THE TRUE VALUE OF PROCUREMENT

The Million That Never Returns

Miguel Delcour

The True Value of Procurement

The Million That Never Returns

Miguel Delcour

The True Value of Procurement
The Million That Never Returns

Miguel Delcour
© 2026 Firm in Enterprise | Miguel Delcour
First edition, January 2027

ISBN 978-90-9043936-5
NUR 801

Published by: Firm in Enterprise | www.firminenterprise.com

All rights reserved.
No part of this publication may be reproduced and/or made public, in any form or by any means, electronic, mechanical, by photocopying, recording or otherwise, without the prior written permission of the author.

Contents

Preface....7
Introduction: where is that million?....9

Part I: The myth of the saving....13
1. Procurement saves nothing....15
2. Overpaid is overpaid, investments included....23
3. The invisible performance....31
4. The wrong yardstick....35
5. There is more money in procurement....43

Part II: Whose saving is it?....51
6. The buyer....53
7. The budget allocator....57
8. The budget holder....63
9. Who owns the saving?....67

Part III: Where does the saving become real?....73
10. Realising, recording and collecting....75
11. What do we actually mean by saving?....81
12. The savings realisation chain....89

Part IV: The true value of procurement....93
13. Abolish procurement: the ultimate saving....95
14. Procurement is worth more than money....99

Part V: Why nobody sees it....111
15. Everywhere and nowhere: the position of procurement....113
16. Targets determine behaviour....129
17. That is just how we do things....135

Part VI: From procurement target to organisational value....141

18. A deal is a deal....143
19. Making the value of procurement visible....151
20. Everyone follows the order, nobody follows the money....157

Conclusion: The true value of procurement....167
21. Back to that million....169

Summary....175
The added value of procurement....175

Appendices....179
A. Glossary....181
B. From budget to budget....187
C. Questions per perspective....188
D. The seven perspectives on one page....189

Preface

This book is about procurement. That may seem an unexpected subject for someone who calls himself a Firm Simplifier. But readers of my previous book will know that procurement already had a place there. In it, I wrote about the buyer who prevents months of trouble with a single sharp contract. No applause, no stage, but the real gain. The quiet force behind the success.

In sales, a bell rings when an order is won. In procurement, no bell rings, not even when a million less is spent than budgeted. The gain is real, but nobody sees it or records it. It does not show up in the accounts, so it seems never to have happened. And so it stays quiet.

That silence bothers me. In many organisations, procurement is poorly positioned and undervalued. It is seen as a cost item, a tiresome procedure, the department that slows things down. Yet for years I have seen how much money, risk and trouble good procurement prevents. And not only financially. Good procurement ensures fair competition and honest dealing. It safeguards quality and continuity, and makes sure suppliers keep to their agreements. Procurement is worth more than people usually see.

I do not owe this view to myself alone. My wife Annie has worked in procurement at large organisations for twenty-five years, in both direct and indirect procurement. I have learned a great deal from her, and still do. Over all those years, the stories, frustrations, ideas, challenges and experiences were shared at the kitchen table. Budget holders who spend every last euro of their budget. Savings that nobody can find. Finance asking where the money has gone. Tenders that only reach procurement once everything has been decided. And savings that are not acknowledged or even recognised, let alone credited.

I listen, ask questions and keep learning. Increasingly, I recognise in it what I also see in my own work: organisations where everyone does their best, everyone is right by their own logic, and yet the organisation as a whole loses out. That is why I wrote this book.

It draws on those twenty-five years of sharing, listening and learning: on Annie's experience and expertise, on my own observations as a director and adviser, and on the many conversations and interviews I held for this book with buyers, controllers, budget holders and directors.

I wrote it, but her experience runs through every chapter. Annie, thank you for all the conversations at the kitchen table and for everything I have learned from you.

This is not a negotiation handbook, nor a guide to tendering. It is not about how to buy, but about where procurement sits in the organisation: how the organisation views procurement, how it counts the results and what it does with them. That is a question of business administration, and exactly the field I work in as a Firm Simplifier. It all comes down to a simple question that is surprisingly hard to answer: what exactly is a saving? Who actually makes it? And so: what is the true value of procurement?

Miguel Delcour

Introduction: where is that million?

An organisation wants to buy ten excavators. Two million euros is available for them. After procurement gets involved, it turns out that the same ten excavators can be bought for one million.

A million saved, you would think.

But where is that million?

Does it belong to procurement, because procurement made sure less was spent? To the business, because it now has a million left in its budget? Or to the CFO, who made two million available and now expects a million back?

And what if the business then spends that million on something else? Has procurement still saved a million? Has the business stayed within budget? How is it booked? And where does the CFO see the saving: in a lower budget, or in a million euros' worth of other purchases that suddenly seem 'free'?

