Make the case for change

Five Questions Every Automotive CPO Should be Asking

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Procurement plays a vital role in managing a company's suppliers and the security of supply, as well as costs – all the more challenging with inflation. Procurement also plays a lead role in supporting new product development and helping organizations achieve their sustainability objectives. Indeed, 86% of automotive executives say the procurement function helps their organization improve sustainability credentials, which entails visibility and tracing deep into the supply base.

Yet, many procurement functions still operate with a technology deficit, lacking basics such as visibility to spend across the organization and throughout the supply chain.

If the gaps uncovered during the pandemic haven't inspired investment in digitalizing Procurement, what will?

At what point is the status quo no longer satisfactory? What's the tipping point to justify investment?

While many automotive manufacturers have been embracing digital technologies to enable business resiliency and agility, Procurement has often been left behind. This makes it difficult to mitigate risk, manage cost, and ensure continuity of supply, let alone work on strategic initiatives such as driving sustainability, supporting new product development, and co-innovating with suppliers.

Automotive executives report:

77%
cannot gain a clear view of overall spend automatically, in real time

Only
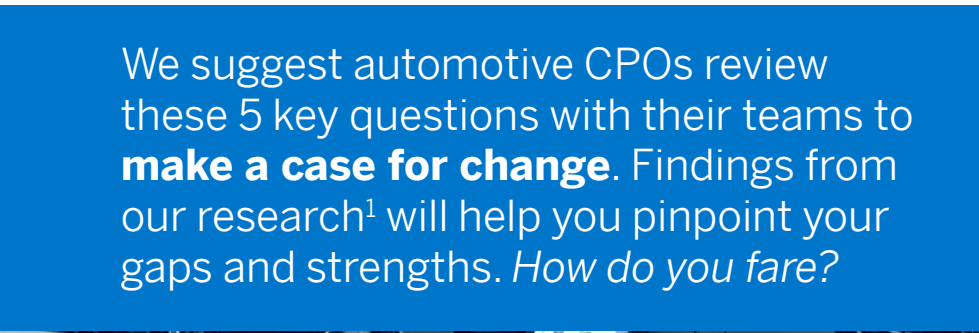# 36%
can quickly find alternative sources of supply

CPOs across industries report:

37%
say that supply chain risk is one of their top organizational risk priorities[2]

We suggest automotive CPOs review these 5 key questions with their teams to **make a case for change**. Findings from our research[1] will help you pinpoint your gaps and strengths. *How do you fare?*

Question One

How well do you manage supplier risk?

The last few years have uncovered how woefully underprepared many companies are to mitigate risk in their supplier networks. Poor visibility and a lack of transparency into supply chains are key issues.

Companies also struggle with educating, monitoring and reporting on supplier environmental, social, and governance (ESG) standards.

Automotive companies also face challenges with contract manufacturers, which can lead to quality issues and late deliveries.

Close the gaps

SAP® Ariba® Supplier Risk solution: Make risk due diligence a natural part of the source-to-pay process – reducing supply chain and operational disruption while protecting your revenue and reputation.

SAP Ariba Supplier Management solutions: An end-to-end solution portfolio that lets you manage supplier information, lifecycle, performance, and risk all in one place.

SAP Business Network for Procurement: Achieve seamless procurement collaboration with a fully digital integrated solution.

Automotive executives report:

53%
experience quality issues with finished goods or WIP from direct spend suppliers

51%
experience product shortages with their direct spend suppliers

Only

26%
are highly effective at collaborating with direct spend suppliers to remediate potential shortages or overages

CPOs across industries report:

32%
cite sustainability/ESG as a top organizational risk priority[3]

Question Two

Is your organization still bogged down by manual processes?

Manual processes are a significant barrier to visibility, operational efficiency and organizational agility, which makes it very difficult for Procurement to effectively support company operations.

Organizations that automate processes will be much better positioned to withstand disruption and pivot when needed.

Automation also frees up procurement talent to focus on more strategic initiatives.

Close the gaps

SAP Ariba Buying and Invoicing solution: Digitalize and simplify all your processes end-to-end, on a single, integrated platform in the cloud.

SAP Ariba Guided Buying capability: Gives employees a simple way to buy – one that guides them to preferred suppliers while adhering to processes and policies.

SAP Ariba Strategic Sourcing solutions: Your entire sourcing, contracting, and spend – all in one place, to source and manage both direct and indirect materials on a single platform.

Automotive executives report:

26%

say that most or all of their procurement processes are manual

23%

who manage direct spend still use phone, email and spreadsheets as their primary means of collaborating with external partners on key supply chain processes such as production planning and execution

37%

experience reconciliation issues and exceptions – which can be time consuming to resolve

CPOs across industries report:

44%

say that disruptions caused by COVID-19 are a top driver of the increased pace of digital transformation of Procurement[4]

Question Three

What's the adoption rate of procurement solutions in your organization?

