

▶▶ cover story

Compiled by CAPS Research,  
A.T. Kearney and  
Institute for Supply Management™

# SUCCESSING IN A Dynamic

“Prediction is very difficult,  
especially of the future.”

— NIELS BOHR



In this special report, we share the results of a comprehensive survey concerning **expected industry trends** in the next few years.

# World

**T**en years ago, ISM initiated a groundbreaking research project to probe the future of supply management. The need for such a study was great, as many organizations, including ISM, were trying to craft strategies that would help them prepare for what was widely predicted to be a decade of great change. The new Internet technology was upon us, global trade was starting to escalate, new markets were opening up, and offshoring and outsourcing were gaining momentum. Supply management would be an integral component of all of these changes.

The resulting 1998 study, *The Future of Purchasing and Supply: A Five- and Ten-Year Forecast*, was undertaken by a joint partnership of CAPS Research, A.T. Kearney and ISM. It was well-received, and garnered great visibility in the supply management community.

Many organizations used it as a platform from which to begin or renew their strategy discussions.

In 2007, successfully peering into the future is even more important. Many supply management executives think the next decade will see even more upheavals than the last. Certainly, the events taking shape around us every day suggest that big changes are afoot. Thus, it is important for all organizations to take stock of their current strategies, test them against a predicted future world and take appropriate actions.

To better enable this effort, CAPS Research, A.T. Kearney and ISM again sponsored this latest inquiry into the future — *Succeeding in a Dynamic World: Supply Management in the Decade*

*Ahead*. Beyond the sponsoring organizations, many senior executives and managers participated in focus groups, conference calls, interviews and surveys (see the Methodology sidebar on page 27). The collaboration with these knowledgeable people made it possible to define well-reasoned and valid statements about the future that will be of benefit to the whole of supply management.

How do the results of this latest study compare to those from nearly 10 years ago? In 1998, the 18 trends identified were areas that companies would work toward achieving during the next 10 years. However, today's study speaks to the volatility occurring outside the walls of the company. Thus, there's urgency for companies

## At a Glance

**The main points covered in this article are:**

- Identifying the influences of the external environment on companies;
- Exploring how companies will adapt to external influences;
- Analyzing the six critical supply strategies for the future.



to address the critical strategies highlighted in the study. As the forecasts reveal, supply managers must react sooner than later to the external factors shaping our profession.

The forecasts in this report are divided into three main sections:

**Section 1: INFLUENCE OF EXTERNAL ENVIRONMENT;**

**Section 2: CORPORATE CHANGE;**

**Section 3: CRITICAL SUPPLY STRATEGIES.**

The first two are outside the direct control of supply management, but impinge directly upon it. The last section is within the direct

domain of supply management and speaks to strategies that will likely be employed in the future to meet the challenges of external forces and organizational strategy.

Finally, it's always interesting to go back in time, and evaluate the predictions made in the 1998 report. How accurate was that study in predicting the future? At the end of this special report (pages 32 and 33), you will find a summary of the highs and lows of that exercise. As you will see, some forecasts were spot on, and others missed the mark. As physicist Niels Bohr's opening quote corroborates, forecasting is a difficult art.

## Section I: INFLUENCE OF THE EXTERNAL ENVIRONMENT

As supply management executives know, the global environment outside the walls of the company can be extremely volatile. Consider the effect that global warming has on industry, and how that affects the cost structure and environmental practices of firms. Beyond environmental issues are economic, regulatory, and mergers and acquisitions trends that keep the external environment unpredictable. How are supply management executives responding?

### Forces of Change

In the coming decade, companies will be subjected to many external forces which they do not control or manage. To survive, companies must react to these forces and incorporate their impact into their strategies and plans. Supply managers must also be cognizant of these forces and adapt their plans and actions accordingly. Take, for example, the following two areas — environment and global competition.

**Environmental forces.** Companies will experience pressure from many groups to be responsive and proactive to environmental concerns. This pressure will come from their customers, consumers, shareholders, nongovernmental organizations and governments. Companies will be expected to take action to mitigate global warming, to contribute to sustainable economies, to recycle their products and packaging, and to mitigate the impact of emerging technologies. Because the costs and benefits of these activities will be uncertain, supply management will follow the lead of the corporate executives in the arena.

