

The Impact Of Procurement Professionals And Functions In The Strategic Level Of Corporate Organization

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Abstract: Many organizations have had to fold up due to the pressure they face from market forces that leads to ineffectiveness of these organizations in their prevailing market. The reason for which these organizations cannot compete favorably may be due to lower product quality, high product cost, high service cost and the speed at which the end products or services are made available to the consumers. The global market challenges have resulted in many manufacturing and service organizations looking for high quality products at a lower cost provided in Just In Time (JIT). This has necessitated in getting the service of procurement professional or personnel to fill in the gap to assist in providing the needed quality, price and speedy delivery of product to the final consumer at a preferred cost. The importance of procurement function cannot be underestimated if these parameters need to be fulfilled and therefore requires that stakeholders in organizational setup include procurement professionals in their strategic decision making.

Keywords: Corporate, organization, procurement, professionals, strategic.

I. INTRODUCTION

Organizations either being manufacturing or services may have to make some form of procurement decisions in order to achieve the set goals (References for Business, n/d). Purchasing of goods and services is a common activity that cut across both profit and nonprofit oriented organizations. Procurement which is the acquisition of goods and services through hiring, leasing, and buying is marginalized in many organizations (CIPS, 2013; Engel, 2011). The reason for the marginalization of procurement activities may be to the fact that buying which seems to be one of the oldest professions and is practiced by everyone since generation, have created the assumption that anyone can buy and so makes the activity less important and marginalized. According to Handfield (2011) the four main objective of procurement is:

- ✓ Support operational requirement
- ✓ Manage the procurement process and supply base efficiently and effectively
- ✓ Develop strong relation with other functional group
- ✓ Develop integrated purchasing strategy that support organizations strategic goal

Handfield (2011) further indicated that the function of a world class procurement organization goes beyond the traditional beliefs that procurement primary role is that of

obtaining goods and services in response to the needs of the internal customer. Many people are ignorant of what purchasing is all about and for that reason procurement function has not been given the needed recognition it deserves in most public entities, regardless of the effort by the partners like the World Bank (Kakwezi & Nyeko, 2010).

In many instances, though procurement function is so strategic, the main players in strategic decision in most organizational setup fails to recognize the importance of the inclusion of procurement functions in the executive level where strategic decisions concerning the originations are taken (Engel,2011). However, equally important functions such as finance, marketing human resources are represented fully at the executive level. There are three main functions that affect supply chain and market competitiveness and these are quality, price and delivery, and all three factors are effectively managed by procurement function (supply chain) (References for Business, n/d). Where quality is low and prices are high potential, customer are likely to be driven to a competitive brand and when prices are low and quality is low same would happen. In addition to helping to create an efficient, integrated company, supply chain management and for that matter procurement plays a large part in reducing costs (Kannan,Vijay R., & Tan, 2005). This indicates that for effective market penetration there is the need for the voice of

the procurement department to be heard in the strategic level. Procurement in most private sectors is a strategic function, and so must be fully involved in the executive decision making of the organizations they serve (Handfield, 2011).

II. RESEARCH PURPOSE AND SIGNIFICANT

The purpose of this research is to highlight the disadvantages that organizations are likely to encounter if they ignore the inclusion of procurement professionals in their strategic decision making. All over the world decision on organizational performance in the market economy being organizational future share price or the percentage market share, is determined by demand and supply of the goods and services these organization made available to its consumers and the available finance to support the need (Duncan, 2012).

According to Kaplan and Norton (2005) most companies have ambitious plans for growth but a few ever realize them. Seven out of eight companies in a global sample of 1,854 large corporations failed to achieve profitable growth and these companies were unable to deliver 5.5% annual real growth in revenues, yet 90% of the companies in the study had developed detailed strategic plans with much higher targets (Kaplan & Norton, 2005). As the marketing department may determine the need of the consumer through market strategy such as population sampling, questionnaire, etc., the input necessary for this output which is the consumers need is determine by the production team. However, the availability of these inputs and at what cost is determined by the procurement department (Engel, 2011). Due to the exclusion of procurement input in the organization's initial strategic architecture decisions, an organization's grand strategy may fail even though the marketing department may have curved a viable output for growth with subsequent input derived by the production team; due to high cost or non-availability of inputs which were not considered as a result of the exclusion of procurement professionals input. As strategic decisions are taken and stakeholders may continually fail to include procurement views may result in a viable project not doing very well in the market. Addressing procurement issue in the latter stage of decision making may be likening to putting the cart before the horse.

No wonder, some innovative organizations such as apple computers which are successful in technological advancement do such by forward designing chain activities instead of backward designing activities (Jobs, 2011). According to Sheu and Chen (2004), forward design chain activities refer to the interactive designing processes in normal design sequences where information flows forward along the normal product realization paths including the flow of design information from designers to manufacturers, logistics providers etc. (Hitoshi Kume 2002). Backward Design Chain Activities refer to the chaining activities among the various functions in the value chain with information learned from the downstream of design stage flowing toward design organization for better designs. Gallo (2001) suggested that one of Steve Jobs seven success principles was that a lot of times, people do not know what they want until you show it to them, which defies the domain in which most businesses play. If the latter design

process has provided unique products that set the pace for technological advancement like iphone 6 breaking sales record, which is the success case of great inventors like Steve Jobs then what is the use of marketing in strategic decision (Spangler, 2015)? Nevertheless, both the input of marketing and procurement professionals are very important as they determine the marketing strategy, availability of input and cost of the required parts for the need to satisfy consumer.

