Key Supply Strategies For Tomorrow
Perspectives on the Future of Purchasing and Supply
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Abraham Lincoln once remarked, “The best thing about the future is that it only comes one day at a time.” Of course, Lincoln lived in an era when steam engines slowly transported people and goods from sea to shining sea and strategic sources of supply consisted of the nearest mines, forests and farms. But in our just-in-time business world, a mere fraction of a day can mean all the difference between success and failure.

While focusing on today’s business is a must, peering into the future is an important and fruitful exercise for supply management. The next decade will likely see even more upheavals than the previous, as suggested by the events taking shape around us daily. All organizations must take stock of their current strategies, test them against possible future scenarios and take appropriate actions. Failure to do so is a dereliction of duty. To explore the future of supply management, the Center for Advanced Procurement and Supply (CAPS) Research, the Institute for Supply Management (ISM) and A.T. Kearney first collaborated on research nearly a decade ago—1998’s *The Future of Purchasing and Supply: A Five- and Ten-Year Forecast*. At that time, the new Internet technology was upon us, global trade was starting to escalate, new markets were opening, and offshoring and outsourcing were gaining momentum. Supply management would be at the center of all of this activity, which required new strategies to prepare for what was widely expected to be a decade of great change. The study was well received by the supply management community, and many organizations referenced it in their strategy discussions.

Almost 10 years later, much has happened to change the world of business and supply management in particular—with much more expected to come. To test and enhance our understanding of these changes and the effect they will have, A.T. Kearney has once again joined forces with CAPS Research and ISM to update and expand our research into future trends for supply management (see sidebar: About the Study). Figure 1 on page 2 illustrates the range of topics covered by our research and the relationships among them.

As we discussed supply management issues with senior supply executives and evaluated the survey data, it became clear that over time supply
management will be asked to deliver more while facing new and evolving challenges. This paper examines these challenges and the strategies that will be employed to overcome them. We also offer predictions about supply management’s future role and increasing corporate influence.

External Forces of Change: The Impact on Supply
A vast array of forces—including globalization, changing demographics, shifts in consumer demand, resource scarcity, environmental pressures, technology advances, governmental regulation and activism—are currently reshaping markets, industries and products. While companies must anticipate and react to these forces through their strategies and plans, special attention must be paid to how they will affect supply.

Global competition will be influenced by China’s impact on the world economy. In order to prosper, companies must embrace China as both a market and a supply base, without being myopic to emerging opportunities elsewhere. Other developing economies, such as India, Latin America and Eastern Europe, will take on more importance in the corporate and supply strategy as they spawn potential global giants such as Brazil’s Petrobras, Russia’s Gazprom, Turkey’s Koc Holding, Mexico’s Cemex and India’s Tata Motors. Many current supply chains will be
disintermediated as manufacturers in developing countries expand their capabilities into design, finance and distribution.

Increased global competition will fuel continued mergers and acquisitions. Prior to entering into deals, corporate boards will require supply management to evaluate opportunities and risks. What cost savings are achievable through new economies of scale? What is the untapped value of gaining access to the acquired company’s supply base? What disruptions—such as severed relationships with valued incumbent suppliers and the introduction of new, untested suppliers into the supply network—could result from the deal?

Supply bases will also consolidate, which will change the balance of power between some buyers and sellers. A substantial challenge will be posed by the need to project which suppliers will achieve the best position in order to establish strategic alliances for key goods or services.

Companies will experience both internal and external pressures to respond to environmental

About the Study

The initial efforts to update and expand our 1998 study *The Future of Purchasing and Supply: A Five-and Ten-Year Forecast* began with a research goal to probe three key areas:

- How will supply management evolve in the next five years? What changes will occur to supply strategies, supply management processes and supply management enablers?
- Beyond five years, how might the external and competitive environments change for businesses? What changes could result for business models and strategies?
- A decade from now, what could supply management look like? What major transformations could external forces and business changes drive? What might these changes mean for new market opportunities or technologies?

