

ISM Women Executive Supply Management Summit



**Managing Your
Organization's Risk While
Staging for a Recovery**

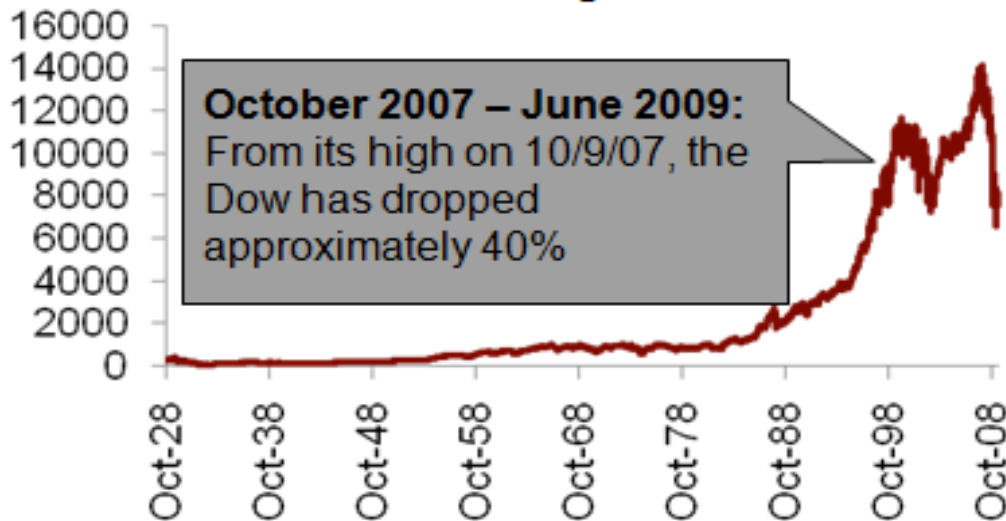
**February 3, 2010
San Diego, CA**

Massive national wealth is gone and now the world is not as wealthy as it once thought

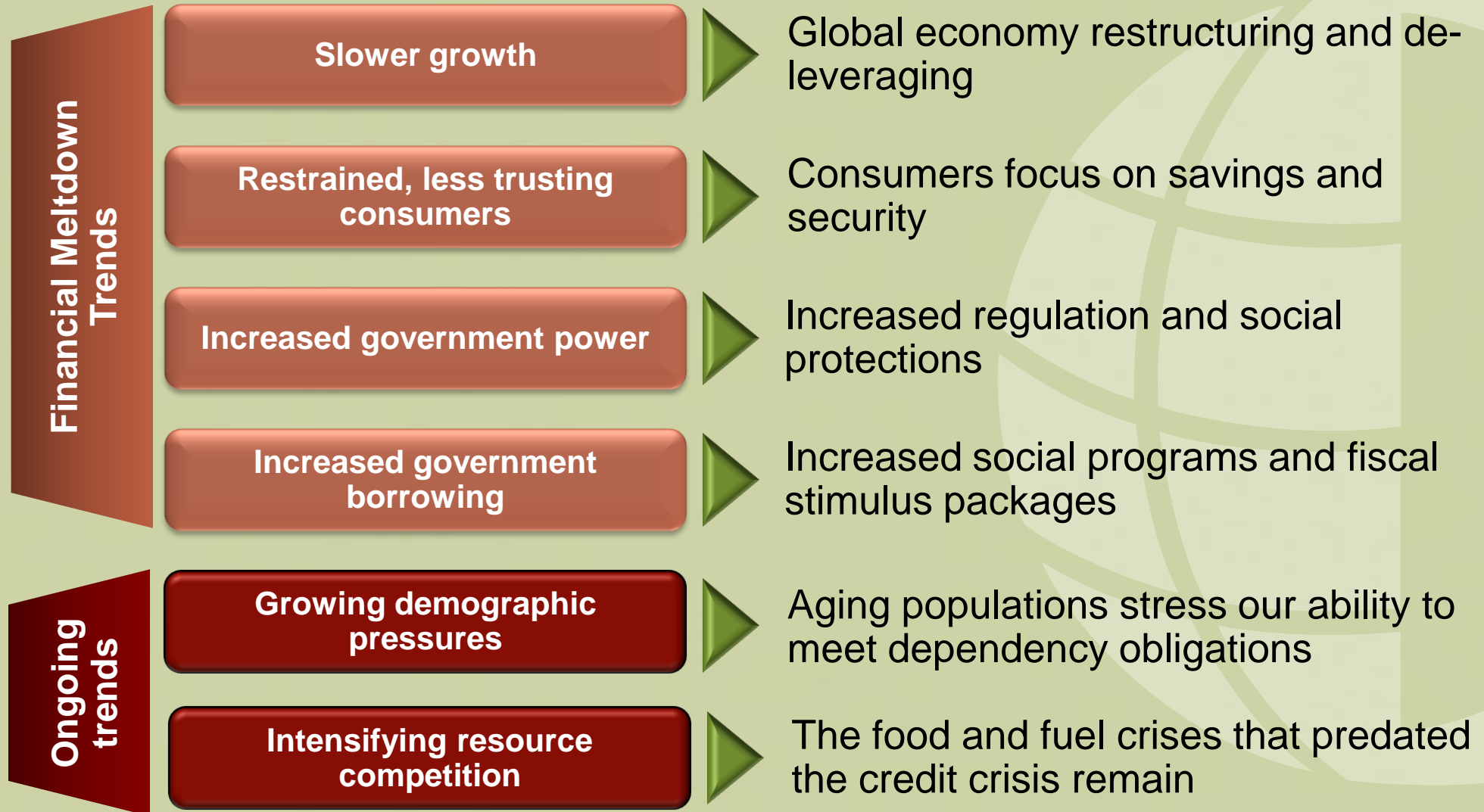
The world is now not nearly as wealthy as it once thought

- \$33 trillion in notional wealth has been destroyed in the world's stock markets, and another \$15 trillion in property values
- We have collectively lost close to a year of global GDP with a psychological effect upon attitudes to risk and savings and financial structures
- This is promoting a return to thrift, to safe rather than speculation and to secure and modestly-paid rather than high-risk and overpaid employment

Dow Jones Industrial Average Historical Close



Coming out of the crisis, the “new normal” features

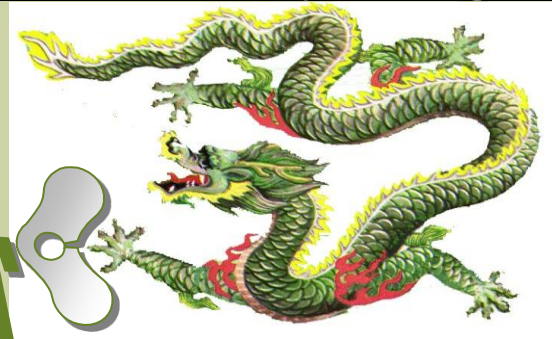


The global recession has had a direct impact on the work of supply management practitioners throughout the world

