

Departmental Visibility & Perception of Procurement

Procurement & Sourcing Survey Whitepaper Series

Part 4

MANY PROCUREMENT GROUPS ARE NOT VALUED AS MUCH AS THEY BELIEVE THEY ARE OUTSIDE THEIR OWN DEPARTMENT

Introduction

In 2012, Source One Management Services, LLC conducted a state of the industry survey, soliciting answers from professionals in all areas of procurement and from organizations of all sizes. The results have been combined, sorted, and analyzed to produce the clearest synopsis of the industry ever offered by those actively involved in it. Each month, relevant data sets will be explored and further analyzed and a whitepaper will be published.

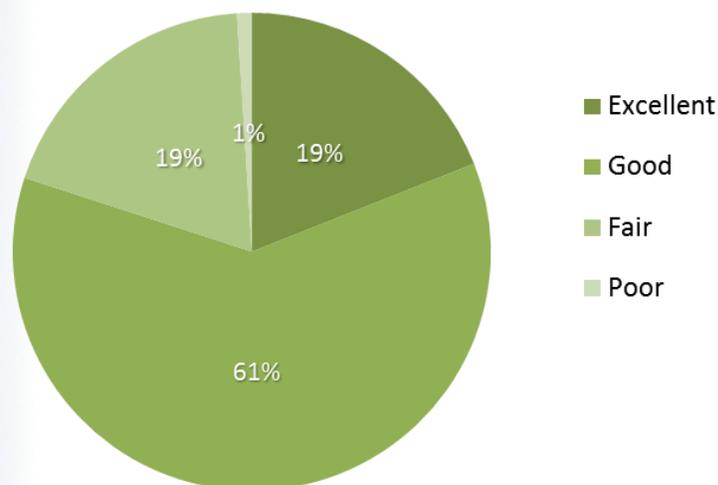
- ◇ *Procurement departments' perception of their value is significantly higher than their actual valuation*
- ◇ *Little more than half of procurement departments are doing anything more than simple reporting in order to promote their internal value in their organizations*

Issue At Hand

The functions of procurement and supply chain are becoming increasingly important to successful businesses. The positions within those groups are also gaining respect and relevancy at the organizational level, as demonstrated by recent promotion of CPOs to CEOs at gigantic corporations like Apple and Toshiba. It is clear that the perception of procurement and supply chain groups is changing and that the role of those involved is changing with it. But are procurement groups doing enough to ensure their value is properly communicated throughout their organizations?

Respondents in this survey were broken into two different groups, those working in procurement departments and those working elsewhere. Figures 1 through 5 (below) illustrate the responses from questions asked only to those working within the procurement field, while Figures 6 and 7 (page 3) demonstrate responses from those working elsewhere in an organization.

Figure 1: How Procurement Departments Believe Their Work Is Perceived Within Their Organizations



When asked to rate their organization's current perception of procurement (Figure 1), only 19% of procurement and supply chain personnel believed they were perceived as "excellent", with 61% believing they were perceived as "good", 19% thinking their department would be rated "fair", and 1% believing their group was perceived as "poor".

Figure 2: How Procurement Departments Believe They Are Valued Across Their Organizations

