

# Called to the front

Driving procurement success by  
leveraging the economic downturn

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**Foreword by Jesper Schade** Vice President, Efficio  
& **Luisella Chiesa** Vice President, Efficio

**Over the years the standing of procurement has increased. The expectations of the value to be gained from procurement have also been raised, which has, of course, been very well received by procurement professionals. However, this is not something new. We have been experiencing this pattern since the mid-90s and procurement has still not yet reached the board of management circles to the extent it should.**

Therefore Efficio had great expectations regarding how the challenging new financial situation could further underline the importance of procurement as a value creator, both in prosperous times as well as in the more challenging economic climate that we are currently experiencing. This was the primary focus of the study that we have undertaken – to investigate how procurement functions can support their organisations when both supplier and sales markets are in decline and the financial experts can no longer offer stability. This brings the true operational improvements in to focus.

The survey has revealed that procurement executives have 'all' the opportunities ahead of them still ... which is a big surprise on the one hand but on the other hand it is a key opportunity for procurement to once and for all demonstrate the true and lasting value that procurement can add to the business – both in the short term and the longer term.

The question remains though is if you can face up to the challenges ahead and ensure that procurement can lead the way to better times –

**Are you ready?**



**Foreword by David Rae**  
Editor, Procurement Leaders

**The current economic climate provides procurement organisations with the opportunity to stand up and be counted and make a fundamental difference to the health of their business. It's during times like this that reputations are made – or, indeed, lost.**

With that in mind, Procurement Leaders and Efficio surveyed more than 200 procurement executives to investigate how the stuttering economy is impacting on the sourcing function. And, critically, how those teams are responding to the challenge.

The findings of the research are illuminating and provide excellent insight into the strategies that procurement functions adopt during a downturn. They also offer intelligence on how, and in what areas, procurement professionals can make the biggest impact.

But the results provide some rather worrying reading as well. It seems that many procurement functions are still seen by the wider business as cost reducers rather than value creators and neither are they seen as instrumental to the success of many of the organisations we surveyed.

The findings of the research should provide an opportunity for procurement professionals to take stock and think about the 12 to 18 months that lie in wait. Make no mistake, the next year and a half promises to provide the most challenging business environment for many years.

The strategies deployed in the next few months will define the success of the next few years for large corporations and procurement must play a key role in those decisions.

**Good luck**  
it could well be a roller coaster ride.

# About Efficio

Efficio is a results-focused procurement consultancy, with a track record for helping leading organisations achieve more value from their procurement. Whether the challenge is delivering significant savings to the bottom line or managing suppliers to create value for the longer term, Efficio provides a range of client-tailored services including:

- Procurement Transformation
- Strategic Sourcing Execution
- Supplier Relationship Management
- Private Equity and Post-Merger Integration support
- e-Procurement Strategy & Implementation

Made up of experienced professionals with a blue-chip consultancy heritage, Efficio combines the credentials of a top tier firm, with the depth of expertise and execution of a flexible niche player. With offices in the UK and Germany, and a growing operation in the USA, we service clients from a broad range of sectors throughout Europe and the United States.

To learn more, please visit [www.efficioconsulting.com](http://www.efficioconsulting.com) or call **+44 20 7553 6900**

#### About the authors

Jesper Schade is a Vice President in Efficio's London office  
Luisella Chiesa is a Vice President in Efficio's London office

# About the Procurement Leaders Network

The Procurement Leaders Network is an international membership-led community focused exclusively for executive level procurement, sourcing and supply chain management professionals.

The Network acts as a catalyst to spearhead innovation, leadership and strategy and has been developed in support of our members growing global remit. It delivers high quality insight and perspective on today's most critical corporate issues, whilst providing members with new ideas, approaches and strategies to meet their current and future business challenges.

For more information please visit [www.procurementleaders.com](http://www.procurementleaders.com).

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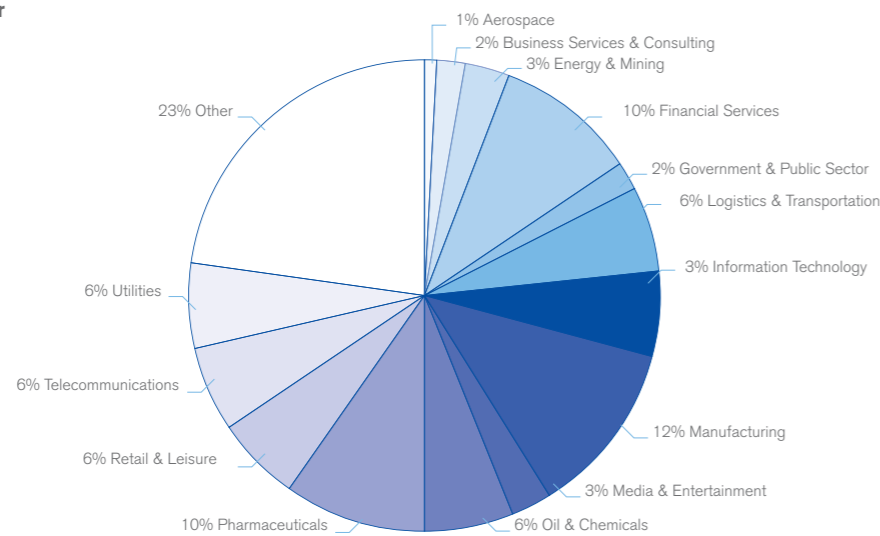
# About the Survey

Efficio and the Procurement Leaders Network jointly carried out a survey in which senior procurement executives and others at a similar level were invited to answer a series of questions. The analysis is based on over 200 answers, which were submitted between May and August 2008. 85% of respondents are decision makers in procurement/supply chain and over 60% have responsibility for more than one country. The answers cover all industry sectors and two thirds come from companies with more than €1 billion annual turnover.

