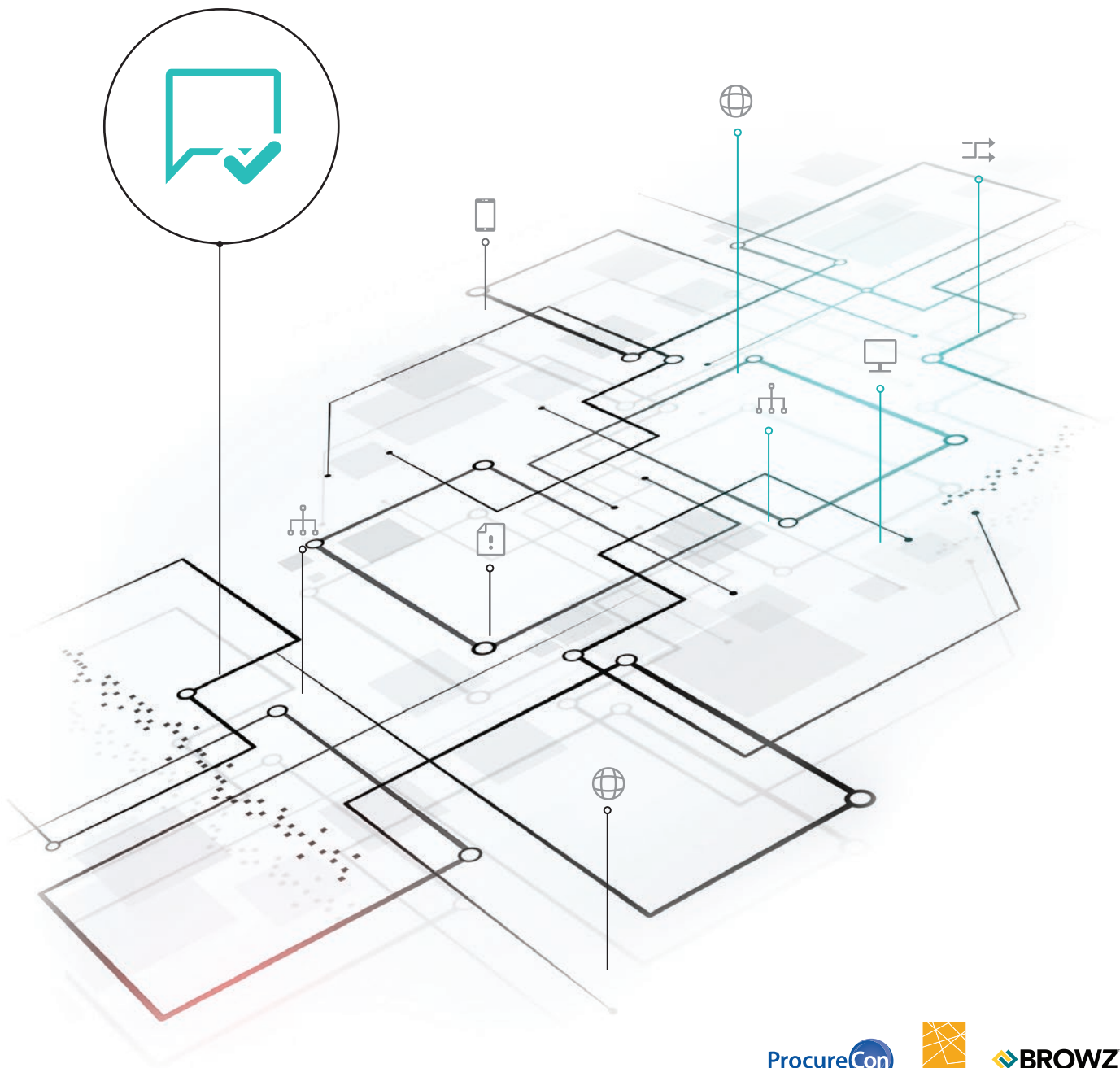


# CPO Study 2015:

## Gauging the Priorities and Goals of Chief Procurement Officers

A research report based on the opinions and case studies of CPO's who participated in an invite-only roundtable held at ProcureCon Indirect West 2015



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## Executive Summary

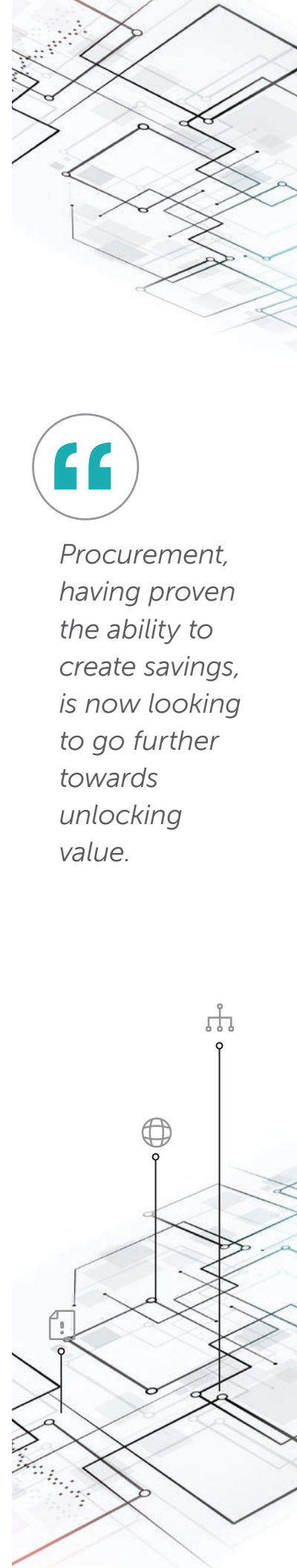
Helping a movement away from a traditional back office role, the CPO is rapidly becoming a trusted and integral member of the C-Suite within forward thinking businesses. Procurement, having proven the ability to create savings, is now looking to go further towards unlocking value. This includes looking at categories of indirect spend that may not have been scrutinized before, working more closely with other business leaders, as well as participating in discussions related to the general direction of the business.

