

# The Supply Professional of the Future

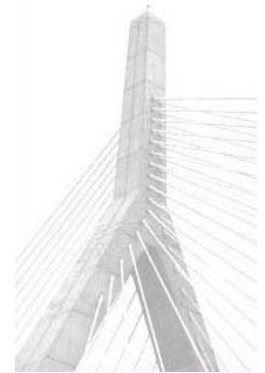
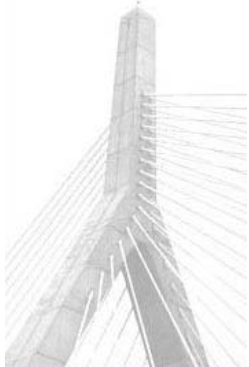
Larry C. Giunipero, Ph.D., C.P.M.

Professor of Purchasing & Supply Chain Management

Florida State University

Northeast Supply Chain Conference

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# *Presentation Outline*

- Evolution of Purchasing/Supply Management
- The Supply Environment
- The CPO's Role and Background
- The State of Purchasing Training

# How do we predict or plan for the future?



Random  
Chance?



# How do we predict or plan for the future?

Professional  
Futurists?



**APF**

Association of Professional Futurists

The Association of Professional Futurists is a thriving community of professional futurists committed to leadership and excellence in the futures field. Our members provide a unique perspective to anticipate and influence the future

# How do we predict or plan for the future?

- The future is best predicted by first looking at the past to see where we have been.
- Second, by analyzing where we are now
- Finally, deciding where we want to be based on current and future trends.

# What is Purchasing's Past?





# Purchasing History



Buying and Selling the first Professions

Marechal General de Logis- 1670

Economy of Machinery & Manufacture-1832

Handling of Railway Supplies their Handling  
& Disposition- 1887

Functions and Organization of the  
Purchasing Department- 1910

# 1887 Purchasing Function

The intelligence and fidelity exercised in the purchase of supplies influence *costs* in construction and operations and the *reputations* of the owners and their subsequent *profits*. When purchasing is not *centralized* under one individual problems occur.

The *value* of the office is directly related to the *discretion* allowed in making various judgements. The office is not thought to be a matter of especial importance.” The place is to often looked upon as one that *any man* with ordinary intelligence can fill acceptably”. Yet the purchaser can *contribute more* to his company than any other officer of like grade.

# The Science of Purchasing by Helen Hysell-1922

This was the first book on the subject published by a woman. She discussed how important the purchasing person is to the overall competitiveness and planning of the organization.

# The Science of Purchasing by Helen Hysell

- She also covers various personnel characteristics of salespeople. Such as the broad high square shaped forehead indicates analytical power, intelligence, perseverance and sincerity.
- “Salesmen, as a rule, are reluctant to offer to shake hands with the purchasing executive as they have learned through experience that many purchasers dislike the experience.”

# A Quick Quiz

In what decade do you feel the following were discussed or performed?

- Materials Management
- JIT
- Outsourcing
- Women in Purchasing



# Overall Conclusions





Where are we today?



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# Design of the PET II Study

## Sample of focus group firms

ABB

Bayer

John Deere

Dial

Motorola

Honeywell

Texas Instruments

Genzyme

EMC, Inc

H & R Block

Sprint

American Century

# Design of the PET II Study

- On line and mail Questionnaire
  - Based on previous work
  - Based on focus group discussions
- Twenty five major industry groups
- One response per organization
- High level responses- 83% corporate wide responsibility
- 65% had sales of \$ 3 Billion or more
- Overall large Fortune 1000 firms

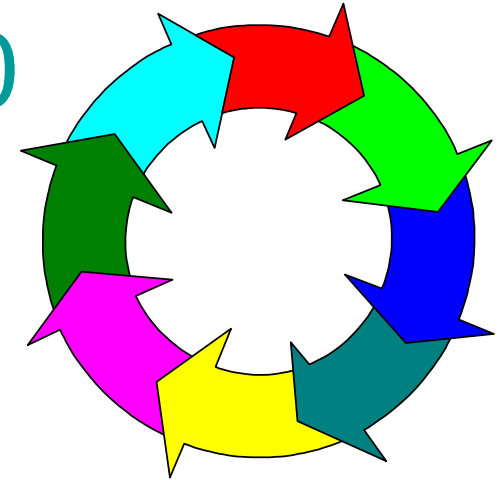


Where are we going?