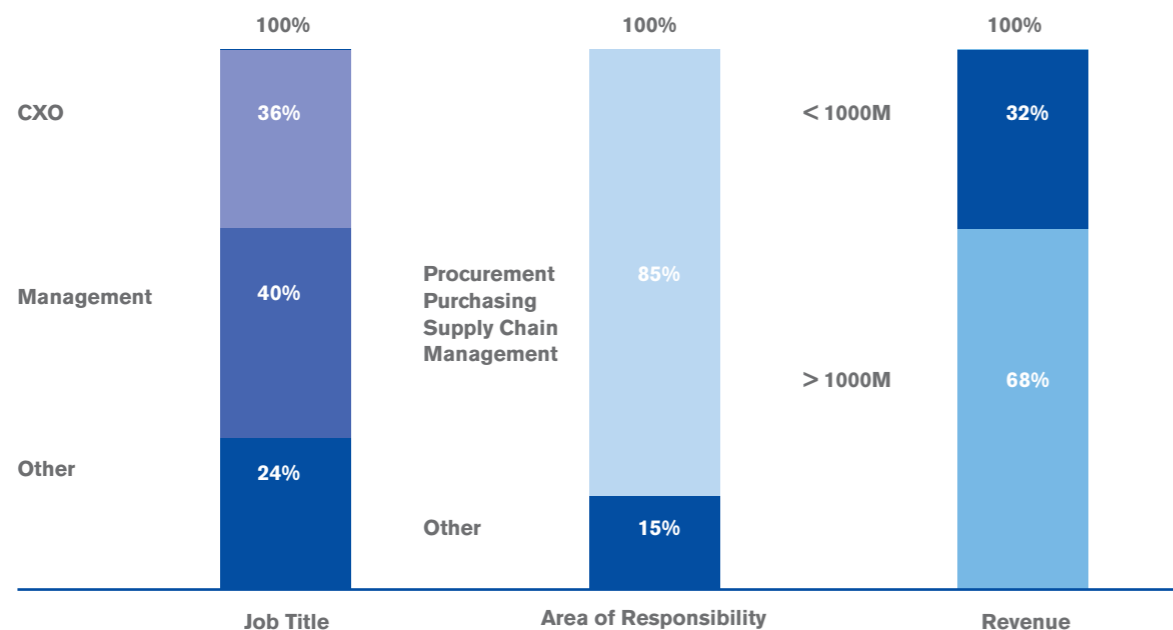
Our online questionnaire asked respondents about the impact of the economic downturn on their organisation, recent developments in their procurement organisation, and how they see their role develop as their businesses face increasingly challenging times ahead.

## The answers cover all industry sectors and two thirds come from companies with more than €1,000m annual turnover

Respondents by sector



## Respondents by job title, responsibility and revenue



# Executive Summary

Efficio and the Procurement Leaders Network received responses from over 200 procurement executives to our survey into the evolving role of procurement. We asked these executives about the current state of procurement in their organisations and the ways in which they and their organisations perceive their function can contribute to navigating the current difficult economic conditions.

The survey confirmed that procurement is steadily evolving in terms of sophistication and its role as a strategic function within the business organisation. Nonetheless, it was evident that progress has not been as rapid or as vigorous as could be hoped. Many procurement organisations are still working at the basics, including cross-functional participation and solid SRM, which are prerequisites to the full development of procurement excellence.

Most critically, many procurement functions still lack the necessary boardroom mandate for their initiatives. Efficio has long argued that the approach of selling oneself to the organisation and solely achieving buy-in from the bottom-up is of limited value. For a true step-change in procurement to be achieved, it is also critical to have a top level mandate.

For procurement, this means the current economic downturn presents a unique opportunity, as it offers procurement a chance to step up its profile and sophistication. As companies look for ways to bolster themselves in the face of difficult times, procurement is more than ever in a position to become a true value driver within the overall business strategy.

**“We have just appointed a new head of global supply chain reporting directly into the CEO, which illustrates how procurement is rising up the value chain and gives a further indication of the discipline’s current standing in the business. I believe we’re going to see more of this in companies across all sectors.”**

VP Strategic Procurement EMEA, Estee Lauder

However, in order for this to happen, various overdue issues need to be addressed and a sense of urgency is paramount. Based on the current status of procurement functions as revealed by our survey, Efficio outlines the key steps that need to be taken and need to be taken now: obtain top-level mandate, prioritise SRM, focus on value creation, embed procurement in the organisation and ensure the use of appropriate KPIs.

A procurement organisation that succeeds in getting the fundamentals right will be able to perform a critical, value-generating role in its company’s overall strategy for weathering the storm. Though the task may be a challenge, a great opportunity lies ahead.

# Called to the front

Driving procurement success by leveraging the economic downturn

The current economic downturn is a natural trigger for companies to increase their focus on procurement. In recent years, procurement has seen its prominence rise on the boardroom agenda. As times become harder, this focus is only set to increase.

However, there is a danger that short-term cost-cutting approaches may prevail over longer-term value building. Nonetheless, the downward cycle presents an excellent opportunity for procurement to undergo a step change in sophistication and for procurement departments to play a critical role in navigating their companies through the difficult times. However, now more than ever, a sense of urgency is paramount. In the following we present the findings of the survey and offer our key insights for procurement executives on how to grasp the opportunity at hand.

