



The Rise of the CPO

With a reported average annual compensation package of \$368,704, and gaining prominence in corporations worldwide, the CPO's star is still on the ascendance

Ready or not, the CPO and procurement is taking center stage, and is under the spotlight on the corporate agenda. In organizations around the world, CEOs and boards are increasingly looking to procurement to deliver value to keep their businesses favourably positioned in today's intensely competitive marketplace.

This increased expectation means procurement needs to become business partners rather than just purchasers and is challenging CPO's to assess their roles, and search out wider means to contribute to their organizations goals beyond the traditional cost savings. This all requires much more sophisticated relationships, both internally and with suppliers and a continuing need to attract, develop and retain new talent into procurement.

So who is the modern CPO?

In a CAPS research study of top Fortune 500 companies authors Thomas E. Hendrick, Ph.D. and John Ni report; that on average, they are male, 49 years old, manage a staff of 247 associates, and are responsible for a \$3.5-billion annual spend, boast 19 years of purchasing experience, and have earned B.S. and M.B.A. degrees.

- As companies increase their amount of outsourcing, the demand for CPOs has increased. The CPO role also has become more diverse and more technical.
- As the complexity and importance of the CPO position continues to increase, so too have compensation packages. In the 1997 CAPS study, annual CPO salary plus bonus averaged \$211,854. Ten years later, that figure has risen to 368,704 (not adjusted for inflation).
- Though the report shows many positive trends for CPOs, one concern is the reported lack of mobility -- only 5 percent of respondents became CPO when their predecessor was promoted to a higher position.



Just taken Charge of a new Procurement Organization?

The CPO performs three roles in an organisation:

- Procurement expert;
- Head of the procurement function;
- Member of the senior management team.

When companies centralize supply-chain operations and appoint a first CPO, he or she faces enormous challenges and, often, intense scrutiny from top executives. CPOs and other Heads of Procurement and Supply Management are expected to deliver results, must be able to promote themselves and navigate the minefield of internal politics, and be fast-working, if they are to be successful in an increasingly dynamic workplace.

So what should newly appointed procurement leaders do during their first critical 100 days?

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<http://purchasingpractice.com/the-new-cpos-first-100-days/>

How do you measure up?

It is the CPO's job to ensure suitable metrics are in place to make realistic measurements of his or her functions performance. So how should, this be done? One of the great buzz words of the moment is "add value", but what does this mean? More traditional measures can be "cost savings", or "reducing the number of suppliers". But a decision to cut cost or suppliers in one year can look very different in future years. The metrics chosen therefore need to recognise this problem. Some suggestions how this can be achieved are:

- using the strategic, planning and budgeting processes to identify the objectives of a wider CPO and procurement role;
- managing the expectations of the senior management team in clarifying the CPO and procurement role;
- using outsiders, such as the non-executive directors and specialist consultants, to help identify good practice elsewhere;
- improving internal feedback from your organisation to ensure that the CPO's own perceptions and those of colleagues are matched;
- supplementing financial numbers with non-financial measures and a commentary to put all the measures into perspective.



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For More Information

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Purchasing Practice works with clients on the complexity and barriers associated with implementing world class procurement practices; enabling our clients to gain more control over their third party spend management, processes and supply chains, resulting in enhanced capability to deliver innovative cost effective solutions to their own customers.



We drive superior and sustainable financial performance through top line growth, free cash flow and margin improvement (in private sector companies), and best value and service excellence (in public sector organizations).

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 - **Opportunity Analysis:** By working directly with those staff responsible for committing expenditure, or managing suppliers, we will carry out a rigorous review and present our recommendations
 - **Sourcing Management:** Using our strategic sourcing service enables clients to realize full value from their supply base through leveraging our proven processes
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 - **Supplier Relationship Management:** We will carry out a rigorous review using proven tools and methodologies to present our recommendations.
- **Call us on 778 988 1052 or email us at info@purchasingpractice.com to schedule a consultation.**