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## New procurement report warns: Mind the credibility gap

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Report finds that procurement is a priority, but there is a lack of understanding of what procurement does aside from just saving money

**London, UK - 14th May 2009:** Organisations are facing a 'credibility gap' in procurement, due to a disconnect in the relationship between procurement and the rest of an organisation, warns 4C Associates and the Procurement Leaders Network, in a report published today. The face of procurement is evolving, and is not just about saving money, but about adding strategic value across businesses.

The multinational report, surveying 180 procurement practitioners across 36 countries with a combined annual purchasing volume of over €450bn, found that 50 per cent of respondents viewed shared procurement and operation goals as the most important factors in future procurement value creation for companies. This was followed closely by having a close engagement with the wider business (43 per cent) and having the right people (42 per cent).

The report, looking at procurement practitioners' views on procurement challenges and how the area will evolve, also found that procurement is within the top five priorities for 70 per cent of companies questioned. However, there is a lack of involvement from other company functions, senior decision makers and the board in the development of a procurement strategy, with over a third of respondents stating that senior management lacked interest in and understanding of how procurement expertise can be used strategically. This subsequently means that a disconnect exists between procurement and the overall business strategy in an organisation, leading to a conflict of objectives.

Outsourcing is also becoming an important part of many organisations' procurement delivery. 36 per cent of organisations questioned confirmed that outsourcing increased their procurement performance. Also, 27 per cent of respondents agreed that outsourcing had increased performance in their organisation, however 35 per cent disagreed that outsourcing had increased performance. As well as highlighting the importance of outsourcing best practice, these results demonstrate the need to ensure that procurement strategy is aligned with corporate strategy and that there is a balance of skills within an organisation. Skills inside the business can be complemented with outsourced skills that might otherwise be lacking.

Furthermore, the report found that the role of technology in procurement is increasing. The current spend is relatively low, with 22 per cent spending less than £50,000 per annum on procurement IT, and there is also little consensus on the best type of e-procurement technology: 42 per cent of respondents used enterprise level solutions; 25 per cent, bespoke third-party software, and a third developed their own software. There is, however, a key trend of increasing the amount of spend through e-sourcing systems. The percentage of companies where half of spend is through these channels, is expected to more than triple in the next three years, from 11 per cent to 34 per cent, showing the huge potential that organisations see for the use of technology in procurement and therefore the importance of optimising additional investment.

"The research shows that companies need to be aware that procurement isn't just about saving money. The value-add is a much more important metric, and can only be achieved when the procurement and other departments work together and as early as possible on a project," comments Johan Denekamp, Group CEO, 4C Associates. "Procurement faces the challenge of not just delivering a strategy aligned with company objectives, but also other ongoing measures consistent with strategies and objectives in other departments. These all need to be aligned so real value can be delivered and make a positive impact on the bottom line. It is therefore essential that lines of communication are open in any procurement process, so that business objectives can be achieved and that maximum efficiency can be gained from the procurement process, with top-down executive involvement."

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### ► CONTACT

For further details, please email [info@4cassociates.com](mailto:info@4cassociates.com)

