

White paper

Make Buying Faster for the Business

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Overview

Business pressure to go fast compromises procurement's due diligence role. Gartner research reveals the function's desire to help — for example, by fast-cycling or omitting sourcing steps — often leads to bad trade-offs. Yet functions that deliver on time or ahead of schedule still face severe speed pressure. To help the business meet its priorities without additional cost and risk, leading chief procurement officers (CPOs) not only invest in tools and technologies to make their processes more efficient, they prioritize feel-fast investments that make buy times more predictable, ease the process of starting a buy and reduce unnecessary work.

Key findings

- To give the business the speed it needs, 63% of the time procurement staff fast-cycle or omit buy steps.
- Sixty-eight percent of CPOs indicate bad trade-offs have introduced significant or very significant new risk.
- Even those functions that most successfully speed up buys only see a 35% reduction in speed pressure from business partners.
- Applying behavioral psychology principles that make buys feel fast reduces speed pressure from business partners by 56%.
- Procurement can reduce pressure and bad trade-offs by making buy times more predictable, easing the process of starting a buy and reducing unnecessary work.

Unremitting Speed Pressure

The pressure on procurement to deliver faster for the business has never been greater. As Justin Trudeau [commented at the world economic forum in Davos, Switzerland](#), it's a consequence of living in such dynamic times: "The pace of change has never been this fast — yet it will never be this slow again."

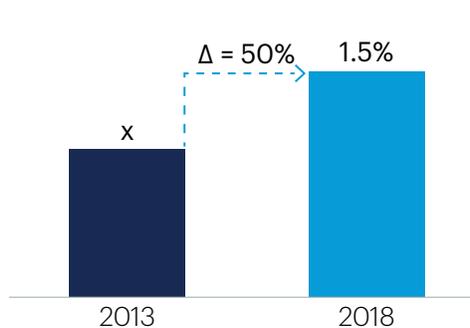
Three trends in particular drive the need for speed (see Figure 1):

- 1. Benefits of economic updrafts** — The global economy is forecast to grow GDP 3.9% in 2019, and every business wants to capture some of that growth.
- 2. Narrowing windows of opportunity** — CEOs increasingly want to be first movers in their region. They know 80% of the profits is captured by the first two companies to enter a market.
- 3. Fear of being "Amazoned"** — To compete against disruptors like Amazon, most CEOs plan business model changes in the next three years.

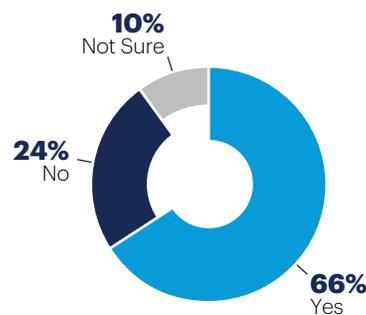
In such an environment, the business needs procurement functions to buy faster, but procurement heads recognize this may lead their staff to make trade-offs that increase both cost and risk.

Figure 1: Economic and Business Trends Driving Business Partner Pressure for Speed

CEOs Desiring to Be First Movers



CEOs Expectations of Business Model Changing Within 3 Years



n = 460 CEOs
Source: Gartner 2018 CEO Survey

GDP growth, narrowing opportunity and fear of disruptors are all driving business pressure for speed.

Ad Hoc Trade-offs Aren't the Answer

Because of pressure from the business, procurement functions often make compromises they feel will give the business what it needs.

For example, many business partners will review the market and may have a vendor in mind before they engage procurement. This might mean procurement staff, trying to be helpful, agree to skip reviewing market intelligence to onboard the vendor quickly. Similarly, the RFP phase may be curtailed or even omitted if a CEO insists the company be the first to market. Or the contract phase may be shortened when a business partner wants to run a pilot program with a small, innovative vendor.

These trade-offs all have potential negative consequences (see Figure 2):

- Skimping on market intelligence can mean the business ends up with a lower-quality, less innovative vendor.
- Reducing the RFP phase can mean the business pays more than it should.
- Creating new contracts for small suppliers can mean too many contracts and less frequent use of preferred suppliers, increasing cost and risk.

