

Moving Forward

The evolving role of procurement

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Foreword by Alex Klein,
Chief Operating Officer, Efficio

The adoption of a more strategic role by procurement has been a topic of much discussion in recent years. It is a topic that has been frequently addressed by the procurement press, and is a common presentation topic at procurement-related conferences. Those companies that can demonstrate significant achievements in procurement are even eligible for awards for excellence by procurement institutes across Europe.

We at Efficio have also witnessed a significant change first-hand, through working with our clients. Indeed, the ever-increasing sophistication of procurement functions requires us to constantly evolve and innovate our product offering. In most larger organisations today, procurement is no longer the poor relation that requires hordes of consultants to show it the way. These days, procurement directors and CPOs have a very clear game plan, they use consultants for very specific needs... and then require very specific expertise.

We developed this survey to help us understand and articulate the changes that are going on more clearly. We wanted to question a broad set of companies about the current state of play within procurement. And we wanted to know what precisely has changed, and what challenges still lie ahead.

We are pleased to present the results of the survey in this report. We have had a tremendous response rate, with more than 250 individuals completing the survey questionnaire. Many thanks to all those who filled in the survey, and to the European Leaders in Procurement Network for helping us to reach out to a very large audience across Europe.

Efficio has learnt many useful lessons from this survey. We sincerely hope that procurement leaders, as well as other executives, find the report useful as a tool for benchmarking where they stand today, and where they need to head in the future.



Foreword by Mark Perera,
CEO, Sigaria, Editor-in-Chief,
European Leaders in Procurement

As the publisher of European Leaders in Procurement (ELP) magazine and the online European Leaders in Procurement Network (ELP Network), we at Sigaria are well aware that the world of procurement is changing rapidly.

Our overarching aim is to assist senior executives in managing the development of their functions by providing groundbreaking information, knowledge and insight. So when the opportunity arose to carry out a pan-European survey to find out more about the nature of the changes taking place, we were excited to partner with Efficio to help put this plan into action. Making use of our network of more than 9,000 senior executives, we asked members of the European procurement community for their views and opinions.

As the results in this report show, the answers provide fascinating insights into developments within the profession. Procurement is, indeed, becoming a far more strategic function, more highly placed within organisations and more closely involved in decision-making in such complex areas as supplier relationship management and low-cost country sourcing.

Our readers and members of the ELP community will find these results not only interesting but also useful in encouraging the continuing progress of procurement towards full recognition as one of the most crucial business functions. We hope that this report will be read not only by those directly involved in procurement, but also by other business leaders and decision-makers. Procurement is taking big steps forward and we are delighted to help foster the discussion and debate essential to these exciting developments.

About Efficio

Efficio is a leading international 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
- Extended sourcing team
- Supplier relationship management
- e-Procurement strategy and implementation

With experienced professionals from a blue-chip consultancy heritage, Efficio combines the credentials of a top tier firm, with the depth of expertise and execution focus of a flexible niche player.

Our focus on results speaks for itself as fees are intrinsically linked to the savings delivered, which means our teams pay for themselves several times over.

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
or call +44 (0) 20 7553 6900

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About The ELP Network

The ELP Network is the first European membership platform focused exclusively on executive level procurement and supply chain management professionals. As an integral part of the wider European Leaders Network, the procurement network is a catalyst for new ideas and innovative strategies, developed to support the growing demands on the purchasing function from board level.

What it provides

It delivers insight and perspective into high priority corporate issues, providing a range of learning and networking programmes to keep European executives abreast of new thinking and approaches. Network services include: news and research, the community, events, ELP magazine, knowledge groups, the resource centre, careers, the supplier directory and technology.

The ELP Network bases its values on high-quality, trust, neutrality, focus, objectivity and competence, working closely with the support of its members.

To learn more, please visit
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Executive summary

A dramatic transformation is taking place in the way today's businesses conduct their procurement. While once purchasing was a back office department where administrative staff processed invoices and placed orders with suppliers, now it is much more likely to be a central, strategic function. In those companies which have already advanced beyond traditional procurement activities, a further move towards such complex activities as low-cost country sourcing and supplier relationship management (SRM) - both strategies requiring sophisticated, integrated relationships with suppliers - is already well under way.

We decided to ask procurement directors and other senior managers at Europe's largest companies, to tell us how far these processes have progressed and to throw some light on the implications for them and their organisations.

The survey, carried out by 279 senior executives during the spring and summer of 2006, confirms that procurement departments typically now play a much more central role compared with only six years ago, and that the responsibilities being shouldered by the professionals within them are growing. CPOs in large organisations are increasingly leading such complex activities as SRM, low-cost country sourcing, the management of supply chains and outsourcing.

The survey also reveals that in at least one crucial area, the management of supply chains, procurement is poised on the brink of further enormous change in the very near future.

But it also shows that all is not rosy in the procurement world and that big challenges still lie ahead. In its approach to SRM, for example, procurement is still being used largely as a way of bedding down savings generated through strategic sourcing, rather than enabling collaboration with suppliers to drive innovation and improve product quality. There is also a general recognition that the typical procurement function's skills need to be upgraded in order to meet these new challenges.

Procurement's new role

The perception of procurement as a strategic function within business organisations has grown massively in recent years. Procurement has become a more

strategic area of most businesses, warranting the attention of business leaders. In our survey, 90 per cent of senior executives said their departments were now seen as a key function with sponsorship from the board or senior management. Fewer than one in five said it was seen in this way in 2000.

Confirming this finding, the proportion saying they now reported to board or CEO-level management had risen by more than 63 per cent.

But procurement's rising status means the function will need to acquire a much broader set of skills in order to carry out its new tasks. This was identified as a major challenge by two thirds of those questioned.

A refreshing finding was that often-expressed fears over procurement's confidence in itself are exaggerated. This was highlighted as a challenge by less than half of those questioned. At the same time, there is evidence that procurement is often still struggling for recognition by those in other business functions.

SRM in practice

As a measure of the sophistication of procurement functions, we asked survey respondents whether they had adopted a SRM approach. We found that the use of SRM approaches had doubled in the past six years.

Procurement's involvement in new product development, another measure of its progress as a strategic function, has more than trebled. Similarly, its ability to help create competitive advantage, rather than pure cost advantage, has increased massively. At the same time, there is evidence that procurement directors

“There is a huge challenge for leaders in procurement to act on the findings of this report. We have to develop and train people in the profession to play a bigger role, equipping them with the ability to understand the real issues facing our organisations. Focusing just on cost cutting is a sure fire way of being left behind.”
Meryl Bushell, Chief Procurement Officer, BT Group

are not yet taking full advantage of SRM techniques to make a contribution to their businesses. More than two thirds of those questioned identified maintaining or improving savings generated from sourcing activities and improving service levels - both standard activities in procurement - as primary reasons for undertaking SRM. It appears that SRM is often being used to embed sourcing savings rather than for more advanced purposes.

