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# An analysis of Procurement functions' constraints in delivering sustainability targets within a cost savings paradigm

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delivering sustainability targets within a cost savings  
paradigm**

*Emma Howcroft*

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## **1. Introduction**

Since the *Paris agreement*<sup>1</sup> (UNCC, 2016) to limit global warming came into force in 2016, nations and businesses have been putting in place plans to reduce their carbon dioxide emissions. The extent of their progress can be seen by the number of actors - 66 per cent of which are businesses - that have signed up to the *United Nation's Race to Zero campaign*. Together, these actors "now cover nearly 25 per cent [of] global CO2 emissions and over 50 per cent of] GDP" (UNCC, 2021). In addition, ninety of the Fortune Global 500 companies have committed to *carbon neutral targets* (Lu, 2021). Yet despite these advances, The World Economic Forum maintains that "progress on climate action to date has been limited" (WEF et al., 2020). This lack of progress is partly attributed to *supply chains* which are difficult to reach (WEF et al., 2021), and where the bulk of carbon dioxide emissions can be found (Bové et al., 2016; WEF et al., 2021). The lion's share of the author's company's sustainability efforts and target delivery also reside in the *supply chain* and, since "a company is no more sustainable than its supply chain" (Krause et al., 2009), it is incumbent on the author's Procurement function, that it meets this challenge. These *sustainability targets*, however, are not unique and are being faced by many Procurement functions (Hartmann et al., 2014; Koplín et al., 2007; Henderson, 2021), which are increasingly being tasked to deliver both cost savings and sustainability targets concurrently. This paper has, therefore, been born out of the urgent need to deliver new *sustainability targets* within an entrenched paradigm of Procurement cost savings. How this challenge can be explained and met forms the focus of this paper.

To gauge the scope and depth of this challenge and to answer the research question - ***how cost savings methods and models used in Procurement functions can be better employed to improve the delivery of sustainability targets?*** – the author conducts a Literature Review and carries out a Critical Analysis. The Literature Review covers three elements: i) the role of the Procurement function, its maturity and whether this positions it adequately to deliver *sustainability targets*; ii) the value attributed to the Procurement function and how this contributes to an over-emphasis on cost savings; and iii) the method by which savings are tracked and whether these can support the delivery of *sustainability targets*. The Critical Analysis uses the views of Procurement professionals to expand on: i) whether the maturity level of Procurement functions has a bearing on the prioritisation of cost savings, and the successful subsequent delivery of *sustainability targets* and, ii) whether current Procurement savings tracking methods are fit for purpose, and consideration of alternative methods to enhance the delivery of *sustainability targets*. The paper will demonstrate that Procurement functions face an uphill battle to shake off their cost savings fixation and image. Yet, even within the current proscribed practices and constraints analysed, there are opportunities for developing and demonstrating the value of delivering *sustainability targets* across the *supply chain*.

## **3. Literature Review: Understanding the Procurement Function Context and Savings Models**

### *3.1 The role of the Procurement function*

The term Procurement can be used to describe a function, a process, a discipline, and a profession amongst other things (Lysons et al., 2006, p5). Here, however, we will analyse Procurement as a *function*. There is no one definition which encapsulates the role and required skills of a Procurement function (Day, 2002, p2), yet at its core it is responsible for "buying the goods and services that

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<sup>1</sup> Words in italics, excluding references and titles, are defined in Appendix 1.

enable an organisation to operate in a profitable and ethical manner” (CIPS, 2021a). This transient definition is a consequence of the Procurement function’s evolution over the last hundred years, where it has gone from being a clerical function to a “strategic business function that makes a significant contribution to the competitive position of companies” (Glavee-Geo, 2016), and which has grown beyond its own strategy delivery requirements to incorporate “the strategies of other functions and those of the firm as a whole” (Ellram and Carr, 1994). This advancement, places Procurement functions as central to support the delivery of other organisational targets and benefits. Lysons et al., however, add that the role of the Procurement function is often dependent on its maturity, and only at its most mature stage, is the Procurement function’s strategy “fully integrated into the firm’s competitive strategy and constitutes part of an integrated effort among functional peers to formulate and implement a strategic plan” (2006, p11).

Hartmann et al. (2012) and Schiele, H. (2007) go further and assert that “greater maturity is associated with better performance”. This would suggest that the successful inclusion of other organisational targets, such as *sustainability targets*, are thus likely to be dependent on the maturity level of the Procurement function. Philippart (2016), however, argues that, regardless of the notion that an organisation’s strategic goals should “cascade to all the functions of the firm, including procurement”, Procurement professionals are still too focused on short-term price considerations, “transferring value at the transaction level” instead of “achieving stakeholder value”. This assertion is echoed in Beroe’s (2020) survey of one thousand Procurement professionals, where cost reduction continues “to be the number one priority for Procurement leaders across the globe”. This raises the question whether the role of the Procurement function is ultimately driven by the independent value it generates, or through its contribution to wider and interconnected strategic company goals. If it is the former, then the successful delivery of *sustainability targets* becomes a matter of value generation.