## The overall impact of the economic downturn

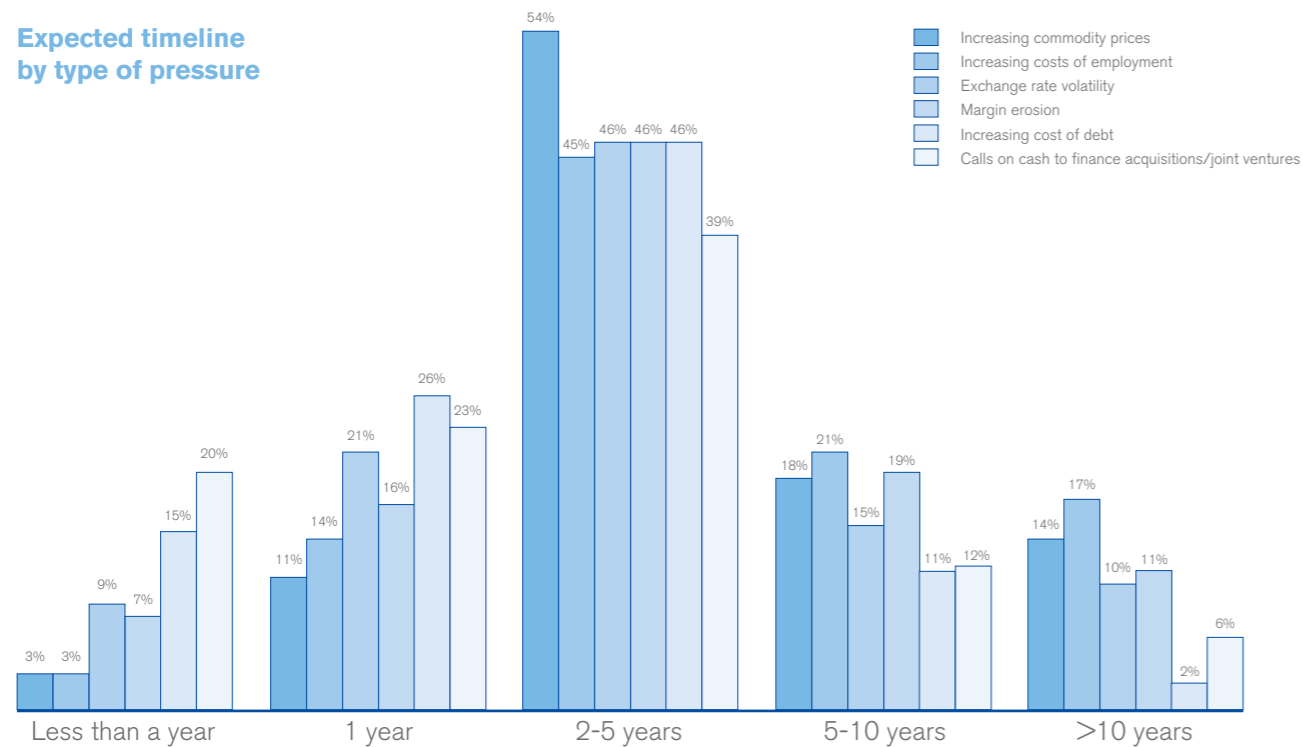
The economic downturn is having a significant impact on companies and this is being reflected in the challenges posed to procurement departments. The main issue that more than two thirds of respondents to our survey identified was increasing commodity prices. They are predicted to be an ongoing pressure which will peak in the next 2-5 years but are thought likely to stabilise after this time. Pressure from exchange rate volatility is also seen as a key theme, with over three quarters of companies believing it will continue to have an impact over the course of the next 5 years. Although margin erosion is not seen by many as a threat in the immediate future, 65% predict this will be a greater issue in the medium to long term. More than a quarter of respondents found that the increasing cost of debt will be a key theme in the next year increasing to nearly half after 2 years. However, this is not thought to last in the long run and just 2% of companies believe this will still be an issue after 10 years.

Other themes explored included the increasing costs of employment and this is thought to be a long-term trend. At least 45% of respondents expect these costs to be a key business theme likely to continue in the next 2-5 years, while more than a third expects this issue to be sustained over a period greater than 5 or even 10 years. Overall, the impression was given that the current situation will persist for some time yet but the pressures will be at their highest and businesses will be most vulnerable in the medium term.

However, procurement departments themselves have been relatively spared by the downturn. The number of procurement FTEs appears to remain relatively unimpaired, with 70% seeing procurement headcount remain stable or rising and nearly a third not looking at cuts in the departmental budget. Additionally, the downturn appears to be relieving some pressure on procurement departments, with half of respondents stating that they are not facing significant pressures from calls on cash to finance acquisitions or joint-ventures and it is not likely to remain a key business theme for more than one year.

## 72% of executives expect all listed business pressures to be a medium up to long term business theme with a focus on increasing commodity prices and cost of employment

Expected timeline by type of pressure



# Increased focus on procurement

Nonetheless, the negative macroeconomic factors are already having an impact on procurement.

