Top executives want procurement to step up and deliver. With competitive pressures and market drivers supporting the procurement cause, there remains a considerable mismatch between boardroom expectations and current leadership. Supply and demand of talent are out of balance, and there is a need for much bolder transformational leadership if procurement is to break through the glass ceiling and become strategically aligned with the business drivers that matter. In this article, we examine this assertion through two themes: defining “next-generation” leadership profiles, and the need to build an organisation-wide procurement leadership capability. They are illustrated by case studies drawn from AstraZeneca, Group 4 Securicor, Merck, the NHS Purchasing & Supply Agency, Nokia and Philips.

Damon Jones, director of procurement at Group 4 Securicor, a leading international security services company with operations in 100 countries, sets the tone. “Procurement has to forget about its legacy,” he says. “There is no point concentrating on tactical, commoditised procurement and its associated functional mindset. The challenge is to operate at the C-level in procurement and, by business-aligned behaviour and actions, achieve credibility with CFOs and CEOs. There is still a vast shortage of people in our field capable of doing that.”

The capabilities required for world-class procurement are changing significantly. They call for a very different leadership profile

DEFINING NEXT-GENERATION LEADERSHIP
By examining closely the critical components that comprise functional and business transformation in procurement, it is possible to baseline precisely where organisations are in the maturity of their change programmes. Three broad phases have been identified (see figure 1, page 22). There is an initial phase of catch-up and functional improvement as organisations that are relative laggards begin the journey. They are in the relatively early stage of creating a proper operational structure and are invariably under-resourced. Success, however, breeds success. As procurement leaders and their teams deliver excellent results, so credibility and momentum build. Business expectations increase and as they move into the second phase they begin to impact previously off-limits expenditure, processes and projects.

John Taylor, global vice-president for purchasing at the pharmaceutical company AstraZeneca, is well aware of the scope for embedding procurement more thoroughly in the mainstream of business decision-making. “Our challenge is to understand and impact the multiple value chains running across our organisation,” he explains. “We have to get under the skin of the value proposition with our internal customers and prompt discussions on next-generation value. This needs strategic thinking, sophisticated interpersonal skills and real business alignment.”

by Jon Hughes, Sarah Lim and Gerco Rietveld
This is not just the preoccupation of private-sector organisations. It applies equally in the reform and modernisation of government. “Strategic procurement is about aligning business needs with existing key markets, or intentionally created new ones, in a robust manner,” says Rob Knott, chief operating officer of the UK’s NHS Purchasing and Supply Agency (Pasa). “There is no doubt we are operating within traditional and emerging multi-market supply chains. Ultimately, our focus is the strategic management of these key markets in order to secure policy outcomes.”

At positions such as procurement as an enterprise-wide activity of strategic significance. A key mission for its leaders is to work closely with the rest of the organisation, breaking down departmental barriers and boundaries, while facilitating an enthusiasm for pioneering supply market opportunities. Without moving through phase two into the third phase of change, procurement leaders fail to maximise value generation. This is the crossroads where many CPOs find themselves at the moment. It is a real test of the depth of competence and capability achieved during the earlier phases of change. It requires vision, commitment and resilience to progress, while also, on occasions, revisiting the past. “You have to be aware of, and address, older internal legacy relationships,” says All-Nico, vice-president of operating resource sourcing at Nokia. “Mental maps are created of how procurement can add value. These change over time. There is often a need to break earlier paradigms; address potential inertia and must have a lot of energy into internal partnerships.”

As procurement evolves through the three phases of change, the leadership profile evolves with it. While the trend away from relying on technical, functional competencies has been clear for some time, it is increasingly apparent that those tasked with business leadership of procurement must possess a broader and more challenging set of leadership attributes.