Figure 2: The Path From Business Pressure to Bad Trade-offs

Illustrative



Source: Gartner (August 2018)

Pressure for speed can lead to bad trade-offs, such as lower supplier quality, higher costs and contract proliferation.

Trade-offs Are Common and Costly

Worryingly, despite these consequences, our research finds 63% of procurement staff frequently fast-cycle or omit buy steps to give the business the speed it needs.¹

Our survey of procurement heads sought to quantify the business impact of these trade-offs. Of course, not every trade-off has damaging consequences; procurement heads estimate just 34% are undesirable. But for a procurement function managing an average annual spend of \$1 billion, that equates to 6% of lost savings, or \$21 million (see Figure 3).

Figure 3: Total Potential Value Leakage Due to Bad Trade-offs

Example of Leakage for a Company With \$1 Billion in Total Managed Spend

Average total spend under management	Average percentage of buys with bad trade-offs	Total spend with bad trade-offs	Lost savings on spend with bad trade-offs	Total estimated lost savings from bad trade-offs
\$1 billion	x 34%	= \$340 million	x 6%	= \$21 million per \$1 billion in spend

n = 124 CPOs
Source: Gartner 2018 CPO "Make Buying Faster for the Business" Speed Delivery Analysis Model; Gartner (August 2018)

For a procurement spend of \$1 billion, the average function will lose \$21 million from bad tradeoffs.

And it's not just that these trade-offs are expensive to the business; they are also risky. Sixty-eight percent of our respondents indicate bad trade-offs have introduced significant or very significant new risk to their vendor portfolios.²

Another consequence is much harder to quantify. Procurement staff see themselves as professionals; they are rightly proud of the value their expertise brings to the business. Every time they make a bad trade-off under pressure from the business, they undermine their role. Few things could be more demoralizing or more likely to lead to disengaged employees.

It's clear that when the business exerts more pressure on procurement to speed up its processes, bad trade-offs become more likely. In fact, those companies feeling the most speed pressure make twice as many bad trade-offs as those facing the least pressure.

We sought to understand how procurement heads can deliver the speed the business needs without making costly — and risky — trade-offs.

Current Approaches

Procurement heads will recognize the challenges we've outlined. They know all too well the speed pressure they face and are attempting to assuage it through five core investments:

- **Process improvements** — Lean Six Sigma initiatives designed to remove waste and inefficiency from the entire sourcing process
- **Preapproved supplier rosters** — Prequalified suppliers in each category to make it easier for the business to bring on needed help faster
- **Tools and templates** — Requirements templates, RFP templates and risk questionnaires to increase the speed and quality of sourcing inputs
- **Technology to automate core processes** — New, cloud-based technology to significantly improve the speed and accuracy of sourcing activities
- **Talent and skill development** — Coaching and training staff on how to better understand business priorities and execute quickly.

