



How to increase budgetary impact without spending more money

DR RICHARD RUSSILL
NICK WILDGOOSE

Today's presenters

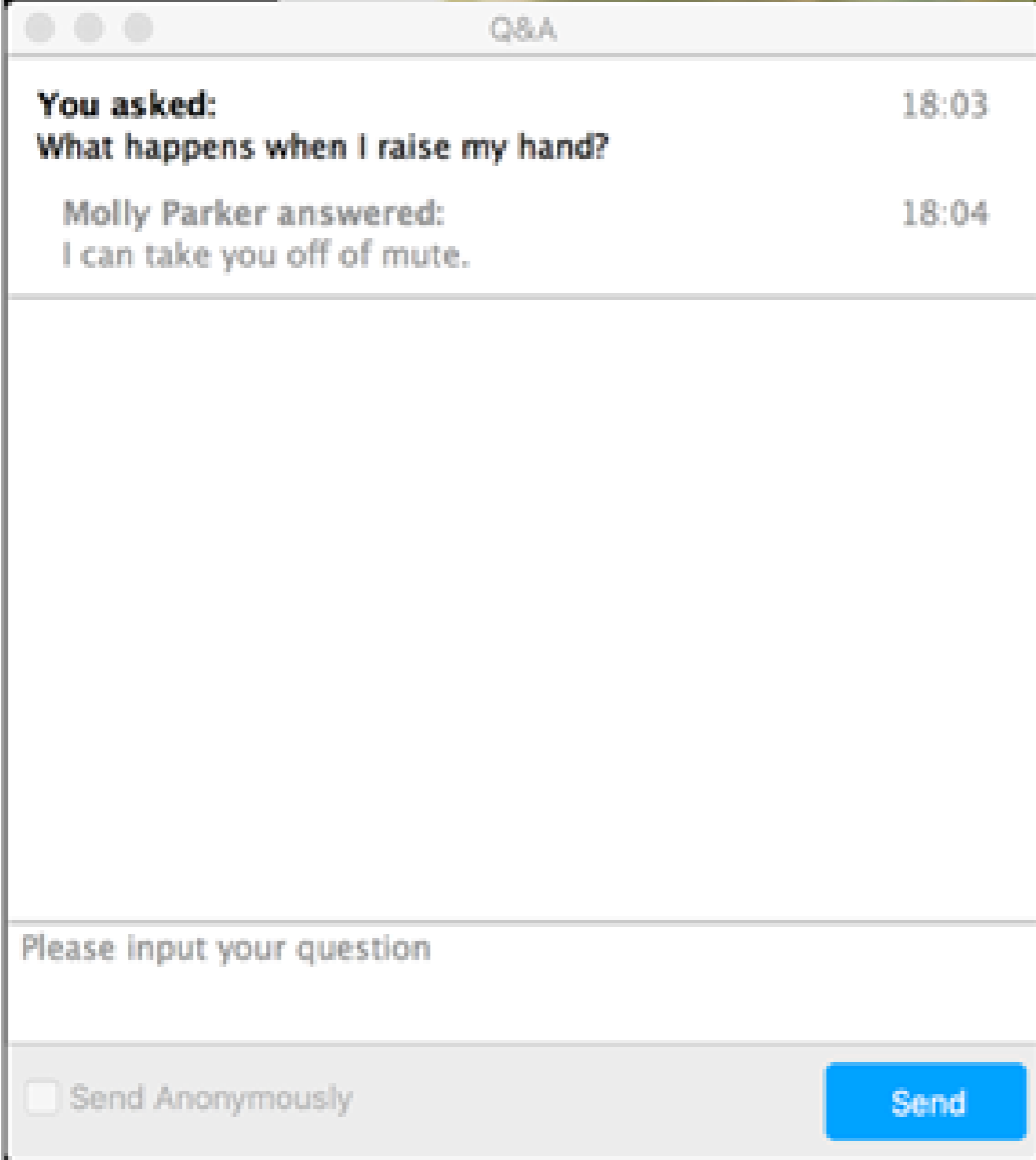


Dr Richard Russill



Nick Wildgoose

Ask a question and access resources



The screenshot shows a Q&A window with the following content:

- You asked:** 18:03
What happens when I raise my hand?
- Molly Parker answered:** 18:04
I can take you off of mute.

Below the history is a large empty text area. At the bottom, there is a text input field with the placeholder text "Please input your question". To the left of the input field is a checkbox labeled "Send Anonymously". To the right is a blue "Send" button.

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

Note: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration on the left.