Procurement may be in the form of batter trade or exchanging money or cash for goods and services. According to Ryan (2008) the oldest profession is prostitution. However, for this service to be viable there is the need for the services provided to be purchased or procured. Nevertheless, Blasingame (2015) indicated that on the contrary as suggested that prostitution is the oldest profession, this may not be true. Blasingame (2015) however indicated that selling is the oldest profession dating from the time of Adam. In the processes of selling there is also buying on the other side to complete the cycle. Procurement therefore has been a long age profession which entail many facets such as negotiations, contract management, sourcing, pricing, delivery and storage, indicating clearly that there is the need to show how this impact on the organizational performance (Reid, & Plank, 2000). These sensitive processes, which is fundamentally carried out by procurement department in many circles of the business management has received little attention and this may impact negatively on the organization's performance. This means that understanding the important of procurement function may be very important, and may bring to the fore the importance of recruiting procurement professionals to advice and man the affairs of procurement activities in the organizations they serve.

III. RESEARCH QUESTION

Often the department whose activities may be considered as contributing factor to the negative or positive impact on organization's performance in the industrial market may be the sales and marketing department. Nevertheless, the behind the seen decision making of the key players who decide the actually performance of pricing, quality and delivery to the end user (consumer) in the market, may have been ignored by the organization they serve (Reid, & Plank, 2000; Kakwezi, & Nyeko, 2010). The procurement department may often decide these sensitive perimeters for many organizations, and their inclusion in decision making at strategic level need not to be ignored (References for Business, n/d). The exclusion of procurement managers in the corporate level may have many adverse results on the organizations they serve. To resolve this impasse the research question is; what is the impact of procurement professionals in strategic decision making in achieving organizational goal? The research may be relevant to the business world as this will highlight the need for inclusion of procurement professional in strategic decision making and also show the negative impact of the exclusion of procurement professionals in strategic decision making processes.

IV. RESEARCH THEORY AND METHODOLOGY

Theories represent tentative solutions to problem, generalization about a phenomenon, an explanation of how or why something occurs. A theory may be said to be a generalization about a phenomenon that explains how or why the phenomenon occurs. (Frey, Botan, Friedman, & Kreps, 1991). The research is based on historical research theory directed towards the description of phenomenon that occurred in the past. According to Špiláčková (2012), the main task of historical research theory is to gather all available information and sources as to a particular topic, and subsequently to classify, arrange, clarify, evaluate, elaborate and publish them by means of scientific methods. Upon studying literature about recording findings and thoughts, each investigator creates their own individual system of documenting as best suited to their needs (Hroch et al., 1985).

Qualitative methodology is used to find out the role procurement play in organization they serve and their inclusion in the executives. Case study methodology is used to decipher the problem. Case study research involves the study of an issue explored through one or more cases within a bounded system (Creswell, 2006). Creswell (2006) further indicated that case study research is a qualitative approach in which the investigator explores a bounded system (a case) or multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information (e.g., observations, interviews, audiovisual material, and documents and reports), and reports a case description and case-based themes.

There are three types of case studies which are distinguished by the size of the bounded case and they may also be distinguished in terms of the intent of the case analysis. Three variations exist in terms of intent: the single instrumental case study, the collective or multiple case studies, and the intrinsic case study. In a single instrumental case study, the researcher focuses on an issue or concern, and then selects one bounded case to illustrate this issue (Creswell, 2006; Stake, 1995). In a collective case study (or multiple case study), the one issue or concern is again selected, but the inquirer selects multiple case studies to illustrate the issue. The researcher might select for study several programs from several research sites or multiple programs within a single site. Often the inquirer purposefully selects multiple cases to show different perspectives on the issue. Yin (2003) suggests that the multiple case study design uses the logic of replication, in which the inquirer replicates the procedures for each case (Creswell, 2006). To best generalize, however, the inquirer needs to select representative cases for inclusion in the qualitative study. Intrinsic case study is the final type of case study design and this focuses on the case itself because the case presents an unusual or unique situation. The case study analytic procedure is detailing the description of the case, set within its context. This study employs collective case study with secondary data for it data collection.

