Building Procurement Infrastructure That Scales with Growth

A Growth-Stage Life Sciences Case Study

Prepared By:
Peregrine Vantage
Strategic Procurement Advisory

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Executive Summary

High-growth organizations rarely experience procurement failure. Suppliers are paid. Contracts are executed. The business moves forward.

The risk emerges when the operating model was designed for a smaller company and growth accelerates faster than infrastructure.

In a mid-market Life Sciences organization preparing for hyper-growth, procurement remained decentralized, fully tactical, and heavily manual.

The five-person team relied on ERP workflows supplemented by spreadsheets, email, and manual approval routing. No Source-to-Pay infrastructure existed.

At current scale, the model functioned.

While commercial and scientific functions were scaling, procurement remained stagnant. There was no strategy or plan to support the growth projections.

The real question wasn't whether procurement functioned. It was whether it would break at 2 - 3x the scale.

Approaching $1B in annual third-party addressable spend across indirect, capital, and program-related expenditures, three structural risks were becoming increasingly visible:

- Limited enterprise-wide spend visibility
- Delays in critical purchasing cycles
- Inability to systematically capture savings at scale

Company Snapshot

Industry: Life Sciences

Revenue: $100M – $500M

Addressable Spend: ~ $1B

Procurement Team: 5 Tactical Buyers

Growth Profile: Expected Hyper-Growth

Ownership: Public

Accelerated growth, capital investment, and enterprise third-party spend materially exceeded current revenue.

This imbalance was not a reporting anomaly. It was a structural inflection point.

Procurement was being asked to govern capital-intensive growth with a tactical operating model built for steady-state scale.

As revenue expanded, inefficiency was compounding. A new procurement operating model was designed and presented to the CFO and CEO centered on three pillars:

- Implementation of a modular Source-to-Pay architecture
- Enterprise-wide process redesign
- Organizational elevation from tactical execution to strategic category management

By Year Three, the transformation delivered:

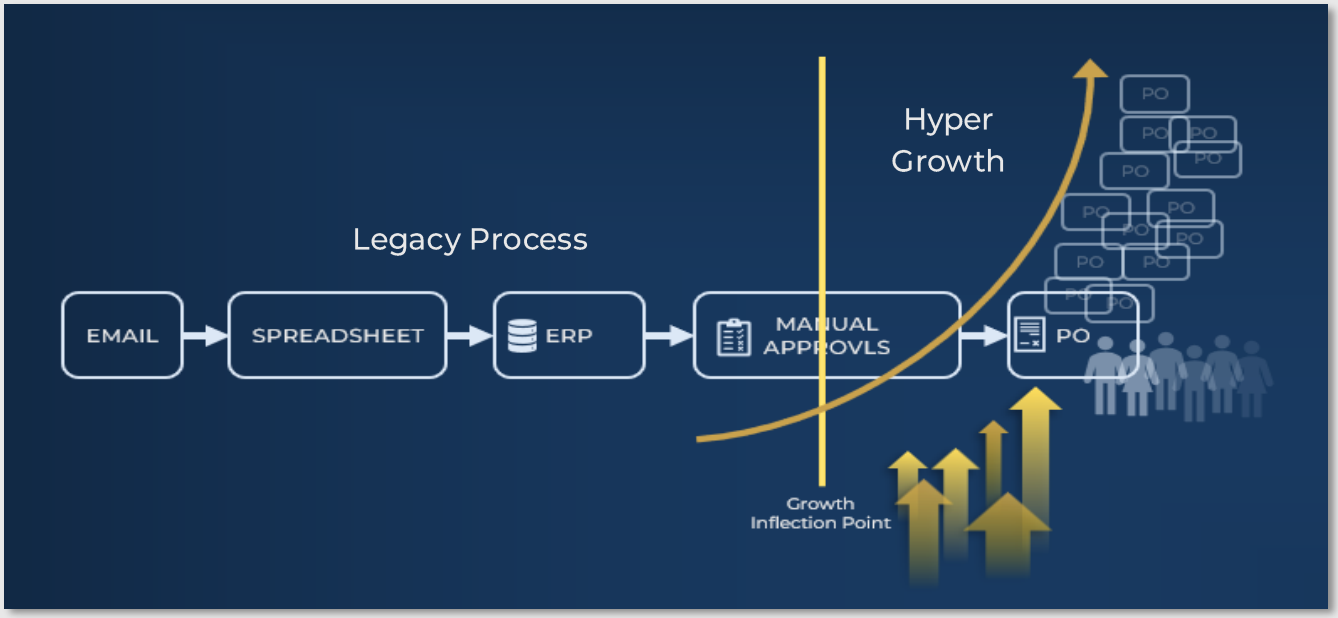
- ✓ 3x increase in annual savings versus baseline
- ✓ Near 7x return on investment
- ✓ Full structured spend visibility for procurement and stakeholders
- ✓ Transactional velocity increased 5x without incremental headcount
- ✓ Full transaction traceability and audit readiness
- ✓ Transition to structured category management and strategic sourcing