**Global competition.** The impact of China on the world economy will continue to increase. To prosper, companies must embrace China both as a market and a supply base. This will be also the case, but to a lesser extent, with other developing economies such as India, Brazil and Eastern Europe. Global competition will drive the consolidation of U.S.-based companies into fewer, larger companies that can compete on a global basis. Many traditional supply chains

### The Report Structure —

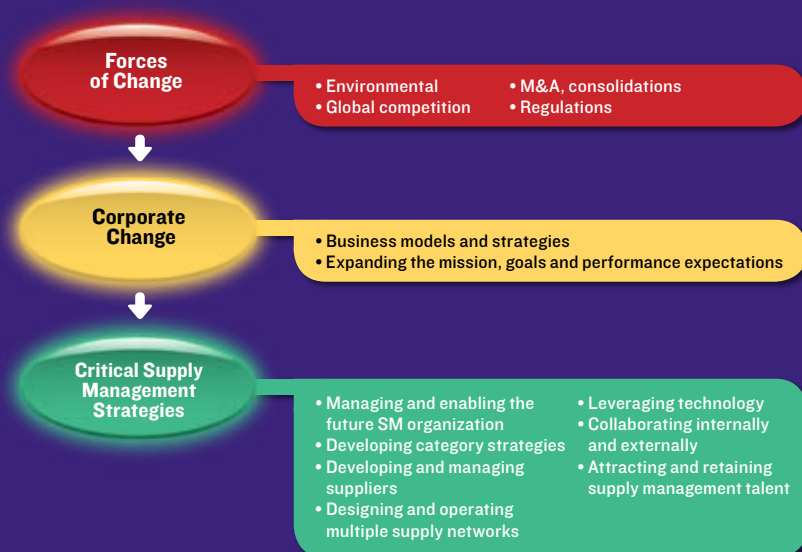
The study is divided into three separate but related sections:

1. External environmental forces;
2. Corporate change;
3. Change in supply management strategies.

In this chart, the structural framework of the study is provided. It begins by examining the forces that are external to the organization. These forces may

be unpredictable and outside of the control of supply management. How companies react to the external environment impacts their business models and strategies, as well as their missions, goals and performance expectations. While supply management may have limited control over the external forces and how the corporate world responds to them, supply management executives can adapt their strategies to meet new standards in a changing environment.

## Research Framework



will be disintermediated as new suppliers in developing economies learn how to finance and distribute goods, as well as manufacture.

## Section 2: CORPORATE CHANGE

In response to the external forces, corporations will analyze, develop and implement the appropriate strategies to withstand the pressure being applied. Whether it's a short-term modification or a permanent change, supply management executives must make balanced adjustments. What strategies are companies exploring to sustain and enhance their businesses in the next decade? And how are those strategies influencing the overall mission and goals of the organization?

### Business Models and Strategies

The research inquired about what business models and strategies companies would use over the next decade to respond to external forces and new market opportunities. The new business models will strive to improve both the income statement and the balance sheet. The following are business strategies with major implications for supply management in the coming decade:

**Revenue.** Companies will follow several strategies to increase revenue. The most radical will involve moving up the value stream and becoming designers, marketers and systems integrators, leaving behind or outsourcing traditional part or component design and manufacturing. Manufacturers will expand their relationship with customers by offering a wider range of services to support their products (such as after-sales service and support). Service companies will increase their portfolios of high-value services, and outsource or abandon low-value services. And finally, as suggested earlier, companies will enter emerging markets to find sources of revenue growth.

**Cost reduction.** Global competition will mandate that cost reduction remain a key strategy for companies in the coming decade. Ongoing cost reductions will enable companies to compete in developing markets and meet the competitive challenges

# THE METHODOLOGY

As part of a joint research initiative, CAPS Research, A.T. Kearney and Institute for Supply Management™ explored the future of the supply management profession. The outcome of that research is contained in the study, *Succeeding in a Dynamic World: Supply Management in the Decade Ahead*. The research team's methodology in developing, compiling and reporting the results are detailed below.