The evolution of the CPO’s responsibility extends downward through the entire procurement department, creating a new focus on hiring for internal salesmanship and so called “soft-skills” aligned around the need to sell procurement’s value. The ability must be recognized by other leaders as consultative, and not intrusive in order to foster effectiveness. Through bringing in talent with the ability to communicate across departments, that point can be clarified and embraced.

Leaders are also actively engaged in streamlining the tactical workloads faced by departments, turning to technology in order to create the means for more strategy development. This includes thinking seriously about the implications of SaaS solutions, as well as managing the risks associated with suppliers in order to protect the organization. Both vetting and negotiating around these solutions means staying attuned to how contracts, and business environments at large will continue to change.



*Procurement, having proven the ability to create savings, is now looking to go further towards unlocking value.*



# Additional Contributors

As the leaders of the procurement activity within their respective organizations, the contributors of this report represent a dynamic cross-section of top performers across industries. Their insight forms the primary basis of this report.



## Ron Gregorsok

Vice President and CPO North America  
Indirect Procurement  
**Luxotica Retail North America**



## David Hearn

Senior Director of Indirect Procurement  
**Juniper Networks**



## Lamar Chesney

Former Executive Vice President and CPO  
**Suntrust Banks**



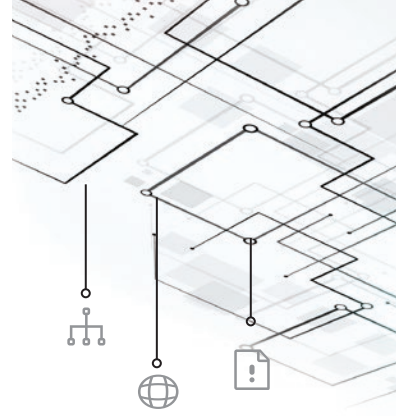
## Owen West

Former CPO MIM Holdings Limited, CPO Powerlink Queensland, and procurement contractor, Current Managing Director, **BROWZ Australia, APAC**



## Kurt Meiers

Vice President of Strategic Sourcing  
**SDI**



# Where is procurement headed, and how is the CPO steering that movement?

The role of the CPO continues to grow in strategic influence, bolstered by procurement's track record of eliminating waste and streamlining operations. The change is reflective of larger transformations occurring around the department as a whole. What began as a department deeply entrenched in a tactical position within the business is undergoing a period of ascendency, where CPOs are being counted among vital partners guiding the businesses they serve.

## **KURT MEIERS:**

Procurement must accelerate its transformation from a back-office function to a collaborative, forward-thinking organization that is capable of leading change and enabling innovation within the supply chain. Encouraging innovation within the supply chain will generate client value and create savings far beyond what is available via traditional cost reduction focused activities. CPOs today must be leaders, with strong financial, operational, and strategic skills, capable of leading within their core function and across the organization. CPOs must be champions of change, never satisfied with the status quo.

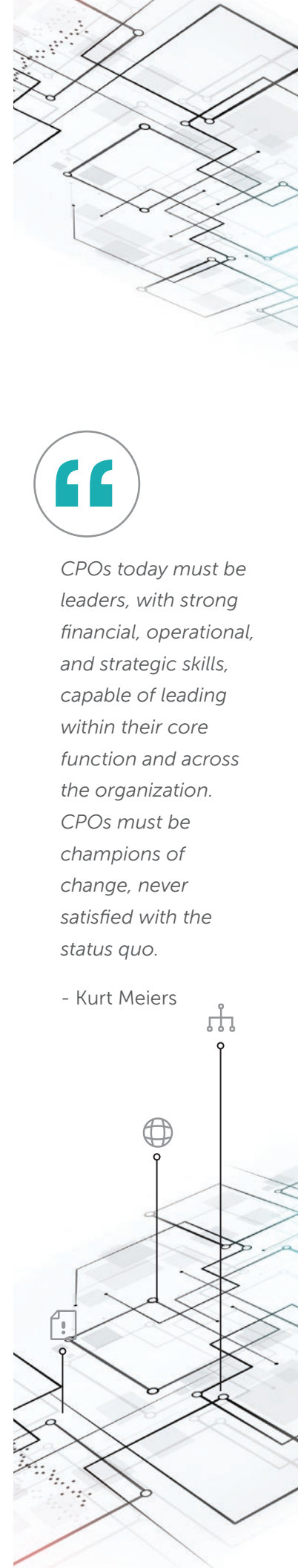
## **LAMAR CHESNEY:**

I think we in procurement need to move into a space of focused value alignment with our business partners and abandon the single image we demonstrate of a cost oriented focus. I profess that we in procurement possess a very unique role. I characterize the CPO's position as someone who has the opportunity to take inside insights outside, and outside insights inside. What that means is that as a procurement professional, he or she sits in a very unique position within the enterprise; one where they understand internalized challenges, and opportunities, and culture, and digestibility, and the enterprise's SWOT and the strategic priorities of the enterprise. As such, he or she is able to look at the vast network of the supply base and garner possible linkages to some of those critical solutions to the enterprise's many challenges and opportunities. This outside knowledge extends beyond



*CPOs today must be leaders, with strong financial, operational, and strategic skills, capable of leading within their core function and across the organization. CPOs must be champions of change, never satisfied with the status quo.*

- Kurt Meiers



one's current suppliers to the broader supply base. Doing so enables the procurement leader to see the pulse of movement within the provider network and to take that movement and those patterns and trends and to bring those back to the business and attach them to elements that might be emerging, hidden, not seen within the enterprise. Doing so creates real value by providing the enterprise a "first movers" advantage.



