

iCPO, WE'VE GOT AN APP FOR THAT!

**By Carrie Ericson, Hugo Evans
and Joe Raudabaugh**

Carrie Ericson (carrie.ericson@atkearney.com) and Hugo Evans (hugo.evans@atkearney.com) are Vice President and Chief Information Officer, respectively, at A.T. Kearney Procurement & Analytic Solutions. Joe Raudabaugh is President of this specialized business unit and a Partner with A.T. Kearney. He can be reached at joseph.raudabaugh@atkearney.com.

The building blocks for change in the supply management space are firmly in place. They are so solid, in fact, that the pace of change is accelerating faster than most people had anticipated. What does the future hold for tomorrow's procurement leaders? This look into a day in the life of our iCPO, circa 2016, provides a glimpse

This isn't your normal read. Pick up your iPod, find that 1969 Rolling Stones album with the cake on the cover, and turn up You Can't Always Get What You Want full-blast. Then step forward to imagine a business world (in the not-so-distant future) where the work day is no longer defined by the walls of an office or constrained by conventional work hours. A future where most of your coworkers reside not in the next cubicle over, but across the corporate campus, in another city, state or even the other side of the globe. Far from being the exception, this is the new normal. In short, it's a work environment that redefines the dimensions of time, place and space. This is the fast-arriving future domain of the iCPO.

In this emerging model, traditional procurement organizations are being vividly transformed into virtual supply management functions. They operate online, on demand, leveraging new technologies for sustaining high-touch relationships and processes, and delivering new levels of strategic insight to the business. They not only focus on cost reduction and risk management, but also on innovation, top-line growth and market expansion.

Once upon a time, these advanced activities would have been considered theoretical. But thanks to changing demographics, market expectations, and globalization of resources, customers and technology, the theory has become a practical reality. And we predict that as early as 2016, just six years from now, supply chain organizations will be even faster, leaner and on the leading edge of corporate strategy. Are you ready?

The Transformation Building Blocks

How did this transformation to the future world happen? Supply chain organizations from the late 1990s to 2009 evolved from tactical, transactional and process-driven functions to networks

Stuart Briers

of individuals who led with innovative thinking, used robust analytics and drew on their personal communities of knowledge workers. During this period, significant technology developments allowed supply management professionals to push the traditional boundaries even further.

These technologies included advanced Product Lifecycle Management (PLM) tools with integrated sourcing engines to “hard wire” procurement to the R&D engineers. They incorporated robust requisition-to-pay systems that allow for advanced management of and expanded compliance to complex services agreements. And they included advanced sourcing technologies such as expressive bidding and optimization to support collaborative negotiations with potential suppliers to optimize award decisions and pricing.

As these improved technologies were acquired and put to work, a new supply management organization was born. The dramatic results: a decrease in waste, improved cycle times, an increase in stakeholder visibility and enhanced communications inside and outside the organization.

The nature of the function’s leaders changed markedly over this time period, too. What is striking about the leadership team of 2016 vs. that of the late 2000s is the influence the CPO wields at the table. Top supply management executives have achieved this status thanks in large part to the investments in technology, people and training made during and since the late 2000s. These investments yielded a higher quality supply management function com-



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prised of individuals with improved business and leadership acumen. These improved skills enabled the supply management function to contribute to supply continuity and cost-reduction initiatives while positively impacting the top line. They accomplish this through discovery and on-boarding of suppliers that brought critical innovation and quality capabilities to the company and its product lines.

At the same time that CPOs were being recognized for their heightened business acumen, the financial system collapse and subsequent recession in 2008-2009

spurred companies to take a hard look at the way businesses were running from top to bottom. These developments only served to make the CPO’s role in the organization even more important.

Fortunately, CPOs had already spent years developing the processes and technologies to ensure real-time access to data (direct materials, PLM/PDM, indirect spend, sales forecasts, inventory measures, and the like). Procurement organizations had long ago adopted collaboration and business intelligence software as a way to drive transparency and bottom-line savings. For example, CPOs pushed their programs upstream into the design and development processes, where more than 70 percent of the cost of an item lies. By integrating the procurement systems with those of the research/design and engineering teams, supply management leaders enhanced their ability to collaborate. They not only provided important input into key product design decisions, but also contributed to specification management, reuse and supply chain design activities.