Market driver



Impact on Supply Management



Downward price pressure

- Need for continuous pressure on costs

Customers are “trading down”

- Need for continuous specification rationalization

Proliferation of new products

- Need for more speed and flexibility

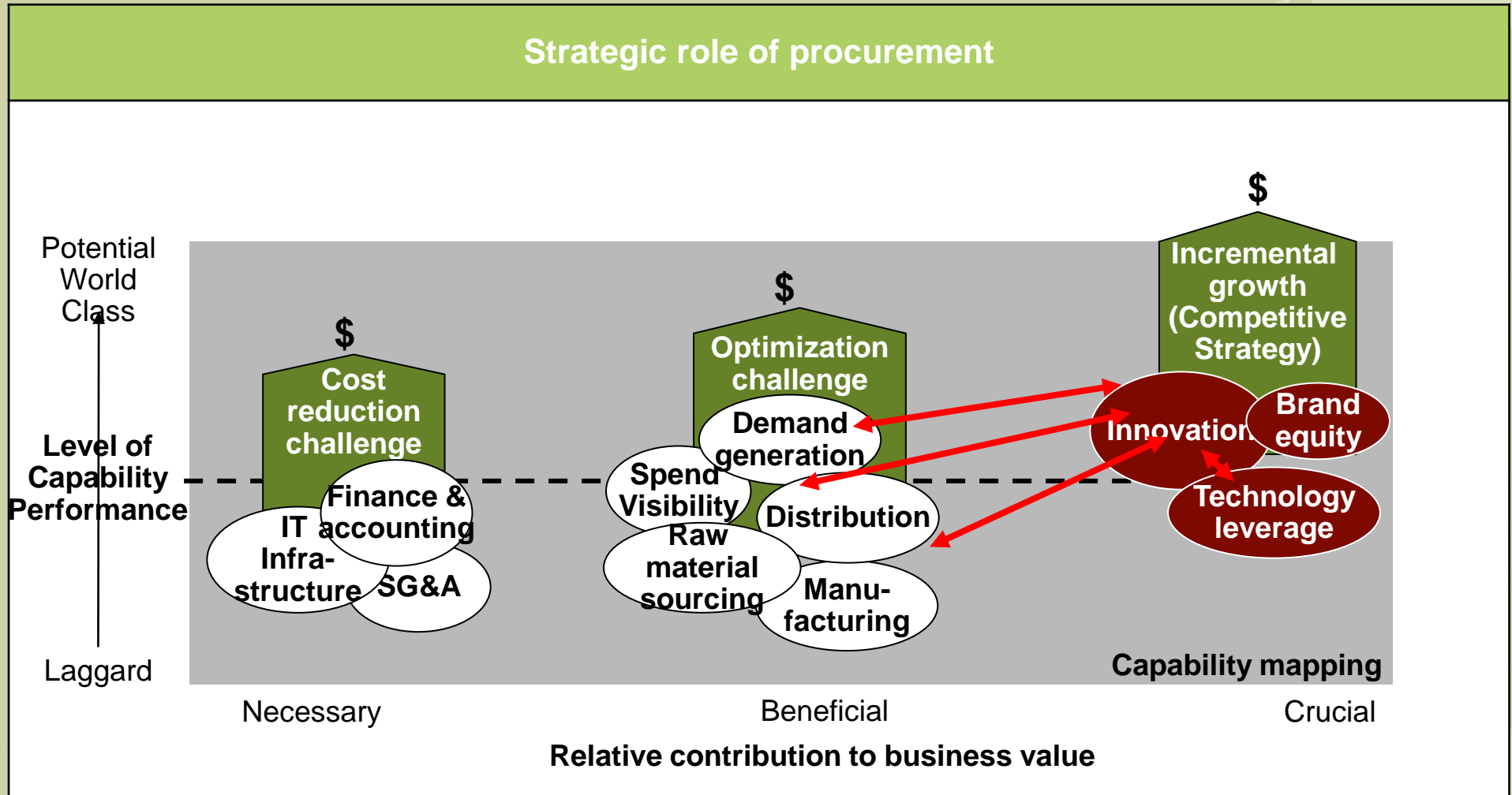
Shorter product life cycles

- Need for faster sourcing and robust inventory mgt

Collapse of credit markets

- Need to support / sustain critical suppliers

Procurement has gained a strategic role by being at the forefront in managing these challenges



Leading Supply Managers pro-actively meet these challenges through developing integrated supply networks

Typical Challenges to Integrated Supply Networks

Do you have the right supply strategy and supporting network?

- You do not have a clearly articulated supply strategy
- Your supply network is not aligned with your business strategy

Are you aligned with the right Partners?

- Your Partners do not understand your supply priorities
- Your Partners do not have the right capabilities and incentives

Do you effectively leverage your Partners' ideas?

- Your Partners are unable to effectively communicate their ideas into your organization
- You do not have a robust process for Partner idea evaluation and follow up

Are you effectively working with Partners to address Supply needs?

- You are not effectively leveraging the expertise and capabilities of your Partners
- You do not have sufficient risk and performance management processes in place to effectively manage Partners

So why aren't more companies moving in this direction?