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# Purchasing 2010



- Strategic Relationship Management
- Strategic Cost Reduction
- Integrated Systems and Collaboration
- Greater Focus on Total Cost in Supplier Selection
- Strategic versus Tactical Purchasing Orientation
- Purchasing Strategy Development
- Electronic Procurement
- Capturing Purchasing Performance

# What About our Leader?



# What Happened to the Old CPO?



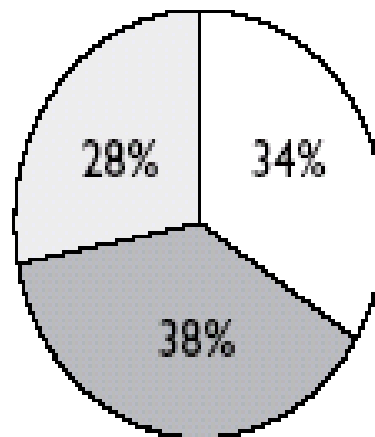
Source: Hendrick, Thomas, "Chief Purchasing Officers' Compensation Benchmarks and Demographics: A 1999 Study of Fortune 500 Firms" (2000); Procurement Strategy Council research.

# Where Do They Come From?

## CPOs by Prior Professional Expertise and Associated Characteristics

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“Procurement Careerist”—  
Internally promoted, often  
after a long career within the  
Procurement-related function



“Procurement Newcomer”—  
More than five years within  
the company, often from a  
non-procurement position

“Company Newcomer”—Recruited  
from outside the company

Source: Procurement Strategy Council

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# CPO Purchasing Background

## PLUSES

- Functional knowledge
- Organizational issues
- People & Capabilities within the function

## DRAWBACKS

- Understanding of strategies of top mgt and the organization
- Cross Functional teams players
- Perception of top mgt of readiness

# CPO- Outside Organization

## PLUSES

- Experience in multiple firms
- Broader view of purchasing
- No preconceived notions
- New ideas

## DRAWBACKS

- Understanding the industry
- Perceived as being an “outsider”
- Gaining respect of the employees
- Knowledge of firm’s issues