### REACH OF THE RESEARCH —

More than 100 supply management executives participated in face-to-face meetings and teleconferences with the research team, and 99 responded to an e-survey. This wide reach gives great credence to the validity and reliability to the conclusions and forecasts contained in this report.

### RESEARCH OBJECTIVE —

The 2007 research objective: Update and extend *1998: The Future of Purchasing and Supply: A Five- and Ten-Year Forecast* with more companies participating and greater global representation. Those objectives were reached in the following ways:

- Participation by North America, Europe, Latin America and Asia/Pacific;
- Design began in early 2006, study results released in 2007;
- Several research methodologies were used, as follows:

**Direct Dialog —** More than 100 CPO and other high-level supply chain strategists participated in focus groups, conference calls and interviews. The research used direct dialogue with supply executives 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 new market opportunities or technologies make possible?

**E-Survey —** There were 99 surveys completed across a wide variety of industries. The e-survey covered five key areas:

- **Forces of change —** The degree to which marketplace and competitive forces impact company business models;
- **Business strategy elements —** The importance of various business strategy elements to the future success of company business models;
- **Supply mission, goals and performance expectations —** The importance of various elements of supply mission, goals and performance expectations toward supporting company business strategies;
- **Supply strategies, processes and enablers —** The importance of various supply strategies, processes and enablers for achieving a company's supply mission, goals and performance expectations. The degree of implementation of each strategy was also reported;
- **Supply management metrics —** Expected magnitude/direction of change in key supply management metrics.

**Review Sessions —** Follow-up sessions were held with small groups of supply executives to hear the tentative major conclusions from the research based on the quantitative and qualitative data. These groups helped the research team judge the validity of the predictions and fine-tune the conclusions of the study.



Certainly,  
the events  
taking shape  
around us  
every day  
suggest that  
big changes  
are afoot.

of new competitors from low-cost countries in their home markets.

**Fixed assets.** Companies will pursue a variety of strategies to reduce fixed assets and then make the remaining assets as efficient, flexible and mobile as possible. This will allow them to respond to changes in customer demands and sources of supply. Concomitantly, companies will continue to reduce working capital requirements and increase cash flow.

### Missions, Goals and Performance Expectations

Tomorrow's supply mission and goals will be broader and more tightly linked to the strategic objectives of the business. Performance expectations will be to deliver current performance and position the supply base to support the future. To achieve that, supply management executives must focus on several supply chain enhancements, such as the following:

**More innovation from suppliers.** Fully leveraging the capabilities of existing suppliers is just the beginning. Other steps include finding suppliers in related industries/technologies that can adapt their ideas and capabilities to a new setting, or use nontraditional sources of innovation, such as design houses or university researchers. Supply management

organizations must also better integrate all parties into the company's new product and service development process.

#### Contributions to revenue

**generation.** Supply management should seek out opportunities that can lead to new business models or revenue streams (for example, finding suppliers of complementary products and services that could piggyback on their distribution channels).

**Supply risk mitigation.** Companies will face more exposure to a wider range of risks, with less predictable impacts in the coming decade. Extended global supply chains coupled with distant, unproven (or even unknown) suppliers pose supply continuity, reputation and intellectual property risks. Volatility of commodity prices, currencies and interest rates add to the complexity.

**Cost control.** Supply will further expand control into nontraditional areas, such as facilities management, legal, advertising and contract manufacturing, by consolidating and leveraging corporate-wide volumes. Pressure will intensify to deliver higher cost savings faster, especially following acquisitions or mergers. Maximizing value from expenditures forces greater standardization, tighter management of specifications and demand, and more focus on total lifecycle cost.

## Section 3 CRITICAL SUPPLY STRATEGIES

For supply management executives, the strategies they develop and implement are influenced by two sources — the environment external to the organization and the internal corporate environment. As companies react to changes in the external environment by modifying business models and missions and goals, supply management must adapt its supply strategies accordingly. In the coming decade, adaptation may be required on several strategic fronts. The following seven areas are explored in detail next (each with corresponding elements critical to its implementation):

1. Develop category strategies;
2. Develop and manage suppliers;
3. Design and operate multiple supply networks;
4. Collaborate internally and externally;
5. Attract and retain supply management talent;
6. Manage and enable the supply management organization;
7. Leverage technology enablers.

