Empowering enterprise agility

The new procurement playbook

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The new procurement landscape

Global supply chains are evolving. Where procurement executives once focused on engineering stability into their supply chains, it has now become clear that there is no longer such a thing as a fail-safe design.[1] After several years of unprecedented events – from extreme weather events to rising inflation and looming economic uncertainty – procurement executives are re-evaluating their approach to building and maintaining a resilient supply chain while balancing pressures to increase savings and cut costs.

Those who want to grow and thrive in this new reality must embrace change as their only constant, abandoning the old idea that supply chains should be engineered to reach a hypothetical, static, optimal state. Instead, successful procurement organisations must embrace agility as a state of mind and commit to continually renewing, reorganising, developing and experimenting.[3]

The Hackett Group's 2023 Procurement Agenda and Key Issues Study surveyed leaders of mid-sized and large enterprises around the world and found:

66%

66% cite economic uncertainty as their top risk

54%

54% cite inflation as their top risk

45%

45% report they are accelerating digital transformation to address these concerns

Thriving in a changing procurement landscape

Remember when there was such a thing as normal? When The Hackett Group began conducting its annual research into procurement priorities in late 2021, they found that only 11% of procurement executives expected instability to continue into 2023 or beyond.[4] Now, their 2023 report shows that 66% of executives cite a pending economic downturn or recession as their top concern for the coming year.

Instead, procurement leaders are embracing a new normal, as they work to transform their organisations by facing today's challenges head-on.

But while these financial responses can help organisations survive in the short term, leaders must also develop long-term, holistic strategies that encompass not only finance, but people, processes and technology to transform and **grow their organisation** in the new age of disruption.

4 The Hackett Group. 2022 Key Issues Study. December 2021

5 The Hackett Group. 2023 Procurement Agenda and Key Issues Study Results. 2023.

Industry Insights: Manufacturing A recent survey of over 100 U.S. executives and other senior leaders to find:

80%

80% of surveyed executives experienced at least one disruption that had a heavy or very heavy impact on their supply chain over the last 12 months
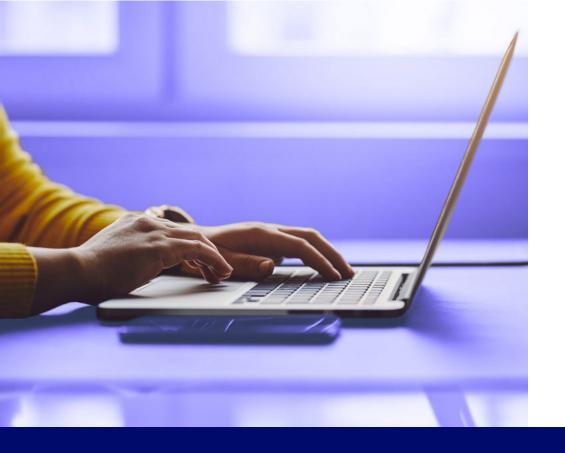
90%

90% of surveyed executives agreed that the frequency of these disruptions has increased over the past decade and the pandemic has exaggerated the impact

50%

50% of surveyed executives agreed that these disruptions significantly affected their productivity and profits

Source: The Hackett Group, 2023 Procurement Agenda and Key Issues Study. 2023.

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Accelerating digital transformation

Recent research by The Hackett Group found that digital transformation remains a top leadership priority to prepare for the looming economic downturn, as organisations search for opportunities to increase efficiency and maintain value in the long term. However, they also found that 42% of organisations still have legacy solutions they say must be replaced, as applications and functions move increasingly to the cloud. A further 38% of those same legacy systems are actively limiting their agility, reducing their functional capabilities and limiting ability to be competitive.

Of the global procurement leaders surveyed,

45%
45% are accelerating digital transformation: automation, advanced analytics and modelling

39%
39% are reprioritising capital spending/allocation

35%
35% are initiating a formal cost-reduction programme

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Agility as a state of being

While agility can sometimes feel like a nebulous term, organisational agility at the enterprise level can be even more elusive. In theory, agility is the ability to anticipate or sense disruptive events and quickly adapt to changing stakeholder needs.[6] It is the bedrock of resilience, as agility allows organisations to respond quickly amid disruption, which may make all the difference in today's procurement landscape.