## RON GREGORSOK:

Procurement is evolving to become more strategic as a department. The old-school way of looking at procurement is measuring savings, looking at spend and that sort of thing, and those aspects aren't going to go away. Where I think we are going is in the direction of growing our understanding of the concept of value and what that means to the company. Between our stakeholders and internal partners, value means something different depending on who you talk to. We have a dynamic focus and it's something that needs to be adaptable not just on the level of individuals, but around the changing needs of the business as well. Every business goes through ups and downs and expansion and contraction, different phases that the procurement function needs to be able to follow along with while delivering value. Sometimes, companies need bottom line savings, and procurement can deliver. Other times, they might be looking at cash flow, and procurement can help with that as well. Other times, and this is something that my group is starting to experience, there's more top line focus. We're in the retail world, so for us, it's all about opening the stores and getting the product out there and starting to drive sales. We focus a lot on how we can build the store quicker, how we can cut a week or two weeks of build time for a new store because every week of additional sales is significant upside. I've definitely seen focus shifting to those types of things but it's hard to put your finger on one magic bullet because it's a very dynamic environment and, by nature, procurement moving forward needs to be more and more flexible to go along with wherever the business is going.

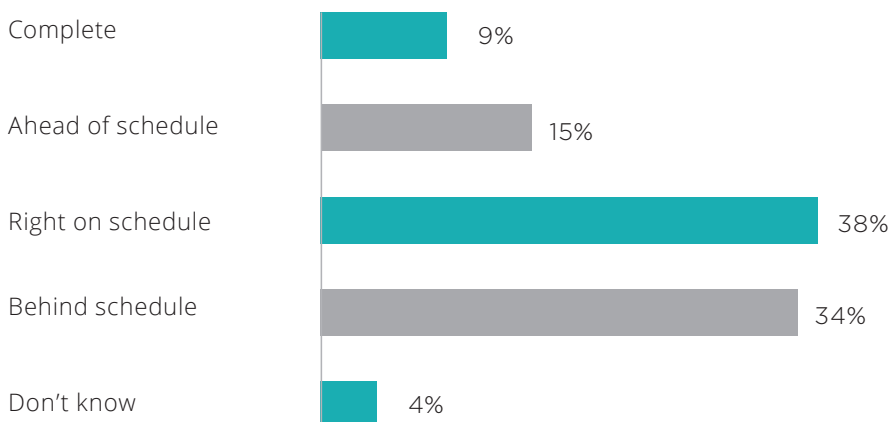


*Where I think we are going is in the direction of growing our understanding of the concept of value and what that means to the company. Between our stakeholders and internal partners, value means something different depending on who you talk to.*

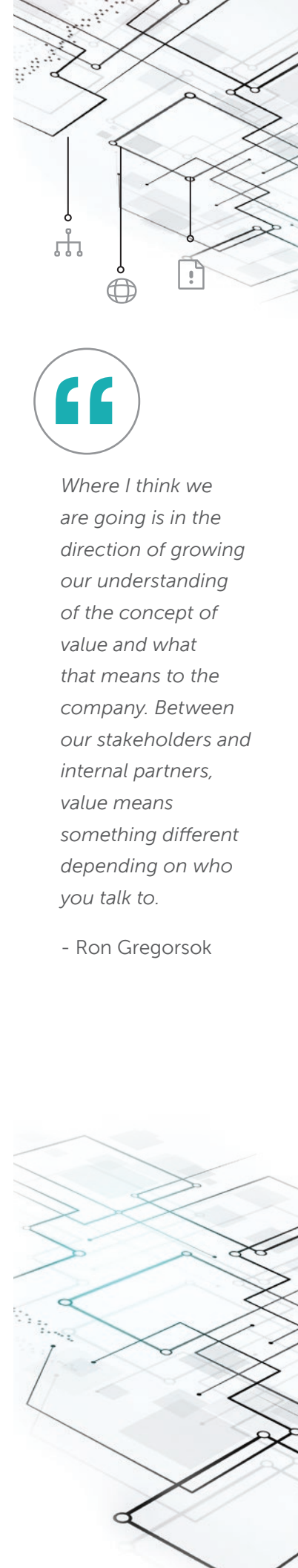
- Ron Gregorsok



### Has your company's procurement team transformed from tactical to strategic?



Statistics taken from results of the ProcureCon Indirect West Contingent Labor Trends survey, 2015



# What will define the search for the next generation of procurement talent?

A new role within the organization for procurement has placed an increasing premium on the so-called “soft skillset” of communication, persuasive speaking and writing, and internal salesmanship. While the ability to handle the tactical aspects of the role will continue to be an essential part of the procurement skillset, the trend towards soft skills is the most significant development related to hiring now.

## **DAVID HEARN:**

The key talents that I see procurement looking for nowadays are not the traditional ones, sourcing and supplier management, although you still have to have those. The key talent we are looking for now is how well a prospect can collaborate with business partners within our own company. That is the skillset you need, combined with sourcing talent, and I think there is definitely going to be competition around attracting hires with these skills going forward.