To gather first-hand views, chief procurement officers and other high-level supply chain strategists participated in focus groups, conference calls and one-on-one interviews. Focus groups were held in Atlanta, Chicago, Dallas, New York, Milan, Madrid, Amsterdam, São Paulo and Mexico City. Additionally, participants completed an online survey that explored five key areas:

- **Forces of change.** The degree to which marketplace and competitive forces affect the company’s business model.
- **Business strategy elements.** The importance of various elements of the business strategy on the future success of the company’s business model.
- **Supply mission, goals and performance expectations.** The importance of various elements of supply’s mission, goals and performance expectations in supporting the company’s business strategy.
- **Supply strategies, processes and enablers.** The importance and degree of implementation of more than 100 supply strategies, processes and enablers for achieving the company’s supply mission, goals and performance expectations.
- **Supply management metrics.** The expected magnitude and direction of change in key supply management metrics.

We received 99 completed surveys, which supplement the data gathered from the 113 supply management executives who participated in meetings and teleconferences with the research team. This wide reach gives credence to the validity and reliability of the conclusions and forecasts contained in this report.

This paper offers a high-level view of the study findings and A.T. Kearney’s perspectives on them. A separate, comprehensive study report from CAPS Research will also be made available at www.capsresearch.org in fall 2007.
concerns and avoid compromising situations around aspects such as endangered flora and fauna, land use and abuse, pollution controls and climate change. Companies will be expected to take action to minimize global warming, contribute to sustainable economies, recycle their products and packaging, and mitigate the impact of emerging technologies such as bio-engineering and nanotechnology.

The rise of government regulations centered on areas such as corporate governance, product safety, homeland security, privacy rights and intellectual property rights will continue. The increasing risk and cost of non-compliance will force companies to devote significant resources to managing compliance issues—and to extend these checks into the supply base, which often follows a different set of customs and regulations from those of the company that puts its name on or sells the goods (concerns around child labor and working conditions in foreign factories, for example).

**Corporate Evolution’s Effect on Supply**
While external forces will significantly affect supply, new considerations around corporate strategy will also force changes to the supply management function.

**Business models and strategies.** Our research indicates that companies will develop and employ new business models geared toward improving both the income statement and the balance sheet to respond to external forces and new market opportunities. Changes to the business model will bring major implications for supply management.

Companies will follow several strategies to increase revenue. For instance, those engaged in heavy manufacturing may look to bring in new business through maintenance, repair and other services. Caterpillar has done this with its remanufacturing business, which gives second lives to old diesel engines and other parts. Producers of branded consumer durables may enter emerging markets or expand sales into such markets, which will require tailored products and packaging, and local sources of supply and production. In many industries, some companies will move up the value stream to become designers, marketers and systems integrators, leaving behind or outsourcing traditional research and development and manufacturing capabilities.

**Cost reduction** will remain a key strategy in the coming decade. Improved cost structures will enable companies to compete in developing markets and meet the challenges of new competitors from low-cost countries in their home markets. Companies will also pursue a variety of strategies to reduce fixed assets, and supplement these efforts by maximizing the efficiency, flexibility and mobility of the assets they retain to respond best to changes in customer demands and sources of

Companies must **embrace China as both a market and a supply base**, without being myopic to emerging opportunities elsewhere.
supply. Concurrently, companies will continue to reduce working capital requirements to increase cash flow.

**Mission, goals and performance expectations.** Tomorrow’s supply mission and goals will be broader and more tightly linked to the strategic objectives of the business than today’s. Supply will be expected to deliver against its current performance goals while positioning the supply base to support the future. Leveraging increased innovation from suppliers will create tighter, more strategic relationships. Companies will look for suppliers in related industries that can adapt their ideas and capabilities to a new setting. Nontraditional sources of innovation, such as design houses or university researchers, will become a key component of the value chain. Supply management organizations must properly integrate all parties into the company’s new product and service development process, and encourage collaboration among suppliers to increase value.

Because companies will continue to confront an ever-widening range of risks, supply risk mitigation will be increasingly emphasized in the coming decade. Extended global supply chains that include geographically distant, unproven (or even unknown) suppliers will pose risks for supply continuity, reputations and intellectual property. Additional complexity will come about because of the volatility of commodity prices, currencies and interest rates.

To improve cost management across the corporation, supply’s influence—or even control—will extend even deeper into nontraditional areas (facilities management, legal, advertising and contract manufacturing, for example). This new reach will further consolidate and leverage corporatwide volumes, finding new opportunities and driving bigger benefits. Pressure will intensify both to accelerate and to deepen cost savings, especially in post-merger integrations. Supply will pursue outsourcing and offshoring opportunities across the business. Maximizing the value of expenditures will help to force greater standardization, tighten management of specifications and demand, and increase the focus on total life-cycle cost.