### 3.2 The value of the Procurement function

Some academic literature suggests that Procurement functions are valued by the money they save their companies (CIPS, 2013; Evans, 2003; Glavee-Geo, 2016; Van Weele, 2005). Nollet et al., (2008) summarise this as, “the value added by a purchasing department mainly results from the evaluation of the savings generated, the obvious one being cost reduction.” Epstein (2018) explains that “because CEOs often have different goals than Procurement, many misjudge the function’s value.” This leads to the value of Procurement functions being pigeon-holed under “financial performance” when the function could be responsible for delivering various value propositions across the *supply chain*. Other literature, however, covers the wider value that Procurement functions bring to their organisations (Carr et al., 2002; Chen et al., 2004; Mehra et al., 2004; Bernardes et al., 2008). For example, Bowen et al., (2006) make a compelling case for making *supply chains* more sustainable and demonstrating their value on Procurement functions, their organisations and society, see Figure 1. Yet, even in this example, the benefits discussed are within a cost savings narrative, specifically achieving “bottom line benefits” from “greening the supply chain” (Bowen et al.). In a CIPS survey covering 250 consumer goods supply chain decision-makers, “41 per cent said cost saving was the primary goal when creating a sustainable *supply chain*” (Green, 2018b).

Figure 1 - Bowen et al. (2006) list of references

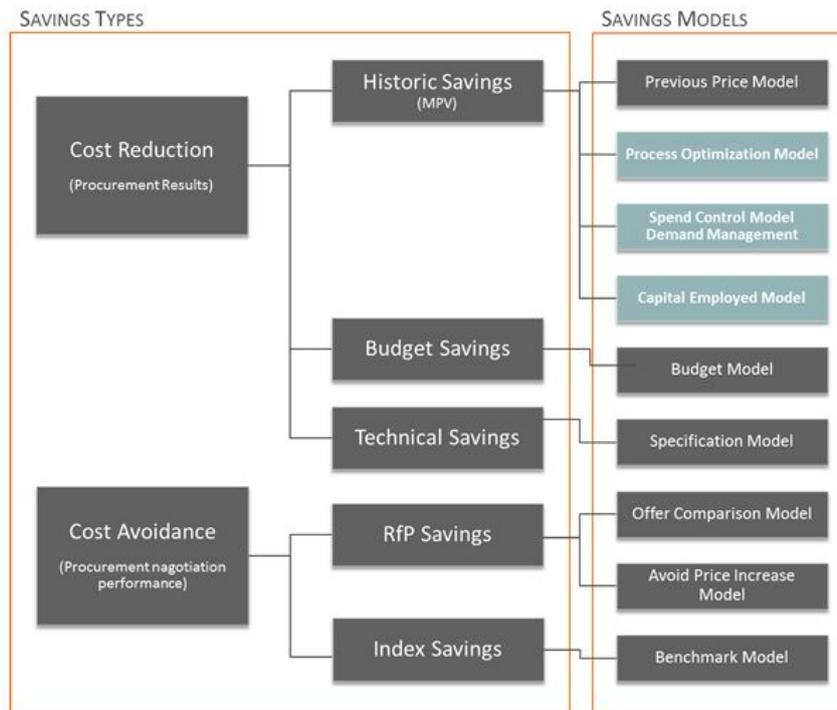
Potential benefits of green supply	Literature source	
to the purchasing and supply process	Support corporate environmental objectives	Lamming and Hampson (1996); Green et al. (1996); Noci (1997); Carter and Carter (1998); Carter et al. (1998); Hart (1995)
	Develop co-operative relationships with suppliers	Noci (1997); Lamming and Hampson (1996)
	Purchase direct cost reductions	Carter et al. (1998); Stock (1992)
	Maintain security of supply	Russel (1998); Lamming et al. (1996)
	Improve purchasing's strategic importance	Bowen et al. (1998); Green et al. (1996)
to the firm	Reduce cost	Drumwright (1994); Green et al. (1996); Cramer (1996); Bowen et al. (2001)
	Manage reputational risk	Drumwright (1994); Bowen et al. (1998)
	Manage liability for environmental damage	Min and Galle (1997)
	Avoid potential increase in cost of waste/disposal	Lamming and Hampson (1996); Min and Galle (1997)
	Deliver legislative compliance at lower costs (current and future)	Green et al. (1996); Min and Galle (1997); Hampson and Johnson (1996)
	Improve product or service quality	Cramer (1996); Noci (1997); Russel (1998)
	Meet market expectations	Hutchinson (1998); Knight (19996)
to society	Aid diffusion of environmentally sound practices through industry	Lamming and Hampson (1996); Green et al. (1996); Bowen et al. (2001); Russel (1998)
	Facilitate legislative compliance	Green et al. (1996); Min and Galle (1997); Hampson and Johnson (1996)
	Provide response to public concern	Drumwright (1994); Cramer (1996); Russel (1998); Miller Szekely (1995)
	Environmental benefits through co-operation	Cramer (1996)
	Facilitate moves towards sustainability	Russel (1998); Miller Szekely (1995)
	Eliminate / reduce demand for environmentally harmful raw materials	Min and Galle (1997); Epstein and Roy (1998)
	Encourage use of a life-cycle approach	White (1996)

Clearly, despite the positive case for change, Procurement functions are yet to embrace fully the capture and tracking of wider company benefits. Denton (2002) suggests that if Procurement functions are ultimately valued and measured by the cost savings they generate, it follows that they would prioritise those activities which allow them to generate these. Consequently, unless the perceived role and measurement standards of the Procurement function can evolve, the success of delivering *sustainability targets* may only lie within a cost savings narrative.

