



INTERNATIONAL SURVEY  
**PROCUREMENT EXECUTIVES**

POWERED BY IVALUA

# PROCUREMENT: STRATEGIC PARTNERS TO THE BUSINESS?



## EDITORIAL

“The second International Procurement Executives survey, aimed at determining the status of the relations between Procurement and other Business Departments within big multinational companies.

The first edition of the international survey made in 2013 (Procurement Value Creation) enabled us to ascertain that Procurement Departments want to implement strategies based on growth and the creation of overall value for their companies. A majority of Procurement Executives then told us they wanted to participate in reaching strategic goals, such as Customer satisfaction, innovation, CSR and R&D, and go beyond the traditional role assigned to Procurement.

This year, we have therefore chosen to study the relations between Procurement Departments and their internal customers in order to precisely determine how Procurement works with other company units, how it is moving forward in the process of establishing a partnership approach, how its role is perceived by other departments (Finance, IT, Marketing, R&D, Sustainable Development, HR, Legal, etc.), and what its impact is on these departments and on the company in general.

To do this, we were obliged to meet with both Procurement Executives and executives from all the other company' departments including HR, Finance, Communication & Marketing, IT... and compare their different appreciations.

We would like to warmly thank the numerous survey participants, including over 400 Procurement Executives and 300 heads of the main company departments, who represented 15 countries worldwide.

Sincerely,”

Dan Amzallag, CEO Ivalua Inc.





# SURVEY PANEL AND METHODS

Data for the international survey entitled “Procurement Strategic Partners to the Business?” was collected from June to October 2014 from a panel of Procurement directors and directors of other departments representing all sectors of activity.

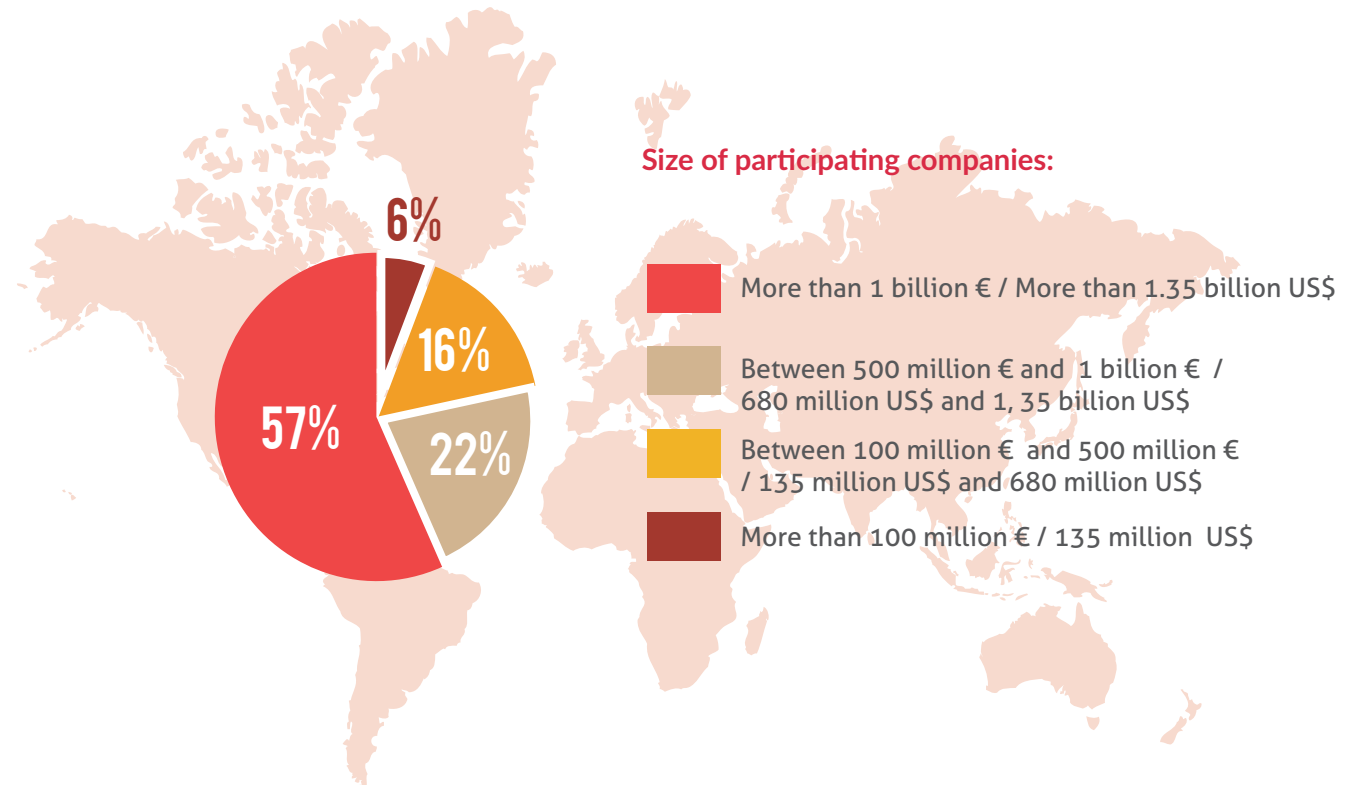
## Geographical distribution of “Procurement” respondents:

Germany .....	24
Canada .....	12
Denmark .....	5
Spain .....	5
Finland .....	3
France .....	118
Great-Britain .....	62
Italy .....	23
Middle East .....	11
North Africa .....	6
Norway .....	3
Poland .....	11
Sweden .....	7
USA .....	127
Others .....	12

## Procurement Executives panel

The “Procurement Executives” questionnaire was sent by email to an international database of Procurement Executives (“Group /Country / Region / Direct / Indirect Procurement Executives”; “VP Procurement / Supply Chain”; “VP Supply Chain”; “Procurement / Supply Chain Director”, “Supply Chain Director”).

429 responses were collected and processed.





**Other Department Executives panel**

A questionnaire different from the one designed for Procurement Executives was sent by email to a database of IT, Legal, Sustainable Development and CSR, Human Resources, Finance, R&D, Marketing, Communication and Sales department directors at companies with turnover above 100 million euros (based on published turnover for 2013).

