

Another Survey Picks on Procurement Function

Trend of Late Seems to be that Execs Don't Believe Procurement is Up to the New Challenges; The Good News – Opportunities for Companies and Careers are Great

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It's hard to know whether to consider the procurement function as faster than those in most other disciplines.

As with other studies, E&Y says that for many organizations, a "procurement transformation" will be required to take full advantage of opportunities to better reduce being up or down these days.

At one level, there is increasing recognition of the strategic role of procurement in a globalized world. As we noted in an article last year, "Once sometimes an outpost for managers who didn't make it elsewhere, procurement is emerging as one of the most important jobs in many companies." (See [The Future is Procurement](#).)

At the same time, a number of recent studies have seemed to find that procurement organizations in general are somehow not quite up to these new levels of responsibilities yet.

For example, a recent study from KPMG found that many execs weren't happy with the performance of their procurement organizations.

"Many organizations begin reorganizing and improving their procurement after they realize that they are not achieving maximum cost savings, and that their business units are not pleased with the procurement function," that report noted. "However, they reorganize without a clear idea of what is wrong with the function or how they want it to work once it's been reorganized. Consequently this realignment doesn't achieve its goals, and procurement continues to be the corporate underachiever." (See [Is the Procurement Function a Corporate "Under Achiever?"](#))

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Now comes another study that in part runs along a similar vein from Ernst & Young, which surveyed more than 250 corporate executives. (See [Gaining Competitive Advantage: the Procurement Opportunity](#) to download full report.)

"Despite an understanding of key challenges over the next two years, many organizations do not have confidence in the ability of their procurement function to tackle and manage these challenges," the report states. (See graphic below.) Roughly half of respondents had low levels of confidence in their procurement organization's effectiveness in meeting key challenges.

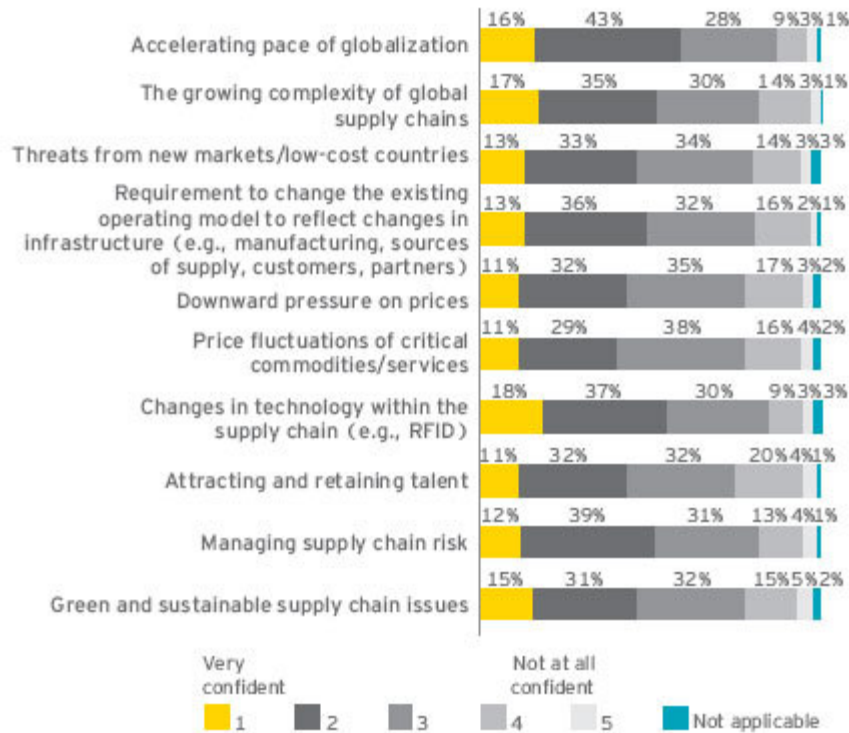
How's that for a confidence builder?

But one bit of positive news: if you are really good, you should be in high demand.

The survey found that "While recognizing the importance of attracting and retaining [procurement] talent, 39% see the difficulty in doing this as a significant barrier to change in the supply chain and

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How confident are you that your supply chain and sourcing functions have the ability to manage effective change in the following areas over the next two years?



Source: Gaining Competitive Advantage: The Procurement Opportunity, E&Y

sourcing function.”

That’s in large measure because of how much the procurement management skills required today differ from those of 10-15 years ago. The report says salary levels for procurement professionals are rising costs and align with corporate strategies.

The survey found that the complexity of current corporate business and supply chain models is the biggest barrier to achieving procurement excellence.

To meet these challenges, an increasing number of companies have created a Chief Procurement Officer (CPO) position, the report says.