

CPO Rising: The CPO's Agenda for 2008

February 2008

Executive Summary

It is clear that the gains made by procurement over the past decade are significant and have helped elevate the function within the enterprise. Aberdeen believes that 2008 will be a year of significance for the Chief Procurement Officer (CPO), a year of the "CPO Rising" – rising to meet new challenges, rising to new operational heights, and rising in prominence within the enterprise. Yet, with increased visibility comes an expectation of consistent execution and delivery; the leaders in procurement will utilize several key strategies focused on their people, processes, and technology to propel their departments forward in 2008.

Best-in-Class Performance

Aberdeen evaluated over 350 enterprises in January and February of 2008 and distinguished Best-in-Class enterprises by the percentage of spend under management. Best-in-Class enterprises in this study are notable for their superior performance and their strong focus on improving supplier development and collaboration, among other key strategies.

Competitive Maturity Assessment

Best-in-Class performers shared many common characteristics with respect to their organizational structures and strategies. **Fifty-eight percent (58%)** of Best-in-Class enterprises manage from multi-year strategic procurement plans. They are also:

- **50% more likely** to use a center-led procurement structure.
- **50% more likely** to employ a formal Low-Cost Country Sourcing (LCCS) program.

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must take action across three main areas:

- **People** - develop a formal talent management program to find, develop and retain the best available staff; drive collaborative efforts with internal stakeholders and suppliers.
- **Process** - standardize processes at the enterprise level and, where possible, automate them; develop strategies to expand category management; clearly define, document, and track procurement performance to avoid ambiguity.
- **Technology** - enterprises seeking to expand their technology footprint should focus on the front (spend analysis) and back (e-payables) ends of the source-to-settle process.

Research Benchmark

Aberdeen's Research Benchmarks take a detailed and comprehensive look into the people, processes, policies, and solutions that promote Best-in-Class results and provide actionable recommendations to improve overall performance

"Our CEO has shown his personal commitment to me and my team by approving our significant investment over the past two years for a complete procurement / payables solution. More importantly, he has visibly supported the initiative by increased staffing and bully pulpit."

~ CPO, CPG Industry
(Fortune 500 Company)

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Chapter One: Benchmarking the Best-in-Class

On supply management: "The intelligence and fidelity exercised in the purchase, care, and use of supplies, influences directly the cost of construction and operations, and affect, therefore, the reputations of officers and the profits of owners... The subject needs elucidation on many accounts." ~ Marshall M. Kirkman, *The Handling of Railway Supplies: Their Purchase and Disposition*; 1887.

Enterprise Centurions

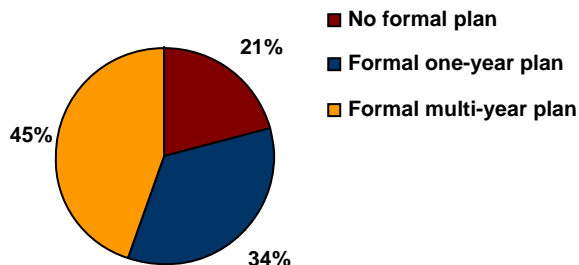
Though it was not until the second half of the 20th Century that the procurement function began to shed its largely clerical identity, the view that procurement (or purchasing) can deliver strategic value to an enterprise dates back decades before World War I. Certain events through the course of the 20th Century have, at times, placed procurement at the hub of business process and at the core of business profits. From the birth of the assembly line to Six Sigma and lean manufacturing, the critical importance of having the right materials at the right place at the right time has supported production efficiencies and spurred product quality and sourcing from the right supplier at the right price has driven cost savings and product innovation through periods of high growth, high inflation, and rapid change. In the new (21st) century, procurement's strategic gains have accelerated, enabled by advancements in automation and refinements in process; the new century also brought new challenges. And like a Roman Centurion, the Chief Procurement Officer (CPO) leads his / her team from the front lines, exposed on the flanks by an increasingly volatile and increasingly global marketplace and marked by an increasing prominence that demands greater performance. The CPO is rising.

Game Plan

On business planning: "The purchasing agent should be in the 'crow's nest' or 'lookout' of the business craft equally, if not more often, than the sales director." ~ Helen Hysell, *The Science of Purchasing*; 1922.

It is difficult to imagine a business function becoming more strategic to the enterprise without a plan in place to achieve that goal.

Figure 1: The CPO's Strategic Agenda



Source: Aberdeen Group, February 2008

Fast Facts

- √ **79%** of all procurement organizations have a strategic agenda in place
- √ **58%** of all enterprises have increasing spend under management as a top initiative
- √ **56%** of all enterprises have improving supplier development and collaboration as a top initiative

"I was the first CPO in my company's 100+ year history... I learned quickly that we couldn't get to everything in the first sourcing cycle; so, I started telling the businesses to be prepared, 'we may have missed you this time, but we will be ready for you next time.' It took three, sometimes five years, but we got most of them."

~ CPO, Financial Services,
(Fortune 500 Company)

"We work in three year chunks. Before you can serve your customer well, you have to understand what your business really is. That is why we take a fresh look at what we're doing every 3 years."

~ John Mayes, CPO, Yale University

Nearly 80% of all procurement organizations are operating with a formal strategic plan in place (Figure 1). "You can't collaborate without a strategy," noted Shelley Stewart, Jr., Senior Vice President, Operational Excellence and Chief Procurement Officer, Tyco International, who developed a three-year strategic procurement plan that identified a \$3 billion cost savings target and sought to engage each of the company's business units in a unique fashion based upon its region, relative maturity, and technology infrastructure. Nearly 60% of large enterprises (revenues above \$1 billion) take a longer view and utilize multi-year strategic plans while 39% of small enterprises (revenues below \$50 million) admit to no formal strategic planning. For the CPO, having a plan is but a small first step; what is in the plan and how it is executed separates the Best-in-Class from their peers.

"We have more than 100,000 suppliers. If we did not have a strategic road map, we'd be road-kill."

~ CPO, Global Conglomerate
(Fortune 500 Company)

The Maturity Class Framework

Aberdeen evaluated over 350 enterprises in January and February of 2008 and distinguished Best-in-Class enterprises by the percentage of spend under management (see page 5 for our formal definition). Spend under management has been and will continue to be a primary metric used by Aberdeen to define and discern Best-in-Class procurement performance from all others. Aberdeen's Global Supply Management (GSM) team did not come to utilize this metric by trivial means, but rather through a lengthy and detailed series of research studies conducted across the entire Supply Management spectrum over a number of years.

"My 2008 Agenda is very boring - make this year's number and set myself up to make next year's number."

~ VP, Supply Chain, A&D,
(Fortune 500 Company)

In Aberdeen's view, spend under management represents the opportunity that procurement has to impact an enterprise. Simply put, if it is not being managed, it cannot be improved. In most cases, a higher percentage of spend under management presents a greater opportunity to identify savings from strategic sourcing, a greater opportunity to drive reductions in maverick spend and improvements in contract compliance, and a greater opportunity to drive transactional efficiencies, just to name a few benefits. It may also provide a stronger justification for investment in the people and solutions that drive departmental performance. Aberdeen uses spend under management as a starting point to assist in the development of its competitive framework and to drive additional discussion and deeper analysis of strategies, capabilities, and results.

Spend Under Management

The classic measure of procurement's impact upon an enterprise is the percentage of all non-payroll-related spend that falls under management of this group, what is commonly referred to as **spend under management**. Aberdeen research has shown that enterprises have been able to achieve a 5% to 20% cost savings for each new dollar of spend brought under management.

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	▪ More than 70% of spend under management
Industry Average: Middle 50% of aggregate performance scorers	▪ Between 40% to 70% of spend under management
Laggard: Bottom 30% of aggregate performance scorers	▪ Less than 40% of spend under management

Source: Aberdeen Group, February 2008

The Best-in-Class PACE Model

Aberdeen has shown that there is a clear relationship between the pressures companies identify and the actions they take, and their subsequent competitive performance. All participants should examine their prioritized Pressures, Actions, Capabilities, and Enablers (PACE) selections and determine whether there are valuable perspectives to be gleaned by comparison with the PACE priorities of Best-in-Class companies (Table2).

