

WHITEPAPER

Conflicting views? Procurement vs. Finance

In 2021 Argon & Co surveyed a group of 200 procurement and finance professionals within the UK, France, Germany and the US on a range of topics within procurement, from the pandemic and Brexit to technology and sustainability.

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This whitepaper is the second in a series of articles based on the 2021 survey. This article compares and reviews the key findings between finance and procurement professionals to see if the age-old story of the two functions being at odds is correct.

Whether procurement departments report into finance or not, the two functions are often inextricably linked. In its simplest form, they are both doing their best at managing spend within a company. Procurement by working with suppliers in an effective way, finance through assigning and tracking budgets; procurement through managing POs, finance through managing invoices.

Their purpose is closely linked, this is what led to us including both procurement and finance professionals in our survey. Anecdotally, there is sometimes a perception that despite that closeness of purpose, finance and procurement don't always see eye-to-eye. Is this anecdote out of touch or does it reflect reality? Are there some areas where the two departments are more aligned than others? What can be done to close any gaps between the two functions?

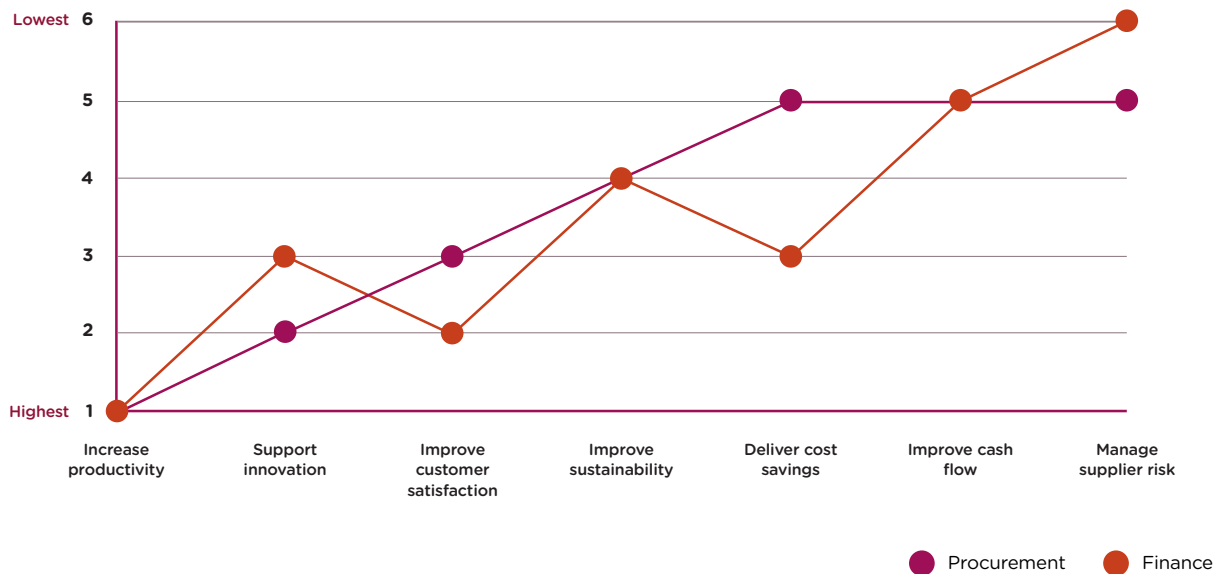
A common understanding of value

When asked what the most valuable impact procurement can have on their business, finance and procurement respondents had similar views, both ranking an increase in productivity as the most valuable.

Perhaps unsurprisingly, finance professionals ranked "Deliver cost savings" more highly than their procurement counterparts who ranked more value-add activities such as improving sustainability more highly.

Looking at the general trends of this, it doesn't seem that there are too many differences in the perception of the value that procurement can bring, with finance and procurement respondents aligning relatively well.

Ranking of responses to what is the most valuable impact procurement can have on your business?