The new solutions you procure and implement can't deliver benefits unless people actually use them.

If Procurement isn't fully using its own processes and technologies, how can the rest of the organization be expected to?

A key aspect of adoption is ease of use. Solutions need to provide internal stakeholders with an intuitive and guided buying experience, similar to what they have become accustomed to on consumer-oriented purchasing platforms. By improving the buying experience, companies will drive greater adoption and greater compliance.

Close the gaps

SAP Ariba Procurement mobile app: Provides mobile access to your SAP Ariba procurement, sourcing, and contracting solutions so you can be effective and productive anytime, anywhere.

SAP Ariba services: These services help you realize value at every stage of your digital transformation journey, from initial set up to ongoing adoption and success.

Automotive executives report:

60%

say the lack of specialized talent to carry out digital transformation initiatives is a barrier to digital transformation of the procurement function

59%

say digital transformation of Procurement is not viewed as a priority for the organization

43%

cite the low adoption of new processes and technologies **within the procurement function** as a barrier

CPOs across industries report:

38%

say user experience is one of the top 3 drivers of digital transformation in Procurement[5]

Question Four

How data-driven is your decision-making?

Timely, actionable data-driven insights are essential given the speed of business.

Yet, many procurement functions still rely on antiquated, unintegrated technology, and there's often still a hefty dose of manual effort to compile and analyze data. And, for many, the lack of data analysis skills in the procurement function is also holding them back.

Accelerating adoption of predictive analytics and AI/machine learning, and the associated skills to derive insights from data, would help Procurement make more informed decisions, mitigate risk and more effectively support stakeholders.

Close the gaps

SAP Ariba Spend Analysis solution: Gain insight into all spend and suppliers, plus market intelligence, enabling you to see how you can increase savings, mitigate risks, and improve compliance.

SAP Ariba Supplier Management solutions: An end-to-end solution portfolio that enables you to manage supplier information, lifecycle, performance, and risk all in one place.

SAP Ariba Supply Chain solutions: Connect the people, partners, processes, and information needed to manage all design-to-deliver activities in a simple, smart, and open way.

Automotive executives report:

Only

46%

say the procurement function frequently or always uses data to inform decision-making

61%

say the lack of data analysis skills is a barrier to their organization's use of data to inform decision-making

Just

40%

are able to automatically intake, interpret, and make recommendations based on third-party data about commodity price volatility

CPOs across industries report:

38%

say the main skill gap they face in recruiting procurement staff are technological skills[6]

Question Five

How much do you know about external workers across your organization?

Organizations are turning to contingent workers and services providers to meet business goals. In fact, the "external workforce" accounts for 42% of workforce spend in automotive.

Yet, Procurement often lacks visibility into who these workers are, what they're doing, if they have necessary training and certifications, which systems and facilities they access, and more. This creates significant risk for the organization, and decreases the value you could realize from your external workforce.

Close the gaps

SAP Fieldglass® Contingent Workforce Management and **SAP Fieldglass Services Procurement applications:** Gain visibility and actively manage your external workforce, improving ROI and reducing risk.

SAP Fieldglass Worker Profile Management application: Manage and track your external workforce with standardized worker records in one place.

SAP Fieldglass Assignment Management solution: Centrally deploy, manage, and pay external resources across all facilities, for all types of projects – with one solution.

Automotive executives report:

36%

experience digital security breaches with contingent workers

26%

experience physical security breaches with services providers

29%

experience compliance issues with services providers

CPOs across industries report:

43%

say they will increase the use of the external workforce[7]

SAP for automotive

The **10** largest companies in the automobile and components industry are SAP customers[8]

94% of the automobile and components industry's total revenue is produced by SAP customers[9]

US$3.3 trillion is the combined revenue generated by SAP customers in the automobile and components industry[10]

908 of the world's 1000 largest companies are SAP customers[11]

CPOs backed by the power of SAP have a full picture of spend, risk, and continuity of supply. That means **freedom to add value and supercharge your procurement processes.**

What will you do with total clarity?

We'd like to help you make a case for change

To get started on your journey to change, contact your SAP Partner.

[1]   Unless otherwise noted, all data cited from *The Imperative for Procurement Digital Transformation – Automotive* by SAP in collaboration with Oxford Economics

[2-6]   Economist Impact, *Chain reactions: Building value in procurement through digitalisation*, June 2022

[7]   Economist Impact, *Looking out: the rise of the external workforce and its impact on internal functions,* June 2022

[8-11]   Sources: SAP Best Run Intelligence, public company financial statements, S&P Global Market Intelligence, 2021

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