## **OWEN WEST:**

I’ve been a very strong believer in my procurement career that I needed to access strong engineering or operational expertise for procurement. There is no point in procurement going off trying to organize contracts with suppliers or contractors without using people who really understand the operational requirements of the business.

I also needed to have some people in my team who understood how products were going to be used, and understood the nuances of the differences or similarities between services being offered. We tried to capture some of the best young operational talent and have those guys spend some time in procurement, so they could contribute when they were with us and then when they went back into the operation they also had a very good understanding of the procurement process and how it should be followed.

## **LAMAR CHESNEY:**

I firmly believe that what is missing most today in procurement, and what we don’t focus sufficiently on, is what many refer to as “softer skills”. I don’t really think they are “softer”, in fact I believe they’re harder skills to master. These skills include competencies in leading, activating organizations, systemic thinking, demonstrating openness and self-confidence, exerting personal influence, and the like. Those are skills that require much more than mere “training”; they require a dedicated approach to individualization of mastery. Internalizing them is a life-gift beyond belief and essential to becoming a true procurement leader.



*The key talent we are looking for now is how well a prospect can collaborate with business partners within our own company.*

- David Hearn



# How are CPOs managing contractor relationships, and minimizing risk?

In the internet age, supplier due diligence and risk management have become more important than ever, given the ability for any reputational damage to a business to be widely amplified. Fortunately, the internet and the proliferation of options around suppliers also serves to mitigate these negative potentials when applied properly.

## OWEN WEST:

Through my procurement career, I've actually had a very strong passionate interest in supply chain management, which brought me to my current role, as understanding the supply chain better is what Browz does. I find that the real enjoyment in the role for me is in being able to assist clients achieve better procurement outcomes, through having better information about their suppliers and using it effectively.

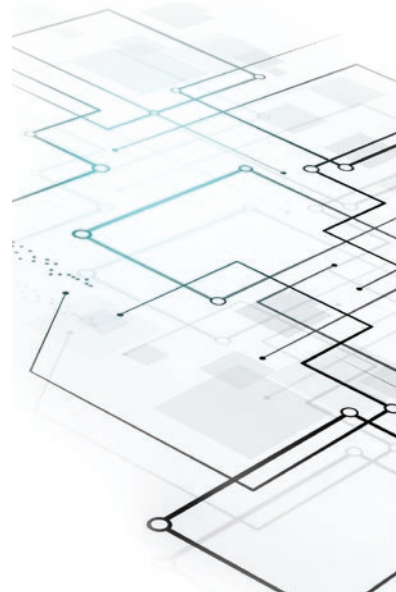
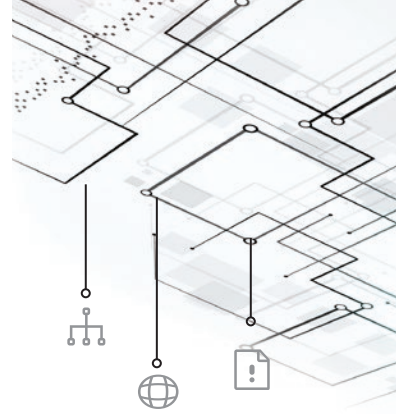
The tools that I think procurement is going to need include a fundamental knowledge of their supply chain, so that the standards and values of their own organizations are reflected in them. When I look back on my career, procurement has changed from a focus on just simply getting a lower price, and has transitioned into getting lower cost or lower whole of life cost. Now we're getting to a point where organizations may get better operational outcomes through their supply chain. But they do need to protect themselves within their supply chain because, with the advent of social media, if there is any compromise in standards, whether it's in your own organization or one of your key suppliers or in one of the sub-contractors, those compromises in standards will become public and people will see it.

There have been many examples recently where the reputations of organizations have suffered because their supply chains haven't reflected the standards or the image that they want to project, so it's very, very necessary you understand the true capabilities of your suppliers. You need to understand to what extent their staff has been trained to reflect your standards and ethics and to make sure that there is an alignment between the suppliers, standards, and ethics and those of your own organizations because without that alignment you'll be found out, and the organization will suffer reputational damage.



*Now we're getting to a point where organizations may get better operational outcomes through their supply chain.*