Low-cost country sourcing

The survey reveals there has been a dramatic increase in the amount companies are spending on sourcing from low-cost regions, one of the most challenging and high-risk activities undertaken by Western companies. The biggest challenges in expanding such projects are concerns about the expertise or resources of suppliers, thought to be important by nearly two thirds of those questioned. Other concerns are as fundamental as product quality and the complexity of managing remote suppliers and logistics.

Confirming procurement's confidence in its new role, the need to seek a mandate for low-cost country sourcing projects from senior management does not appear to be a problem. None of those questioned said this was important. Leading sectors in low-cost country sourcing were retail and leisure, followed by telecommunications and IT.

Supply chain management

A hugely significant change in the role of procurement departments is imminent, the survey reveals. Currently, only 15 per cent of those questioned said they had any visibility up the supply chain beyond their

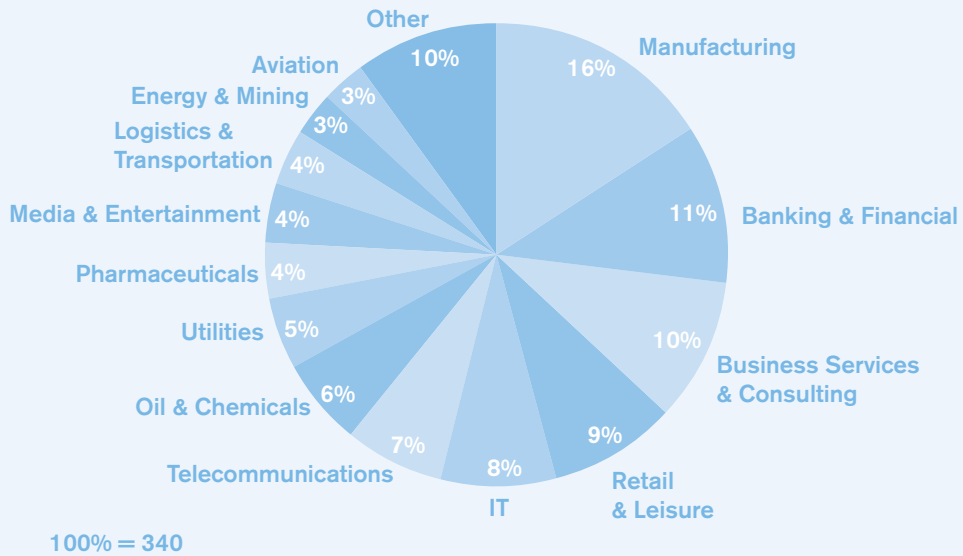
immediate “tier one” suppliers. But no less than 70 per cent said procurement's role will expand to take on management of external supply chains beyond tier one suppliers over the next five years.

This implies the need for a radical upgrading of the skills needed by procurement departments. The need to improve internal and external stakeholder management was rated as important or very important by three quarters of those questioned, followed by the need for broad business problem-solving skills and more sophisticated commercial skills.

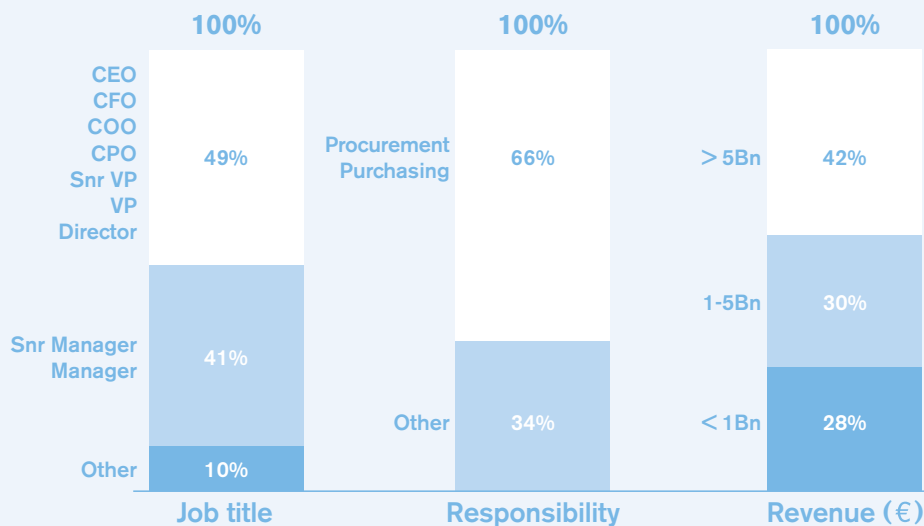
In one increasingly high-profile area of supply management, outsourcing, the role of procurement has also grown significantly. In 2000, only 19 per cent of those questioned said they were involved in the up front design of outsourcing strategy, compared to 57 per cent now. Almost nine in ten said their outsourcing projects had been highly successful.

“The key imperative for procurement is to become part of the business. Any function will not have full support and visibility from key internal stakeholders unless it is seen as being fully integrated. Too often, functional silos result from specialists becoming too focused on their core area of control, often finding themselves at odds with overall company strategy. Procurement professionals can guarantee becoming part of the business through relentless focus on customer service.”
Mark Selawry, Senior Vice-President Productivity and Sourcing, Hilton International

Respondents by sector



Respondents by job title, responsibility and revenue



About this survey

It is well known that the role of procurement in business organisations has changed fundamentally in recent years. Procurement professionals now typically occupy far more responsible and challenging positions than in the past.

Many companies have moved beyond the most basic stages of procurement maturity, often adopting strategic sourcing approaches and successfully delivering significant cost reductions to their businesses.

But how much has the role changed, and in what ways? We wanted to find out what the reality was behind the headlines and conference presentations. So we decided to find out by asking procurement directors and other senior executives themselves.

Efficio and the ELP 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 online questionnaire asked respondents about their role now and how this compared with the position they occupied in the year 2000. It asked who they reported to and how they saw their functions, now and six years ago. Questions probed the extent to which they were involved in such higher-level activities as SRM, low-cost country sourcing and supply chain management.

This report will be of immediate interest to all business leaders who want to stay ahead of their game. It will also be required reading for procurement executives who need to be aware of the changes taking place within their profession. Its findings should also be noted by decision makers who need to know about important trends and developments in business.