# CPO Outside Purchasing

## PLUSES

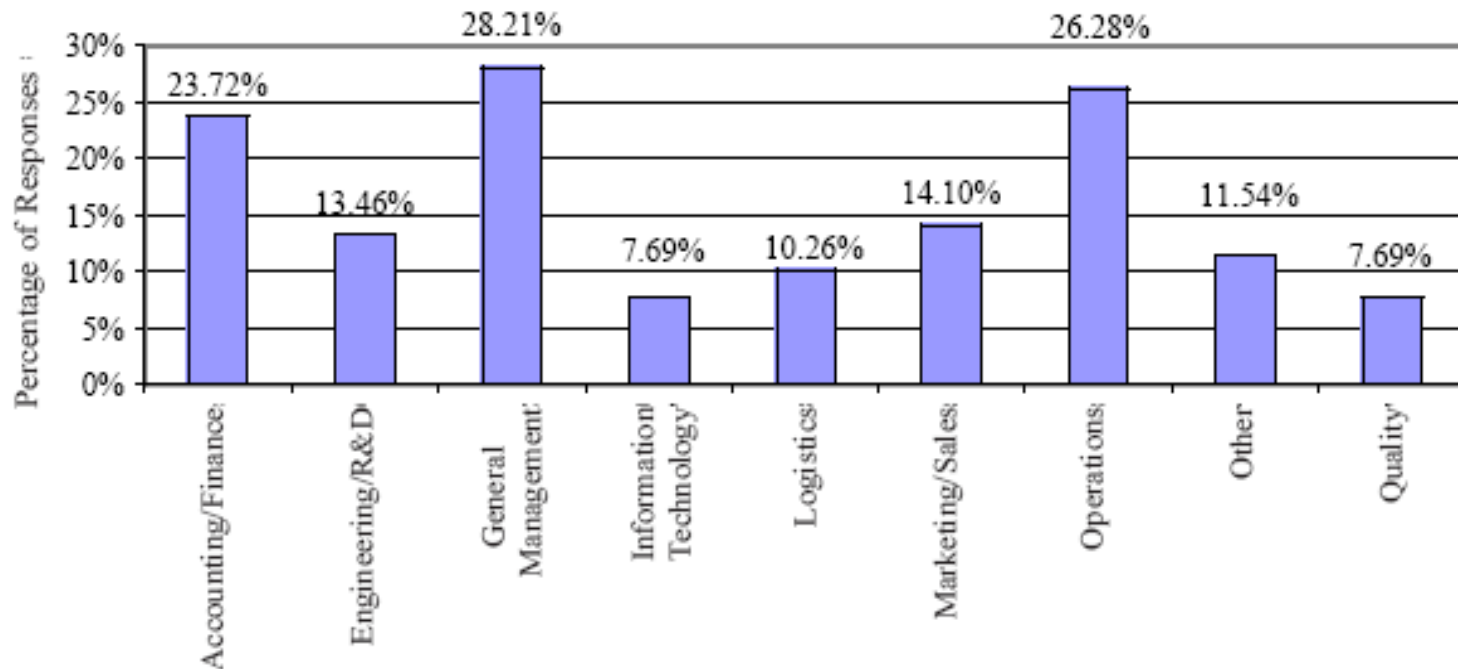
- Company knowledge
- Strategic ideas
- Contacts in other functions & Business Units
- Brings new perspective

## DRAWBACKS

- Doesn't Understand Purchasing
- Lacks familiarity with staff & credibility
- Could undermine supplier relationships
- Focus on short term savings

# Other CPO Backgrounds

Figure 9  
Non-Purchasing Functional Experience

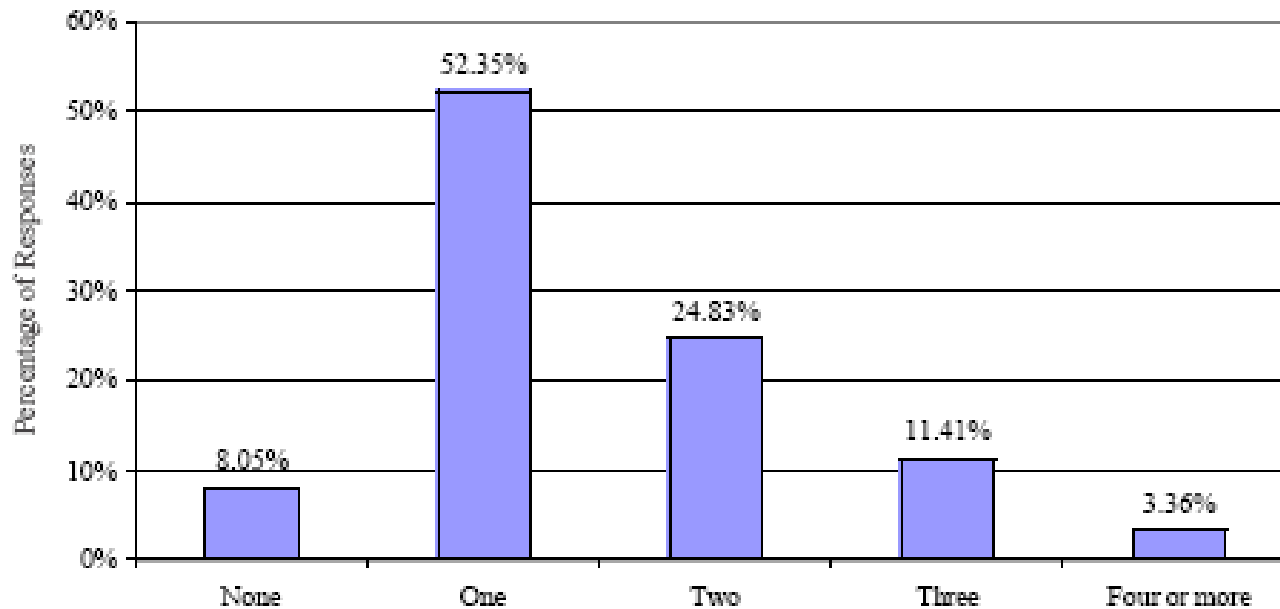


Source: CAPS Research Hendrick et. al., 1999

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# How Close to the Top?