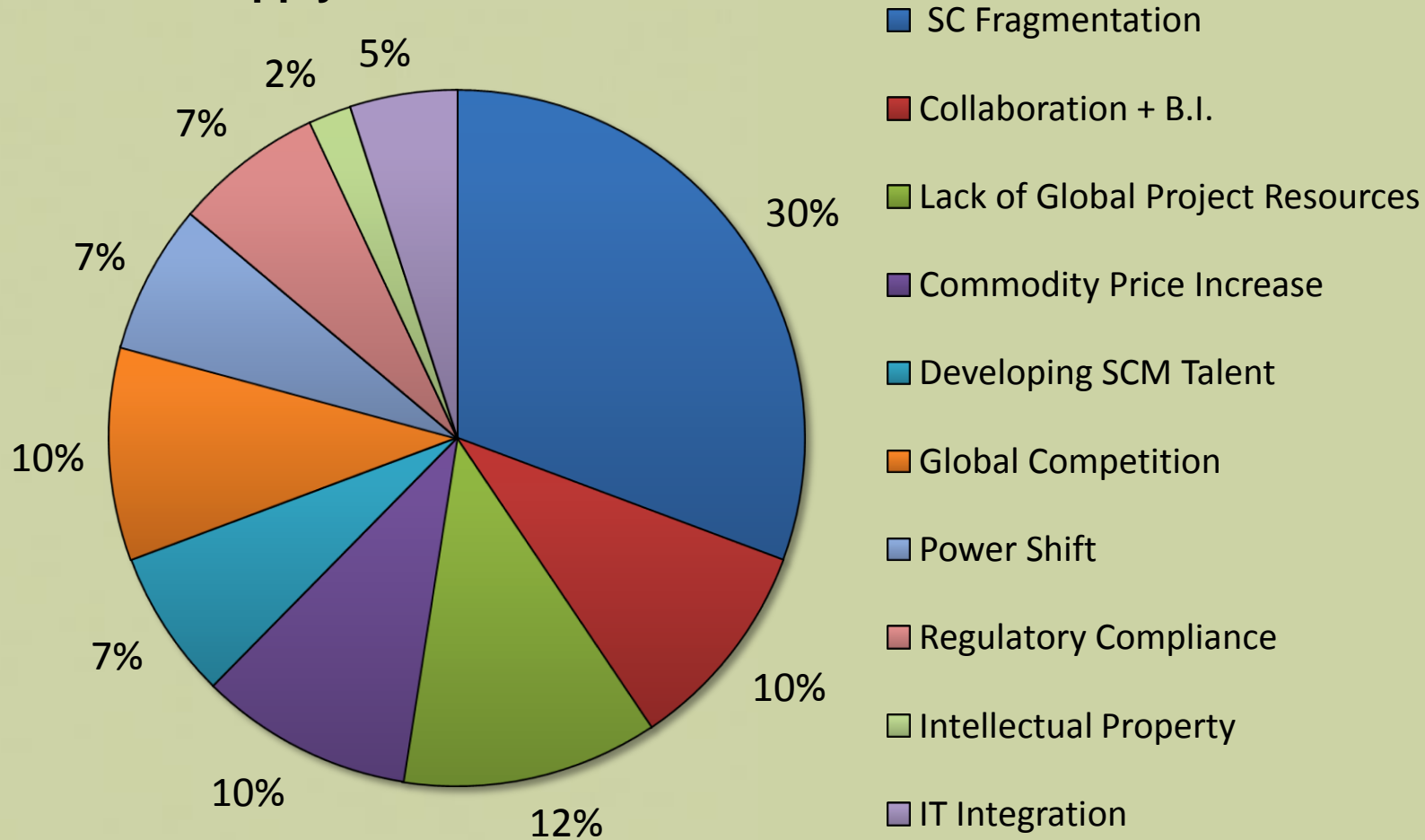


Interviewed senior supply chain executives at Fortune 100 companies and subject matter experts

Trust and collaboration are becoming increasingly valuable as supply networks increase in complexity

Must find the balance between collaborative and transactional relationships

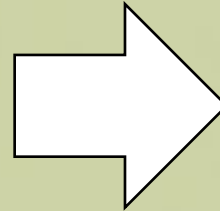
Supply Chain Pain Points



Source: SCRC 2005

So how are leaders positioning themselves for the recovery?

House of Purchasing and Supply Management TM



Key Recovery Strategies

- Redoubling efforts to define and execute on strategy
- Implementing formal governance programs
- Reengineering processes
- Investing in tools
- Expanding capabilities

Understanding of Business Strategy

- Organizations must turn their attention to improving their business strategy
- Financial performance is determined more by company or business unit strategy than by the condition of the industry
- Increasing the focus on understanding products, costs, geographical requirements is critical
- Taking a more holistic approach to understanding costs from the customer, employee and product will provide deeper insight into the challenges and areas to attack
- Strategies need to be reevaluated and adjusted periodically



Strategy Execution

Only 10% of Organization's Execute on Their Strategy

VISION

Only 5% of the work force understand the strategy

PEOPLE

Only 25% of managers' incentives are linked to strategy

RESOURCES

60% of organizations do not link budgets to strategy

MANAGEMENT

85% of executive teams spend less than one hour a month discussing strategy

HOW DO THEY DO IT?

Supply Chain Top 15

Apple
IBM
Wal-Mart Stores
Toyota Motor
Coca-Cola

Dell
Cisco Systems
Samsung
Schlumberger
Nike

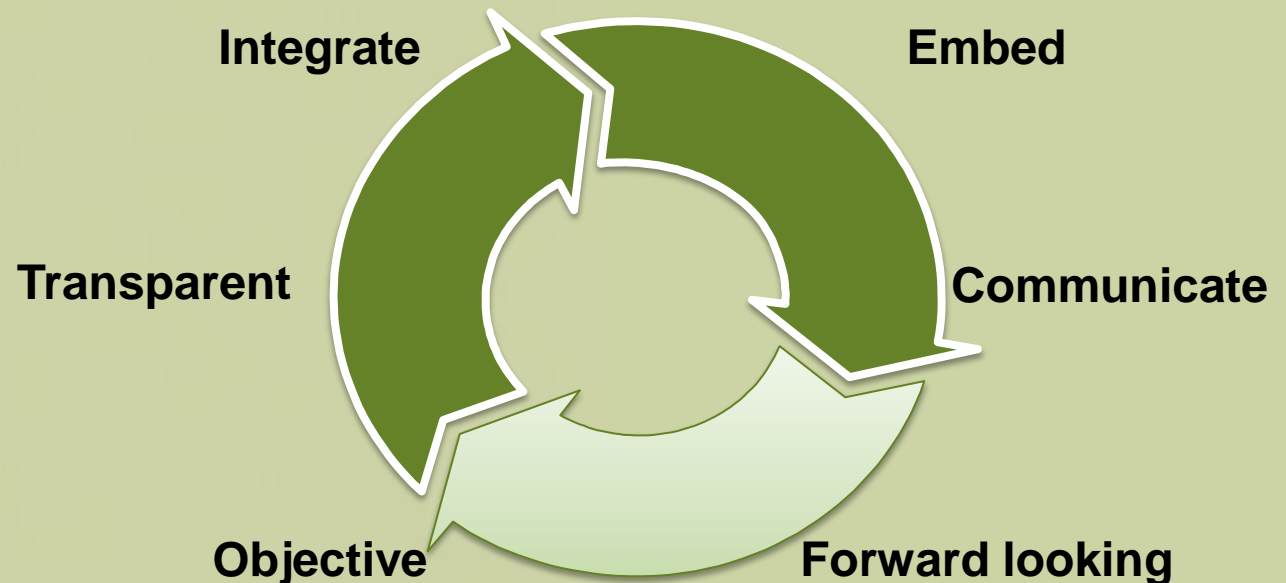
Procter & Gamble
Nokia
PepsiCo
Johnson & Johnson
Tesco

Evolution of Strategy

Critical Features

- Global
- Direct & Indirect
- Cost Focus
- Future Looking
- Disciplined
- Transparent
- Consistent
- Fact-based