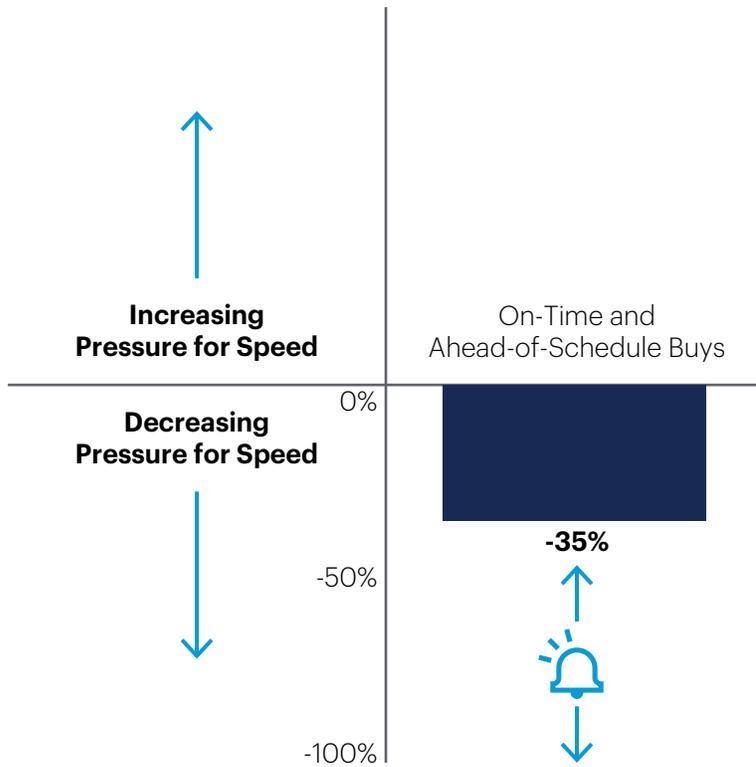
This list is not exhaustive, and other technology investments still relatively untried in procurement could offer greater speed benefits. As our previous research has shown, investing in both automation and analytics, for example, can increase procurement execution speed by 47%.³ Unfortunately, current investments by heads of procurement remain so low (only about 7% invest in robotic process automation⁴) that significant speed improvements driven by technology remain a long way off.

We sought to discover how successful these current initiatives are in reducing speed pressure, and if other approaches adopted by some leading companies yield greater benefits.

Our maximum impact analysis shows even procurement functions who speed up most do not see a commensurate fall in pressure from the business to go faster (see Figure 4). At best, such functions experience a 35% reduction in pressure. In other words, despite delivering buys on time and even ahead of schedule, 65% of the pressure to speed up remains.

Figure 4: Reduction in Business Partners' Pressure for Speed

Percent Reduction in Business Partner Pressure for Speed by Moving From 25th to 75th Percentile in Speed Delivery



n = 435 business partners
Source: Gartner 2018 Business Partner "Make Buying Faster for the Business" Speed Delivery Analysis Model; Gartner (August 2018)

Pressure reduces by only 35% even for those procurement functions most successful at delivering on time and ahead of schedule.

Why Going Faster Isn't Enough

There are two reasons why pressure doesn't reduce by much even when procurement speeds up the buy process: poor visibility of speed improvements and increased business expectations.

Poor Visibility

Often the improvements are to back-end processes and so are not seen by business users. Even if the result is a faster overall process, the business may feel procurement could do more, as it may not understand how the result was achieved.

Increased Business Expectations

Although the business may be satisfied over the short term with the improvements, they have a limited "shelf life." The improved speed becomes the new normal, and the business expects even faster service.

Because business pressure for more speed doesn't lessen even when procurement functions deliver faster, bad trade-offs will continue. Perhaps the answer lies not in improved operations but in business partners' perceptions. Does behavioral psychology tell us more than buy speed about why business partners put pressure on procurement to go faster?

Feeling Fast Is Better Than Going Fast

Customer service professionals have long realized people don't mind waiting for something if they are given something to do and they know how long they are likely to wait.

If your elevators are moving too slowly for your customers, you don't necessarily need a new motor. Adding mirrors gives people something to look at and make the journey seem shorter. Similarly, a queue at an amusement park can be less onerous if the company puts up signs along the queue so you know how long you have to wait. Neither approach makes the wait any shorter, but they both make it seem shorter.

We often hate waiting because of the anxiety it causes us. If we are on a train and it's late leaving a station, we worry because we don't know if or when it will leave, or if we will be in time for our appointment. But if the operator tells us why the train is late, gives us an estimate of when it will leave and when it will arrive, or reminds us that free Wi-Fi is available to keep us occupied while we wait, then we are far less likely to feel anxious. Waiting doesn't feel so bad.

The best companies realize the perception of speed is actually more relevant in shaping the memory of the experience than the time it actually takes.