- Owen West



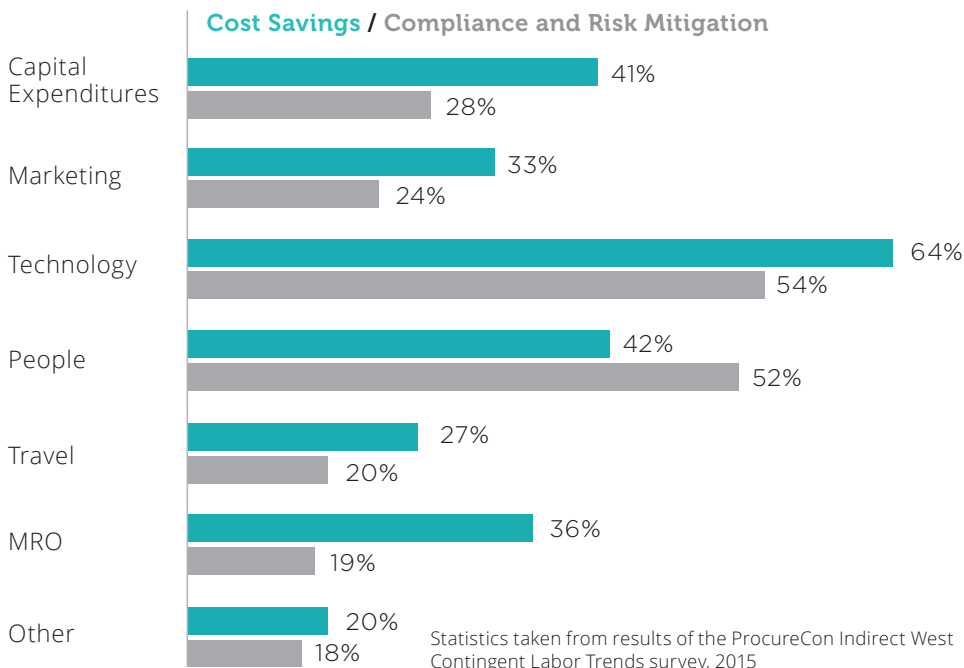


## LAMAR CHESNEY:

Risk is inherent in corporate commitments because they go beyond two individuals making and fulfilling promises. Commercial business relations differ from personal ones. In commerce, commitments are typically contractual and built on a platform of independent minded entities. Thus risk management shifts from “trust” to “contractual” because the “identities” of the parties involved is nebulous. All of this lays open uncertainty and, that being said, it’s incumbent upon the parties to continually verify compliance and further mitigate unexpected risks both during pre-contract, but also post-contract. Being subject to risk in our sourcing process is something that needs to be embedded in all our commodity category leaders and strategic sourcing management. I’ll give you an example. If you have an entity – say you’re a financial services company, and in the financial services arena, let’s say that you are contracting to develop a critical IT application. In so doing, you find a niche provider who happens to be run by a group of former employees the technology shop of your financial services company. You know and trust them as very well qualified to provide this service. They are a small up-and-coming enterprise and you are a large part (say 80%+) of their business. Well, let’s also say that as a bank, you make them a commercial loan for their start-up. Further, let’s say your bank likes them so much that you take a minor stake in their company because you believe in their long-term marketability. Well, what then is your recourse if this small startup company that you now have a lot of reliance upon is unable to meet your demands and deliver against expectations? As you can readily see in the example, a holistic approach to identifying and managing risk is essential. Often, you and critical suppliers are inextricably intertwined. Looking at that on the sourcing side of the equation as well as in the post-contract side is essential.



### In your business, where do the biggest opportunities lie for your organization in 2016?

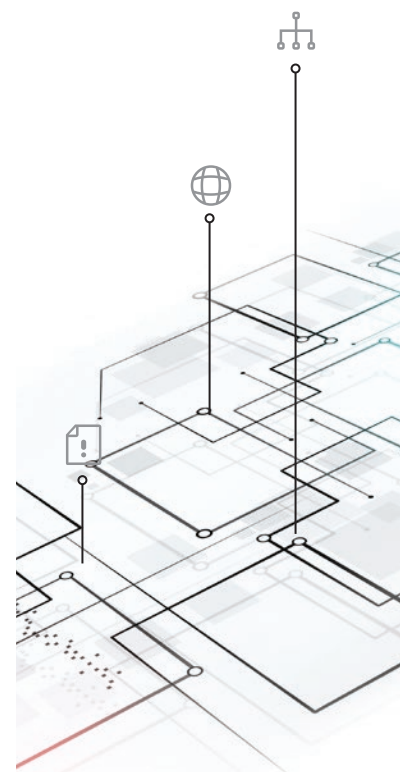


## FLASH FINDINGS

On a scale of 1-5, 5 being greatest, how much value does management place on procurement?

- 1: 1%
- 2: 11%
- 3: 39%
- 4: 41%
- 5: 8%

Statistics taken from results of the ProcureCon Indirect East benchmarking survey, 2015





# What technologies are helping to remove or streamline detachable workload of procurement departments and how are these technologies evolving?

Procurement's tactical workload used to represent its primary function. Now, as strategy plays an ever larger part in the department's mission, technology is being turned to in order to relieve.

## **DAVID HEARN:**

I think that one of the most significant improvements we are seeing on the technology side is what I call the consumerization of corporate procurement tools; the breakthrough is that the tools we use are now designed like platforms people are used to using at home, like Amazon or EBay, and therefore, people can use them without extensive training from procurement, which takes a great load off from the department by providing guided buying tools. These tools get people to our preferred deals in an automated way. All that takes tremendous pressure off the procurement groups so they can do better performance management, supplier management, and risk management, so this really changes the role of what indirect procurement people have done in the past. It's kind of exciting because I think a more valuable role is being enabled by this technology.

## **RON GREGORSOK:**

We're making the journey from a tactical to a strategic focus now. Our organization has been on a pretty rapid development curve. When I came in a couple of years ago, it was a very new group and I tried to accelerate our journey from a very transactional procurement focus to a more strategic focus, and I think the key moving forward is in technology and processes. It's not just magic. We're not going to, all of a sudden, become strategic. We need to have the right processes built around that and the right technology



*I think one of the most significant improvements we are seeing on the technology side is what I call the consumerization of corporate procurement tools...*

- David Hearn



and tools to enable us to do that. There are a couple things that will help us do this going forward. One, it's the nuts and bolts; you need to have the right robust tools to do that. We're in the process of implementing something new to help us with that, but I see as we move forward that things are going to continue to need to be user-friendlier, more intuitive. I think intuitive is really the key because for procurement, we're not in the business of providing trainings all the time for our own team or for external partners, nor can we rely on other folks to continually train us for new technologies and new systems. We need to have technology solutions in place that are intuitive, easy to get folks up to speed with and something that they want to work with, because that's a big problem that I've seen in the past. Our tools don't really encourage people to work with them and don't encourage them to operate in a self-service type mode. In a perfect world, procurement should be really managing the higher-level relationships and strategic suppliers and a lot of the transactional work should be self-service for the organization or automated if possible. As of today, a lot of tools don't necessarily encourage that. I think moving forward, we're going to have to see solutions that are intuitive and are very inviting and appealing to the end-user, almost to the point that they're going to want to work with it versus have to work with it.