In practice, agility is an ongoing commitment to learning and cross-team collaboration, breaking down silos within and between finance, people management, operations and IT to align and scale business capabilities with evolving customer needs.

6 The Hackett Group. "Procurement Agility: The Key to Enabling Success." Amazon Business blog. 2023.

It's time to meet the moment: Procurement leaders must embrace agility as a state of being

Agility means…

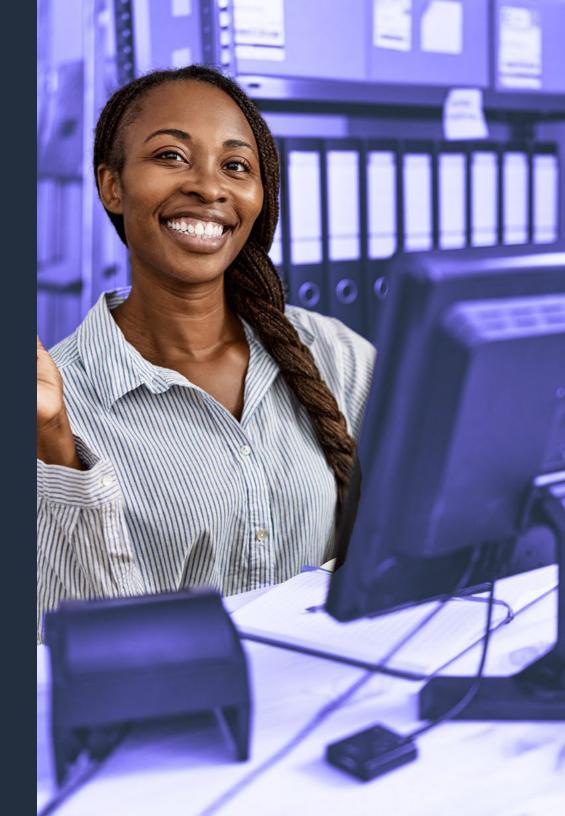|		
Redefining efficiency	**Empowered teams** A familiar user experience, comprehensive selection, purchasing controls and reliable delivery enable faster decisions when your teams need a quick pivot	**Speed**
Technology that simplifies	**Integration and automation** Get more from your existing eProcurement systems with purposeful integrations at critical points in the procurement process	**Productivity**
Embracing long-term innovation	**Scalable decisions** Get insights into buying trends across your organisation to inform strategic purchasing decisions	**Visibility**

Redefining efficiency – doing more with less

There's no getting around the elephant in the room; economic uncertainty almost always results in budget cuts, delays in spending and increased financial oversight. These are defensive strategies, designed to protect existing resources, but often result in an imperative to 'do more with less.'

To reduce pressure on their teams and lay the foundation for long-term success, procurement leaders can take the opportunity to turn their investments inward, focusing on their existing people and processes to find opportunities to increase efficiency, reduce operating costs and identify savings opportunities.

1 Empower employees and improve coordination between teams.

Delegate non-essential purchasing decisions to those closest to the issue, eliminating time-consuming, cross-team approval processes and freeing up valuable time. The right system requires little to no onboarding and can make it easy for employees to compare prices, evaluate reviews and get what they need when they need it.

2 Improve cost savings while increasing selection.

Digital solutions enable access to multiple, competing sellers, allowing purchasing teams to remain agile with improved price transparency and no long-term commitments, purchasing thresholds or minimum buys.

3 Ensure compliance with digital tools.

Partner with your finance team to identify and use the right tools to track, report on and ensure purchasing compliance, using controls to drive adherence to organisational policies and preferences. This is also a great opportunity to advance sustainability initiatives by identifying and driving spend toward diverse, local or certified sustainable suppliers.

4 Evaluate your existing procurement ecosystem; is it meeting your needs?

Take the time to map out a big-picture view of spend across your organisation. Where are the gaps? Are there legacy systems that are slowing your organisation down? Create a clear picture of your technical debt and the risks it creates, so that you can make important technology decisions that will mitigate these risks while increasing your operational agility.

Industry spotlight: Empowering employees with Lippert Components

Lippert Components is a company that's always on the move, having grown from the founder's garage in 1956 to a world manufacturing powerhouse with $1.7 billion in annual revenue, 52 facilities and 8,000 employees.