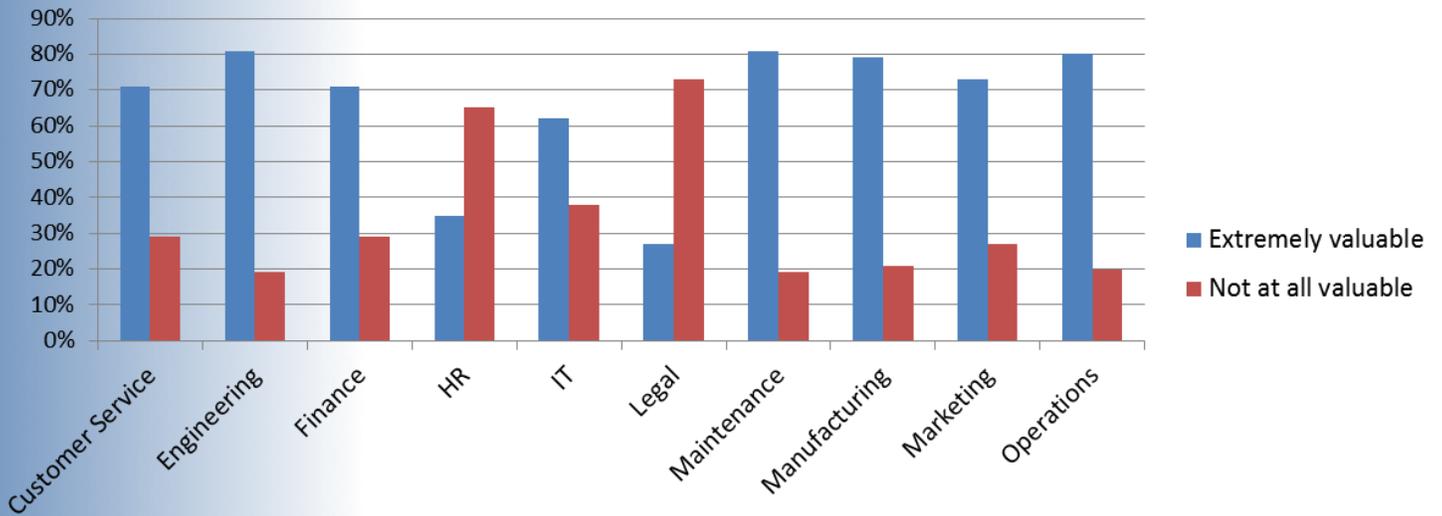
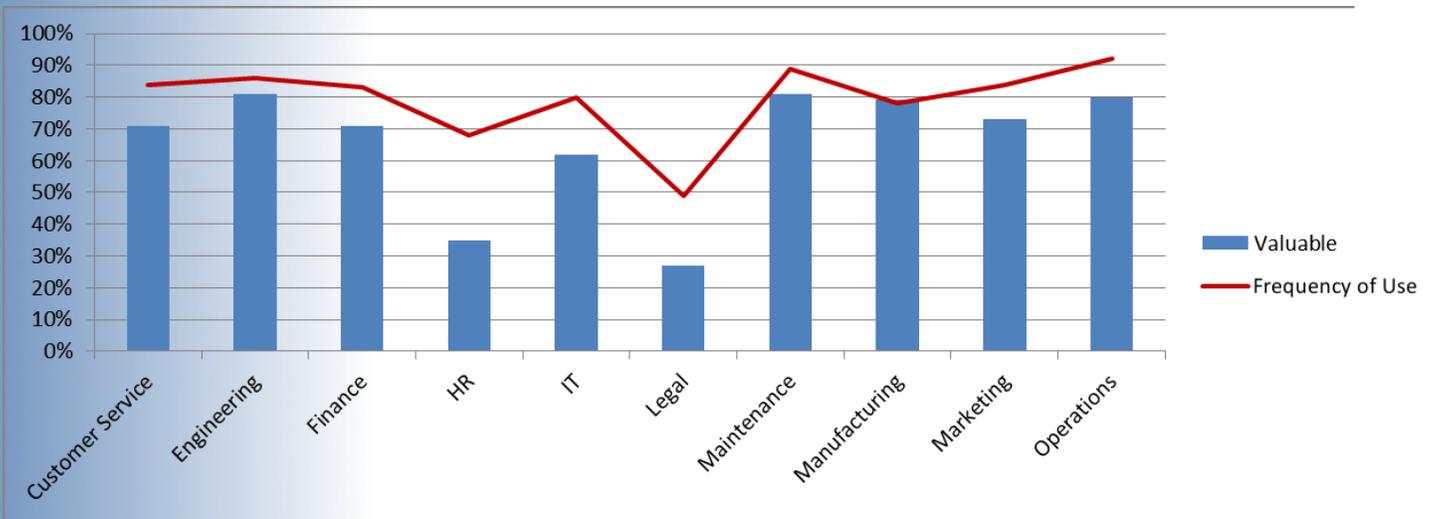


Figure 3: How Procurement Departments Believe They Are Valued & Used Across Their Organizations



These procurement department respondents were then asked to rate how they believed various corporate departments outside their own group valued their own procurement department (Figure 2). Although procurement professionals thought, on average, 66% of the work they did across all departments was “extremely valuable”, the breakdown by department showed significant variations. By individual department, procurement groups tended to believe they provided more value to commodity and tactical-focused spend categories such as Engineering/Product Development/R&D and Maintenance & Facilities, as demonstrated in 81% of the responses. Legal and Human Resources, on the other hand, were believed to be the departments least likely to value procurement, with only 35% and 27%, respectively, believed to consider procurement “extremely valuable”.

These respondents were also asked to provide information as to how often they worked with the various departments within their organization, and the provided answers directly correlate to those departments believed to value procurement (Figure 3). By combining the percentages of those departments said to work with procurement “All of the time”, “Most of the time”, and “Sometimes”, a line can be formed with peaks and valleys mimicking the percentage of those who perceive procurement as “extremely valuable.” Both rise for Engineering/Product Development/R&D and Maintenance & Facilities and both dip strongly over HR and Legal department results.

Figure 4: Does your department promote its value?