Beyond measurable financial returns, the transformation repositioned procurement as a strategic enabler of growth rather than an administrative control function.

The company was no longer scaling inefficiency. It was scaling infrastructure.

The Growth Inflection Point

When Growth Outpaces Infrastructure



With its current revenue, the company was performing well. Commercial momentum was strong. Scientific programs were advancing. Capital investment was increasing.

There was no crisis. No audit finding. No supplier failure, albeit significant firefighting. Revenue was growing. The business was winning.

From the outside, procurement did not appear to be a critical vulnerability. Internally, however, operational strain was accumulating.

The procurement function consisted of five professionals operating entirely in a tactical capacity. Purchase requests were submitted through email. Approvals moved through inboxes. Supporting documentation lived in shared drives and spreadsheets. ERP was used, but without integrated Source-to-Pay controls or structured visibility.

As spend expanded toward $1B across indirect, capital, and program expenditures, complexity outpaced infrastructure.

The symptoms were subtle at first:

- Long purchase order cycle times creating delays in program readiness
- Limited consolidated spend visibility across departments
- Inconsistent supplier governance
- Savings captured opportunistically rather than systematically
- Scientists and engineers managing transactional procurement tasks

In a steady-state environment, these inefficiencies were tolerable. In a hyper-growth environment, they compound. The real risk was not cost overrun. It was organizational drag.

Every delay in issuing a PO impacted program timelines. Every fragmented approval created friction. Every unmanaged supplier relationship eroded negotiating leverage.

More importantly, administrative burden began spreading beyond procurement. Highly compensated scientific and operational talent were spending time resolving purchase issues, tracking approvals, and navigating unclear workflows.

The cost was not simply financial. It was organizational focus.

The underlying risk was not that procurement was underperforming. The risk was that growth would scale the inefficiency. Without intervention, headcount would need to increase linearly with spend. Administrative load would intensify. Audit complexity would grow. Cost discipline would erode.

The inflection point was structural - not operational.

Procurement could remain a reactive service function -
or it could become structured operating infrastructure designed to support scale.

That decision would define whether growth translated into margin expansion or margin compression.

THE HIDDEN ECONOMICS

The Costs Beneath the Friction

Most procurement transformations stall for one reason: the case is framed operationally.

Heading towards $1B in annual addressable spend, even minor inefficiencies had material financial consequences.

Instead of positioning the initiative as an S2P upgrade, the discussion was reframed around five executive priorities:

1. Cycle Time as a Growth Constraint

Purchase order issuance averaged nearly one week from request to release. In isolation, a five-day cycle may not appear critical. In a scaling life sciences organization, it compounds rapidly:

- Delayed lab materials slow research timelines
- CapEx approvals stall facility readiness
- Vendor onboarding friction impacts program launches

Procurement cycle time was not just an operational metric. It was a throughput constraint on growth.

2. Administrative Spillover

Highly compensated scientific, engineering, and operational professionals were routinely:

- Following up on PO status
- Clarifying approval pathways
- Reconciling invoice discrepancies
- Managing supplier communications

This was unstructured, invisible labor. While not recorded as procurement cost, it represented misallocated intellectual capital. In growth-stage organizations, the opportunity cost of diverted talent often exceeds direct procurement inefficiencies.

The relevant question was not *"What does procurement cost?"*

It was: "What is friction costing the enterprise?"

3. Savings Underperformance

Prior to transformation, savings capture was episodic rather than programmatic. Without structured category management, consolidated visibility, or formal sourcing cadence, leverage was limited.

Material value was left unrealized under the tactical model.

4. Linear Headcount Risk

At the existing operating model, procurement workload scaled proportionally with growth. Hyper-growth projections suggested potential tripling headcount within a short horizon merely to sustain current service levels. The strategic objective became clear:

Decouple spend growth from procurement cost growth.

