

# What is a CPO, Really?

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## A Definition

According to [Wikipedia](#), a Chief Procurement Officer is an “*executive role focused on sourcing, procurement and supply management for an enterprise ... Typically, the CPO is the executive of the corporation who is responsible for the management, administration, and supervision of the company's acquisition programs. She may be in charge of the contracting services and may manage the purchase of supplies, equipment, and materials. It is often her responsibility to source goods and services, and to negotiate prices and contracts.*”

However, this is a very basic, vague and redundant definition, but it's understandable based on the semantics and lack of common definitions out there for procurement itself. We define procurement as a business function that performs supply management, and that includes sourcing as a subset (i.e., procurement is not just about transactional purchasing and day-to-day supplier management). For supply management, the [Institute for Supply Management \(ISM\)](#) definition is pretty good, although generic: “The identification, acquisition, access, positioning and management of resources the organization needs or potentially needs in the attainment of its strategic objectives.” We look at it as the extent that an organization can safely tap supply markets (and suppliers) to support and even improve the organizations strategy and mission. Procurement is a function that leads the development and execution of these supply management processes – whether or not the resources used to perform those processes actually report up into the procurement or not. So, the CPO is highest ranking leader in the organization that has the accountability and authority to influence this supply (and the third-party spending disbursed to acquire that supply) across the organization.

In large, progressive organizations who have been on the forefront of procurement and supply management for two or more decades, CPOs are responsible for a lot more than the basic definition. In a modern supply management organization, a CPO will generally be required to:

- Lead procurement strategy
- Achieve financial objectives through supply assurance, total cost reduction, spend reduction and support for top-line growth and brand protection/enhancement
- Develop a "balanced scorecard of supply" with stakeholders to assure that supply performance is aligning with broader organizational KPIs
- Reengineer processes to increase capabilities and performance (efficiency and effectiveness)
- Satisfy business needs with respect to the supply performance itself and how procurement engages the business as a supply services provider
- Lead the process for managing third parties, especially strategic ones, including third-party manufacturers, 3PLs, outsourcing providers and others
- Manage and improve the procurement “system,” organization and policy. Many call this the "operating model" or "service delivery model"

- Be a source of vision for the improvement of supply management and for the business

## **How does he or she fulfill these requirements?**

Simply put, through skill, talent and execution. What sort of skills? Come back for our next piece on the CPO profile to find out.

## **Who does he or she report to?**

Depending on the organization, the CPO will typically report to the COO, CFO or CEO. According to Capgemini's 2012-2013 Global Chief Procurement Officer Study, only 9% of procurement organizations have a CPO that sits at the c-suite table, but 16% do report directly to the CEO (usually via an EVP of supply chain who also serves as the CPO - e.g., Tim Cook, the CEO of Apple, once held that role). After that, 20% report through the CFO and another 14% report through the COO. The remaining 40% do not have a CPO or a head of procurement that reports directly to the c-suite. Still, this does not mean that the CPO has no access to the CEO. The CAPS Research 2014 Chief Purchasing Officers' Mobility and Compensation Study reported that 82% of CPOs do have direct access to the CEO. For example, the establishment of a senior executive procurement council with representatives from the c-suite (and with business unit leadership) is an effective means to gain alignment resolve roadblocks to a procurement transformation.

Stay tuned for the next installment in our CPO series where we explore the profile of a CPO.