"We offer a service to our organizations. Our sole deliverable cannot be cost reduction."

~ CPO, Mid-Market Enterprise

Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> Misaligned processes and systems 	<ul style="list-style-type: none"> Analyze and distribute spend data Improve supplier scorecarding capabilities 	<ul style="list-style-type: none"> Spend visibility Supply market expertise (by category, region, etc.) Compliance visibility (contract, process, regulatory) 	<ul style="list-style-type: none"> E-Procurement Spend Analysis E-Sourcing Contract Lifecycle Management

Source: Aberdeen Group, February 2008

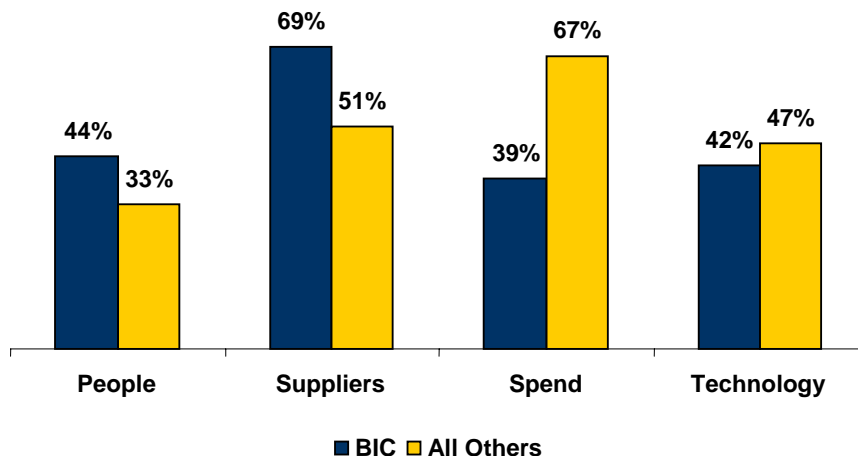
Goals!

In aggregate, placing more spend (58%) under management was a top priority for the 350+ respondents who participated in this research effort, followed closely by improving supplier development and collaboration (56%). When the top CPO goals are segmented by maturity class as seen in Figure 2, we see an interesting divergence in focus. Since the Best-in-Class enterprises (see Table 1 for maturity class definitions) are already managing more than 70% of their total spend, it makes perfect sense that their top priorities are more focused on improving the quality of their management than growing the overall managed spend number. A discussion of the CPO's top goals on the three-year agenda follows.

"HQ developed a new integrated corporate planning process and procurement was very involved. The plan is set by broad goals such as People Development, Total Quality, Costs, etc. Each department then addresses their initiatives and targets within those areas... Procurement would be heavy in areas like cost, but lighter on things like social responsibility...It starts at the top."

~ Purchasing Manager,
(Fortune 500 Company)

Figure 2: What's on the CPO's Three Year Agenda?



Source: Aberdeen Group, February 2008

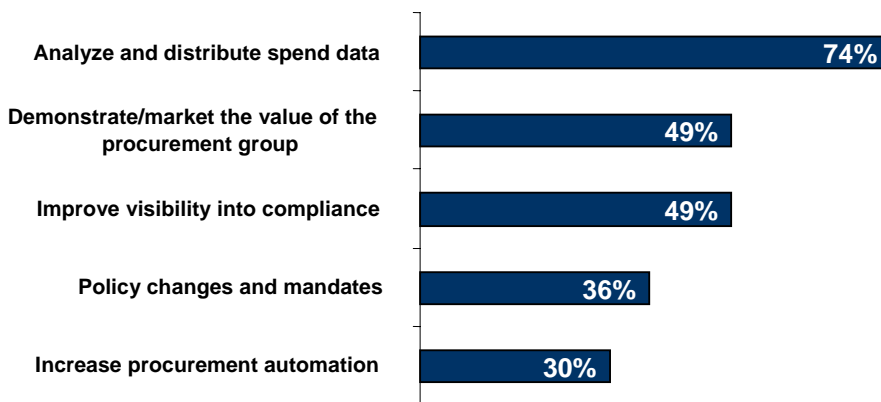
"E-procurement has given us the traction to increase spend under our control and to monitor compliance."

~ VP, Supply Chain, Food & Beverage Industry (Fortune 500 Company)

CPO Goal: Increase Spend Under Management

Aberdeen research has shown that procurement groups that place more spend under management typically experience a host of other advantages related to cost savings, process efficiency, and the ability to deliver greater strategic value across the enterprise. Given this finding, it is not surprising that increasing spend under management is a top CPO priority. Top strategies to place more spend under management in 2008 (Figure 3) will include utilizing spend analysis (74%), actively promoting procurement's value proposition to the broader enterprise (49%), and focusing on compliance visibility (49%).

Figure 3: Top Strategies to Increase Spend Under Management



Source: Aberdeen Group, February 2008

On spend analysis: "Purchase 'Engineers' should aid buyers in investigating potential areas of cost reduction...the scientific, systematic collection of data, by specialists, [should serve] as a basis for purchasing decisions."
~ Norman F. Harriman, *Principles of Scientific Purchasing*; 1928.

CPO Goal: Improve Supplier Development and Collaboration

With average supplier contract durations generally matching or extending beyond standard production cycles, the ability to drive continuous improvements in product quality often begins with suppliers. Seventy-four percent (74%) of enterprises highlight product quality and supply performance as a key reason to improve supplier development and collaboration. Still, 66% of enterprises look at increasing the overall efficiency and cost structure of the supply chain as a key factor. As marketplace competition expands beyond one of enterprise versus enterprise to supply chain versus supply chain, the investment to develop and improve the capabilities of an enterprise's supply base and in turn, improve the capabilities of its supplier's supply base, will become increasingly important to the long-term viability of the business. In fact, 55% of the Best-in-Class utilize their suppliers as a top source of intelligence, ranking it first among a series of different resources.

Currency Strategies

"To combat a weakened US dollar and obtain better pricing, we are writing global agreements in the currency derived from the majority of sales origination. We are also using verbiage with stronger exchange-rate protections."

~ Rick Odell Strategic Sourcing Director, Invensys PLC (Fortune 500 Company)

"A significant portion of our purchases, even those outside the U.S., are currently dollar denominated so, we have been somewhat fortunate. That said, many suppliers are now trying to drive prices to recover the erosion in local currencies against the US dollar. We are in for a major battle this year."

~ CPO, Mid-Market Manufacturing Enterprise

"We expect to see a severe global economic storm this year. We'll survive but some of our suppliers will not. Every one of my managers asks his team every day:

- √ Who are they [bankrupt suppliers] going to be?
- √ Can we get out of the way?
- √ What's the back-up?"

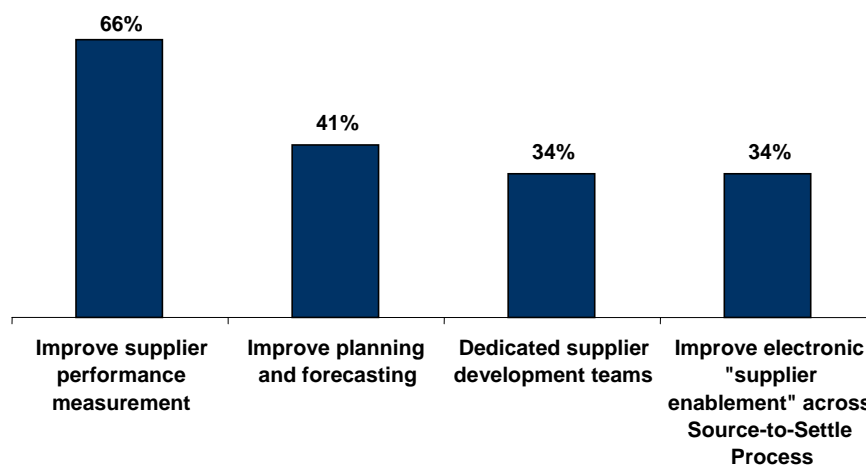
~ CPO, Global Retailer (Fortune 500 Company)

While the goal of shared efficiencies cascading across the supply chain remains a driving force for innovation in areas such as multi-tier inventory replenishment and capacity collaboration, most enterprises are still focused on the basic building blocks of supplier management: better communication and superior performance (Figure 4). Visibility into accurate supplier information serves as the foundation for superior supplier interactions and as a method of risk mitigation. Best-in-Class supplier enablement programs now extend their view beyond e-procurement and include the entire source-to-settle process.

