
Preface

Especially in difficult economic times, many companies increasingly focus on potentials to realize savings in purchasing. But aside from cost reductions, purchasing needs to pursue numerous other objectives. This includes in particular the increase in liquidity, risk reduction, ensuring the security of supply, product quality assurance and the initiation of innovations. For purchasing, it is accordingly essential to aim at an overall optimum for the different target dimensions.

The diversity of these objectives should also be reflected in performance measurement and incentives of purchasing. Although cost-related parameters are of major importance in most companies, any exclusive determination and evaluation of savings will fall short—yet it is still being practiced in many purchasing departments. Aside from the price, performance measurement is to include qualitative criteria which should be oriented on the mentioned purchasing objectives.

Transparency of data and information is one basic prerequisite for being able to implement and manage an efficient and efficacious system for performance measurements and the provision of incentives in purchasing. Any system is only as good as the data which are provided to it. Systems for cost breakdown analyses or price development effects may be helpful in this respect. One essential task will accordingly be to first record and structure the vast multitude of existing information in purchasing. Ideally, this will begin in the individual product or commodity groups, will go via the procurement organization and reach all the way to the supplier and supply chain evaluation.

Another central aspect of purchasing performance measurement is to ensure the efficacy of the savings shown. Thus it is the duty of corporate management to take care that savings realized in purchasing will actually be kept within the company. Such savings should thus directly bring about budget adjustments to prevent that realized savings will be spent again elsewhere. Cost reductions in purchasing therefore are an essential component in corporate goal achievement.

Another challenge of performance measurement and incentives in purchasing is the question of how the performance and success within a group of companies, a division or a buying center can be broken down to individual units or employees, respectively. In this respect, the introduction of a purchasing balanced scorecard and the connected incentive systems have a major effect on the motivation of the players involved.

According to my experience, many companies have difficulties raising potentials in purchasing. Yet, as a link to the procurement market and as a guarantor for the supply of high-quality as well as low-cost goods and services, purchasing is of vital importance for a company's overall prosperity.

The authors of this publication address these and other topics within the scope of performance measurement und incentives in purchasing and transfer them to a comprehensive set of methods. I hope our readers will very much enjoy the book and find in it many concrete suggestions for practical implementation.

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Purchasing

More Than Just Savings

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