David H. Maister identified eight principles to make waits feel faster⁵:

- 1.** Reduce the uncertainty around waits.
- 2.** Avoid unexplained steps in a wait.
- 3.** Reduce anxiety about the process causing the wait.
- 4.** Get people started on the process.
- 5.** Reduce steps a customer deems inappropriate or irrelevant.
- 6.** Keep customers busy during waits.
- 7.** Ensure customers aren't waiting alone.
- 8.** Clearly communicate the value of service at the end of the wait.

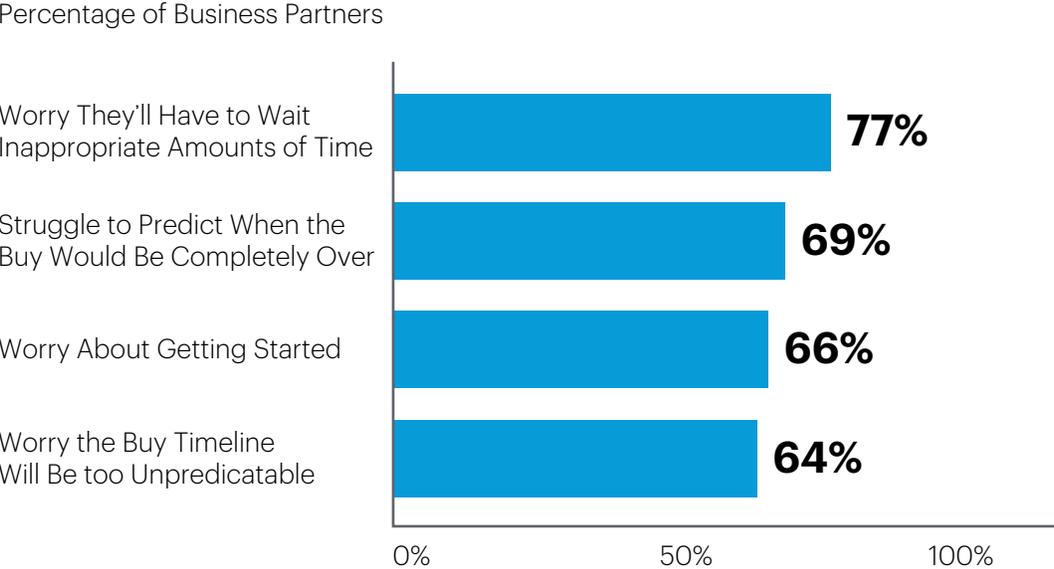
Implications

How a Buy Feels to the Business Matters More Than Going Fast

We can apply this thinking to the business's need for speed from procurement functions. Business partners effectively feel they are part of a queue leading to a buy. They want that queue to be as short as possible, but our research found the actual waiting time is often not the critical factor.

Interestingly, 93% of the business partners we surveyed said they were flexible or very flexible over buy timelines.⁶ However, they said psychological factors such as inappropriate waits (77%), uncertainty over when the buy would be completed (69%), worry over when the process would start (66%) and unpredictable timelines (64%) did drive urgency, compelling the business to put pressure on procurement to go faster (see Figure 5).