## How is the rise of SaaS solutions effecting procurement?

Software as a service has reinvented many of the traditional concepts around technology acquisition, with changing contracts and SLAs becoming required subject matter for procurement in order to keep pace with the spread of cloud based solutions.



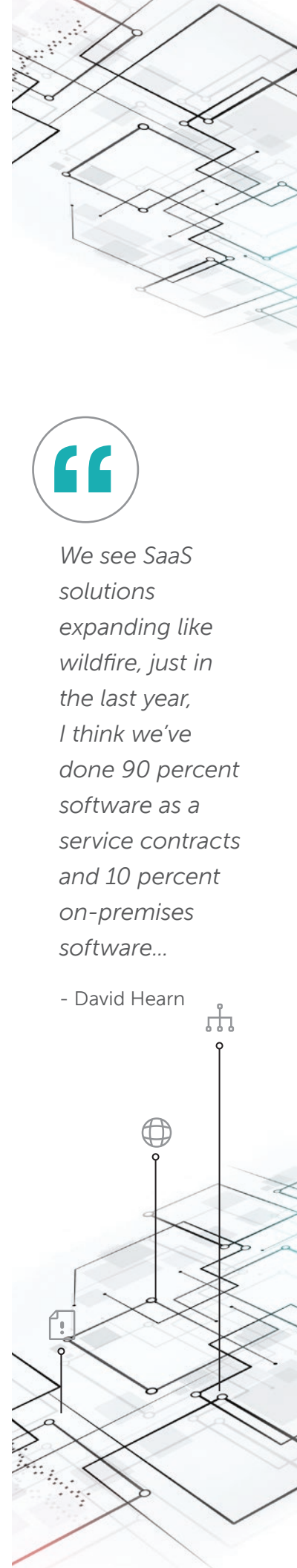
### DAVID HEARN:

We see SaaS solutions expanding like wild fire, just in the last year, I think we've done 90 percent software as a service contracts and 10 percent on-premises software, and have had to learn the different aspects over the last couple of years of software as a service. There is a different legal process when we take into account the terms and conditions and SLAs and things like that around SaaS, whereas internally we had been dealing with all on-premises IT SLAs as opposed to supplier SLAs. This has changed the way we look at those contracts. We are ahead of the curve now, so I don't think it's a challenge anymore, and it also comes down to having more experience buying software as a service. We also get a more groups attracted to buying things with the as a service platform as well. So I think it permeates many or the areas that are relevant to indirect procurement now, and it's great, we think it's better because the suppliers are responsible for the delivery at service levels to meet the needs of the company. The company employees



*We see SaaS solutions expanding like wildfire, just in the last year, I think we've done 90 percent software as a service contracts and 10 percent on-premises software...*

- David Hearn



themselves get less involved in the micromanagement of those aspects. The supplier is more accountable and they are the experts of what they do, so they're the right people to hand that off to. Suppliers hate when we micromanage them, so we've learned to not do that as well.

## **KURT MEIERS:**

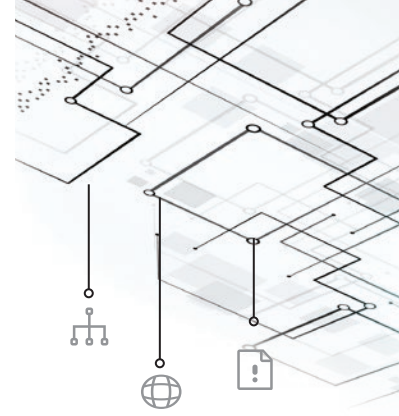
There are a number of trends in the marketplace that are putting relentless pressure on manufacturers to produce at more efficient levels. There have been game-changing innovations that compress product life cycles to ever-shorter spans. Consumers' expectations have changed so dramatically in recent years, that manufacturers have to focus even more on optimization and efficiency.

As a result, they're turning to business process outsourcing firms and other third-party firms to assess and improve their indirect and MRO supply chain processes. Because, while MRO may not be their core business, it is critical to what they do—it enables the manufacturing process by reducing plant downtime, improving overall equipment effectiveness and increasing operation productivity. And that's going to directly impact their speed to market.

But they can't address each element of MRO separately – which is why this as a service platform is a huge evolution. If procurement professionals are willing to work with the various stakeholders within their organizations to really optimize the MRO supply chain, then they'll be able to collectively plug in to MRO as a service and begin recapturing some of the value they're leaving on the table by focusing on point solutions that only extract short-term, piece-price savings rather than creating real, sustainable value.