Continuous Improvement



Collaborative Approach

Retailer Tasks	Collaborative Efforts	Manufacturer Tasks
Vendor Management	Collaboration Arrangement	Joint Planning
Category Management	Joint Business Plan	Budget Planning
POS Forecasting	Sales Forecasting	Data Analysis
Replenishment Plan	Demand Management	Production Planning
Buying / Re-Buying	Order Generation	Inventory & Supply Planning
Logistics / Distribution	P2P	Transportation / Distribution
Store Execution	Cross Functional Teams	Performance Monitoring
Supplier Scorecard	Performance Management	Supplier Scorecard

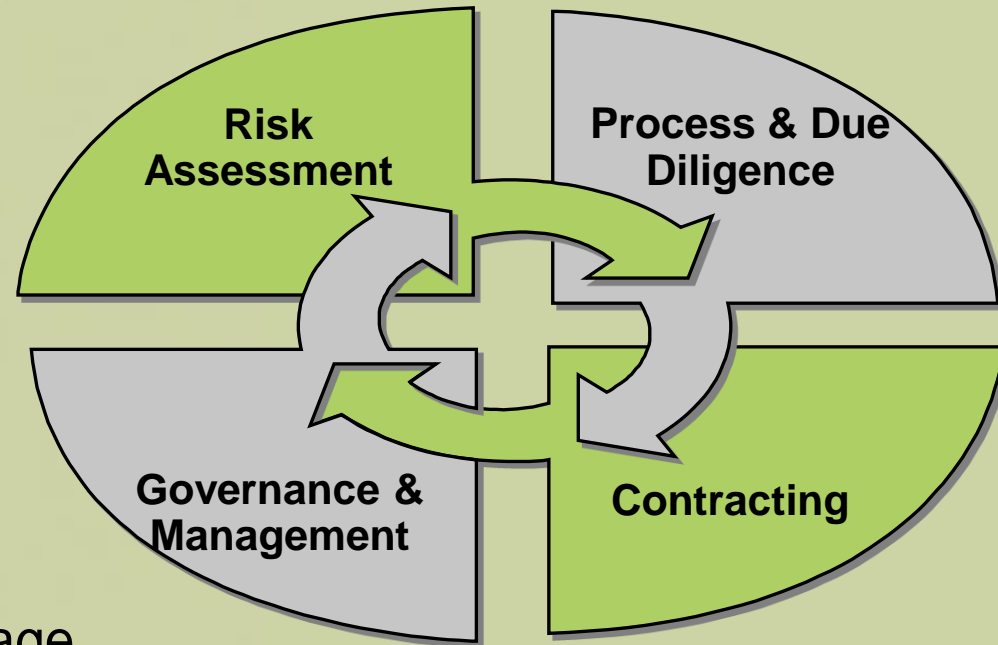
Best in Class

- ❑ Supplier score-carding and reporting, including supplier operational/financial risks
- ❑ Contingency planning
- ❑ Dual sourcing strategies
- ❑ Hedging and other “insurance” solutions
- ❑ Integration with spend analysis tools to provide visibility by supplier and/or category
- ❑ Web-based portal for supplier self-registration and maintenance of vital information
- ❑ System notification of performance issues and disruption events

Recovery Through Governance

Risk assessment is subjective, but determines sources of risk and stimulates mitigation strategies

- ✓ Transaction Risk - failure to perform
- ✓ Risk of Financial Loss
- ✓ Reputation Risk
- ✓ Supplier Viability
- ✓ Geopolitical Risk
- ✓ Strategic Risk – internal ability to manage