5. Control and Audit Exposure

As a public company, transaction traceability, documentation control, and approval governance were not optional. Manual routing through email and shared drives increased:

- Audit complexity
- Control risk
- Process inconsistency

Risk does not need to materialize to be costly. Its presence alone introduces operational drag.

By the time the economic picture was consolidated, the conclusion was not that procurement needed improvement. It was that the company required procurement infrastructure. And infrastructure requires investment.

Which brings us to the critical turning point:

"How do you build a credible business case for transformation that earns CFO and CEO endorsement?"

The Executive Business Case

Engineering a structural redesign in procurement

Securing approval for a low six-figure transformation investment in a public, growth-stage life sciences company requires financial clarity. The proposal was positioned as a redesign of the infrastructure - necessary to support hyper-growth without structural cost inflation.

Step 1: Reframing the Problem

The discussion shifted from a procurement-centric lens to an enterprise-wide perspective. The business case was framed around enabling hyper-growth and structural scalability - not addressing isolated procurement pain points.

Step 2: Quantifying Return

A three-year ROI model was developed to evaluate the structural economics of modernization. The analysis incorporated:

- ✓ Expanded savings with direct EBITA impact
- ✓ Program acceleration through reduced PO cycle time

- ✓ Cost containment by avoiding incremental headcount
- ✓ Productivity reallocation to scientific and operational teams
- ✓ Embedded risk mitigation and audit traceability

The model was intentionally conservative, grounded in achievable sourcing leverage and measurable process improvements. It did not rely on qualitative benefits.

It demonstrated structural financial decoupling - enabling spend to scale materially without proportional growth in procurement cost.

Step 3: Addressing Executive Skepticism

Leadership's central question was predictable: *"Would this deliver?"*

The response was structured and accountable. The business case incorporated defined milestones, governance checkpoints, disciplined savings tracking, phased sequencing, and transparent performance reporting.

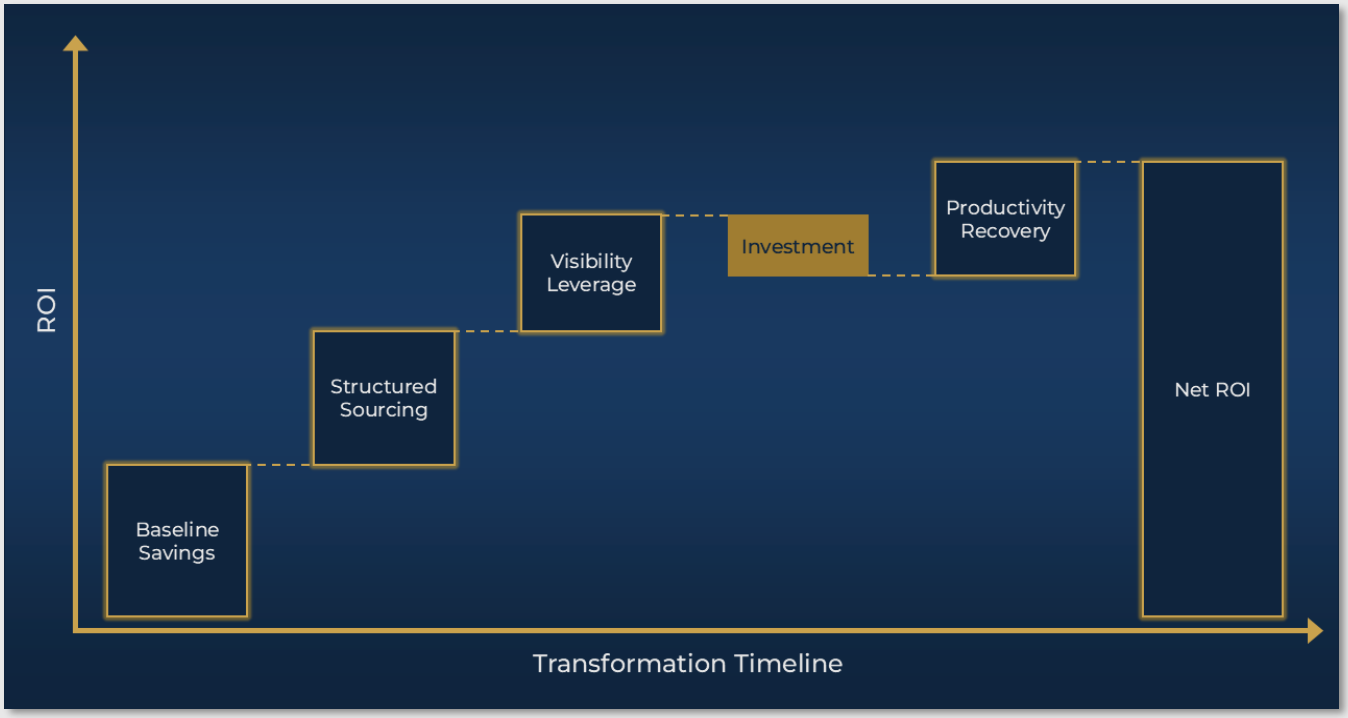
This was not a technology deployment. It was a redesign of the procurement operating architecture.

