and revised processes, and elevates the risk that the complexity of employees' work will spiral out of control.

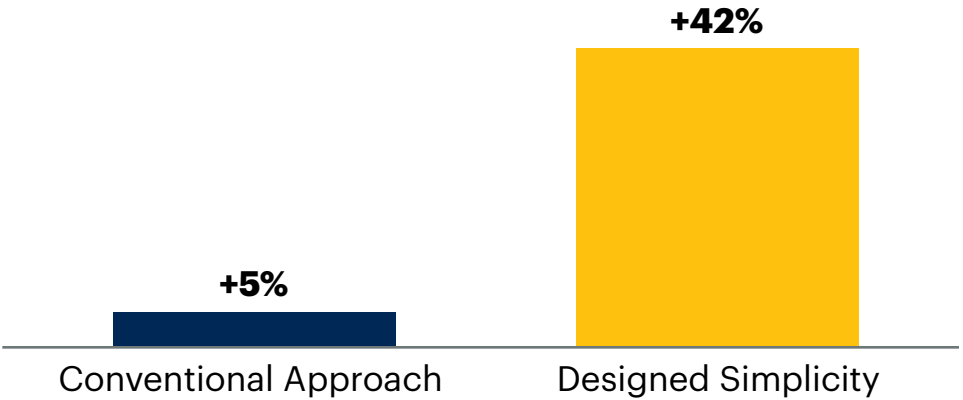
We measured how well procurement functions undergoing transformation abide by the nine designed simplicity drivers as well as a set of drivers aligned with conventional process redesign. The standard method aims to make the

transformation itself efficient by adopting fail-fast tactics, knowingly deploying incomplete processes with the intention of addressing their deficiencies afterward and letting staff fill in the gaps in the meantime.

But here's the problem: Mastering conventional process redesign increases transformation success by a paltry 5% (see Figure 4). In other words, if you're bad at the standard strategy today, and become great at it tomorrow, the outcomes of your transformations will be materially no better than they were. By contrast, mastering designed simplicity produces a stunning 42% increase in success, which can propel a major initiative from being among the least gainful to among the most.

There is a clear reason why a tactic widely practiced across industries by companies of all sizes produces so little benefit. Procurement functions that take the conventional route are 26% *more* likely to encounter complexity in their transformations (see Figure 5). Those that follow designed simplicity principles, on the other hand, are 21% *less* likely to do so. In other words, when CPOs follow the conventional method, their transformations make complexity worse, whereas designed simplicity reduces it.

» **Figure 4. Designed Simplicity Vastly Increases Success**
Percentage Improvement on Transformation Success^a

