

Succeeding in a Dynamic World: Supply Management in the Decade Ahead

Presented to

**NAPM
Denver**

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Study background

- Initial “Futures” study completed in 1998

The Future of Purchasing and Supply
A Five- and Ten-Year Forecast



- 2007 research objective: update and extend that research
- Both studies sponsored by CAPS Research, A.T. Kearney, and ISM

Study methodology

Multiple Research Streams

Focus Groups,
Conference Calls,
Interviews

(113 participants)

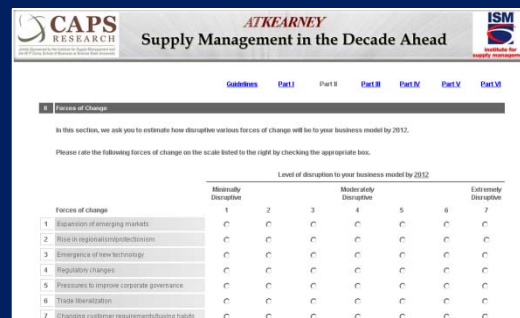


Global Coverage

North America, Europe, Latin
America and Asia/Pacific
Participation

e-Survey

(180 participants)

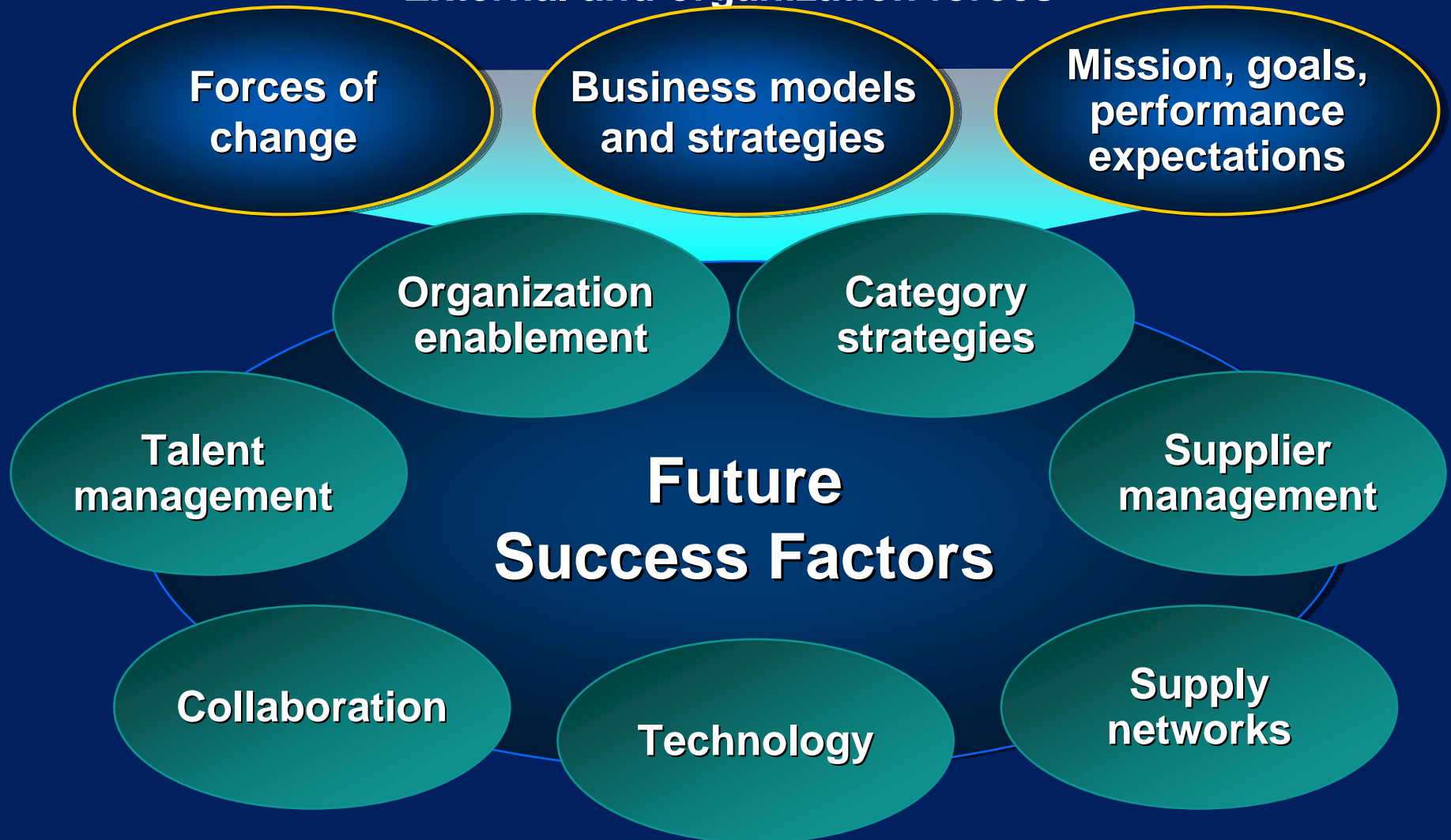


Forces of change	Level of disruption to your business model by 2012						
	1 Minimally Disruptive	2	3	4 Moderately Disruptive	5	6	7 Extremely Disruptive
1. Disruption of emerging markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Rise in regulatory protectionism	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Emergence of new technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Regulatory changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Pressures to improve corporate governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Trade liberalization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Changing customer requirements/buying habits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Research framework