Divergence in how to achieve more value

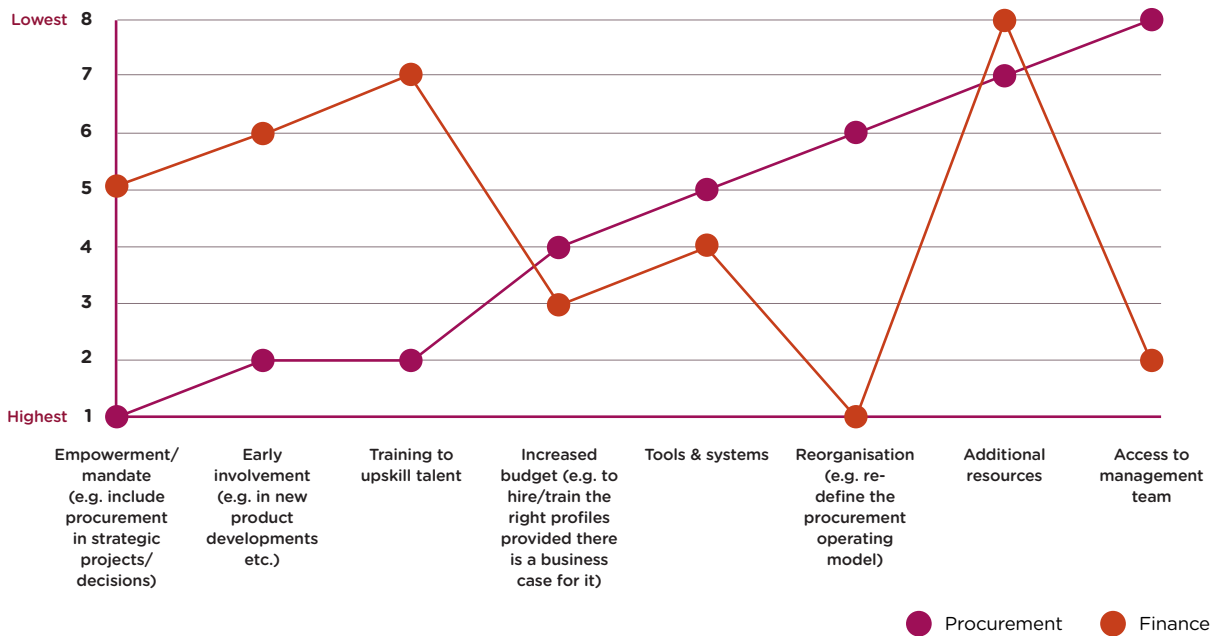
Where our survey has seen a divergence between procurement and finance professionals it is what's needed to create more value from procurement activity.

Procurement respondents favoured topics that focus on increasing the autonomy and involvement of the function, such as increasing their mandate or getting earlier involvement in the process. Finance respondents favoured slightly more top-down approaches such as reorganisation and access to management team. The latter is an interesting contrast to the empowerment option; perhaps suggesting that finance teams don't think procurement should work without wider oversight,

which typically does come from someone in the finance team.

It's also quite telling that, for finance employees, the most popular answer was something very tangible, functional, and measurable, while for procurement employees, a more unquantifiable, value-related answer was most popular. This feels reflective of the different departments' overall approaches; finance driven by numbers and statistics and procurement trying to move to a value-based approach. There are benefits to both, and each department must consider the merits of the other's viewpoint.

Ranking of responses to which of the following are mainly needed to increase value creation from procurement?