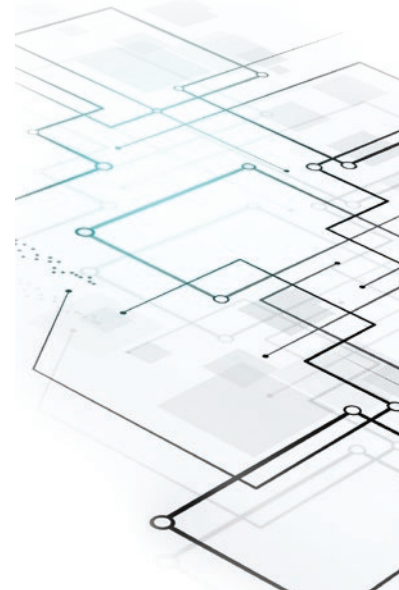
## **RON GREGORSOK:**

The market is definitely becoming saturated with SaaS solutions. It seems like everyday, I'm getting a call from somebody that has something they want to show us or bring us up to speed on. I think, from a procurement standpoint, there are several great solutions out there and more coming everyday, which is fine. I think the challenge we have is we cannot continue just to bounce around with things. We have to balance technological advancement along with continuity and stability within our business. Both from a procurement standpoint and from a general business standpoint, we have to be able to identify and, hopefully, scale a solution; something that can be somewhat long-term, realizing there's always going to be updates and improvements and things like that. We want a partner that we can engage with for the long term because I think the easy solution for folks, is just to jump from here to there and get the greatest, newest, shiniest thing, which sounds cool but in reality that's very disruptive for our business and business partners. For me, it's all about these providers, holding them to promises as far as what they intend to deliver and what the scalability is within their solutions, because a lot of them seem to really focus on what they can do, but in reality, I want to understand not just what it does today, but what they envisioned for tomorrow and how they see their tool growing and expanding because we don't want to keep bouncing from here to there.



*Consumers' expectations have changed so dramatically in recent years, that manufacturers have to focus even more on optimization and efficiency.*

- Kurt Meiers



# What trends are causing disruption around procurement?

The pace of change around procurement has been accelerated by technology, with the potential for disruption and large scale re-imagining of the role present in the years ahead.



## OWEN WEST:

I think the biggest disruption now relates to where procurement sits in the organization. In my experience, procurement should have its own status on the executive team. Now that doesn't mean to say that the CPO should report to the CEO, but it's definitely a senior level role that should be reflected on the executive team, even if the actual line reporting relationship might be through finance or through operations or the chief operations officer. The actual line reporting relationship isn't the important thing. What is important is that procurement is represented on the executive team to understand what the organization is trying to achieve and to have the influence to make sure that there is discipline within their procurement practices, so that the reputation of the organization is not compromised and to lessen risk in the organization from the supply chain. Typically many organizations would spend half their spend on external resources and the other half on internal labor. Most organizations put a lot of effort into recruiting and training internal labor, but don't put the same effort into ensuring that the external contractors and suppliers are also selected carefully and screened to reflect the standards and values of the company. That's when risk enters the organization and if you can reduce that risk and make operations more efficient and more effective then those benefits go straight to the bottom line.



## LAMAR CHESNEY:

I think that one pervasive trend that will effect the future of procurement is an evolution away from a singular reliance on a process oriented mentality. We are very proud of processes that are proven, absolutely unequivocally proven to deliver against expectations, but we rely too much on those and we convey in words and in actions that we are process proficient individuals. The sooner we eclipse that, the sooner we get to a point where we become value creators and are recognized for that, the better.

## FLASH FINDINGS

On a scale of 1-5, 5 being greatest, how aligned are procurement's goals with the business?

- 1: 5%
- 2: 6%
- 3: 39%
- 4: 36%
- 5: 14%

Statistics taken from results of the ProcureCon Indirect East benchmarking survey, 2015





## DAVID HEARN:

The major disruptive force around procurement now is the shift from what I'll call technical skills like sourcing and RFP and contracting to softer skills, including collaboration and relationship building, so that we can create greater influence and add value to the company. It also requires more business acumen, because procurement people have got to be able to sit at the table and be able to understand business issues and then add value. So that will disrupt many in terms of the traditional educations they might have had or experience they have had over the years because when we hire now, we've shifted the criteria to more heavily weight the softer skills. People, by definition, have to have technical and contracting ability, but we spend most of our time now trying to figure out if they have those softer skills, because that's what has bigger impact. I think that's the disruption. Those that don't have the skills or don't recognize the need to have those skills are finding it more difficult to manage.



## RON GREGORSOK:

Another source of disruption for us is technology because internally, everybody has access to the Internet 24 hours a day; everybody's got their phones, everybody's got their iPads and computers. If I need something, it's really easy just to pull it up and find it and want to buy it. And as we try to make the purchasing process more and more flexible and accessible to internal customers and clients, it makes it easier for them to go outside of our defined processes. One of the things that we really have to focus on moving forward is finding solutions that can compensate for this, because the answer is not just to shut them off and tell me they can't go on the Internet and find something, or that they can't use their iPads and their iPhones. We need to find ways to adapt and use that technology. An employee may just be out there, sitting in an airplane on a flight somewhere on their iPad trying to make a purchase. How can we integrate into that and find a way to pull that into our processes and continue to have visibility and some level of control over that spending, even if that spending is taking place outside of a well-defined traditional process? Moving forward, there's going to be more and more activities that go outside of defined systems or tools that we use and the challenge is going to be how do we adapt to that and how can we partner with folks to get a handle on that.



*Moving forward, there's going to be more and more activities that go outside of defined systems or tools that we use and the challenge is going to be how do we adapt to that and how can we partner with folks to get a handle on that.*

