Dzhenkov Vitalii
Postgraduate Student,
Taras Shevchenko National University of Kyiv
Kyiv, Ukraine

DOI: https://doi.org/10.36059/978-966-397-475-0-9

OPTIMIZING THE SOURCING AND PROCUREMENT PROCESS: IDENTIFICATION OF CHALLENGES AND TRANSFORMATION

Sourcing and Procurement (SP) is essential for any organization, contributing significantly to its competitive advantage. Issues within the SP process can disrupt core operations, profitability, and strategic goals. These theses outline an approach to evaluate the SP process, identify challenges, address them, and transform the process for greater efficiency.

Ukrainian companies face a number of challenges in the SP process, such as: manual errors and a lack of automation, high complexity in materials and contract types, excessive management control over non-strategic purchases and lack of control over strategic ones as well as gaps in internal procurement regulation.

These challenges lead to widespread problems, including delays, low quality, and overspending. It is essential to identify interconnections between these issues and categorize their root causes.

Here is the classification of identified problems in the following dimensions for each stage of SP process:

- by the type of negative influence: delays, quality problems, overspending
- by direct influence on core operations: critical and non-critical issues
- by frequency: typical and one-off issues
- by source of problem: influenced by internal and external factors

By evaluating these problems, top management can get a clearer picture of their impact. Once issues are identified, a roadmap for transforming the SP process can be developed. Based on the severity of each issue, actions can be proposed with varying timelines. An example of such actions is illustrated in Figure 1.

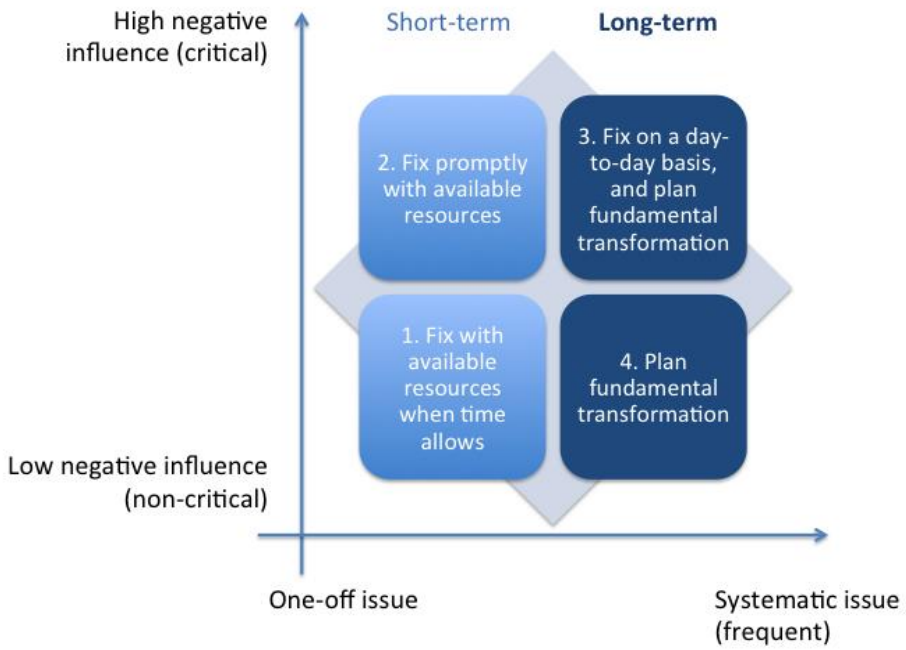

Figure 1. Suggested actions

Overview of suggested actions:

Group 1: Non-critical problems that appeared once, for example manual errors, which could be resolved via HR decisions (e.g addressing responsible personnel or providing targeted training to enhance their skills).

Group 2: Issues with potential substantial impact, caused by non-standard events (e.g., illness of key staff), which may signal systemic problems and require focused attention.

Group 3: High-priority problems, which demand consistent executive attention. For example, a lack of trust from strategic suppliers, necessitating immediate communication, while long-term solutions such as restructuring internal functions and fostering deeper collaboration should be planned and executed.