The survey was conducted from May until August 2006 by means of an online questionnaire answered by 279¹ senior executives mainly with regional or global responsibilities in large European companies. About half were in leadership positions, at CEO/CFO/CPO, Vice-President or Director level. About two thirds were based in procurement or purchasing functions.

A wide range of sectors were represented including IT, manufacturing, professional services and energy. 42 per cent of companies had revenues of more than €5 billion, while a further 30 per cent had revenues of between €1 billion and €5 billion.

¹There were 279 respondents to the survey. However, some questions permitted respondents to select multiple responses, and some questions were not answered by all respondents. For this reason, the number of responses to each question may be greater than or less than 279.

Procurement's new role

On the up, but no room for complacency

It is widely recognised that the procurement function has become much more highly-regarded in recent years. The findings of the Efficio/ELP Network survey confirm that this has indeed been the case - and it is happening much more quickly than had been suspected.

In the last few years in particular, the rate of change appears to be accelerating. However, the rise of procurement inevitably brings its own challenges, and these are also highlighted by some of the survey's findings.

Procurement directors and others at senior management level responding to the survey established very clearly that the function's position within organisations has changed dramatically between 2000 and 2006.

A remarkable 90 per cent said their procurement departments were now seen as a key function which enjoyed sponsorship from the company's board or senior management. This compares with fewer than one in five who said it was seen in this way in 2000.

The evidence for this is overwhelming. Two thirds of respondents said they now reported to their company's board, Chief Executive Officer or other top-level manager. In 2000, only 41 per cent reported to top management. This very marked development is confirmed by another finding, that the proportion of companies where procurement is regarded as an administrative function has decreased from 36 per cent to a mere one per cent.

However, the view of procurement as a strategic function reporting to board-level management is far from universal. One in ten respondents said their procurement function was still seen as a support function serving their business's needs or as an administrative operation placing orders and managing contracts. For them, by their own admission, procurement is still a back office department with little involvement in setting, or even following, bigger-picture business objectives.

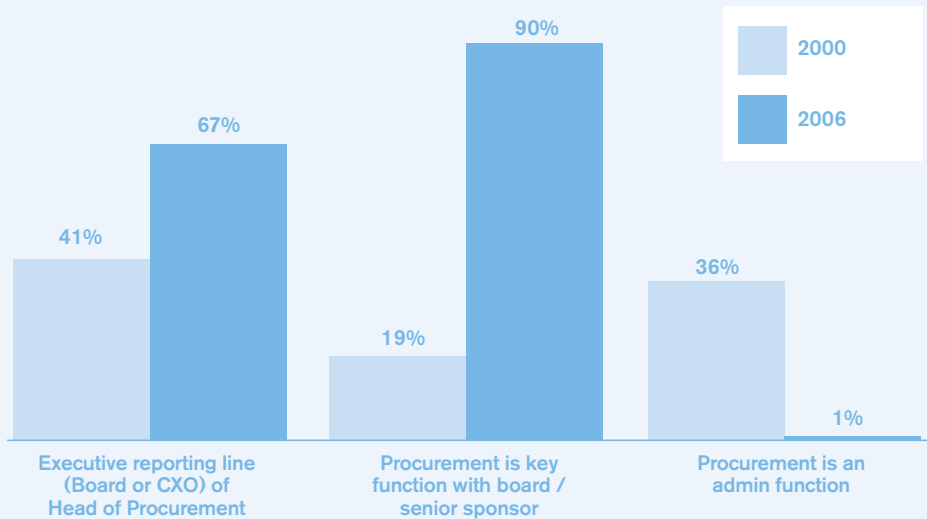
Most procurement departments, it seems, are used to working with their colleagues in their own organisations. Cross-functional teams are used by almost two thirds of those responding to the survey. But that leaves a third who admit to only consulting internal stakeholders on an occasional or ad-hoc basis. This can be seen in the light of the finding that many senior procurement professionals are still striving to gain recognition within their own organisations. Procurement leaders recognise the hurdles they must clear before they can claim their much-vaunted "place at the top table".

Four out of five answering the survey highlighted "demonstrating the value-add procurement can bring to the business" as an important or very important challenge. This issue is often discussed when procurement professionals gather. Yet, it seems, most are still striving to meet the challenge. Similarly, the need to become aware of key initiatives early enough to become involved, and raising the profile of their own departments within their wider organisation - also often discussed as essential - were highlighted as major challenges.

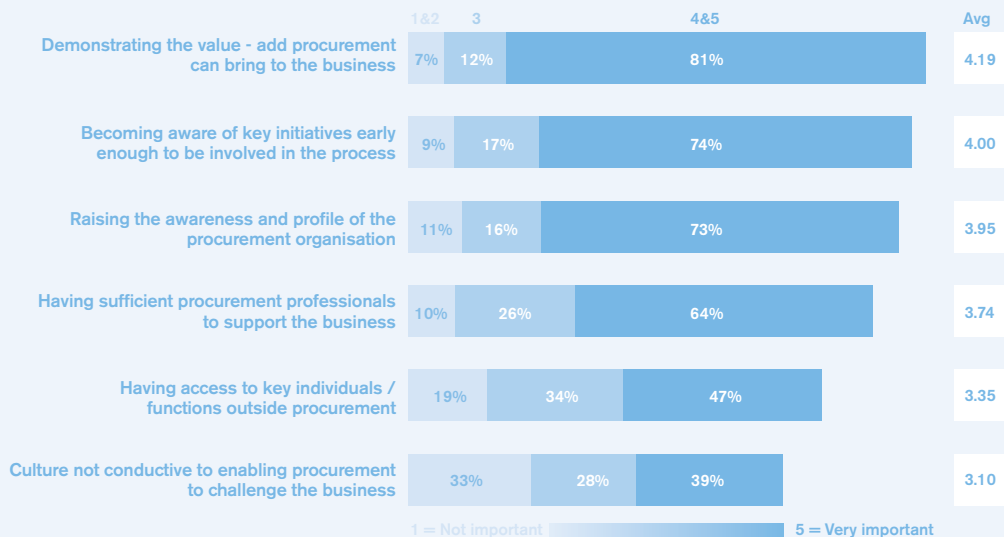
It seems certain that the search for talent will continue as procurement's status rises. CPOs will need to concentrate resources on developing the talent they already have within their organisations and to seek out highly competent new recruits to help them fulfill their new responsibilities.

Overall, with regard to procurement's role, the results of the survey present a balanced conclusion. The function has taken giant steps up from its former position. But those in leadership roles cannot afford to rest on their laurels. There is still a long way to go.

