

PRIORITIES STRAIGHT

The procurement agenda has progressed significantly in recent years – so what’s foremost in CPOs’ minds at the start of this decade?

Post-recession, 2010 is the year that cost-reduction slips down the agenda for procurement as focus shifts to top-line growth, right? Wrong, according to the Procurement Intelligence Unit’s (PIU) inaugural CPO Strategy Survey.

The study, which involved in-depth research among 200 senior procurement executives in large organisations from a range of sectors, revealed that cost reduction remains by far the number-one priority for today’s procurement leaders (see figure 1).

Indeed, almost one-third of respondents identified percentage incremental cost savings as key performance indicators, closely followed by cost avoidance at 61.8% (see figure 2). Another telling figure indicated that just less than 60% felt that the percentage of total spend under management was a highly important measure of success.

As far as that indicator

goes, at least 65% of spend was reported to be under procurement’s management at the majority of organisations – a considerable volume – while 45% of respondents had access to more than 80% in their organisations.

Though only 51% reported having been able to implement dedicated category strategies, the picture painted is one of a function successfully gaining access to the areas where it can be most effective in doing what it does best – saving money.

As for sustainable sourcing, green procurement and areas such as procurement outsourcing, which often gain a lot of attention in the press and are often spoken about passionately by leading CPOs, their position among the lesser concerns of today’s procurement executives suggests they will always be subordinate to the priority of improving the bottom line.

Procurement, it seems, sees itself as an increasingly sophisticated part of the business, with roughly three-quarters of respondents describing their operations as a ‘strategic function’. This cements the view that procurement has made huge strides over the past decade.

Gaining trust

As the function has grown in stature and gained recognition, it seems, judging from responses, that gaining trust and cross-functional collaboration has been at least as important as gaining board support. Also, the alignment of procurement’s goals with the wider business is also highlighted as a key measure of success (see *Thought Leaders*, pages 37-38).

This is a reflection that, for procurement, achieving buy-in from the business is both an enabler and an end goal. It also marks the shift in mentality that has been a

stepping stone in the continued growth of the role; a conscious effort to move away from the perception of procurement as a discrete function.

Indeed, respondents indicated an intriguing degree of aspiration when asked where they saw the function’s role in gathering and sharing supply chain knowledge – more than three-quarters said they thought procurement should be a key gatherer and disseminator for the entire organisation (see figure 3).

While there wasn’t much good news for environmentalists, the reported progress toward securing the all-important cost savings and realising internal recognition showed just how ambitious today’s procurement leaders are.

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Fig. 1 Key performance indicators

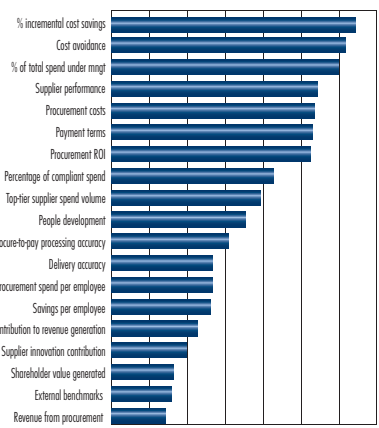


Fig. 2 Priorities for the year ahead

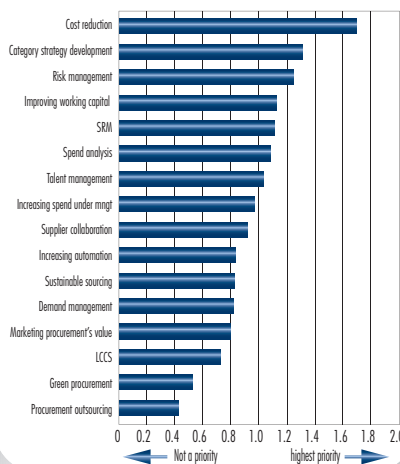
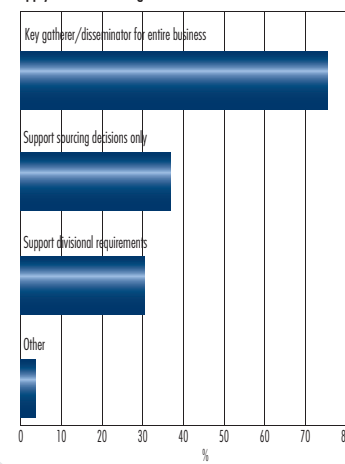


Fig. 3 Role played by procurement in gathering and sharing supply-chain knowledge



Source: Procurement Intelligence Unit