### Develop Category Strategies

The importance of written and detailed category strategies will increase in the decade ahead. Firms selling and buying globally require category strategies that ensure competitive cost, quality, delivery and overall value from suppliers. Future purchases will be from fewer suppliers with more volume focused on preferred suppliers. Increased outsourcing and customer segmentation will require more effective strategies. The following are elements critical to the success of those strategies:

#### A detailed category strategy

**development process.** The category strategy development process must focus on the overall value chain for goods and services over a three- to five-year time frame. The strategy development team must:

- Understand customer requirements;
- Conduct detailed industry analyses, including competitive benchmarking;
- Develop cost models;
- Establish value-stream mapping;
- Develop creative, worldwide strategy alternatives;
- Execute based on detailed implementation plans;
- Adequately measure results;
- Engage executives, customers and suppliers.

#### Cross-functional team

**effectiveness.** Full, cross-functional representation and effective teaming is required. Supply has reduced cost and improved performance through negotiation, volume aggregation and contracting strategies. However, to maximize gain in the future, category strategies must involve various functions. Future strategies will increasingly

focus on demand management, specification changes, outsourcing, upward system migration, leveraging networks of suppliers, complexity reduction and revenue-loss risk mitigation, all crossing functional boundaries.

**Data availability and accuracy.** Global databases of spend and supplier performance are required. Global strategies require worldwide data, common category code, accurate spend data by purchase item, supplier and user location, and supplier capabilities and performance information.

**Develop and Manage Suppliers**

Improving the overall supply base and increasing value achieved is critical to supply's value proposition in the decade ahead. Effectiveness in supplier management, compared to competitors, will contribute to competitive advantage in cost, quality, delivery/responsiveness, technology and innovation achieved. The following examines strategies around that initiative:

**Establish supplier development strategy.** Supplier-focused strategies such as supply-base reduction, longer-term contracting, increased volume to suppliers and negotiation have led to price and cost reductions. In the future, supplier segmentation, sourcing in emerging markets, requiring a greater role by suppliers in cost reduction and innovation, and improved working relationships with suppliers will take on increasing importance.

**Shrinking supply base.** Even though supply bases have been reduced, firms indicate further reductions of 51 percent of suppliers of direct goods and 77 percent of suppliers of indirect goods and services as firms continue to segment and identify their most important future suppliers.

