

The Seven Habits of Highly Effective CPOs



A new study of practitioners identifies a set of behaviours that distinguishes the best. It offers a realistic and compelling insight to how CPOs can be corporately successful in the current economic context, even including a scorecard for progress measurement.



CIPS members can record one CPD hour for reading a CIPS Knowledge download that displays a CIPS CPD icon.

Introduction

This work was first published in the prestigious CPO AGENDA magazine in the recent Winter 2009-10 issue and is authored by the prolific combination of CIPS Head of Business Intelligence and Product Development Gerard Chick and Professor Mike Lewis from Bath University in the UK.

It offers a realistic and compelling insight to how CPOs can be corporately successful in the current economic context, even including a scorecard for progress measurement. It is every bit as relevant in Australasia as anywhere else that aspires to world class standards. In fact, our new CIPS Southern Africa has already published it there; and we are delighted to do the same in Australia with the permission of the authors and CPO AGENDA magazine.

Jonathan Dutton, FCIPS

Managing Director

CIPS Australasia

July 2010

The Seven Habits of Highly Effective CPOs

In this article, our focus is what – if anything – differentiates procurement leadership from other forms of business or, for that matter, social or political leadership. We report from an ongoing stream of work that is looking to identify the particular attributes or “habits” that mark out today’s most effective procurement leaders. We’re not talking about finance or operations or marketing leaders but procurement leaders, those individuals responsible for what can go under a range of names – buying, purchasing, supply management, procurement, acquisition, etc – but are those activities that connect an organisation to the rest of its value system.

In our previous article, we reported on a 2007 event run by the Chartered Institute of Purchasing & Supply’s (CIPS) Centre for Procurement Leadership (CPL) that explored procurement’s strategic role (see CPO Agenda Winter 2007–08, pages 38-42). It highlighted that many organisations lacked clarity on the strategic contribution they sought from their procurement teams and (was this cause or effect?) many senior purchasing and supply professionals neither saw nor aspired to see themselves in a strategic leadership role.

Well, the world has changed a lot since 2007, and this article reports on another CIPS Leaders’ Network (CLN) study that explored how senior purchasing and supply professionals were dealing with the rapidly changing economic context for their work. This context has, for many, fundamentally changed the strategic expectations of procurement and correspondingly introduced a range of undeniably strategic leadership challenges.

Although the credit crunch inevitably framed the study, our key objective was to try and understand this notion of procurement leadership in a more structured and comprehensive manner. In this way, it contributes to the points made above and to the ongoing – almost eternal – debate: are leaders born or bred? Is management different from leadership? Is procurement leadership different from leadership in general?

To begin to unpack these questions we carried out interviews with senior, high-performing procurement professionals from a range of public and private-sector organisations. In addition

to some general “tell us about your leadership style” type questions, we employed the Competing Values model (see Briefing, page 52, for more details and a chance to reflect on your own constituent leadership role behaviours), which details eight leadership “roles” deployed as individuals reconcile two fundamental strategic dimensions: stability versus flexibility and external versus internal focus. These findings were analysed and at a follow on workshop with members of the CLN, seven “habits” – distinct “bundles” of attributes and activities that appear to maximise the potential contribution of procurement leaders to organisational performance – were developed and refined.

What are the habits?

Some of the seven habits identified may strike a chord with everyone – although we found some of them to be surprising – but it is clear that they could challenge a clichéd view of procurement and hopefully suggest a proactive way of ensuring CPOs are meeting the challenges of their profession. As you read through the list, ask yourself: how many of these habits do I have?

1. Actively seek alignment with the wider organisation and its objectives

Procurement leadership is always purposeful and effective. Procurement leaders decipher business objectives and communicate them regularly and effectively to their team and the rest of the business (and, given their “connector” role, its stakeholders). They focus on ever-closer inner and outer synchronisation, from building bridges across the top team and the operations of the organisation to tightening the links between the supply base and out to the customer base. Crucially, it is also about being part of a senior team and not only running a function. An important part of this is to recognise that aligning with inner and outer contexts are a key part of the procurement leader’s task. Highly effective procurement leaders think and talk strategy and culture, stakeholders, competitors and so on.

2. Build credibility by promoting procurement’s contribution

Smart procurement leaders never or rarely say “no”, but rather reply with “interesting, now how about this?” Look back to the summer of 2008 – when commodity prices were soaring, shortages were widespread and hoarding was common – and then the autumn of the same year – when the slump hit and the downturn reversed the price trends and brought with it tremendous volatility in currency values.

Smart procurement leaders focused on the recovery in the knowledge that global demand would at some point rise again and developed sustainable supply chains with operations, finance, and sales and marketing to determine the optimal solutions. They advanced everyone’s understanding of the value that they bring. Effective procurement leaders get the attention of the right people about the important issues. The more people appreciate the role of procurement then the more likely they are to include it in their determination of what strategic changes the organisation needs to make – highly effective procurement leaders aim to be “go to” people in their organisations.