**Critical Success Factors for the Future**

How should supply management organizations respond to these new forces, business models and expectations? Through our extensive, in-depth discussions with supply executives and analysis of survey data on more than 100 future supply management strategies, we concluded that there are seven areas critical to future success:

- Developing category strategies
- Developing and managing suppliers
- Designing and operating multiple supply networks
- Leveraging technology enablers
- Collaborating internally and externally
- Attracting and retaining supply management talent
- Managing and enabling the future supply management organization

Our views on the future approaches and issues for each follow.

**Developing category strategies.** Companies with category strategies will obtain the right blend of leading-edge innovation, value and cost performance for each specific spend area. For instance, a company may opt to integrate processes with strategic suppliers of key categories to improve total cost and enhance combined capabilities, creating a mutually beneficial strategic relationship. They may also implement internal processes to improve performance in select categories by crafting usage policies, enforcing user compliance and closely tracking supplier performance.
The importance of well-documented, detailed category strategies that ensure competitive cost, quality, delivery and overall value from suppliers will increase in the decade ahead. Purchases will be made from fewer suppliers, with significant volume focused on preferred suppliers. Procured items will increase in value and complexity, with the expectation that as more systems, assemblies and bundled services are purchased, sales of individual components or services will decrease. More effective strategies will be required in light of increased outsourcing and customer segmentation.

Success will hinge on developing a robust, detailed category strategy process that mixes effective cross-functional teams, high-quality, accessible data and analytic tools. Companies will be required to improve their category strategies to stay competitive, achieve productivity and minimize risk on a worldwide basis.

The strategy development process for a category will need to focus on its overall value chain over a rolling three- to five-year time frame. Deep understanding of customer requirements, detailed industry analyses, cost models and value streams each provide key inputs to category strategy development. Teams engaged in category development activity will also need to develop creative strategy alternatives, execute their activities based on detailed implementation plans, measure results and engage key stakeholders—including customers, suppliers and executive leadership—on a continuous basis.

We predict that sourcing will take on more of a strategic, future-oriented nature. The companies that will excel at category management will not limit their thinking to the current form an item takes or what market supplies it. The best companies will instead broaden their view to consider the item’s basic functionality and then search for alternatives. For instance, some airlines currently purchase power-by-the-hour aircraft service packages rather than the engines themselves. Other companies are manufacturing or purchasing plant-based plastics in lieu of petroleum-based plastics. Advances in information and materials technologies will force companies into make-versus-buy decisions to develop needed expertise, which will require new approaches toward supplier identification, selection and management.

To support this more strategic approach, supply will consider factors that go beyond cost and quality, such as innovation and operational excellence. For example, an engineering company determined that by purchasing all of its large steel fabrications from low-cost countries it would reduce its costs by about 30 percent. However, the company opted to keep a portion of this spend with an existing supplier that excelled at improving the design of new products. Instead of focusing on cost reduction alone, it saw its relationship with the supplier as a strategic investment offering longer-term competitive advantage. We predict that companies will increasingly use value-based sourcing to evaluate how the full capabilities of a supplier (or group of suppliers) may be leveraged to gain competitive advantage for categories with high business impact.

Executive engagement with key stakeholders, full cross-functional representation and effective teaming are also required to maximize the effectiveness of category strategies and link them to both the corporate business strategy and functional strategies. While supply can reduce costs and improve performance through negotiation, volume aggregation and contract strategies, other functions must lend their subject matter expertise and knowledge of processes. Future strategies will increasingly focus on managing demand, changing specifications, outsourcing, migrating systems upward, leveraging networks of suppliers, reduc-
Figure 2
Expect increased sourcing from developing markets

Source: China

Source: India

Source: Eastern Europe

Source: Brazil


Supplying complexity and mitigating revenue-loss risk, all of which cross functional boundaries.

Supply organizations will rely on timely, accurate and accessible data and analytic tools. The information needs are enormous. Global strategies require worldwide data, common category codes, accurate spend data by purchase item, supplier and use location, and information on supplier capabilities and performance. In addition, tools to perform total-cost analysis, risk-management scenario planning, supplier competency matrices and purchase item cost models are key to developing category strategies.

