

An aerial photograph of a shipping yard or port area. The foreground shows a large paved area with numerous colorful shipping containers (blue, red, yellow, green) stacked and scattered. Several yellow and red forklifts are visible, along with other industrial equipment. In the background, a dark blue body of water is visible, and a concrete pier or dock extends into it. The overall scene is industrial and busy.

Gartner®

2018-2019 Annual Edition

Top Insights for the C-Suite

A Procurement Perspective

Introduction

Digital business reached a tipping point in just the past 12 months as organizations scaled their digital capabilities. Digitalization is now top priority for both private- and public-sector organizations — and in many cases is a business-critical imperative. As a result, business model change is inevitable.

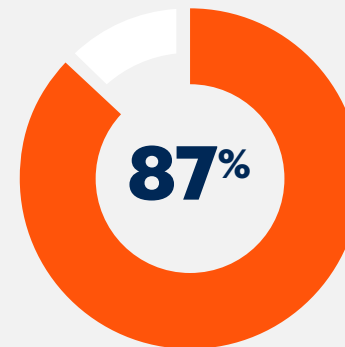
Transformative time spells opportunity ... and disruption

Digitalization offers exciting new ways for organizations to engage with stakeholders, deliver a superior experience across the life cycle of their business, manage costs and improve productivity. But capturing the potential of digitalization almost inevitably means radical change in business and operating models.

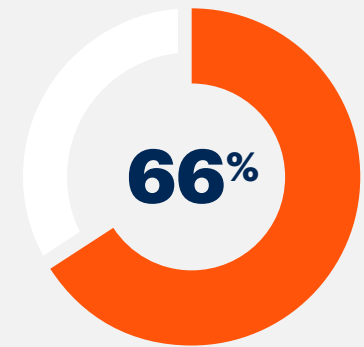
This e-book delivers insights from Gartner research, featuring data and findings from proprietary surveys and engagements, that explain how different organizational functions are managing the pressure of digital transformation as it manifests for them.

Download the e-book to learn how to speed up buys without compromising value.

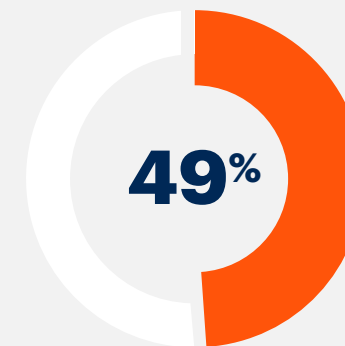
Gartner research has found:



of senior business leaders say digitalization is a company priority



of CEOs expect their company to change its business model in the next three years



of CIOs report business model change is underway

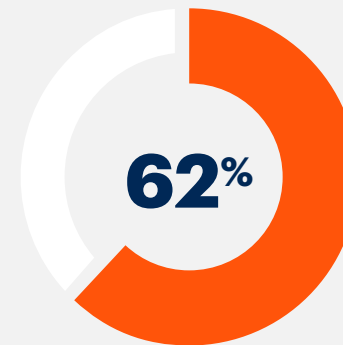
Gartner research has found:

Some organizations are looking only to augment what they do with better technology, but many intend to totally reinvent themselves. Whatever the extent of business model change, functional teams feel the effects — some clearly and immediately, others less directly but just as profoundly.

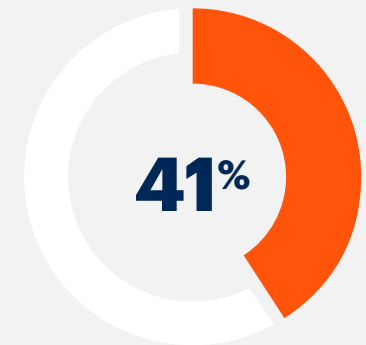
Decision making itself has changed and often involves (or should) more, often-unfamiliar stakeholders, sometimes with unclear lines of accountability. Slow and uninformed decision making creates operational “drag” (squandered effort and resources) that can threaten digital ambitions.

The pressure is real, but our market intelligence shows that progressive organizations proactively realign or reinvent themselves to respond, at the requisite speed, to the digital-age demands of internal and external stakeholders. Their approach positions their organization to seize the opportunities presented both by digitalization and today’s buoyant economic conditions.

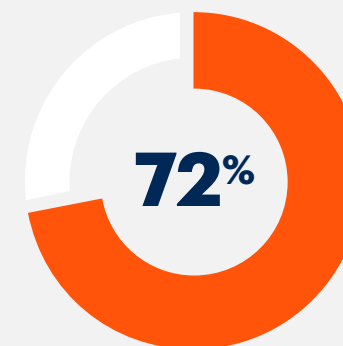
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of CEOs say they have a management initiative or transformation program underway to make their business more digital



of CEOs think their company is an innovation pioneer — an all-time high



of strategists say their company's digital efforts are missing revenue expectations

“Business pressure for speed demands that procurement make buying faster for stakeholders. However, perceptions about procurement being slow create barriers to stronger business partner collaboration.

“Leading procurement organizations develop five-year technology investment roadmaps and fundamentally change the sourcing experience to make the process both go and feel faster.”