"Our new sources of supply are increasingly dependent on outside suppliers...we set very high standards and mandate assessments (during qualification)...we also require our Tier Ones to perform audits."

~ Uldis Sipols, VP Global Product Supply Purchases; P&G (Fortune 500 Company)

Figure 4: Top Approaches to Improving Supplier Development



Source: Aberdeen Group, February 2008

Case Study — Supply Risk and Contingency Planning

One North American-based VP of Direct Materials of a European-based electronics manufacturer (and Fortune 500 company) noted that supply base "visualization" is the absolute top priority for his team in 2008 and has invested significant training in financial ratio analysis and contingency planning for a team of 30 buyers of the most risky categories. "We expect the recession will have severe consequences for our top tier Canadian suppliers. We don't know which suppliers will be impacted, but we spent the last six months developing a contingency plan for every North American-based supplier."

This approach is a newer one for this otherwise well-positioned enterprise, which manages global supply risk more generally by avoiding "sole-sourcing." The newer approach is required since they believe that the economic environment may very well impact an entire segment of suppliers." In developing countries, we have more flexibility and contingency options which could include taking the supplier's tooling. The ownership and bankruptcy laws in North America and Europe are sufficiently complex to require different strategies to maintain supply."

"We always start with the two basics - people who buy products and people who run the business. In our world it is define, improve, and integrate. Beyond direct materials, everything is overhead."

~ VP Procurement, Global Manufacturer (Fortune 500 Company)

CPO Goal: Increase Procurement Automation (Technology)

On process: "When it is considered, that buying requires not only keen, shrewd, business judgment, but also a vast amount of technical knowledge compactly arranged, it is evident that the systemization of the department of purchasing, too, is worthy of careful research, study, and treatment."

~ H.T. Kett, et. al., *Book on Buying*; 1905.

The broad procurement transformation of the past decade has been a technology-enabled one and technology remains at or near the top of the CPO's Agenda in 2008. The debate over technology deployment options remains unresolved in the procurement realm as the split between those that preferred installed (41%) versus on-demand (37%) remains close. Despite the benefits realized from process automation, a closely-integrated, source-to-settle process remains the exception. Figure 5 looks at planned technology investments over the next 24 months. Procurement automation will be discussed in greater detail in Chapter 2.

"In any given year, our IT budget (HW, SW and staff) is between 20% - 25% of our overall budget."

~ Jean-Jacques Beaussart, CPO, National City Bank (Fortune 500 Company)

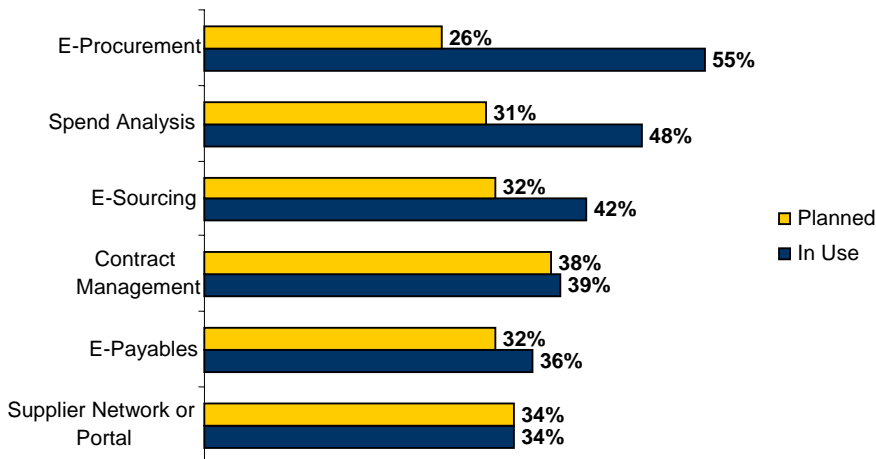
"Our plan for 2008 includes a move to a completely centralized department and the design, development, and implementation of an automated solution that extends from spend analytics to AP automation...strategic sourcing and internal collaboration are major areas of focus."

~ Bob Kane, Director, Strategic Sourcing & Supply, Weyerhaeuser (Fortune 500 Company)

"To develop a truly global organization, we hire local talent and teach them how to manage the business."

~ Peter Connelly, CPO, Leggett & Platt (Fortune 500 Company)

Figure 5: Procurement Automation Usage and Plans



Source: Aberdeen Group, February 2008

CPO Goal: Enhance People Skills and Capabilities

On staffing: "If there is one place more than another in a large concern that requires an honest, shrewd, experienced, practical man to make money in, it is the buyer's." ~ Machine Shop Notes, *The Engineering Magazine*; Dec. 1892.

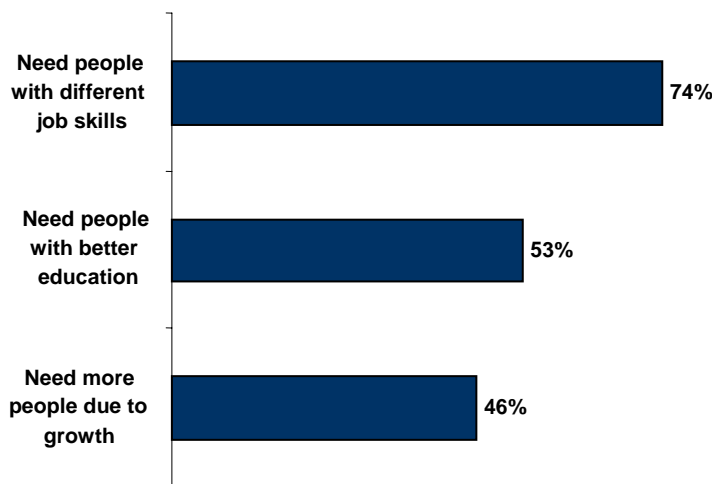
As procurement's visibility within the enterprise increases, expectations of the group have increased exponentially. In an effort to build and maintain a successful organization and to address current staffing problems, CPOs are increasing their focus on recruiting, training, and retaining their employees. When enterprises anticipate challenges to growing the top-line, they generally look internally for ways to grow or maintain the bottom-line. The emphasis on procurement within the enterprise has been counter-cyclical to the economy in recent decades. This trend appears to be continuing in 2008, as 44% of enterprises expect to see growth in the overall size of their

"We still have many long time associates who have spent their entire career in purchasing. I would have them all retire and replace them with associates with more diverse experience. We are doing this opportunistically today."

~ CPO, Chemical Manufacturer & Fortune 500 Company

procurement staffs over the next three years while another 41% expect no net change. By function type across all enterprises (including those who expect net staff size to decrease), the hiring emphasis will continue to be more focused investment in strategic areas, with 65% of all enterprises looking to expand their staff in the areas of sourcing and category / supplier management. In no small part due to process automation and incremental Business Process Outsourcing (BPO), more operational procurement staffs will shrink (36%) than grow (22%) over the next three years. Specific staffing challenges (Figure 6) for the CPO as it relates to people management involve attracting enough resources and the right kind or level of resources.

Figure 6: Top Three People Challenges



Source: Aberdeen Group, February 2008

Common themes emerged this year from procurement executives as they described their respective organizations. One very common situation is that of a procurement organization in the midst of a transformation, with much work ahead of it. As one director of procurement at a mid-market pharmaceutical company described it, "We are going through a significant transition from a traditional transaction-based to a strategic function. My staff is well-versed in transaction-based procurement but is early in the learning curve related to strategic requirements...We are developing scalable processes and have put in place a multi-year plan...The one thing we need to do in 2008 is hire a CPO and gain more visibility with senior management."

A second common situation is that of a procurement organization that has completed a transformation and possesses a skilled staff, yet is still grappling with other fundamental challenges (see Figure 8 and the discussion in Chapter 2). "We have very good central procurement capabilities and a strong desire to deliver leveraged solutions across organization...We are limited by lack of information out of systems and lack of organizational alignment," shared a director of procurement from an Australia-based

"Our credibility suffers every day that I have to put an under-skilled buyer in front of a savvy business customer."