External and organization forces

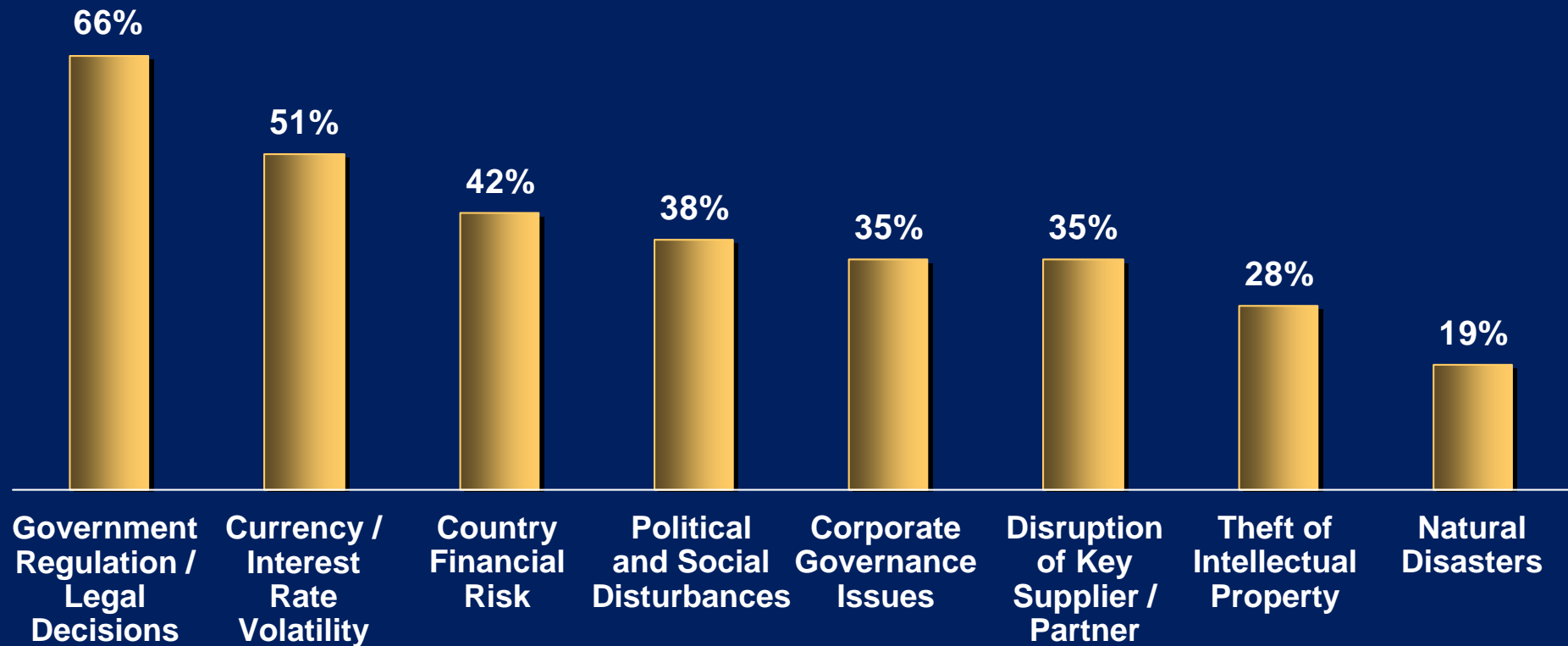


Agenda

- **The Changing World**
- **Key Strategies for Supply Management Success**
- **Career Management in a Complex World**

Global firm operations subject to more risks

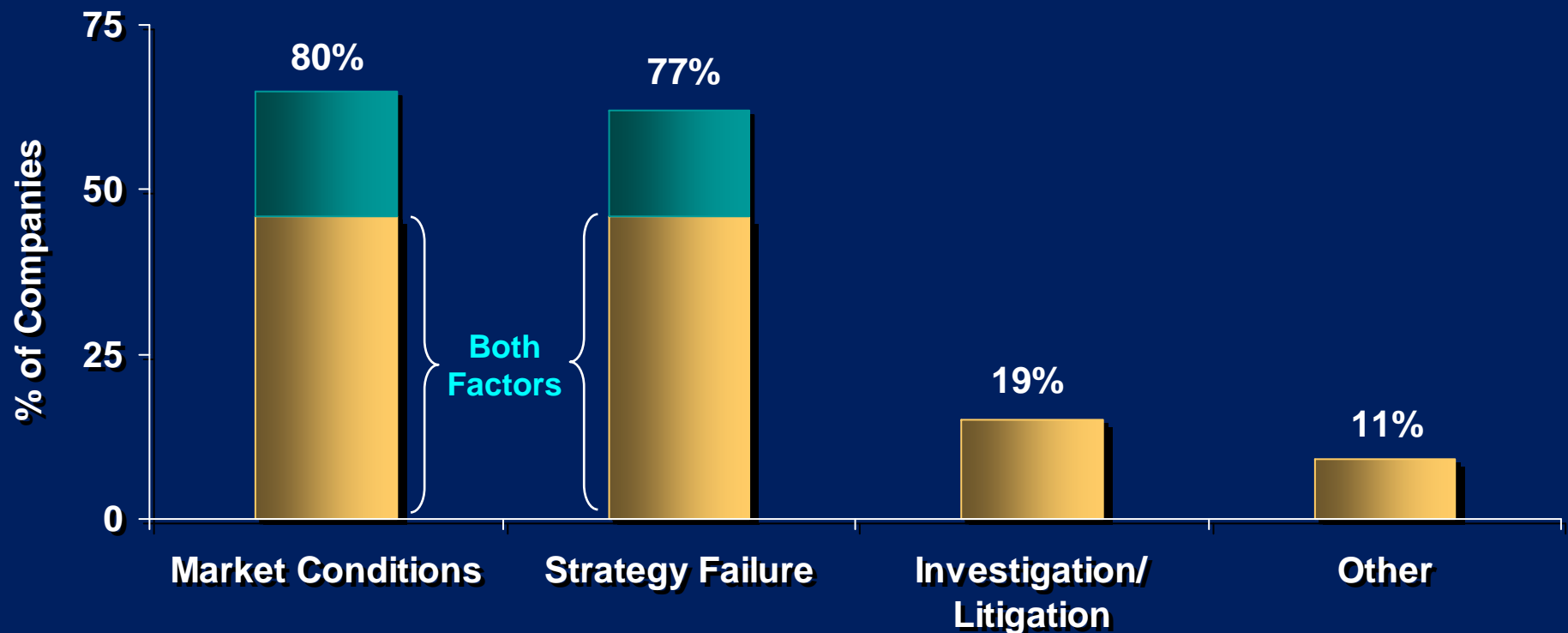
Most Critical Risks to Firm Operations (2005) (% of Total Respondents)



Source: A.T. Kearney Foreign Direct Investment Confidence Index, 2005

Lack of strategy and failure to adapt drive extreme losses

Factors Contributing to Market Cap Drops Greater Than 50% Year Over Year (S&P 500 in 2001-2005)

