ProcureAbility
a Jabil company



From Cost Center to Enterprise Value Catalyst:

Procurement's Shift to Performance-Based Outcomes

Procurement leaders across the industry share many common challenges, including mandates to reduce costs, reducing maverick spending, and managing increasingly complex supply chains.

Yet there is an even more significant challenge before them that goes largely undiscussed and unaddressed: based on the Purchasing & Supply Chain (PSCM) Institute's 2025 proprietary research and analysis of dozens of Fortune 500 procurement organizations, on average, **70–90%** of procurement team members' working day is consumed by unplanned, firefighting activities.[1]

It's a problem that is endemic to how procurement operates. The entire procurement lifecycle is designed to ensure the acquisition of goods and services. End users fill out a Statement of Work (SOW) or specification (spec) and submit it to procurement, and if the suppliers dutifully deliver the goods and services requested, it's deemed a success.

But all too often, it's far from it. And it's usually due to issues tied to quality and performance.



Straight to detention

The San Francisco Unified School District's recent payroll system project is a glaring example. In 2019, the district paid a third-party supplier to transition them to a new payroll system and manage integration. However, the $9.5 million, 45-page contract forgot one minor detail: *the inclusion of provisions to ensure that the right people were paid the right amount at the right time.*

This was the reason the integration needed to happen, but it was never addressed. Checklists, meetings, documents, and timelines were all meticulously addressed, but there was nothing that explicitly tied the contract to desired outcomes.

As a result, employees were underpaid, not paid at all, or paid late. Emergency fixes and staffing were put in place. By 2022–2023, the district had spent **over $34 million** trying to stabilize the system and hiring extra payroll staff. They then moved to another system, and as of today, they are estimated to have spent $50-$55 million across both systems, fixes, and stopgap measures. Not only that, but plenty of issues also remain, and employees are threatening a class action lawsuit. All of this for what should have been a straightforward $9.5 million contract.

The worst part of all of this is there was no contract breach. The supplier did exactly what they were asked to do. And so, they not only received every penny promised, but significantly more. In fact, the only parties that remained completely unscathed by this financial and legal fiasco were the well-compensated suppliers involved.[2]



Specify performance, not process

Such examples are not outliers: they regularly happen inside every company around the globe. Sometimes, they go unnoticed because things are working at cursory glance. Other times, they get wide visibility because the wheels fall off the proverbial bus. This results in endless heartache for all parties involved. End users and procurement find themselves in the middle of endless internal squabbles, and ultimately, things escalate to the suppliers.

Case in point: the US Air Force. For decades, the military branch's multi-million-dollar janitorial contracts had a hard requirement to "strip and rewax floors weekly." In fact, most of the janitorial budget was going to this single line item.

Finally, after decades of non-recognition, the realization took place that "stripping and rewaxing floors" is not a performance outcome—it's an activity. The procurement department changed the janitorial contract to be an RFP, and they eliminated this requirement. In its place, they wrote "floors shall have a clean, uniform, shiny appearance, free of smudges and marks."

The result? They saved 50% on janitorial costs, and their floors looked just as good as before. In this instance, the SOW was overengineered, resulting in misalignment with cost and performance outcomes. The simple fix was to focus on outcomes instead of tasks in setting the right expectations.

If all the layers of the onion are peeled back, the root cause of the problem in most cases is that the procurement engagement model is too late. We allow end users to focus on what they want to buy, *instead of what they want to accomplish.*



To the P-O-W-R™ of 10

Procurement is at an inflection point: to remain relevant it needs to shift from a sole focus on cost containment to alignment with enterprise goals and performance measurements. Achieving this shift requires deliberate action, not passive reaction. Procurement leaders must question long-standing operating models that are late to the game and limit their influence and impact.

Procurement needs to speak the language of the business, drop procurement jargon, and advocate for outcome-based statements of work and KPIs that measure true performance rather than check-the-box exercises. Equally important is helping stakeholders understand the hidden costs of overengineered requirements and misaligned specifications that erode value. By pairing data-driven insights with organizational influence, procurement can embed this outcomes-focused approach as the enterprise standard—transforming its role from back-office function to strategic enabler of value.

Procurement can accomplish all of this—and unlock massive enterprise value—by adopting a performance-first engagement called the **P-O-W-R™ Framework**:[1]



	What It Means	Why It Matters
P **Problem**	Define the business problem before buying anything.	Aligns stakeholders and avoids over-engineered specs that double cost.
O **Outcomes**	Agree on measurable results (KPIs) before contracting.	Ensures suppliers are paid to deliver results, not just activities.
W **Words**	Define critical performance terms (e.g., "uptime," "response time," "high quality," etc.).	Eliminates supplier "convenient confusion" and post-award disputes.
R **Remedies**	Link remedies (financial/money or equitable/performance) to KPIs in the contract.	Gives procurement teeth—making the business whole when outcomes fail.