Figure 15  
Levels of Management Between CPO and CEO



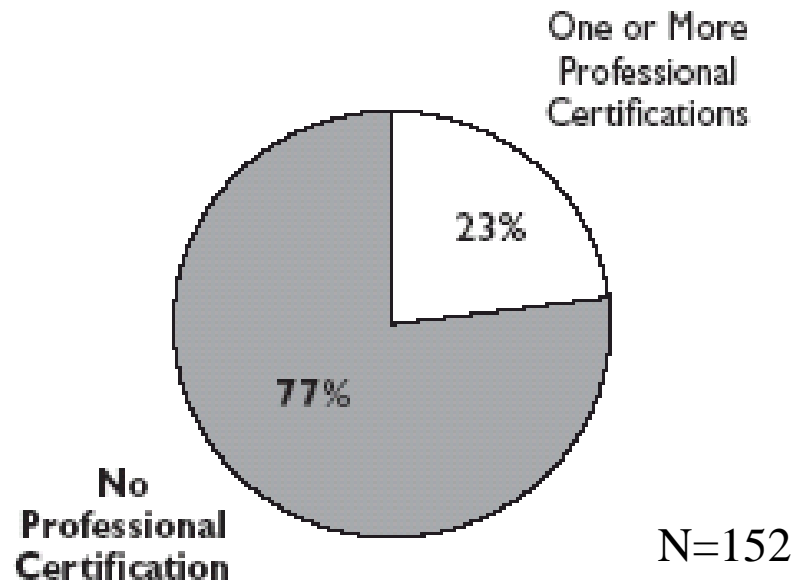
Source: CAPS Research Hendrick et.al. 1999

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# Certification and the CPO

## CPOs Holding Professional Certification(s)

*Percentage of Respondents*



Source: Procurement Strategy Council

# The CPO's Other Duties

- Property Management
- Shared Services
- Distribution
- Food Services
- Business Services
- Warehousing
- Asset Disposal

# Training Benchmarks



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# ISM Membership Survey-2004

## SURVEY DATA

| <u>Education Level</u> | <u>Percent</u> |
|------------------------|----------------|
| High School Graduate   | 3.1            |
| Some College           | 23.5           |
| Bachelor Degree        | 37.4           |
| Some Graduate Work     | 12.7           |
| Graduate Degree        | 23.2           |

Source: ISM Membership Demographics 2003, Revised 2004

# Status Of Education

- 2004 PET II Reports
  - That The Bachelor Degree Is Becoming An Entry-Level Requirement.
  - BS With Major In Supply Management Is Identified As The Most Desirable Under Graduate Degree.
  - MBA Is Rated As The Most Desirable Graduate Degree.
  - MBA With A Technical BS Was Rated As The Third Most Desirable Degree.
  - C.P.M Certification Is Also Rated As Desirable.
  - Higher Levels Of Formal Education Enhance Your Opportunities For Advancement To Upper Levels Of SM.

