



The Chartered Institute of
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New study says financial chiefs neglect procurement

According to new research from independent research company Loudhouse and Basware, Chief financial officers in businesses worldwide are “shunning risk management in favour of cost cutting, and failing to treat supply chain dangers seriously enough”.

The Cost of Control study was set up to investigate the issues impacting finance and procurement, and 550 financial directors and CFOs from businesses around the world participated.

The findings revealed that in spite of a high-risk economic environment, CFOs are “failing to recognise the importance of closely managing supply chains through procurement,” with just 28 percent of respondents saying that they believe procurement has a significant impact on financial risk exposure.

Professor Adrian Done of Barcelona’s IESE Business School, which supported the research, said: “Businesses today are defined by their supply chains and some of the high profile business failures of the last 12 months point to this as a root cause. Finance departments across the globe have been guilty of ignoring the real value that their procurement teams can bring for decades now, so there is real truth in the suggestion that CFOs aren’t making the most of what can be an invaluable asset in the fight against the recession.

“The subsequent finding that only 46 percent of financial chiefs see real integration between purchasing and finance processes makes this particularly alarming, as it represents a major break between two departments that should be working closer than ever to combat the downturn.

“With the suggestion that just 27 per cent of CFOs consider that procurement has a positive effect on enterprise profitability, this all suggests that the procurement role itself and the wider supply chain is not seen as a significant contributor to bottom line performance.”

Raw cost cutting was also seen as a major priority for those questioned in the study, with 64 per cent stating that bringing costs down was the top item on their agenda.

Thirty-nine per cent cited risk analysis as a major concern. Only 24 per cent of respondents remained focused on environmental practices.

Basware’s Steve Muddiman said that the results point to a severe disconnect between the finance and procurement departments: “There should be a sense of trepidation on both sides of the fence when reading the results of this study. While heads of finance everywhere are looking at how they can bring greater security and stability to their organizations, they seem to be missing a major piece of the puzzle in overlooking the procurement teams as a major strategic advantage.”

“But while procurement professionals will likely feel that their strategic value is being missed by their finance colleagues, procurement is a vital function that can give a business the edge when times are economically tougher. At the same time there needs to be serious thought invested into why procurement still isn’t seen this way.”



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