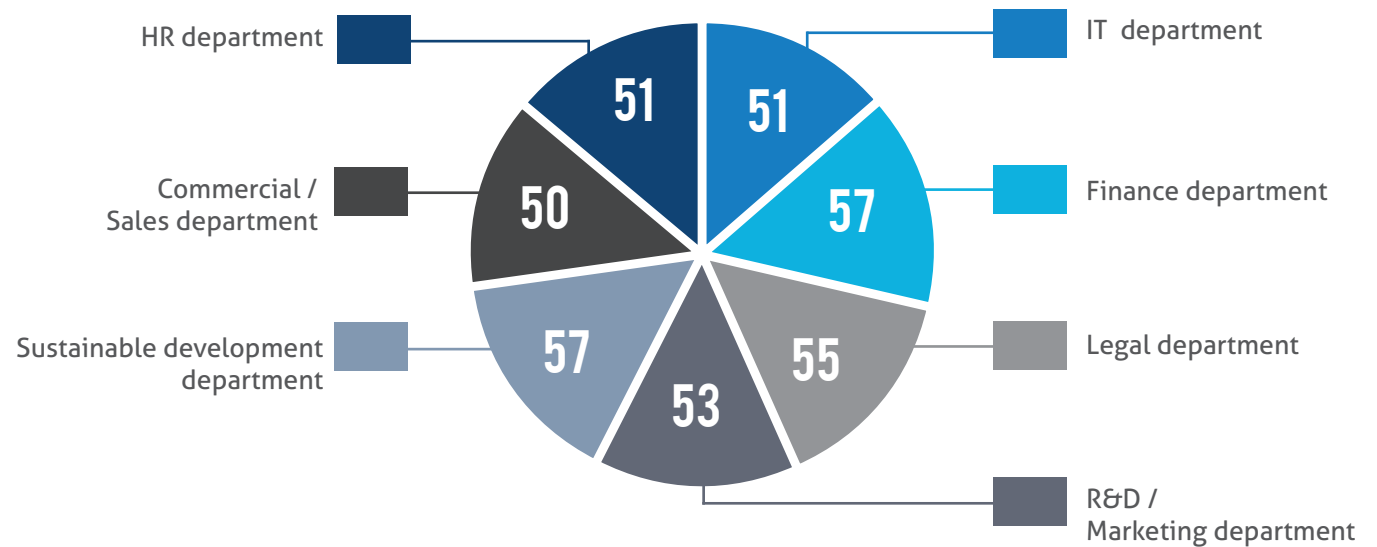
374 responses were collected and processed.



**Distribution of respondents by country / geographical area:**

Germany .....	32
Canada .....	16
Denmark .....	5
Spain .....	10
Finland .....	3
France .....	96
Great-Britain .....	42
Italy .....	21
Middle East .....	16
North Africa .....	4
Norway .....	3
Poland .....	14
Sweden .....	9
USA .....	91
Others .....	12

**Distribution of respondents by Department:**



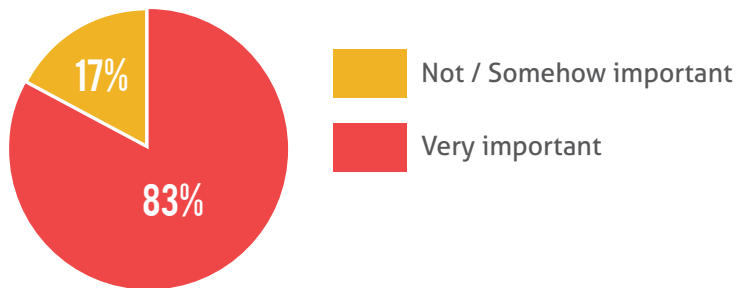


# PROCUREMENT BUSINESS PARTNER: A CURRENT PRIORITY

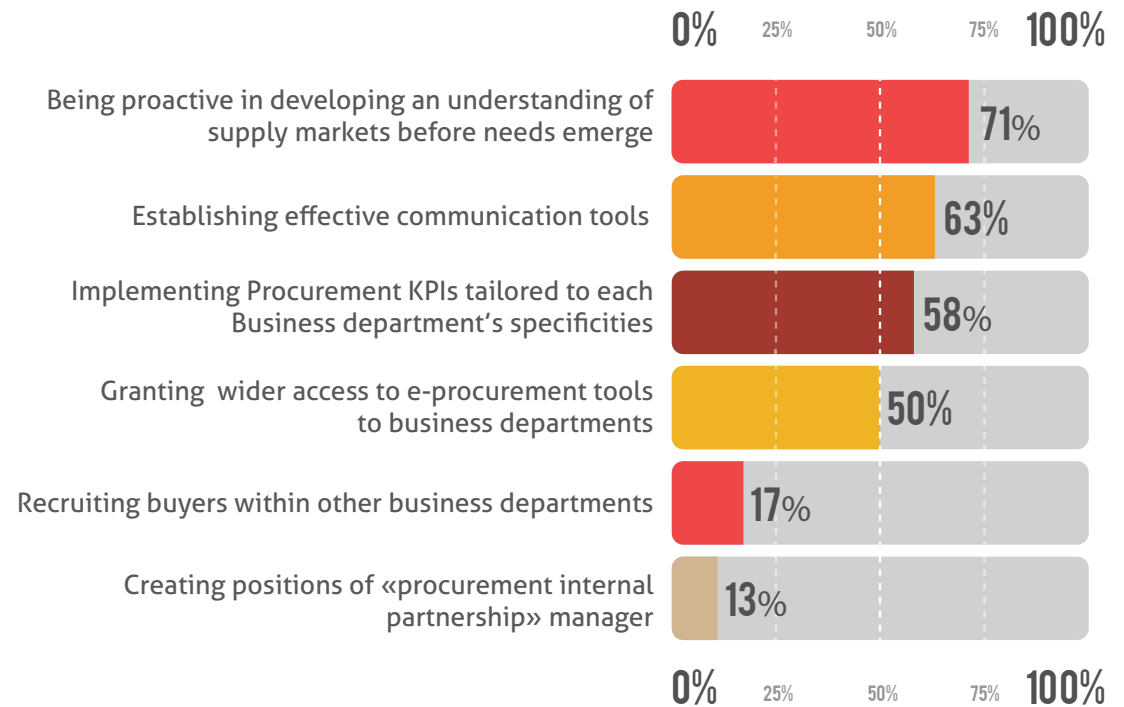
What we have noted is clear: **83% of Procurement Executives questioned feel that the creation of partnership relations with the business units is both important and a current priority.** This search for a new status that represents more than merely providing Procurement support is a consequence of the increased awareness of Procurement Departments of the full range of performance levers available to them, which go well beyond negotiating with suppliers and obtaining the lowest cost. Collaborating more closely with the other departments, understanding their specific needs and carrying on a dialog with them that extends beyond a specific Procurement project would allow Procurement Departments to acquire greater influence with respect to their internal customers and suppliers and, in the end, executive management of the company.