~ Director of Procurement,
Technology Industry (Fortune
500 Company)

"Change is happening so fast in the marketplace and in my company that you have to have a talent strategy."

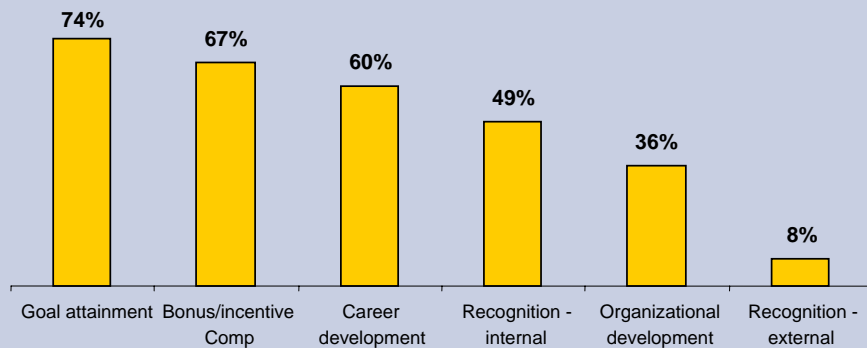
~ CPO, Global Manufacturer
(Fortune 500 Company)

engineering firm who noted some significant wins on the indirect side of the house in late 2007 and huge unexploited opportunities on the direct side.

Aberdeen Insights — Motivation

Of the 350 respondents in this year's study, more than 100 held the title of CPO or Vice President of Procurement. Aberdeen asked these leaders in procurement to detail their personal motivations - what helps them maintain their focus on a constant basis and what drives their personal performance. The majority of CPOs rank goal attainment (74%) and incentive compensation (67%) as their primary professional drivers.

Figure 7: The CPO's Top Motivators



Source: Aberdeen Group, February 2008

Make a Wish - Part I

Aberdeen asked CPOs and other procurement executives to highlight the one thing they wished they could change. A few responses are included below:

- √ Marketing and Communications Lead "Our organization should include a communication professional for internal marketing / communication, website maintenance and intranet maintenance."
- √ "Increased participation earlier in the design phase of new products in order to maximize supplier management and reduce overall product costs."
- √ New staff "We have an older staff with historical burden and abilities. We need fresh ideas and educated people."

In the next chapter, we will look at the strategies that Best-in-Class CPOs employ to increase the percentage of spend under management and identify and exploit opportunities to deliver strategic value to the larger enterprise.

Chapter Two: Benchmarking Requirements for Success

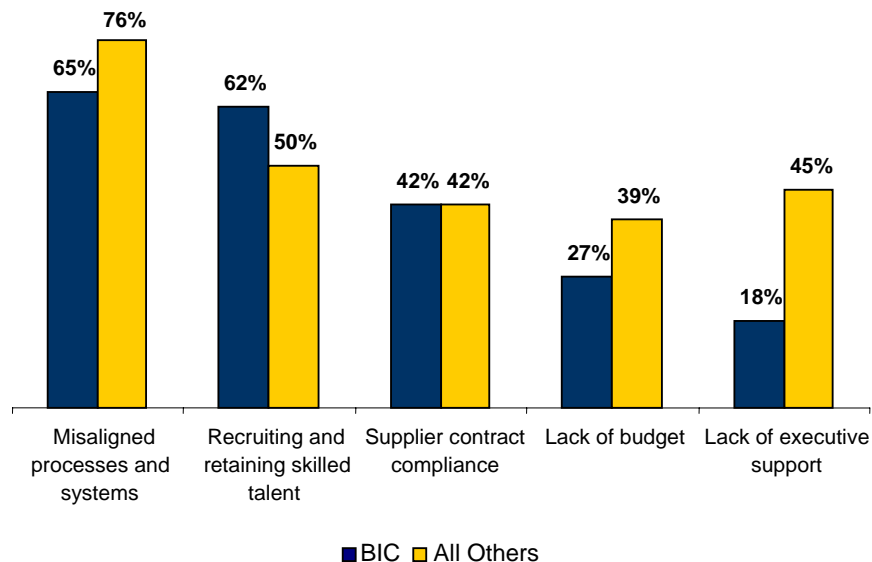
On transformation: "Procurement executives were clear: automation and strategies are important, but transformation and execution will rely on having the right people and organizational alignment." ~ *The CPO's Agenda: Five Strategies for Procurement Transformation*; March 2005

The Long Drive

The procurement "revolution" of the late 1990's has in truth been much more evolutionary in nature. And while the occasional procurement patriot throws a long bomb to achieve a quick win, over time, procurement leaders know they must grind it out on the ground if they are to consistently move the ball forward. The proper blend of talented people, efficient processes, and enabling technology is needed to achieve a broad procurement transformation. But achieving the desired mix is as much an iterative process as it is an incremental one.

Operational excellence in procurement cannot be achieved in a vacuum. There are change issues that are much larger than any team or single department, making a receptive and fertile enterprise an organizational necessity. The enterprise must be open to the "radical" concept that procurement can do more than manage the order and delivery of certain goods and services; that it can deliver strategic value the its internal customers and to the enterprise at large.

Figure 8: Barriers to Procurement Transformation



Source: Aberdeen Group, February 2008

Fast Facts

- ✓ Misaligned processes and systems (**71%**) and recruiting and retaining people (**53%**) are the top barriers to success
- ✓ **57%** of the Best-in-Class utilize multi-year strategic plans
- ✓ Best-in-Class are **50% more likely** to have formal LCCS programs
- ✓ Best-in-Class are **50% more likely** to operate in a center-led structure

CRM-SRM Convergence

"By the end of the year, we hope to link our commodity buying strategies to our commercial contract structure."

~ General Manager, Sourcing
(Fortune 500 Company)

"We are taking very deliberate steps to get involved earlier in the supply chain... our true goal is to engage during the sales bid stage."

~ Vice President of Supply Chain & Logistics; Power and Automation Solutions Manufacturer (Fortune 500 Company)

The barriers to transformation set before procurement and its leaders (Figure 8) are as straightforward as they are complex. CPOs and their departments struggle to standardize and automate processes and they are challenged in their ability to garner the right resources to develop and support them. It is interesting to note that the top challenge for procurement in 2005, misaligned processes and systems, as highlighted by 75% of CPOs, remains the top challenge three years later.

Competitive Assessment

Aberdeen Group analyzed the performance of 350 survey respondents to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each maturity class shared characteristics in five key categories: (1) **process** (2) **organization** (3) **knowledge management** (4) **technology** and (5) **performance management**. These characteristics identified in Table 3 serve as a guideline to benchmark operational activity and to understand industry best practices and key drivers of Best-in-Class performance.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Low-cost country sourcing		
	60%	48%	29%
	Incremental BPO (by business process)		
	60%	48%	29%
Organization	Center-led procurement organization		
	48%	37%	28%
Knowledge	Invest in specialized training		
	66%	48%	39%
	Use a multi-year strategic procurement plan		
	57%	48%	35%
Technology	Automation levels for the Source-to-Settle process		
	<ul style="list-style-type: none"> ▪ 58% Spend Analysis ▪ 53% e-Sourcing ▪ 47% Contract Lifecycle Management ▪ 70% e-procurement ▪ 41% e-payables 	<ul style="list-style-type: none"> ▪ 45% Spend Analysis ▪ 45% e-Sourcing ▪ 36% Contract Lifecycle Management ▪ 56% e-procurement ▪ 39% e-payables 	<ul style="list-style-type: none"> ▪ 42% Spend Analysis ▪ 28% e-Sourcing ▪ 34% Contract Lifecycle Management ▪ 40% e-procurement ▪ 31% e-payables

"Critical success factors in transforming the department?"

