

The Great CIO/CPO Collaboration Opportunity

The potential benefits of a strong alliance between the chief procurement and information officers are enormous. Heightened operational efficiency, greater individual recognition, and superior business results are just the beginning.

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CEOs are raising expectations across their leadership teams, demanding individual team members deliver more with less. For procurement leaders this translates into a broader mandate to analyze and recommend trade-offs available across the value chain to drive greater business value. A.T. Kearney validated this with our 2008 Assessment of Excellence in Procurement (AEP) survey. The message to chief procurement officers is clear: while strategic cost reduction is still an important part of the equation, it is no longer enough. Chief executives are looking to their CPOs to manage risk in an increasingly complex and volatile environment, as well as make major contributions to projects that optimize the firm's value chain. In the future, they expect their CPOs to have a significantly higher impact via growth initiatives and sustainability efforts.

To meet the CEO's expanded expectations, CPOs are driving procurement transformation initiatives focused on:

1. Demonstrating bottom-line results. Deliver cost savings by increasing spend management transparency, improving compliance management, and driving overall efficiency gains via e-sourcing, contract lifecycle management, and purchase-to-pay process efficiencies.

2. Delivering top-line results. Make significant contributions to company growth and sustainability initiatives through creative and competitive supply strategies, better leverage and management of extended supply networks, and increased focus

on strategic rather than tactical tasks.

3. Managing strategic and operational risk associated with external spend. Demonstrate business judgment and acumen in anticipating, planning for, and mitigating risk in an increasingly complex and volatile environment.

CPOs cannot deliver enterprise-wide procurement transformation in isolation. As the procurement leaders expand their scope of influence over enterprise spend, they need to develop allies and partners throughout the organization.

This column explores the many opportunities available for CPOs to collaborate with peers in a way that not only increases business performance for the organization, but also enhances their individual recognition and results. Specifically, we address opportunities for CPOs and CIOs to collaborate as strong allies based on their overlapping business interests, shared responsibility for driving effective transformation, and accountability for delivering success into the future.

New Allies Required

Leading procurement organizations have done a more effective job in reaching out to their peers within the enterprise, resulting in more opportunities to partner and collaborate for greater business success. Not surprisingly, IT is at the top of the CPO "allied" list: as CPOs seek to deliver on multiple fronts, they are increasingly looking at technology and automation to deliver efficiency and effectiveness. Also, procurement leaders realize that their success requires a fair bit of IT enablement. They need to leverage the boom in business process and productivity technologies

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made available in the marketplace in the last 20 years.

CPOs that attempt to deploy new procurement technologies on their own or via a shadow IT organization are taking an ineffective and potentially costly approach. Leading procurement organizations instead lean on their CIOs and leverage their experience in design, implementation and deployment of these tools to achieve greater levels of success. CIOs now are ready to take on an increasingly integrated role in their colleagues' business operations. This is demonstrated by their ability to implement a new Enterprise Resource Planning (ERP) system to track financial results for the finance organization, advise on a new Customer Relationship Management (CRM) system to drive sales and marketing efforts for the sales organization, or select a new Product Lifecycle Management (PLM) system.

CPOs and CIOs are natural allies in the enterprise because of their overlapping business interest of driving effective transformation. Through minor changes in how they approach their interactions, CIOs and CPOs can develop a trust-based relationship that will drive improved performance for both the enterprise and their individual career goals.

Traditionally Complex Relationship

In contrast to some of the other functional business leaders, the relationship between the CPO and the CIO has traditionally been complex, as they are both advisors to, as well as internal "customers" of, each other. Where this relationship is based on a foundation of mutual respect, objectives, and ambitions, it can work well. Where no such foundation exists, both the relationship and the organization suffer.

CIOs can play a key role in helping CPOs with deployment of procurement technologies, including:

- Putting together a coherent technology roadmap that integrates procurement tools and applications with the rest of the organization.
- Identifying complexities of the organization such as resistance of business groups to technology adoption or roll-out plans for enterprise back-end capabilities.
- Supporting the business case for procurement process changes and IT sourcing benefits.