This new approach depends on the implementation of means and tools that aim to help buyers develop a strategic vision of the market. It involves a leadership role and the ability to orient the choices and solutions envisaged by internal customers.

## How important is creating partnership relationship with business departments? *Procurement Executives*



## What are the main actions to be implemented in order to create a partnership relationship between Procurement and the others Business departments? *Procurement Executives*



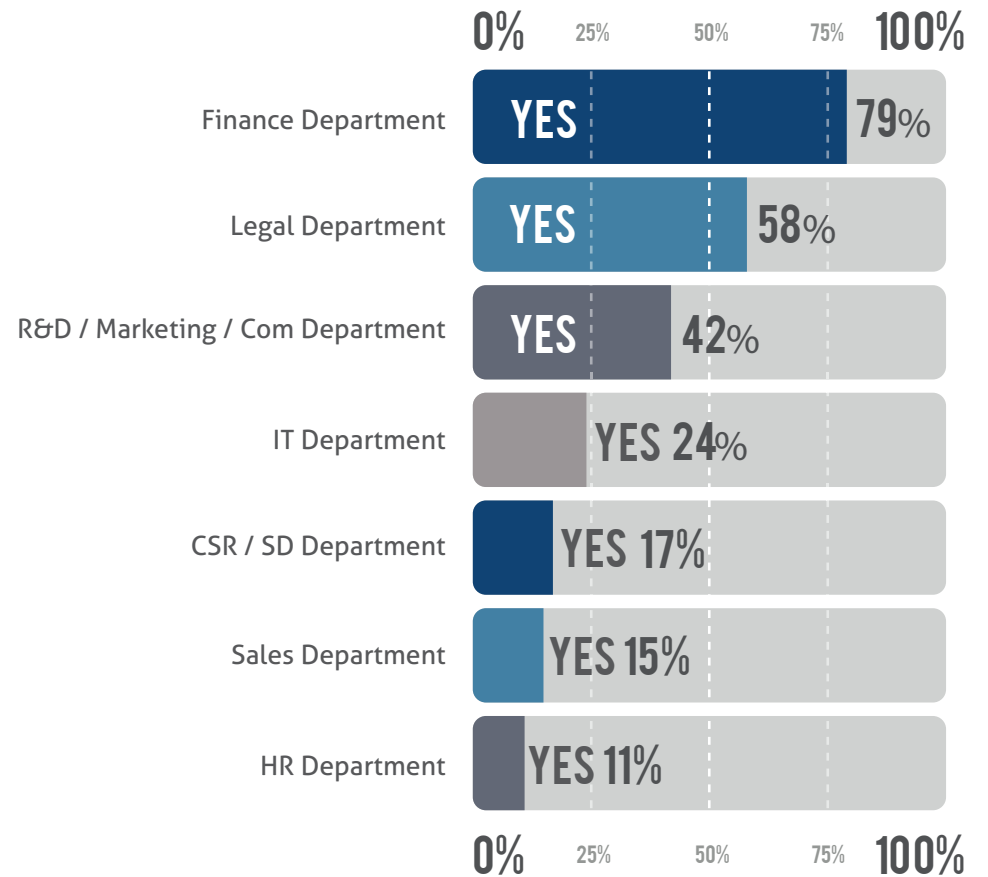


According to the Procurement Executives surveyed, the main actions to implement for developing this Procurement Business Partner approach are: enable Procurement Departments **to be a driving force by developing their market knowledge** upstream from internal customer requests (71%); **implement communication tools** (63%); and, finally, implement **procurement performance indicators that are tailored to the strategy of each business unit** in the company.

Although many Procurement Departments have understood the importance of developing a partnership approach and have made it their priority, there is less enthusiasm for this type of strategic collaboration among the other business units. On average, only **35% of Business Units** feel it is important to create a **Business Partner relationship with their company's Procurement Department**. Nevertheless, one of the Business Unit is clearly different from the others. This is the Finance department, where **79% of Finance Executives** surveyed felt that the creation of a partnership with Procurement is important.



**Does developing a Business Partner relationship with Procurement is a matter of importance to you?** *Other Departments*