### 3.3 Savings models used by Procurement functions

There is little agreement on whether the delivery of *sustainability targets* increase costs or create savings. Spiller (2013, p122) asserts that Procurement costs will inevitably increase in the face of additional environmental regulations, new industry norms, increasing energy costs and carbon taxes. Džupka (2020) arrives at a similar conclusion whereby *sustainable procurement* “subtly reduces the creation of savings”. Yet there are also examples of companies in which the adoption of sustainability activities and practices saves money, (D'heur, 2015; Lawson, 2017; Sanborn, 2017). These examples, however, also touch upon the investment of time needed to understand the interrelations of actors and products along the *supply chain* (D'heur, 2015), and the upfront monetary investment required with associated long payback periods (Sanborn, 2017). Consequently, if Procurement functions are to show cost savings in relation to sustainability efforts, a savings model which allows for this complexity and value tracking over time would be required. As we see in Figure 2, Procurement functions have an array of savings models at their disposal.

Figure 2 - Orpheus (2021) savings models



These models differ in complexity, in what they measure (referred to as *cost drivers*), and the time frame over which the savings are tracked. One of these savings models, is the Total Cost of Ownership (TCO) model described as “a cost accounting application that enables purchasing decision-makers to combine value and price in making sourcing decisions” (Wouters et al., 2005). This model offers Procurement functions the opportunity to capture at least 134 *cost drivers* (Ferrin et al., 2002), including life cycle costs, and allows for monetary value to be tracked over longer periods of time. These attributes are particularly relevant for sustainability activities (Hachmini et al., 2019). A common theme, however, with these wider value capture savings models, is that they have a “staggering amount of cost drivers” (Ferrin et al., 2002), can require extensive data sources (Woodward, 1997) and are not easy to employ (Degraeve et al., 2000; Ferrin et al., 2002; Ellram and Siferd, 1998). This is probably one of the primary reasons why Procurement functions prioritise basic costs savings (Previous Price Model in Figure 2) as their means to show value to their companies, since they are well known and easier to employ (ProcureDesk, 2021a).

If the delivery of *sustainability targets* cannot be easily uncoupled from the Procurement functions’ cost savings narrative and focus, then more consideration will need to be given to how cost savings methods and models used in Procurement functions could be better employed to improve the delivery of *sustainability targets*.

#### 4. Critical Analysis

##### 4.1 Method

This section uses primary research data to incorporate the views of Procurement professionals on the prioritisation of savings and cost savings methodologies and models in relation to the delivery of *sustainability targets*. This new data will add to our understanding of the research already covered in the Literature Review section, as well as inform and provide recommendations for Procurement functions. To answer the research question, a prescriptive survey was designed, comprising fifteen

multiple-choice and free text questions. This method of data collection was selected to: i) reach as many Procurement professionals as possible within a limited timeframe and ii) obtain quantitative responses against widely recognised Procurement savings methods and models (Orpheus, 2021; CIPS, 2019; CIPS, 2021b; Toikka, 2021). The first set of five questions covers general information about the responders and their companies. The second set of five questions covers the maturity levels of the responders' Procurement functions, prioritisation of savings in their functions and the relationship between savings and *sustainability targets* delivery. The third set of five questions covers the responders' current savings tracking models and recommended savings tracking models in relation to *sustainability targets* delivery. The survey was emailed to the author's Procurement teams, a wider network of Procurement professionals, as well as being posted on various procurement Linked In sites.

#### 4.2 Results and findings

Seventy-three procurement professionals responded to the survey. Only key insights and findings have been summarised.

*The maturity levels of the responders' Procurement functions, prioritisation of savings in their functions, and the relationship between savings and sustainability targets delivery.*

Responders were asked to categorise their Procurement function's maturity level using Lysons et al., (2006, p11) four levels of maturity. Their responses to four other questions relating to 'savings prioritisation' and 'sustainability target delivery relationship' were mapped against their maturity level responses as well (see Figure 3). The aim was to identify trends and whether responses differed between Procurement professionals in Procurement functions with different maturity levels. The numbers in Figure 3 represent the numbers of responders.