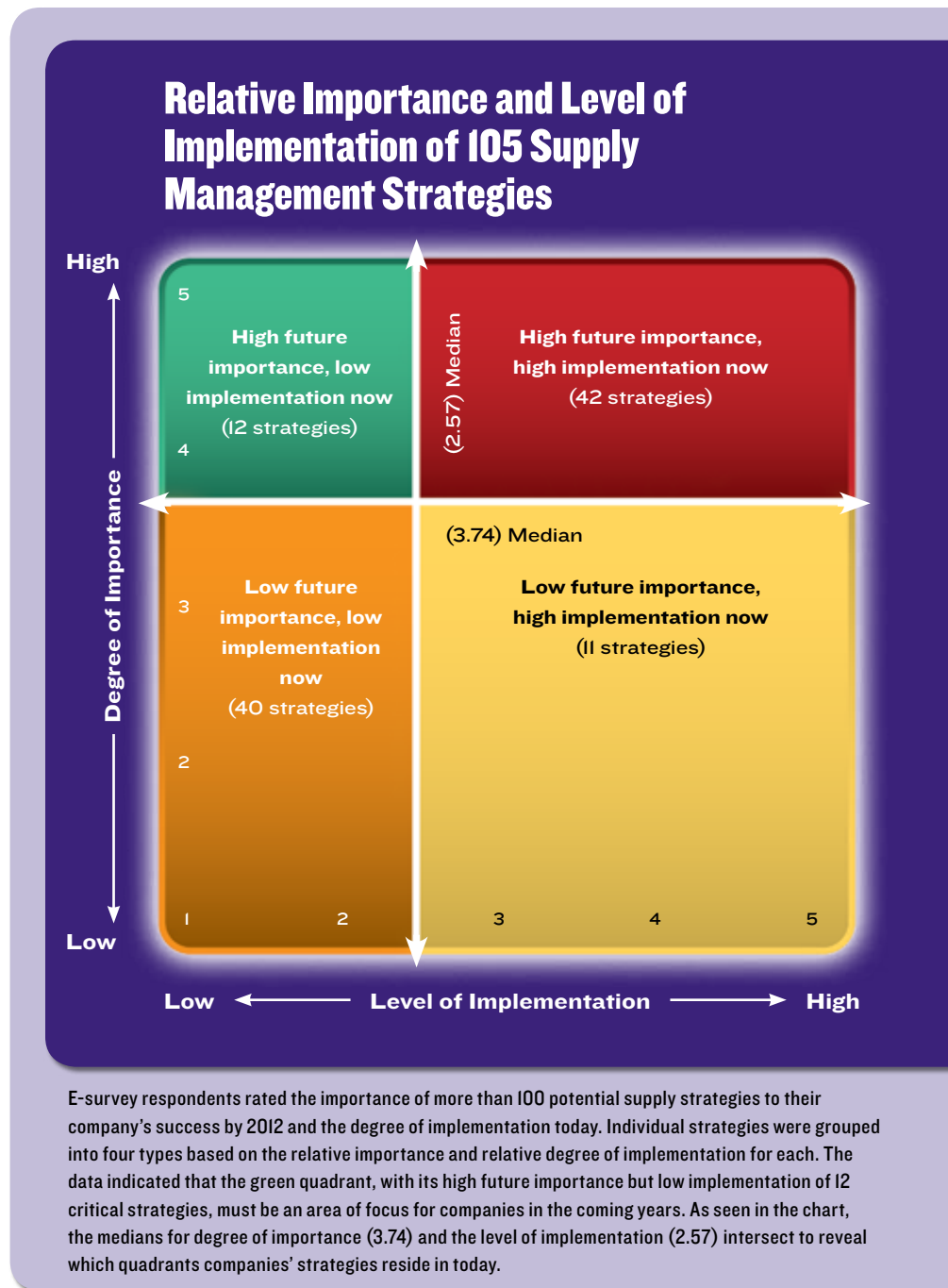
**Building capabilities into the supply network.** In addition, effective supplier management requires more attention to establishing the correct number of suppliers with required current/future capabilities in correct locations worldwide to support a firm's operations and markets. The role(s) of each supplier must also be specified.

**Gaining value from strategic relationships.** Improving working relationships with strategic suppliers has also been identified as one of the most important future strategies, with a significant gap between current implementation and future importance. To achieve differential value from suppliers, firms will have to focus on achieving the position of preferred customers. This will require changes in

the work streams or processes with which buyers and suppliers interface and modify to human behavior.

**Design and Operate Multiple Supply Chain Networks**

Diverse supply chains will be needed to support competitive priorities. Meeting the needs of developing economies will require companies to find domestic partners to





## Increased outsourcing and customer segmentation will require more effective strategies.

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, such as the following:

**Using modeling techniques to evaluate strategy costs.** Companies will aggressively manage supply chain costs. Fixed assets will be reduced as much as possible to reduce costs and increase flexibility. On-demand service will be a preferred model. Cost drivers will be tracked and managed across trading partners. Cost management over product lifecycles will be modeled and managed. Major investment in new technologies, such as RFID, will be made to reduce inventory and distribution costs and help speed products to markets. Lean practices, Six Sigma and total quality management will be the norm in all supply chain activities.

**Building capabilities to accommodate risk.** Risk will be an overarching concern in designing and managing supply networks. Global supply bases and markets, lean practices, increased complexity and tighter coupling will increase

supply chain risk. Companies will invest in sophisticated models that will 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.

