

Talking Like a CFO?

Talk Like a CFO: Reframing Procurement in Finance Language

Why we need Finance skills: Let's improve our financial language & analysis to position procurement as a strategic function.

It's time we align our value with financial objectives.

Swipe for the FI talk! >



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Procurement Value for Growth

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Why Procurement Needs Finance Skills?

Procurement is often misunderstood as a cost saving function. We all know this...

So while savings are an outcome, the real impact of procurement lies in how well we align with financial objectives. Agree?

Everyone negotiates in daily life, so claiming negotiation skills won't set us apart, everyone think they can do better...

What will? Understand financial language & analysis to position procurement as a strategic function.

Here are some "talks" we could use ----->>>>>>

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Savings vs. Value Creation

Old approach: “We saved 5% on supplier contracts.”

CFO friendly approach: “We improved EBITDA by reducing COGS, enhancing profitability by 5%.”

Shift from savings mindset to value creation.

Instead of just reporting percentage reductions, translate cost savings into profitability impact.

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Quality in Financial Terms

Old approach: “We improved supplier quality.”

CFO friendly approach: “ We reduced defect rates by 20%, cutting warranty claims by \$1M, positively impacting revenue retention.”

Financial concept: Warranty costs, customer retention, revenue impact...

Strategic Sourcing as a Financial Lever

Old approach: “We selected the best supplier based on total cost of ownership.”

CFO friendly approach: “We improved cash flow by extending payment terms, secured better working capital efficiency.”

Link sourcing decisions to financial impact.

Key financial concept: Working capital, cash flow, payment terms

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Risk Management in Financial Terms

Old approach: “We diversified our supplier base.”

CFO friendly approach: “We mitigated financial risk, preventing a potential revenue loss of \$5M due to supply disruptions.”

Key financial concept: Risk exposure, revenue protection, supply chain resilience

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Procurement's Impact on Shareholder Value

Old approach: "We secured cost reductions."

CFO friendly approach: "Contributed to higher operating margins, increasing earnings per share and driving shareholder confidence."

Key financial concept: EPS (Earnings Per Share), shareholder value, operating margins

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Logistics and Distribution Cost Optimization

Old approach: “We reduced transportation costs.”

CFO friendly approach: “Optimized logistics network, reducing freight expenses by 10%, improving inventory turnover and reducing holding costs.”

Key financial concept: Freight cost, inventory turnover, holding costs

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Make vs. Buy Decisions

Old approach: “We decided to outsource instead of manufacturing in house.”

CFO friendly approach: “Reduced capital expenditure and freed up resources for higher ROI projects, improving ROCE.”

Key financial concept: CapEx vs. OpEx, ROI, ROCE (Return on Capital Employed)

Supplier Financing & Payment Terms

Old approach: “We negotiated better payment terms.”

CFO friendly approach: “Improved DPO, enhancing free cash flow and reducing short term financing.”

Key financial concept: DPO, free cash flow, short term financing

ESG in Financial Terms

Old approach: “We implemented a sustainable procurement program.”

CFO friendly approach: “Reduced regulatory risks, secured green tax credits, & improved brand equity, leading to increased market share.”

Key financial concept: Regulatory risk, tax incentives, brand equity

Inventory Management Efficiency

Old approach: “We optimized inventory levels.”

CFO friendly approach: “Reduced excess inventory by 15%, improving working capital and reducing storage costs.”

Key financial concept: Inventory turnover, working capital, carrying costs

Procurement's Role in Mergers & Acquisitions

Old approach: “We integrated supplier contracts after the acquisition.”

CFO friendly approach: “Captured synergies worth \$10M in procurement efficiencies, improving post-acquisition financial performance.”

Key financial concept: Synergies, cost efficiencies, post merger integration

Technology Investment & ROI

Old approach: “We implemented a new procurement software.”

CFO friendly approach: “Reduced manual processing costs by 30%, improving productivity and achieving a two-year payback period.”

Key financial concept: ROI, payback period, cost reduction

Supplier Relationship Management in Financial Terms

Old approach: “We strengthened supplier partnerships.”

CFO friendly approach: “Improved on-time delivery by 15%, reducing stockouts and lost sales.”