Lippert Components wanted to relieve its IT staff of their burdensome purchasing responsibilities, so the company modernised its purchasing workflow by enabling plant workers and other staff to buy for work directly on Amazon Business, removing the need to go through the IT department for a wide range of indirect materials. Now, Lippert Components can manage purchases in one place, from invoicing to payments to reporting.

LiPPERT

"

Overall, Amazon Business gives our IT team more time to do what we're good at and makes us a more agile company.

– Vince Doepker, Vice President of IT Operations, Lippert Components

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Vince Doepker, Vice President of IT Operations, tells us how the company used Amazon Business to remove purchasing responsibility from IT and into the hands of employees, where it belongs:

"While our manufacturing plants use state-of-the-art technology to reduce costs and drive innovation for customers, until recently, our company's purchasing processes lacked that efficiency. Whenever a worker needed to order a computer mouse or other consumables, the request went through our IT department. This took precious hours away from our technology professionals, which we could put to better use elsewhere. There's really no added value for us in managing employees' everyday purchasing needs. We want to be more productive and spend our time making Lippert's IT systems work better, not shopping for keyboards.

When we learned about Amazon Business, we saw an opportunity to address this challenge. We set up an Amazon Business account and began allowing factory personnel to shop for work directly on the marketplace."

Read the full case study on the Amazon Business blog.

Technology that simplifies: taking advantage of flexible technologies to boost spend intelligence

The 2022 Gartner Report, Grow Revenue and Reduce Recession Risk by Clearing Technology Debt, asserts that technology debt is created when "a legacy asset is used beyond its valuable life." Proactively addressing this debt reduces downtime and accelerates decision-making; both capabilities are important components of agility and, ultimately, resilience.[7]

It can be difficult to build the necessary momentum to address and eliminate this debt even in stable economies. However, it is essential to identify and address these potential risks in times of uncertainty, as doing so can introduce important revenue, agility and innovation opportunities.[8]

To begin this process, start by asking yourself what you can and cannot audit. Are there answers you wish you had but can't find? Are critical business functions, like tracking unplanned spend, being managed in an app, system or spreadsheet not designed for that purpose? And, finally, can you trust your data to transition smoothly and accurately between systems, so that you can leverage it when it comes out the other end?

7 Gartner. Grow Revenue and Reduce Recession Risk by Clearing Technology Debt. September 2022
8 Gartner. Manage Technology Debt to Create Technology Wealth. September 2022

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Once you have a clearer view of your technology deficits, you will be ready to identify a solution. Avoid the urge to put off a decision until the economy has improved or the most recent disruption has passed – inaction can be far more risky than action when it comes to eliminating unnecessary technology debt and offloading systems that prevent or limit agile decision-making in today's fast-paced, disruptive environment.[9]

9 Gartner. Manage Technology Debt to Create Technology Wealth. September 2022

Doing nothing about depreciated assets and legacy contract renewals is a passive decision that can directly or indirectly cost your organisation more.

– 2022 Gartner Report: Grow Revenue and Reduce Recession Risk by Clearing Technology Debt

In a world of uncertainty, you need a partner that has the tools, resources, product selection and experience to help reduce your risk, gain visibility into tail spend and diversify your supplier base. Prioritise solutions that are:

Configurable, able to integrate into your current eProcurement environment at multiple stages of a transaction

Flexible, with access to a wide range of suppliers and a vast selection of products to allow your teams to keep moving when faced with the unexpected

Scalable, with expanded operational capabilities beyond just software products to include partnerships and services to help you accelerate growth

Optimised, with a straightforward user experience that allows for easy navigation, convenient and reliable shipping options and detailed data analytics that provide visibility into unplanned or ad hoc spending patterns

"Tail spend is generally defined as the amount of money that an organisation spends on purchases that make up approximately 80% of transactions but only 20% of total spend volume. As this characteristic suggests, tail spend transactions are mainly low-value, and often one-off purchases, which go out to a wide array of suppliers.

– Deloitte, innovating tail spend management: An opportunity to improve P&L and working capital, 2020

Amazon Business Integrations

Amazon Business is committed to creating smart business buying experiences for organisations of all sizes. Integrations combine the ease of Amazon Business with a wide variety of e-procurement and expense management systems, providing quick and secure access to hundreds of millions of products on Amazon Business.

