



PROCUREMENT LEADERS IN A CHANGING WORLD: WILL THEY DECLINE OR THRIVE?

EVOLUTION AND CHALLENGES IN SUPPLY CHAIN AND PROCUREMENT

INTRODUCTION

The supply chain and procurement function is undergoing marked changes. The type of professionals flourishing in key roles is changing as more and more organisations acknowledge the increasing strategic importance of the profession.

This paper is the outcome of a one-day workshop involving key procurement leaders and Hudson's recruitment and talent management experts. This workshop was designed to explore the evolution of supply chain and procurement as well as debate the multiple definitions that exist and interact within the market place.

As the first in a series that will feature a wide range of expertise within the supply chain function, we have chosen to focus on procurement roles. We ultimately aim to uncover the future competencies of procurement leaders as they rise to the boardroom, using our professional recruitment and competency management tools to map the profile of the procurement leaders of tomorrow.

This initial paper looks at:

- The evolution of the supply chain profession and the challenges it faces
- The role content, competencies, and behavioural traits of a Chief Procurement Officer
- Our conclusions and recommendations

We want this paper to be the start of a dialogue with you on the future of procurement professionals. With this in mind, at the end of the paper, we invite you to give us your comments so that we can add to our findings.

THE DEBATE

IS THERE AN IDENTITY CRISIS IN THE SUPPLY CHAIN PROFESSION?

In theory, the supply chain profession should be straightforward. It covers planning, sourcing, production, delivery and return for industries that are product-driven. A closer inspection of the job roles within supply chain, however, reveals several challenges.

One challenge lies in the fact that the recent shift in the importance of the procurement function towards a more strategic role in the organisation has not been matched with a corresponding increase of leadership qualities among top professionals.

Logistics and procurement can operate either within or without the supply chain division, depending on various strategic decisions made by the business. And, as the concept of lean manufacturing and optimisation matures, many companies have started adopting similar processes and methodologies.

In terms of leadership, however, the role of C-level executives can vary widely. Whether the job title is Chief Operating Officer, Chief Procurement Officer or Chief Supply Chain Officer, it does not necessarily include a strategic dimension or authority in the organisation as other C-level executive would.

Another challenge, for example, is the unclear distinction between sourcing and procurement. In some companies, they have both functions with clear distinction of responsibilities. In others, it is less clear and some companies have either one or the other. In these cases, the definition is not always transferable from one company to another. Indeed, is a sourcing team in company A doing the same job as the procurement team of company B? Frequently, we find that this is the case. The result is confusion.

WHAT ARE THE EFFECTS OF THIS CONFUSION?

The lack of clarity and the lack of visibility within supply chain from other functions such as HR, Finance, or IT, impacts in several ways on the profession. It can affect the strategic development of supply chain into the boardroom, and – perhaps more importantly – the attraction and development of the next generation of supply chain professionals.

There is no reserved or automatic seat in the boardroom for supply chain functions. However important supply chain is to the company's growth, only strong individuals will create such

a position. With no obvious career path leading directly to the boardroom, it is less attractive to the most talented employees. In addition, the lack of clarity in supply chain job functions means that accurate competencies are too often not identified to select and grow talents.

Creating a stronger point of reference for the 'families' of jobs in supply chain functions and mapping the required competencies will unquestionably make the job more attractive, helping to nurture talents. We should, however, take into consideration the fact that the role definition and scope will vary from one organisation to another, depending on three key parameters:

- Culture – how the business model defines the glass ceiling for supply chain leadership
- Structure – how the strategic objectives and the mix of insourcing and outsourcing affects responsibilities, processes, functions
- Leadership – how existing leaders define the growth of their successors



THE ESSENTIAL ROLE OF A CPO REMAINS UNCHANGED

The workshop we conducted revealed widespread agreement that the essential roles in the profession have not changed significantly from cost management. Roles include:

- Achieving financial objectives through cost reduction, purchase price variance, low cost country sourcing
- Reengineering processes to increase efficiency and effectiveness
- Satisfying business needs in delivery time and quality
- Managing outsourcing activity and delivering contracts
- Managing and improving the purchasing system, organisation and policy
- Guaranteeing quality of purchase

PROFILE OF A CHIEF PROCUREMENT OFFICER

The role of a procurement leader is to deliver and add value to the organisation by way of strong cost management, typically through smart sourcing and buying. The challenge in today's world is to react to increasing demand for cost cutting while demonstrating long term strategic value.