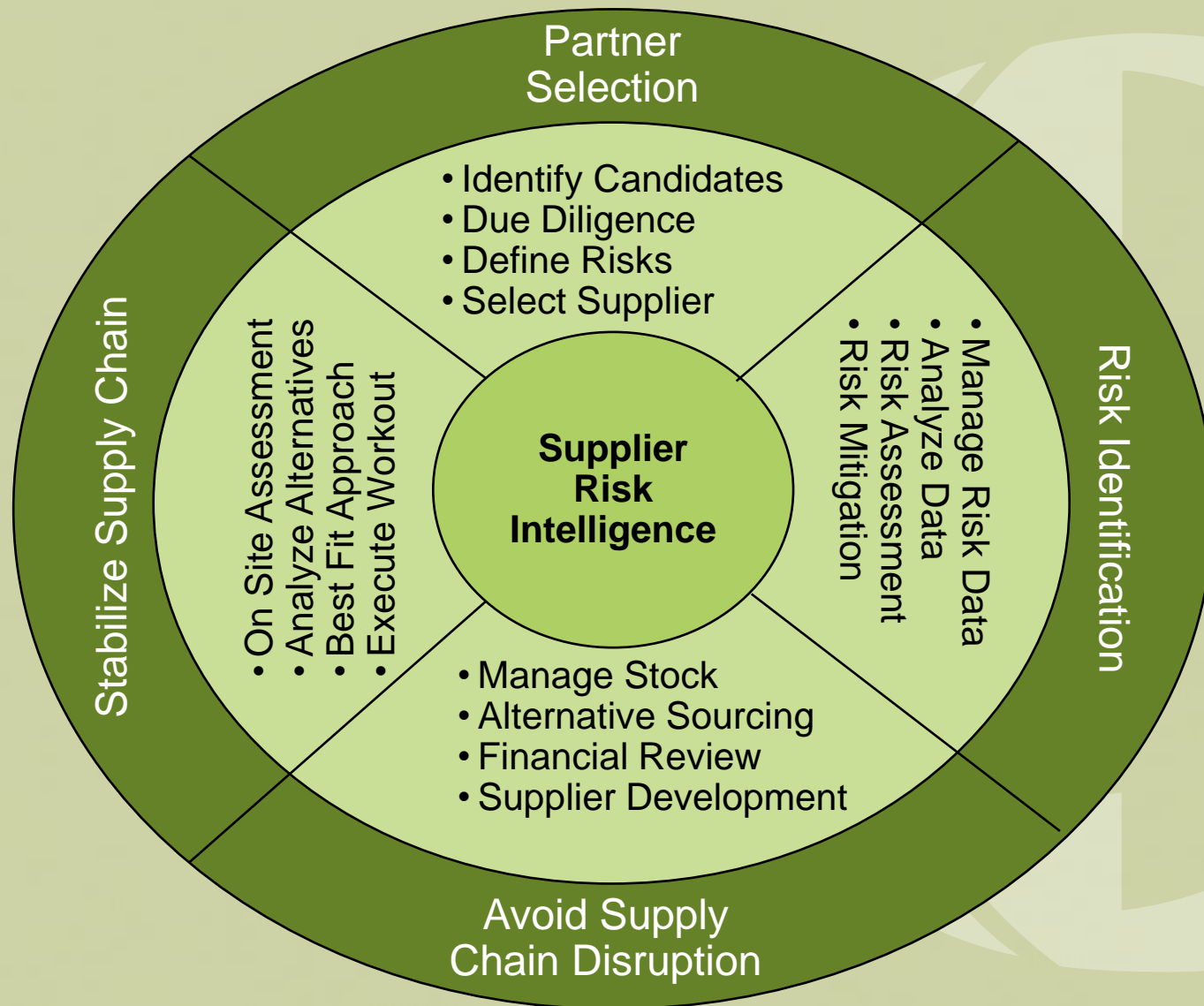
Risk Intelligence

Management and governance are not synonyms

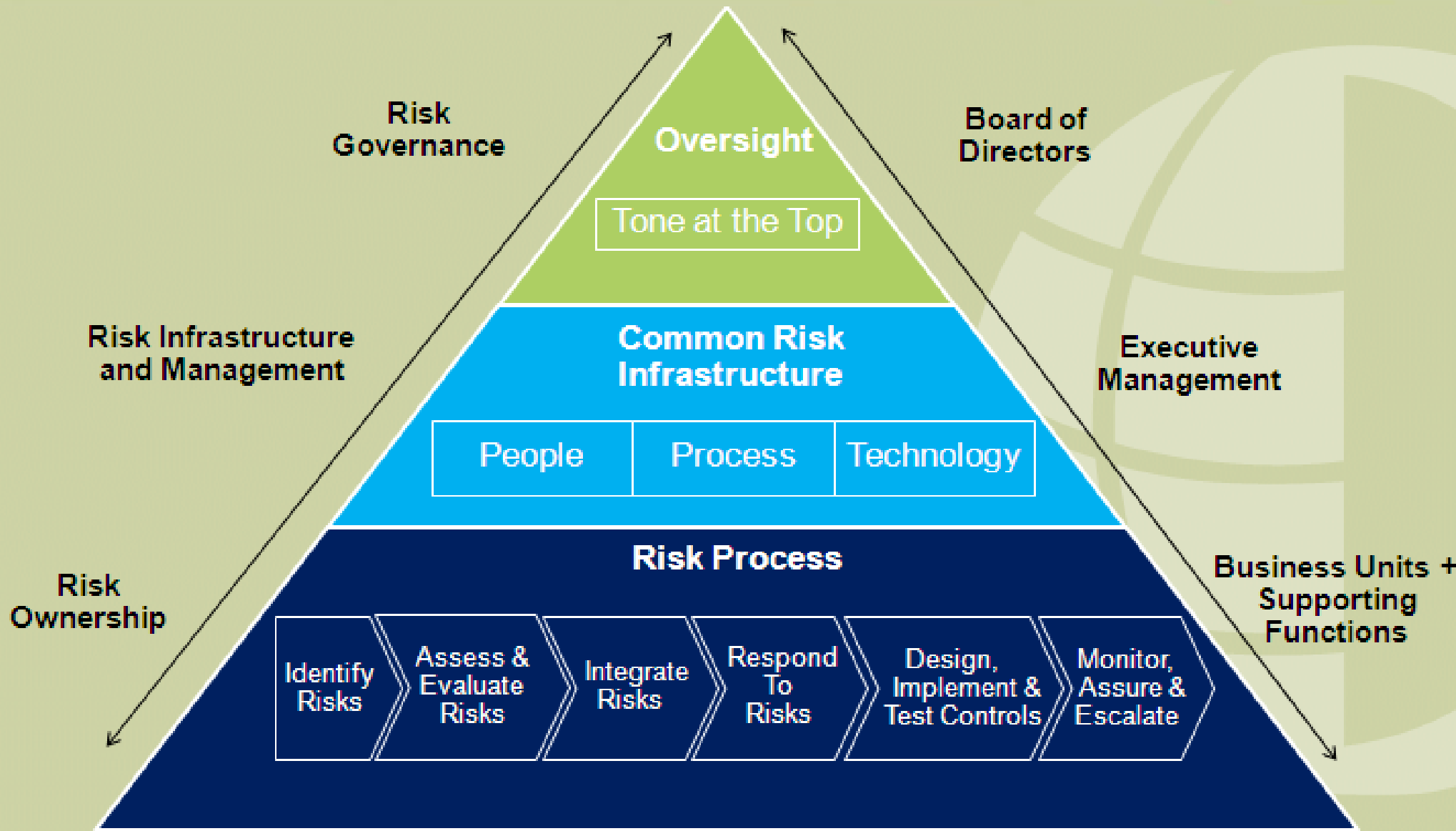
Due diligence is time well spent

Scaling your programs will align risk with effort

All accountable parties must be involved in the process



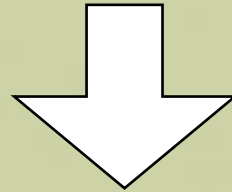
Governance Models



Achieving Alignment Through Corporate Governance

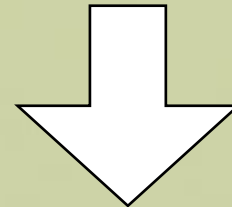
Strategic Direction & Governance