Ben Federlein
Managing Vice President, Gartner Research & Advisory
Procurement, Operations & Strategy Group

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Pressure rises on procurement to get business partners what they want, when they want it

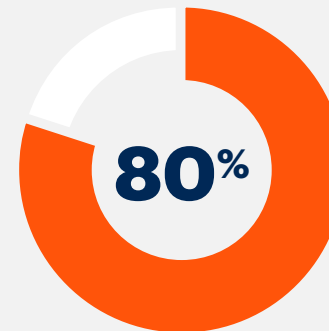
It's inherently hard for procurement to support a first-mover strategy

The global economy is forecast to grow 3.9% in 2019. Businesses are bullish and CEOs don't want to miss the boat — and being first is often the difference between winning and losing.

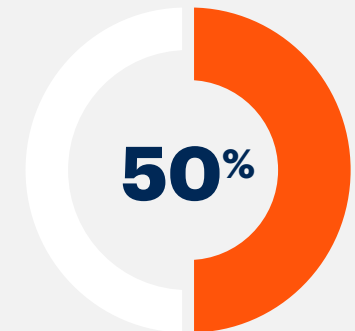
But the ability of procurement teams to respond at speed is constrained: Sourcing in-demand digital products like robotics and artificial intelligence requires new “muscle” that few have yet developed, and new assurance areas like the General Data Protection Regulation complicate buying.

Download the e-book to learn how to speed up buys without compromising value.

Gartner research has found:



80%
of a new market's profits are captured by the initial one or two entrants



50%
The number of CEOs who want to be first movers has grown 50% since 2013

3.9%

Global gross domestic product is forecast to grow 3.9% in 2019

Compromising the buying process is not the answer

To help business partners get what they want when they need it, procurement often makes compromises in the buying process (e.g., skipping or short-cycling sourcing steps), but such compromises in due diligence can lead to bad trade-offs and consequences.

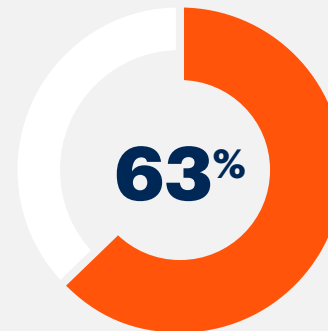
And focusing primarily on speed doesn't reduce pressure on procurement to speed up the buying process — for two reasons:

1. **Poor visibility.** Improvements are often made at the back end (such as the use of lean/Six Sigma processes or cloud technologies) so they aren't seen by business users.
2. **“Shelf life.”** Business partners may initially be happy with improved speed, but once that pace becomes the new normal, they then expect even faster service.

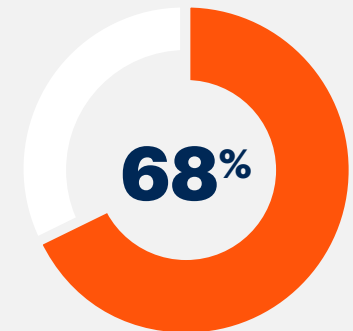
“Behavioral psychology tells us more about why business partners put pressure on procurement to go faster than does buy speed.”

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Gartner research has found:



63%
of the time procurement skips or short-cycles steps in the sourcing process to try and get the speed their business partners demand



68%
of chief procurement officers indicate bad trade-offs have introduced significant or very significant new risk

35%

Even the fastest procurement organizations only see ~35% reduction in speed pressure from their business partners

It's critical to make buys feel fast

Speed is in the eye of the beholder

The key to lessening pressure from the business — and reducing the need to make costly or risky trade-offs — is for procurement organizations to focus their attention and investments on making buys “feel fast.”

Basic human psychology is at play: The need for speed isn't usually about speed at all, but rather the anxiety, uncertainty and exasperation business partners feel during buys. This is what drives them to push for more speed.

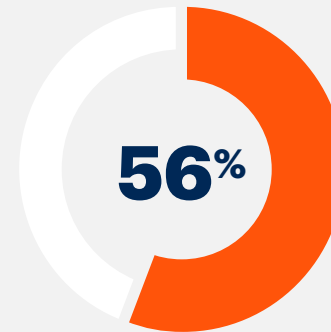
Our research shows only 7% of business partners are inflexible on sourcing timelines. The vast majority who pressure procurement to hurry up are just feeling anxiety.

To make buys feel fast:

1. Make buy timelines more predictable.
2. Make getting started easier.
3. Reduce inappropriate or necessary work.

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Gartner research has found:



Procurement organizations that make buys feel fast experience a 56% reduction in pressure from business partners



More than 90% of business partners say their buy timelines are often very flexible



\$11 million

By making buys both feel fast and go fast, an average procurement function with \$1 billion in total managed spend can recapture \$11 million in lost savings

Putting Gartner research into practice

Procurement staff and business partners at a small private equity firm agree to specific buy execution trade-offs, stipulating how and when procurement will slow down sourcing to help the business achieve higher-value results. This approach develops a shared, concrete understanding of how, for example, the same activities would be categorized differently when the business priority is cost savings versus innovation. This approach is designed to reduce average cycle time, increase business partner satisfaction and elevate procurement's credibility as a trusted partner.



Avoid the speed trade-off bind: Read research and insights on making buys feel faster for the business.

[Learn More](#)

Move From Insight to Action

Gartner Procurement Leadership Council

The definitive research and advisory resource for procurement decision makers

Procurement leaders are under constant pressure to drive cost savings, create productive partnerships with key suppliers and lower the cost of running the department.

Gartner Procurement Leadership Council supports procurement decision makers against key processes including category management, strategic sourcing and supplier relationship management.

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