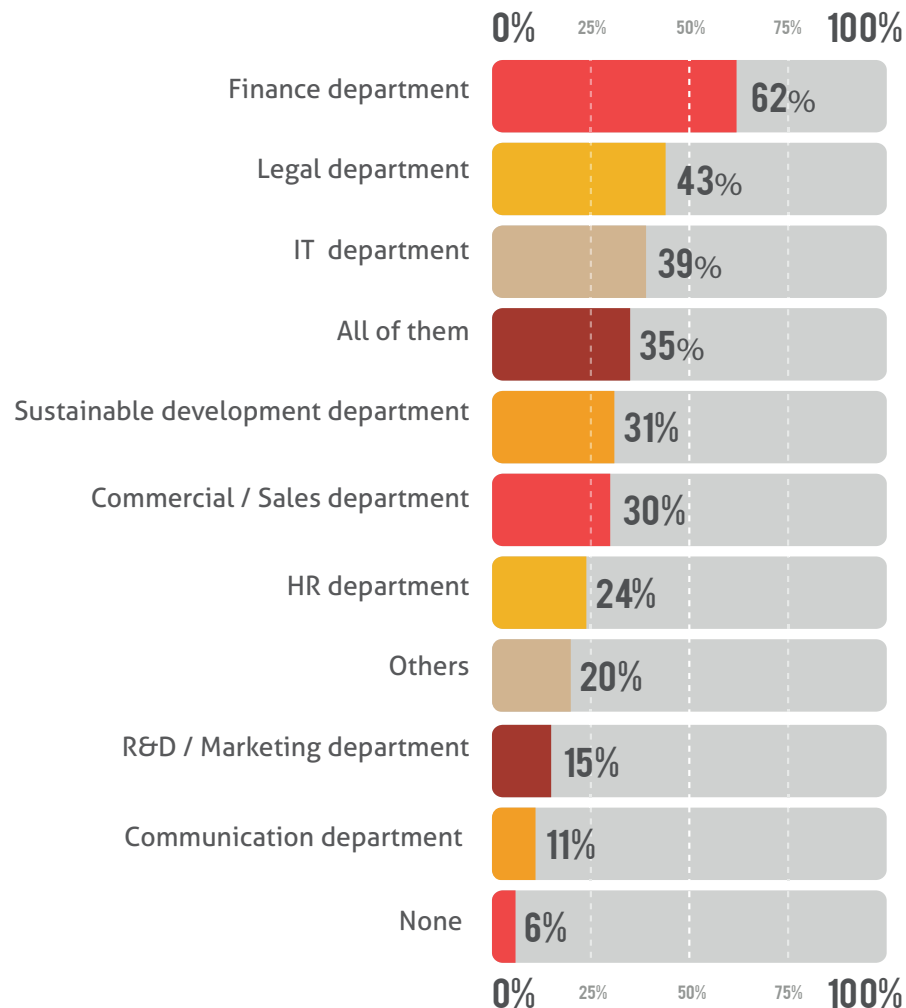




# FINANCE AND PROCUREMENT: A SUCCESSFUL PARTNERSHIP

## With which business departments do you share the same objectives?

*Procurement Executives*

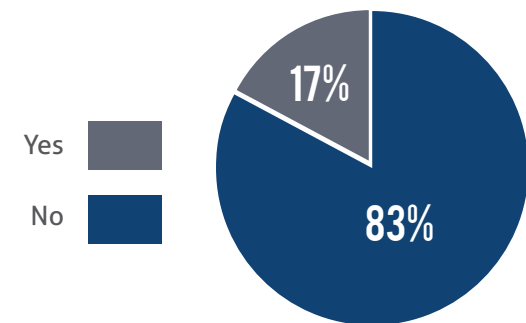


According to Procurement Executives, the Finance department, Legal department and IT department are Procurement Department's three "preferred" partners. Of these three, the Finance Department stands out sharply: **62% of Procurement Executives share the same goals as their company's Finance Department.**

Of the other company Departments surveyed, on average only **17% of respondents affirm that their department shares the same goals as Procurement.** More specifically, **65% of the Finance Department** say they share the same goals, whereas this is true for only **21% of the Legal departments** and **20% of the IT departments.**

## At your company, are the Procurement department's objectives and your department's objectives aligned?

*Other Departments*



These results show that Procurement Departments have undergone a successful process of becoming more financially oriented by including financial goals in their strategy (establishment of shared objectives) and operational approach (looking for, calculating and reporting finan-

cial gains). Reducing costs, identifying risks, optimizing working capital, and the tracking of Procurement gains and their impact on the Company's financial statement are some of the actions implemented by mature Procurement Departments in order to reconcile Procurement and Finance objectives.

From the viewpoint of the Legal Department, another of Procurement's "preferred" Business Partners, we can observe that Procurement has taken into account (less successfully but nonetheless to a significant extent) the objective of legally securing supplier relationship procedures. This approach is clearly in line with the Legal Department's goal of preserving company interest.

On the whole, the relations between Procurement and the Business Units are still heavily influenced by the Finance Department. **Less than 10% of the Sustainable Development / CSR, Communication, Marketing, R&D, Sales and HR departments feel that Procurement takes their needs into account.** Although quantifiable financial goals have been included in Procurement KPIs- most notably with eProcurement tools that enable operational implementation and the calculation and tracking of gains - qualitative operational goals, such as gender equality in Procurement teams, environmental or supplier innovation KPIs, are less often perceived by Business Units executives as goals shared with Procurement. Is a communication strategy required? Do actions need to be tracked? Mapping the main goals of the other company departments and formally accounting for them are the next steps that Procurement must take to become a true cross-departmental partner in the company.