Executive Steering Committee



Business Requirements & Direction

Executive Advisory Board



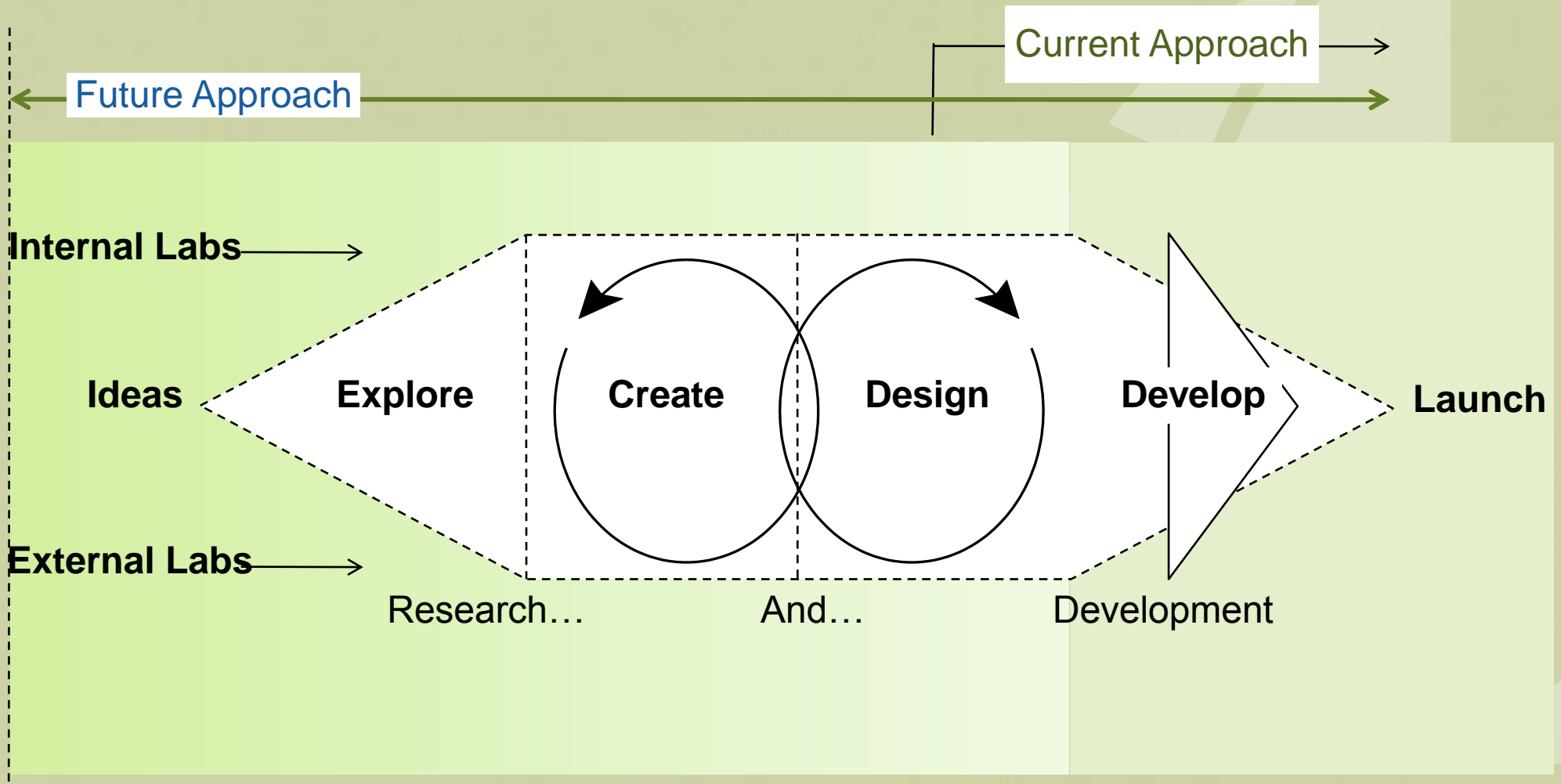
Develop, Recommend and Execute

Subject Matter
Experts

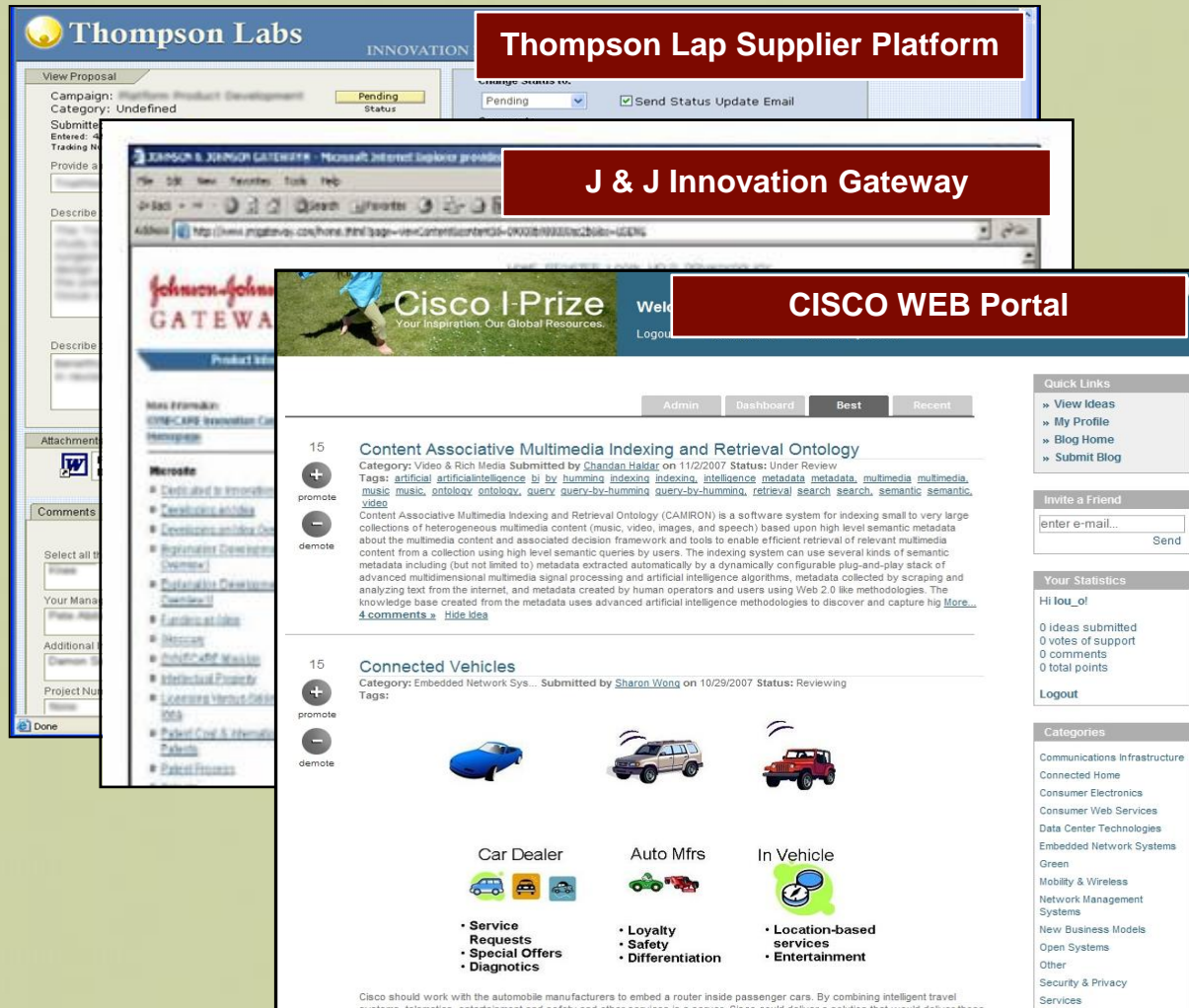
Core Team

Performance
Manager

Processes re-designed to focus on “what’s possible” and lock-in exclusive supply agreements



Supplier Partnership portals are a first step to identify potential external Partners