Step 4: Linking to Growth Readiness

Perhaps the most compelling element was strategic alignment. The company expected hyper-growth. The question presented to leadership was straightforward: *"Can we scale our current procurement model 2 - 3X without friction becoming a bottleneck?"*

The answer was evident. The transformation was not about optimization.
It was about readiness.

The funding was approved by the CFO and CEO with a shared understanding: ***Procurement would move from transactional support to structured growth enabler.***



Future State Design

Designing for Scale

Process Architecture

Every intake pathway, approval layer, handoff, and manual intervention was documented. Bottlenecks were quantified. Redundant reviews were identified. Informal workarounds were surfaced.

This exercise accomplished two things:

- ✓ It created alignment around the true level of friction.
- ✓ It established a fact-based foundation for redesign.

The objective was not process refinement. It was structural scalability:

- ✓ Standardized intake channels
- ✓ Defined approval matrices
- ✓ Automated routing logic
- ✓ Embedded compliance controls
- ✓ Clear ownership at each stage

Digital S2P Infrastructure

A cloud-based Source-to-Pay (S2P) solution was selected and implemented to enable the redesigned model.

Scope included:

- ✓ Sourcing events
- ✓ Contract lifecycle integration
- ✓ Supplier onboarding
- ✓ Requisition-to-PO automation
- ✓ Invoice visibility
- ✓ Real-time reporting

The objective was end-to-end visibility - not partial automation.

Post-implementation goals:

- ✓ 100% structured spend visibility within the platform environment.
- ✓ Reduced PO cycle time by minimum of 5X inclusive of required approvals.

Organizational Elevation

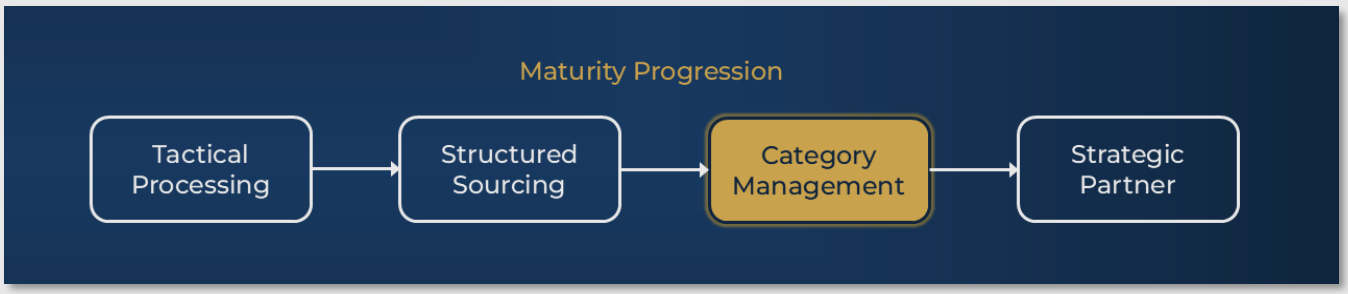
Technology and process redesign was to create capacity. That capacity was to be intentionally redirected. Rather than expanding headcount, the existing five-person team would be upskilled.

- ✓ Category Management
- ✓ Negotiating
- ✓ Savings governance
- ✓ Supplier governance

The objective was to move into a category management model.

The transformation would not eliminate workload, it would reallocate effort from transactional administration to value creation.

- ✓ Enable support for 5X current transactional velocity
- ✓ Decoupling cost from scale by avoiding headcount increases.



Measurable Outcomes

Results Embedded in Operations

The transformation was designed with measurable return criteria from the outset. Performance was tracked against the original business case over a three-year horizon. The results validated the investment thesis.

1. Financial Impact

Annual **savings increased from negligible to many millions annually** driven by structured sourcing cadence, consolidated spend visibility, supplier rationalization, and formalized category strategy. Savings shifted from opportunistic to systematic.