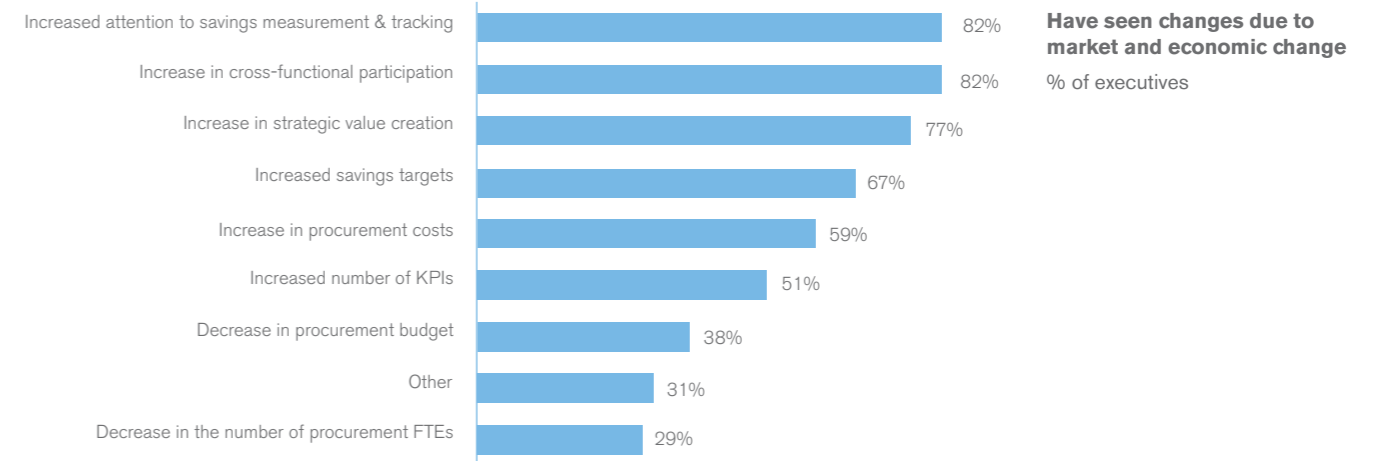
The most direct influence of the economic trend can be seen in increased savings targets, which two thirds of our respondents report. This increase has been accompanied by a rise in overall procurement costs, which was identified by just under 60% of respondents. Moreover, KPIs have been increased and tightened for over half of our survey takers.

The most relevant impact from a procurement perspective is the effect that the economic downturn is having on the focus and attention the wider organisation is open to give to procurement activities. Because organisations require procurement contribution more than ever, they are willing to spend more time and resources on this and ensure that procurement efforts can

be directly linked to – and accounted for – in the company's results. This change in perceptions was made apparent by 82% of the respondents indicating that as a result of market and economic change they have seen increased organisational attention to savings measurement and tracking.

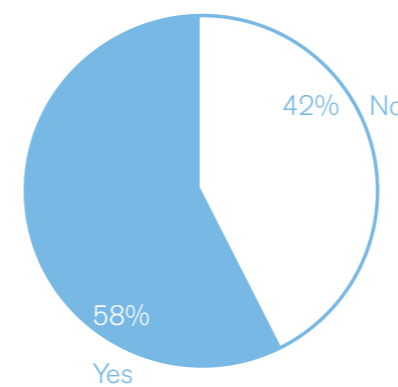
The changing perception of procurement's strategic role is being reflected in how the organisations define the success of their procurement strategies. In the last three years, 58% of the participating companies realigned their definition of success with respect to its contribution to overall company strategy. The most frequently used factors to align procurement strategy are more formalised processes and a clearer connection between procurement and finance processes. Additionally, many respondents report that the target setting process is increasingly being seen as an outcome of a two-way communication process rather than as a top down exercise.

## The wider organisation is giving more focus and attention to the procurement contribution, relatively sparing procurement departments from the downturn

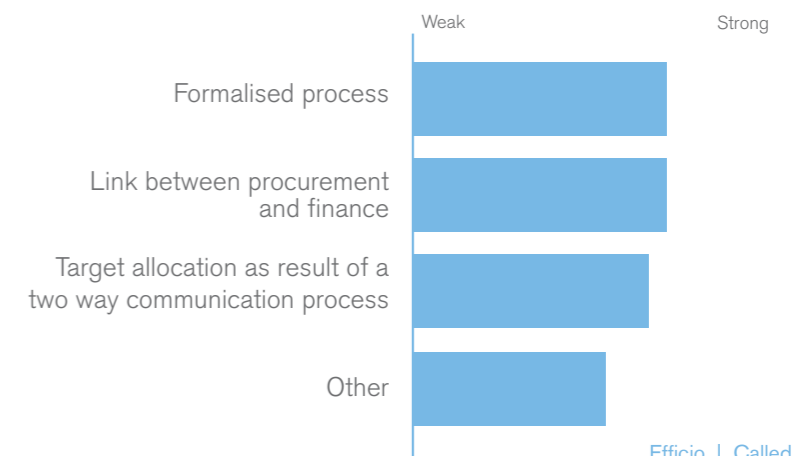


## The changing perception of procurement's strategic role is being reflected in new definitions of success, aligning procurement with overall company strategy