The odd thing is that organisations talk about procurement savings every day, yet the answer to one simple question is often far from simple: **what exactly is a saving?**

The central paradox

Procurement is given savings targets, but usually has no budget of its own. The business manages the budget, while finance wants to see the financial result. As a result, the same 'saving' can mean different things to different parties.

The central proposition

Procurement saves nothing in the literal sense of keeping money for itself. But procurement can demonstrably stop the organisation from spending money unnecessarily. And its value goes beyond money: better

quality, more certainty and less risk. None of this appears in the figures, but the organisation does notice it.

Who this book is for

For everyone who works in or around procurement: buyers, procurement managers and CPOs, contract managers and procurement advisers. And for those who work with procurement or make decisions about it: boards, CFOs and controllers, budget holders and advisers in large, complex organisations. This book will not teach you how to buy better, but how to deploy procurement better and value it properly.

The book is meant to be read in full. To really understand procurement, you have to look at the same euro from all seven perspectives. Only then does the true value of procurement become visible. If you would rather start with what concerns you most: buyers will find their own position mainly in chapters 6 and 15, and how to make their value visible in part VI. Boards and CFOs will benefit from the whole book. If you still want to choose, start with chapters 2, 3, 7, 13 and 16. Why do savings on investments often not count? Why does a saving rarely find its way back to whoever provided the money? And why are the biggest savings so often left on the table? Budget holders will find their role mainly in part II. Finance professionals who want to put the agreements in place will also find them in part VI. And whatever you do, read the summary at the back. It covers the whole book in a few minutes.

A note on terms. In this book, 'the CFO' means whoever has final financial responsibility: in a company the CFO or finance director, in healthcare or education often the board member responsible for finance, in government the director of operations. Where this book refers to the budget allocator, the budget holder or the CFO as 'he', read 'she' just as well. Procurement is always 'it': that refers to the function, not the person.

1. Procurement saves nothing

The four-million cleaning contract

An organisation outsources the cleaning of all its buildings. € 4 million a year has been budgeted for this. Procurement puts the contract out to tender again. After the tender, the same work, at the same quality, is contracted for € 3 million a year.

A million saved, you would think.

But is it?

Like for like

First, a starting point. Procurement does not look at price alone. A professional buyer also weighs quality, service life, service, risks and terms, and makes sure offers are compared fairly. A lower price for a worse product is not a saving. It is a different product.

In this book, we therefore assume a like-for-like comparison. After the tender, the cleaning is done as often, as thoroughly and as reliably as before. Only the price has changed.

An operating expense

Cleaning is an operating expense. The professional term is OPEX, short for operating expenditure: the spending needed to keep the organisation running day to day. Think also of energy, IT licences, temporary staff, catering and maintenance. What you spend this year is usually used up this year.

That keeps the accounting clear. The € 3 million paid this year shows up in full as costs in this year's accounts. If costs are € 1 million lower than budgeted, the result is, in principle, € 1 million better. The money leaving the organisation and the costs in the accounts move in step.

So with OPEX, everyone agrees that savings can be made. Even so, the question of whether a million has been saved is harder to answer than it seems. That becomes clear as soon as you look at the same case from different parts of the organisation.

Seven perspectives

In this book, we look at every issue from the same seven perspectives. We start with procurement, because that is where the claim that money has been saved comes from. The parties within the organisation then test that claim: the budget allocator, the budget holder, the user and finance. Next comes the market, the only outside perspective. We end with the organisation as a whole. That perspective has the final say, because in the end there is only one wallet. Each perspective has its own logic and asks its own question:

1. **Procurement**: what have I achieved against the baseline?
2. **The budget allocator**: what did I make this money available for?
3. **The budget holder**: what may I do with my budget?
4. **The user**: am I getting what I need?
5. **Finance**: where do I see the money come back?
6. **The market**: what price is achievable?
7. **The organisation as a whole**: are we better off as a whole?

Those are the questions. Now for the answers, applied to the cleaning contract. It is the same € 1 million each time, but each perspective reaches a different conclusion. Each conclusion is right from that perspective. Only at the last perspective does it become clear whether they add up.

1. Procurement

Procurement compares the contract value of € 3 million with a baseline of € 4 million and records € 1 million in savings. The baseline is the

15. Everywhere and nowhere: the position of procurement

Up to this point, this book has been about the value of procurement: what a saving is, whose it is, and what procurement really delivers. From here on, we look at the organisation around it. Whether that value is seen depends less on procurement itself than on its position. What kind of function is procurement? Where does it sit in the organisation? What is it assessed on? What system steers procurement's behaviour? And the reverse: if you want to know how an organisation works, just look at where procurement sits.

What exactly is procurement?

A staff function that supports? Overhead that must be kept as small as possible? A financial function that guards money? A commercial function that negotiates?

The answer determines how the organisation sees procurement, and what procurement is assessed on. As a staff function, it supports. As overhead, it is a cost item that has to come down. As a financial function it is a controller, as a commercial function a negotiator. None of these images is wrong, but each shows only part of the value.