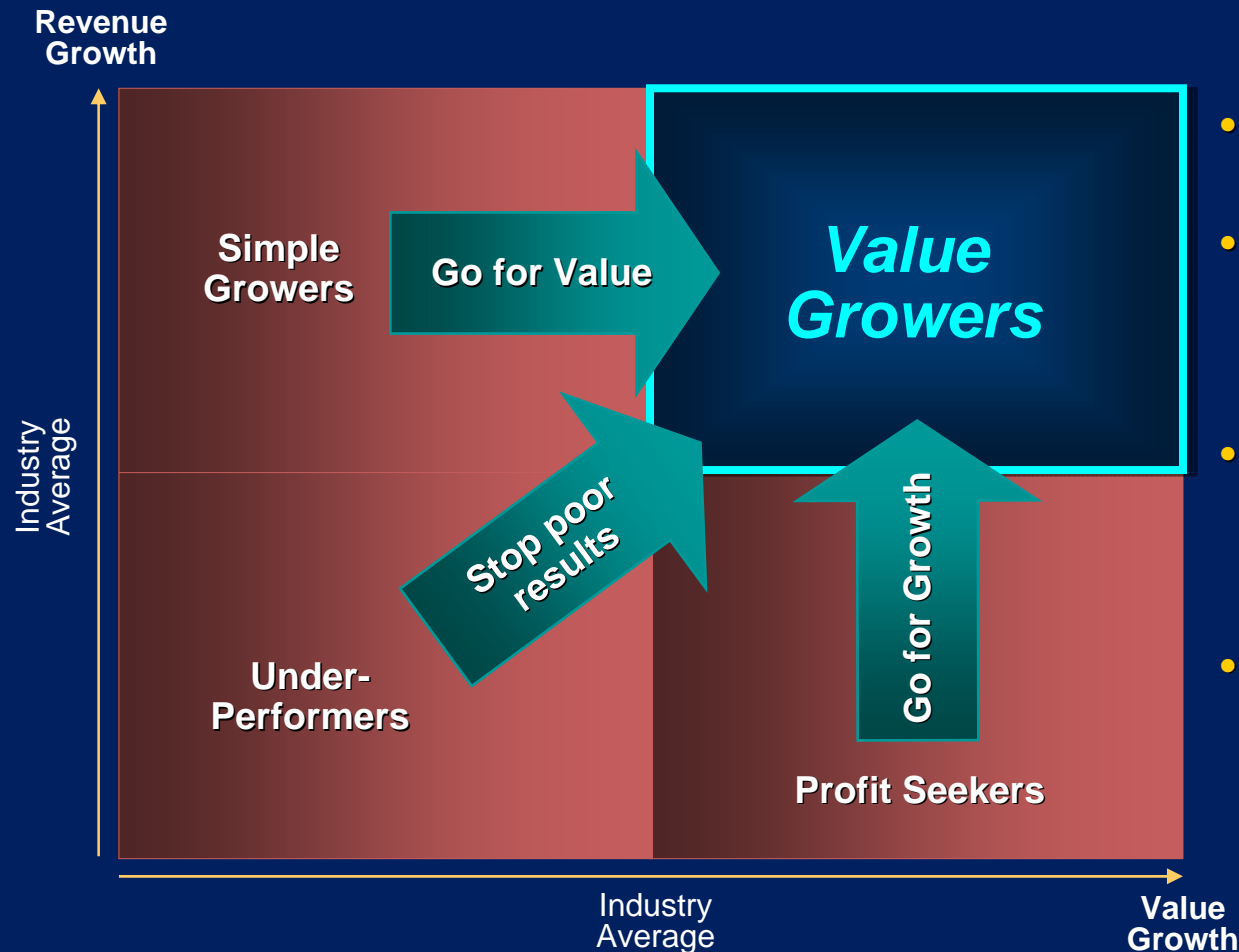


Source: A.T. Kearney analysis of Analyst Reports, Hoovers, Annual Reports, Published Articles

Successful — or “value growing” companies take risks

Value Growing Companies:

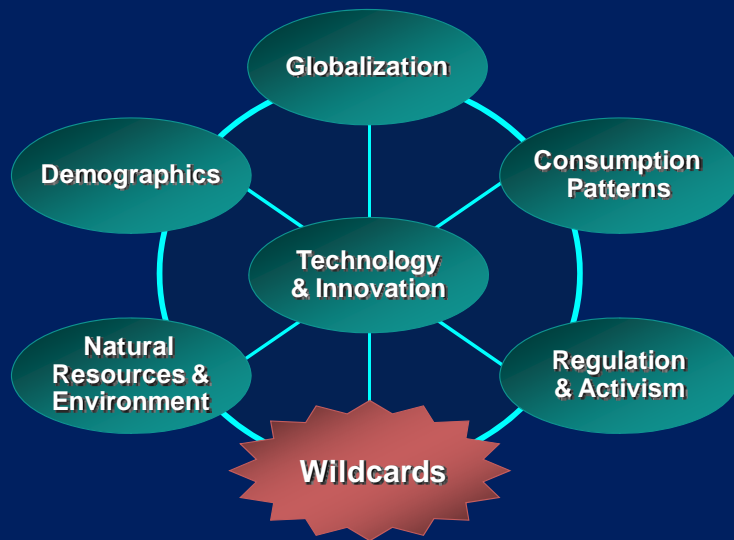
- Capitalize on the opportunities of globalization
- Pursue long term revenue growth while balancing the need for short term profitability
- Believe only 13% of performance is defined by external factors beyond their control
- Become strong and lean: build muscle even as they trim fat



Source: *The Value Growers* A.T. Kearney

External and organizational forces will reshape supply management

Forces of Change



Business Models and Strategies

Income Statement

Revenue

- Move up the value stream
- Enrich customer relationships
- Embrace emerging markets