- √ Clearly articulated plan with financial and personnel investments, deliverables, and milestones outlined
- √ Executive buy-off
- √ User community involvement
- √ Continuous and pervasive communication
- √ Celebration of success"

~ John Mayes, CPO, Yale University

Make a Wish - Part II

Aberdeen asked CPOs and other procurement executives to highlight the one thing they wished they could change. A few responses are included below:

- √ "[We need] Better understanding of quality requirements that flow to suppliers; managers do not always identify this information to the procurement function."
- √ Centralized procurement - "We would have avoided putting a procurement and AP group in each individual factory."
- √ "Executive buy-in to our three year strategy and support when business lines do not want to play the game."

	Best-in-Class	Average	Laggards
Performance	Top Five financial-based KPIs used to measure procurement performance (with percent using each metric)		
	<ul style="list-style-type: none"> ▪ Identified savings (77%) ▪ Implemented savings (73%) ▪ Cost avoidance (66%) ▪ Spend under management (62%) ▪ Supplier performance (61%) 	<ul style="list-style-type: none"> ▪ Identified savings (76%) ▪ Implemented savings (57%) ▪ Cost avoidance (58%) ▪ Spend under management (71%) ▪ Procurement ROI (57%) 	<ul style="list-style-type: none"> ▪ Identified savings (67%) ▪ Implemented savings (39%) ▪ Cost avoidance (56%) ▪ Spend under management (56%) ▪ Procurement ROI (41%)

"We have a B2B portal with key direct material suppliers to accept system-level forecast data and ultimately fulfill on a project-specific basis as opposed to the shipment of items to be put to stock and pulled later to fulfill project needs."

~ Director of Procurement, Utilities Sector

Source: Aberdeen Group, February 2008

Capabilities and Enablers

Best-in-Class procurement organizations differentiate themselves by the strategies that they employ, the capabilities that they utilize, and the solutions that they leverage. A few key areas are discussed below.

Low-Cost Country Sourcing (LCCS)

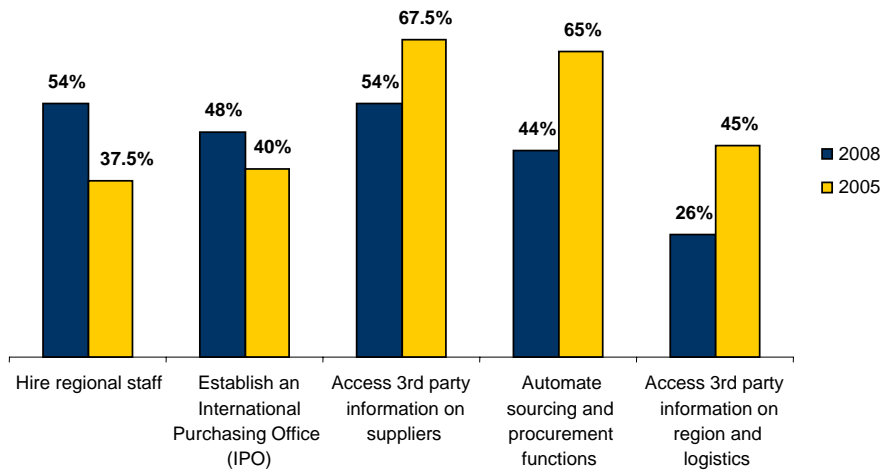
Sustainable results in strategic sourcing are achieved by sourcing teams that leverage a blend of category, process, supply base, and technology expertise. Sourcing from low-cost countries, where lower costs for labor, materials, and production can provide new savings opportunities, are often accompanied by higher levels and different kinds of risk. Enterprises are also moving off-shore as a way to expand their presence in global markets and better service their global customers. The tradeoffs inherent in managing low-cost country suppliers must be incorporated into a view of the relationship that evaluates the total cost of ownership.

While Best-in-Class enterprises are twice as likely to have formal LCCS programs, the strategies used in 2008 by enterprises to advance their initiatives are uniform across maturity class. When the strategies of today are compared to those utilized three years ago (Figure 9), there is a clear trend towards those strategies that get "feet on the street" in the different sourcing regions. This is a very strong indication that, despite the numerous supplier / product / quality issues that captured headlines in 2007, LCCS (or global sourcing) as a prominent sourcing strategy is here to stay, and that CPOs who lack a global sourcing plan are wise to put this at the top of their 2008 agenda.

"We have too many suppliers and national contracts that have been in place for years at a time without testing the market. We are a 100-year old company and have a very hard time switching suppliers."

~ VP, Sourcing (Fortune 500 Company)

Figure 9: Strategies to Advance LCCS Initiatives 2008 vs. 2005



Source: Aberdeen Group, February 2008

To manage projects on a global stage, sourcing professionals must develop and utilize advanced sourcing strategies (see side panel for definition) to help their groups evaluate more complex sourcing decisions and identify the highest value suppliers. Access to knowledge of foreign markets and their supply bases must expand exponentially (as evidenced by Figure 10), which highlights the different regions that enterprises based in North America, EMEA, and Asia-Pac source from today.

On Total Cost of Ownership (TCO): "The science of buying is recognized more clearly in its proper perspective today than ever before. Increasing consideration is being given not only to the first cost but also to the longer range factors of fitness, inter-changeability, renewals, replacements, general maintenance, wearing qualities, and cost per unit of utility. The tendency to buy at so much per unit of quality or utility, instead of per unit of quantity, is one that will increase. The idea is fundamentally and economically sound."
~ Norman F. Harriman, *Principles of Scientific Purchasing*; 1928.

"Our knowledge database is kept on vendors spend, capacity and performance, and allows for better vendor selection and negotiations."

~ IT Director, Media Company

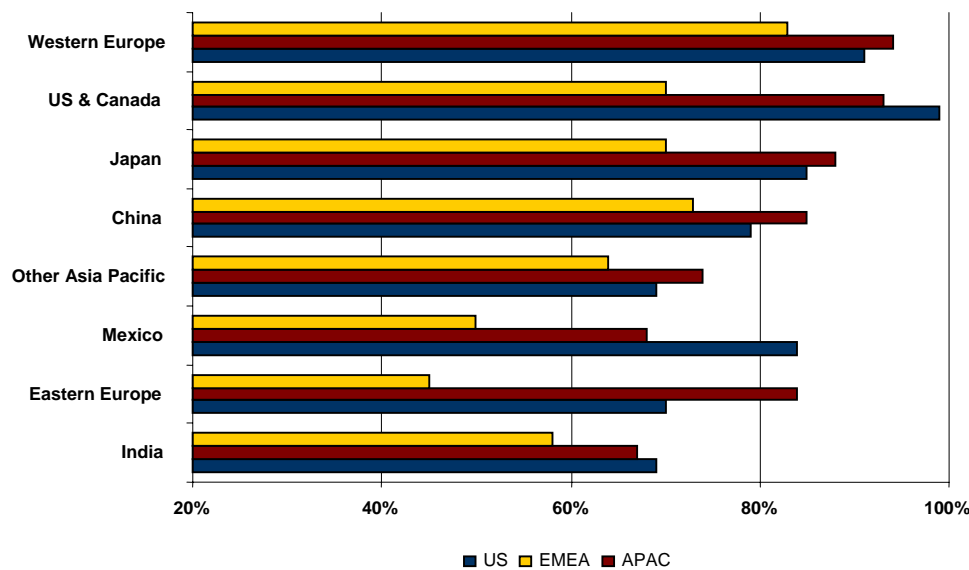
"Advanced Sourcing & Negotiation" definition

Advanced sourcing and negotiation is a blend of art and science, combining business, category, and supply expertise with leading e-sourcing technology and associated value-based decision support capabilities including:

- √ Bid optimization
- √ Cost modeling
- √ Matrix or tiered pricing
- √ Flexible bidding
- √ Product lifecycle sourcing
- √ Team and automatic scoring

67H [Advanced Sourcing and Negotiation Benchmark](#); January 2007

Figure 10: Global Sources of Supply



Source: Aberdeen Group, February 2008

On supply risk: "In today's competitive and unpredictable global market, the pervasive inadequacies of enterprise supply risk management capabilities are cause for outright alarm." ~ [Supply Risk Management Benchmark](#); September 2005.