Take the image of the staff function. Staff advise, the line decides. For procurement that is only half true. It concludes contracts that bind the organisation for years, helps decide who the organisation works with and safeguards rules and integrity. That is more than advice. Like other staff departments, it does not decide on the business's money. Yet it is the only staff department that is held to account for that money.

Staff, overhead, controller or negotiator: each image is partly right, and none is entirely right. The answer lies somewhere in between. Procurement does not need a budget of its own, and so it is not a line

function. But it is more than advice. In organisational theory this is called functional authority: a staff department that sets the framework for one subject on behalf of the whole organisation, as finance does for how things are booked. For procurement, that subject is the procurement process: how things are bought, from whom and on what terms. It does not do this over people's heads, but together with the budget holder, who determines what is bought and how much. In this way procurement works across departmental boundaries: it makes sure the organisation buys the right things, on the right terms, and in a way that can be accounted for afterwards. The value of procurement lies not in its own costs or its own savings, but in what it makes possible for the organisation as a whole.

Where does procurement belong in the organisation?

Where does procurement sit in practice? In most organisations not directly under the board, but one level down. In companies usually under the CFO or the COO, in education and healthcare often under operations or finance. That position says something about how the organisation sees procurement: as a support service, not as a function that looks after the whole.

And its position in the organisation chart shapes how procurement looks at things. Under finance it becomes a cost controller, assessed mainly on savings. Under operations it becomes a service provider that mainly has to deliver quickly. Directly under the board it becomes a strategic function, but also further removed from day-to-day practice. And the further you are from practice, the harder it is to be accepted there.

Then look at who sits above procurement. Procurement is led by a head of procurement or a procurement director, in large companies the CPO. That person usually reports to the CFO or to a director of operations, who also has finance under him, and often IT, HR or facilities. For him, procurement is one portfolio among many, and rarely the one he himself is assessed on. He does look at it, but mainly when it produces figures or

20. Everyone follows the order, nobody follows the money

Chapter 18 set out five agreements, chapter 19 showed how the value of procurement can be made visible. But in an organisation those agreements do not come up one at a time. They come together in the course of a single purchase, from the moment the budget is created to the accountability afterwards.

Many organisations already have such a chain: purchase-to-pay, from order to payment, or source-to-pay if the market phase is included. That chain makes sure things are ordered, received, invoiced and paid properly. But it follows the order, not the money. It only begins once the budget is already there, and stops at payment. Whether the budget was right, what the saving is measured against and where any money left over goes all fall outside it. An organisation can have its purchase-to-pay entirely in order, and still see its savings evaporate every year. That is why we follow not the order here, but the money.

From budget to budget

Follow a single purchase from budget to budget and you see where the million can evaporate along the way, and which agreement prevents that. We do that here with the cleaning case. Where the excavators work out differently, they are added. The details vary from one organisation to another, but the sequence is the same everywhere.

At every stage, something is recorded. Not in procurement's own list, but per purchase in one place: in the single record procurement and finance share. That way everyone records the same thing in the same way, and everyone can find it again later. And what is recorded immediately forms the basis for all accountability, to the board and externally, in the annual report.

The path of the money runs in six steps, from budget to budget: the budget is created, the preparation, the procurement process, the contract term, establishing and allocating, and finally accounting, learning and back to the budget. Appendix B sets them out on one page, with the links of the savings realisation chain alongside.

The budget is created

The money does not start with procurement, but with the budget. A budget holder asks for what he thinks he needs, and the budget allocator decides what he gets. That is an estimate: at that point nobody knows exactly what something will cost. But the better the estimate, the better the budget fits what is really needed.

That is why procurement already belongs at the table here. It knows the market and can judge whether a request is realistic. Exactly how much cheaper it can be only becomes clear when suppliers compete. But a budget based on what the market asks is different from a budget based on last year plus inflation.

There is another advantage. If you involve procurement when the budget is created, you know a year ahead what will be acquired. Procurement can then plan its work in a tender calendar: an overview of which procurement processes must start when in order to have a new contract in time. That leaves enough time for proper preparation and a procurement process that follows the rules. At present, procurement is often only called in when the contract is about to expire or the order is already prepared. By then there is no time left to explore the market, and there is little option but to renew quickly or award quickly. Or the procurement process can no longer be completed in time, the acquisition does not go ahead and the organisation misses an opportunity in the market. Haste is expensive.

The budget allocator allocates the budget as an earmarked assignment: a maximum, for one purpose. He immediately sets down what happens if it turns out cheaper. And finance records whether it is an operating

END OF THE SAMPLE

Curious where that million goes?

You have had a first impression of the book. In the rest of it, you follow one million through the organisation, from seven perspectives, from budget to budget.

The True Value of Procurement

The Million That Never Returns · Miguel Delcour

www.firminenterprise.com