Category strategies will have a strong impact on geographic sources of supply. As shown in figure 2 and figure 3 on page 8, our survey
respondents note that China, India, Eastern Europe and Brazil will continue to gain in importance as sources of supply over the next five years, while sourcing from U.S., Canadian and Western European markets will decline. North American companies will continue to look across the Pacific for supply from China and India, and European respondents will buy more from Eastern European sources. While North American companies expect to decrease local sourcing by 20 percent, European companies will make far more drastic moves away from Western European sources.

**Developing and managing suppliers.** Improving the overall supply base and increasing the value achieved from it is critical to supply’s value proposition. Superiority in supplier management contributes to competitive advantage in cost, quality, delivery and responsiveness, technology and innovation. By choosing the right suppliers, managing them effectively and helping them develop, supply will continue to bring tremendous benefits in years to come.

Although consolidation has reduced the supply bases for many categories, well over one-half of our survey respondents say they anticipate further supply base reductions as they continue to segment and identify their most crucial future suppliers. As shown in figure 4, a net decrease in the number of suppliers is anticipated across both direct and indirect spend categories.

Effective supplier management will require agreements with suppliers that have the current and future capabilities to support operations and markets in key locations worldwide. Each supplier’s role will also have to be specified—for example, by determining whether a certain supplier is expected to provide the lowest possible price or to take on a value-based role by contributing

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**Figure 3**
Expect less sourcing from developed markets

![Source: United States and Canada](image)

-20%

![Source: Western Europe](image)

-22%

-24%

-42%
through technological advancements and other innovations. Each supplier’s role and its respective marketplace will help determine whether it should be approached via a competitive or collaborative category strategy (see sidebar: Driving toward Value-Based Relationships). Companies will expect their new suppliers to be competitive in all areas of importance.

While supply executives note that improving working relationships with strategic suppliers will be very important to their companies, there is a significant gap between current attempts to do so and its purported importance. To gain differential value from suppliers, firms will strive to achieve “preferred customer” status. Doing so will require changes in the work streams or processes through which buyers and suppliers interface in addition to some behavioral modifications on the part of key players. For example, companies may have to change the way they reward a supplier’s outstanding performance, such as providing opportunities for future business and co-investment. Rewards might also include helping suppliers develop their own capabilities, agreeing on metrics to evaluate performance and investment expectations, sharing information, and soliciting and listening to the “voice of the supplier.” Individuals will also have to be better trained in relationship building, and senior-level personnel at buying companies will need to increase the time and effort they put into ensuring alignment with suppliers.

The cost for switching suppliers will increase as relationships evolve to emphasize value over costs, and many companies will require their suppliers to be open to coaching, improvement and capability development. Several leading Japanese

Figure 4
Expect net decrease in number of suppliers by 2012

Percent of companies expecting change in number of suppliers

<table>
<thead>
<tr>
<th></th>
<th>Direct goods</th>
<th>Indirect goods and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase</td>
<td>22%</td>
<td>8%</td>
</tr>
<tr>
<td>Decrease</td>
<td>27%</td>
<td>15%</td>
</tr>
<tr>
<td>No change</td>
<td>51%</td>
<td>77%</td>
</tr>
</tbody>
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Average 13% fewer suppliers

Average 23% fewer suppliers

automakers have a head start in supplier development and improvement skills after years of practicing these techniques.

However, the future will not be all about opportunity on the buyer’s side. In an increasing number of supply market segments, a range of factors will drive suppliers to be more selective about which customers they opt to work with. We predict that companies will face more aggressive and powerful suppliers in some markets. Private equity firms looking to recoup their investments will control more suppliers, affecting supply and supply base strategies. Consolidation of traditional suppliers due to mergers and bankruptcies will continue and even accelerate, which will alter price and availability and disrupt existing relationships. To pursue new sources of revenue, suppliers will aggressively move downstream and build capabilities that rival those of the companies they have traditionally sold to. Both customers and suppliers will have a greater ability to measure and understand cost to serve, thus leading to tougher price negotiations (and, on the plus side, increased joint efforts to root out waste and non-value-adding activities). Companies will be challenged to balance the desire to gain innovation and efficiency via supplier collaboration with the need to protect their own businesses.