Download resources

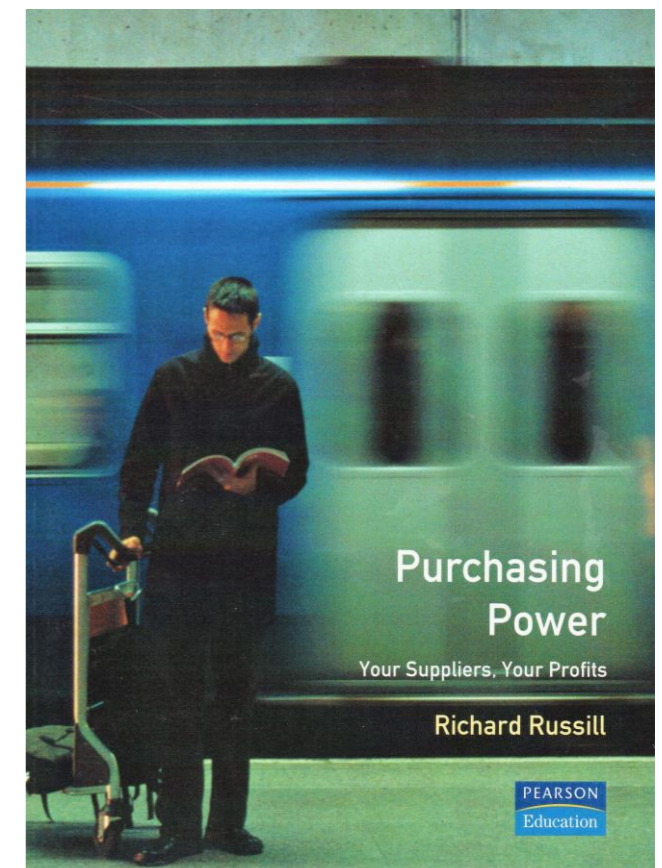
Access related resources, including the presentation slides at icaew.com/bameventresources



**Procurement
Advantage**

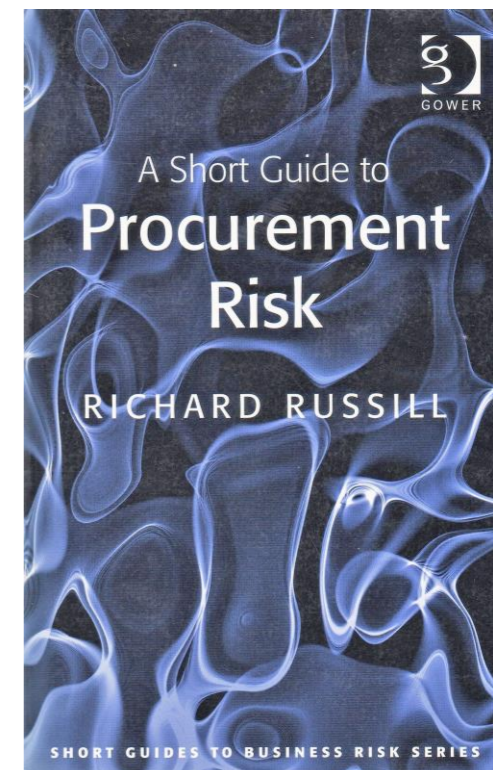
How to increase budgetary impact without spending more money.

Dr Richard Russill and Nick Wildgoose
November 2021



Our stories - Background

- What path have you taken which has brought you from your initial qualification to where you are today?
- What fuels your enthusiasm for getting procurement 'right'?
- What do you think is the biggest barrier that stops the business world from 'getting it' about procurement?



Exposing some myths that burn up budgets

- Prices are based on costs
- Competitive bidding reveals the best price going + 3 bids reveals the best bid available
- Customer is King
- I don't deal with supply markets, that's the job of the procurement function



Achieving high performance procurement transformation ... Making it Happen

- Sell the story to senior management and get CEO advocacy (mere 'support' is insufficient)
- Give the CPO the licence to hold ultimate commitment authority
- Move from savings -> profit contribution -> sustained value acquisition.
- 5 key impact areas from procurement:
 - Sales growth and competitive advantage
 - Secure supplies and relationships
 - Improved costs and margins
 - Optimising cash and working capital
 - Productivity and processes

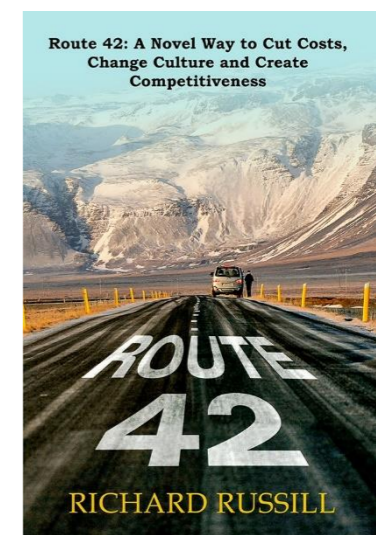
Achieving high performance procurement transformation ... Making What Happen?

- Cost Savings
 - > e.g. Aggregating volume and revenues
- Cost Management
 - > e.g. via ambitious supply strategies
- Value Acquisition
 - > e.g. via collaborative supplier relationships

Find out more in a short paper:

“At The Helm or All At Sea?” Available on request.