### **Collaborate Internally and Externally**

The past decade saw tremendous strides as companies strengthened their supply management capabilities and drove aggressive sourcing improvement programs. However, major gains from supply management in the future will require a much higher level of collaboration both internally and externally. Collaborative value creation will have to advance beyond just sourcing excellence to include the following:

**Multilateral collaboration.** Companies will increasingly expect suppliers to collaborate with one another, as well as with the company. Emphasis will shift from bilateral actions to improve how the company buys and uses a particular item, toward multilateral actions to improve how the company's end products are designed, produced and delivered.

**Integrated product development.** To keep the innovation pipeline filled, companies will need to improve their integrated product and service development processes. Supply management will have a make-or-break role to play by overcoming the internal and external behavioral barriers, and helping to integrate suppliers into the process. Finding the right suppliers is just the start. Other keys will include strengthening relationships with the company's own R&D, engineering and marketing organizations, applying technology to enable integration of the process and ensuring two-way protection of intellectual property.

**"Customer of choice" positioning.** In some supply market segments, capacity constraints, consolidation and attention to profitability will drive suppliers to be more selective about which customers to work with. Where collaboration with those

suppliers is important, becoming a "preferred customer" will be key. Successful companies will employ techniques such as gain and risk sharing, helping the supplier develop its capabilities, co-investment in capacity and continually listening to the "voice of the supplier."

### **Attract and Retain Supply Management Talent**

In the coming decade, supply management organizations will take on more responsibilities and higher-value roles. Success will hinge on whether an organization can attract and retain individuals with the skills and capabilities the future demands, by doing the following:

**Identifying needed skills and capabilities.** Individuals will need deeper supply market knowledge and more extensive process knowledge. Broader business knowledge and multidiscipline experience will be a must, with foreign language skills and international experience also important. Other critical skills are leadership, innovation and collaboration abilities.

**Evaluating talent.** Competency maps will formally define both current and future needs. They will be the basis for rigorous skills assessment and testing of current staff and potential internal transfers or new hires. Talent succession planning will be more important, as supply organizations lose knowledge and experience to retirements and recruitment efforts by other companies.

**Developing and retaining talent.** Companies will need a multipronged strategy to acquire, develop and retain individuals with the needed skills and competencies. Recruiting externally for industry expertise and/or supply management expertise, transferring in industry/domain experts from other departments, campus recruiting, ongoing training of their own staff and individual career path development are all part of the mix. Fierce competition for talent will drive compensation and reward packages upward.

**Managing the future workforce.** Globalization, demographic shifts and greater cross-organizational collaboration

will create a more diverse, distributed working environment. A key challenge for leaders will be to manage and motivate individuals and teams across functions, geographies, cultures and generations.

### Manage and Enable the Future Supply Management Organization

In the next decade the center-led organization will continue to dominate, but changing conditions will require modifying organizational structure and relationships. Organizations will need to balance the advantages of centralized coordination with the need for local responsiveness. Some supply management organizations will shift authority and leadership to local business units in order to build the leadership and develop the talent needed in offshore locations. Other organizations will shift authority and responsibility back to strategic business units as the pressures on commodity prices attenuate. Best practices and processes will be embedded in technology, diminishing the need for center-led

practice experts. Those practices and processes include the following:

**Integrating the management of functions.** Organizations will find value in integrating separate functions in the decade ahead. In some organizations, supply management will be embedded with a supply chain organization that includes operations, distribution and other functions. In other organizations, CPOs will have COO-type roles, managing inside and outside supply units. Within many companies, supply management will become the focal point for all cost control within the company.

**Using technology to optimize the business.** Technology will give supply managers unprecedented access to internal data that is standardized and rationalized from all business units. Web-based tools will give access to information from across the supply chains. Collaboration tools will link internal and external partners to support product design and strategic sourcing.

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

### Leverage Technology

When e-commerce emerged a decade ago, supply management professionals did not initially embrace it. Technology was supposedly too slow, too insecure, didn't have enough foreign language coverage, was too impersonal, might be misused or was just too much hard work to deploy.