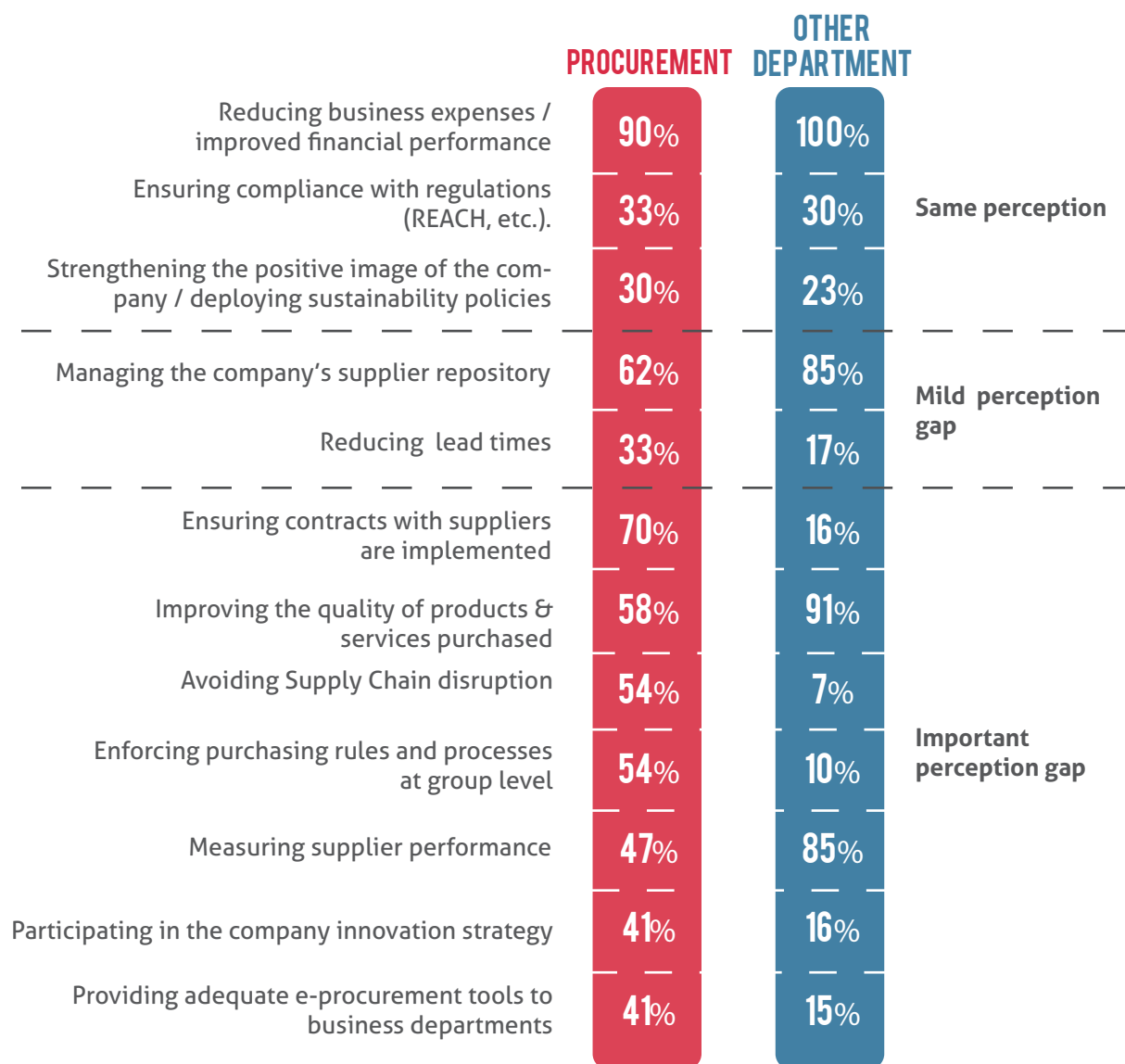






# DIFFERENT VIEWS OF THE ROLE OF PROCUREMENT

In your opinion what are the main objectives of a procurement department?



Cost reduction remains the leading goal of Procurement for both Procurement Executives (90% consider it a priority) and Executives from other company departments: 100% of them have cost reduction as a priority goal.

As for the importance of the mission of **supplier panel management**, we also note a certain amount of agreement between the opinions of decision makers in Procurement and in the business units. Both groups place this mission among the top three Procurement department goals.

Although there is a consensus on the missions of cost reduction and managing the supplier panel, there is disagreement between the Procurement department and the business units on the other main goals of Procurement: 91% of business unit respondents feel that **improving the quality of products purchased** is a Procurement department goal. Only 58% of Procurement Executives feel this way. Other examples in this comparative list of goals show asymmetry between the way Procurement sees its mission and the way it is seen by its internal clients. A major difference in perception is found with respect to implementation of the purchasing process: enactment of the purchasing rules is a goal for 54% of Procurement Executives, as compared to 10% of business unit decision makers; providing tools for ordering is 41% vs. 15%; and supervision of the **proper application of supplier contracts** is a major goal for Procurement for only 16% of business units, as compared to 70% of Procurement Executives.



This gap between the perceptions of Procurement and the Business Units can be explained in several ways. On the one hand, the strategies of Procurement marketing (currently being deployed) which have had an impact on the **perception of the role of Procurement as being more than mere cost killer** – with supplier panel management, for instance – have not yet had an impact on the need to impose sometimes restrictive purchasing processes on internal clients. On the other, the business units want the Procurement department to be more aware (beyond a mere declaration of intent) of business goals such as quality or CSR in the strategic and operational management of company procurement. **A Business Partner relationship between Procurement Departments and Business Units (other than Finance) cannot be effectively implemented without a shared vision of Procurement goals.** The Procurement department's mission is to promote the capabilities and scope of action of the procurement teams, as well as to analyze and take into account the strategies and expectations of their internal clients, in order to implement a new type of relationship based on shared goals.



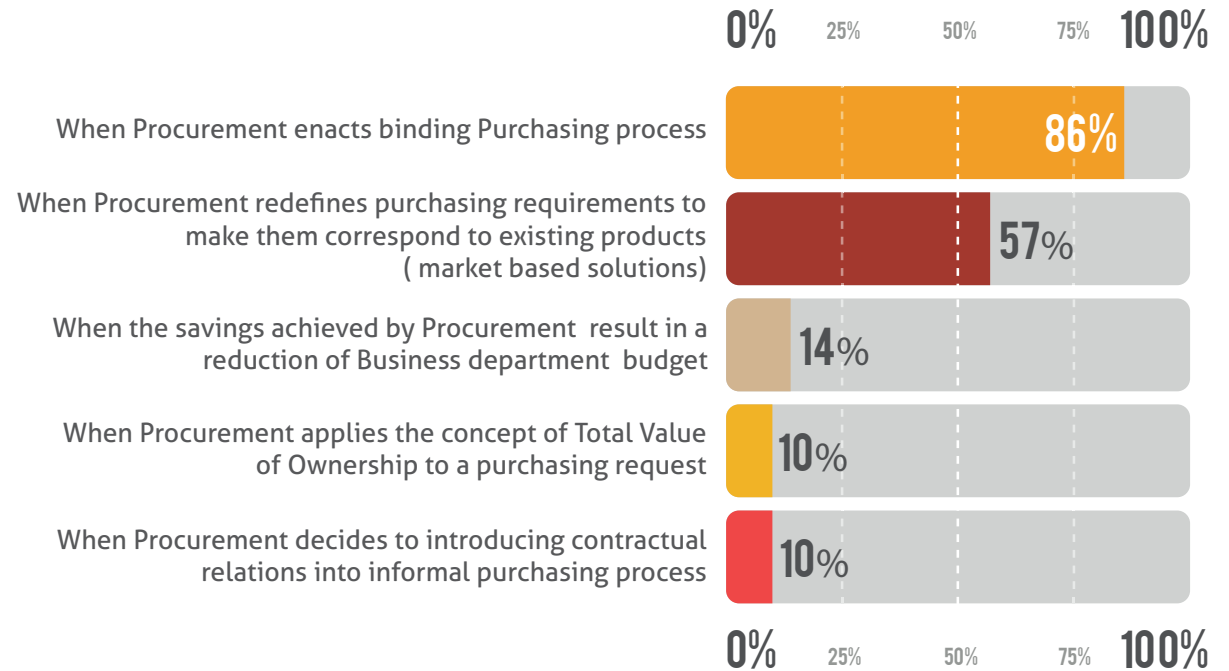


# CONFLICTS BETWEEN PROCUREMENT AND INTERNAL CUSTOMERS

The number 1 situation leading to conflicts between Procurement Departments and Business Units is when restrictive purchasing processes must be defined (86% of Procurement Executives ).