‘Route 42’ starts here



Finance supporting procurement value adding activities.

- Have you implemented the right procurement measures KPI's , beyond cost savings?
- Do you understand the value at risk from supplier failure?
- Are you using an integrated budgeting and forecasting approach – cost owner, finance and procurement?
- Do you ensure procurement/supply chain is routinely on the executive team agenda?



Finance supporting procurement value adding activities – continued.

- Linking corporate social responsibility requirements and reporting, to procurement with purpose objectives
- Supporting the procurement governance process with appropriate action
- Ensuring appropriate links in respect of risk management and transfer processes



New financial measures to consider

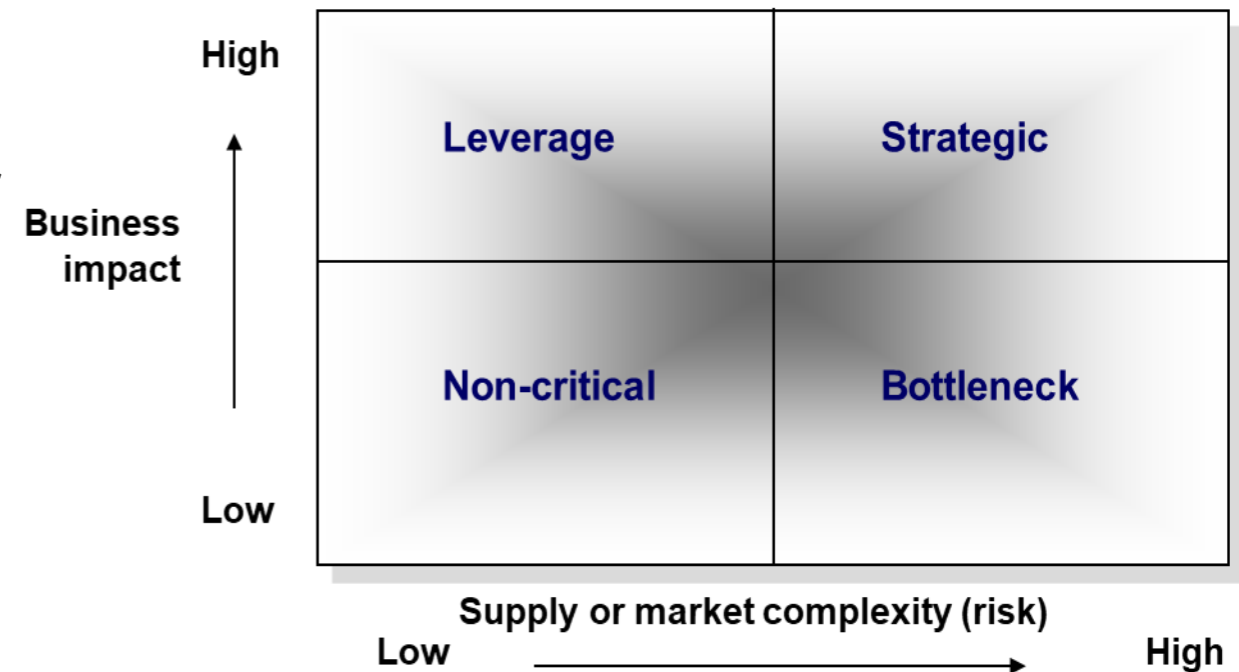
- Third-party expenditure typically 60-80% of company costs depending on sector
- Breakout of third-party expenditure/costs in gross profit margin and overheads – together with relevant trends

Typical P/L Account	£m
Sales	100
Supplier Direct Cost Spend	64
Internal direct spend	20
Gross Margin	16
Supplier Overhead Spend	5
Overheads Staff Costs	5
Operating Profit	6

New financial measures to consider 2

- Third-party expenditure broken out by spend area, related to activity
- Value at risk lost profits from supplier failure
- % of company spend following non approved procurement routes
- Supplier supply segmentation analysis – relation with key supply markets

Buyer's Positioning Matrix*:



After Kraljic*, 1983

Case studies on transformed procurement performance

- Case study – “Orange”
- Large PE backed group

Key things to consider in respect of procurement and supply chain performance

- Procurement is often confined to a support role justifying its existence by making cost savings. Its real job is ‘to manage a large part of our company that we do not own, cannot see, and which is staffed by people we do not employ.’
- Talent is in short supply. Are you using that which is present in your supply base?
- Always ask “how can our procurement process provide the answer to any major issue we’re facing as a company?”

Next Steps

- Consider whether you are facilitating the procurement and supply chain activities in your organisation to optimise the value added.
How will you find out?
- Are you measuring the right things in respect of procurement performance? (Justifying Existence? ... or Core Driving Force?)
- Do you have the right resources in place?

Contact

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Thank you for attending

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