Figure 5: Psychological Factors Driving Business Partner Urgency



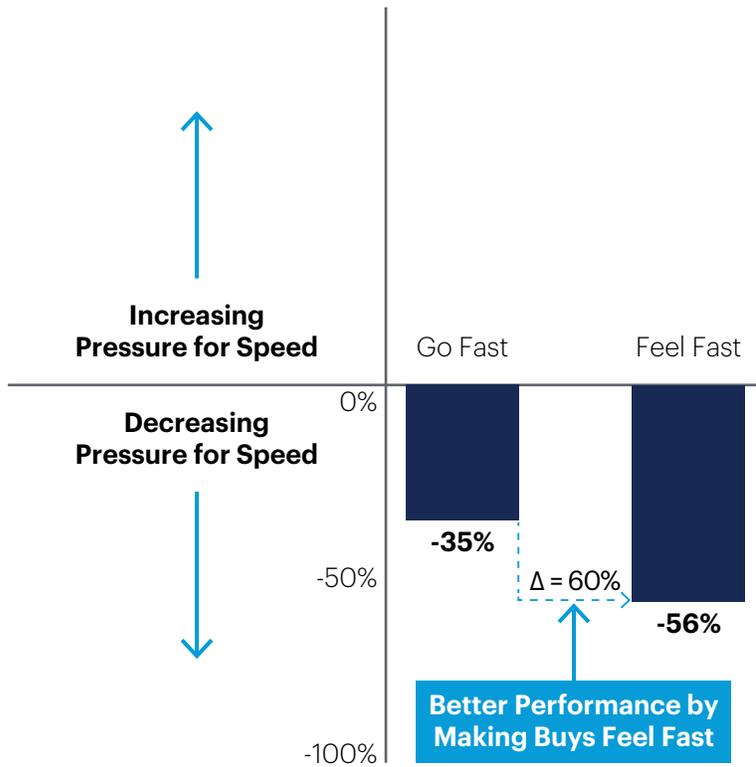
n = 435 business partners
Source: Gartner 2018 Business Partner "Make Buying Faster for the Business" Speed Delivery Analysis Model; Gartner (August 2018)

Psychological factors play a big role in business partner pressure for speed.

That's why just delivering faster won't reduce pressure on procurement. As we've seen, those functions that deliver buys on time or ahead of schedule only feel 35% less pressure. But if we look at the effects of improvement across a range of "feel fast" measures (based on the eight psychological factors cited earlier), pressure for speed reduces 56%. In other words, procurement can reduce speed pressure from the business 60% more effectively by making buys feel fast rather than by merely making them go fast (see Figure 6).

Figure 6: Reduction in the Speed Pressure That Leads to Bad Trade-offs

Percent Reduction in Business Partner Pressure for Speed as a Result of Moving From 25th to 75th Percentile Performance

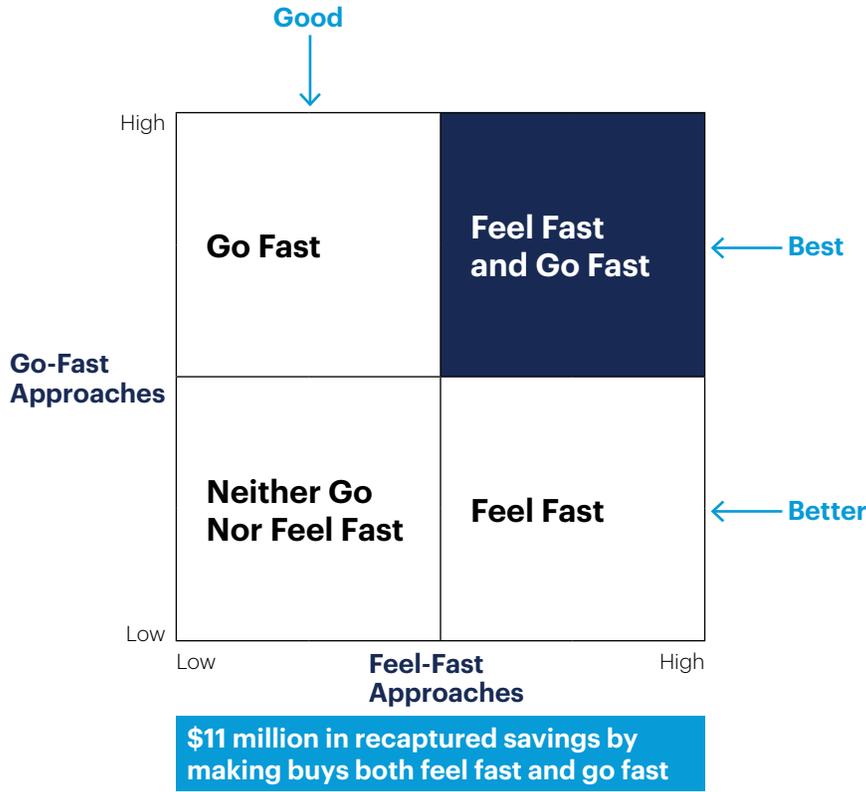


n = 435 business partners
 Source: Gartner 2018 Business Partner "Make Buying Faster for the Business" Speed Delivery Analysis Model; Gartner (August 2018)

Making buys feel fast reduces business pressure by 60% more than by making them go fast.

