



Driving growth in volatile times

Five ways Procurement can be a vital growth engine for your business

Insights based on Economist Impact research

Start your engines

Businesses today are urgently trying to boost revenues. But too often, they're forgetting that Procurement is a powerful engine to fuel and ignite the growth they crave.

Shifts in demand, rising prices, labor constraints, supply shortages, and economic uncertainty have put a dent in profits. According to [research from SAP](#), 58% of companies have seen their revenue decline in the last three years.¹

For many businesses, growth remains stalled, and they are relying on Procurement to restart that engine. Why Procurement? Because it all comes down to two areas – **costs and supply assurance** – and Procurement impacts both.

1. The key to reining in costs lies in predicting what will be spent and with whom. Doing this requires deep visibility across categories – from direct and indirect to external services and contingent labor. The manual processes and disparate systems that have traditionally driven procurement processes – and in many cases still do – create opacity.
2. Companies have had to quickly find new sources of supply and plan collaboratively with their trading partners in order to maximize agility and resiliency. That's been essential to keep their businesses moving, and safeguard the resources – from microchips to talent – they need to deliver on point and on time.



Let's show you how we can fuel your company's growth engine.

Fast-track to a demo

How can Procurement help? With C-suite support, Procurement can gain the transparency and agility required to make informed decisions and fuel efficiencies, savings, and growth. How? By embracing technology that supports the entire procurement discipline, all spend categories, and all critical business processes Procurement affects throughout your company. At the same time, Procurement can engage with a business network to discover new sources of supply. The right procurement technologies – including strong AI capabilities – are a game-changer in driving better business performance. And companies need that, especially right now.

In this paper, we'll explore five key ways that Procurement can drive growth in these challenging times:

1**Managing costs****2****Mitigating supply chain risk****3****Igniting new product development****4****Driving sustainability****5****Accessing skilled talent on demand**

1. Managing costs

With businesses and consumers under pressure from high prices, managing costs effectively has to be a clear priority for companies in every industry. Underlining its importance, 36% of C-suite executives in the 2023 Economist Impact research declared cost management to be their number-one goal.² Procurement has a vital contribution to make here, not least by maximizing visibility into all categories of spend – right across the supply chain.

Introducing automation and intelligence into spend management is crucial. For example, Procurement can control unauthorized “maverick” spending by using automation to direct employees to preferred vendors, and letting them buy what they need with just a few clicks. This drives value straight to the bottom line. Automation helps to increase efficiency within the procurement process as well. Streamlining high-volume, low-skill tasks allows teams to react more quickly to problems as they arise and focus on more value-added work.

“

It's been said that what you can't see can't hurt you. When it comes to managing spend, nothing could be further from the truth. If you can't see it, you can't control it. And if you can't control it, you can't optimize it.

Muhammad Alam,
President and Chief Product
Officer, Intelligent Spend
and Business Network, SAP

”

1. Managing costs, continued

As well as spend management, Procurement can help to control costs in other ways. One option? Taking advantage of high interest rates to improve working capital. Companies have huge amounts of money tied up in working capital, as they've amassed excess inventory to protect against disruption. Now, in the drive for growth, Procurement should seek to rebalance security of inventory while freeing up more working capital.

Another opportunity worth pursuing is dynamic discounting. This is the strategic ability to negotiate discounts – particularly from smaller suppliers – in exchange for offering faster payment. It's a great way to support suppliers and build strong relationships – particularly as they grapple with high inflation and raw material shortages.



How SAP can help drive growth:

Taulia solutions for working capital management

Liberate cash by unlocking the value in your supply chain using working capital management solutions – including discount management, supply chain finance, inventory finance, and receivables finance.

SAP Ariba Buying and Invoicing solution

Make the procurement process smooth by automating your entire purchasing lifecycle and give employees one place to search for indirect goods and services.

SAP Ariba Spend Analysis solution

Harness cutting-edge spend analytics to drive better decision-making.