Designing and operating multiple supply networks. To support their full range of competitive priorities, companies will have to establish and maintain more diverse supply chains. While some will be segmented by product, others will be distinct to particular customers. For example, A decade-long run that saw the advantage in most supply markets take a pronounced tilt toward the buyers is coming to a close. It was a cost-focused approach that made significant contributions to the corporate bottom line. The new challenge will be to identify suppliers that offer goods, services and expertise that can contribute to the top line. From now on, when evaluating the portfolio of current or potential suppliers in advance of a sourcing effort, companies must consider the value-added assets, capabilities and benefits that a supplier offers above and beyond price and specifications.

While supply has traditionally relied on relatively straightforward like-to-like comparisons to make its decisions, value-based relationships will be built on a foundation of differentiation rather than commonality. That is, potential suppliers will have to be understood in terms of those capabilities that set them apart. Those that offer exceptional capabilities will need to be viewed as value chain partners rather than mere supply chain participants.

Tying on such relationships will require a shift in mindset (and skills) away from traditional sourcing, which seeks to exploit buying power, toward relationship management and creating competitive advantage. The former fixation on unit price and cost savings will give way to a value focus that considers innovation, value chain optimization, strategic cost management, business continuity and operational excellence. Competition will be replaced by collaboration; demands will become requests replete with questions that foster ongoing dialogue.

The concept of value-based supplier relationships is not new. Some leading companies have long excelled at them. What is new is the market-driven need to embrace suppliers instead of constantly threatening to replace them as supply market consolidation, scarcity of key supplies and other forces intensify in coming years.
to meet the needs of customers in developing economies, companies will contract with local partners that can execute order fulfillment and delivery. The final links of the supply chain will be tailored to each developing market. To meet the demands of small-market segments without driving up costs, companies will employ modular designs, postponement, outsourcing, alternative transportation modes and warehouses, and creative partnering.

Scarce sources of supply will lead to some complex supply chains, as one leading U.S.-based organic food manufacturer learned. With demand for its products ever increasing, the company now imports Chinese strawberries, Turkish apple purée and Canadian blueberries to produce its popular organic yogurts because domestic sources are in such short supply.

We predict that business is on the verge of an era of massive supply chain redesign and restructuring. The past two decades have witnessed a proliferation of supply chain designs, and many supply organizations will question their own. Supply chain assets and functions, such as facilities, inventories, services and transportation, will be repositioned in response to business dynamics. Agility will be valued throughout the supply chain, both to allow for rapid response to changing business conditions and to manage disruption. In some cases, vertical integration models will be employed in select geographies for supply security reasons.

Total-cost approaches will streamline supply chain operations. Reducing fixed assets will both shrink costs and increase flexibility as on-demand service comes to be a preferred model. Cost drivers will be tracked and managed across all trading partners, while cost management over product life cycles will be modeled and controlled. Major technology investments will be made to reduce inventory and distribution costs and help speed products to markets. With so much riding on supply chain excellence, lean practices and Six Sigma will become standard operating procedures in supply chain activities.

Both global turbulence and the risk introduced by contemporary supply practices will mandate that risk be viewed as an overarching concern in supply network design and management. Global supply bases and markets, extended supply lines, lean practices, increased complexity and tighter coupling will increase supply chain risk. Companies will invest in sophisticated models to help detect inherent risks, identify data needs, incorporate individual assessments, assess costs and benefits, and suggest risk-prevention and mitigation strategies. In response, supply management will be required to develop and implement sophisticated risk-management strategies that include collaborative risk sharing along the supply chain.

Smaller machines and better processes allow Toyota to reduce the cost of building a new plant by nearly 30 percent.
Leveraging technology enablers. In recent years, technology providers have steadily created tools to enhance the processes for spend management, sourcing, contracting, procurement and supplier management. A decade ago, supply management organizations measured their activities on the spend coverage they were able to achieve with internal stakeholders. In the future, measurements will be made against competitive and collaborative indices—for example, the frequency with which they apply competitive and collaborative techniques to spend categories. Leading supply organizations will continue to exploit technology effectively and benefit from more and better technology enablers in the future. Companies will use these enablers to resolve issues around data sharing, confidentiality, legal security and misuse by suppliers or customers, and will master the technical integration of external and internal systems.

Expressive bidding and scenario-based optimization functions will be widely used for sourcing. Increasingly, end users will perform routine purchasing activities through electronic catalogs that will give the same look, feel and ease of use of today’s consumer-focused e-commerce sites. Technology will monitor compliance to the terms of master agreements and enforce demand management. Best practices in purchasing will be embedded throughout the organization via software-enabled processes.

