

Analysis of Segregation Between the Purchasing Sector and Administrative Department: Impacts and Strategies

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Abstract

The purchasing and administrative departments are crucial for the competitiveness and success of companies. This study explores a possible segregation between these sectors, aiming to preserve and enhance the objectives of each area, considering results, responsibilities, and concepts over time. It seeks to understand how the purchasing department can be independent, efficient, and decisive after separation, with the intention of establishing control, transparency, and increased profitability, thereby improving its operations to be more efficient and secure. Strategy and planning are highlighted, as they are shown to be allies in this separation. It is understood that for segregation to occur, some resistance must be overcome, favoring, above all, a better vision for the future. The methodology employed in this article is qualitative, analyzing articles and works previously produced by authors and researchers who disseminated the strategic importance of the procurement sector within modern organizations, as well as the internal controls that are fundamental to support this relevance. The over-all objective of this research was to examine how the segregation between purchasing and administrative sectors affects the organization and to propose strategies for dealing with these impacts effectively. The article underscores the need for the independence of the purchasing department; such autonomy would bring well-defined process-es and independence to the supply chain.

Keywords: Segregation; Independence; Operational Efficiency; Transparency; Strategy and Planning.

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I. INTRODUCTION

The segregation between the purchasing sector and the administrative department is a topic of great relevance in the contemporary business context. It arises from the need to address the challenges and benefits associated with this segregation. As companies strive to maintain transparency, reduce financial risks, and enhance operational efficiency, a detailed analysis of the separation strategies between these areas becomes crucial.

The segregation of sectors and functions plays a significant role in institutions, whether public or private. It involves the separation of different responsibilities among individuals and sectors, aiming to improve the applicability of transparency, control, and error prevention.

Several notable characteristics of this segregation can be highlighted in specific aspects: prudent conflict of interest management, clear accountability, reduction of errors and fraud, improvement of efficiency and effectiveness, enhancement of the quality of executed activities, and adherence to standards.

The methodology employed in this article is qualitative, focusing on the analysis of articles and works previously produced by authors and researchers who emphasized the strategic importance of the procurement sector within modern organizations, as well as the internal controls fundamental to support this relevance.

This research examined a scenario of departmental separation, addressing its effects on flows, applicability, and the determination of collective results. Additionally, the study explored executable methods to enhance cooperation and collaboration between the two sectors, aiming to improve resource utilization, clarity, and drive organizational success.

The general objective of this research was to examine how the segregation between the purchasing and administrative sectors affects the organization and to propose strategies for effectively managing these impacts. The following specific objectives were established: demonstrate the importance of the purchasing sector in the business organization, analyze and plan for saving, and present the segregation of sectors.

The article is structured into four sections. The first is the introduction, providing context related to the importance of the purchasing sector. The second is the theoretical foundation, covering three topics summarizing the strategies, planning, and the segregation scenario between the researched sectors. The third is

the methodology, specifying the approach type and review, including the nature of this research. In the fourth and final section, the conclusions of this study were elaborated, each section with its relevance and necessary richness of details for the presentation of the theme.

II. REVIEW OF RELATED LITERATURE AND STUDIES

For the development of this research, we sought a deeper understanding of the activities within the purchasing sector, with a particular emphasis on comprehending the coherent responsibilities for each investigated sector within the organization.

2.1 The Importance of the Purchasing Sector in Organizational Management

Over the years, the purchasing sector has become of paramount importance in organizations and is predominantly strategic rather than secondary. Acquiring goods or services with knowledge, negotiation techniques, and market understanding brings various benefits to companies, making them competitive.

The management of procurement—the well-known purchasing function—assumes a truly strategic role in today's business landscape due to the substantial volume of resources, especially financial ones, involved. This shift leaves behind the prejudiced view that it was once a bureaucratic and repetitive activity, merely a cost center and not a profit center [2].

Moraes (2005) emphasizes the transformation of the perception of this function, highlighting its current strategic role in organizations. The sector aims to procure goods, services, and raw materials for the efficient functioning of companies. Additionally, it plays a crucial role in organizational resource management, encompassing exploration of resources, cost savings, quality control, operational efficiency, supplier management, inventory control, risk reduction, sustainability, innovation, budget compliance, and more [2].

The significance of the purchasing sector extends beyond numerical considerations. Its activities directly impact the organization's capacity, as its actions influence the ability of the organization to operate effectively, efficiently, and financially optimized, with direct repercussions on its prosperity and competitive position in the market.

According to Santos et al. (2023, p. 04): “The purchasing sector plays a fundamental role in organizational strategy, given the high volume of resources involved, especially financial ones; purchasing management can be the determining factor in the pursuit of competitiveness in the modern world [3]”. It is worth noting that the use of strategic tools is essential to assist the purchasing sector. These tools can help reorganize internal processes, redefining strategies that focus on material savings and the efficiency of products [4].

2.2 Strategy and Planning for Cost Saving

The significance of cost saving in the purchasing sector is substantial and can have a profound impact on the finances and efficiency of an organization. Several mentions regarding its importance include expense reduction, increased profitability, effective financial management, competitive advantage, strategic allocation of resources, mitigation of financial risks, high-quality suppliers, sustainable practices, budget compliance, data-driven decisions, and more.

Cost saving is one of the key performance indicators (KPIs) in procurement. This KPI is crucial not only in terms of the savings generated through purchases but also considering the return on investment (ROI). In practice, this implies that the cheapest acquisitions may not always be the most advantageous. The saving strategy is decisive for the business, as it not only helps optimize costs in operations but can also directly impact sales to the end consumer [5].