Key financial concept: Supplier performance, stockout costs, revenue protection

Procurement's Role in Cost Avoidance

Old approach: “We prevented a price increase from a key supplier.”

CFO friendly approach: “Locked in favorable pricing, avoiding \$2M in potential cost inflation.”

Key financial concept: Cost avoidance, inflation protection, contractual hedging

Procurement's Influence on Tax Efficiency

Old approach: “We sourced locally to reduce import costs.”

CFO friendly approach: “Leveraged tax-efficient procurement structures, saving \$500K annually.”

Key financial concept: Tax optimization, duty Savings, procurement structuring

Conclusion: Becoming Finance Savvy in Procurement

If we want a seat at the executive table, we must move beyond savings & start speaking the language of finance.

We need to understand key financial metrics, align procurement decisions with financial outcomes to redefine how procurement is perceived!

Next steps ?

- 1. Identify 3 financial metrics relevant to your procurement role.**
- 2. Start translating your procurement achievements into financial impact.**
- 3. Engage with finance teams to refine your financial storytelling.**

Procurement Topic	Old Approach	CFO Friendly Approach	Procurement Example
Savings vs. value creation	We saved 5% on supplier contracts	EBITDA improved as we reduced COGS through supplier optimization, which made our profitability 5% better	Instead of reporting a \$500K saving, explain how it impacts EBITDA & profitability
Quality in financial terms	We improved supplier quality	Defect rates dropped 20%, cutting warranty claims by \$1M and keeping customers loyal, which helps revenue	Fewer defects mean fewer returns & higher customer satisfaction
Strategic sourcing as a financial lever	We selected the best supplier based on total cost of ownership	Optimized supplier contracts improved cash flow through better payment terms, strengthening working capital	Negotiating longer payment terms to improve cash flow
Risk management in financial terms	We diversified our supplier base	Avoided financial risk by reducing dependency on one supplier, keeping \$5M of revenue safe from disruptions	Avoiding revenue loss by ensuring supply continuity
Procurement's impact on shareholder value	We secured cost reductions	Higher operating margins boosted earnings per share, keeping shareholders confident	Cost savings increase margins, which improve stock value
Logistics & distribution cost optimization	We reduced transportation costs	Reworked the logistics network, cutting freight expenses by 10% and speeding up deliveries, which improved inventory turnover and storage costs	Reducing unnecessary freight costs through route optimization
Make vs. Buy decisions	We decided to outsource instead of manufacturing in house	Outsourcing lowered capital expenses, freeing up resources for projects with better returns	Shifting production to a specialized supplier to avoid CapEx
Supplier financing & payment terms	We negotiated better payment terms	Extended payment terms improved cash flow and reduced the need for short term loans	Extending payment terms from 30 to 60 days to improve liquidity
ESG (Environmental, Social, & Governance) in Financial terms	We implemented a sustainable procurement program	Sourcing from sustainable suppliers helped us avoid regulatory risks, earn tax credits, and boost brand reputation, increasing market share	Using sustainable suppliers to unlock government incentives
Inventory management efficiency	We optimized inventory levels	Demand forecasting reduced excess inventory by 15%, freeing up working capital and cutting storage costs	Lowering excess stock to reduce warehousing expenses
Procurement's role in mergers & acquisitions	We integrated supplier contracts after the acquisition	Merging supplier contracts created \$10M in efficiencies, helping the business perform better post acquisition	Merging supplier agreements to eliminate redundancy
Technology investment & ROI	We implemented a new procurement software	Procurement automation cut manual processing costs by 30%, increased productivity, & paid for itself in two years	Implementing esourcing to cut admin time and costs
Supplier relationship management in financial terms	We strengthened supplier partnerships	Supplier performance programs improved on time delivery by 15%, preventing stockouts & lost sales	Tracking supplier KPIs to ensure better delivery rates
Procurement's role in cost avoidance	We prevented a price increase from a key supplier	Locked in a multi year contract to avoid \$2M in cost increases	Avoiding annual price hikes with long term agreements
Procurement's influence on tax efficiency	We sourced locally to reduce import costs	Optimized procurement strategy to cut import duties, saving \$500K per year	Shifting sourcing to free trade zones to cut duty costs

What's your thought?

Move beyond savings & align procurement with financial outcomes and communicate like CFO!

Master finance and redefine procurement's value.



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