CPOs, for their part, play a role in advising the CIOs on sourcing strategies and effective tactical procurement execution. Good examples of procurement executives delivering value in the partnership are found in:

- Strategically developing mega suppliers.
- IT vendor performance management processes.
- Outsourcing strategies on an enterprise-wide basis.
- Hardware and software sourcing strategies.
- Best-in-class contract language for complex outsource-

ing arrangements.

The boundaries of the relationship between the CIO and the CPO go beyond the direct roles that they play in helping each other. Working together, they can be a powerful combination in structuring and executing complex business process re-engineering opportunities for the organization. Both executives are fully capable of being key players during the execution of business process re-engineering initiatives. Since IT is a key enabler of doing business more efficiently, the CIO is closely involved in these efforts. He or she is responsible for selecting and implementing the best technology to support the organizational

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changes required. At the same time, CPOs have become more proficient in driving the development of best practice methodologies for supplier relationship management.

New Partnership Model Needed

The lack of success in getting the promised results from procurement technologies can be attributed to procurement's abdication of involvement in systems design and implementation. Where procurement organizations have refused to engage in the design of the system, leaving these decisions up to their IT colleagues, the results stand for themselves. As with most systems implementation projects throughout the enterprise, sub-optimal results are often attributed to normal cost/benefit tradeoffs typically made throughout the implementation process. Shortcuts and purported savings often result in an underutilization of the technologies' broad functionality as well as in the underinvestment in end-user deployment and training support.

As CIOs and CPOs increasingly look for opportunities to break away from being boxed into the four walls of their kingdoms, they have an opportunity to become the champions for promoting collaboration within the organization.

The CPO can help with mega supplier and outsourcing strategies on an enterprise-wide basis. As many IT companies continue their expansion to non-IT services, the CPO brings structure and visibility for CIOs to collaborate with other business partners within the organization. The end goal for both executives is to drive mega supplier relationships that reflect the collaborative effort of the internal

stakeholders. The CIO will continue to be the expected champion in the relationship with IT vendors, but will have the opportunity to engage other executives served by the vendor using the CPO influence over other business areas.

The CIO can enable the procurement function to collaborate better, which will help drive better decision making. Taking collaboration to the next level will require that the CIO and the CPO work together to enable the globalization of supply chain networks. Companies and their suppliers are increasing their global footprints—a trend that will intensify going forward. Such global supply chain networks will need to be extremely nimble and will transform the role of suppliers, who will be regarded as an extension of the organization's supply chain. The success of such a strategy depends upon the close collaboration between the organization and its extended supplier network.

What's Next for CPOs and CIOs

A successful partnership between the CPO and the CIO can be accomplished in a variety of ways. As in any partnership, the benefits of ongoing efforts to collaborate and support each other's goals must be clear to both parties. Through minor changes in how they approach their interactions, the two executives can develop a trust-based relationship. Leveraging

each others' capabilities and talents can drive improved performance for both the enterprise and for individual career goals. Attaining this partnership takes time, patience, and trust. Those organizations that can achieve such a partnership will see accelerated success in truly transforming procurement from a transactional, tactical and reactive function to a truly strategic business partner.

A new and expanded partnership model is a must to deliver upon the promised benefits of procurement technologies as well as to avoid common pitfalls as the ones described above. This new CIO-CPO model works under four principles:

1. Procurement technologies are properly planned and integrated with core and back-office technologies (including automation of SRM): standalone technologies isolated from the rest of the organization do not last long in organizations.
2. A strong business case and buy in from business groups exist.
3. Technology implementation enables business process transformation instead of driving it. Strategies and plans for process reengineering are defined first and then enabled by technology.
4. End-user deployment and training support are considered key drivers for technology sustainability in the organization.

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