**Figure 3 - Selected maturity level, savings prioritisation, and sustainability target delivery relationship**

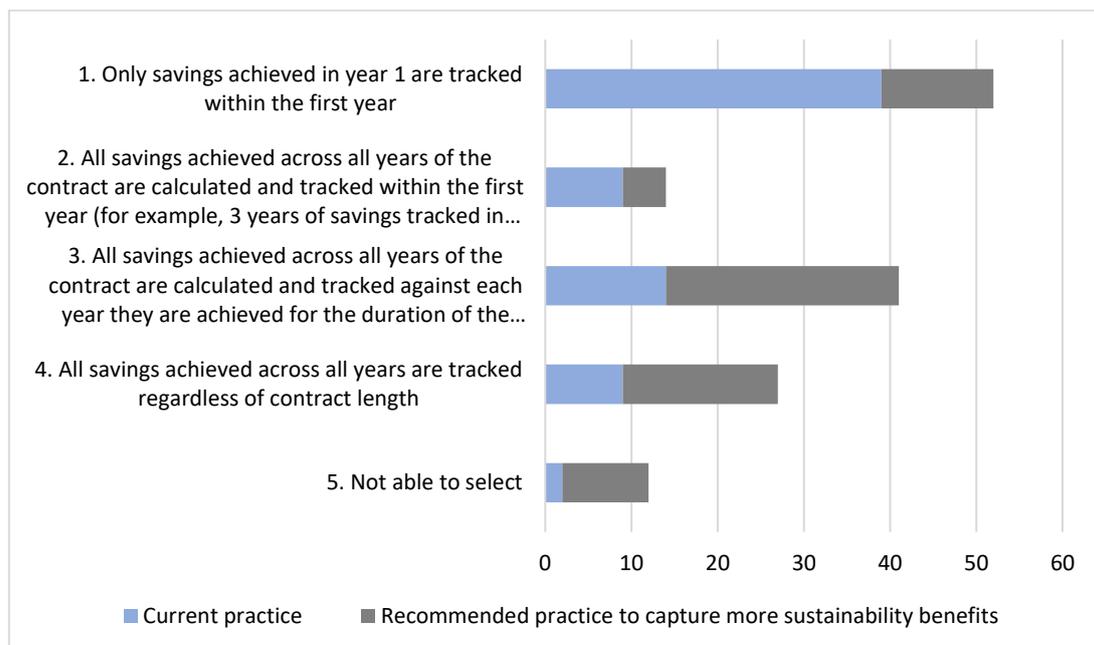
Procurement function maturity	Savings prioritisation			Relationship between savings and sustainability targets	
	1. Procurement function's maturity level	2. Procurement function prioritises savings (answered: 'yes' or 'to some extent')	3. Lack of savings delivery would be an issue even if other objectives were met (answered: 'yes' or 'to some extent')	4. Company and/or Procurement function's sustainability targets can be achieved without increasing cost overall (answered: 'yes')	5. Savings targets and sustainability targets could create a positive friction which could help Procurement professionals identify additional value (answered: 'yes' or 'to some extent')
<b>Lysons et al.'s (2006) Procurement function maturity levels</b>					
Level 1 - The Procurement function has no strategic direction and primarily reacts to the requests of other functions	6	6	5	1	5
Level 2 - The Procurement function adopts the latest procurement techniques and processes, but its strategic direction is independent of the firm's competitive strategy	4	3	1	2	3
Level 3 - The Procurement function supports the firm's competitive strategy by adopting procurement techniques and products, which strengthen the firm's competitive position	33	26	24	12	26
Level 4 - The Procurement function's strategy is fully integrated into the firm's competitive strategy and constitutes part of an integrated effort among functional peers to formulate and implement strategic plans	30	27	25	21	28
<b>Total number of responders who answered 'yes' or 'to some extent':</b>	<b>73</b>	<b>62</b>	<b>55</b>	<b>36</b>	<b>62</b>
<b>Total number of responders who answered 'no' or 'unsure':</b>	<b>0</b>	<b>11</b>	<b>18</b>	<b>37</b>	<b>11</b>

100 per cent of responders in Level 1 maturity functions prioritised savings versus 90 per cent in the more mature Level 4 functions. This relatively low disparity could suggest that a cost savings focus transcends Procurement functions' maturity levels. This echoes Philippart's (2016) assertion that Procurement functions in general prioritise cost savings. In fact, 85 per cent of responders overall answered that their functions prioritised savings, of which 88 per cent said that if they did not deliver savings, despite achieving other targets, this would be perceived as an issue. This supports the Literature Review findings and suggests that prioritisation of savings could come to the detriment of achieving other company objectives, especially if these are not considered a priority too. Another interesting finding is that those in more mature functions - 70 per cent - believe that *sustainability target* delivery can be achieved without increasing costs, suggesting that *sustainability target* delivery is compatible with cost savings delivery, or at least not in conflict with it. If this view is correct, and there are examples of companies saving money through the implementation of sustainability activities (D'heur, M., 2015), then how Procurement functions' capture and measure cost savings becomes of greater importance and relates to Ariely's (2010) point, that "what you measure is what you'll get".

*The responders' current savings tracking methods and recommended savings tracking methods in relation to sustainability targets delivery.*

Responders were asked to select the length of time they track savings in their functions, and how long they thought savings should be tracked in relation to the delivery of *sustainability targets* (see Figure 4). The time periods given were **one year** (1), so that only savings delivered in the first year can be tracked, regardless of whether savings take place across multiple years; **contract length**, so that savings delivered within the length of the contract can be tracked, either all in the first year (2) or across the duration of the contract (3); and the **full length of time** (4) were savings are achieved.