Further, this enhanced integration allowed supply management leaders to expand their boundaries and bring business intelligence and analytics to more spend and business portfolio decisions. This resulted in a direct impact on the future profitability of the products and services offered. All of this played a significant role in helping many companies exit the recession even stronger than they entered. As a result, several prominent CPOs were tapped to lead organizations as either the COO or the CEO. In fact, the CPO of the future we profile below has been rumored as a candidate to take over the COO position at a major competitor.

At the same time that forward-thinking organizations began to demand more from their supply executives, they also dramatically expanded the capabilities and qualities they looked for when hiring and developing new leaders. Business acumen and leadership capabilities were quickly moved to the top of the recruiting list for potential CPOs—no doubt a reflection of factors such as the expanded supply networks, increased outsourcing and off-shoring, and joint venture activities. Job descriptions evolved from individuals with demonstrated ability to drive cost reduction and transform traditional source-to-pay processes to leaders who

could partner and drive winning outcomes with colleagues, customers, stakeholders and partners across the supply chain.

Finally, the entrance over the past decade of the iGeneration (iGens) into the workforce enabled and accelerated the restructuring of supply management organizations. By fusing the dynamism, technical prowess and analytic capabilities of the iGens with the experience and domain expertise of the Baby Boomers, a new organization emerged. To illustrate, the iGens' love for massive, multiplayer online gaming and social networking fostered an ability to work collaboratively and embrace technology. By creating teams built around collaborative group dynamics instead of isolated silos, companies were able to engage the iGens in meaningful ways. To be sure, this was not an easy transition, and the cultures of the two demographics initially clashed. However, once leaders were able to successfully eliminate the competition among the groups and create new ways to recognize—and more importantly leverage—their respective strengths, the organizations started to see real added value.

Supply chain leaders began to understand that acquiring, enhancing and applying information effectively are foundational elements to great sourcing and procurement practices. These capabilities enable the best outcomes for both the buy-side (value, performance and innovation) and sell-side (profitability, asset efficiency, growth and competitive position). But how do you get the needed information? Supply managers have had to become investigative reporters within their own companies, getting to the heart of the supply “story” by answering key questions, including:

- Where and how effectively and efficiently are we spending our money? Where do opportunities exist to improve our performance?
- Do we have access to the right internal and external data and the analytical capabilities to understand our categories fully and develop new strategies to stay ahead of the competition?
- What contracts and terms are in place to manage

that spend, and how are we enabling these contracts within our systems to automate end-user and supplier compliance?

- Are we working with the best suppliers and getting access to their best capabilities around innovation, service levels and sustainability?
- Have we brought excessive complexity into our

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supply chain, resulting in unacceptable levels of potential risk? Which products, stakeholders and suppliers do we need to engage to address these issues?

- To what extent have design, engineering, marketing or other internally driven activities escalated costs? Do we have strategies in place to drive those costs down again?

As CPOs worked to answer these questions over the last ten years, they have radically transformed their operations through the introduction of new supplier service models, collaborative technologies and more robust analytics. The top CPOs, however, are not stopping there. Instead they are pushing the boundaries forward, leveraging advanced technologies and expanded supplier capabilities in their quest to transform the procurement function into a “go-to” business partner within the organization—a dynamic force that delivers year-over-year results and out-of-the-box innovation strategies. To understand the true nature and scope of this transition, let’s take a look at a day in the life of the iCPO of tomorrow.

Brave New World of the iCPO

We fast forward to the year 2016. Our iCPO lives in a suburb of a major East Coast city, works for a global consumer products company, travels no more than twice a month, and works mainly from home. The reduced need for travel and ability to work effectively from home are a reflection of successful investment, growth, and adoption of collaboration technologies. So the iCPO is not just maximizing the productivity of her business trips, but also reducing her company’s carbon footprint in the process.

The iCPO’s home office is outfitted in the latest sleek

Danish furniture and designs. What's notable about the setting, besides the e-paper on the bookcase, is the interactive touch-screen computer display occupying most of the desktop. On one side of the 64-inch screen are a series of business metrics, including company and business-unit P&L forecasts for the quarter and year, projected sales forecasts, and the status of future contracts and PPI indices for all of the core commodities purchased.

On the other side of the screen, a real-time project dashboard shows the status of all sourcing, supplier performance and risk-management projects. At first glance we see that 20 out of 25 of the projects have a green status, signifying that they are on target. An additional four are displaying yellow warning lights and one is in red. With a touch of the finger, the *iCPO* displays the details on the wayward project, which includes an issue-tracking list showing why the project is in trouble. At the bottom of the issues list is the project manager's Instant Messenger icon. A quick tap launches a short video chat in which the *iCPO* and project manager discuss how best to address the project deficiencies.