The first step is defining procurement's mission. What problem is the end user trying to solve? What does success look like? This is a healthy time for debate because suppliers don't have your money yet. Once this is agreed upon by all stakeholders involved, things become much easier.

The next key component is KPIs. These are usually defined post-contract, in the form of a scorecard. That's too late. The supplier already has your money and has little incentive to hit such targets. The goal should be for suppliers to contractually agree to meeting certain performance metrics and track their progress against them, with the end users enlisted to verify accuracy.

How these performance terms are defined is just as important. That's the next piece in the P-O-W-R framework. Any words that are critical to performance in the contract need to be analyzed to ensure there is no ambiguity or "convenient confusion" on the part of the supplier. For instance, what is the definition of "uptime"? A supplier's definition of the term may include performance interruptions that end users find unacceptable.

Finally, the contract must contain remedies against the KPIs to make the end user whole again in the event these provisions are breached. Will there be related financial penalties or remediation? If it's the former, then legal remedies need to be put in place. If it's the latter, then the contract needs to spell out equitable remedies the supplier will be expected to take.

Following the above process for critical purchases will slash the amount of wasted time in every procurement professional's day, improve supplier performance, reduce costs, and improve relationships with business units and end users. One further benefit is that procurement and end users alike will be able to use their freed-up time for strategy and planning instead of firefighting.

The Enterprise Value Impact

Organizations that adopt this model report:



20 - 50% reduction in escalations, firefighting, and unplanned work



Improved supplier performance without adversarial enforcement



Freed-up capacity for procurement to focus on strategy, innovation, and supplier collaboration



Direct P&L impact through cost avoidance, faster product launches, and risk mitigation

Source: PSCM Institute proprietary research and analysis, 2025

Vanguards of change

Procurement has a unique opportunity to stop being a back-office cost center and start being the guardian of enterprise outcomes. This transformation won't happen by accident. It requires procurement leaders to:

- **Challenge current engagement models** that start after demand is defined.
- **Push for outcome-based SOWs** and performance-driven KPIs, not prescriptive activity lists.
- **Educate stakeholders** on the cost of overengineering and misaligned specs.
- **Leverage data and influence** to make this the enterprise standard, not an experiment.

Procurement leaders striving to have a seat at the table cannot do so by following a legacy script. The DNA of how procurement operates needs to be flipped. Getting better at buying goods and services does in fact expedite purchases—but it does not improve supplier outcomes or secure business unit support of and advocacy for procurement strategies.

Rearchitecting every aspect of the procurement process to have a singular focus on the acquisition of performance results will help drive this transformation. Doing so will not only improve supplier outcomes, reduce costs, and secure business unit support; it will also free up procurement human capital to focus on more strategic activities that could not otherwise be resourced.

CPOs and procurement leaders—the time is now for procurement to make this shift. An expert procurement service provider can help your organization be the catalyst for this transformational change.

Sources

[1] Purchasing & Supply Chain (PSCM) Institute
[2] San Francisco Standard articles, 2022 – 2025



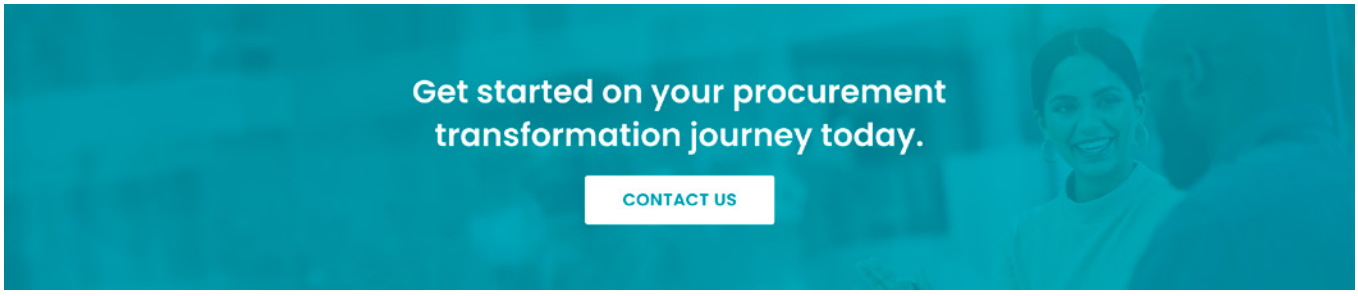
ProcureAbility
a Jabil company

ProcureAbility, a Jabil company, is the leading provider of procurement and supply chain services, offering advisory, managed services, digital, staffing, and recruiting solutions. For nearly 30 years, we have focused exclusively on helping clients elevate their procurement function.

We combine leading methodologies, analytics, market intelligence, and industry benchmarks with our uniquely flexible and customizable service delivery model. Global organizations of all sizes trust ProcureAbility to transform their procurement operations, drive growth, and reimagine what's possible.

Let ProcureAbility help you reimagine your procurement capabilities.

Learn more at
ProcureAbility.com



2025 Copyright. All Rights Reserved.