Positioning of procurement



What are the biggest challenges to improving the working relationship between procurement and the business?



SRM in practice

Putting structure to relationships

SRM is a relatively new concept representing a formal, systematic and pro-active approach to managing relationships with suppliers. As such, it is an approach likely to be adopted by sophisticated procurement organisations that have delivered benefits through strategic sourcing and are keen to find ways of extracting additional value from their business relationships. It involves a change from an adversarial, arm's length approach to suppliers to a more collaborative one.

The survey confirmed that SRM techniques have become more prevalent, suggesting that business leaders are more willing to trust procurement professionals to help manage their business relationships (rather than merely conducting a one-off competitive process as in the case of strategic sourcing). But it also revealed evidence suggesting that procurement directors are not yet taking full advantage of all that SRM has to offer.

While in the past SRM was a process applied to “important” or “more challenging” suppliers, it is increasingly being applied in a structured way. Thus, for example, suppliers are increasingly selected for SRM based on formal relationship mapping. The use of relationship mapping has increased fivefold since 2000, with 40 per cent of survey respondents saying they use these techniques.

Procurement's involvement with suppliers during the early stages of the new product development process has more than trebled. This clearly shows a much greater willingness by the business to work with procurement, and implies a far greater scope for procurement to add value.

Confirming these findings, the survey revealed that procurement's ability to facilitate an actual competitive advantage - rather than a mere cost advantage - has risen dramatically.

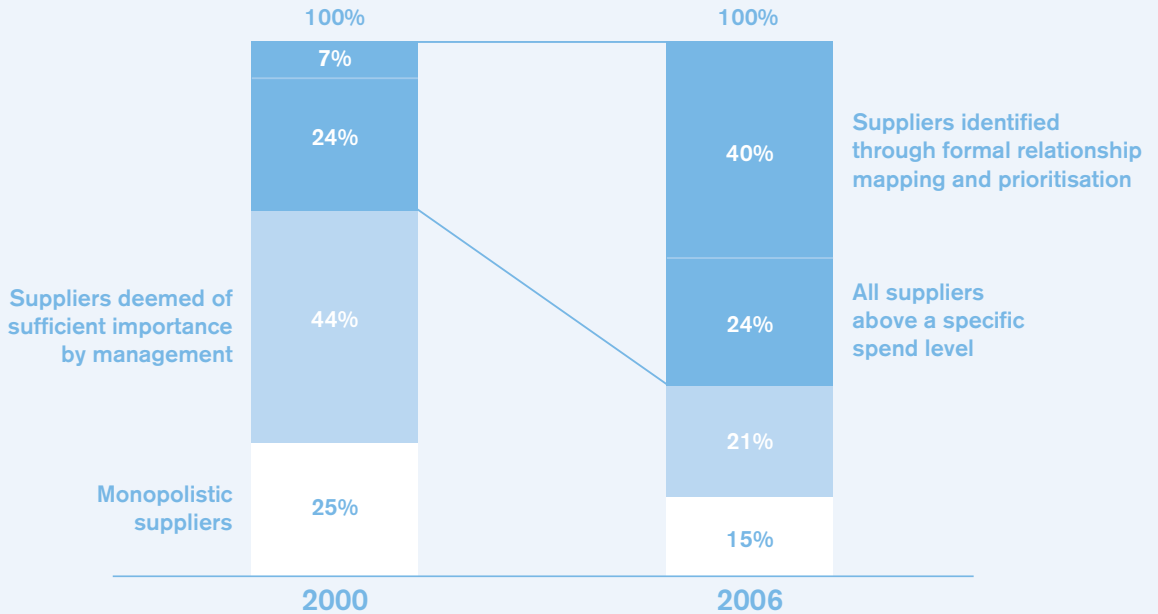
Nevertheless, there are still large numbers of procurement directors and others at the same level admitting that they have relatively little structured involvement with their suppliers.

Only 39 per cent of respondents said they carry out SRM activities through a formal programme, the balance describing their relationships with suppliers as opportunistic and unstructured. Clearly, there is still a need for many organisations to progress to a new level where relationships are pro-actively managed not only to reduce cost, but also to maximise value. While 57 per cent of respondents said procurement facilitated a competitive advantage, there are still many who believe it is not fulfilling its potential to do so.

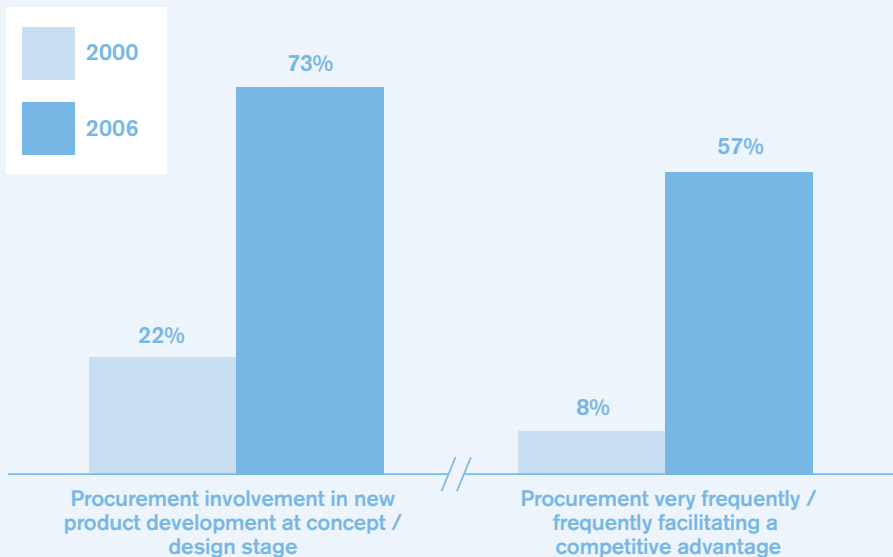
“SRM is the way ahead for procurement executives to add value to their organisations. This survey clearly demonstrates that it has potential which is there to be explored.”

