



PROCUREMENT
IN THE
FUTURE

Where will procurement be in 2035?

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The world we live in, the business world we work in and the procurement function we get paid to do are all changing rapidly. We are in an era that is volatile, uncertain, complex and ambiguous. Managing in this uncertain environment requires the ability to cope with risks. The following highlight some of these issues:

- In the past ten years we have witnessed four times more natural disasters when compared to the decade of 1970 to 1980.
- The number of conflicts worldwide has increased.
- The gap between poor and rich is growing, approximately 99% of the wealth is held by less than 2% of the population.
- There are spot shortages of raw materials and clean drinking water.

Such disruptive events are also occurring in the business environment. Purchasers are rapidly increasing the number of online purchases. There is an emerging sharing economy which will affect demand and hence purchases of the many items we now buy individually such as cars. Small ventures are raising money for their business ideas using crowd funding.

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3D printing can change corporate strategies of buying MRO parts to making them in-house. “All of these will have major effects on the procurement function” says Larry Giunipero, professor of Supply Chain Management at the Florida State University, Tallahassee. Giunipero was a purchaser himself during the 1970s, but has been a professor and a researcher since the 1980s. He has co-authored four purchasing textbooks and many academic articles in purchasing and supply chain management. His research focusses on the areas of strategies, technologies, and human capabilities such as skills and knowledge. Giunipero adds that wages in China are rising each year. In addition, there are major challenges that procurement must address to implement the rapid technological developments that will change the nature of work and skills required to succeed in procurement.

During a short stay in Europe Giunipero advised European purchasing professionals to be proactive and to prepare themselves for the rapidly changing future. It does not matter whether the focal company is an SME or an international company. In both cases there are many challenges. Publicly owned companies have to continually please shareholders.

As a result, they have a short term focus on the next quarter of the fiscal year. Quite often this leads them to be swayed by the issues of the day. A period of five years is an “eternity” for these companies. Giunipero believes there are many opportunities for SMEs, and medium-sized to large European family owned companies. These companies think more in decades rather than in quarters of a fiscal year. However privately held firms often forget to allocate resources necessary to prepare for the future, particularly in procurement. Giunipero challenges all companies to continually assess their future and forecast the activities to reach their goals position.

Giunipero in collaboration with a futurologist (Dr Heiko von der Gracht) and a KPMG consultant (Dr Marcus Schueller) produced a research report that forecasted what purchasing would like in 2035. Part of the study involved developing a matrix with four possible future scenarios for the purchasing function. One axis of the matrix considers purchasing 's organizational structure (centralized or decentralized) and the other axis looks at an environment characterized by either artificial intelligence or human intelligence.

This produces four very different scenarios. Will the purchasing function in the particular industry be organized in an independent department or will it just be incorporated into other business activities such as production, R&D or HRM? Similarly, will the purchasing function go into a fully automated system of smart algorithms or will human capital be the main focus?



Scenario 1 - Purchasing no longer exists as an independent function

In a decentralized and automated purchasing function, there are more robots than people. Internal and external processes are digitized and embedded in a comprehensive industrial network. In this scenario, operational and tactical tasks have been taken over by systems and machines. The strategic decisions regarding, for example partnerships with suppliers, are taken by professionals in product management and development or by the board of directors.

Giunipero recommends that European purchasing professionals continue to monitor their specific business environment and be proactive in leading change initiatives for their corporations. Continually analyse how will the purchasing function is developing in their industry.

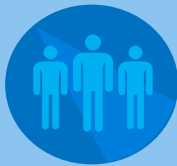
The next step would then be to develop the individual scenario for the purchasing function and to get support from the board or management because it is indispensable to allocate resources to get from just a general vision towards a concrete executable plan.

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Scenario 2 - Purchasing is the key function in the organisation and often leads to the CEO job

In a centralized and automated purchasing function, people and machines work together. The technology does not replace humans, but fills them up. This scenario involves data analysis, IT competencies, risk management and budget management. The supply chain is fully integrated. With automated systems purchasers will be managing the value chain from the beginning to the end.



Scenario 3 - Purchasing supports a project driven economy

Projects and teams will dominate a decentralized purchasing function where human influence is clearly felt. In this scenario, organizations have a fluid character and are determined and characterized by dynamic workgroups. Only the project managers will be in permanent employment and the other professionals in the team will work on temporary contracts. The technology is supportive when it comes to facilitating the professionals.



Scenario 4 - Purchasing is a creative agency supporting corporate innovation

In a centralized purchasing function, with emphasis on employee inventiveness, technology will enable employees to function well. The professional as a person has the highest priority and is highly valued. Tasks of the purchasing function are mainly to manage the scientific network and the numerous creative minds and innovative teams.