SAP Ariba Category Management solution

Equip category managers with AI that streamlines tasks, helps profile external markets, and delivers recommendations and insights into categories and opportunities.

2. Mitigating supplier risk

More than one quarter (26.6%) of companies say risk management is a top priority.³ With supply chain disruption still dominating the headlines, it's easy to see why. For one reason, it's hugely costly, with the average company facing over \$180 million in additional expenses per year.

Shocks like geopolitical unrest and new governmental compliance acts (e.g., the German Supply Chain Due Diligence Act or LkSG) have brought home the importance of supply chain visibility. Many executives realized too late that they didn't have sufficient and timely insight into what was taking place across their end-to-end supply chain. Now, as they seek to remedy this shortfall, the number of executives prioritizing supply chain visibility to manage organizational risk has nearly doubled in just 12 months, from 16% in 2022 to 29.6% in 2023.⁴

There are also risks in how procurement operations are executed. For example, using indirect procurement tools for direct spend can create a whole range of headaches – from slower time to market to a lack of innovation – that can inhibit growth. Direct spend tools and approaches are essential to achieve deeper visibility into how much inventory is needed and where stock is at any given time, as well as helping to identify and manage complex interdependencies in manufacturing processes.

And finally, with prices continuing to fluctuate, it is tempting to bundle sourcing for multiple goods to achieve better deals. But it's worth resisting this impulse. Why? Because with fewer suppliers there's less competition and higher dependency. That, in turn, increases risk.



How SAP can help mitigate these risks:

SAP Ariba Supplier Management solutions

Take an innovative approach to better manage supplier lifecycles, performance, and risk within your source-to-pay process.

SAP strategic sourcing solutions

Strike competitive deals, ensure the discounts you negotiate are applied in your contracts, and manage complex pricing models like index-based commodity pricing.

SAP Business Network

Quickly find alternative suppliers when you need them.

3. Igniting new product development

Compressing the gap between ideation and launch has never been more essential. In a hyper-competitive marketplace, being first counts and there are no prizes for just taking part. Time to market is critical to commercial success. IDC estimates that new products (i.e. those on the market for three years or fewer) now contribute **20%** more to companies' revenues than they did just a few years ago.⁵

One good example? Electric vehicles (EVs), which are predicted to reach between **40%** and **50%** of all new passenger car sales by 2030.⁶ Manufacturing EVs demands collaboration between multiple suppliers to create the new product features and innovation that are prerequisites for success in this market. Since Procurement already collaborates with multiple internal and external partners, it can use this expertise and experience to help bring together the co-innovation that's now more important than ever. To do that, Procurement needs to take a proactive approach, staying ahead of market trends to keep the business informed and at the cutting edge of developments.

According to IDC, companies report that supplier collaboration and sourcing networks can help them to achieve faster time to market for new products (**49%**) as well as identify and create new business opportunities (**42%**).⁷



SAP Ariba solutions for Direct Spend can help fuel new product development by providing:

Bills of materials (BoMs)

Enable quick and easy understanding of all the items needed to support product launches.

Procurement planning

Build a comprehensive procurement plan for even the most complex projects and align across multiple functions and stakeholders to support on-time product launches.

Extended collaboration

Prioritize activities based on the various constraints and interdependencies of manufacturing processes, and work with suppliers on product design, specifications, and innovation.

Orchestration

Give suppliers detailed information about requirements.

4. Driving sustainability

Escalating pressure from investors, consumers, employees, and regulators all means sustainability is no longer a “nice to have”, it’s a core mandate for every business. In fact, new research from SAP shows that **72%** of businesses believe there’s a moderate or strong positive relationship between sustainability and competitiveness.⁸

As companies make more prominent and precise sustainability commitments to the market, the pressure is on Procurement to make sure those pledges are fulfilled. A quarter (**25%**) of executives say sustainability is a top three priority for mitigating risk.⁹

The goods and services – direct and indirect – that Procurement sources have a decisive impact on the organization’s environmental and social performance. As regulatory scrutiny, such as the German Supply Chain Due Diligence Act, and potential fines increase, understanding and managing the end-to-end value chain with real rigor becomes ever more crucial.