3. Creatively challenge notions of value

One of the most frequently cited procurement leadership characteristics was that of the innovator (ie, encouraging creative thinking, leading change and challenging the way things are). This may manifest itself as a restless dissatisfaction with the status quo – think of boundary spanning, and therefore often more fundamental, form of continuous improvement. These are the people who demonstrate a capacity to imagine bold alternatives to the management status quo. They are visionaries, provocateurs, thinkers as well as doers.

Procurement leaders must be as independent as possible and always demonstrate integrity and insight – highly effective procurement leaders recognise the need to be creative and forensic in analysis.

4. Cross internal and external boundaries – rarely be in the office

The research highlighted broker characteristics (ie, negotiating agreement and commitment, presenting a range of ideas, and developing and maintaining a power base) as increasingly significant. Effective procurement leaders readily assume responsibility for motivating people who don't report to them. In acting as a hub for conversations about value – “honest” brokers for others' (again internal and external) ideas – procurement leaders should be among the first to see change coming and, therefore, the first to react.

Consequently, the highly effective procurement leader will be driving procurement-led business solutions within their organisation while carrying out procurement's basics in keeping costs down, ensuring socially responsible procurement practices, reducing supply vulnerabilities, and managing the organisational interface. Highly effective procurement leaders act as the hub for a pragmatic coalition of interests.

5. Deliberately build an eclectic team

It is interesting to note that many of the leaders we interviewed had followed eclectic career paths. But, however they had risen to their senior position, following through on the other habits clearly requires a broad mix of skills.

For example, habits three and four may necessitate a challenge to the organisation's (and possibly the sector's) definition of what constitutes procurement. Procurement leaders recognise the value of this broad set of capabilities and understand that this will normally require them to build an eclectic team. Lots of specific skills and experiences will therefore be potentially relevant – especially in support the innovator and mentor roles.

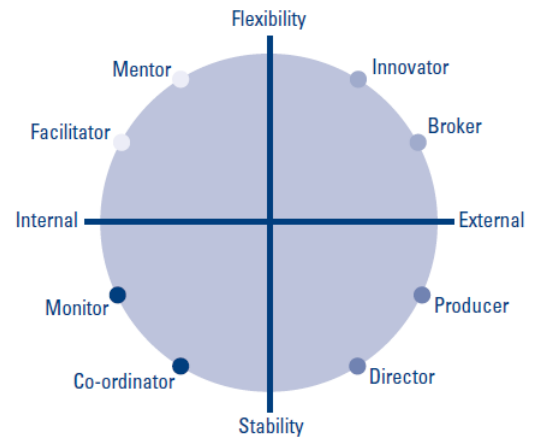
Highly effective procurement leaders can recognise the value of eclectic talents and embody them by combining strong quantitative and qualitative skills themselves.

Briefing

The Competing Values Leadership Model

The Competing Values Framework, originally proposed by Quinn and Rohrbaugh (1983), is a profoundly useful and highly robust model – having emerged from and been repeatedly tested in a large number of studies – for understanding a wide variety of organisational issues, including leadership roles. The framework comprises two major dimensions that together influence organisational success:

- The first distinguishes between an emphasis on internal or external focus: certain leaders are seen as effective if they establish robust internal business processes and develop cohesive working relationships, whereas others are effective if they emphasise competition and differentiation from external rivals.
- The second distinguishes between different approaches to control and flexibility: certain leaders are seen as effective if they can be highly adaptable and transformational, whereas others are effective if they provide stability and dependability.



Together these dimensions form four quadrants (see above right), each representing a distinct set of leadership behaviours and competencies, and each having its opposite or “competing” value.

The fact that these values pull in different directions (ie, it is challenging to emphasise process stability and control, while at the same time trying to be open to new ideas) is the key generic lesson of the framework – all leadership behaviours are potentially valuable for an organisation and active consideration must be given to balance.

In the CIPS Leaders’ Network study, the framework was used to give some consistent structure to underlying procurement leadership behaviours. Participants were asked to allocate 100 points across all eight roles (see chart 1) in order to reveal their “natural” style (column A). They were then asked to consider whether this profile had changed with the recession (column B) and whether it would change again once a significant recovery was under way (column C).

CIPS Group Easton House, Easton on the Hill, Stamford, Lincolnshire, PE9 3NZ, United Kingdom
T +44 (0)1780 756777 F +44 (0)1780 751610 E info@cips.org

CIPS Africa Ground Floor, Building B, 48 Sovereign Drive, Route 21 Corporate Park, Irene X30, Centurion, Pretoria, South Africa
T +27 (0)12 345 6177 F +27 (0)12 345 3309 E infosas@cips.org.za

CIPS Australasia Level 8, 520 Collins Street, Melbourne, Victoria 3000, Australia
T 1300 765 142/+61 (0)3 9629 6000 F 1300 765 143/+61 (0)3 9620 5488 E info@cipsa.com.au

CIPS Middle East & North Africa Office 1703, The Fairmont Hotel, Sheikh Zayed Road, PO Box 49042, Dubai, United Arab Emirates
T +971 (0)4 327 7348 F +971 (0)4 332 5541 E mena.enquiries@cips.org



*Printed on stock containing
50% post consumer
recycled content*

www.cips.org

CIPS™ is a registered trademark of the
Chartered Institute of Purchasing & Supply