Portal characteristics

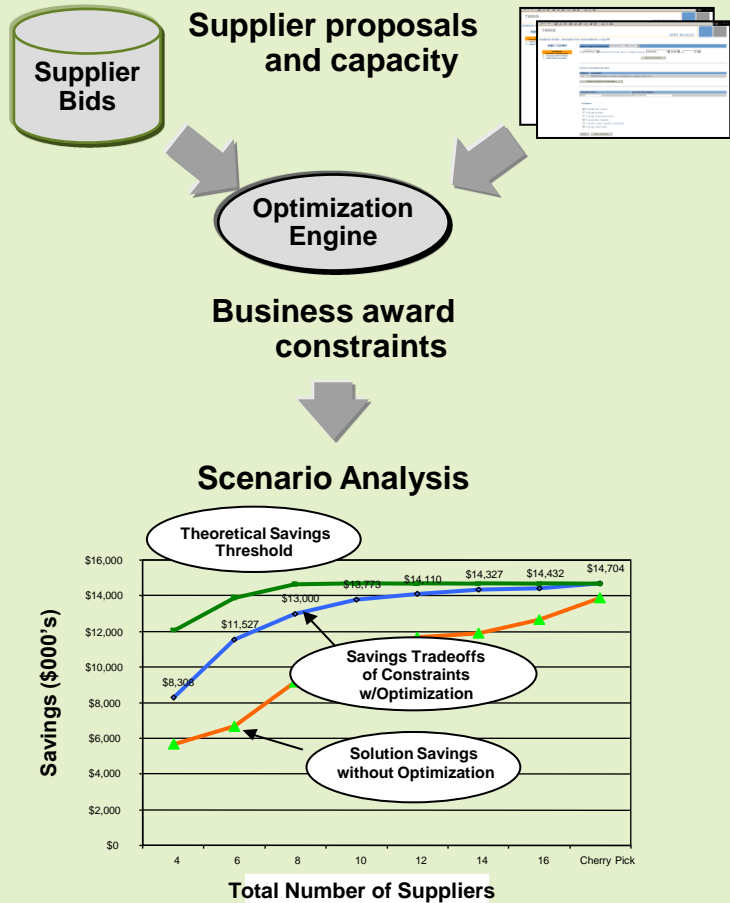
- Suppliers and external partners are able to submit capabilities and ideas for how best to service companies
- Suppliers can self-select appropriate diversity characteristics
- Suppliers can nominate innovation ideas for consideration

Role-based dashboards track category and supplier performance and provide alerts around key areas of risk

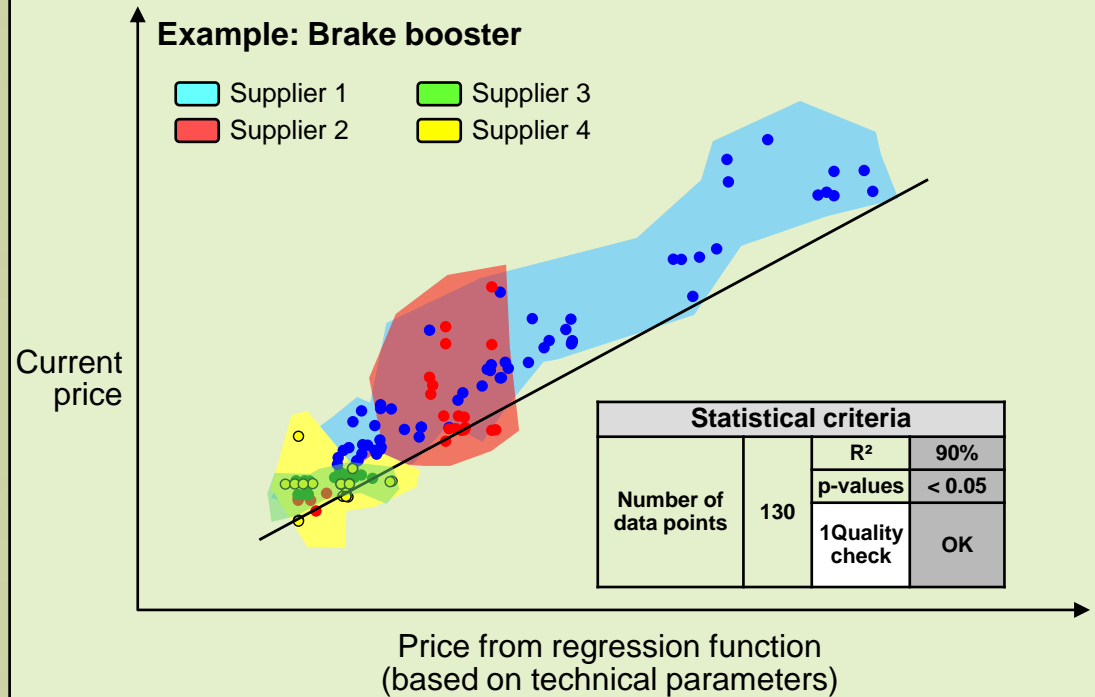


Advanced supply management strategies will require sophisticated analytics strategies

Collaborative Optimization



Regression Analyses



Knowledge enablement and a culture of sharing will create spheres of influence

1

Information is driven by greed

2

Information is enhanced by context

3

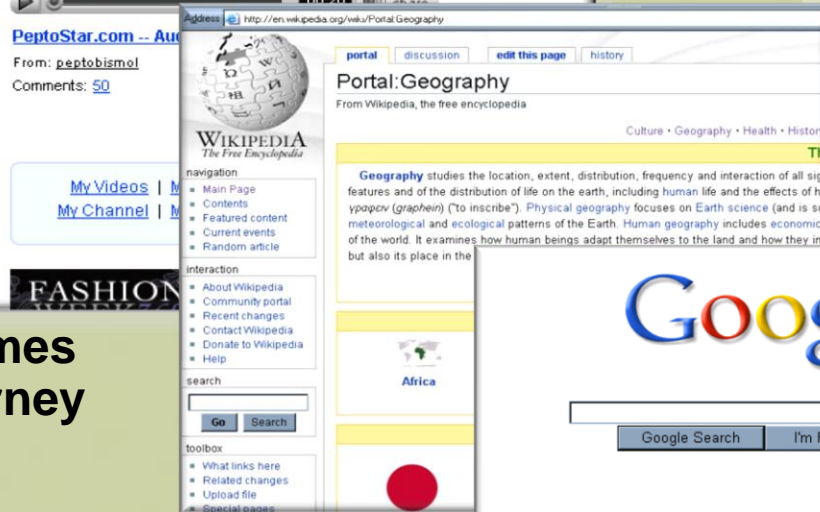
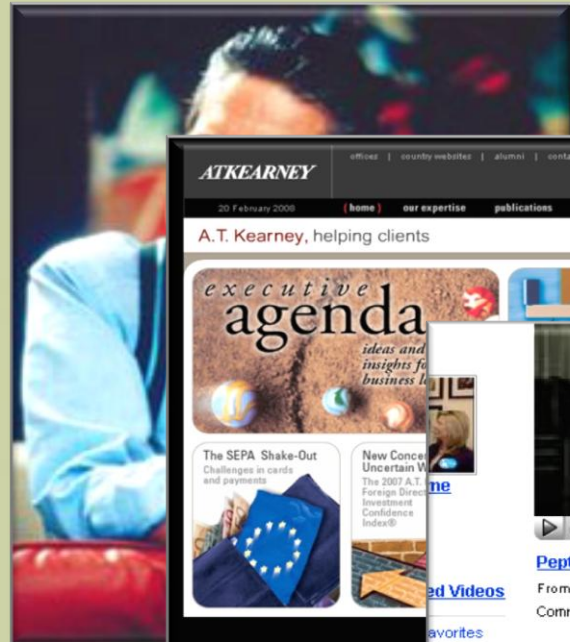
Information is empowered by interaction