### Realignment of strategy's definition of success in the last 3 years



### Alignment factors for procurement strategy to the delivery of the company's organisational strategy



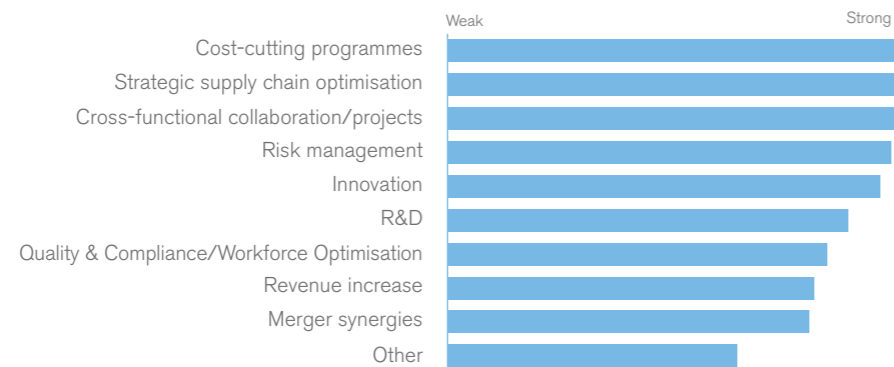
82% of respondents also see an increase in cross-functional participation in procurement activities. The economic downturn appears to be a powerful trigger for procurement to engage with other functions. Active cross-functional collaboration is enabling the scope of procurement initiatives to be extended to the entire value chain. For procurement this means a concrete opportunity to broaden its focus from cost reduction to value creation and over three quarters of respondents have seen this increase

in response to market and economic conditions. All of this means that procurement appears to stand a real chance to finally get the “go ahead” and/or real organisational momentum for themes that have been on the agenda for quite some time now, but which in most cases are “somewhere on the way, but not quite there yet”.

## Lingering focus on cost

Despite the potential for value creation, procurement agrees that there is still a need to work on the basics

### Expected focus increase by area



Although procurement's strategic role has become increasingly prominent, cost-cutting still appears to be a standard reflex to an economic downturn. Despite the developments outlined above, cost cutting programmes are considered the main area where procurement delivery is expected to support the wider business targets. This perception is not just confined to the boardroom: a surprising 90% of our respondents agree that cost-cutting programmes are the pre-eminent area where procurement can expand its current scope.

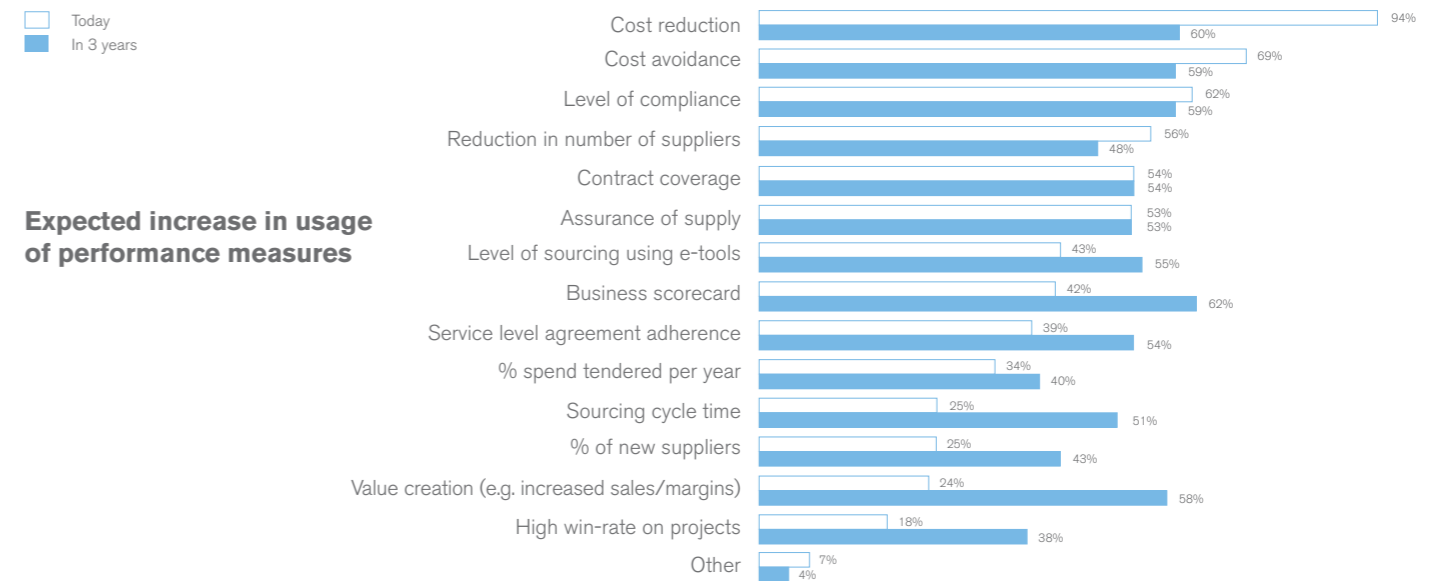
Strategic supply chain optimisation and cross-functional collaboration rank second and third, both with respect to the areas where procurement is expected to deliver wider business targets and as areas where it can expand its role as a result of the current market situation. Nonetheless, these factors continue to lag behind the cost-cutting focus. Despite the discussions of the last few years, procurement's role as a savings generator, rather than a cost cutter, is not yet a given. The disappointing message is that despite its potential for overall value creation, in many cases procurement still needs to work on the basics: control and fully manage the entire external spend base from a cost-reduction perspective.

**“Budget holders are now increasingly aware that procurement holds the key to ensuring that cost increases in areas such as energy and business travel are well managed.”**

Head of Procurement, Thus Plc

This is confirmed by an analysis of the metrics currently used to define the financial benefits that procurement delivers to the organisation. Savings is still overwhelmingly applied as the key metric to define financial benefits and 84% of our respondents define financial benefits in those terms. Cost avoidance takes second place but is still behind at 69% and reduced total cost of ownership is used by less than half of the respondents. Despite extensive and long-lasting discussions about the role of procurement in value generation no more than a quarter of companies have so far felt the need to attach quantitative KPIs to this aspect.