Punchout
With Punchout, customers begin in their e-procurement system, then jump out to Amazon Business to make a purchase. Amazon Business has integrated Punchout with over 100 e-procurement partners globally.

Punch-in
With Punch-in, shopping starts on Amazon Business and ends in your e-procurement solution for approvals and budgeting. It offers a unique combination of the familiar Amazon interface and processes for compliance and control.

Single Sign-on
Secure, one-click access to Amazon Business is available with Single Sign-on. In addition to time savings and the ability to enable and disable buyer access through your SSO provider.

Integrated search
Most business purchases begin with a search. Integrated Search uses the Amazon Business Product Search API to let buyers search and shop from spend management or procurement tools, reducing clicks, saving time and supporting compliance with purchasing policies.
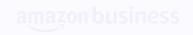
E-invoicing
Invoice integration helps automate invoice reconciliation and payment processing, and delivers cost savings of up to 80% for large enterprise customers. Furthermore, it can minimise manual invoice data entry errors and help to avoid penalties due to incorrect reporting.

APIs
Amazon Business APIs can also elevate your purchasing, tracking and reporting capabilities. Some examples are the Reporting/Order History API, User Management API, Ordering API, Reconciliation API.

To find out more about Amazon Business integrations, including self-service integrations, visit business.amazon.com/integrations.

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> **By 2026, more than 50%** of large organisations will compete as collaborative digital ecosystems rather than discrete firms, sharing inputs, assets and innovations.
>
> *— 2022 Gartner Report: Grow Revenue and Reduce Recession Risk by Clearing Technology Debt*

Embracing long-term innovation building scalable partnerships

Finding the best solution for your business is more than purchasing software; it's about building a digital ecosystem and choosing one of many components that must interact in an integrated, scalable, agile way. Deloitte notes that the power of these ecosystems are derived from the 'network effect', a phenomenon in which the value of the ecosystem increases or decreases based on the number of stakeholders within it.[10]

10 Deloitte. 'Using the network effect.' August 2021

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Industry Insights: Industrial products and construction (IP&C)
Deloitte surveyed IP&C leaders and found:

79%

79% agree or strongly agree that within five years, all successful companies in the industry will have extensive digital capabilities, compared with 67% of leaders in other industries

88%

88% of IP&C executives asked agree or strongly agree that access to data-driven insights is making a significantly positive impact on their business

38%

38% of IP&C leaders surveyed are in the process of building more transparency across their supply chains, and 28% plan to do so

Source: Deloitte. 'Using the network effect.' August 2021

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Honeywell

Industry spotlight: Building better processes with Honeywell

The Honeywell Heating Specialty Co. was formed in 1906, built around a revolutionary new mechanism for heating water. Over the next hundred-plus years, Honeywell transformed into a massive enterprise with a footprint across industries as diverse as aerospace, speciality chemicals and pharmaceuticals, along with a large portfolio of technology services.

Supplying its workforce – distributed across more than 70 countries – is no easy feat, given the range of needs of each business. "We need everything under the sun, from things as common as pens and paper to special metals and coatings capable of going into space," says David Canales, strategic sourcing manager at Honeywell.

"We want data availability and accuracy across our businesses, as well as a consolidated procurement system allowing us to capture the indirect spending needs in a single place," Canales says. To that end, Honeywell has integrated Amazon Business into its e-procurement ecosystem, helping to consolidate suppliers and bring agility to purchasing by automating many functions that had been done manually.

Industry spotlight: Building better processes with Honeywell, continued

Canales points to the usability of Amazon Business as a major plus, noting that employees at Honeywell are accustomed to making purchases in their daily lives on Amazon.com. Doing so at work with Amazon Business provides the same type of easy buying experience, removing complication and friction from the purchasing process.

"We not only use it for our tail spend, but are delighted to be able to discover our hard-to-find items and maverick spend that is underserved and undermanaged," Canales says. "Amazon Business allows us to have great reporting, which helps us identify opportunities. And we can use it across all our businesses, through a purchase order or a p-card, opening up a larger population of people who can access procurement tools."