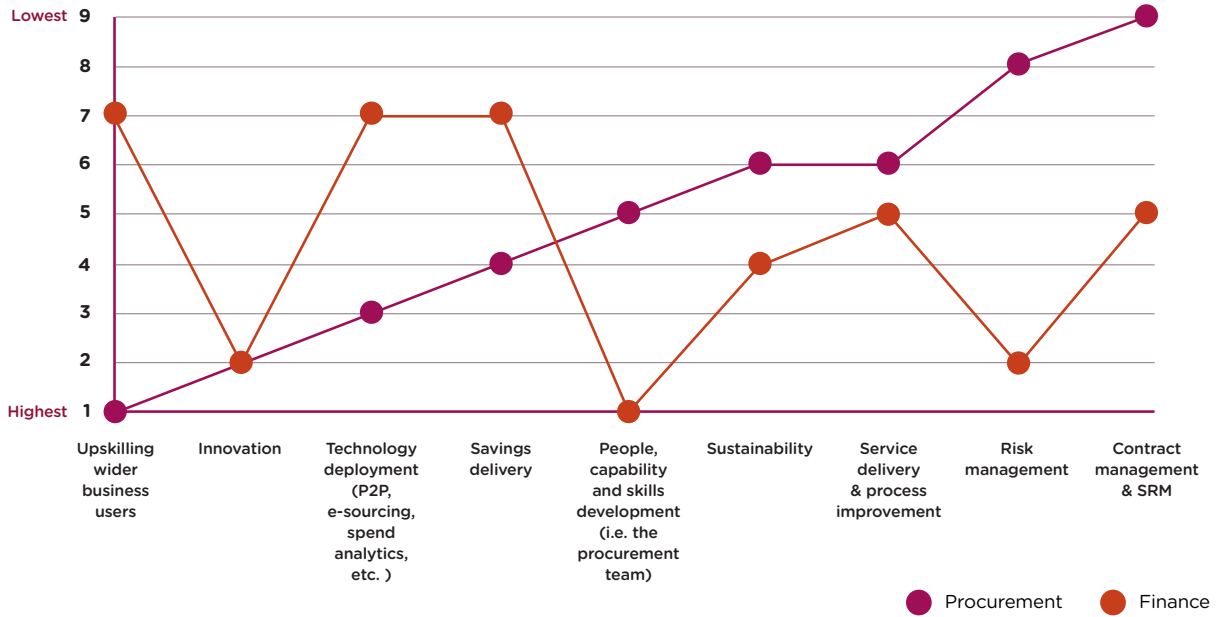


Finger pointing begins

Perhaps the biggest divergence is shown when we look at the answers to what is the top priority for the procurement function in the next 3 years. Procurement respondents look outwards and identify upskilling wider business users as their key objective, whereas finance respondents look inwards with increasing the capability of the procurement team as the key objective.

These two responses seem to amount to the business equivalent of finger pointing, where both sides think the other is the one that needs work. The likelihood is that a bit of both is needed, especially given there is alignment in the value that can be achieved.

Ranking of responses to what are the top key priorities/objectives for the procurement function over the next 3 years?



The growing divergence on some of these questions shows that although there may be a common understanding in the value of procurement, the two functions can't see eye-to-eye in what's needed to deliver that value. Communicating this difference, in a language that the other can understand, is something that procurement and finance teams need to work on as the two functions need to work in harmony for a business to be successful. Otherwise, the two functions could end up like that bickering couple on holiday looking frustratingly at their phones; they both want to get to the same place but neither trusts the others' map reading.

Survey methodology and demographics:

The survey consisted of 200 professionals with either a Head of, Director of or Chief Officer role within Procurement or Finance. Respondents worked across a variety of sectors at companies with revenue ranging from £250m to £5bn that were based in one of four countries: the UK, France, Germany the US. There was an even split of procurement and finance professionals as well as countries represented in the responses. No one industry made up more than 35% of responses.

About Argon & Co

Argon & Co is a global management consultancy that specialises in operations strategy and transformation.

With expertise spanning the supply chain, procurement, finance, and shared services, we work together with clients to transform their businesses and generate real change. Our people are engaging to work with and trusted by clients to get the job done. We have offices in Paris, London, Abu Dhabi, Amsterdam, Atlanta, Auckland, Chicago, Dusseldorf, Lausanne, Melbourne, Mumbai and Singapore.

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John is one of the leaders of Argon & Co's UK procurement practice and has significant experience leading multi-country procurement transformations, including projects recognised by CIPS for Procurement Consulting Excellence. He has a background in the Big 4, focusing on large-scale transformation programmes in both the public and private sector.

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