Sitting next to the project dashboard on the screen is a procurement performance metrics dashboard. This shows progress against key targets such as savings, efficiency, cycle times, internal customer satisfaction metrics, compliance metrics, and risk management. The *iCPO*'s metrics are tied directly to the back-office systems in the corporate office and are updated in real-time. The middle of the screen features feeds culled from various blogs and news agencies. In addition, a customized e-clipping service feeds up-to-date information about the *iCPO*'s company, its tier-one suppliers, and any geopolitical situations that may affect various commodity prices. We see that today's top story is headlined, "Major IT outsourcing company is now being investigated by the SEC for shady financial transactions." Since this news has dramatic ramifications for the soon-to-be renegotiated IT contract, our *iCPO* shoots off a micro blog to notify the IT expert as well as the other members of the leadership team.

Looking further across the screen we see a contracts dashboard showing the status of all contracts. Information is given on which contracts are due to expire, current stakeholder compliance levels against each contract, and information on the contracted suppliers' performance levels against the agreed-upon service levels.

The *iCPO*'s communications center, right in the middle of the screen, is flashing a new message. It's from the offshore analyst who just completed a detailed report on

opportunities to rationalize specifications and reduce complexity on key parts within an existing product line. Project results like these are delivered each morning to the *iCPO*, and today's update proves to be quite promising.

The *iCPO* taps her screen to jump into the value engineering analytics center. As the analyst had reported, the opportunities identified are substantial. The supplier cost-creep tracker had flagged four engineering changes that prompted significant cost increases from two suppliers. She noted, too, that the commodity specification tracker alert light was blinking, notifying her of the fact that the flexible packaging specification library had grown 20 percent in the first quarter. For both issues, she touched the alert indicators, received the drop-down action scroll bar, and requested conferences that afternoon with the key stakeholders to review the analysis and determine corrective actions. That meeting would take place in the virtual engineering analytics center.

Maximizing Personal Productivity

On the left side of the big screen are a handful of personal productivity applications, including the contact icon for the *iCPO*'s assistant. This individual resides in another country and manages all day-to-day tasks, including travel, expenses and appointments. Each morning the assistant pre-loads the *iCPO*'s desk with a custom overview of what is planned for each day. In addition, he updates key reminders to the *iCPO* throughout the day. The first appointment this morning will be a negotiations simulation to prepare for an upcoming supplier discussion. The simulation will use a virtual gaming environment—now standard practice—with all meeting participants represented by an avatar playing out their respective roles

The entrance of the iGens into the workforce has accelerated the restructuring of supply management organizations.

in the exercises. Prior to the negotiations training, the *iCPO* scans through the RSS feeds of the blogs and wikis that are owned by the 50 members of the supply management core team and extended team. In fact, these 50 individuals have created nearly 7,500 pages in the supply



management wiki alone, while maintaining and commenting on 22 individual blogs.

After the negotiations simulation, the iCPO has just enough time to take a quick break from the office and run down to the local coffee shop. After passing her cell phone across the register to pay for her coffee, she sits in an oversized chair to read the latest news. The e-news-paper, comprised of organic light-emitting diodes, is a malleable piece of organic-based paper, bound in a booklet that displays digital data on each page. Our iCPO has requested articles to be displayed from the *Wall Street Journal*, *New York Times*, Yahoo News, the Institute for Supply Management, and *Supply Chain Management Review*. Every time a new article from one of those sources is available, it automatically updates to the paper via the ubiquitous Wi-Fi provided by the local municipal internet utility company. Even better are the media elements that play directly in the paper. This morning, for example, there's a video next to the article on President Chelsea Clinton's press conference outlining the admin-



istration's success on controlling the escalation of government healthcare costs.

Upon returning to her office, the iCPO tackles the next task: Identifying several subject matter experts (SMEs) in the plastics category for a major product redesign. She first brings up her integrated social networking tool and searches for professionals outside of her company who have the right mix of category know-how,

An interactive 64-inch touch screen features a project dashboard that shows the status of all sourcing, supplier performance, and risk-management projects.

technical acumen and project management expertise. She then launches her "Facebook for Business" application, which shows SMEs within her company who have the necessary recent project experience. Facebook for Business, developed in 2010, extended the popular

social networking software to include experience, skills, and integrated resume/CV sections that are available to prospective employers. This feature has been wildly successful. It allows users to provide significant information about themselves in a centralized place, while keeping their personal information separate.