Canales says that as technology helps digitise and automate considerable portions of the procurement process, it frees up enterprises to be more thoughtful and innovative around purchasing. "Procurement and sales are moving away from the transactional piece that was an inherent part of it for years and towards something more automated, Canales says. "We're going to have more valuable conversations on partnerships, on ideas, on projects, on initiatives. It's much more now than 'Send me the product' and 'Is it coming on time?'"

Read the full case study on the Amazon Business blog.

Embracing long-term innovation
Prioritising sustainable procurement practices

Procurement's ability to direct spend uniquely positions them to help drive their organisation's broader social responsibility goals. In 2023, KPMG predicts heightened focus on Scope 3 emissions control and a rapid shift in investments from global banking institutions, private equity and venture capital toward organisations who can prove their emissions are low.[11] This means many organisations will need to identify and select partners that meet high supply chain standards, comply with applicable environmental laws and help them meet diversity goals.

Take the time to assess whether your current suppliers and partners meet sustainability and social responsibility standards. And, when evaluating new suppliers, screen their business practices to ensure that they meet your organisation's sustainability and social objectives.

11 KPMG. "The supply chain trends shaking up 2023." 2023.

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Consider the following screening criteria:

Economic

- Previous/current experience
- Productivity/service capacity
- Design robustness/innovation
- Whole-life cost of product
- Switching cost of current supplier

Social

- Accreditation by independent certification organisation to a standard
- Evidence that workers know their rights and responsibilities at work
- Presence of independent trade unions or effective management/worker committees which address workers' priorities, including pay, hours and conditions
- Sub-supplier practices and conditions
- Participation in multi-stakeholder initiatives that educate and change practices to address ingrained problems

Environmental

- Impact of materials used and processes and production
- Impact of packaging
- Impact of transport (air freight from Europe may be greater than sea freight from Asia/Africa)
- Impact of product life cycle, including disposal

Move your organisation forward with Amazon Business

Procurement has played a key role in reducing costs and navigating new supply chain realities and the current state of disruption means there is no time to stop. It's time to embrace agility and lead your organisation through accelerated growth and new strategic challenges.

We're ready to help you drive real results with flexible solutions, powerful integrations and beneficial partnerships.

Solutions that fit your organisation: With purchasing features and tools from Amazon Business, you're equipped to do more.

Simplify buying

With Amazon Business, you get the familiar purchasing experience of Amazon with features that make it easy to buy for work, so you have more time to focus on what matters most.

Convenient delivery options: Choose how you want orders delivered. Create efficiencies with convenient delivery options.

Wide selection: Access hundreds of millions of products across business-relevant categories from sellers worldwide.

Purchasing controls: Define buying policies that are important to your organisation and simplify reconciliation with easy-to-use features.

Reduce costs

Get more for your money with Amazon Business. Whether you're a growing startup or an established enterprise, we'll help you improve your bottom line.

Everyday savings and volume discounts: Compare multiple offers from competing sellers, unlock exclusive prices and get volume discounts on eligible orders.

Free delivery: Unlimited FREE Two-Day Delivery on over 100 million items on eligible items with Business Prime.

Payment options: Manage cash flow in ways that flex with your needs with tools like shared payment methods or Pay by Invoice upon approval.

Increase operational efficiency

Flexible controls let you manage purchasing in ways that are unique to your organisation, letting you deliver more value than ever before.

Account management: Add multiple users, manage permissions and create buying groups for added efficiency.

Systems integration: Over 100 leading procure-to-pay (P2P) systems across the globe support punchout to Amazon Business.

Turn insights into action: Identify purchasing trends using Amazon Business Analytics and find new ways to help optimise spend for your business.

Accelerate your path to more responsible purchasing

Amazon Business combines procurement expertise with curated solutions to help organisations define, meet and measure their social responsibility and sustainability goals.

Meet sustainability goals: Simplify the process of finding certified sustainable products with 300,000+ Climate Pledge Friendly products on Amazon Business.

Support local businesses: Encourage buyers to purchase from businesses in your community by creating a 'prefer local sellers' buying policy.

Increase supplier diversity: Use supplier diversity features to connect with 4,500+ certified diverse sellers, 2,000+ minority owned sellers and 1,800+ Black-owned businesses.