## The use of performance measures in the next three years is expected to evolve and be back in line with the strategic shift from cost reduction to value creation



Baselining methods appear to be developing slowly in terms of sophistication. The most commonly used measure for establishing the baseline remains old price (projected volume). This was indicated by 58% of respondents, with 40% using old price (old volume) for baselining financial performance. Though baselining methods have been tightened, with over half of companies using just 1 or 2 methods, the focus remains on cost. After all, it continues as a matter of old price versus new price.

Cost savings rank highest in terms of benchmarking the procurement function's performance, with ROI following second. Fortunately, the number of KPIs used for benchmarking is higher than those applied for baselining: just under 70% use 3-6 KPIs while benchmarking. However, though the range is broader, value generation indicators are seldom part of the selected set of KPIs: less than a quarter benchmarks shareholder value and 16% revenue gains. Even more disappointingly, only 17% indicated that they use supply chain indices as a benchmarking measure.

Best-practice sharing appears to be progressing steadily, with the majority of respondents indicating that they share best practice reasonably well. However, most companies do not have a formal process for doing this, it is conducted in an semi-formal, ad-hoc fashion. If procurement wishes to move forward, this is another area that will require further professionalisation.

Given the evolution that procurement is trying to go through, procurement officers themselves should view their function in terms of its ability to generate shareholder value, gain revenue for the overall business and – at a minimum – reduce total cost of ownership. There is some indication that perceptions are set to change. The use of performance measures in the next three years is expected to evolve and be back in line with the strategic shift from cost reduction to value creation. Value creation and high win rates on projects are expected to become the most typical measures of procurement

performance, more than doubling in usage, while cost reduction is expected to be a less used measure of performance in three years time (94% now to 60% in three years time). Overall, usage of cost reduction measures is forecasted to significantly decline, while value creation and organisational process efficiency measures such as sourcing cycle times will become increasingly common KPIs.

**“The economic downturn offers a unique opportunity for sourcing functions to position themselves as business productivity champions.”**

Head of Sourcing Global Sites, Novartis Pharma

# Current areas of focus:

## Organising the basics

### Acceptance of procurement's role in value creation can ultimately be the result of organisational buy-in, but still seems to require initial top-down enablement

Rank	Success Factor
1	Shared procurement and operational goals
2	A clear mandate with senior level sponsorship
3	Close engagement with the wider business
4	Having the right people
5	Clear and agreed definition and measurement of baseline and benefits
6	Effective governance and reporting
7	Effective change management skills
8	Having appropriate technology and tools
9	Goal oriented performance and reward structure
10	Cross-functional exposure

In view of the difficult times ahead, more so than ever, procurement needs to broaden its role throughout the value chain. Accordingly, we asked the participants to rank the most important success factors in moving their sourcing function towards future value creation. The top three options that our respondents identified for increasing procurement's strategic and value-creating role seem to indicate that progress in the last few years has not been as fast as expected. Respondents identified shared procurement and operational goals, a clear mandate with senior level sponsorship and closer engagement with the wider business as the top three success factors. Goal alignment and business involvement are requirements in line with the overall sentiments on greater cross-functional collaboration. Nonetheless, all these issues have been flagged for a very long time and should already have been solved in day to day practice.

Effective change management skills will become key assets for a procurement function whose scope of work is increasingly cross-functional and focused on more integrated ways of cooperation with the supplier base. Nonetheless, these are ranked close to the bottom of the list of success factors: they are necessary once you are there, but by themselves perceived as no guarantee to get there by getting "bottom-up" buy in. The emphasis given to the need for a clear mandate from top management clearly suggests that in several instances this is not the case yet. Acceptance of the evolving role of procurement can ultimately be the result of organisational buy-in, but still seems to require – at least initially – top-down enablement.

In order to better understand the details of the journey, we asked the participants which sourcing levers they are currently using in a structured and systematic manner to derive benefits for their organisation and how the use of sourcing levers will differ in 3 years time. The answer brings us back to the basics. Usage of all key levers is expected to increase in the next 3 years, especially volume leverage, which is also the one currently most used. Cost unbundling also features as a priority in the future with two thirds believing its role will increase. These are closely followed by SRM, low cost country sourcing and compliance management. None of these levers are new, those ranked as the highest priority can be considered as the basic procurement levers. The answer to the economic downturn still resides in an increased usage of these traditional levers rather than in applying newer techniques (hedging, supplier tiering etc.).

Why are traditional, consolidated levers not applied yet at their full potential? Once again, the reason can only reside in the lack of organisational buy-in and commitment. It is necessary to have control of total company spend across geographies and business units to fully apply volume leverage. The buy-in of other functions is required to perform total cost of ownership analyses across the entire value chain and effectively deploy cost unbundling as a lever.

When looking ahead, 73% of respondents strongly agree that Supplier Relationship Management provides the best path. SRM, however, should already have long been in place. It has been a topic for a number of years already and should be firmly established in order to function as the foundation for greater value creation. Once SRM is properly established, procurement is able to focus on more effective approaches, such as increasing revenue and market share through strategic supplier collaboration programs. Put succinctly: SRM is a precondition for value creation. Incidentally, SRM and value creation rank above more current topics such

as corporate social responsibility and environmental issues. Procurement often lags behind other functions with respect to such matters, which often stem from an overall corporate policy. Though it may be obvious that procurement can play a significant role with respect to CSR and environmental issues, few procurement departments have been given an initiating or leading role on these topics within their organisations.