By Year Three, **ROI approached 7X** relative to the original low six-figure investment. The return was embedded in operating performance - not theoretical.

2. Operational Velocity

Average purchase order **cycle-time declined from nearly five business days to less than one**, inclusive of approvals. This reduced program delays, onboarding friction, and internal escalation volume. Program delays due to procurement infrastructure vanished.

Procurement shifted from perceived bottleneck to operational enabler.

3. Structured Spend Visibility

Spend became fully visible and traceable within the S2P environment. **Leadership gained real-time category insight**, improved forecasting alignment, centralized reporting, and audit-ready transaction history.

Visibility was shifted from retrospective to operational.

4. Organizational Leverage

Despite expected hyper-growth, procurement headcount did not scale linearly. **Automation absorbed incremental transaction volume and structurally decoupled cost from growth.**

Scientific and operational teams were released from transactional coordination, redirecting time toward program advancement and revenue-generating activities.

5. Governance and Control

All transactions became fully traceable through embedded approval workflows and documentation history, materially strengthening compliance posture, internal controls, and **audit readiness.**

Risk reduction was achieved through system-embedded governance - not policy alone.

6. Strategic Maturity Shift

Over time, the function **evolved from tactical execution to structured capability**, including formal category management, supplier governance, proactive sourcing planning, and executive-level reporting cadence.

Procurement became a contributor to margin expansion and scalable growth.

Strategic Implications

What This Means for Growth-Stage Life Sciences Leaders

Infrastructure determines whether growth expands margin - or compresses it.

This transformation succeeded not because of technology selection, but because it addressed a structural reality common to growth-stage life sciences organizations:

Growth stresses invisible systems first.

At several hundred million in revenue, procurement inefficiencies were tolerable - until projected expansion exposed the model's limits.

Without redesign:

- Administrative load would scale linearly
- Scientific productivity would remain diluted
- Savings capture would remain episodic
- Headcount would expand to absorb friction
- Audit complexity would intensify
- Margin expansion would compress

Individually manageable. Collectively compounding. The transformation demonstrated three enduring principles:

1. Procurement Is Operating Infrastructure

When architected properly, procurement functions as:

- ✓ A margin lever
- ✓ A spend visibility control tower
- ✓ A supplier governance engine
- ✓ A growth enabler

When left tactical, it becomes an administrative cost center. The difference is structural design.

2. Automation Enables Strategic Elevation

Reducing PO cycle time from ~1 week to <1 day did more than accelerate processing.

Automation absorbed transactional volume and released organizational capacity. That capacity was reinvested into structured sourcing, category strategy, supplier governance, and executive-level reporting.

Transformation is not about eliminating work. It is about elevating it.

3. Executive-Grade Business Cases Win Funding

The low six-figure investment generated a near 7X ROI by year three.

Approval was secured through disciplined financial modeling, risk framing, and growth alignment - not operational frustration. For executive leadership, sustainability of scale outweighs efficiency optimization.

The Broader Signal

Many life sciences companies reach a similar inflection point:

- Rapid revenue expansion
- Expanding supplier complexity
- Heightened regulatory scrutiny
- Increasing CapEx
- Margin discipline pressure

At this stage, procurement maturity becomes a strategic differentiator.

Organizations that invest early build scalable infrastructure. Those that delay compensate later with headcount and reactive cost control.

The impact is rarely visible quarter to quarter.
It becomes evident in operating leverage over time.

Founder Perspective

The transformation required executive-level architectural leadership across business case construction, operating model redesign, stakeholder governance, and capability elevation.

The lesson was clear:

Mid-market companies do not need enterprise-scale bureaucracy to achieve enterprise-grade capability.

They need:

- ✓ Strategic clarity
- ✓ Financial rigor
- ✓ Structured Execution
- ✓ Executive alignment

When those elements converge, procurement becomes a growth enabler.

Growth exposes structural weaknesses before they surface in financial results.

Peregrine Vantage advises growth-stage organizations on the design of procurement infrastructure that scales with enterprise complexity.

Through the structured **Vantage Diagnostic Framework™**, we quantify margin leakage, assess operating model constraints, and deliver a board-ready blueprint for sustainable scale.

For organizations approaching procurement complexity inflection, confidential executive consultations are available on a selective basis.

neal.falcone@peregrinevantage.com

https://peregrinevantage.com

https://www.linkedin.com/company/peregrine-vantage