In the ensuing period, technology providers have overcome nearly all of these false barriers. The needed technology has been provided; leading supply managers are using it, and using it effectively. Paradoxically, many CPOs still believe that they will need more and better technology enablers in the future. The remaining task is a management and leadership task — to overcome concerns about confidentiality, legal security, misuse by suppliers or customers, and how technically to integrate external

and internal systems. Achieving that will involve the following:

**Internal enterprise-wide management of supply.** Companies will continue to evolve toward greater ease of access to internal data sources, overcoming supposed barriers of multiple ERPs and nonstandard data definitions. Increasingly, routine purchasing activities will be performed by users, while technology monitors compliance with demand management/procurement policies.

**External supply chain visibility.** Web-based tools will further enable the capture and sharing of operational information across the supply chain. Use of auto-ID and remote monitoring technology 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.

**Internal and external collaboration tools.** Collaboration platforms will 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, CAD, RFx and the like) with 3-D definition, document management and collaboration capabilities.

### MORE DATA ON THE WAY

This article presents only some highlights of the study. Two more extensive reports will be forthcoming in the near future. The first will be a white paper from A.T. Kearney, scheduled for June 2007. The second will be a comprehensive report from CAPS Research, available at [www.capsresearch.org](http://www.capsresearch.org) in July 2007. Both reports will contain a more comprehensive set of forecasts plus an assessment tool for companies to score themselves on their preparation for the future. Hopefully this preview article has sparked your interest in reading both of these forthcoming reports. **ISM**

This article was completed with contributions from CAPS Research, A.T. Kearney and Institute for Supply Management™. To contact the authors or sources mentioned in this article, please send an e-mail to [author@ism.ws](mailto:author@ism.ws).

### RESEARCH TEAM —

The research team was comprised of the following individuals:

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- **Joseph R. Carter, DBA, C.P.M.**, Avnet professor, department of supply chain management for the W. P. Carey School of Business at Arizona State University, Tempe, Arizona;
- **Robert M. Monczka, Ph.D., C.P.M.**, director, strategic sourcing and supply chain strategy research for CAPS Research, and distinguished research and ISM professor of supply chain management for the W. P. Carey School of Business at Arizona State University, Tempe, Arizona;
- **Thomas Slight**, vice president for A.T. Kearney, New York;
- **John D. Blascovich, C.P.M.**, vice president for A.T. Kearney, New York;
- **William J. Markham**, principal for A.T. Kearney, Chicago.

Looking back on a decade of supply management trends, it's clear why some were more prevalent, but that doesn't

# Where We Ended Up

make the others any less important.

By John Yuva

In 1998, a study unlike any other in the supply management field was released by CAPS Research, A.T. Kearney and Institute for Supply Management™. Entitled *The Future of Purchasing and Supply: A Five- and Ten-Year Forecast*, the study revealed 18 initiatives that were predicted to have a profound effect on the profession over the next several years. Nearly 10 years later, an evaluation of how these initiatives affected supply management reveals that many of the trends had a direct influence on propelling the profession forward, while others were less influential than expected.

What follows are summations of six trends from the 1998 report (divided among the three most dynamic and least influential), as well as reactions from the current research team.



## THE DECADE'S DYNAMIC TRENDS

**Tactical purchasing.** Such tactical purchasing activities as ordering, quoting, expediting and the like will be automated and/or outsourced and headcounts will be reduced. Selected low-value, noncritical, standard commodity purchases are likely to be outsourced to full-service providers. The reason? Companies are focusing on their core competencies and strategic purchases.

*"Tactical purchasing has clearly shifted into the hands of the users, with more and more companies having requisition-to-pay systems to enable it. Many companies saw pressure to reduce headcounts in purchasing departments, but that was because of general downsizing in business, and not necessarily because consortia and third-party purchasing enabled it."*

— WILLIAM J. MARKHAM, principal for A.T. Kearney, Chicago

**Global supplier development.** As companies globalize and establish operations in emerging markets, the companies' world-class suppliers will follow them and grow their operations in those regions. When localized content requires the development of a new supplier, the trend is for a joint venture between a local and strategic supplier. A strategic issue related to this trend is managing these joint-venture relationships.