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LEADERSHIP

**A holistic approach to business leadership – aligning behaviour to strategy**

**CRITICAL ISSUES & BUSINESS CHALLENGES**

- Talent management (at all levels)
- Knowledge-based, intangible assets of leadership, influencing network. Tough business negotiation skills, selling. Proactive creation and management of an effective supply chain
- Developing a strong culture and cadre embodied within the strategic context

**REQUIREMENTS FOR LEADERSHIP DEVELOPMENT**

- Development of a global operating framework
- Tools-based induction
- Need to build robust, influential bridges with business line management and the various boards, operating groups, forums and councils within which decision-making is exercised
- A Holistic approach to business leadership – aligning behaviour to strategy

**IMPACTS FOR LEADERSHIP DEVELOPMENT**

- Finding and screening the right people; understanding, working in different cultures and climates
- Becoming a preferred employer
- Align closely with internal structures of power
- Recognise the importance of pivotal roles
- Create a business-wide leadership platform

**Creating a business-wide leadership platform**

Procurement success is directly proportional to the quality of leadership and organisation-wide talent at its disposal. Some resides in procurement, while other talent is required in functions such as research and development, marketing and operations. It is important to adopt a holistic approach and regard procurement leadership as a distinctive, business-wide capability with implications for organisational structure, operating model design and procurement mandates to act (for more on this, see "Managing the matrix", CPO Agenda, Winter 2003). Clearly, the precise requirements for a particular enterprise vary with its culture and business context, but a number of elements in building the leadership platform can be identified:

- **Invest in a leadership cadre.** A common mistake is to focus only on a small number of high-profile leaders, making leadership a privilege for the chosen few. Leadership development needs to be extended right across the organisation. Composition (including a strong culture and cadre embodied within the strategic context)

**Developing a human resources and leadership cadre**

Real depth of procurement leadership across an enterprise does not happen by accident. Supply and demand is chronically out of balance: there are insufficient people with broad functional experience and sufficient levels of experience, capable of leading the function while also operating at board level. An intelligent, well-thought-out human resources strategy, soundly implemented and funded, is key to success in building a cadre. Critical to this is the call for continuous investment in leadership capital. The necessary holistic focus involves building corporate drivers and the requirements for leadership behaviour are illustrated by the case studies opposite (far right) and on page 26. A number of elements need to be highlighted:

- **Become a preferred employer.** Highly competent individuals face a multitude of employment choices. Smart people pick the organisation, not always vice versa. Progressive, high-performing procurement professionals are highly mobile, both within and outside their organisation, says Richard Spoor, vice-president of global procurement at the US pharmaceutical firm Merck, arguing for investment in leader-ship team strength and believes that “if you are doing procurement properly, then you are leading and driving change. That is not just the CPO, but the whole of the procurement leadership team having to influence and engage the very top of the busi-ness.” There is a need for a critical mass of procurement leaders, as well as a network of highly capable professionals.

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Unlocking next-generation value requires a new breed of leader

AstraZeneca is one of the world’s leading pharmaceutical companies, with sales of $24 billion, addressable spend of $58 billion and a purchasing network of 450 full-time staff. A commitment to top-tier financial performance alongside continuous innovation underpins its purchasing transformation journey. However, John Taylor, global vice-president for purchasing, and John Miller, global purchasing process and capability development director, say that the approach adopted is highly relevant for most organisations, not just large, multi-locational global ones.

Key learning 1: Create a vision, strategy and fit-for-purpose operating model

A straightforward but compelling vision – “to obtain best value – to observe best practice from AstraZeneca from all its external expenditure by leveraging and linking our resources to fully meet business needs and exploit our suppliers’ capabilities” – drives a clear strategy and interconnected tactics around three core areas: “managed spend” (through category management), “working together” (through cross-functional and cross-divisional teams) and “enhancing capability” (through an integrated and holistic approach).

AstraZeneca operates through a decentralised organisation of multiple business areas, sites and functions. Business areas have considerable autonomy, and managing across the matrix is central to success. Creating appropriate governance and providing pervasive leadership with internal stakeholders, without recourse to edicts and mandates, calls for sophisticated influencing skills.