Center-Led Procurement

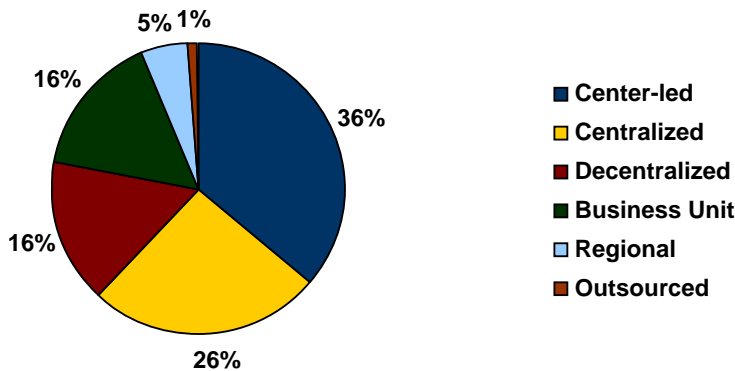
On organizational structure: "It has seemed wise to form a new basis for buying, consisting in the establishment of a central purchasing department, which takes direct charge of the buying of the larger and repetitional [sic] items, supervising at the same time the local purchasing of smaller items at the various plants." ~ William D. Ennis, "The Relation of Purchasing to Production," *The Engineering Magazine*; 1905

Developing a center-led procurement structure is a difficult proposition, but it is one that the Best-in-Class adopt 50% more often than their peers. This organizational structure blends centralized policies and processes and a focus on spend aggregation with decentralized decision-making in "the field" of operations. Yet, despite the prevalence of center-led and centralized procurement operations, misaligned processes and systems remains the top barrier to success.

"The overall ability of the department is excellent, but it falls under intense internal control struggles. The individual silos that are in place and have been for many years, prove to be a difficult barrier for the department to break through. Slow gains..."

~ Vice President of Purchasing,
European-based Publishing
Company

Figure 11: Procurement Department Structures



Source: Aberdeen Group, February 2008

"The ability of the procurement department exceeds the abilities of other functions. This is due mainly to the development of the technology that was built into our purchasing system."

~ Procurement Director, Mid-Market Distribution Company

On relationships: "The adoption of sales and marketing methodologies will add significant value as CPOs look for better ways to sell internally and manage relationships both internally and externally." ~ *CPO's Strategic Agenda: Managing People, Managing Spend*; November, 2006.

Process Automation

The enterprises participating in this research effort utilize a varied set of solutions to automate different portions of the source-to-settle process (see Figure 5). As the solutions in the supply management marketplace have evolved over the past decade, the functional gap between the offline legacy processes and the solution capabilities has closed dramatically, presenting an opportunity for procurement departments to legitimately move to complete automation. The Best-in-Class invest more significantly across all areas but specifically more so in the areas of e-procurement, spend analysis, and e-payables.

"We distribute customer service surveys from to our end-users to track performance metrics and measure procurement's SLAs for [internal] customer service."

~ CPO, Public Sector

On e-payables: "Accounts payable teams can learn from purchasing's recent transformation. In many organizations, purchasing has been highly visible in proactively leading a first wave of savings." ~ *Accounts Payable Success Stories*; June, 2005.

Case Study — Collaboration

Pratt & Whitney (a UTC company) utilized its proactive 3P (Production Preparation Process) Approach in the design, sourcing and supplier management for its new series of PW 600 jet engines. The demand for this new engine would greatly outweigh any engine previously produced by the P&W and required proactive collaboration between the product, operations, and procurement teams that began the project with the end goals in mind. "We wanted to meet cost, quality and assurance from the very beginning," noted project lead, Katherine O'Flaherty.

continued

"Our key is over-communication. We work to jointly develop measures of success and tracking back to bottom-line performance. We also proactively share market trends, shifts, volatility changes in demand and price points."

~ VP, Direct Procurement, Consumer Electronics (Fortune 500 Company)

Case Study — Collaboration

The project team leaned on procurement to develop an innovative supply chain and have it in place at the program launch. Procurement worked quickly to rationalize 90 suppliers down to a core of 30, all of whom were signed on as the program began. With negotiations out of the way, the suppliers were quickly viewed as partners in the process and participated in Kaizen events on site and even hosted several in their own facilities which drove quality deviations from 200 at the beginning ultimately to zero.

Continues O'Flaherty, "We saw a tremendous advantage in terms of our supplier's engagement, preparedness and maturity level because of their entry into the process at such an early time." And, with a final engine that had 50% fewer parts than other similar engines and took eight hours instead of the anticipated eight days to build, P&W (and its customer) reaped huge benefits from the early involvement of procurement, and its ability to engage and collaborate with its suppliers.

KPIs

While the list of top ten KPIs (Table 3) utilized by CPOs are the same across maturity class, the rank order in which they appear is not. Best-in-Class enterprises place a much greater significance on implemented savings and supplier performance, while procurement ROI and spend under management rank higher with Average and Laggards.

Procurement ROI, defined as annual savings generated by the procurement department divided by the total annual investment in procurement operations, is an interesting measure and one that deserves a discussion given its recent promotion by "consultants" in the marketplace. The measure misses the larger goal of business operations since CPOs, like the enterprises that employ them, should be focused on generating the largest total net return from their department. While Aberdeen views the metric as a decent relative indicator of procurement department performance (when used in context with other KPIs on the list below), it should not be a primary goal for the CPO to maximize this number.

Beyond savings and efficiency metrics, 79% of procurement executives track performance of supply assurance or availability.

"Cost avoidance is a cancer for procurement. Focus on hard-dollar savings so there is absolutely no confusion about the definition of your savings."

~ CPO, Financial Services
(Fortune 500 Company)

Table 4: Top 10 Procurement Key Performance Indicators (KPIs)

KPI	% Selected
Identified cost reduction savings	72%
% of total spend under management	64%
Cost avoidance	58%
Implemented / realized cost reduction savings	55%
Procurement ROI (savings / operating costs)	52%
% of suppliers = 80% of spend	51%
Supplier performance (price, delivery, quality, service, etc.)	49%
Procurement spend as % of revenue dollars	46%
Requisition, PO or invoice transaction volume	34%
Procurement spend per procurement employee	33%

Source: Aberdeen Group, February 2008

"You have to be careful dealing with cost savings carried for a single year. Depending on how you incent your specialists, you may be training them to sign shorter-term deals that can hit the company down the road."

~ VP, Operations & Procurement, Defense Industry (Fortune 500 Company)

Category Management

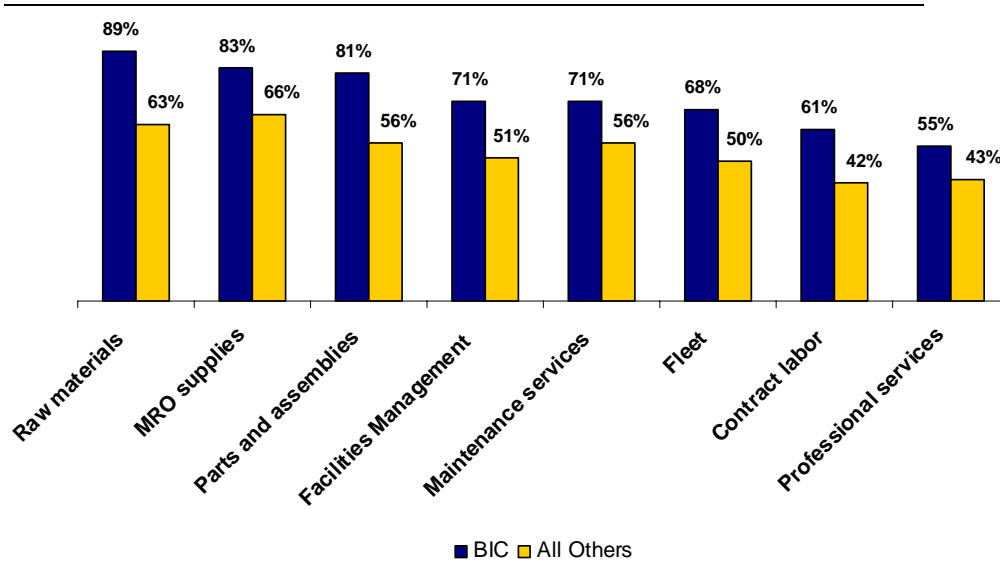
The Best-in-Class, by definition in this report, manage a higher percentage of spend than their peers. Like their peers, the Best-in-Class look to spend analysis as the primary method to increase spend under management. This approach has been validated by Aberdeen research¹ which has shown that enterprises report a 34% increase in spend under management as a result of spend analysis activity categories. Improved visibility into enterprise spend enables procurement departments to more readily identify savings opportunities by category, leading to increased involvement in managing these categories to achieve the identified potential savings. Best-in-Class enterprises are 60% more likely to hire and develop commodity specialists on the staffs, which may account for the greater level of involvement they have with the set of categories in Figure 12.

