

PROCUREMENT
LEADERS

CPO Challenger: Disrupt or be disrupted

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Symphony of disruption

During a recent CPO Challenger roundtable, CPOs revealed the steps they are taking to deliver resilience and innovation during the crisis and beyond



Keith Hausmann, Globality

Although traditional business models are being strained by the COVID-19 pandemic, transformational CPOs are using this opportunity to reinvent their functions and introduce new ways of working, according to participants in a virtual roundtable held in partnership with Globality during Procurement Leaders' Americas Procurement Congress Virtual 2020.

The highly interactive and invitation-only session included eight procurement leaders, who discussed how the current backdrop of global disruption will increasingly cause the CPO role to expand beyond bottom-line savings and supply management to include harnessing untapped sources of innovation to boost competitive advantage.

The rapid evolution of procurement

Geraldine Craven, head of research at Procurement Leaders, said: 'The future of procurement and the CPO is evolving rapidly. COVID-19 has added a lot of pressure but raised the importance of procurement in terms of how it contributes to margin growth and delivers other value beyond savings to the C-suite agenda'.

Keith Hausmann, chief revenue officer at Globality, added that he believes the 'future of procurement is to take procurement out of procurement'.

Hausmann discussed how procurement must move away from the past and find ways to innovate by reinventing processes and models. In terms of the skills and attributes CPOs will need to implement these changes, he said the future of procurement will centre on becoming an

'innovation agitator'.

'CPOs are very much at the hub of an ecosystem; every business stakeholder in the company needs them in some way — whether that be the CTO, CIO, CMO, head of supply chain or research and development, whatever it is. They are the mouthpiece of all supply relationships', said Hausmann. 'The CPO is in that role, sitting at the centre of all of them. It is a question of how the CPO can agitate innovation across that ecosystem and really make a bigger impact'.

The CPO of a global asset management company agreed: 'I am fortunate enough to work for a firm that really is innovative. We continue to try to bring innovative and supply market ideas to the organisation but find that is being done as well within the different groups — whether it be finance, technology or HR. Everyone's got the same kind of goal, so it's just harnessing the collective groupthink and moving in the right direction'.

Likewise, a CPO in the consumer-packaged goods industry agreed that the pandemic has expedited the expansion of procurement's role: 'COVID is not over; it continues to challenge supply chains across the world. The first wave really hit the supply chain. We've adapted, but there will be further shocks', he said. 'We are really beginning to ask questions around resilience. Are you actually going to weather the storm — whether it's another pandemic or the current one — if it's a natural disaster, or if it's a financial meltdown or other unpredictable event? We need ➔



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to change more towards scenario-building capabilities that procurement has always done but has never labelled as such’.

The same executive added that procurement needs to develop the agility to change sourcing strategies to be more resilient and cope with both foreseeable and unforeseeable future disruption.

A key point in the discussion was that CPOs should consider multiple questions. How do you operate in the event that borders close or other unforeseen things happen? Do you have a backup plan? There is almost always a cost for building extra resilience into supply chains; is procurement communicating this to the organisation? And is the organisation at peace with the various contingency plans that the function must bring to the forefront?

New sources of value for the business

The head of global strategic sourcing at a United States-headquartered manufacturer stressed the importance of collaboration between procurement and the wider organisation. ‘We’re collaborating in different ways, which perhaps has not been as great a focus for us in the past as we worked on procurement excellence and measures and data that are critical for our function. Now, we are having to work cross-functionally with business partners in ways that we never have before’.

Echoing this view, the CPO of a global chemical company advised procurement chiefs to ‘bring the business to procurement and bring procurement to the business’. He agreed that internally, the expectations many companies have from procurement have changed significantly over recent years.

‘We have to take the procurement team outside of the price box. We know how to negotiate price. But that’s not the game anymore. So, for the past three years, we had this evolution. We’re moving along a journey. The expectations are changing, and we

are considering how we create value. Many times, to create value you have to leave money behind because it’s part of moving away from cost savings towards investment — part of creating that strategic partnership with both your suppliers and with the business’, he said. ‘You have to adapt and meet the needs. Now you try to convince them about the value you can create, and that’s a cultural change’.

AVP of procurement at a global nutrition company added that procurement must work hard to deliver the message that it is a value creator. ‘Certainly, value creation and innovation are where we’re really focused to work directly with the business units. You could look at it like a military infiltration; how did you backdoor your way into there, to the right conversations with the right people, and not get sidelined?’

He added that in his organisation, procurement’s value has been showcased during the crisis. ‘We’re an essential business, so we kept everything running and gained a lot of credibility. We hardly missed any customer orders’, he said.

‘So, we’re once again trying to join the table. That’s about making sure that you get there nice and early so that you actually have a chance to put recommendations forward before people make the wrong decisions. Bringing in supplier innovation, value and revenue generation is where we really try to focus’.

At the end of the session, Hausmann noted procurement’s future strategic focus is moving away from delivering cost savings to adopting a more strategic business role.

‘Focusing on the price box is kind of yesterday, but we need to know where the real margin impact exists, what its value is and how we deliver it. The digitalisation journey is an expectation’, he said. ‘Before, we thought resilience was extremely different from what we think resilience is now, and this brings up a whole new set of decisions’. ■

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