



PROCUREMENT IS A FINANCE FUNCTION - DISCUSS

WHITE PAPER

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Procurement is a finance function – Discuss

"Procurement is a finance function and is primarily interested in saving pounds and pennies; this is how they measure value. The online submissions, the lack of communication and dreaded e-auctions are all testimony to this."

I found the above comment on the internet recently and it made me think. As a result I started a discussion on LinkedIn to see what the views of other procurement professionals opinions were. The results were interesting. Some people appear to agree with this statement however the majority seem to disagree to a larger or lesser extent.

Procurement often reports into the finance department and this may lead to the perception that the function is all about saving the pennies plus the fact that Buyers often look to renegotiate contracts to increase savings. As one of the participants in the discussion stated: ***"Finance clearly has a vote in the procurement process, but not the only vote."*** Whether procurement should or shouldn't report into finance is a totally separate discussion.

Procurement in my experience, and from the responses received, has undergone a major change over the years. Rather than being on the fringes of the organisation it has become more of a central and strategic function or in the words of one contributor ***"Today procurement is the back bone of any organisation which deals in strategic procurement and work towards supplier partnering / relationship..."*** What this indicates is that procurement as a function is viewed as, and has become, more of a strategic function than ever before. This is also reflected in this comment ***"It's what builds and enables cohesion amongst all other stakeholders and provides guidance and thought leadership..."***

So is procurement a finance function and what does this mean with regards to bids, tenders and proposals? Well the answer to the first part of the question is that procurement has evolved into a function that works with finance, rather than for, and considers many other aspects of a suppliers offering other than price alone i.e. ***"Procurement is essentially about cost, quality, delivery and risk management. Our various stakeholders will have different views on which of these is more important to the efficient operation of the business, so as Procurement professionals we need to assess and balance the key drivers in any acquisition."*** Procurement, along with the internal client as part of the evaluation team, therefore looks at the entire proposition put forward by a supplier. Price, as a result, tends to be viewed as differentiator between suppliers rather than the most important element.

In answer to the second part of the above question; as procurement has moved away from the ad hoc (tactical) acquisitions where "quick fixes" were often sought and more categories of spend are being viewed as strategic, or treated in a similar fashion, more Bids, Tenders, Requests for Information etc. are issued by Buyers for suppliers to respond to. As a potential supplier you need to be prepared, if not expect, to participate in these processes and to understand what the buyer will be looking for when evaluating your submission.