Procurement’s activities deliver important sustainability outcomes in four key ways:

1. Shrink the business’s carbon footprint across scope one to scope three emissions.
2. Join the circular economy by collaborating with suppliers to develop innovative new ways to reuse and recycle materials and cut waste.
3. Perform supplier due diligence to make sure that vendors follow ethical labor practices and protect the environment.
4. Promote diversity and social responsibility by choosing to work with ethical businesses, certified green businesses, or companies owned by women, ethnic minorities, and other underrepresented groups.

4. Driving sustainability, continued

SAP solutions that can help with sustainability efforts:

SAP Ariba Sourcing and SAP Ariba Spend Analysis solutions

Gain the insight necessary to prioritize suppliers aligned with your sustainability goals.

SAP Ariba Buying and Invoicing solution

Encourage business users to purchase products and services aligned with your sustainability policies and programs.

SAP Ariba Supplier Management solutions

Onboard, qualify, and maintain supplier information to ensure sustainability and other certifications are kept current.

SAP Fieldglass Contingent Workforce Management solution

View the market rates for each position by location to help you improve the pay equity of external workers. The solution also helps you improve inclusivity, diversity, and safety within your external workforce.

SAP Business Network

See each supplier's ESG rating on their SAP Business Network Trading Partner Profile, thanks to SAP's partnership with EcoVadis.



Discover how to reach your sustainability goals with SAP.

[FIND OUT MORE](#)

5. Accessing skilled talent on demand

Of course, Procurement isn't just responsible for sourcing goods and services. People, in the form of the external workforce, are also now very much in scope. The external workforce, which includes all the sources of talent beyond a company's traditional employees, is now the fastest growing segment of the labor market. In fact, **50%** of organizations plan to increase their use of the external workforce.¹⁰

With talent scarce and at a premium in today's market, the external workforce provides a low-risk, cost-effective way to source the sought-after skills businesses need to drive growth. Insourcing and outsourcing strategies are another leading reason why companies are leveraging external workers as companies redefine their core operations. This workforce includes everyone from temporary administrative assistants filling in for employees on medical leave to DevOps specialists on the other side of the globe designing new enterprise applications.

Procurement can help quickly find and onboard these contingent workers and service providers, then manage areas such as facilities and systems access, compliance, and quality of work to help maximize ROI from talent spend while reducing risk. By approaching the external workforce as another category of spend to manage and curate, Procurement can offer huge value to the wider business. It can go even further by working closely with HR to identify skills gaps, create transparency into productivity and contingent labor costs, and support optimal workforce planning.

According to a third of procurement leaders, external workforce management (31%) is a top driver for digital transformation within the function.¹¹

Power your talent supply chain using SAP Fieldglass Contingent Workforce Management and SAP Fieldglass Services Procurement solutions:



Improve ROI and reduce risk from contingent workers and services providers.



Manage the end-to-end process – from finding and onboarding resources to invoicing and beyond.



Gain deeper visibility and manage important aspects of contingent workers and services providers – including compliance, security, workers' skills, credentials, and responsibilities.



Connect with partners who can help find the right talent, implement e-signatures for contracts, run background checks, and more.

A game-changer

The move to digitize spend management and supply chains has reached an unprecedented pace. And it's paying off for companies around the world. Get inspired by these business outcomes:

- Global science and technology company **Merck** knew it was time to adopt advanced technology capabilities to address growing customer expectations and increasing business complexities. In the 12 months since implementing SAP Business Network and SAP Ariba solutions, Merck has seen a **40%** uptick in sales in B2B channels. It has also increased the share of its digital channels by **15%**, helping reduce operating costs. With SAP as its technology centerpiece, we make Merck run better.¹²
- **NTT Data**, a global business and IT services provider, unified its source-to-pay processes and cracked down on supplier risk by standardizing its rapidly growing business on SAP solutions. As a result, it's saved US\$250 million on controllable spend. And it's cut its ratio of controllable spend to revenue from **32.1% to 22.7%**.¹³
- **Accenture**, one of the world's leading professional services companies, standardized its purchasing processes on SAP solutions. This included integrating SAP S/4HANA with the SAP Ariba Buying and Invoicing solution in one of the first and largest instances of guided buying capabilities globally.