Cost

- Address structural costs
- Pursue ongoing cost reduction

Balance Sheet

Fixed Assets

- Reduce investment
- Make assets more efficient, flexible and mobile

Working Capital

- Reduce requirements
- Increase cash flow

Supply mission goals and performance expectations

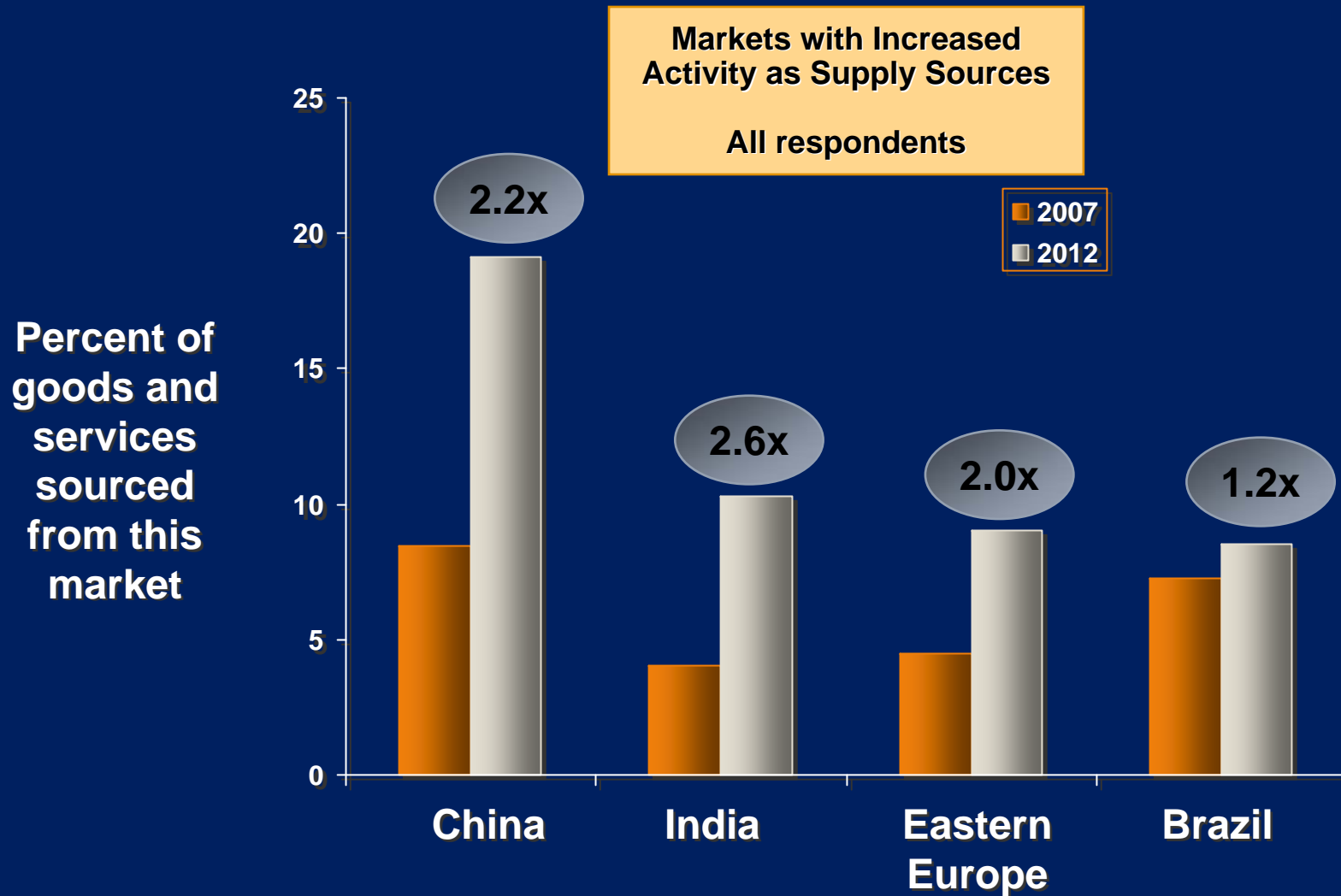
More Innovation
from Suppliers

Contributions to
Revenue Generation

Supply Risk
Mitigation

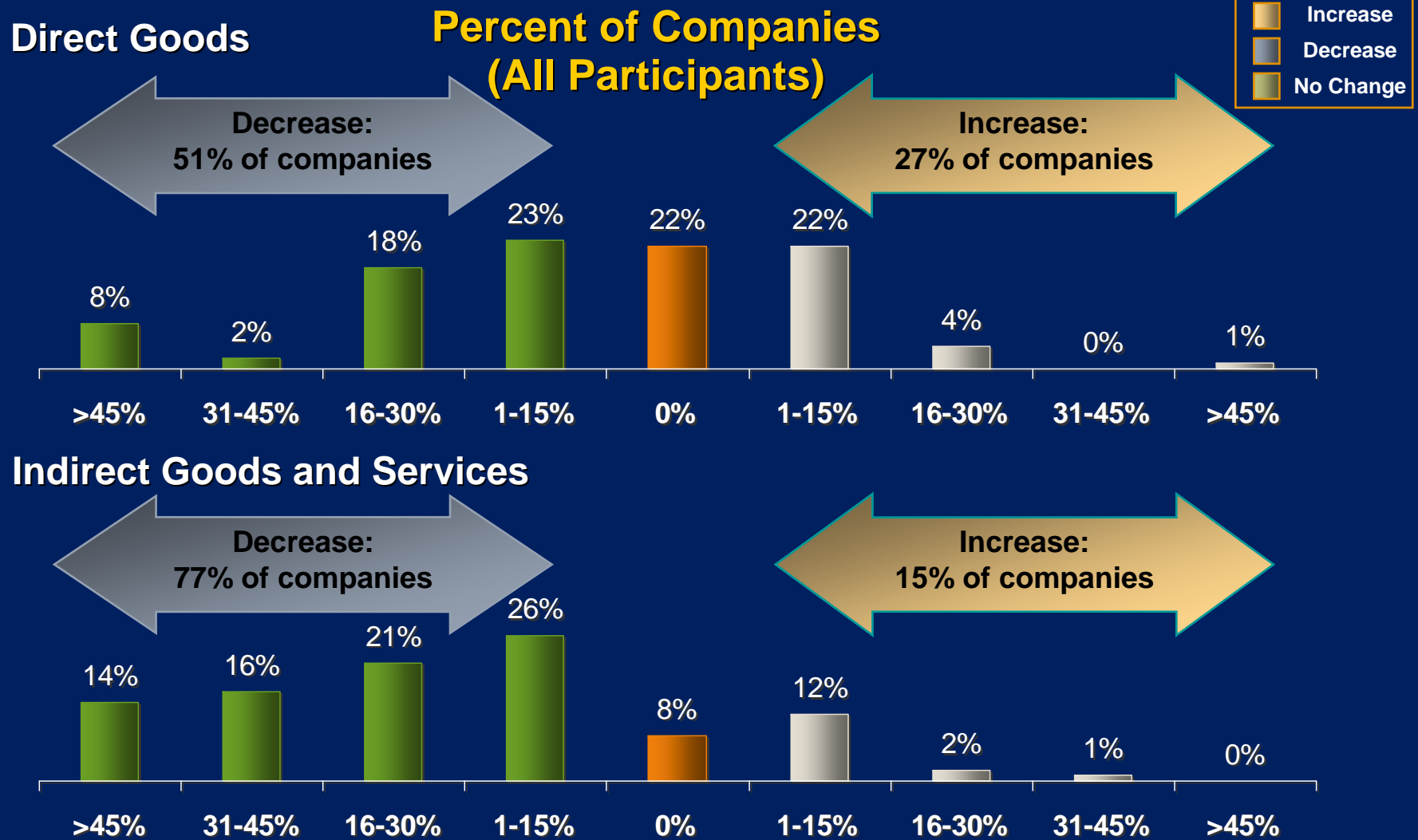
Expanded Cost
Management

Rapid growth seen for China, India and Eastern Europe as source markets



Source: 2007 Future of Supply Management e-survey

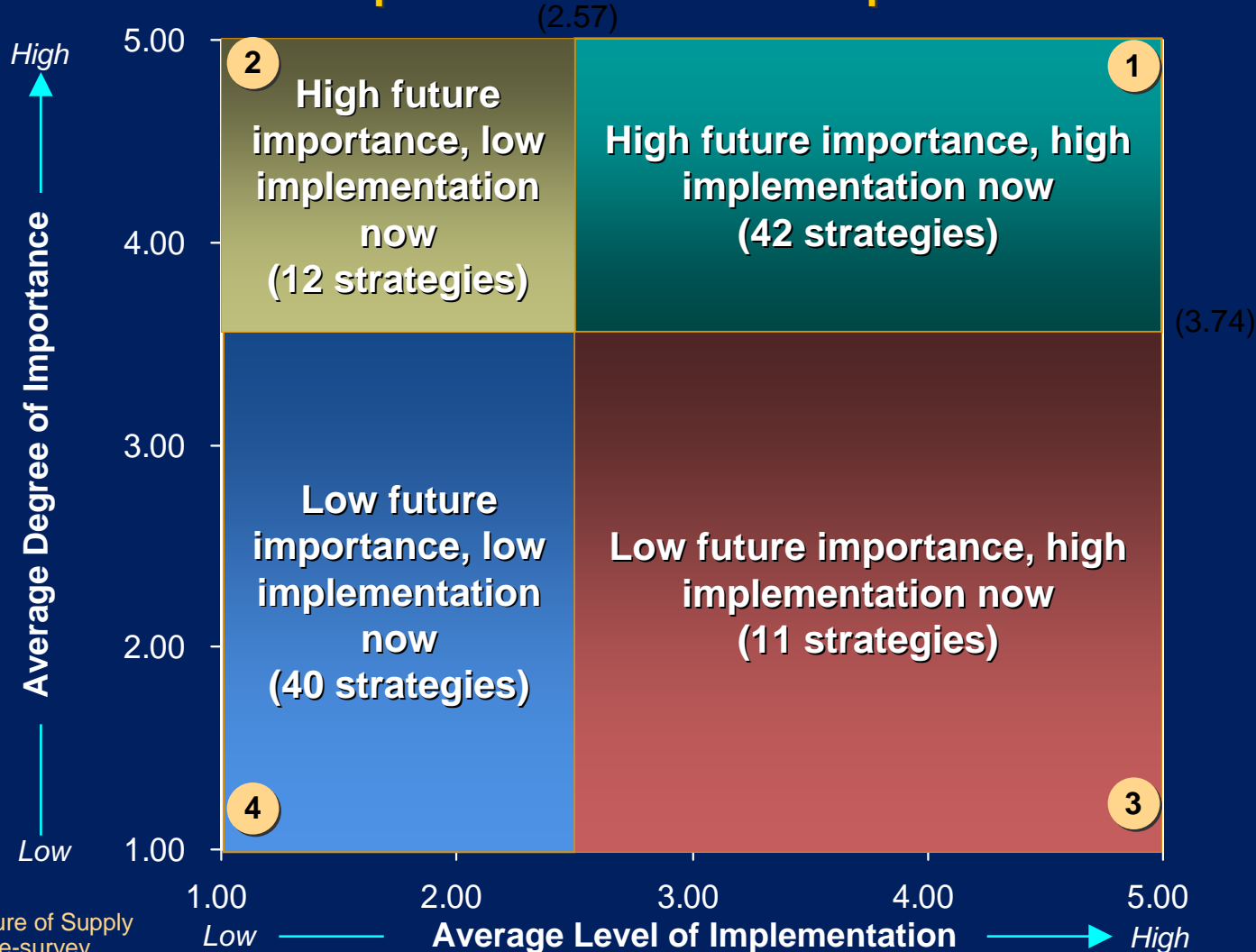
Most companies see net decrease in number of suppliers by 2012



Source: 2007 Future of Supply Management e-survey

Companies anticipate what strategies will be needed, but readiness lags

Future Importance vs. Level of Implementation



Source: 2007 Future of Supply Management e-survey

Biggest gap: Information sharing across the extended supply chain

Top 4 Survey Gaps – Quadrant 2



Strategy Name	Avg. Score		Gap
	Importance	Implement	
Provide transparency of operational information (e.g demand requirements, inventory levels and forecast) throughout the supply chain	4.00	2.33	1.67
Provide transparency of capacity and capability information throughout the supply chain	3.81	2.21	1.60
Provide transparency of cost and financial information throughout the supply chain	4.07	2.53	1.54
Integrate sales and operations planning across the supply chain	3.84	2.47	1.37