But the real benefits come when procurement invests to make buys do both. We estimate functions managing a \$1 billion annual spend can recapture savings of \$11 million by making buys both feel fast and go fast (see Figure 7).⁷

Figure 7: Procurement’s Speed Investment Decision Framework Procurement



n = 151 procurement staff
 Source: Gartner 2018 Procurement Staff "Make Buying Faster for the Business" Speed Delivery Analysis Model; Gartner (August 2018)

Procurement can recapture \$11 million in savings by making buys both feel fast and go fast.

This represents a huge opportunity for procurement. Only 15% of procurement staff currently take this twin-pronged approach, with most focusing on operational go-fast investments.⁸

To make buys both feel and go faster, heads of procurement should focus on investments that do three things:

- Make buy timelines more predictable.
- Make getting started easier.
- Reduce inappropriate or unnecessary work.

Conclusion

Procurement functions struggle to assert their professional expertise and apply due diligence to buys because of escalating pressure from the business to go faster. This leads to procurement making bad — and costly — trade-offs.

However, the business's timelines are often driven more by uncertainty and anxiety than by hard deadlines. For this reason, investing to make procurement processes go faster isn't enough. The buy process must feel fast to significantly reduce business partner pressure on procurement.

Our research shows CPOs are more likely to satisfy business partners by prioritizing feel-fast over go-fast investments to make buy times more predictable, ease the process of starting a buy and reduce unnecessary work. Moreover, by combining both kinds of investments, procurement can add even greater business value in reduced risk and increased savings.

Recommendations

To deliver the speed the business needs without making bad trade-offs, CPOs must:

- Resist overinvesting in faster execution by improving procurement technology and process improvements. These investments matter but are not sufficient to reduce speed pressure.
- Discuss and explain feel-fast concepts with the procurement leadership team.
- Run an informal survey with procurement leaders, staff and business partners to gauge performance against:
 - How easy it is for business partners to start buys with procurement
 - The predictability of buy timelines and how buys will be executed
 - How consistently procurement leaders and staff remove or reduce inappropriate or inefficient sourcing work
- Conduct informal interviews with business partners to understand how buys currently feel to the business.
- Build an environment for staff (for example, through incentives, leadership messages, coaching) that prioritizes how a buy feels to the business over how fast it is executed.

About This Research

To understand how procurement reduces business partner pressure for speed and the bad trade-offs that result from it, our research is drawn from data analysis and qualitative interviews with more than 150 procurement employees, 100 CPOs and more than 400 business partner respondents across more than 15 industries.

About Gartner

Gartner, Inc. (NYSE: IT), is the world's leading research and advisory company and a member of the S&P 500. We equip business leaders with indispensable insights, advice and tools to achieve their mission-critical priorities today and build the successful organizations of tomorrow.

Our unmatched combination of expert-led, practitioner-sourced and data-driven research steers clients toward the right decisions on the issues that matter most. We are a trusted advisor and objective resource for more than 15,000 organizations in more than 100 countries — across all major functions, in every industry and enterprise size.

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Endnotes

1 Gartner 2018 Procurement Staff "Make Buying Faster for the Business" Speed Delivery Analysis Model.

2 Ibid.

3 Gartner 2017 Procurement Digital Benchmark.

4 Gartner 2018 Procurement Staff "Make Buying Faster for the Business" Speed Delivery Analysis Model.

5 David H. Maister, "The Psychology of Waiting Lines," D.C. Heath and Company, Lexington Books, 1985; Gartner (August 2018).

6 Gartner 2018 Business Partner "Make Buying Faster for the Business" Speed Delivery Analysis Model.

7 Gartner 2018 Procurement Staff "Make Buying Faster for the Business" Speed Delivery Analysis Model.

8 Ibid.