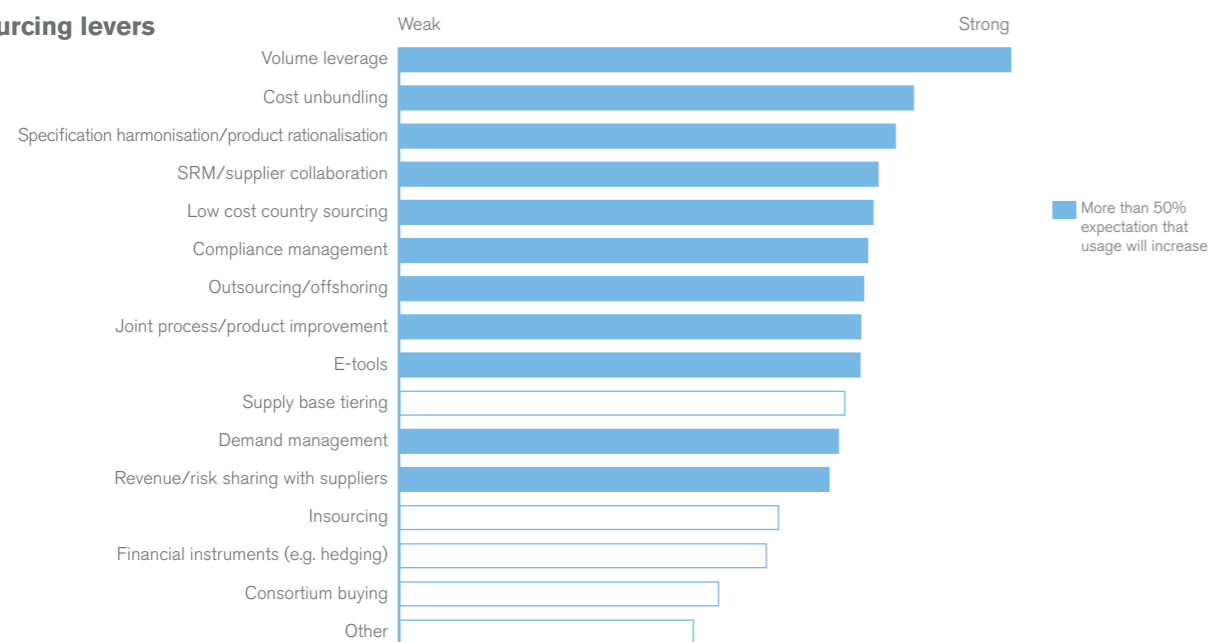
### When looking ahead, SRM is number 1 on the agenda

#### A list showing the key topics for the coming years

#	Success Factor
1	SRM
2	Value generation
3	Corporate social responsibility
4	Environmental factors

### The procurement answer to the economic downturn still resides in an increased usage of these traditional levers rather than in applying newer techniques

#### Key sourcing levers



# Rising to the challenge:

## Five key points to address

Looking ahead, our respondents anticipate changes in the right direction. Cross-functional collaboration is expected to step up by 26% and relationship management follows with an anticipated 19% positive change. Overall, support and buy-in for procurement across the organisation is expected to improve by 18%. As such, these expectations are good, but a sense of urgency is required if procurement departments wish to play a key role in leveraging the economic downturn and gaining maximum value for their company.

Outlined below are 5 key areas that procurement functions need to have right to ensure they are delivering the best value for their organisation in the current climate.

### 1) Get the basics right

First and foremost, procurement needs to ensure that it is properly positioned within the organisation and is seen as an integral part of the overall value proposition. This means that procurement needs to convince top-tier management of the opportunities and threats that the organisation is facing. Though an economic downturn may prompt greater board attention to procurement as a cost-cutter, selling the value-generating aspects of procurement will require proactive effort. Moreover, such an effort is doomed to fail if it is attempted to sell this value generation from the bottom-up. Procurement affects every part of the organisation and can add value to the company as a whole. To enable procurement to do its work across departmental boundaries, the procurement function needs to enjoy a mandate from the CEO.

Besides the mandate, procurement needs a strong internal network within the organisation. Procurement interfaces with many different parts of the business and this needs to be reflected in its network and in the level of cross-functional participation. Procurement needs to play a real role in strategic and operational business discussions and to do this, it requires both a proper mandate and network. These two basic aspects are a precondition for any and all successful further developments

### 2) Prioritise SRM

Because most organisations will have already exhausted the space available to achieve savings through traditional methods, well organised Supplier Relationship Management is a prerequisite both for achieving further savings and for moving on to value creation. Though it has already been a topic of discussion for the past couple of years, many organisations have not fully or adequately implemented SRM yet. With the current economic challenge ahead, SRM simply cannot be put off any longer. The ability to put in place a well-organised system of Supplier Relationship Management requires the cooperation of other functions within the company. It is necessary to ensure the basic conditions of the mandate and cross-functional participation are solidly in place before embarking on an SRM initiative. To stimulate mandate, cooperation and buy-in, procurement departments will need to make the missed opportunities tangible to the organisation. A business case quantifying the extent of the current losses and the potential gains is an appropriate means of doing so.

With the mandate and network in place, deploying SRM means a changed role for procurement. Rather than an afterthought, procurement needs to be involved in all phases of the product life cycle, from development to divestment. This means that procurement must be able to engage and challenge the functions that are traditionally in charge of each step.