Collaboration remains a challenge

Top 4 Survey Gaps – Quadrant 1



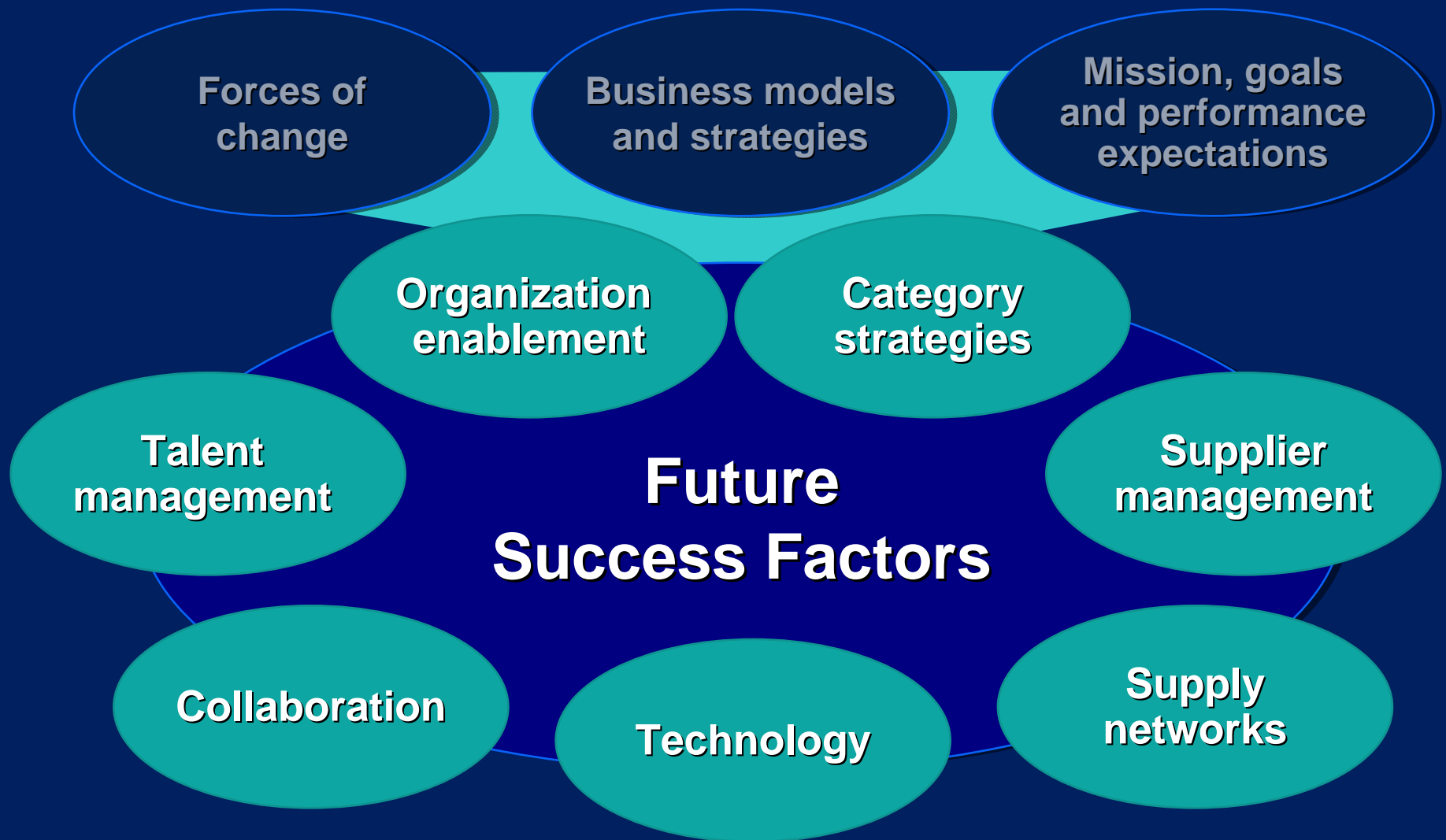
Strategy Name	Avg. Score		Gap
	Importance	Implement	
Improve working relationships with strategic supplier	4.42	2.96	1.46
Integrate business planning and supply management	4.28	2.70	1.58
Develop common performance metrics across supply chain	4.28	2.62	1.66
Collaborate with suppliers and customers to reduce supply chain costs	4.25	2.71	1.55
Use common company-wide data base	4.19	2.70	1.49

Source: 2007 Future of Supply Management e-survey

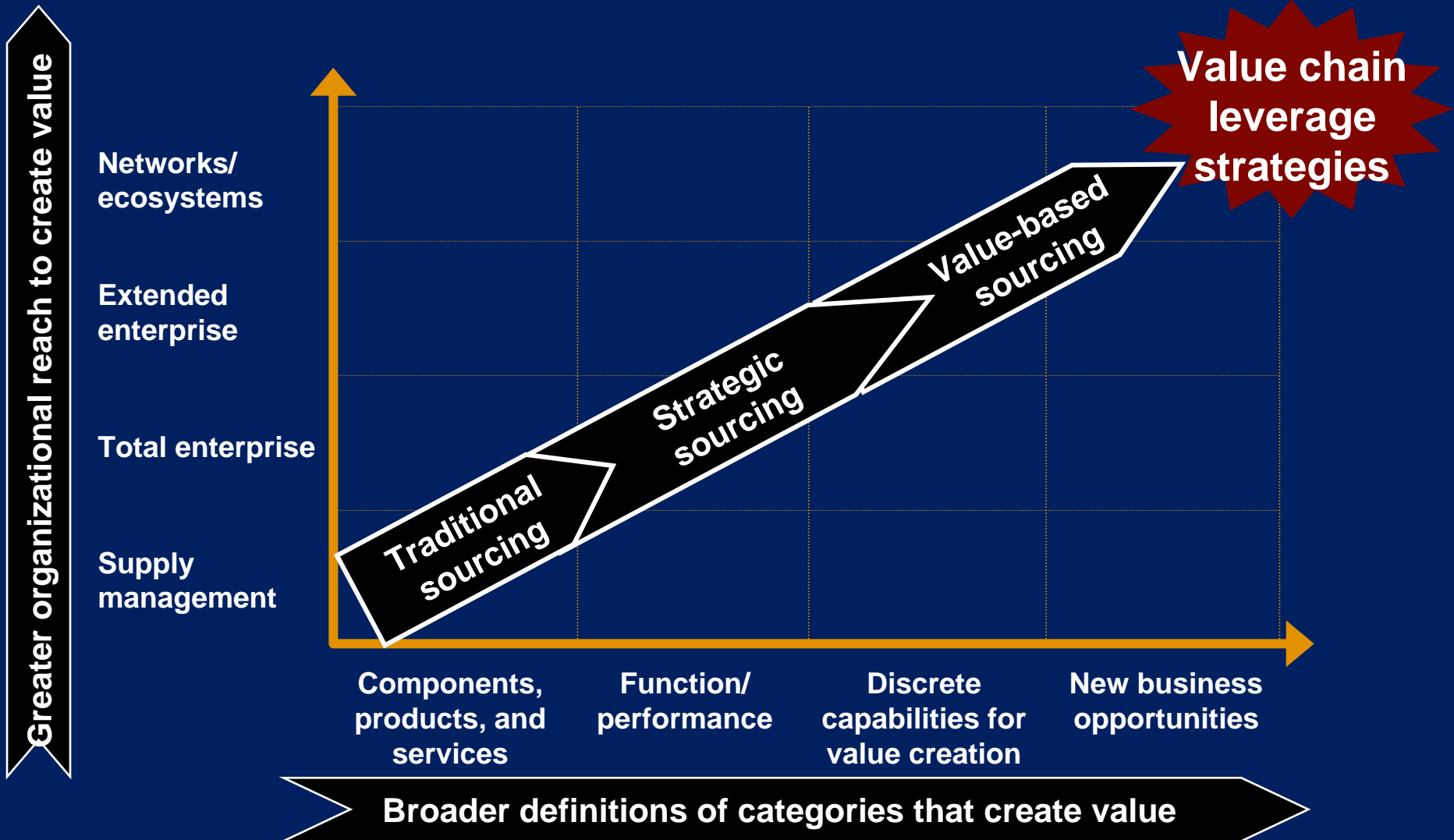
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- **Key Strategies for Supply Management Success**
- **Career Management in a Complex World**