Source: CAPS Research Study: PET II, 2004

# Perceived Status of Purchasing

- Currently – Moderate (3.17 on 5 point scale 5= high status)
- Future – higher status (4.29 on 5 point scale 5= high status)

# Priority Top Mgt –Purchasing Training

- Currently – Moderate priority (3.26 on 5 point scale 5= high priority)
- Future – Increasing but still moderate (3.96 on 5 point scale 5= high priority)

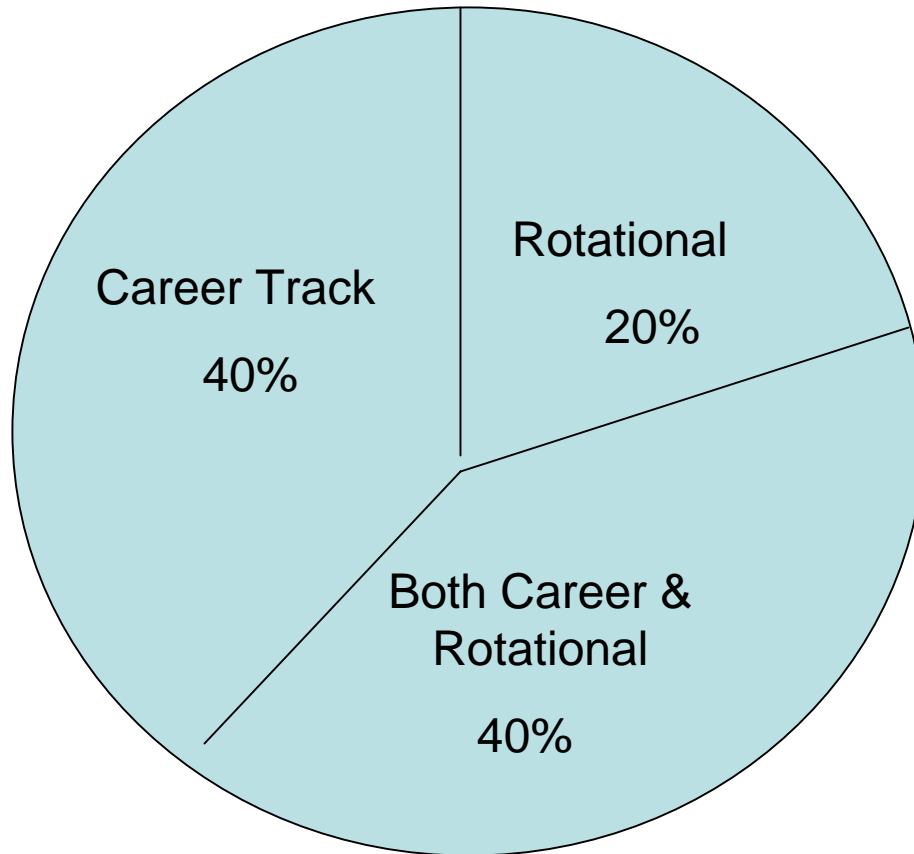
# Annual Expenditures for Training

- Currently- approximately \$ 2000 per employee
- Future – approximately \$3500 per employee
- Currently- Training days per employee 8.6
- Future - Training days per employee 10.3
- Currently - 2.5% of the department budget 8% was the current maximum reported
- Future – 3.4% of the department budget 15% was the future maximum reported

# Training Impact when Profits Decline

- Training budgets – decrease (2.11 on a 5 point scale “1”= decreased- “5”= increased)
- Training budgets – future slightly less decrease (2.55 on a 5 point scale “1”= decreased- “5”= increased)

# Is Purchasing a Career Track?



# Purchasing a Career?

- Career track- Currently 40% which is constant over a 10 year period.
- Both career track and rotational – has dropped some over ten years 48% previously to now 40%
- Rotational job assignment has increased 9% to 19% drops slightly in future 14%

# Structuring Training

- The training can be carried out in very different ways
  - At the business unit and decentralized
  - At the corporate level and centralized
  - A combination of centralized and decentralized
- Various individuals directed purchasing training efforts but it usually started at the Director level

## TABLE 41- CENTRALIZED VERSUS DECENTRALIZED TRAINING STRUCTURES

| Training Structure        | 1993 | 2000 | 2003 | 2010 |
|---------------------------|------|------|------|------|
| Centralized               | 45%  | 44%  | 41%  | 46%  |
| Centralized/Decentralized | 36%  | 36%  | 39%  | 50%  |
| Decentralized             | 19%  | 20%  | 20%  | 4%   |

# Questions and Comments