*Roland Verdon, Procurement Director,
Sero International*

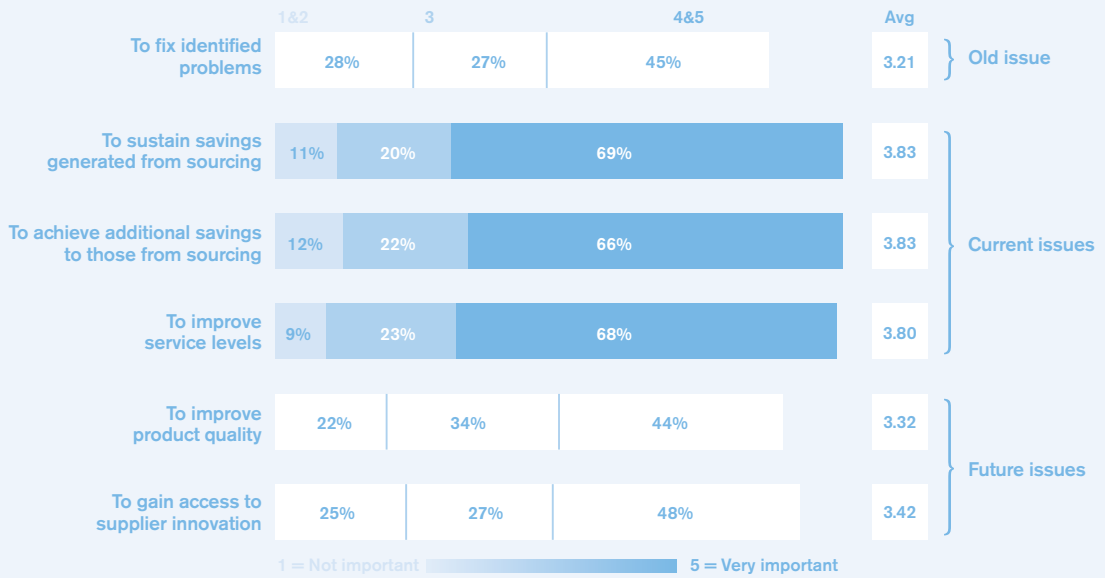
Which suppliers are selected for SRM programmes?



How far is procurement involved in new product development and in driving competitive advantage?

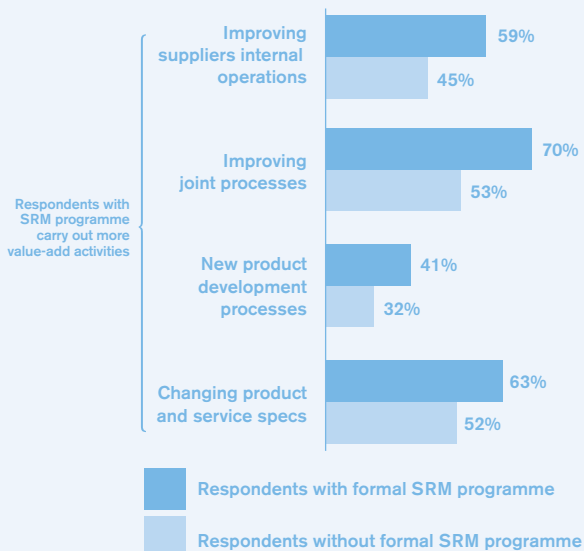


Primary reasons for undertaking SRM activities

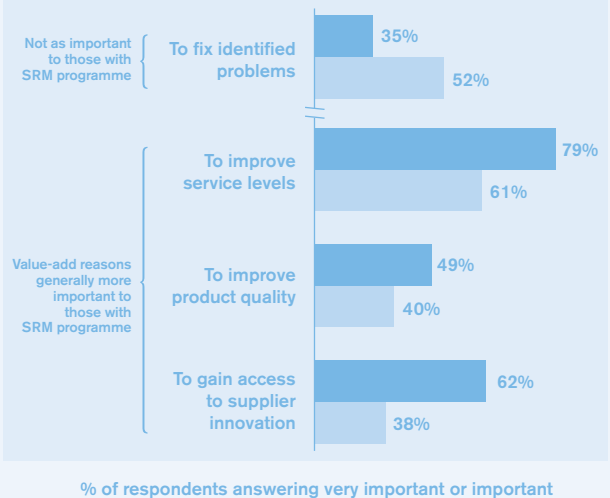


Respondents who carry out SRM activities

SRM activities commonly carried out



Primary reasons for undertaking SRM activities



“Product development and streamlining of processes with suppliers are going to be key areas for finding savings in the future. This report shows that this is starting to happen although it is more advanced in some sectors of industry than in others.”

Pierre Attendu, Vice-President and Chief Procurement Officer, Bombardier Transportation

Adopting a SRM approach is most likely to produce results if the procurement team works with the business on collaborative opportunities that go beyond sourcing to meet their strategic objectives. But more than two thirds of those questioned, identified maintaining or improving savings generated from sourcing activities, and improving service levels, as the primary reasons for undertaking SRM.

More advanced aspects of SRM, such as improving product quality and accessing supplier innovation, failed to surface as important issues among many respondents. Less than half of those answering the survey cited these as primary reasons for undertaking SRM activities.

Unsurprisingly, those who followed formal SRM approaches demonstrated a tendency to be involved in more advanced, value-adding activities. These included, for example, improving their suppliers' internal operations, improving joint processes and changing product and service specifications.

These results indicate that many procurement directors are failing to fully recognise the value that SRM can bring to their businesses. Instead of using SRM as a means to develop closer relationships with suppliers

which deliver value beyond that from a sourcing exercise, many are undertaking SRM activities merely to bed down the cost savings achieved with strategic sourcing.

Our survey suggests that while there has been progress - SRM is a structured process used to sustain and build on sourcing savings rather than an ad hoc activity - many respondents are not yet fully engaged in using SRM techniques to drive innovation and value from their suppliers. Many procurement leaders are still consolidating the gains of the strategic sourcing phase and are not yet ready to move to the next level of procurement maturity. Those who have chosen to take full advantage of the SRM route, on the other hand, are finding that it can bring valuable rewards.

“SRM is about much more than cost reduction... it's about ensuring continuity of supply and obtaining collaborative value from a select group of strategic suppliers. The key is to focus on the right suppliers in the first place, and then to work with them in a structured and disciplined manner. We have implemented a formal process of segmenting our supply base to choose the appropriate engagement approach for each supplier, and we're continuing to put structure and discipline around relationship and performance management.”

Bill Knittle, Global Procurement Director, Downstream Procurement, BP International

Low-cost country sourcing

Learning to go global

Interest in sourcing from regions with lower costs than Western Europe has surged in recent years. Eastern Europe, South America, India, the Far East and, particularly, China, have all become hunting grounds for procurement professionals searching for goods and services at prices promising large savings. But succeeding in such activities is far from guaranteed, and the risks are high.

It has become accepted wisdom that it takes a high calibre procurement professional to avoid disaster when it comes to low-cost country sourcing. A willingness to embark on low-cost country sourcing is arguably a mark of a confident and capable procurement function.