Key supply management strategies



Category strategies are becoming increasingly strategic

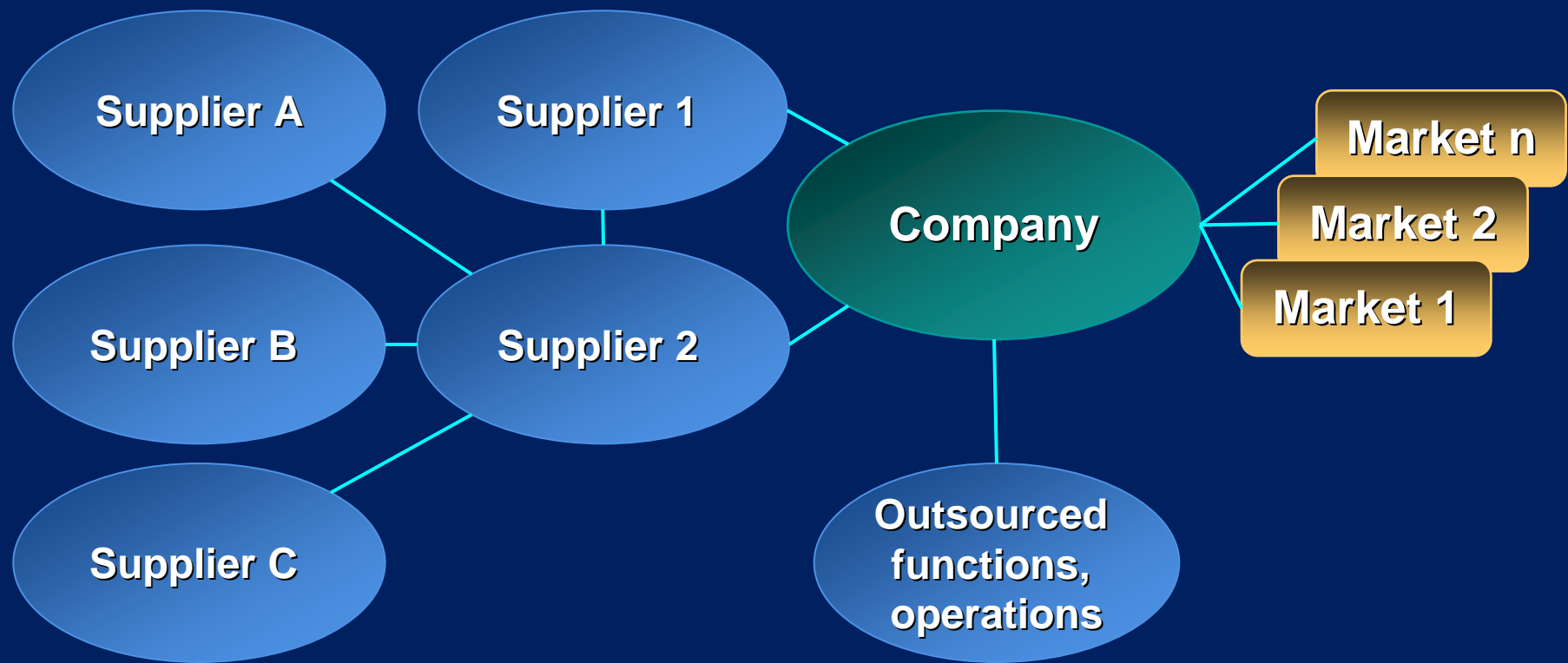


Supply networks

Tiered Supply Base

Partners, Alliances, JVs

Segmented Supply Chains



Technology

2007



Stand-alone, serially-connected applications

2008-2017

- Collaboration networking
- User-defined dashboards and analytics
- Knowledge Management

Integrated, collaboration-based, flexible systems

Collaboration

**With and Among
The Supply Base**

**Within The
Company**

**With and Among
Customers**

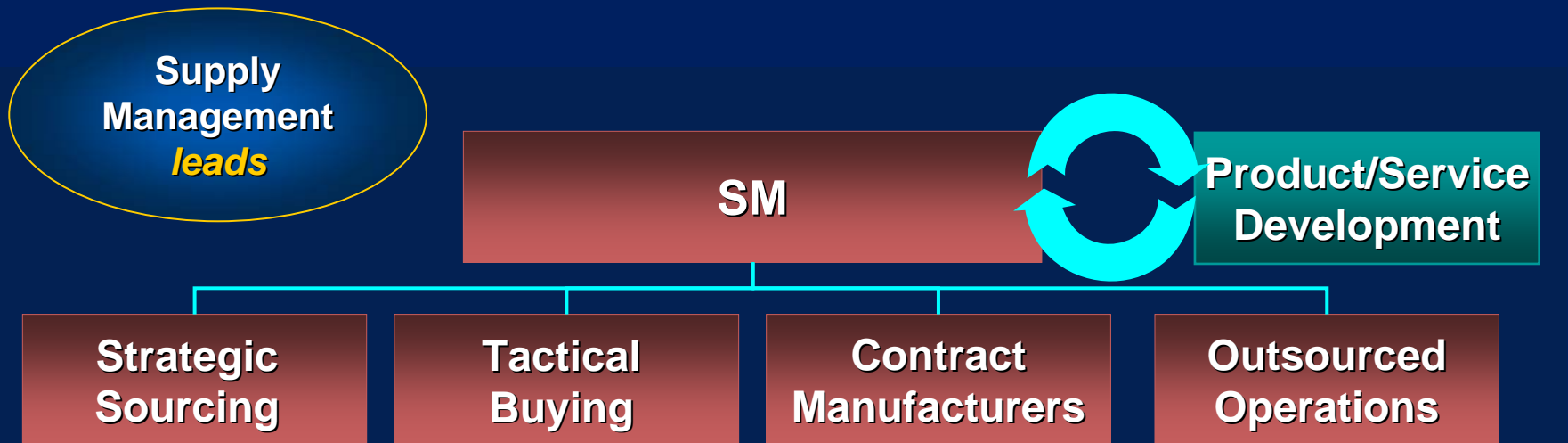
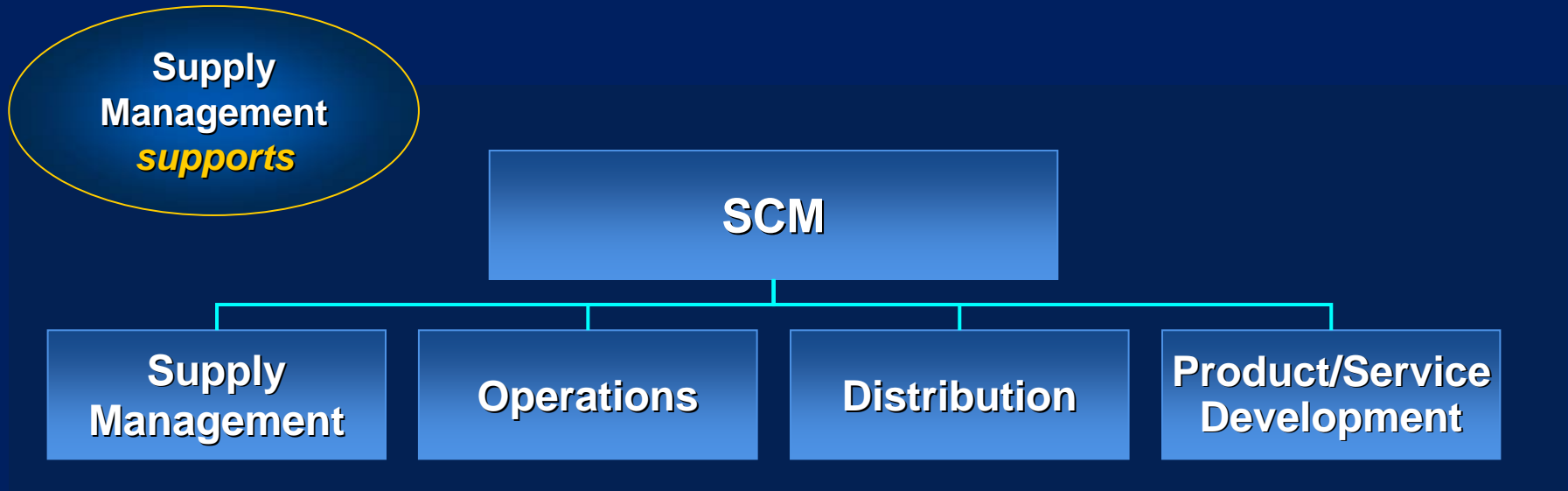