Group 4: Recurring issues with no direct operational impact (e.g., delays in analytics due to IT gaps), which should be addressed through strategic planning and gradual implementation.

The transformation process starts by defining the current state (as-is process) and setting clear targets (to-be process). Mid- and long-term targets for procurement development are shown in Figure 2.

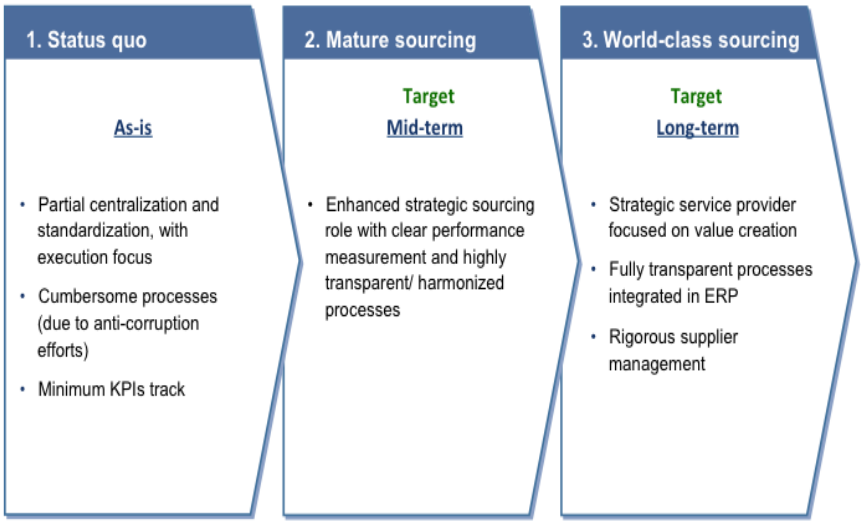

Figure 2. Evolution of procurement function competencies

A sample roadmap for achieving these mid-term targets is depicted in Figure 3.