This observation, which echoes the disagreements on Procurement department goals, highlights the delicate, yet essential, mission of the Procurement department that consists in applying the same purchasing processes throughout the company. Although it is a vector of the professionalization, the purchasing process is sometimes perceived as an administrative constraint that restricts the freedom and prerogatives of internal customers. Avoiding these conflictual situations often depends on the ability of the Procurement department to implement strategies of change management to accompany the transformations generated by the new processes and to ensure the adhesion of the internal customers. Regularly communicating on the benefits obtained, identifying possible barriers and making sure the Business Units are involved and ready to adopt the processes are essential tasks during the establishment of constraining processes to avoid conflict between Procurement and their internal clients.

What situations are the most likely to generate «conflicts» between Procurement and business departments? *Procurement Executives*



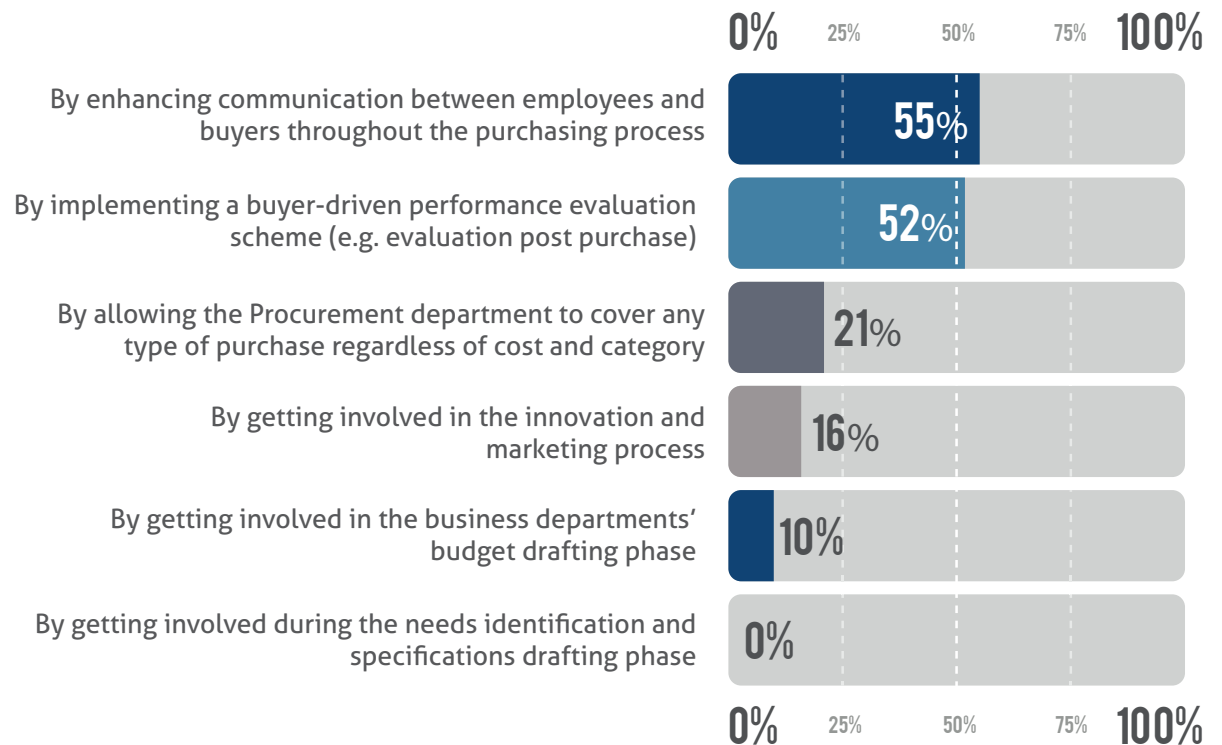


The number 2 delicate situation for Procurement Departments is when Procurement redefines purchasing requirements to make them correspond to existing products (market based solutions). According to 57% of Procurement Executives, this rationalization of the Procurement process can be interpreted as interference by Procurement in the internal affairs of the business units and therefore a source of conflict. This observation leads to the question of how to evaluate the Procurement department's performance.

When it is the sole indicator of Procurement performance, cost reduction hinders the establishment of a dialog between Procurement and Business Units executives and prevents Procurement from accounting for the real goals of each business unit, thereby neutralizing a Procurement Business Partner culture. Here, the role of Procurement is to implement new means of performance evaluation that account for the qualitative and quantitative goals of the Business Units, so that internal customer satisfaction is also considered. The promotion of operational and strategic goals by Procurement leads to a greater appreciation of its actions by the business units.

The solutions to these conflicts are found in the recommendations of the Business Units executives on the way in which Procurement could perform better with respect to their departments. The two most frequently mentioned points are: **improvement of communication between buyers and internal clients throughout the Procurement cycle** (55% of business unit heads) and **implementing Procurement KPIs tailored to each Business department's specificities** (52%).

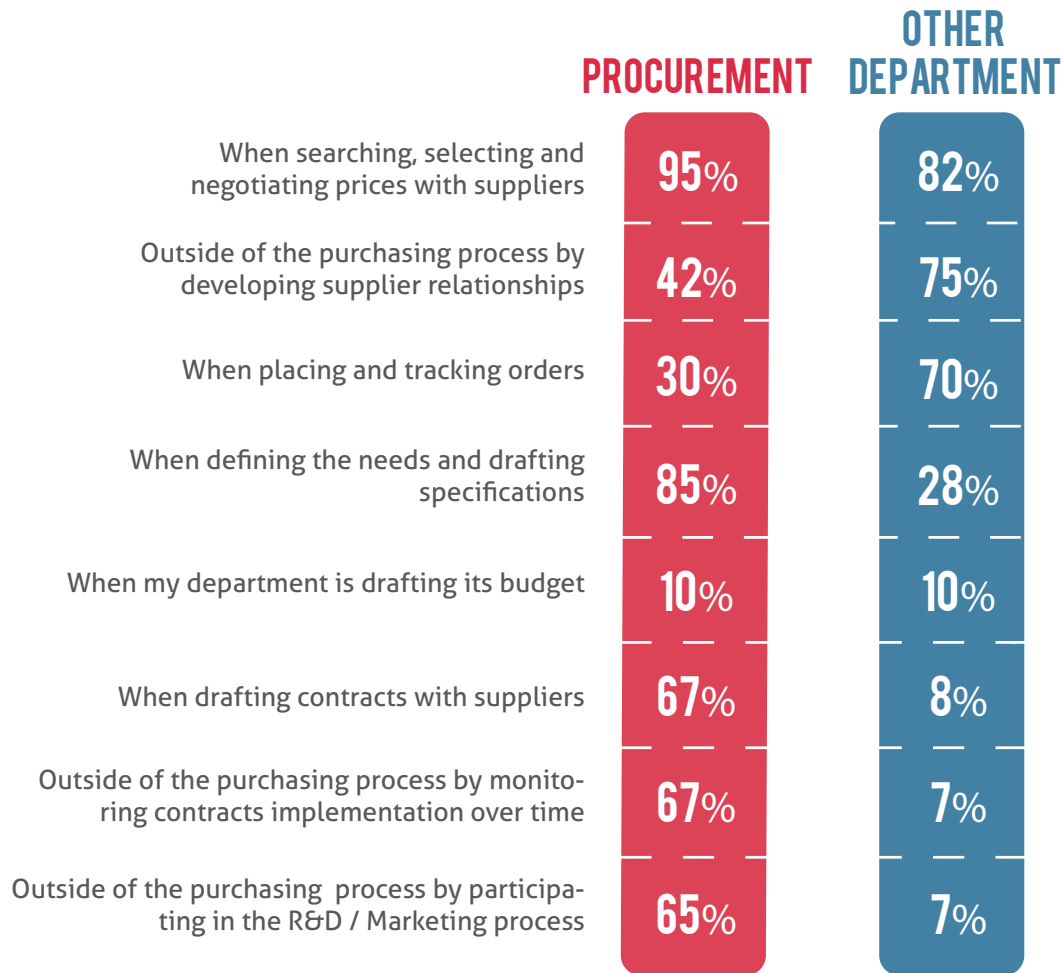
**How could the Procurement department be more impactful to your department?** *Other Departments*