"Efforts are under way to strengthen team expertise and knowledge by hiring of more experienced and qualified employees, but the company has not been willing to pay market prices for purchasing personnel."

~ Procurement Leader, Paper / Lumber Industry, Large Enterprise

¹ [Spend Analysis: Working Too Hard for the Money](#); August 2007

Figure 12: Percentage of Procurement Departments that Manage Each Category



Source: Aberdeen Group, February 2008

Aberdeen Insights — Functional Peers, Functional Partners

With more than 70% of spend under management, Best-in-Class procurement organizations view complex categories as the last frontier to cross. These leaders understand the importance that collaboration between procurement and its sister functions (like human resources, engineering, travel, and marketing) will have as a way to increase the strategic value that can be delivered to the enterprise. Involving the procurement department early in the product design process or in the sourcing of categories like marketing materials / services, contract labor, and travel can drive cost savings and process efficiencies by leveraging the skill sets of distinct groups. For most enterprises, this type of collaboration is the exception; yet, for those that do, savings is the rule. For example:

- Enterprises that report a high-level of collaboration between human resources and procurement in the management of contract labor see a savings benefit that is 115% greater than all other enterprises.
- 70% of enterprises report that procurement's involvement in sourcing travel has resulted in cost savings.
- 64% of enterprises are instituting regular collaboration between procurement and marketing in the purchasing of marketing materials and services.

"Our success factors in partnering with other groups?

- ✓ Understanding that this is about a business strategy, not just the procurement strategy.
- ✓ Looking at end-to-end processes and tying that all together.

A major step change from what was done years ago."

~ Howard Richman, Executive Director, Procurement Merck

On recessions: "With the global economy slipping into a recession, cost cutting has become job one for most businesses. After reducing headcount and streamlining internal processes, companies are now looking to trim the fat and inefficiencies from their extended network of supplier partners. Procurement and supply chain management are at the head of this charge." ~ *Best Practices in E-Procurement*; December 2001.

Case Study — What Can Green Do For You?

As the Global Director of Supply Chain at Material Sciences Corporation (MSC), Kirk Eberhart, spends a good part of his day focusing on sustainable procurement. The \$280 million provider of materials solutions (i.e. coatings and laminates), began its green programs by focusing on low-hanging fruit - internal recycling of paper, ink and toner cartridges, and waste oil - and quickly developed an ability to calculate total supply chain lifecycle costs. This experience culminated in a corporate philosophy committed to green sourcing. Eberhart's team now includes a standard set of questions for suppliers in the RFI / RFP stage.

"We have been successful managing a variety of our core categories including metals, paints and chemicals, and energy in our green program," reports Eberhart, who suggests packaging as a good place to begin a green initiative since recycling and using biodegradable materials produce a series of typically unaccounted for "soft costs" such as landfill costs and garbage costs. Eberhart also suggests that if you are located in proximity to a landfill, to investigate landfill gas which offers the same BTU as natural gas at a better price. MSC's keys to jump-starting a sustainable procurement program:

1. Attach a dollar sign to every initiative to let people know about the savings involved.
2. Remember to calculate and communicate the lower procurement costs as well as the avoided disposal costs.
4. Communicate with suppliers to get insights into where opportunities exist to cut costs.
5. Track savings for your firm and for your suppliers.
6. Deeply analyze the entire product lifecycle and associated supply chain.

Perspectives on Sustainable Procurement

"Right now, these green initiatives are just another marketing ploy like "Look for the Union Label" and "Made in the USA." Can companies really track these benefits?"

~ CEO, Mid-Atlantic-based
(U.S.) Medical Insurance
Company

"This has changed everything for our customers. They are all focused on reducing the mass in their vehicles to gain an environmental advantage. We have had three major part rationalization initiatives in the past 6 months, looking for any opportunity to shave mass to improve M.P.G."

~ Sourcing Specialist, Tier Two
Auto Supplier

"If our customers want it, we will do it. If we can save money we will do it. But at some level the green supply chain reminds me of the big push last decade on supplier diversity, which definitely made an impact, but has largely been forgotten by the Fortune 200."

~ Director of Strategic
Sourcing, (Fortune 500
Company)

Chapter Three: Required Actions

Whether a Chief Procurement Officer is trying to move his / her department's performance from Laggard to Industry Average or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements. While Aberdeen benchmarks provide actions by maturity class, the recommendations listed below should be considered by all CPOs and procurement executives.

Laggard Steps to Success

- **Formalize your people management program.** To find and retain top talent, procurement must become be a professional destination. The CPO should leverage the talent management strategies employed in other parts of the enterprise.
 - **Establish competency models by job level.** As part of this, define the hard skills (i.e. technical knowledge) and soft skills (i.e. attributes, behaviors) that people must possess to be successful in each role.
 - **Develop a career path planning program** that defines the criteria for advancement to higher pay grades, management, and executive levels and outlines the developmental areas that need to be attained in order to be prepared for advancement. Once this is in place, make sure current and future staffers have a clear understanding of the responsibilities and expectations set for them in their role and assess their development progress on a regular basis.
 - **Utilize other strategies** like job rotational programs and internships. As one CPO interviewed for this effort put it, "To have the best people, it must be a great place to work."
- **Champion the standardization of source-to-settle processes across the enterprise.** Develop a "SWAT" team of process experts to define, refine, and deploy efficient, centrally managed processes for all aspects of procurement. Look for opportunities to map these processes to current technology solution sets and seek to expand automation solutions to enable enterprise-wide policies and procedures.

Industry Average Steps to Success

- **Intensify efforts to collaborate with business and functional stakeholders.** While the path to increasing spend under management is built upon spend visibility and departmental expertise, it travels through business and functional stakeholder engagement and collaboration. Procurement can and should be a valued partner. Develop marketing strategies and "collateral" that

Fast Facts

- √ Identified cost savings remains the top procurement KPI tracked by **72%** of enterprises.
- √ **79%** of enterprises track supply assurance performance
- √ **74%** of enterprise look to Spend Analysis as a top strategy to increase spend under management

Savings Tiers

Identified: Beyond simple identification of a savings opportunity, this tier of savings is characterized by sourcing activity and negotiated pricing, where savings potential is attainable.

Implemented (or realized): After the contract has been executed, enterprises begin to realize the potential of previously identified savings opportunities. This tier is characterized by purchasing, receiving, invoicing, and settlement activity and ensured by contract compliance and strong end-user adoption.

Booked: Once savings have been realized, they can be recognized or booked in operating budgets and other enterprise-level financial statements. This tier is characterized by close involvement with finance, procurement, and the budget holder.

[70HCFO's View of Procurement: Same Page, Different Language; November 2007](#)

educate and promote the value of procurement. Establish an executive sponsor for each major category who can remove roadblocks and provide the necessary stewardship for success. Finally, since nothing succeeds like success, market the group successes loudly and often across the larger enterprise.

- **Develop and track a spend management pipeline.** Much in the same way that sourcing teams develop and execute a sourcing pipeline throughout the year, the larger procurement organization should develop an active pipeline of spend categories that will be targeted for management by procurement. The CPO should work to have this pipeline reviewed and supported by senior management and report progress against goals on a regular basis. Categories should be prioritized based upon a series of factors including number and location of stakeholders, number and location of suppliers, similarity to any category currently under management, and overall complexity.
- **Integrate a spend analysis solution with sourcing tools and processes.** Enterprises credit their spend analysis initiatives with increasing their spend under management by an incremental 34%, on average. Enterprises also credit these programs with driving incremental savings from strategic sourcing by 75%, on average (or from 6.7% to 11.7% per sourcing initiative)². The ability to identify, prioritize, and execute strategic sourcing efforts is built upon the foundation of spend visibility. Utilize an automated spend analysis solution that can capture spend data from multiple sources and match it with analytical capabilities and category expertise to build a consistently full sourcing pipeline.