According to Heaton (1998) secondary data collection is the use of previous published fact on the subject to analyze the problem. This means the researcher uses facts published by previous procurement writer as a means of analyzing the situation. According to Heaton (1998), secondary analysis

involves utilization of exiting data, collected for the purpose of a prior study is not widely used in qualitative studies. One must also understand that various methodological and ethical issues become problematic if secondary analysis was not part of the original research (Heaton, 1998). Qualitative secondary studies differs from systematic reviews and mete-analysis of quantitative studies which aims instead of compiling and assess the evidence related to a common concern area of practice (Popay, Roger, & Williams, 1998)

V. ANALYSIS

Strategic plans normally aim at growing organization within specific time frame and yet most organizations fail to achieve this strategic aim (Kaplan and Norton, 2005). In service and manufacturing organization this will entail identification of customer's need and providing those needs to the costumer at the right quality, right price, at the right place and at the right time. Getting it right means getting the right input of raw materials at the right price from the right sources and at the right time determines the outcome of the organizational performance in the prevailing global market (References for Business, n/d). The beginning of any manufacturing is very important (Handfield, 2011). This help the organization in question to clearly determine the quality and market price. This requires that the personnel involve in this function understand the organizational dynamics of the global world. Porter's five forces indicate the competitiveness of an organization considering the internal and external forces the organization is operating. The Five Forces model analysis helps to explain why different industries are able to sustain different levels of profitability:

- ✓ Competition in the industry;
- ✓ Potential of new entrants into the industry;
- ✓ Power of suppliers;
- ✓ Power of customers;
- ✓ Threat of substitute products (Porter, 2011).

All these forces may be effectively manage through quality, time, delivery and pricing which when effectively managed by the procurement unit the organization can ward off potential new entrant, competition, likely substitute and attract new customer and better suppliers. According to Association of Colleges (n/d), there is the need for the heads of procurement to be presented in the executive board. Many organizations construed the activities of quality identification and purchases as the main function of the procurement department. However it is the duty of the user department to draw up the specifications and certified the quality when the said goods arrived (University of Michigan, 2015). The question is can anyone within organization buy or provide decision concerning products procurement? The answer to this question is no, in that in a formal organization where function and activities of departments are clearly drawn, it defeat the purpose of good corporate governance to see other department other than procurement department engaged in purchases and advising on issues on procurement (Peterson, & Ferrell, 2005; The United Nation, 2012). A yes answer may result in a disappointing scenario of Enron which went bankrupt due to bad procurement practices among many bad corporate

governance practices management of Enron got themselves involved (Peterson, & Ferrell, 2005). In our day to day functions we all buy however the function in the formal setup is quiet different as this requires risk management. The need for procurement professionals in the executive level is to advice management on procurement issue that would protect organizational interest.

According to Canning (2015) procurement does not only look at cost but also assess risk, making sure that the organizations they serve are protected from external and internal risk. Mainly procurement activities are risk management at strategic level (Nagali, Hwang, Sanghera, Gaskins, Pridgen, Thurston, Mackenroth, Branvold, Scholler, Shoemaker, 2008). According Nagwli et al, (2008) in 2006, procurement process helped HP to manage over \$7 billion in spending which resulted in material-cost savings of \$128 million and over six years, HP has realized more than \$425 million in cumulative cost savings using the procurement risk management approach. The World Bank and The United Nation has emphasized the need to allow procurement professional to play strategic role in both public and private institution, and the reason why this is not seriously adhered to by both the public and the private sectors lives a lot to be desired (Kakwezi & Nyeko, 2010; The United Nation, 2012).

In Ghana, the country has suffered a lot of judgment debt and continues to pay huge settlement to individuals and organization due to contractual abrogation (Ahmed, 2012). This is as a result of individual without contractual and procurement knowledge undertaking and administering procurement contract for the nation without analyzing the implications of the contract. Contractors have been paid and they have abandon their project site is common (Ahmed, 2012). If procurement professional are not part of strategic decision making at the executive level, such mishap may likely happen. Buying from the wrong organization without proper due diligence has greater consequence on the market performance of the organization.

Procurement has come of age, and this requires that all procurement entity follows some basic ethics including those they deal with; not dealing with organization that uses child labor, organization whose activities pollutes the environment and many ethical issues. A classic example of such organization is the sale of polluted land to a school by a Chinese chemical company called Chanzhou, which resulted in 500 sick children (Chen, 2016). Chanzhou has been put under investigation by Chinese authorities and so it may affect Chanzhou's major trade pertness, which stand the risk of being black listed. Among many other things that helped the bankruptcy of the industrial giant Enron was shroud procurement practices engaged by the company. Enron allegedly stepped outside normal procurement procedures by bribing foreign official in a move that was investigated by USA federal prosecutors (Peterson, & Ferrell, 2005). According to Peavler (2016), the act of Enron led to the famous Sarbanes-Oxley Act (2002). Procurement are affected by external factors that executive needs to be aware of. This includes financial changes, political changes, technological advancement, socio-culture changes and environmental fluctuations (Achilles, 2014). All these the procurement professional need to advice the executive. According to the

United Nation (2012), people in other professions who have not been trained in or are not appreciative of procurement ethics may not realize that a situation not specifically identified in the code may still be vitally important. Those who do not understand the foundation of a general requirement may not be able to apply a code in a specific situation.

VI. CONCLUSION

The analysis indicates that all procurement function including processes, play a major role in the executive function. Procurement as seen years ago has metamorphoses into a risk management and market determinant and therefore need to be considered as an executive function not a middle line management function. Organization stands to be effective if procurement is given the role to play within executive in advising on issues that would improve the competitiveness of the organization in the market.

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