4

5

Information becomes knowledge by journey

Information journeys are guided by learning



What role do we play in positioning for Recovery?

- Provide complete solutions
- Think outside the “savings box”
- Move about from traditional sourcing strategies
- Develop relationships with suppliers...not vendors
- Bring energy to the challenge vs. skepticism & doubt



Be Relationship Driven

Relationships start with tangible measures, but succeed or fail on the basis of trust and co-operation

Personal Branding Message (PBM)

What people think of when they see or hear your name

Develop your PBM headlines, your mission and content

Connecting to Help

Connect people – Be audacious

Help people land **new jobs**

Invite others to **special events**

Bringing Ideas to Others

Reach out to people and share helpful ideas

Ping people continuously

Follow-up or fail and do not keep score

Actions to Make Other People Successful

Networking is about **making other people successful**

Use **compassion** to help others – give to your community

Have **others best interests** in mind

Do your homework and never disappear

Building New Relationships

Introduce yourself to someone every day

Initiate **small talk** - share your passions and vulnerabilities

Get to know people as **friends**

Develop a personal **board of advisors**

Humility - Everyone is our superior in some way

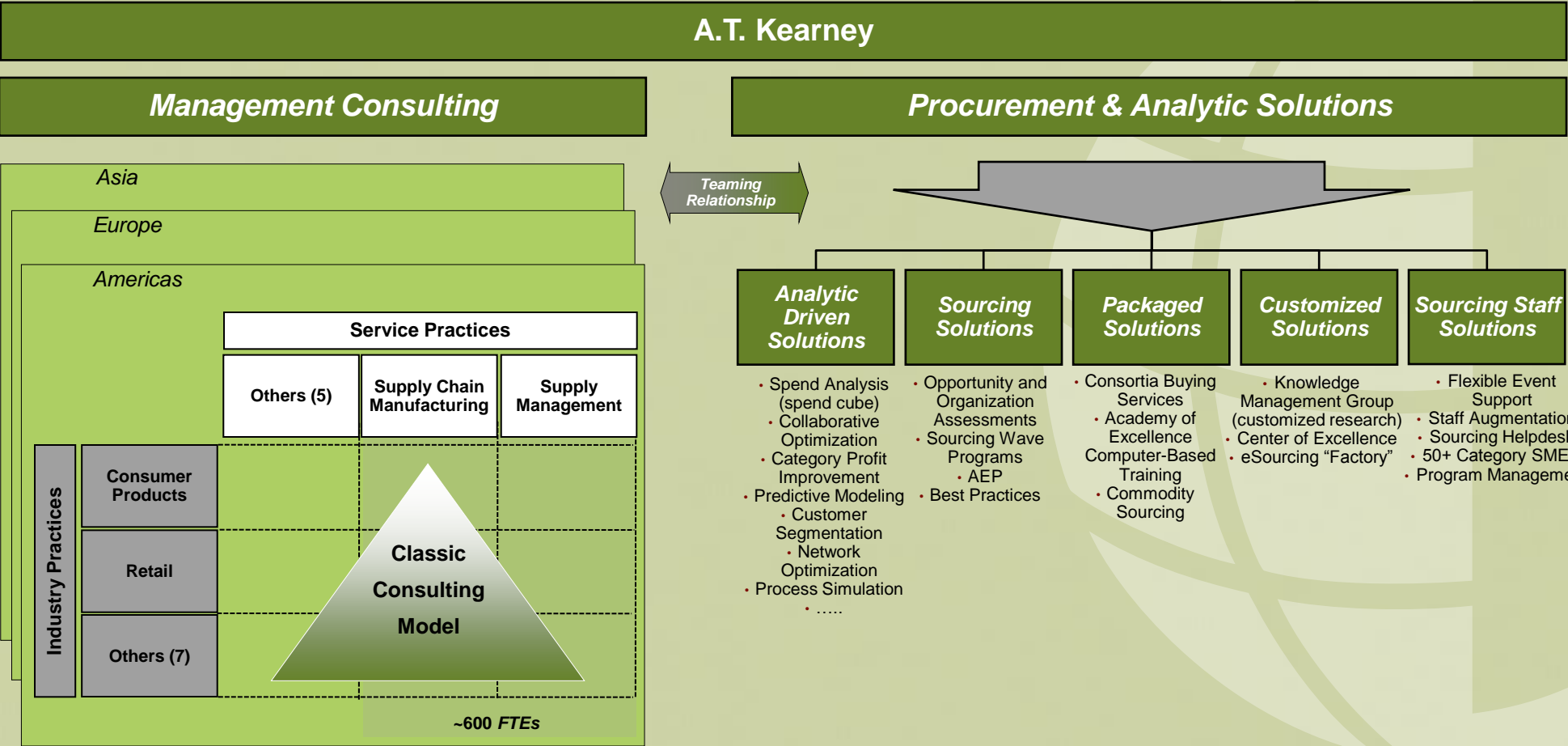
Thank You

Carrie Ericson
Vice President
A.T. Kearney Procurement &
Analytic Solutions
Carrie.Ericson@atkearney.com

Cyndi Joiner
Managing Director
Alvarez & Marsal Business Consulting
CJoiner@alvarezandmarsal.com



A.T. Kearney Procurement & Analytic Solutions helps clients to maximize results with a combination of leading-edge technology, knowledge and flexible value-added solutions



A&M Overview

Alvarez & Marsal has three major service lines along with dedicated industry expertise to help meet the broad needs of our clients.

Drawing on its strong operational heritage and pragmatic hands-on approach, A&M works closely with organizations and their stakeholders as financial and operating advisors or interim managers to help navigate complex business issues and boost performance