It is important here that procurement can play a real role in the decision-making and that it takes the lead in implementing SRM. There is a considerable opportunity to be missed – and a real threat – if other functions take it upon themselves to set up SRM and only include procurement as an afterthought. Failure to deploy procurement expertise can lead to suppliers becoming embedded in the product life cycle, secure in the knowledge that their position cannot be challenged. Moreover, knowing the dependence the company has manoeuvred itself into, suppliers may be loath to share knowledge, realising that they can deploy this as a further means of averting future negotiations. Accordingly, it is critical that procurement plays a key role in the setup and decision making if the company is to build relationships that continue to create value for the long term.

### 3) Greater focus on value creation and risk management

Though cutting costs may be a predictable response to a difficult economic climate, procurement needs to continue to push its strategic, value-generating role. This means that buyers need to understand their role in relation to the overall business and must build their strategies with the involvement of other parts of the organisation.

As outlined above, this means procurement needs to play a more prominent role within the product life-cycle and the overall discussions and decision making surrounding this. At a more operational level, focusing on value creation means pursuing value-based targets. Buyers need to push for specific targets in terms of top line growth rather than bottom line cost reduction.

Deploying the right kind of targets will stimulate the procurement organisation to take a broad perspective and focus on the value chain as a whole. However, this process needs to work both ways. Because the value generated cuts across departmental boundaries, other functions also need to operate to specific targets. This means that procurement should push to be assigned value creation targets, but should only accept these if related targets are given to the functions with which it will need to interface and cooperate to deliver such value.

In order to tie procurement to the overall business strategy and make tangible the connections between the functions, it is useful to go beyond simple cross-functional involvement and actually create bridge functions. A finance/procurement bridge function can be set in place so a better understanding of risk management fundamentals can be applied to managing the spend base. This is able to do more than just apply a finance rule, but can draw upon both financial and procurement expertise to understand and challenge the spectrum of possibilities with respect to risk management on the spend base.

### 4) Measure with the right KPIs

We hope that we no longer need to argue that procurement can generate significant value for an organisation in addition to just delivering savings on cost. However, in order to demonstrate that value, it is critical that the right KPIs are applied and monitored. At present, many of the metrics that organisations still apply are only able to reveal savings, rather than value. No more than a quarter of the respondents to our survey indicated that their company had felt the need to attach quantitative KPIs to the aspect of value-generation, despite there having been extensive and long-lasting talk regarding procurement's role in this. This is unfortunate, because not only do savings-only-based KPIs fail to reveal the value-generation aspect, they also inevitably lead to outdated results and perceptions.

In the same vein, it is critical that the correct metrics are applied when baselining and benchmarking. Procurement executives have a tendency to apply a large number of KPIs in their benchmarking, but still feel the need to focus the metrics on cost. Again, this represents a missed opportunity, as benchmarking with respect to value-generation is a good way of illustrating that savings-only KPIs are inadequate. However, as is the case with respect to SRM and overall value-creation, value-based KPIs cannot be deployed in isolation. This means that while pushing for new value-revealing KPIs, procurement also needs to stress that the KPIs applicable to the rest of the business are adjusted as well.

### 5) Become an integral part of ongoing business discussions

Overall, procurement needs to step up its profile and exposure and ensure that it is involved in discussions at senior management level. Procurement needs to pro-actively sell itself to the organisation as a whole and network at many levels. Procurement executives have extensive and specific knowledge at their disposal which can be of great benefit to the organisation. Accordingly, they should share this knowledge, on supply chains, SRM or value creation, at every conceivable opportunity.

If procurement confidently presents itself as a source of advice and expertise, it will soon become commonplace for others to seek such advice. Creating the right exposure and momentum by proactively joining discussions from the perspective of sharing important insights is a strong way to embed procurement in the organisations' mindset. As a corollary of this, procurement executives need to ensure that they have a good understanding of the issues and discussions that are ongoing in other parts of the company.

Whether it is a matter of obtaining the appropriate mandate, ensuring relevant cross-functional participation or deploying expertise in the product life-cycle, procurement needs to integrally involve itself with the organisation as a whole in order to be able to deliver the necessary value. Procurement executives need to work pro-actively and enthusiastically at spreading the word and at claiming their rightful position at the table.

# Conclusion

Though our survey reveals that procurement has been slow to develop a sophisticated, value-generating role within their organisations, the economic downturn is anticipated to accelerate development in the right direction. For procurement departments to play a key role in leveraging the economic downturn and gain maximum value for their company, procurement must ensure it achieves greater prominence within decision-making across a wide range of business topics.

Even in a tight economic situation, the focus needs to shift from cutting costs toward value creation. This will require procurement to work at selling its value to the highest levels of the organisation, as well as to other neighbouring functions: perceptions need to change and collaboration needs to increase. However, procurement departments will also need to adjust their organisation. Most importantly, they will need to create a goal-orientated performance and reward structure and ensure they measure – and are held to account by – appropriate, value-related KPIs.

All of this represents quite a challenge, but the opportunity is great and the cost of inaction potentially high. At the end of the day, an organisation that is successful in upgrading its procurement is an organisation that is likely to be able to keep its ship steady, weather the economic storm and exit in a stronger position.



# PROCUREMENT LEADERS

THE EXECUTIVE NETWORK

An Efficio survey conducted in association  
with the Procurement Leaders Network



Efficio  
Crusader House  
145-157 St John Street  
London  
EC1V 4QJ  
United Kingdom

**T.** +44 (0)20 7553 6900

**F.** +44 (0)20 7553 6901

**E.** [info@efficioconsulting.com](mailto:info@efficioconsulting.com)

**W.** [www.efficioconsulting.com](http://www.efficioconsulting.com)