Key Performance Indicators (KPIs) play a crucial role in the procurement sector of organizations. They provide concrete indicators that allow for the evaluation and monitoring of procurement operations. According to Daryakin, Sklyarov, and Khasanov (2019, p. 03):

The key performance indicator system is commonly represented by measurable values. They offer the opportunity to assess the effectiveness of individual functions and management processes within companies. In

practical industrial applications, forecasting and diagnosis related to key performance indicators are highly important for product quality and economic benefits [6].

The Key Performance Indicator system, also known as KPIs, constitutes a framework that highlights important aspects of an organization's performance through measurable values. These indicators are useful for evaluating the efficiency of individual operations within companies and management processes as a whole.

KPIs allow for a more precise understanding of performance in specific areas, such as operational efficiency, risk management, and customer service, by analyzing specific functions [7].

Moreover, KPIs, used to evaluate management processes, provide information about how well the strategies and policies implemented by the company are functioning. Forecasting and diagnosis related to KPIs are crucial for industrial applications [7].

It is worth emphasizing that to optimize the quality of products offered by companies and maximize economic benefits, it is essential to have the ability to anticipate future trends based on key indicators and identify potential problems or opportunities [7].

2.3 The Segregation of the Purchasing and Administrative Sectors

The segregation of the sector involves the separation of activities associated with the acquisition of goods and services from those related to the administrative management of a company. The objectives include internal control, prevention of fraud and conflicts of interest, and improvement of efficiency. According to Ferro (2014, p. 1):

The segregation of functions within companies is a decisive act. It consists of the separation of duties or responsibilities among different individuals, in the discrimination between the functions of executing operations [...], in such a way that no employee holds powers and assignments to perform all operations [8].

The purchasing sector has distinct metrics from the administrative sector, hence the importance of segregation, ensuring that each area can focus on its activities and maximize results aligned with objectives. Promoting an effective organizational structure and maximizing competitive performance requires a clear separation between the administrative and purchasing parts of a company.

The clear division of these tasks offers a variety of advantages that enhance operational efficiency and the overall success of the company. The following advantages are emphasized:

- **Operational Efficiency:** Each department can focus on its specific tasks due to the division of the purchasing and administrative sectors. The purchasing sector can concentrate on acquiring necessary resources and materials, seeking reliable suppliers, and negotiating better prices. Simultaneously, the administrative sector can focus on managing internal operations, ensuring that processes such as logistics, human resources, and accounting are executed accordingly [9].
- **Control and Transparency:** The division of responsibilities creates a stronger internal control environment. A system allowing cross-verification of operations significantly reduces the risk of fraud and conflicts of interest by dividing tasks. Building a solid reputation and internal and external trust is facilitated by transparency [10].
- **Strategic Decision-Making:** Segregation allows each sector to be analyzed and evaluated independently, facilitating more strategic decision-making. The purchasing sector can focus on acquisition and negotiation strategies, while the administrative sector can work on plans to optimize internal resources, increasing the efficiency of the entire company [3].
- **Adaptability and Innovation:** Each sector has the ability to adapt quickly to changes in the external environment due to its distinct functions. The administrative department can change internal processes to encourage innovation and increase the company's agility, while the purchasing sector can adjust its strategies to adapt to market changes [3].
- **Sustainable Competitive Performance:** The effective separation of these functions creates a solid foundation for sustainable competitive performance. Companies can gain a competitive advantage, essential for facing challenges in the market, by optimizing resource management, reducing risks, and promoting operational efficiency [11].

As evident, the separation of the purchasing and administrative sectors not only enhances decision-making efficiency, control, and operations but is also essential for building and maintaining competitive businesses in a dynamic business environment.

III. MATERIAL AND METHODS

The methodology employed in this article follows a qualitative approach and aimed to analyze articles and works previously produced by authors and researchers who disseminated the strategic importance of the procurement/purchasing sector within modern organizations. Additionally, the study explored the internal controls that are fundamental to substantiate this relevance.

According to Minayo (2001, p.21-22):

Qualitative research addresses very specific questions. In the social sciences, it concerns a level of reality that cannot be quantified; it works with the universe of meanings, motives, aspirations, beliefs, values, and attitudes, corresponding to a deeper space of relationships, processes, and phenomena that cannot be reduced to the operationalization of variables [1].

The research is grounded in a procedure characterized as a literature review, of an applied nature with an explanatory objective. It utilized sources of scientific research that underpinned the investigation within the selected thematic area.

The primary authors that provided the foundation for this research include: Ferro (2014), Martins and Alt (2017), Ayarza et al. (2021), Belisario and Rodolpho (2022), Oliveira, Silva, and Morais (2022), and Santos et al. (2023). Particularly concerning the aspect of savings, it is deemed necessary to highlight the consultation conducted on the MERCADO ELETRÔNICO website (2023).

IV. CONCLUSION

The research fully met its objectives by presenting the importance of segregation with various reasons, while also highlighting the distinct objectives of each area, ensuring the autonomy of the purchasing sector as it is an integral part of the company's strategic objectives.

The autonomy of the purchasing sector ensures the transparency of the procurement process for goods and services contracted by companies. Thus, with a well-defined and structured sector, supported by clearly defined processes aligned with the company's strategies, the purchasing sector safeguards the assets of the companies. A clear and streamlined process is envisioned, leaving no room for loopholes that do not contribute to the development of the organization.

The study emphasized the need for an independent and cohesive structure with well-defined processes supporting all parties involved, from the definition of items to be acquired, through market research, quotations, negotiations, internal validation of values, contractual analysis, signatures, and finally, to the end product or service.

In conclusion, it is recommended that the procurement sector be independent and considered strategic, not merely appearing as an operational and bureaucratic department but rather acknowledged as a necessary, strategic, and solution-oriented sector, supporting the company and all involved in the procurement process.

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