Drive Bottom Line Savings with Procurement Service Management

Time to move to digital workflows
How is our spending?

According to a study published by McKinsey in 2019, indirect spend has been growing about 7% annually since 2011. As businesses grow, so does spending, and the market pressures to reduce costs and manage risk are at an all-time high.

Procurement organizations are challenged in meeting increased expectations while supporting growth. To meet such high expectations, procurement leaders are being asked to do more with less. There never seems to be enough procurement resources readily available to support purchasing requests from employees, spend quality time negotiating deals with suppliers, and manage supplier relationships. Unfortunately, when a lot of your team’s bandwidth is consumed by handling routine transactional tasks, how do you find the time to be the strategic business partner who focuses on adding value?

At ServiceNow, we’ve helped thousands of companies transform the back office with digital workflows that not only drive operational efficiencies but also boost productivity by delivering high-quality employee services like procurement. If you’d like to see your procurement organization spend more time focusing on finding cost savings and managing risk, then keep reading. We’ve identified three signs you’ve outgrown your current processes—and offer suggestions for how to automate and streamline procurement to positively impact to the bottom line.
Sign #1: Why does creating a purchase request take so long?

For employees who occasionally buy goods and services, purchasing seems complicated. Too often an employee attempts to complete a request and doesn’t fill out the form correctly because the form isn’t intuitive or well-designed; this causes delays. Other times, purchasing is complicated because the general policy information is hard to find. Employees ask around to find the right people for purchasing help instead of having one place to go for all their purchasing needs, adding more unnecessary delays.

For example, at one engineering company, if employees want to buy a mobile phone, they had to order the hardware first, and then the sim card, and then the messaging service—all from different portals. At another technology company, the procurement team would host regular office hours to help employees with submitting purchase requests because their automated systems were equally inefficient.

When a purchase request process isn’t employee-centric and is hard to complete correctly, procurement teams can get inundated with general questions. Such questions could be answered easily if standard policy information were readily accessible. Also, poor experiences compel employees to consider more convenient tactics such using their own credit cards to buy what they need. While rogue spending benefits employees in the immediate term, the company misses out on savings opportunities that would improve the financial bottom line.

Incorporate self-service

Ideally, you want a procurement system that simplifies work with self-service. Self-service accomplishes two things: First, employees can get fast answers to general questions. Second, self-service reduces labor costs because procurement teams no longer have to take time to respond repeatedly to the same questions. You also want a system that discourages rogue spending with an e-commerce-grade user experience. Employees should be able to quickly and easily find the goods and services they need, choose from a select list of preferred vendors, and obtain the contractual pricing negotiated by the procurement team.
Sign #2: Why is my purchase request taking so long to process?

Generally, employees are not aware of the operational intricacies associated with the different steps and approvals needed to purchase an item. Wondering why their requests take so long to process or why they haven’t received any response from procurement, employees request status updates when they don’t have any visibility into the process.

For example, at a data storage company, the director of indirect procurement expressed that a purchasing request could take anywhere from eighteen minutes to eighteen months to process. Whether the request was pending with legal, subject to a supplier risk assessment questionnaire, or simply sat in a manager’s approval queue waiting to be reviewed, the procurement team didn’t have visibility into where the bottlenecks were and would manually trace email threads to follow up on status.

The inability to identify bottlenecks creates transactional work for procurement teams and eats up valuable time that should be dedicated to value-add priorities. Email-based communications, in particular, are not only time-consuming to track but also give employees an unsatisfying experience whenever they don’t hear back from procurement teams in a timely manner.

**Automate and standardize for better transparency**

Ideally, you want a procurement system that not only standardizes and automates tasks needed to process purchase requests but also provides transparency so that estimates are reasonable and accurate. With such a system, procurement teams could spend less time coordinating work with the various departments, suppliers and employees requesting service. Also, employees would automatically be notified of status changes and kept apprised of their purchase requests.

Sign #3: What procurement issues need attention now?

To identify savings opportunities, procurement leaders need to extract more productivity from their scarce resources. With thousands of purchase requests to fulfill and supplier contracts to negotiate each year, procurement leaders need visibility into work status to spot pressing issues. But when status tracking is done using spreadsheets, how effectively can procurement leaders know what’s behind schedule and how their teams are performing?

Manual spreadsheets are poor organizational tools, and only track work if procurement teams are ‘self-reporting’ status updates. The information is not always current and important issues can go unnoticed. For example, one director of procurement described how she was notified in the late stages about a multimillion-dollar supplier contract renewal negotiation. Because she wasn’t informed about the negotiation earlier and didn’t provide her expertise from the start, the procurement team ended up leaving money on the table and missed a savings opportunity. Without visibility into procurement operations, procurement leaders will struggle to make better decisions.

**Gain visibility into team performance**

Ideally, you want a system that shows your procurement team’s performance at a glance and allows you to keep your finger on the pulse of operations. Procurement leaders should have immediate visibility into pending work for purchase requisitions, sourcing requests and negotiations for expiring contracts, and be able compare actual outcomes to service level agreements. Also, procurement leaders should have fast access to spend analysis by category and by supplier, and insight into the impact of their work to savings generated.
How digitized are your procurement processes?

If you’re experiencing any of these signs, it’s time to consider Procurement Service Management by ServiceNow.

Our solution helps procurement leaders automate end-to-end processes by eliminating the risk and unproductive work caused by spreadsheets, email and manual intervention. You can:

- **Boost productivity with a B2C-like experience.** Request what you need with e-commerce grade usability and maintain visibility from request to payment
- **Unite work teams to procure goods and services efficiently.** Break down silos across departments and avoid bottlenecks with real-time visibility into task status
- **Enforce procurement policy to prevent savings leakage.** Ensure contractual compliance with pricing and terms and reduce maverick spending with readily available choices of preferred suppliers.

Key measurable benefits of ServiceNow employee workflows include*:

- **23% reduction** in request management support spending
- **40% reduction** in request volume due to self service
- **30% faster** resolution times due to automation

To learn more, visit the website: servicenow.com/procurement

*Forrester and ServiceNow Value Management