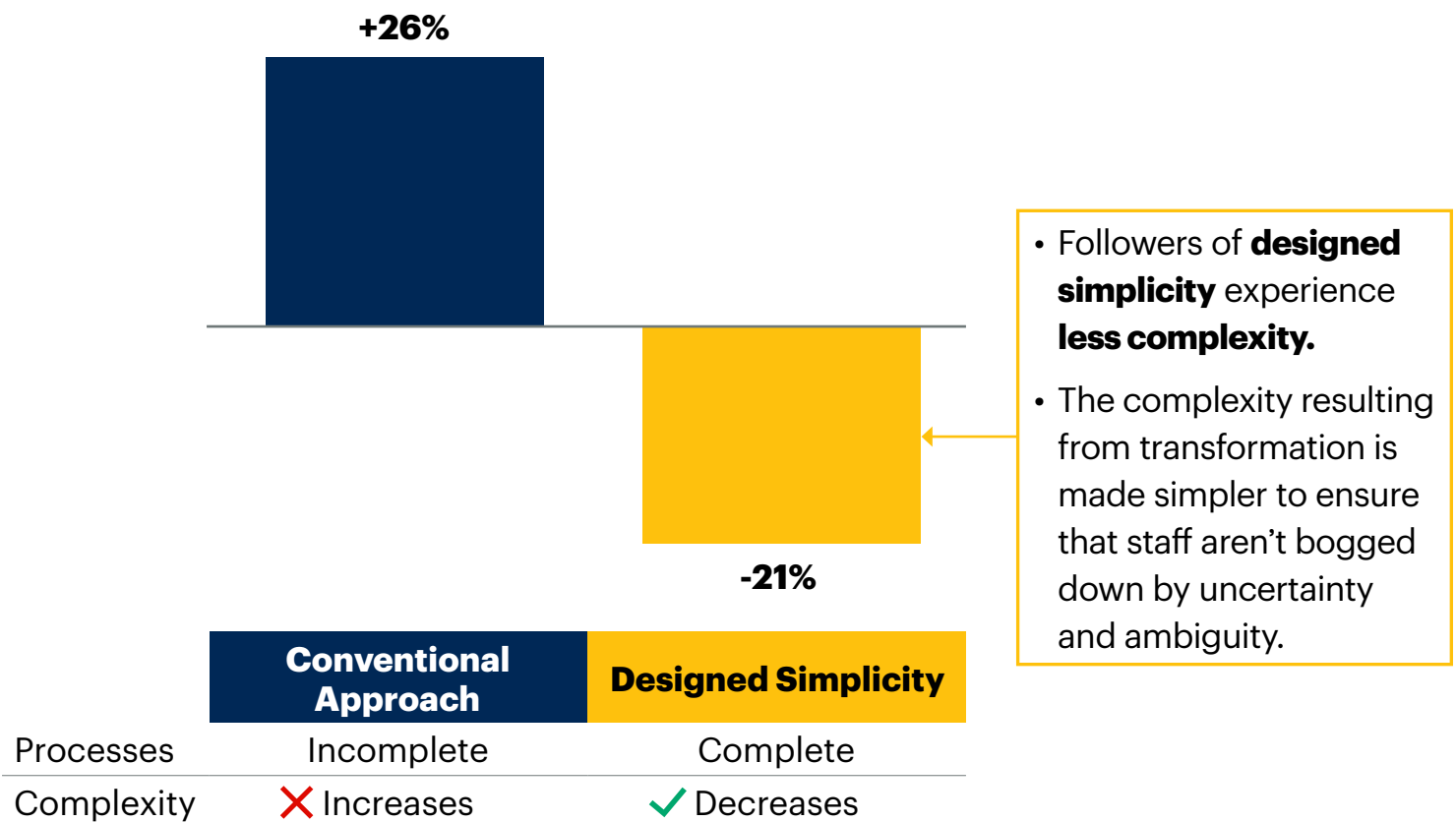


Benefits

- Makes Meeting Objectives the Goal
- No Major Workflow Gaps or Ambiguities
- Staff User-Experience Is Prioritized
- All Reasonable Scenarios Are Planned for

n = 276 procurement professionals
Q. Which of the following challenges did your organization face in its transformation? The complexity of the new responsibilities and/or methods.
Source: 2023 Gartner Procurement Functional Transformation Survey
^a Transformation Success is calculated as (0.75*Performance on Objectives) + (0.25*(100-Difficulty Score)).

» **Figure 5. Designed Simplicity Reduces Complexity**
Change in Percent Experiencing Complexity as a Transformation Challenge



n = 197 procurement professionals (n = 76 top efficiency approach quartile; n = 60 bottom efficiency approach quartile; n = 69 top designed simplicity quartile; n = 74 bottom designed simplicity quartile)

Q. Which of the following challenges did your organization face in its transformation?
Source: 2023 Gartner Procurement Functional Transformation Survey

Trinity Health Captures User Voice in a Continuous, Low-Cost Way

At U.S.-based healthcare organization Trinity Health, procurement leaders recognized the importance of users' perspectives in process improvement. But they also knew crowdsourcing ideas and solutions can present challenges. Staff might produce either very few ideas or an unmanageable volume of them — with most of the suggestions generated not being very good.

Trinity Health solved the low-volume problem by requiring all procurement employees to submit at least one process improvement idea each year. It dealt with the quality issue by curating a set of process enhancement ideation tools that make it easier for staff to develop potentially high-value ideas. The organization trains staff using tools and techniques borrowed from the

Kaizen process improvement system, and managers coach team members throughout the ideation process.² Filtering ideas through successive review stages means only the best ones reach decision makers.

Lill Rothermel, executive director of procure-to-pay at Trinity Health, explained the strategy's impact on employees. "If you're having these conversations with them, telling them you want to hear their ideas, giving them feedback on their ideas, they're going to also apply that same engagement to all the other tasks that they do," she said. "We've had great colleague engagement scores. People feel heard."



Lill Rothermel,
Executive Director
of Procure-to-Pay,
Trinity Health

The organization now has a continuous pipeline of potential process improvements to act on, and the exchange of ideas between staff, managers and leaders has become embedded into its culture. In its procure-to-pay process alone, Trinity Health’s improvement efforts have generated over \$1 million in annual cost savings.

Bayer Analyzes Workflows Through an Employee Lens

Bayer, the German pharmaceutical company, issues more than 1.4 million purchase orders annually. The organization knows designing simplicity requires overcoming the limited visibility that makes it difficult for procurement leaders to understand what process users need. To address this problem, the procurement function analyzes workflows from a user-experience perspective to position itself to create future workflows that strongly align with users’ needs.

Bayer leverages two layers of user analysis to understand how different kinds of users interact with its procurement processes, as well as what does and doesn’t work for them. The company identifies the various paths employees take through their workflows, and locates and preempts potential friction points with revised and newly designed processes. Through these ongoing efforts, Bayer’s procurement function aims to address process obstacles quickly before they can crystalize into harder-to-solve problems. This system has enabled Bayer to so far identify 170,000 purchase orders as opportunities to extract process improvement insights.



Diana Laffert,
Head of LH End2End
Optimization, Bayer

Diana Laffert, head of LH End2End Optimization at Bayer, says, “Our UX project is more than just a new workflow design — it’s a journey of understanding, empathy and user delight. We plan to elevate the entire experience (e2e) in buying and engaging with procurement.”

¹ **2023 Gartner Procurement Functional Transformation Survey.**

The survey was conducted to explore the problem of complexity in procurement transformation and learn how procurement leaders are overcoming transformation hurdles to make complex tasks easier to execute. The research was conducted online from 5 June through 11 July 2023. In total, 276 respondents were surveyed in English across North America (n = 142), Western Europe (n = 95) and Asia/Pacific (n = 39). Of the respondents, 228 were procurement leaders, while 48 were procurement managers and staff; 143 respondents were from organizations with more than 10,000 employees. Respondents were randomly assigned to answer questions on one of the following types of procurement transformations that had concluded (n = 274) or is ongoing (n = 2) at their current or previous employer between 2018 and 2023: digitization, category management, organizational design, sustainability, supplier management or supplier diversity. Respondents were asked about their transformation status and their approaches in relation to change management, workflows and leadership approaches to the transformation. Disclaimer: Results of this survey do not represent global findings or the market as a whole but reflect the sentiments of the respondents and companies surveyed.

² [Kaizen: Understanding the Japanese Business Philosophy](#), Investopedia.

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