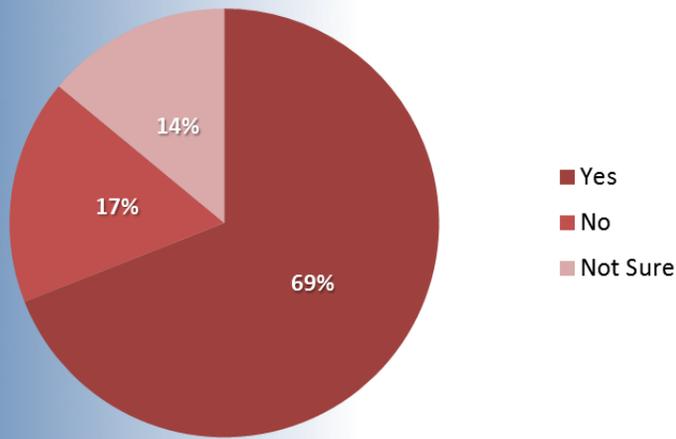
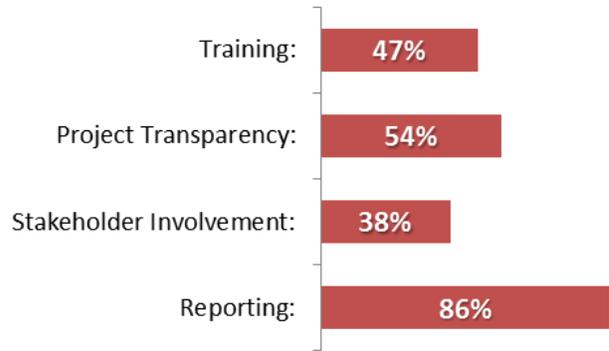


Figure 5: What methods are used?



Procurement group respondents were also asked about their marketing strategies within their organization – how many procurement groups were actively promoting their department and their services within their company (Figure 4), and what types of promotional activities they were doing (Figure 5). The majority of departments are promoting their value (69%), and the most common promotional methods were listed as reporting (86%), project transparency (54%), training (47%), and stakeholder involvement (38%).

Figure 6: Organizational Perception of Procurement

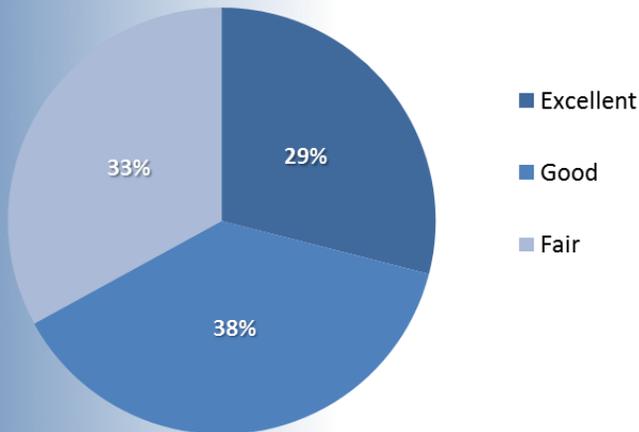
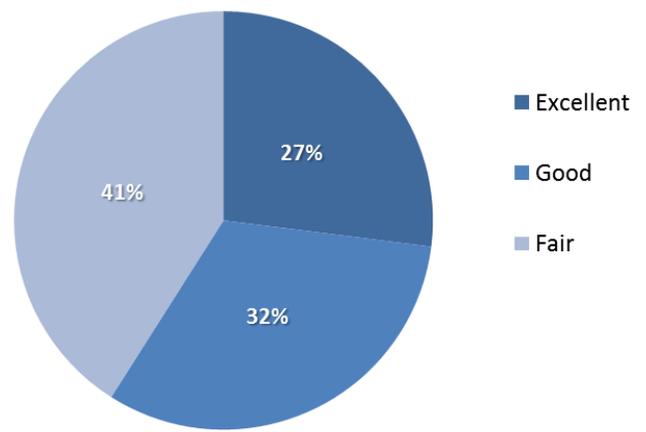


Figure 7: Personal Perception of Procurement



Those respondents working outside of a procurement department were also asked to speculate on procurement’s organizational value. When asked to rate their organization’s current perception of procurement (Figure 6), only 29% thought procurement was perceived as “excellent”. The majority, 71%, rated them “good” (38%) or “fair” (33%). When those same respondents were asked their personal ratings of their company’s procurement department (Figure 7), the opinions dropped slightly, as only 27% ranked procurement as “excellent”, while 32% ranked them as “good” and 41% ranked them as “fair”.

Closing

Procurement Departments Misjudge Their Organizational Value

At 80%, the vast majority of those within procurement departments consider the value they bring to their organization as “good” or “excellent” and only 19% believe their work is graded as “fair”. Those

outside procurement, however, judge them more harshly, with only 59% judging their work as “good” or “excellent”, a 21% swing.

Approximately Half of Procurement Departments Do Little to Market Themselves Internally

Of the actions procurement personnel reported taking in the course of promoting their department and skills internally, only “reporting” garnered a super-majority with 86% of procurement personnel responding that it was an action they perform regularly. Of the other methods listed, the only other marketing effort to garner a majority was “project transparency” – keeping people in the loop – with 54%. “Training activities” garnered 47% and “stakeholder Involvement” was practiced by 38%. Reporting – relaying those savings identified by the procurement department to the finance department – is so critical to procurement’s continued operation that one could speculate most organizations mandate it, meaning, at most, 54% of procurement personnel are doing something other than what is required to promote their services and skills to other organizational departments.



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Source One Management Services, LLC is a leading procurement services consultancy, providing procurement transformation, spend management, strategic sourcing and cost reduction services since 1992. Source One helps organizations reduce the costs for the common and not-so-common products and services that they use daily to run their businesses. Source One’s services reduce the overall cost of acquisition through the application of proven sourcing and purchasing strategies, best practices, people and technologies.