**Figure 4 - Selected length of savings tracking and value capture methods**



The first method is the most restrictive in length of time and accounts for 52 per cent of the responders' responses. When asked what savings they would prioritise in relation to sustainability, only 18 per cent selected this first method. This drop is important because sustainability projects,

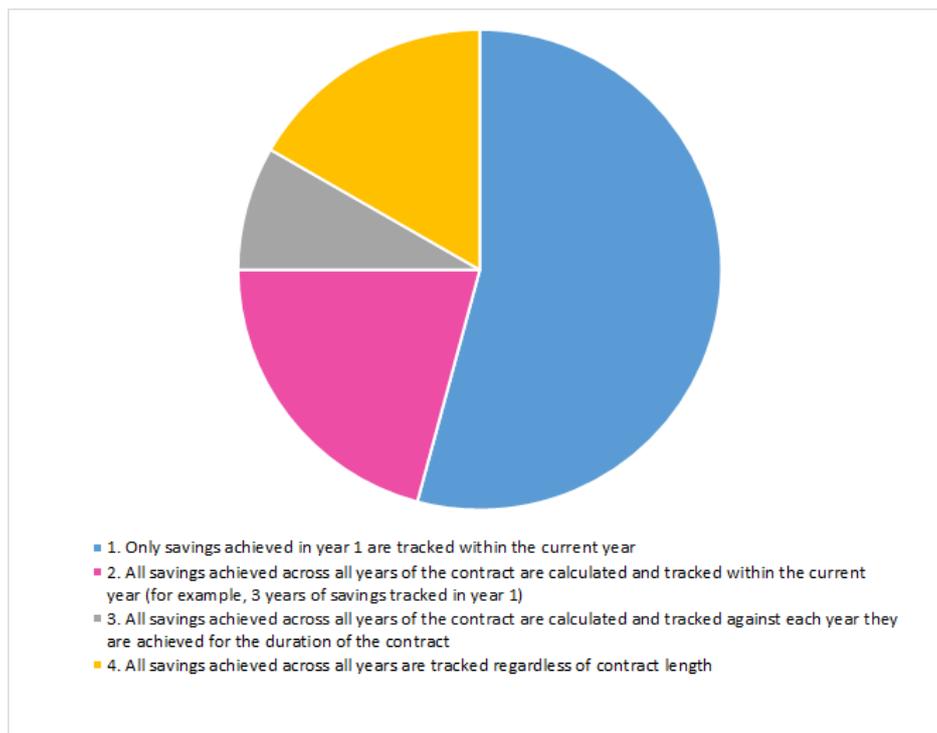
especially sizeable ones, often pay back over extended periods of time (Bowen et al., 2006; Sanborn, 2017). The length of time that savings are tracked is, therefore, likely to play a significant role in determining whether sustainability benefits are perceived as delivering cost savings in Procurement functions. This is best illustrated in Figure 5 by a pharmaceutical company’s plastics project. This shows the capital expenses and savings over a three-year period, and that the savings associated with the project only started to materialise after year 2. The 52 per cent of responders who selected Option 1 in Figure 4, would not have been able to track any cost savings in this plastics project, even though £1.5 million was saved over a three-year period.

Figure 5 – A Pharmaceutical company’s plastics project example costs (Howcroft, 2021)

Year	Annual cost of single use plastics	Annual capital cost of reusable replacements for single use plastics	Comparison calculation	Cumulative Savings
Baseline year	£800,000	0	-	£0
Year 1	£800,000	£900,000	£800,000 - £900,000	- £100,000
Year 2	£800,000	£ 5,000	(800,000 x 2) – (£900,000 + £5,000)	£695,000
Year 3	£800,000	£ 5,000	(800,000 x 3) – (£900,000 + £5,000 + £5,000)	£1,490,000