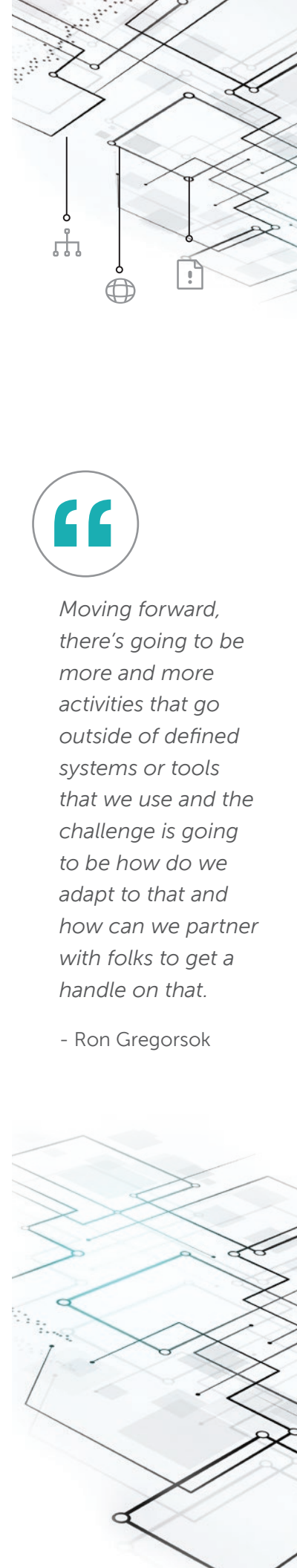
- Ron Gregorsok



## KURT MEIERS:

Disruptive innovation, compressed product life cycles and changing consumer expectations are driving companies to focus on how to become more efficient and agile. With this comes an increased focus on enterprise asset management and reliability. This has caused a shift in industry towards a fully integrated end-to-end model.

Procurement professionals who have begun seeking value beyond what can be extracted from traditional labor arbitrage or procurement outsourcing models are positioned to have much greater influence on business outcomes to create value with their suppliers.



# Key Recommendations



## Continue to deepen ties with other business leaders, and attract talent to procurement with strong communication and internal sales ability

Procurement's role naturally pushes it in the direction of expanding influence, given that it is more able to work savings into the strategic direction of a business the greater the visibility it is granted into spend. Beyond savings, procurement is now about creating value, and a new generation of communicators is required to effectively sell that value internally.



## Make understanding the roles and capabilities of new technologies into a priority, as well as the nuances of their contracts

With the rise of SaaS products, disruption around mobile buying capabilities, as well as the imperative for procurement to streamline tactical workloads, there is much to be done in order to ensure that teams are staying up to date with their technology. Unlocking those that can contribute to productivity, and maximizing the value that they can bring to a business means doing research on what is available and the nuances of SLAs and contract language.



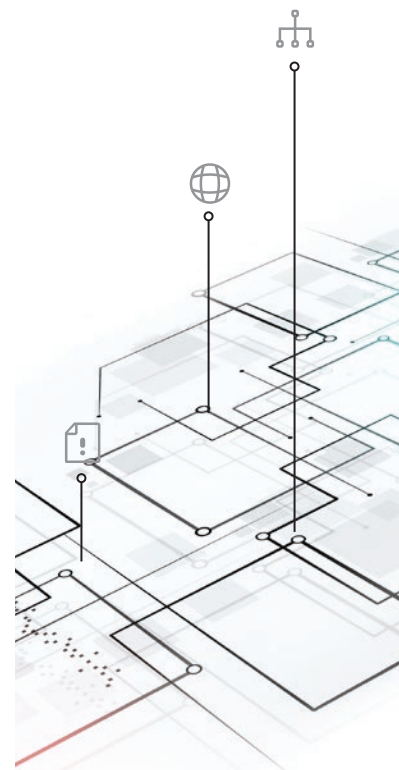
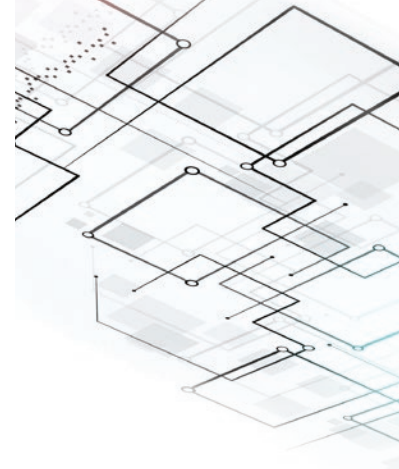
## Cultivate a strong approach to managing supplier relationships, in particular in order to mitigate organizational risk

Relationships with suppliers are key to ensuring organizational efficiency and cost-effectiveness. In the digital age, it is also more important than ever to work with suppliers who are able to match the standards and specs required by your business, and mitigate the potential for reputational damage or loss of business continuity.



## Build understanding of the consultative role procurement can play, moving away from a perception of tactical, process focused departments

While savings may be a well-defined concept based on tactical process, procurement's shifting focus on value creation is part of a more dynamic and consultative redefinition of the role. Emphasizing that procurement is able to unlock more for the business, as opposed to simply chasing savings, should be at the heart of the re-branding of the department internally as it takes its place among business leadership.



# Appendix

## METHODOLOGY

The analysis contained in this report was informed by several months of primary research and interviews with industry experts, conducted by ProcureCon event producer Frank Musero. Research was conducted in 2015 prior to that year's ProcureCon Indirect West. Additional interviews were conducted with participants from an invitational CPO panel held at ProcureCon Indirect West after the event, and centered on themes discussed during the on-site round table.



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## SDI

SDI helps organizations understand how each link in their MRO supply chain impacts the entire enterprise. SDI helps clients achieve year-over-year savings, enterprise-wide efficiencies and newfound control.

Using a custom suite of products, services and tools, SDI's platform coordinates, aligns and optimizes every step of the MRO indirect process. Lower costs, smarter inventories and increased performance are all natural results from a more connected MRO supply chain.

To learn more visit [sdi.com](http://sdi.com) today.



WBR Digital connects solution providers to their target audiences with year-round online branding and engagement lead generation campaigns. We are a team of content specialists, marketers, and advisors with a passion for powerful marketing. We believe in demand generation with a creative twist. We believe in the power of content to engage audiences. And we believe in campaigns that deliver results.

