

Bridging The Disconnect

Why Procurement
and Financing
Should Talk . . .

Presented by
Jon Hansen



FORUM2014

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2007 Aberdeen Study:

- Less than 20% of CFOs consider the work of CPOs and their staffs as having a very positive impact on competitiveness.
- On average only 46% of CFOs feel that the procurement team has contributed to enterprise growth.
- Only 57% of CFOs feel that procurement contributes to enterprise profitability.



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Industry Week 2009 Study:

- Less than 50% of CFOs say they have *any* level of integration between their procurement and finance teams.
- Only 28% of CFOs said they believe procurement has a significant impact on financial risk exposure.
- Only 27% of CFOs consider that procurement has a positive effect on enterprise profitability



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Proactis 2013 Survey:

- The survey results highlight the realities of the disconnect between Finance and Procurement processes.

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Does It Really Matter?



- yes
- no
- maybe

The Virginia 2014 Forum Survey



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How Do We As The Virginia 2014 Survey Authors Suggest That The Problem Be Fixed?



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“Procurement is about more than pressuring suppliers to reduce price . . . We need to take our minds away from concentrating on savings.”

Nicholas Little, Assistant Director, Executive Development Programs at Michigan State University's Eli Broad College of Business



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One expert recommended the following to put CFOs and procurement professionals on the same page:

- Have 100% visibility of spend -- both direct and indirect -- across the business. Only once it has a single, unified view can a business make sound financial decisions.
- Ensure that the right processes are in place to give precise control over who spends money and what they can buy, leading to improved business processes and capital management.
- Only by working strategically can finance and procurement make the decisions that will benefit the business as a whole. The businesses that achieve transparency throughout the entire purchasing cycle will be best equipped to emerge from the economic downturn in the best health.



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“Procurement and finance should not be enemies; they should be allies . . . both organizations should be represented on cross functional sourcing teams” - Nicholas Little



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Another expert said that “procurement-finance collaboration important now” for the following reasons:

- Current economic conditions/markets are volatile;
- Procurement is charged with minimizing costs and leaning supply chains;
- automation has put procurement in a better position to analyze data and more organizations now have a CPO (Chief Procurement Officer) reporting to a CFO (Chief Financial Officer), giving procurement a direct link to a company's profit and loss.



Have We Missed Anything?



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Problem Solved . . . Next!