# PROCESSUS ACHATS

At what stage of the purchasing process is the role of the procurement department the most important to you?



Before it can become a true Business Partner, the Procurement department must master all the steps in the Procurement process.

Procurement and Business Unit decision makers agree on the importance of the Procurement department's role in sourcing and selecting suppliers and negotiating with them. On average, over 80% of them feel that the role of the Procurement department is crucial at these different steps.

However, there is a gap between the vision of Procurement and that of the Business Units with respect to the importance of the Procurement Department at the other steps of the Procurement process. Many Procurement Executives consider that their mission begins before the sourcing phase and does not stop after negotiating with the supplier. According to a majority of them, the role of Procurement is essential upstream, during the needs identification and specifications writing (85%) in addition to choosing the suppliers; when the supplier's contract is drawn up (67%), when the purchase order is tracked and suppliers are evaluated (67%) and outside the Procurement process as a participant in R&D activities.

Business unit decision makers feel that the role of Procurement is especially important for the development of supplier relations (75%) and when orders are placed (70%). Only 28% think it is important for Procurement to intervene during the definition of their requirements, 8% during the drawing up of the contract and 7% during tracking of the purchase order and evaluation of supplier performance. According to Business Unit Executive, Procurement is still primarily limited to operational tasks in the purchasing process, except for the strategic mission of developing supplier relations. New areas of exchange



should enable Procurement Departments to extend their influence from the beginning of the process (expression of needs, writing of specifications) to the end (evaluation of supplier performance). Cross-department dialogue initiated by the Procurement department should enable demonstrating the added value of Procurement outside operational tasks in a strategic context appropriate for each department. Being involved in all the purchasing process steps is necessary for the Procurement department to become a true Business Partner.





# E-PROCUREMENT TOOLS BRINGING PROCUREMENT AND BUSINESS UNITS TOGETHER

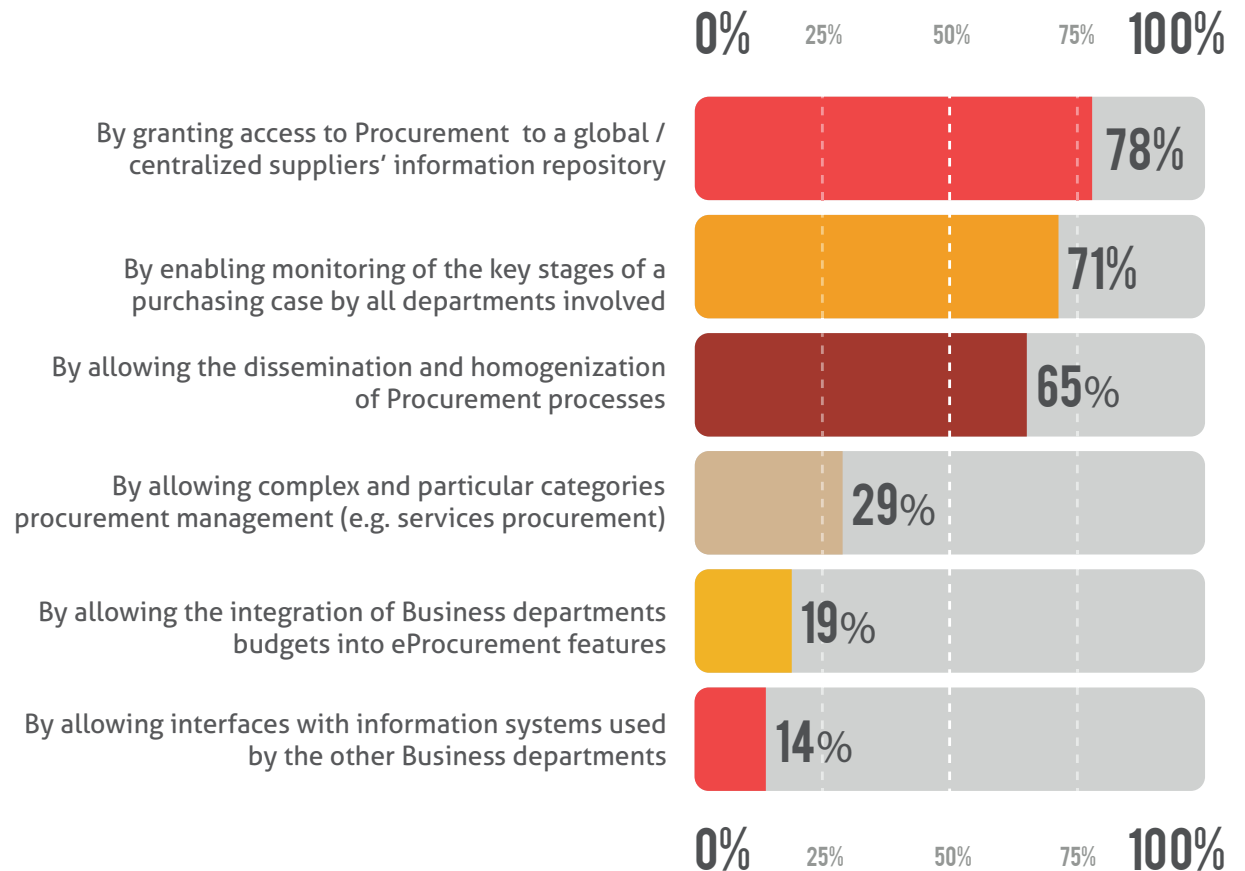
By centralizing supplier data and ensuring its reliability, eProcurement tools plays an essential role in the professionalization of the Procurement function and the legitimizing of its role as a Business Partner for the business units.