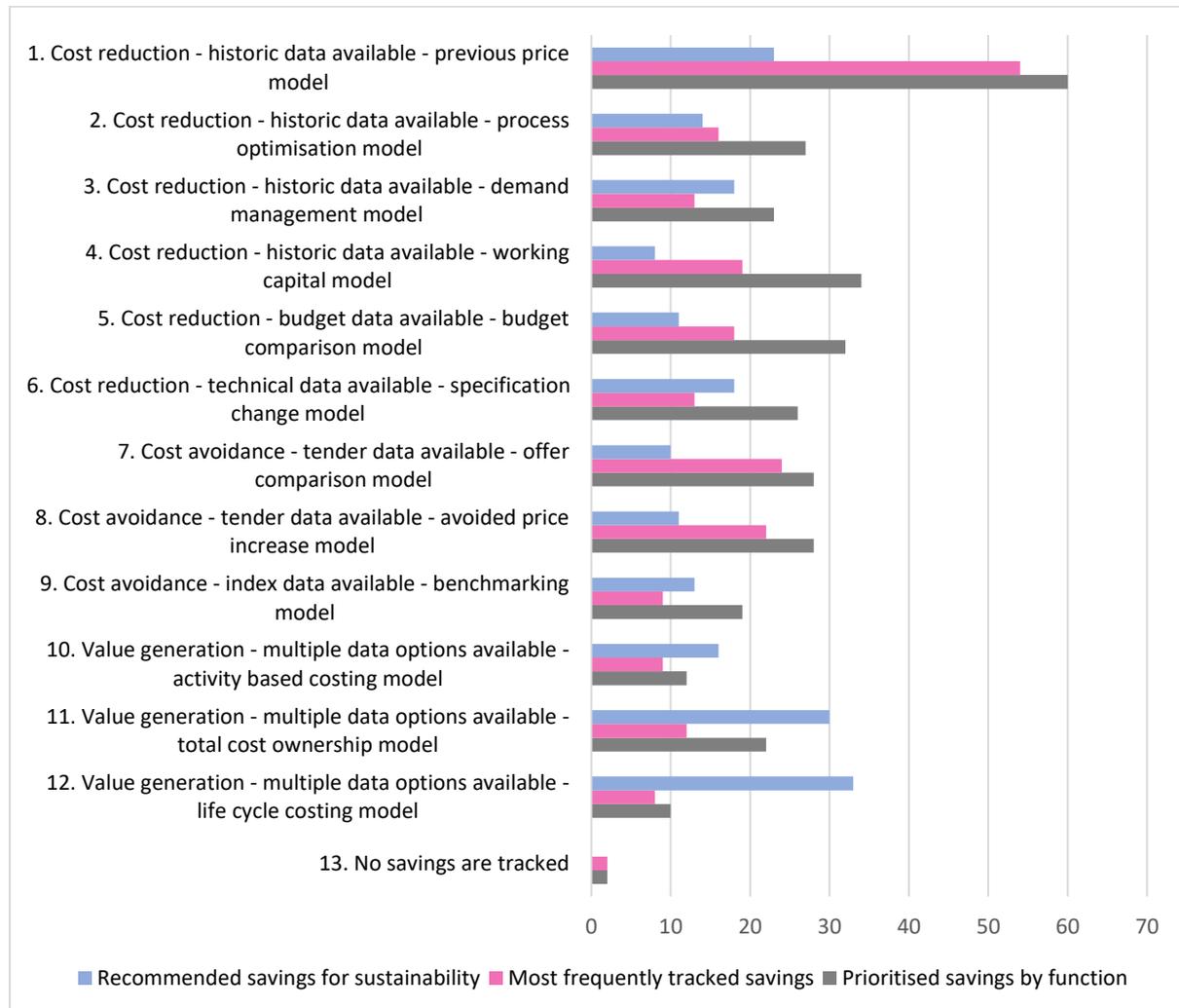
On looking at the responses provided by those in the author’s company (see Figure 6), its twenty-four Procurement professionals selected a mixture of tracking methods, with Method 1 also being the most selected. On the one hand, this is positive in that Procurement professionals are already employing alternative tracking methods; on the other hand, it is negative because there is a lack of consistency in the application of methods, which points to other underlying issues, such as lack of training and communication.

Figure 6 – Author’s company’s selected length of current savings tracking and value capture methods



Responders were next asked to select commonly used *savings models* that they i) prioritise in their function, ii) use frequently and iii) would choose to use in relation to tracking sustainability benefits (see Figure 7).

Figure 7 - Selected savings models



Model 1 in Figure 7 represents the most used savings model by far, and the one that Procurement professionals are often criticised for over-using (*Anderson et al., 2000; Holcomb et al., 2007; ProcureDesk, 2021a*). Model 4 has the largest negative variance - 76 per cent difference - between being prioritised by Procurement functions and being recommended for tracking sustainability benefits. This is likely because working capital models are often associated with increasing suppliers' contractual payment terms (*Cottingdon, 2011*) and, consequently, creating cash flow issues for suppliers. Procurement professionals may naturally see this as not being compatible with sustainability efforts. Conversely, Model 12 has the largest positive variance - 70 per cent difference - between being prioritised by Procurement functions and being prioritised for sustainability benefits. This is likely because life cycle costing models allow economic and environmental dimensions to be combined in procurement efforts (*Hunkeler et al., 2003*). Although Models 10, 11 and 12 have been selected as prioritised models by function, they are not necessarily used as often, which supports Ferrin et al.'s (2002) assertion that "leading-edge companies actually use such

models” supported by other literature promoting their usage (e.g. Anderson et al. 1999; Gosselin, 1997; Jackson et al., 1980; Krumwiede, 1998; Malmi, 1999; McGowan et al., 1997; Shields, 1995). The growing selection of these models for tracking sustainability savings, indicates that these existing, yet under-used models might be the solution to achieving both monetary benefits and *sustainability targets* simultaneously.

Turning to the prioritised savings models selected by responders in the author’s company (shown in Figure 8), Model 1 is clearly prioritised across the board; Model 4, however, is significantly favoured by the author’s company. To ensure that the author’s company can continue to deliver its sustainability targets, it will most likely need to adopt additional mechanisms, such as *supply chain financing*, to ensure that this savings model can be implemented in a manner which is mutually beneficial for the author’s company and its suppliers. The wide and uneven selection of prioritised savings models by responders in the Author’s company, points to a lack of formal understanding of what is prioritised, similar to the study’s findings in Figure 6. This is a common occurrence in Procurement functions, “if you ask six people [in a Procurement function] how they calculate savings, you'll probably get eight different ideas” (Coupa, 2015). Improving savings model selection and application will, therefore, be key to ensuring sustainability benefits can be tracked. This supports Anderson et al.’s (2000) views, which go further in suggesting that, in addition to identifying models which track total value, a looser grip on budgetary constraints and better value demonstrations from suppliers, would aid the Procurement function show that sustainability can deliver monetary benefits.

