

## **Session:** “Manage Your Organization’s Risk While Staging for a Recovery”

Because supply management professionals are key players in their organizations’ recovery from the economic downturn, it is imperative they have the tools and information they need to assist in the rebound.

### **Presenter:**

- *Carrie Ericson, vice president, A.T. Kearney Procurement & Analytics Solutions*
- *Cyndi Joiner, managing director, Alvarez & Marsal*

Carrie Ericson began the session by pointing out a fact no one could argue: The world isn’t as wealthy as we once thought. “And that will have a big impact on our supply chains,” she added. “We’ll see less-trusting consumers than ever before.”

To support her contention, she cited a few gloomy statistics. First, between October 2007 and June 2009, US\$33 trillion in national wealth was destroyed in the world’s stock markets, with another \$15 trillion lost in property values. Second, during this same period, almost a year’s worth of GDP was collectively lost. Combined, these factors have heralded a return to thrift, safety, security and modest-pay employment.

Speaking with supply management professionals in mind specifically, Ericson pointed out that government borrowing is creating competition for funds. As such, those in the supply chain profession will be competing harder than ever for capital. Additionally, as organizations emerge from the economic crisis, the “new normal” means India and China will become even bigger competition as they come online. Other ongoing “new normal” trends include demographic pressures (as aging populations stress the ability to meet dependency obligations) and intensifying resource competition (pre-crisis food and fuel prices remain high).

With all this in mind, Ericson asked attendees an important question: “As supply management people, what do we do?”

For one thing, as she pointed out, supply managers know that customers are paying less and trading down, creating a need to continually drive down costs and rationalize specifications. “How much can we rationalize our supply, and simplify when called for?” she asked attendees. “We must ensure speed, agility and flexibility in our supply chains.” (To this point, an attendee who works in food manufacturing offered up the example of carrots: “Do I really need seven different cuts of them for a frozen entrée?”)

In Ericson's opinion, packaging in particular has provided many opportunities to drive out cost and complexity. Additionally, shortened product life cycles have created a need for faster sourcing and more robust inventory management. Finally, new-product development is "actually a bit of a problem in this economy," she explained. "The revenue the company stands to gain is often dwarfed by the logistics it will cost to make it." Alternatively, Ericson suggested rolling new ideas into an existing product.

"That's where supply managers add value: our total-cost perspective," she continued. However, Ericson conceded that these kinds of decisions can lead to difficult conversations to have with the marketing and sales departments. "Especially in retail, the 'next big thing' is a fact of life," she said. "But, we must also make sure to kill off the old and keep inventory and capacity under control."

Also on the agenda, according to Ericson, is the impetus for supply managers to move upstream in the development process. "We want to be involved in innovation, brand equity and technology leverage, but our number-one job will always be cost reduction," she said. "Once we prove to internal stakeholders we can do this, we get closer to earning that seat at the table."

When conveying supply management's value to the C-suite, Ericson suggests explaining that the department has whittled down to the best possible suppliers — many of whom have great ideas to help drive the business as a whole. Additionally, she recommended emphasizing to executives that most of the supply management team's time and energy is spent reducing costs.

At this point in the session, an attendee wanted to know how to battle resistance as she "plays in marketing's and new-product development's sandbox." To that, Ericson recommended bringing data to the table. "A lot of time, even though it's second nature for us to drill down, they might not think to do that. They might not even know where to *find* that data," she explained. "For them, our value is a) as an extra set of arms and legs, and b) our analytical talent."

Ericson also asserted that basic math and Excel skills are a must for any supply management team member. When asked for their suggestions, the audience recommended developing a strong focus on women- and minority-owned businesses, bringing suppliers to engineering's table to drive efficiency, tasking supply partners with being on an advisory board and hosting supplier summits (including awards for excellence and savings sharing).

### **Why Aren't We Promoting Supplier Partnerships More?**

At this point, Cyndi Joiner facilitated the session. She began by asserting that not only should CPOs be on a first-name basis with CFOs and CEOs, but supply managers at all levels must be more aggressive about collaboration. “*Find* the analysts you need in finance,” she advised. “*Find* the people you need in risk. Even approach human resources.”

The audience offered a few examples of this cross-collaboration model. One attendee with a sales and marketing background was new to procurement, but was chosen for that role specifically based on her reach into that business unit.

Another attendee relayed how her organization’s IT and supply chain teams never talked to each other before last summer. Since they have begun to collaborate, however, supply management is now involved in IT’s equipment leasing component. “They’re thrilled at how devoted we are to driving down their costs!” she shared.

Supply management leaders are positioning themselves for recovery in myriad ways, Joiner continued. “Organizations are renovating their purchasing ‘houses,’” she said. “Today, for instance, sustainability of the organization is huge. What are you doing to ensure it, as supply managers? You *are* consultants in your organizations, whether you like it or not.”

As organizational sustainability strategies evolve — and given supply managers’ tendency to want to “fix things” — Joiner urged attendees to think of the process of collaboration as a marathon, not a sprint. “Together with our organizations, we build a sustainable process, but the importance of imbedding, socializing and communicating it can’t be overlooked,” she explained. “Transparency across the organization is key, not only as we weather the storm, but always.”

Joiner reiterated that collaboration is not always a supply manager’s strong suit. “But, you’ve got to get people on the bus with you,” she said. “The new language is collaboration.” The role supply management plays in this approach is by providing complete (versus task-oriented) solutions, she said. “Let’s quit talking about savings alone,” she advised. “Create a personal brand that provides solutions for your organization.”

“We need to move away from traditional sourcing strategies to developing relationships with ‘*suppliers*,’ not ‘*vendors*,’” Joiner added. “Vendors sell hot dogs; suppliers represent relationships.”

She also urged attendees to bring energy, instead of skepticism and doubt, to the challenge of collaboration. “It’s OK to be emotional and passionate,” she said. “But, let’s use it to our advantage.”

Also vital is being relationship-driven, Joiner concluded — in other words, developing a personal brand, connecting to help connect others to each others, pinging people continuously, having others’ best interests in mind, introducing oneself to new people every day, bringing ideas to others and cultivating a sense of humility. “Relationships start with tangible measures, but succeed or fail on the basis of trust and cooperation,” she advised.

## **Q & A**

After their session, Ericson and Joiner had time to answer a few questions from attendees.

### **Q: What are your thoughts about the current trend toward single-sourcing?**

**Joiner:** In that scenario, supplier risk becomes a big issue. Maybe it’s not in our best interest, in this economy, to do that. It’s requires complete transparency with supplier relationships.

### **Q: What does the “intangible” part of being relationship-driven look like?**

**Joiner:** Well, for example, Carrie and I are friends and see each other at trade conferences a couple times a year. But, it’s what goes beyond that — me asking about her kids, for instance — that makes our relationship succeed or fail. The personal investment we make in each other is what makes our relationship one worth holding on to.

— Reporting by RaeAnn Slaybaugh