The Efficio/ELP Network survey confirms that there has been a dramatic increase in the amount companies are spending on sourcing from low-cost regions, and that there is a steep learning curve involved in making a success of this strategy.

The proportion of companies spending between 6 per cent and 20 per cent of their total spend in low-cost regions has leapt, according to the evidence from the survey, from 22 per cent in 2000 to 53 per cent in 2006.

Some fairly widely-recognised operational challenges associated with low-cost country sourcing were observed in the survey results: the most significant concerned the expertise or resources of suppliers, highlighted by nearly two thirds of respondents.

Product quality and the complexity of managing remote suppliers also figured prominently, cited by more than half of those answering the question. Logistical problems were also a significant concern.

Back at head office, it appears that worries about procurement gaining support from top management for ambitious low-cost sourcing projects have been exaggerated. Few of those answering the survey regarded this as an important issue.

The nature of the issues companies must deal with when developing low-cost country sourcing strategies changes as they progress along the learning curve.

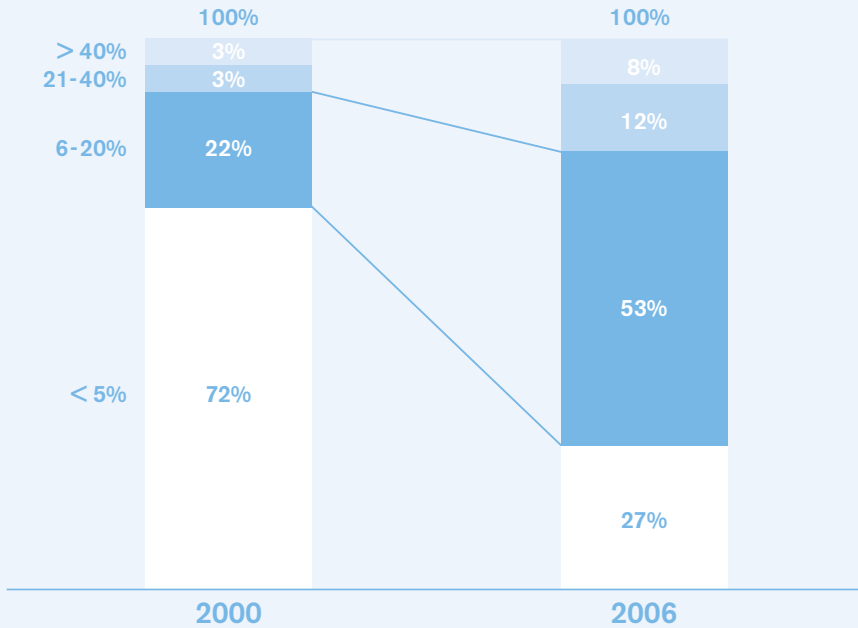
Companies which are new to low-cost country sourcing identify a wide range of challenges including intellectual property and counterfeiting, corporate social responsibility, compliance, language, culture and security of supply. Those with a significant spend in low-cost countries, on the other hand, have evidently largely put these issues behind them and moved on to other challenges including concerns about product quality, logistics and the complexity involved in managing remote suppliers.

Leading sectors in low-cost country sourcing were retail and leisure, followed by telecommunications and IT.

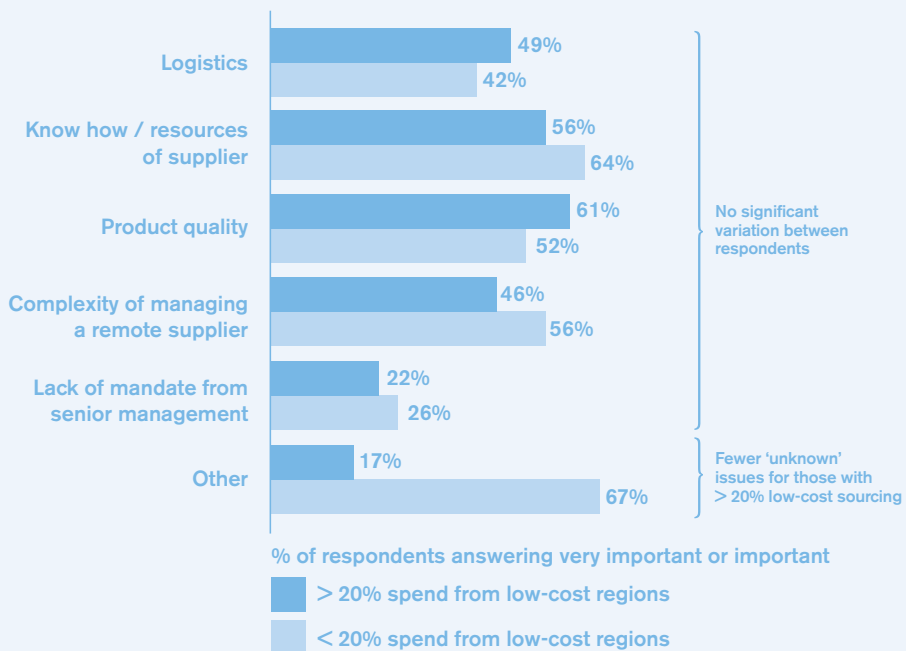
The key challenges for companies involved in low-cost country sourcing appear to be supplier and product quality and the complexity of managing remote operations. It is clear from the results that there are many challenges to be overcome if companies are to make a success of this strategy. Low-cost country sourcing, it is clear, is not only a purchasing activity in the traditional sense. It is often about managing whole operations, even if they are external to the company and located in remote geographies. As such, it involves a fundamentally different skill set to those associated with procurement in the past.

“Low-cost country sourcing may look like easy money, but the landscape changes quickly and there is far more to uncover than China. Careful selection, preparation and tenacity are the preconditions for success. It is clear from the survey that many procurement directors have gained from this strategy, but that there are many crucial issues to consider for those starting out.”
Ton Veltman, Vice-President Strategic Purchasing, KLM Engineering & Maintenance

% of spend from low-cost regions



What are the biggest challenges faced in expanding low-cost sourcing?



Supply chain management

The next frontier for procurement

A radical change in the work of procurement departments can be expected in the near future, according to the survey's findings. In what may be seen as a progression from the increased use of SRM approaches and involvement with low-cost country sourcing, many companies are likely to be far more closely involved with other organisations along their supply chains in the future.

In the 1980s and 1990s many companies outsourced whole bundles of IT, MRO and facilities management activities. This simplified administration, but the trade-off was reduced visibility and control. As companies now outsource increasingly more strategic services, they need more visibility and influence across the supply chain to maintain control over crucial business activities. When you start to outsource strategic services, you need to understand the entire supply chain behind them.