According to Procurement Executives, the main benefits of eProcurement tools for establishing a Business Partner relationship between Procurement and the other company departments are the implementation of a sole supplier reportory managed exclusively by Procurement (78%), the ability to monitor and track key stages of a purchasing case by all departments involved (71%) and the extension of the purchasing process to cover the entire group (65%). In practice, eProcurement tools enable Procurement Departments to master the Procurement strategies of each department based on an analysis of departmental expenditures and to reinforce their leadership in the business units / supplier relationship.

However, according to the Business Units executives, the availability of these tools for steering purchases is far from ideal. **Only 65% of the departments questioned confirmed that their team members had access to an eProcurement tool.** The functionalities they are able to access include eProcurement (100% of decision makers saying they have access to eProcurement tools), supplier performance evaluation (63%) and spend analysis (25%).

## How do Procurement tools contribute to the establishment of a Business Partner approach between e-procurement and other Business Departments?

*Procurement Executives*

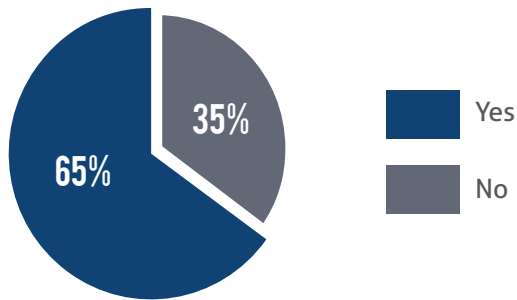




Promoting the spread and use of eProcurement tools by business units thus appears to be an important mission for Procurement Departments in the development of partnership relations. In the end, opening eProcurement doors beyond the Procurement department can help to remove barriers between departments, thereby encouraging collaboration between Procurement and the various business units.

**Does your department staff have access to e-procurement tools deployed by the Procurement department?**

*Other Departments*







## CONCLUSION

The Ivalua Procurement Executives survey 2014 shows that Procurement's journey from transactional processing to strategic business partner is not complete. Despite Procurement's willingness to move closer to the Business stakeholders, to address their specific issues and to better connect with them, it is not viewed as fully-fledged Business Partners yet.

Among all departments surveyed, Finance stands out very clearly. Procurement has successfully teamed up with Finance and established a true Partnership based on a mutual understanding of each other's missions, the establishment of shared goals and a sustained dialogue on the implementation of joint strategies.

To achieve this status of Business Partner with other departments, Procurement must proceed among two main lines. On the one hand Procurement must better understand the strategic objectives of each of the Business Units and thus take into account global performance indicators beyond cost reduction. That means implementing a buyer awareness training program so they develop their knowledge of the specific issues and challenges of each Business Unit, their leadership and allowing the recruitment of buyers from outside the Procurement space.

On the other hand, the Procurement department must master all the steps in the purchasing process. Demonstrating the added value of Procurement upstream and downstream, the purchasing process requires the implementation of internal marketing strategies allowing Procurement to influence strategic decision process especially when Business Units define their needs, their budgets (upstream) and report on the a purchasing projects (downstream). Procurement intervention outside the role it was traditionally given, implies a collaborative redefinition of Procurement organisation statutes to integrate new prerogatives linked to an extended Procurement value chain.

Finally, the Procurement Executives survey reveals the important part played by eProcurement tools in the implementation of a new Procurement Culture. Indeed the deployment of advanced eProcurement functionalities beyond the Procurement community helps removing barriers between Procurement and internal clients as well as fostering cross-department collaboration. Importing Budgets, collaborative sourcing projects, multidimensional analysis and KPIs are as many eProcurement tool functionalities promoting Procurement as a strategic partner to their internal clients.



# About Ivalua

Founded in January of 2000, Ivalua is currently ranked among the leading worldwide Spend Management solution providers. Successful in both Europe and the US, Ivalua has deployed several hundred projects for large international companies in a wide range of industries.

In light of its experience and of its multi-sector expertise, Ivalua continues to support an extremely proactive product innovation policy that centers on bringing its users the greatest value, efficiency and ease of use, day in and day out.

Ivalua Buyer's worldwide success can be summarized in 4 major points:

- **Full Suite** of Solutions for Spend Management: by combining strategic sourcing, transactional functions, supplier relationship and procurement controls, all from within a single, integrated solution.
- **Flexibility in configuration and customization**, allowing Buyer to adapt to clients' specific needs without having to involve IT, while also remaining on the standard Ivalua Buyer solution package.
- A User Interface acclaimed for its **simplicity and effectiveness**, which allows a quick start-up and long-term, sustained adoption by its users.
- **An agile, collaborative implementation method**, to not only shorten time frames but also contain overall deployment costs.

[www.ivalua.com](http://www.ivalua.com)

## Office locations



IVALUA Inc.  
702 Marshall Street  
Suite 520  
Redwood City - CA 94063  
+1 866-795-8982



IVALUA France  
69 rue de Paris  
91400 Orsay  
FRANCE  
+33 (0) 1 64 86 54 54



IVALUA Germany  
Schumannstraße 27  
60325 Frankfurt  
+49 (0)69 - 5050 2726 2



IVALUA UK  
CityPoint  
1 Ropemaker Street  
London - EC2Y 9HT  
+44 (0) 207 153 1600



IVALUA Italia  
Piazza IV Novembre, 7  
Milano  
(+39) 02 87343317



IVALUA Canada  
1176, rue Bishop  
Suite 315  
Montreal, QC - H3G2E3  
+1 438 403 3107