Today's Chief Procurement Officer (CPO) has a clear remit, handed down from the Chief Executive, to reduce costs (see 'The essential role of a CPO remains unchanged', *left*). The CPO of tomorrow, however, is less defined and less of a known quantity to Chief Executives. The CPO will have to earn the right to demonstrate value inside the organisation while not neglecting their short term goal.

According to our studies, the profile of a successful procurement leader contains certain rare combinations of competencies and personality traits. Such a combination, coupled with a less visible career track for procurement professionals, will create a cycle whereby talents are found 'by

chance' in procurement as opposed to having been identified and nurtured in the role.

This can be stopped by stronger awareness and identification of talents.

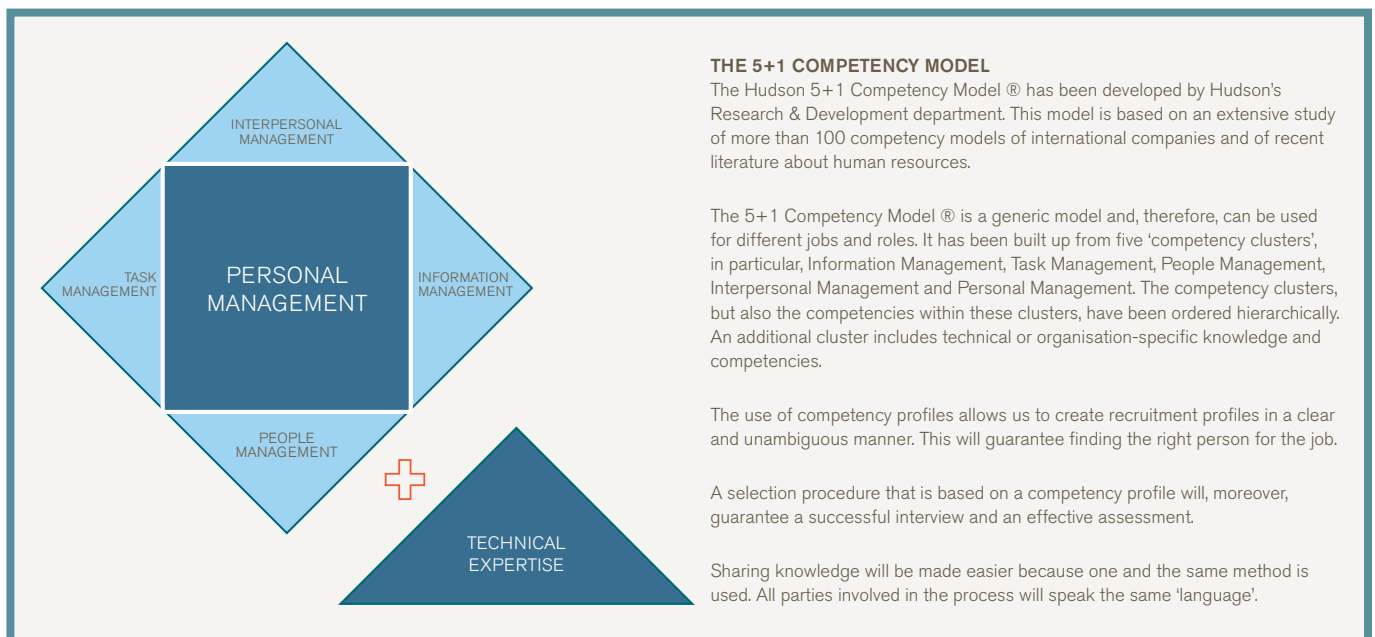
A DIFFERENT EMPHASIS IN COMPETENCES

Unlike other leadership roles, the competencies of procurement leaders and CPOs are distinctly different. There is a strong emphasis placed on information management and interpersonal management (see 'The 5+1 Competency Model', *below*). They are high potential profiles who also need to possess both strong intelligence quotient (IQ) and emotional quotient (EQ).

The combination of IQ, EQ and the competences makes the profile very rare. If high potentials are not identified correctly and early, these talents may be attracted to other professions.