While technology has traditionally focused on the internal information contained within protected enterprise resource planning systems, web-based tools will enable companies to capture and share operational information across the supply chain to give all partners visibility into the big picture. Auto-identification and remote-monitoring technologies such as radio frequency identification (RFID) will make it easier to track activities, locations and conditions. New tools will emerge for monitoring and managing supply chain risk across multiple tiers in the supply chain as risk becomes better defined and codified.

As the ability to work with technology tools beyond the corporate firewall increases, collaboration platforms will better link internal departments and external partners for new product development, design changes, and operating plan and schedule changes. Systems will provide integrated data management (for example, product data management, computer-assisted design, and requests for information, requests for proposals and requests for quotes) with three-dimensional definition, document management and collaboration capabilities.

Tomorrow’s technology will bring a host of benefits. Individuals will network collaboratively to connect with the right people and accomplish work regardless of their organizational affiliation. Individual users will customize dashboards and analytics to define how they want to access data, work with it and measure results. Knowledge management will also improve greatly, allowing individuals to “remember” and share what they already know and readily access what others know.

Of course, none of these tools will pay off without mastery of key aspects like technology selection, implementation, maintenance and training. Consider, for example, the debacle that ensued when a leading aviation company discovered too late that two of its facilities in different countries were using incompatible design software. The problem was not discovered until the wiring manufactured in one facility did not fit properly into a plane that was on an assembly line in another, resulting in a substantial delay in the rollout of a major new design. As this example shows, the ability to manage technology effectively—rather than technology’s ability to deliver—will become the challenge.
Collaborating internally and externally. While companies have made tremendous strides over the past decade by strengthening their supply management capabilities and taking on aggressive sourcing improvement programs, achieving major gains from supply management in the future will require a much higher level of internal and external collaboration. Each type of collaboration will bring new challenges for the supply management team along with the potential for substantial rewards.

Internally, supply management will develop or deepen relationships with other functions. While much of the focus around sourcing over the past decade has been on direct spend, indirect areas such as information technology, legal, and marketing and advertising will come to be addressed as companies coordinate supply’s process knowledge with the subject matter expertise of the corporate functions.

Value creation will advance into areas that rely on external collaborations. Working with suppliers on initiatives such as driving costs out of a commodity or finding ways to repurpose existing technologies only scratch the surface of what will be expected. Companies will develop networks of suppliers required to work well with one another and with the company. Emphasis will shift toward multilateral actions to improve how a company’s end products are designed, produced and delivered.

To ensure a steady stream of innovation, companies will need to improve their integrated product and service development processes. Supply management will play a make-or-break role by overcoming internal and external behavioral barriers and helping to integrate suppliers into the process. Finding the right suppliers will prove to be just the start. Other keys will include strengthening relationships with the company’s own research and development, engineering and marketing organizations, applying technology to support the process integration, and ensuring mutual protection of one another’s intellectual property.

The cost-focused “hammer” personalities who have driven supply success will need to become more like Swiss army knives, readily adapting to different purposes.

Joint-development efforts with suppliers will bring a powerful payoff and lead to competitive advantage. Toyota excels at this practice. One way it has done so is to work with its suppliers of manufacturing equipment to develop smaller, lighter machines and to secure exclusive use of these new technologies. The company is thus able to build smaller plants and shorter assembly lines that can be readily reconfigured as production needs change. The widespread employment of smaller machines and improved processes has allowed Toyota to reduce the cost of building a new plant by nearly 30 percent, helping the automaker become the global sales volume leader.
Attracting and retaining supply talent. In the next 10 years, the supply management organization will take on increased responsibility and a higher-value role. Success will hinge on whether the supply organization can attract and retain individuals with the right skills and capabilities to meet future requirements.

Those working in supply will need deep supply market knowledge coupled with extensive process knowledge. At the same time, supply professionals will require broad-based business knowledge and multidisciplinary experience. Foreign language skills and international experience will also prove important, as will leadership, innovation and collaboration abilities. The cost-focused “hammer” personalities who have driven supply success over the past decade will need to become more like Swiss army knives that can readily adapt to different purposes.