Talent management

Baseline: Competency Mapping and Capability Requirements



Organization enablement



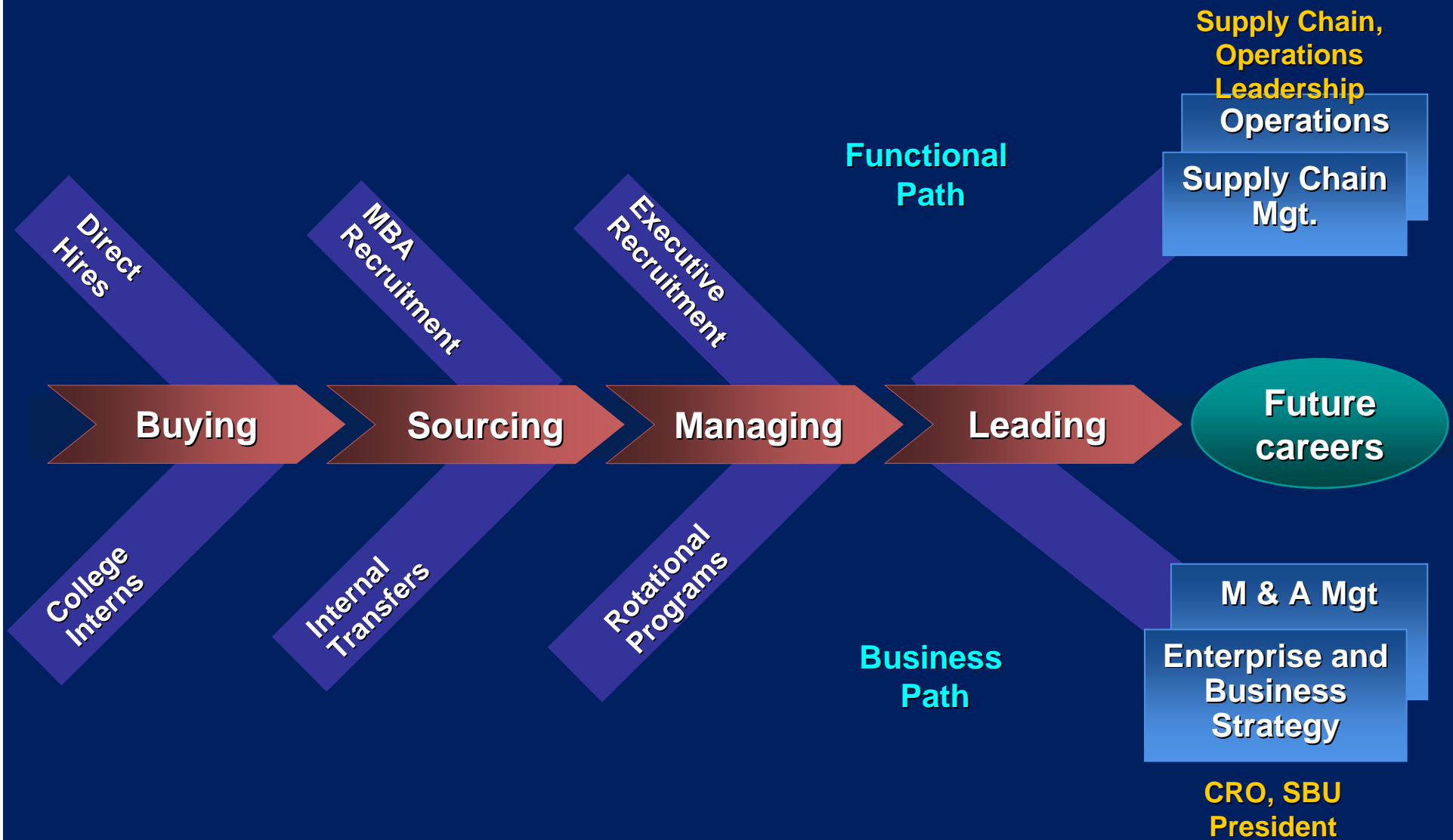
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What skill sets will supply management professionals need?



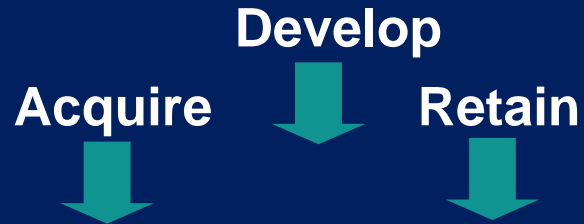
What will supply management career path(s) look like?



How to manage the workforce of tomorrow?

Trends

- Globalization
- Shortage of people
- Highly experienced baby boomers to retire
- Cross-organizational collaboration
- Technology



Diverse,
Distributed
Working
Environment

Challenges:
Manage and motivate
individuals and teams
across

- Functions
- Organizations
- Geographies
- Cultures
- Generations

Seek out the most capable workforce regardless of background or location

Key Takeaways for Supply Executives

- Forces of change, particularly globalization, will reshape business
- The CEO will ask more of supply management – broader scope, higher performance, more value
- Collaboration, both internally and externally, will be a major source of value creation
- Technology will support the transformation of supply management strategies and processes
- Global talent management will continue to be a challenge