Key learning 2: Drive transformation and focus on next-generation value

AstraZeneca regularly achieves cost savings in excess of $250 million a year. This alone rarely drives transformation or enthuses business leaders. The required profile is always driven by business needs. However, a new organisational challenge has to be confronted: Key stakeholders must be convinced that there is value added from purchasing. This calls for real dialogue and a meaningful “share of voice” on management teams. Without confidence, enthusiasm, empathy, influencing and engagement skills of a high order, it cannot be achieved. One leads to the other. The challenge is to understand and articulate the real nature of the value proposition across complex, multiple, internal value chains, in order to harness the full potential of externalisation of industry and innovation. Going way beyond traditional, tactical definitions of purchasing, it is as much about prompting business development through internal influencing and persuasion than buying and external negotiation.

Key learning 3: Leverage new tools and leadership capabilities

All purchasing leadership teams have to make resource investment and development decisions, typically covering spend management platforms, renewal of business infrastructure, and design of rigorous category management and supplier relationship management processes. However, the ability to leverage such investment is dependent on the overall quality of purchasing leaders and the depth of team resources. Leadership and team strength is the real multiplicative value, rather than technology, processes and tools alone.

Key learning 4: Redefine leadership profiles, roles and competencies

The required profile is always driven by business needs. However, a real organisational challenge has to be confronted: Key stakeholders must be convinced that there is value added from purchasing. This calls for real dialogue and a meaningful “share of voice” on management teams. Without confidence, enthusiasm, empathy, influencing and engagement skills of a high order, it cannot be achieved. One leads to the other. The challenge is to understand and articulate the real nature of the value proposition across complex, multiple, internal value chains, in order to harness the full potential of externalisation of industry and innovation. Going way beyond traditional, tactical definitions of purchasing, it is as much about prompting business development through internal influencing and persuasion than buying and external negotiation.

Key learning 5: Invest in enterprise-wide learning and development

Broad business-wide interventions with clearly defined elements, designed to address specific needs and challenges of the new breed of purchasing leadership, are included.

- Roles and competence definition: 20 generic role profiles have been carefully identified, together with 16 associated competences, of which

There is an encouraging commitment to significant investment in the development of broad-based learning and coaching cultures. This is typified at AstraZeneca, where John Miller says: “Our core programme and the purchasing accelerated development programme are neither remedial nor aimed at the chosen few. We have a real determination to maximise individual potential and provide our procurement network with a full portfolio of development opportunities.

- Isolated, disconnected, one-off courses are being replaced by portfolios of highly focused learning. These are designed to help people perform more effectively, with a strong behavioural component, with many of the changes of enterprise-wide procurement transformation. They use real problems in real time as the vehicle for learning, and typically include:

- Coaching and mentoring. Increasingly seen as one of the most effective ways of developing leaders. Many different options are being applied, including one-on-one coaching, team coaching around category, process adoption and major supplier projects, and structured mentoring involving key stakeholders and business executives. As well as being a learning vehicle, this approach broadens the exposure and visibility of talented individuals coming up through the ranks.

- Communities of innovators, project-based interest groups, knowledge fairs, cross-functional projects and forums centred on common enterprise-wide business requirements are harnessed for leadership development.

- Online learning. Full spectrum portals, virtual collaboration tools, self-paced web learning, online forums and access to systematised intellectual property are increasingly used as a support framework. Procurement academies are also emerging, as they have been applied in a segmented manner (from simple sourcing right through to strategic categories), while also strengthening the core skills of negotiation and contracting.

But equally, “technical skills in procurement are no more than the foundation building blocks,” adds John Taylor. “They are necessary, but not sufficient.”

From promise to performance

Considerable optimism from pioneering procurement leaders is coupled with pragmatic realism and full recognition of the scale of the challenge still to be addressed. Where procurement is well led, it has been acting on the opportunity to actively engaging its stakeholders and with the appropriate mix of leadership qualities and technical strength, it genuinly impacts enterprise-wide performance. The accelerating transition to an addressable, rather than a more strategic role, is resulting in a considerable migration of focus away from pure technical skills to broader leadership dimensions.

The acid test of success is superior performance delivery in line with board expectations and with the active engagement of stakeholders. This is no mean feat, and is one that is matched by Merck’s Richard Spoor, who concludes: “Having sold the promise, leaders have to have the capability to deliver against it and the resilience to follow through with successful execution.”