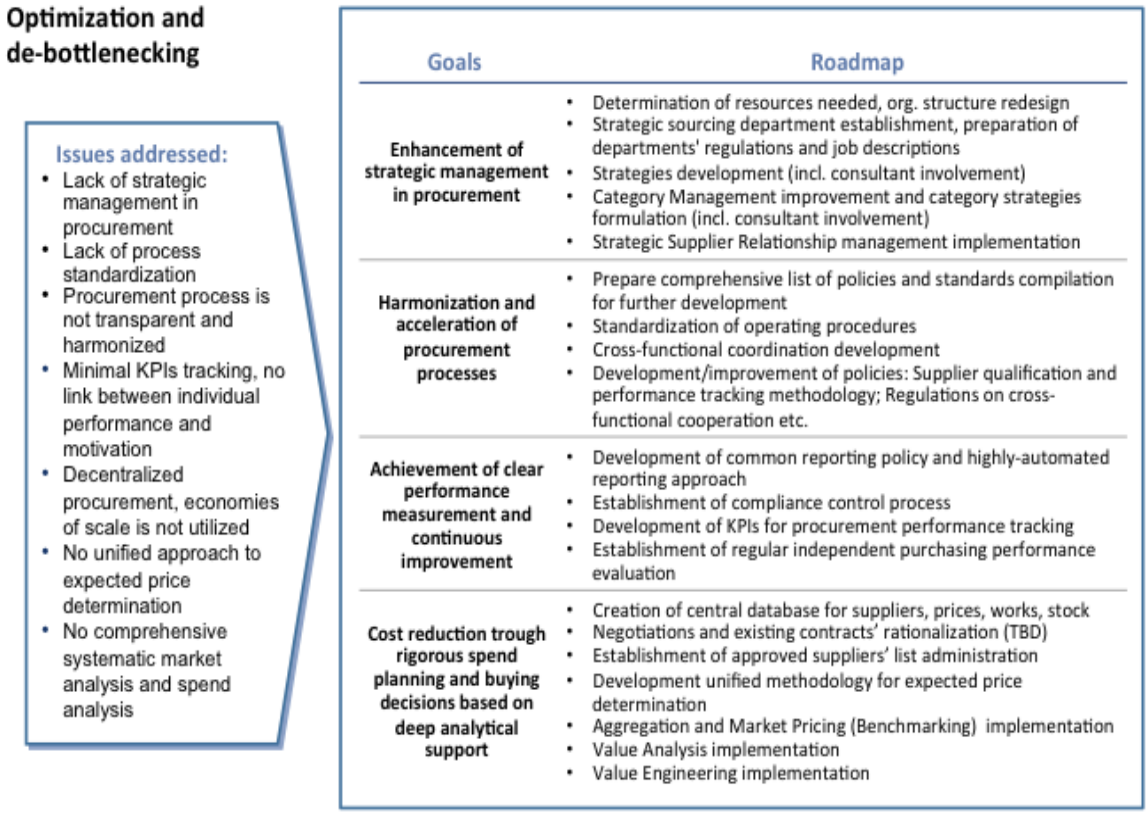

Figure 3. Sample roadmap to SP process optimization

After key actions in the form of roadmap are identified, it is necessary to estimate target duration for those tasks and their consequence with the view to acquire resources and plan transformation project further on. However, to lead successful transformation it should be based on at least the following: appropriate project management practices, IT systems integration, regular trainings in order to update qualifications of personnel to demands of new processes and tools, clear and timely communication.

Generally, best practices of business process improvement suggest using various tools for optimization. Here are several essential tools that can enhance the efficiency of the sourcing and procurement process:

E-Sourcing Tools. These platforms digitalize and automate various stages of the sourcing process, from supplier identification to contract execution. They facilitate tasks such as supplier outreach, proposal collection, and bid evaluation, optimizing operational workflows [1].

Spend Management Tools. These systems aggregate and analyze purchasing data, enabling organizations to better manage their expenditures. By identifying spending trends and potential savings opportunities, they contribute to more strategic financial management [2].

Contract Management Tools. These tools streamline the creation, negotiation, and storage of contracts, ensuring compliance and enabling effective monitoring of contract performance. By minimizing risk and enhancing operational efficiency, they support the management of legal agreements [2].

Supplier Management Tools. These systems focus on managing supplier relationships, encompassing performance evaluation and risk mitigation. They ensure suppliers consistently meet organizational standards and requirements, fostering long-term, productive partnerships [2].

E-Procurement Software. E-Procurement solutions centralize the procure-to-pay process, covering everything from requisition to payment. This integration promotes transparency, reduces manual errors, and accelerates the procurement cycle, ultimately improving operational performance.

Procurement Analytics Tools. These analytical platforms examine procurement data, providing actionable insights on procurement performance. By tracking key performance indicators (KPIs) and identifying trends, they support data-driven decision-making and continuous improvement in procurement activities [3].

Implementing these tools can significantly enhance process efficiency, reduce operational costs, and improve transparency throughout the sourcing and procurement cycle.

In conclusion, it is important to recognize that the SP process plays an essential role in business operations and ultimately influences customer satisfaction. To identify issues within this process, the outlined steps – ranging from interviews and surveys to assessing the impact of identified problems – can serve as a useful guide. However, this is just the beginning of the improvement journey, which should be supported by broader business transformation initiatives. Effective SP process management is an ongoing well-planned effort that requires continuous commitment from all organizational levels.

References:

1. Avittathur B., Jayaram J. (2016) Supply chain management in emerging economies. *Decision*, no. 43, pp. 117–124. DOI: https://doi.org/10.1007/s40622-016-0130-8

2. Hult G. T. M., Ketchen D. J., Slater S. F. (2004). Information processing, knowledge development, and strategic supply chain performance. *Academy of Management Journal*, no. 47, pp. 241–253

3. Flynn B. B., Huo B., Zhao X. (2010). The impact of supply chain integration on performance: A contingency and configuration approach. *Journal of Operations Management*, no. 28, pp. 58–71.

4. Li N. I. (2015). The impact of supply chain integration on operation performance the moderating role of IT competence. *Management Science and Engineering*, no. 9, pp. 40–45.