**Figure 8 – Author’s company prioritised savings**

Saving models	All responders (73)	Responders from author's company (24)
1. Cost reduction - historic data available - previous price model	82%	83%
2. Cost reduction - historic data available - process optimisation model	37%	21%
3. Cost reduction - historic data available - demand management model	32%	17%
4. Cost reduction - historic data available - working capital model	47%	67%
5. Cost reduction - budget data available - budget comparison model	44%	29%
6. Cost reduction - technical data available - specification change model	36%	25%
7. Cost avoidance - tender data available - offer comparison model	38%	29%
8. Cost avoidance - tender data available - avoided price increase model	38%	33%
9. Cost avoidance - index data available - benchmarking model	26%	29%
10. Value generation - multiple data options available - activity based costing model	16%	21%
11. Value generation - multiple data options available - total cost ownership model	30%	21%
12. Value generation - multiple data options available - life cycle costing model	14%	4%
13. No savings are tracked	3%	0%

## **Conclusions and recommendations**

This paper has analysed the challenge posed with delivering *sustainability targets* across the *supply chain*, against a backdrop in which Procurement functions are valued principally for the cost savings they deliver. However, rather than challenging this entrenched, cost-savings paradigm, this paper has sought to analyse and find explanatory solutions within it. Specifically, it has identified methods and models in which there are opportunities where *sustainability target* delivery is compatible with achieving cost savings. This approach benefits Procurement functions as cost savings continue to be prioritised by senior management. It is clear from the Literature Review and Critical Analysis survey

that, whilst Procurement functions have an arsenal of methods and models to call on to measure value, these are not being fully utilised owing to their complexity and potential lack of prioritisation within functions. To address this issue, the author recommends that Procurement functions adopt the following four recommendations:

1. Ensure as a minimum that savings are ***tracked over the length of the contract*** to ascertain that the total value of sustainability projects and savings can be captured.
2. ***Prioritise total value capture models***, such as total cost of ownership and life cycle costing models, to ensure that more sustainability-related *cost drivers* can be tracked and shown to deliver a benefit.
3. ***Train Procurement colleagues*** in these selected methods, models, and *costs drivers* so they can identify and apply them consistently when relevant.
4. ***Partner and train suppliers*** so they are better informed to communicate and share data that supports the tracking of sustainability-related *cost drivers*.

Considering the scale of the sustainability challenge, this author maintains that Procurement functions will have greater success in adapting and delivering new *sustainability targets* only when they recognise and value the opportunity to incorporate such targets within their cost savings paradigm.

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## Appendix 1 – Definitions

Words in italics in this paper have been defined as:

**Carbon neutral targets** mean achieving a balance between the carbon dioxide a company emits against the amount of carbon dioxide it sequesters from the atmosphere by an agreed date (*European Parliament, 2019*).

**Cost drivers** are those factors which can change the cost and, subsequently, cost savings related to a product or service being bought.

A **Function** will be defined as “a unit or department in which people use specialised knowledge skills and resources to perform specialised tasks” (*Lysons et al., 1994, p3*). **Procurement function** in this paper encompasses all Procurement and Purchasing functions which purchase goods and services for their organisations.

The **Paris Agreement** is a legally binding international treaty on climate change. (*UNCC, 2016*)

A **savings model** is the method used to calculate monetary savings, i.e. spending less money than planned or needed.

**Sustainable procurement** is defined as “the acquisition of goods and services in a way that ensures that there is the least impact on society and the environment throughout the full life cycle of the product” (*Meehan et al., 2011*).

**Sustainability targets**, for the purpose of this paper, are climate, environmental and social targets set by companies to reduce their negative impact in these areas.

**Supply chain(s)** are the “networks between a company and its suppliers to produce and distribute a specific product to the final buyer” (*Kenton, 2021*). For the purpose of this paper, supply chain(s) will mean all those suppliers which Procurement functions manage directly.

**Supply chain finance**, also known as supplier finance or reverse factoring, is a set of solutions that optimises cash flow by allowing businesses to lengthen their payment terms to their suppliers while providing the option for their large and SME suppliers to get paid early.” (*PrimeRevenue, 2021*)

The **United Nation’s Race to Zero campaign** is a global campaign to rally leadership from actors to support a healthy, resilient, zero carbon recovery. (*UNCC, 2021*)

## Appendix 2 – Author’s comments and additional findings and figures

Thank you to all those Procurement professionals who took part in the survey associated with this analysis paper. Owing to word count constraints, not all findings could be included in the analysis paper; these have, however, been summarised in this Appendix.

Figure 9 – Responders’ industries

Industry	Number of employees in responders' companies				Number of responders
	<250	250+	1,000+	10,000+	
HEALTHCARE & PHARMACEUTICALS	2			15	17
CHEMICALS, PLASTICS, & RUBBER			2	12	14
SERVICES: BUSINESS	6	2		2	10
BEVERAGES, FOOD, & TOBACCO				5	5
ENERGY: OIL & GAS	1		2	1	4
HIGH TECH INDUSTRIES	1			3	4
WHOLESALE	1			2	3
AEROSPACE & DEFENCE				2	2
TELECOMMUNICATIONS				2	2
TRANSPORTATION: CARGO	1			1	2
AUTOMOTIVE			1		1
BANKING				1	1
CAPITAL EQUIPMENT	1				1
CONSUMER GOODS: DURABLE				1	1
CONSUMER GOODS: NON-DURABLE				1	1
CONTAINERS, PACKAGING, & GLASS		1			1
ENERGY: ELECTRICITY				1	1
FINANCE			1		1
HOTEL, GAMING, & LEISURE				1	1
RETAIL	1				1