Procurement directors, it seems, are well aware of this. Asked about their relationships with tier two suppliers - those companies which supply tier one suppliers - only 15 per cent said they had good transparency. Nearly half said their involvement was on an ad-hoc, troubleshooting basis, while 14 per cent admitted they had virtually no visibility or involvement with these suppliers.

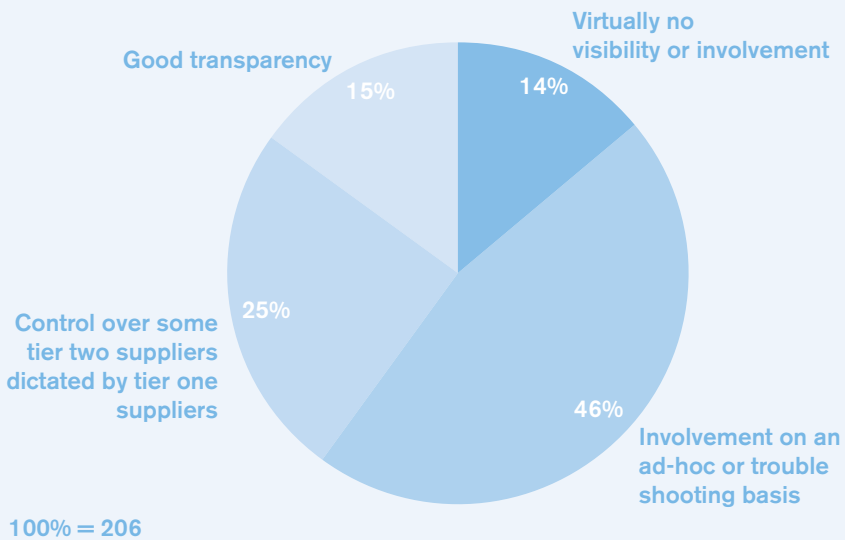
But no less than 70 per cent said they expected their role in managing external supply chains to change fundamentally or significantly in the next five years.

Clear recognition of the need to develop wider procurement skills to deal with these new responsibilities was evident. Nearly three quarters of those responding cited improved internal and external stakeholder management as a key development need, and nearly as many identified the need for broad business problem-solving skills. Large numbers highlighted requirements for supply chain and operations management capabilities and more sophisticated commercial skills.

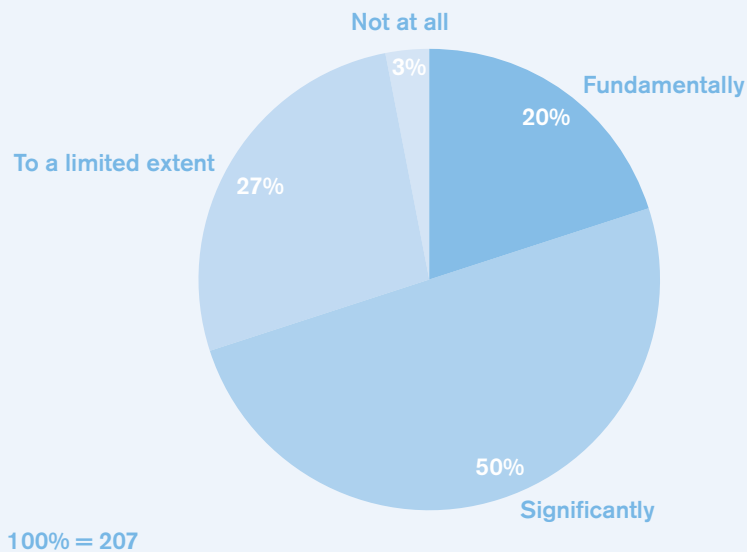
“It appears that procurement is now poised to take on the broader role of overseeing the full supply chain. Success in managing the backward supply chain has provided the platform for this next phase.”

Gary Bull, Commercial Director, SAB Miller

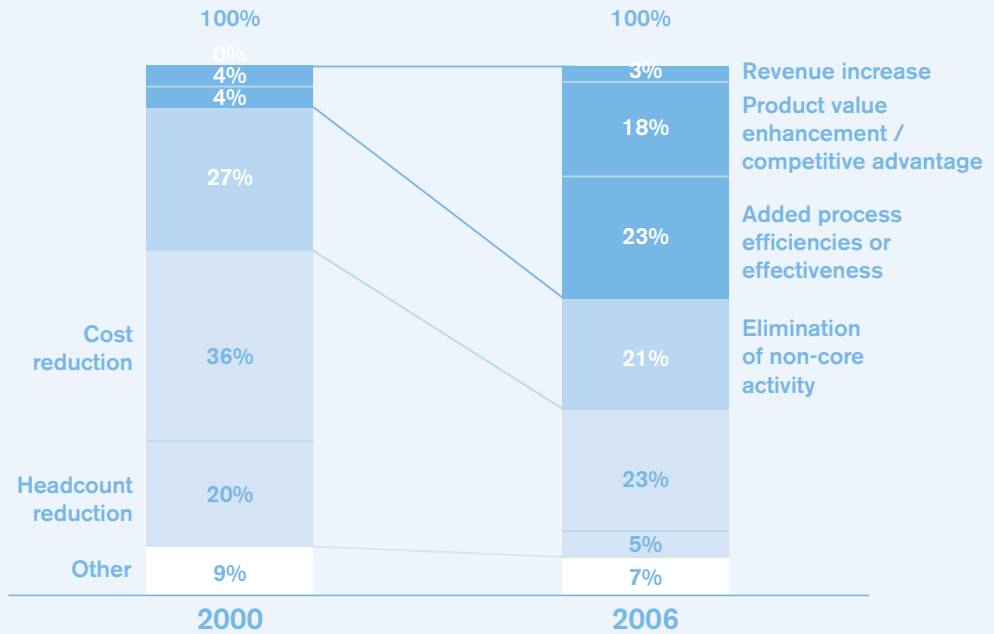
Visibility and control over tier two suppliers