Using both of these applications, the iCPO can find all potential SMEs to build a successful team. The legacy Facebook technology also enabled much richer peer-to-peer relationships with key executives across the iCPO's network (suppliers, industry associations, affiliated academic institutions, former colleagues, and so on).

It is now late morning and time for the weekly forward-looking business simulation with the company's senior leadership team. The iCPO accepts the video conference reminder notice and immediately enters the virtual meeting with the others. Now appearing on her desktop is an aggregated enterprise cost model and working capital simulator, which displays both green (improving) and red (deteriorating) segments in the COGS (cost of goods sold) stack. The simulator shows that all parameters are within the limits of both budgets and advice to the Street. The discussion quickly shifts to the red segments on the COGS stack. By clicking on the largest red segment, the analytics engine shows the size of the issue, identifying source and products affected by the variance. Without even clicking through for the drill-down, the iCPO knows immediately that the problem relates to the same engineering change issue she had reviewed earlier. She is able to tell the team that she would be chairing a meeting in a few hours with the key stakeholders to remediate the variance plan and would report back to the group.

Virtual Meetings and Sunglasses

After a quick lunch, it is time for an Executive Leadership meeting with her colleagues from each of the four business units and five geographies within the organization. This meeting is conducted entirely via screen-sharing and video conference. The first item on the agenda is to bring the Executive Leadership team up to speed on the results of the Supply Risk Management Contingency and Scenario Planning Assessment that the iCPO recently completed. After reviewing all potential risk factors in the supply chain for each product manufactured in each region, she identified one product that exceeded the company's tolerance for potential risk. The risk is associated with a second tier component supplier in Malaysia. The risk assessment identified the facilities of this supplier as being out of compliance

with the company's sustainability objectives. Specifically, the supplier's poor facilities management practices created the potential for an effluent release from its plant, which could seriously affect the surrounding community and population.

The risk assessment modeled different scenarios, evaluated alternative contingency plans, and recommended an investment in monitoring and quality assurance resources at the supplier's facility. At the same time, the assessment recommended forming a team to identify other potential sources of supply. With the risk review completed, the Executive Leadership team then went over plans for the upcoming budgeting process and finalized investment decisions for a new go-to-market strategy in Kenya. This country had bounced back from domestic political turmoil in the late 1990s to become an economic superpower in Africa.

Next up on the iCPO's agenda is a meeting on flexible packaging. And since it is such a beautiful day outside, she decides to conduct this meeting while walking the dog. She dons her web-enabled sunglasses, which display a transparent view of any web site without inhibiting normal vision. The iCPO is now able to walk, talk, and view the data being presented. She can see clearly the new ultra light, super-eco friendly, oatmeal-based packaging right through her sunglasses without having to slow down. All in all, it is a successful meeting, complete with a bit of exercise.

After the packaging meeting, it's time for the last piece of the formal workday—a mentoring session with an up-and-coming staff member in Brazil. This session is somewhat low-tech, using only web cams (so mid-2000s), but it is the preferred technology for this type of interaction. Finally, it's time to get ready for dinner, spend some quality time with the kids, and do a few projects around the house.

Before going to bed she updates her Facebook status, sends a few tweets, and checks her email one last time before signing off. Tomorrow, our iCPO will do it all over again.

Tomorrow's Capabilities Today

The future described here is not solely a vision of what can only be accomplished tomorrow. It's also a reflection of much that can be achieved today. Many of the tools and technologies used by our iCPO of the future already exist and are in use today. They allow innovative CPOs to engage and collaborate with the right stakeholders and

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subject matter experts at the right time in the process—regardless of any organizational boundaries.

Leadership and competitive advantage go to those who are bold enough to embrace innovation and welcome change. In 1994, we began tracking performance results through A.T. Kearney's biennial research into the key factors that drive excellence in procurement and supply management. (This is our Assessment of Excellence in Procurement Study.) The biggest indicator of success, by far, is an organization's ability to adapt and its openness to change. Without doubt, the transformative fusion of technology, enhanced analytics, time-proven processes and the coming wave of iGeneration employees represents a breakthrough opportunity waiting to be grasped.

Maybe the Stones were wrong when it comes to the CPO. You can get what you want...today. Hold on tight. ☺

Footnotes:

1 Collaboration platforms (SharePoint, Google Docs, Lotus Qucikr, Telepresence, etc.), RSS feeds, wikis, and other web 2.0 technologies