Figure 10 – Responsible party for savings prioritisation

Responsible party for savings prioritisation	Number of responders
Top management	45
Other	14
Chief procurement officer	7
Herd mentality, everyone does it this way	7
Total	73

Figure 11 – Additional insights about the prioritisation of savings in responders' Procurement functions

Responders' comments
We do not have savings targets. The drivers are value, risk mitigation and increasingly meeting our ESG requirements.
Vision: providing solutions to customers by offering more quality product.
Savings are mostly calculated on budget price of every year.
Savings are required to offset inflation being seen on certain commodities. Also fixed price contracts to customers with price caps drive focus on hard savings.

<p>Saving is directly related to profit of an organization, but savings cannot be prioritized over customer service. As without a good customer base we cannot assume profitable organization. Here we can link Customer satisfaction in terms of Quality of Product &amp; Timely Delivery.</p>
<p>Savings and control of inflation required to maintain competitive position in market.</p>
<p>This is a tough year with all the supply chain and quarantine issues. Hard to think past the current issues. We are just trying to keep everyone up and running.</p>
<p>Risk management, working capital, supplier relationship management.</p>
<p>Simplest, easiest, and most concrete measurement for savings. Other priorities are harder to measure objectively.</p>
<p>We account for our savings annually, an assigned goal with a limit.</p>
<p>Procurement is one of the main profit centres, savings always the main target of procurement management.</p>
<p>Public company, quarterly earnings reports drive short term focus on hard savings.</p>
<p>Savings are an outcome of great procurement work, not an isolated goal.</p>
<p>In Banking, risk management is top priority.</p>
<p>Focus to achieve savings in recurring cost is top priority as compared to one-time costs.</p>
<p>Procurement is mainly incentivized on savings.</p>
<p>Cash flow is equally important as savings.</p>
<p>Commercial value is prioritised alongside sustainability, innovation (digitalisation etc) &amp; risk management. There is a good level of maturity in understanding when it's not optimal to focus on savings, but still an important aspect of Procurement's role particularly recognising the investment needed for the drug pipeline growth.</p>
<p>Client serving KPIs, shareholder value.</p>
<p>No rationale to buy cheap things that don't meet requirements. Foster fit for purpose approach, no less, no more. Take lifecycle cost and TCO into account.</p>
<p>My response to question 8 is based on last 3 years' experience within the procurement group. However, for 2021, savings were not as high priority when compared to risk mitigation. For question 9, this is a chain in command, therefore, pending objective defined by Top Management.</p>
<p>We need to consider costs avoided as much as year-on-year reductions.</p>
<p>We don't have supplier optimisation maturity to translate this into a company advantage. The function is based on any spend is an expense, without differentiating between expense and investment. The same savings targets are cascaded to all procurement teams without consideration to scope, category, maturity nor methodology.</p>
<p>We are a sustainable procurement advisory function within a specialised sustainability consultancy. We utilise whole of life costings, leveraging technical data from our lifecycle specialists in our internal decision making and apply circularity principles consistently.</p>
<p>Procurement is often viewed as a 'product cost' function rather than as a strategic function that can drive value.</p>
<p>In 2022 the clear priority has been the supply of parts, in particular microcontrollers, in order to keep the assembly lines running. With unprecedented headwinds caused by material shortages and logistics issues, it soon became obvious the savings target was not going to be met - it became more of a damage limitation exercise!</p>
<p>Working with sales, having the correct range is more important than margin &amp; in purchasing goods not for resale we aim to manage cost and functionality with sustainability (e.g., paper tape, paper pallet wrap) in line with our customers' expectations.</p>
<p>My Procurement function is more focused on operational support.</p>
<p>This is a public listed company. It is important to improve the profit margin.</p>
<p>My company deals with business units and is a direct buy, there is no strategy for savings other than profit outlook.</p>
<p>The company I am working for is a trading organization for petrochemical and gas assignments, therefore mitigating the losses and working on strategies should be the utmost objective when it comes to shipping and logistics constraints.</p>
<p>Savings are an import delivery, however, value beyond £ savings is very much recognised and valued, alongside the value of innovation and efficiencies.</p>

Figure 12 – Responders' additional comments

Responders' comments
Company will need to also track avoidance and understand how sustainability goals will affect price and availability. Also, will need to understand how sustainability will create competitive advantage in the market.
Procurement's role is to seek out more efficient ways of having goods and services supplied. Savings is just the mechanism for calculating this. The solutions which procurement puts in place de facto create the least amount of waste will be the most efficient. If procurement is set up to do what it does best it will always be seeking sustainable supply solutions.
When will savings not be tracked anymore to allow business & procurement to focus on something else?
At this point, I had not received clear direction on sustainability targets, however, I think total cost ownership would be best the savings type as includes transportation, scrap, and other factors that affect total cost as well as sustainability factors as transportation (CO2).
Until the finance team changes how they account for value (whole cost) procurement's ability to deliver high impact sustainable outcomes will be hampered. Acquisition costs are directly linked to unsustainable outcomes.