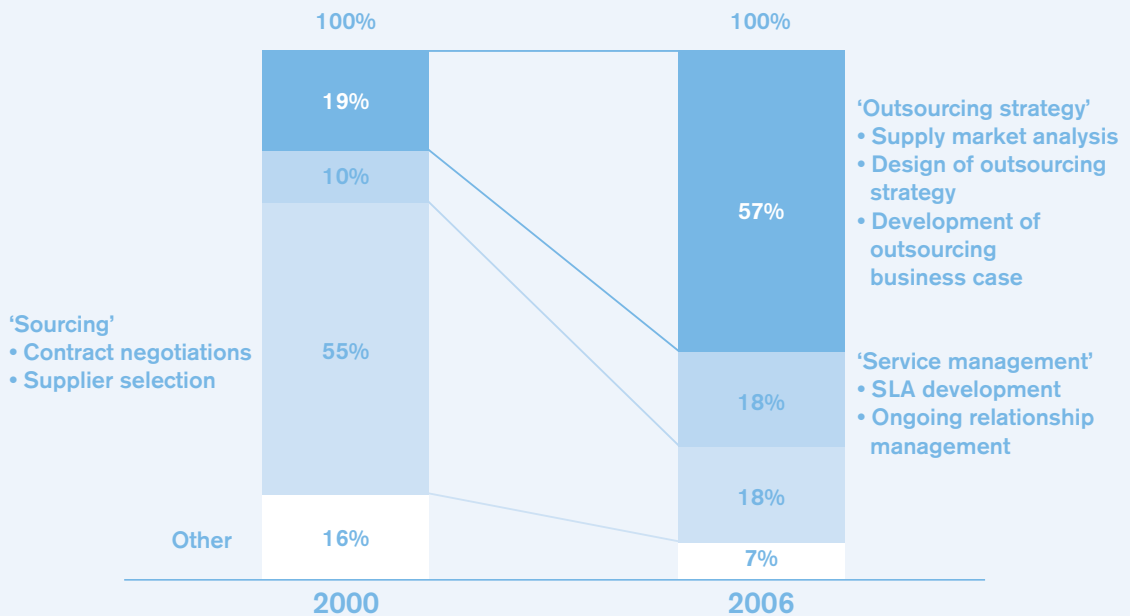
How will procurement's role in managing external supply chains change over the next five years?



Primary reasons for outsourcing



Primary roles of procurement in outsourcing



The reasons for outsourcing have changed over time. Value enhancement, competitive advantage and process efficiency were key drivers in 2000 for 8 per cent of respondents, while six years later the figure has increased to 41 per cent. Reducing cost and headcount has decreased from 56 per cent to 28 per cent.

At the same time procurement's role in outsourcing has evidently expanded. Procurement was involved in the up front design of outsourcing strategy for only 19 per cent of respondents in 2000. This figure has increased to 57 per cent six years later.

The good news appears to be that, contrary to many reports, the majority of outsourcing projects have worked relatively well. Nearly three quarters of respondents said outsourcing projects in the last six years had been successful, while a further one in six said they had been highly successful. This may well be evidence that while there have been some well publicised failures, most outsourcing projects, in the view of those who are likely to be closest to them, have delivered the goods. It may also suggest

that procurement professionals are becoming more involved in the outsourcing process, bringing commercial and relationship management skills to bear.

Facilities management and IT are the most frequently outsourced services, followed by manufacturing and HR.

The manufacturing sector is the leader in outsourcing services, and this sector also leads in outsourcing of manufacturing activities. This finding may indicate that outsourcing a core function becomes feasible when organisations have gained experience in running outsourcing programmes more generally.

“Procurement has come of age, but it now needs to show it can deliver. As it becomes increasingly involved in SRM, supply chain management and low-cost sourcing strategies, the profession will need to demonstrate results in terms of operating margin improvement, working capital reduction, and its contribution to delivering other corporate objectives.”

Adrian Turner, European Head of Corporate Procurement, Apple

Implications and what next?

From all the evidence of this survey, it is clear that the procurement function in many businesses is in the process of significant change. While procurement has been reinventing itself for the last two decades, the pace of change towards becoming a recognised strategic partner to the business seems to have accelerated since 2000.

Efficio believes that procurement is at a crucial stage in its progress towards becoming a fully-fledged strategic function operating at the highest levels in modern companies. There are both congratulations and notes of caution to be issued to procurement leaders. We believe the survey presents six key imperatives for procurement:

- **Become a manager of relationships.** In an increasingly interdependent business world, SRM is a reality that is here to stay. Procurement must possess highly developed relationship skills to manage both supplier and internal stakeholders. This may involve a degree of culture change given the function's adversarial roots.
- **Grow into the role of managing networks, not "vendors".** As businesses continue to focus on their core and outsource specialist activities, they have to manage increasingly complex chains of supply, where several tiers of suppliers design, assemble and source products on their behalf. There is not necessarily a natural owner for this activity, but procurement is well positioned to grow into that role. In the future, there will be companies where procurement manages these relationships, and companies where the role is performed by other groups. Procurement directors should be aware that the management of supply chains is the future, and work towards owning that role.
- **Focus on value, not only on cost.** While cost reduction will doubtless be a key focus of procurement, the function's new role of managing whole networks of business partners will increasingly require it to extract value from those relationships as well as cost. Our survey showed evidence of procurement becoming more value-focused and creating competitive advantage through involvement in product development and the structuring of revenue-sharing deals. On balance, however, it is clear that in many companies, significant work is still required to move the function away from being viewed primarily as a cost reduction lever.
- **Broaden the skills base.** To play its bigger role, procurement clearly needs a much broader set of skills than the core functional skills of tender execution and supplier negotiations. Procurement directors must ensure their staff develop wider commercial skills, enabling them to act as problem solving partners to the business, rather than offering a purely functional skills base. To this end, it is crucial that cross-fertilisation with other functions, particularly sales and operations, should be increased through horizontal career moves.
- **Become part of the business.** Procurement has worked hard to prove itself as a worthy profession. But in order to take on a broader role, broaden its skills, and continue to be sought as a partner, it must continue to integrate with the organisations in which it operates and be seen as a multi-talented business problem-solver. An excessive focus on "professional" knowledge sometimes does buyers no favours in stakeholder interactions and can foster a sense of apartness.
- **Don't stand still.** Procurement departments that have made strong progress in re-inventing themselves over recent years have good cause to celebrate. However, while congratulations are no doubt in order, and some degree of internal PR is appropriate, we would urge the readers of this survey not to use its positive findings to "declare victory", but rather to focus on overcoming the challenges that lie ahead, and to continue to prove procurement's worth through excellent internal customer service and tangible results.

Our survey shows that procurement is well on the way to earning a seat at the top table. At the same time, the goal posts are continually moving, requiring procurement to step up to increasingly demanding roles. Procurement professionals and leaders should capitalise on the gains they have made so far and embrace the broadened role being offered by their businesses as an immense opportunity.

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Top line thinking, bottom line results

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