The company has now achieved a five-fold increase in the proportion of catalog-based purchases.¹⁴

- Global healthcare leader **Smith+Nephew** reshaped its procurement operations on SAP Ariba solutions as part of an ambitious sustainability strategy. With standardized procurement processes, it gained visibility and control of spend globally and improved spend compliance with guided buying. The results include increasing spend under management by over \$400 million, getting more than **90%** of requisitions right the first time, and achieving an **84%** first-pass invoice-matching rate. That's not all. Employee satisfaction has jumped by **35%**, supplier onboarding cycle time has halved, and there's been a **67%** reduction in requests to onboard new suppliers.¹⁵



Prepare for the road ahead

With economic concerns looming, business leaders are being asked to deliver higher margins for their enterprises. Doing this requires traditional cost-focused sourcing and procurement cost compliance to improve the bottom line.

The Procurement function can also drive top-line growth by focusing on the five areas discussed in this paper: managing costs, mitigating supply chain risk, igniting new product development, driving sustainability, and accessing skilled talent on demand. Nearly three-quarters (70%) of C-suite executives believe that the Procurement function's insights are essential for implementing an organization's strategy.¹⁶

We've helped thousands of companies discover how Procurement can be a growth engine for your business. Contact us or request a demo by visiting sap.com/spend.



GET STARTED

Now that you understand the potential impact of Procurement on business growth, here are three actions you as a leader can take to enable this function's success:

- 1. Make sure that Procurement actively engages with other teams to participate in early planning and decision-making in relevant areas.** For example, engaging with internal stakeholders before the start of commercial conversations puts Procurement in a better position to be a value driver instead of just a price reducer.
- 2. Encourage cross-functional relationships and workflows** as well as continuous communication with all partners, internal and external, to help Procurement drive innovation and contribute to strategic and risk management goals.
- 3. Support digital transformation of the Procurement function.** This is key to driving business growth and creating new value. Companies increasingly recognize that advanced digital technologies can boost efficiency, automate, and streamline end-to-end processes, provide visibility into spend across the business, support seamless communication with suppliers, enable data-driven decision-making, and free up more time to focus on strategic initiatives. These benefits may rise to a whole new level thanks to innovations like generative AI, spend analysis, and category management solutions. However, many Procurement functions are held back from achieving all this and more by a lack of funding for must-have digital tools. In fact, **35%** of executives say it's the largest constraint they face.¹⁷ To date, other functions – particularly customer-facing ones – have been more likely to benefit from major technology spend. That needs to change.

1. SAP, [“New Research Forecasts the State of U.S. Supply Chains in 2023,”](#) October 2022.
- 2-4., 9., 11., 16. Economist Impact, [“Decoding confidence in the procurement function,”](#) June 2023.
- 5., 7. Simon Ellis, [“Supplier Collaboration and Strategic Sourcing Inform Next Generation Product Design,”](#) IDC, October 2021.
6. Javier Colato and Lindsey Ice, [“Charging into the future: the transition to electric vehicles,”](#) Beyond the Numbers: Employment & Unemployment, vol. 12, no. 4 (U.S. Bureau of Labor Statistics, February 2023).
8. SAP, [“To Profit From Sustainability, Be Resolute,”](#) November 2023.
10. Economist Impact, [“Looking out: the rise of the external workforce and its impact on internal functions,”](#) 2022.
12. SAP, [Merck customer story,](#) October 2023.
13. SAP, [NTT Data customer story,](#) February 2023.
14. SAP, [Accenture customer story,](#) October 2022.
15. SAP, [Smith+Nephew customer story,](#) November 2023
17. Economist Impact, [“Chain reactions: building value in procurement through digitalization,”](#) 2022.