Supplier enablement definition

An **enabled supplier** relationship includes one or all of the following capabilities:

- (1) Business documents and communications are exchanged in an automated fashion
- (2) Catalog content is easily managed online, if a catalog is available
- (3) Supplier information is actively managed through an automated or self-service process (including collection, verification, cleansing, and updating)

69H [Supplier Enablement Benchmark](#); May 2007

Best-in-Class Steps to Success

- **Expand supplier enablement programs.** It is critical that enterprises expand their view of supplier enablement in order to truly leverage the benefits of a fully-enabled relationship with its suppliers. Moving beyond catalog content management and PO exchange into invoice and payment transactions as well as into strategic sourcing activities will generate operational efficiencies and transaction processing savings. Enterprises should also focus effort on capturing and maintaining accurate supplier information. These efforts / solutions should be self-service, automated, and / or outsourced. However, self-service and automated solutions should not serve as a surrogate for personal interaction with suppliers.

² [Spend Analysis: Working Too Hard for the Money](#); August 2007

These strategies merely make the personal interactions more focused and effective.

- **Work with finance to define how all enterprise-level savings metrics are measured and tracked.** As part of this dialogue, push to establish "implemented" savings as the primary savings metric for procurement. Challenge the view that it is procurement's responsibility to negotiate budget reductions with the line of business. Once savings have been achieved, it should not fall to procurement to establish how this very real benefit should be allocated across the enterprise. This responsibility belongs with the line of business and / or finance.
- **Support Accounts Payable investment in e-payables solutions.** For most enterprises, the Accounts Payable (A/P) function is not viewed as a vital component of a holistic source-to-settle process, but rather, a necessary and highly tactical "evil" at the end of a supplier transaction. The CPO has a tremendous opportunity in 2008 to extend a hand of support to his / her counterparts in Accounts Payable (who process roughly 80% of their transactions in a manual process) and help build a case for A/P transformation. Procurement will benefit from an improved ability to identify negotiation leverage opportunities with suppliers, track supplier billing performance, and ensure payments are compliant to contracts.

E-payables definition

Aberdeen utilizes the term e-payables as the all-encompassing term to refer to the automated processes associated with the Accounts Payable (A/P) function, including invoice receipt and handling, reconciliation and approvals, disbursement scheduling, settlement (including confirmation and reporting), and internal and external service support.

[68HE-Payables Solution](#)

[Selection](#): September 2007

Author's Note:

The primary source of the historical quotations cited throughout this report is Harold E. Fearon's article, "Historical Evolution of the Purchasing Function" which published in the May 22, 1989 issue of the [Journal of Purchasing & Materials Management](#). Mr. Fearon has been a significant contributor to the study of Supply Management; his article is a "must-read" for procurement history enthusiasts.

Citations from previous Aberdeen Benchmark reports focused on various Global Supply Management topics are annotated by hyperlink within all electronic versions of this report. The original benchmarks are available at www.aberdeen.com.

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Appendix A: Research Methodology

In January and February 2008, Aberdeen examined the use, the experiences, and the intentions of the procurement leaders from more than 350 procurement organizations utilizing a web-based survey.

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on the strategies, experiences, and results of CPOs and their functional counterparts.

The study aimed to identify the goals and initiatives for top CPOs and present them in a framework that allows for a competitive comparison with other enterprises.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job roles: CPO (22%); vice president (16%); director (25%); manager (26%); other C-level (5%) and others (6%).
- *Job function:* Sixty percent (60%) of respondents were in procurement; supply chain / logistics (16%); IT (5%); finance (4%); sales and marketing (3%) and others.
- *Industry:* The research sample included respondents from: manufacturing (11%); high tech / software (8%); finance (7%); and 28 other industries.
- *Geography:* The majority of respondents (62%) were from North America. Remaining respondents were from EMEA (31%) and Asia-Pacific (7%).
- *Company size:* Fifty-eight percent (58%) of respondents were from large enterprises (annual revenues above US \$1 billion); 29% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 13% of respondents were from small businesses (annual revenues of \$50 million or less).

Solution providers recognized as sponsors had no substantive influence on the direction of this report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

Study Focus

Responding procurement executives completed a web-based survey that included questions designed to determine the following:

- √ The role of people, process, and technology in their course of business and on their 2008 Agenda
- √ The degree to which procurement's role in their company's strategic operations has changed over the past three years
- √ How procurement supports company financial and performance goals
- √ Leading strategies that procurement organizations are employing to transition to a value-creation function
- √ The benefits, if any, that have been derived from these strategies to date

Table 5: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, February 2008

Table 6: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, February 2008

Table 7: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, February 2008

Appendix B: 2007 Global Supply Management Achievement Awards

At the third annual CPO Summit held in November, 2007, Aberdeen's Global Supply Management practice presented five companies with Global Supply Management Achievement Awards for excellence demonstrated in five specific areas. The award winners were selected based solely on the research conducted over the past 12 months. The 2007 Achievement Award Winners were:

Hewlett-Packard won the Executive Stewardship Award for achieving performance heights due to direct involvement and leadership from executive management.

BP International won the Business Evolution Award for managing information flow across internal functional practices to achieve measurable business growth.

United States Postal Service won the Innovation in Technology Award for maximizing technology solutions to solve pressing supply chain issues and positively impact company performance.

University of Pennsylvania won the Performance Excellence Award for harnessing the performance impacts of service chain activities and mastering methodologies for financial, operational, and customer-centric performance excellence.

Chevron won the Process Excellence Award for demonstrating process ingenuity, agility, flexibility and scalability in addressing changing business requirements.

The Global Supply Management Team congratulates each organization for its outstanding achievement in procurement.

Aberdeen Awards

"We are honored to be recognized by the Aberdeen group for our use of optimization technology."

~ Robert Oates, Sr. Manager
SCM Solutions, USPS

"Thank you for the 2007 Performance Excellence Award. We are very excited to be recognized by such a highly regarded research firm as the Aberdeen Group and our peers."

- Ralph Maier, CPO, University
of Pennsylvania

Appendix C: About The Author

Andrew Bartolini - Vice President & Group Director, Global Supply Management

Andrew Bartolini is a recognized expert in sourcing, procurement, and supply management. As the leader of Global Supply Management Research at Aberdeen Group, Andrew has responsibility for all associated research, programs, and services. Andrew focuses his research on helping enterprises identify and leverage solutions to achieve operational excellence within their procurement and finance departments.

Andrew has held leadership roles in sales, marketing, and services at Ariba and Commerce One and has rich experience in strategic sourcing, business process transformation, and software implementation. He is widely quoted and has delivered keynote presentations at user conferences, industry trade shows, and business conferences in the United States and abroad. He has been named a "Pro to Know" by Supply and Demand Chain Executive and holds a B.A. in Economics from Holy Cross College and an M.B.A in Finance from Indiana University.

Appendix D: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

Executive-Based Research

- [*The CFO's View of Procurement*](#); November 2007
- [*The CPO's Agenda: Managing People, Managing Spend*](#); November 2006

Source-to-Settle Research

- [*Spend Analysis: Working Too Hard for the Money*](#); August 2007
- [*The Advanced Sourcing and Negotiation Benchmark Report*](#); January 2007
- [*Contract Lifecycle Management and the CFO*](#); April 2007
- [*E-Procurement 2.0*](#); August 2006
- [*Supplier Enablement*](#); May 2007
- [*E-Payables Solution Selection: Your 2007-2008 Guide to A/P Transformation*](#); September 2007
- [*The Purchasing Cards Benchmark Report*](#); August 2007

Complex Category Research

- [*Travel and Procurement: The Convergence*](#); October 2007
- [*Contract Labor Management: Permanent Solutions for Temporary Workers*](#); January 2008
- [*Real Estate and Facilities Lifecycle Management*](#); June 2007

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

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