COMPETENCIES OF A CPO:

Information Management	Task Management	Interpersonal Management	People Management
Innovating	Organising	Networking	Driving Team Performance
Integrating	Managing Business	Relating	Directing Team(s)
Managing Complexity	-	Influencing	-



A CHAMELEON PERSONALITY TRAIT

The picture we are building here is one of the CPO as a complex role, requiring an uncommonly varied mix of characteristics in order to achieve success.

There are several personality traits that are different and distinct to a successful profile as CPO – so many, in fact, that an effective CPO arguably needs to be a 'chameleon':

- 'Natural' trading skills
- Highly logical thinking capability
- Strong attention to details
- Good thought leaders, sharing ideas
- Strong degree of self-confidence to charismatic personality
- Opportunistic, always looking for leverage
- Extraverted
- Resilient and adaptive
- Empowerment
- In-control but not controlling
- Bold

- Approachable/personable
- Common sense and appreciation of simplicity
- Politically savvy
- Street smart

PERSONALITY TRAITS OF A CPO

People who can successfully master this kind of 'chameleon'-like range of traits will invariably possess a highly developed EQ. They will demonstrate sensitive and attuned awareness of their impact on others, effective and balanced negotiation skills and a high level of interpersonal sensitivity. Despite this, they will be perfectly capable of making non-emotional decisions. Getting the balance right requires an extremely strong sense and self awareness of EQ to enable the person to use these traits or ignore them depending on what a particular business situation demands.

Possessing both an excellent mastery level of EQ and a high IQ means you can decide when to use your social intelligence, when to be empathetic, or when – and when not – to negotiate. A strong CPO can decide when to use his/her emotional intelligence and when to make non-emotional decisions, a kind of self-manipulation which most people find pretty challenging – and which is therefore quite uncommon.

CHALLENGES IN IDENTIFYING TALENTS FOR CAREER DEVELOPMENT

It would appear, then, that the people with the potential to be highly effective CPOs in our changing world are rare. These people require a chameleon-like ability to adapt rapidly to their changing circumstances as well as a huge variety of skills and character traits to tackle an ever more complex role.

This rarity makes identifying talents who can be developed into effective CPOs a tough challenge. But there are also factors that can help discern the potential of people moving into the role.

A superior procurement leader is required to have a long term perspective, as well as the ability to detect opportunities within a more strategic perspective. He/she is pushed to have strong short term results.

This creates a dilemma for developing talents in procurement. It also means that having a long term view could be a very discriminating factor in detecting the career growth potential of a procurement talent.

The need to have a strongly developed EQ and the need to take non-emotional decisions seems to be a paradox - unless one's EQ is so strong that one has the capability to isolate it, use it, and manipulate it. It's fair to say that the mastery level of EQ could also be an effective indicator of career growth potential.

OUR RECOMMENDATION

It is clear that we need to focus on the growing strategic importance of the roles of CPO (as well as other linked roles, such as Chief Supply Chain Officer - a relatively new job title), and that consequently finding and nurturing potential top talent to take up these positions will be crucial if companies wish to differentiate themselves as highly performing and successful.

With that in mind, we have developed four key, initial recommendations for mapping the changing world and role of the procurement leaders of tomorrow:

- When evaluating competencies and talent inside your supply chain and procurement department, screen rarer and critical growth capabilities as well. For example, the capacity to form a long term perspective on matters, the emotional intelligence factor and the flexibility to switch between using emotional skills and making non-emotional decisions are all traits that need to be identified.
- A further in-depth assessment centre of your presumed top talent can be useful as a validation of the talent and lead to a more elaborate development and career plan. Having these personalised development plans will

optimise the retention rate of these rare profiles inside your organisation.

- The broader discussion of what the role of a Chief Supply Chain Officer is and what the strategic impact can be of such a role at executive level needs to continue, as we notice too much lack of common definitions and understanding amongst the industry.
- Developing a common understanding of the role, however, is just the start. Arguably more important is the need for the industry and business schools to underline the crucial competencies and expertise needed to be successful in these strategic roles.

These are just four early recommendations resulting from our work and research to date.

The discussion as to how we, collectively, can improve the identification and development of the next generation of effective procurement leaders must continue if we are to meet the challenges of a changing world.

YOUR COMMENTS

To further explore the debate, we would value and welcome your comments. Please answer the following questions at www.hudson.com/survey/scp/procurement-tomorrow as it will help us with our research on Supply Chain & Procurement professions.

As a thank you for your time, you will be among the first to receive the results of our survey.

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