Companies will need a multipronged strategy to acquire, develop and retain individuals with these skills and competencies. Thus, the skills section of the résumé and the traits people demonstrate during the recruiting process will be at least as important as the candidate’s previous procurement experience. Recruiting externally for industry and supply management expertise, adding industry and domain experts from other departments, recruiting on campus, training staff on an ongoing basis and providing individual career path development will all prove to be just part of the mix. The proverbial “war for talent” will be fought over those who possess all of the necessary traits and talents.

Competency maps will define both current and future needs and help companies master talent evaluation by serving as the basis for rigorous skills assessment and testing of current staff and potential internal transfers or new hires. Talent succession planning will increase in importance as supply organizations lose knowledge and experience to retirement and other companies. Figure 5 presents an overview of how supply management personnel will be evaluated.

Factors such as globalization, demographic shifts and greater cross-organizational collaboration will create a more diverse, distributed working environment. Leaders will be challenged to manage and motivate individuals and teams across functions, geographies, cultures and generations.

With so many business skills needed for success, the role of supply chief will lead some executives to other career paths and be part of the journey rather than the final destination. Rick Wagoner’s path to CEO of GM included a stint as head of the automaker’s procurement organization. Former Chrysler CEO Thomas Stallkamp headed the company’s supply management organization and fathered the legendary SCORE program on his way to the top. Willie Deese at Merck moved from senior vice president of global procurement to president of Merck Manufacturing Division in less than two years.

We predict that companies will apply principles learned from strategic sourcing and strategic supplier management to talent acquisition. As a shortage of supply and other talent worldwide becomes evident, companies will establish strong relationships with leading local universities and provide significant funding to both faculty and the institution to gain access to students, while targeting students at leading schools worldwide.

Managing and enabling the future supply organization. While the center-led supply organization will continue to dominate in the coming decade, changing conditions will bring shifts to organizational structures and corporate relationships. Increasingly, organizations must balance the advantages that centralized coordination offers with the need for local responsiveness. Some will grant
supply management authority and leadership to local business units to build leadership and develop the talent needed in offshore locations. Others will shift authority and responsibility back to the strategic business units if the pressures on commodity prices lessen. Best practices and processes will be embedded in technology, thus lessening the need for center-led or -located practice experts.

We predict that more manufacturers will choose to base their supply activities and personnel in developing countries, placing their supply headquarters, people and responsibilities in locations near major manufacturing centers and developing markets.

Integration of current supply-related functions is expected to increase. At some companies, supply management will become part of a supply chain organization that includes operations, distribution and other functions. In other corporations, the procurement chief will function as more of a chief operations officer, managing both internal and external supply units. In many instances, supply will become the focal point of cost management throughout the entire company.

Companies will develop measures that directly link supply management performance to company and business unit strategies. Additionally, total-cost models and predictive metrics will help guide strategic sourcing and supply chain decisions.

**Onward and Upward**

As indicated by our study, many of the “next big thing” strategies and practices that have been discussed in recent supply management publications and studies are now entering into prominence and will remain key to success in coming years. Two qualities that supply has long emphasized—execution and relationship management—will

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**Figure 5**

Tomorrow’s talent profile

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become more important as it becomes necessary to handle certain strategic suppliers as carefully as a company’s key accounts.

While the pace of day-to-day change might seem slow, a look back reveals how swiftly things really are changing. Less than a generation ago, the procurement function’s leader was typically a director who reported to a vice president who reported to a member of the executive team. Today, supply management has a seat in the executive suite and sees its responsibility and accountability constantly increasing. Factors such as globalization, market dynamics, customer demands and government regulations continue to add complexity to supply chains, while the importance of building relationships with value-added supply partners and internal collaborators continues to increase. Technology will further transform supply management strategies and processes, while the supply organization will evolve to fit business models and strategic needs. Finally, with a generation on the verge of retirement, and a new set of skills required to succeed, global talent management poses a growing challenge that will be addressed in ways that play to supply’s established strengths.

Onward and upward to meet the challenges. It’s a way of life in supply.
A.T. Kearney is a global strategic management consulting firm known for helping clients gain lasting results through a unique combination of strategic insight and collaborative working style. The firm was established in 1926 to provide management advice concerning issues on the CEO’s agenda. Today, we serve the largest global clients in all major industries. A.T. Kearney’s offices are located in major business centers in 33 countries.

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