*"With continued globalization, new marketplaces, stretched supply chains and limited best-in-class sources of supply, supplier development has proven to be an absolutely critical part of any long-term category strategy. National governments in these emerging markets are becoming very active in requiring such local supply base investment and development. This has proven to be a good thing for both the multinational and the local population."*

— JOSEPH R. CARTER, DBA, C.P.M., Avnet professor, department of supply chain management for the W. P. Carey School of Business at Arizona State University, Tempe, Arizona

**Electronic commerce.** Because of an increasingly volatile marketplace, companies are realizing the need for speed in both decisionmaking and product and service fulfillment. Thus, combining the advancements of the Internet with the adoption of enterprise-based systems will fundamentally change the way critical information is transferred among supply chain partners.

*“As sometimes happens, consumer use of new technologies anticipates and exceeds business use. Consumers use the Internet to purchase, conduct market research, track orders and the like; meanwhile, business comes up with all sorts of reasons for not deploying the technology. Some implementation has taken place — e-mails are pervasive, RFP responses are done over the Internet — but ubiquitous use has yet to occur for forecasting and supply chain interaction. The Internet is too often used by businesses as an electronic fax machine.”*

— THOMAS SLAIGHT, vice president for A.T. Kearney, New York

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## THE DECADE'S UNDERPERFORMING TRENDS

**Relationship management.** The ability to have a flexible supply chain, yet react to globalization, constricted resources and global competition will force companies to reexamine the relationship between their suppliers and customers. The management activities of these relationships will be combined into one office to ensure alignment. The direct report for this office will be in the executive level of the organization.

*“We predicted that relationship management would be further along than it actually is, and I think part of the reason is that over this 10-year timeframe, we had the advent of e-sourcing, e-reverse auctions and e-RFX, as well as some price movement in a deflationary way (prices were declining across many industries because of available capacity as well as sourcing to emerging markets). And so the emphasis was placed more on using strong competitive pressure to gain competitive prices.”*

— ROBERT M. MONCZKA, PH.D., C.P.M., director, strategic sourcing and supply chain strategy research for CAPS Research, and distinguished research and ISM professor supply chain management for the W. P. Carey School of Business at Arizona State University, Tempe, Arizona

**Demand-pull purchasing.** In an effort to become more sophisticated with their customers on a part-number-by-part-number basis, companies will invest and implement Internet, pull-based systems that feed back into their systems and the systems of their suppliers. Such systems will be enabled by enterprise-based software and Internet technology.

*“We predicted demand-pull capabilities beginning at the customer level all the way to the supplier. But there are few companies that have enabled that kind of information transparency across the chain to where they can achieve a full pull. The reason may be related to some systems issues, skills issues and business model issues. I also don't believe people have placed both the value proposition and the implementation certainty behind it.”*

— JOHN D. BLASCOVICH, C.P.M., vice president for A.T. Kearney, New York

**Virtual supply chains.** As a secondary trend, the creation of virtual supply chains will occur over the next 10 years. Why? To avoid the legal and contract perplexities associated with today's corporate mergers, companies will enter into short-term alliances. As a result, resources usually tied up in merger activities can now be applied to global investment opportunities.

*“We envisioned short-term, virtual organizations springing up to leap into the breach for particular issues, problems or opportunities, and that just hasn't happened. Companies continue to organize much like they did 10 years ago. There haven't been these virtual organizations set up that come and go on short notice, mainly because it's too hard to get them formed, up and operating, and then shut down. Companies continue to rely on long-term alliances with suppliers and customers.”*

— PHILLIP L. CARTER, DBA, executive director for CAPS Research and professor of Supply Chain Management, Harold E. Fearon Chair in Purchasing, W. P. Carey School of Business at Arizona State University, Tempe, Arizona

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To review all of the predictions made in the full 1998 report, *The Future of Purchasing and Supply: A Five- and Ten-Year Forecast*, visit CAPS Research at [www.capsresearch.org](http://www.capsresearch.org). Additional information about the new 2007 study also can be found at this Web site. **ISM**

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