

THE FUTURE OF PURCHASING AND SUPPLY: A FIVE- AND TEN-YEAR FORECAST

A Joint Research Initiative
of
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PURPOSE •

The purpose of this research was the development of five- and ten-year forecasts for purchasing and supply based upon a close examination of key change drivers. The authors aimed to highlight the most important areas of concern for Purchasing Executives. The research included trends of importance for organizations of all sizes, in all major industries — profit and nonprofit — private and public. To this end, the research team:

- Identified the major economic, demographic, societal, competitive, and technological trends most likely to have major implications for the purchasing and supply management profession, its professionals, and organizational processes.
- Projected the identified trends for five years (2003) and ten years (2008).
- Determined the impact of these trends on two types of executives: Chief Executive Officers (CEOs) and Purchasing and Supply Executives.
- Forecasted the environment for purchasing and supply in five years (2003) and ten years (2008).
- Projected the changes to the purchasing and supply profession, its professionals, and organizational processes implied as a result of the research.

The ultimate value of this research is contingent upon its use by purchasing executives and organizations. Hopefully, this document will stimulate thinking about the future and the formulation of plans and strategies that incorporate the environmental and business trends identified by the research.

DESIGN OF THE STUDY •

OBJECTIVES

The purpose of the research was the development of five- and 10-year forecasts for purchasing and supply based upon a close examination of key change drivers. The research aimed to highlight the most important trends with which purchasing executives should be concerned. To this end, the research examined macro-environmental factors that are shaping industry, identified the most pressing issues faced by chief executive officers, and solicited the viewpoints of purchasing professionals. A balanced approach was thereby assured.

It is important to note what this report is not. The research was not intended to be a survey of best practices — although understanding the appropriate best practices in particular business circumstances is indeed important for purchasing executives. The input of multiple layers of executives — from mainline purchasing managers up through the executive suite — in organizations ranging from regional to international in multiple industries would make such conclusions dubious at best. Rather, this research is intended to identify trends of concern to three key corporate constituencies: the CEO, purchasing and supply executives, and external groups. In so doing, common areas of focus are identified as well as any existing “disconnects” between outlooks, viewpoints and perspectives.

DESIGN

A triangulated approach (Figure 2.1) was used to obtain inputs for the research study. The research consisted of three components:



**FIGURE 2.1
RESEARCH DESIGN**

1. An Environmental Scan of Future Trends
2. CEO Interviews and Survey
3. Purchasing/Supply Executive Focus Groups and Survey

Each component served as input to the other two and provided the basis to validate and challenge the findings derived from the other two areas. This research approach, illustrated by the research project’s “logo” (Figure 2.2), sought to identify and understand the interactions among the three areas addressed in the research:



**FIGURE 2.2
PROJECT LOGO**

- How changes in the competitive landscape 🌐 affect the CEO’s priorities and the organization’s agenda for action ★★★★★
- How purchasing and supply organizations 🏰 align themselves with these CEO and organizational objectives ★★★★★
- How purchasing decisions and supply restructuring 🏰 impact the competitive landscape 🌐
- How technology, globalization and new competitors 🌐 alter the rules for purchasing 🏰 and for the overall organization ★★★★★
- How supply opportunities and constraints 🏰 help reshape strategy and the CEO agenda ★★★★★

The process is iterative, interactive, contingent and highly changeable. The information obtained over the course of the nearly 10 months of this study helps to illuminate how the linkages work today and where future opportunities lie.

The Environmental Scan

A comprehensive literature search was performed to identify material relevant to trends that may affect how business will be conducted in the future. Numerous topics were identified as the basis for this search. Both Internet and traditional library databases were used. Databases searched included both periodicals and monograph abstracts. Additional periodicals not contained in

these databases were searched separately. Appendix 1 contains a list of bibliographic resources searched.

These materials were examined to identify what futurists, academics, business writers, government officials and executives believed were the most important developments that would affect the way businesses will operate in five and 10 years. These trends were incorporated into focus group discussions with procurement executives and served as the basis for a purchasing survey completed by the participants. Summarized findings from this literature review are discussed later in this report and are also described in Appendix 2.

The CEO Interviews

In 1997 A.T. Kearney commissioned a survey of executives at 463 of the world’s largest companies (sales volume of \$1 billion or more). These interviews comprised the “executive suite” of this research. Respondents were mainly chief executive officers, in addition to chief financial officer and chief operating officer level executives. Major regions represented were Asia Pacific, Europe, Latin America and North America. Companies represented a wide range of industries including consumer products, retail, communications, healthcare, finance, oil and gas, automotive, transportation and utilities. Executives were interviewed by telephone or in face-to-face interviews. An independent market research firm, Opinion Research Corporation, was commissioned by A.T. Kearney to conduct the survey.

The Purchasing/Supply Executive Focus Groups

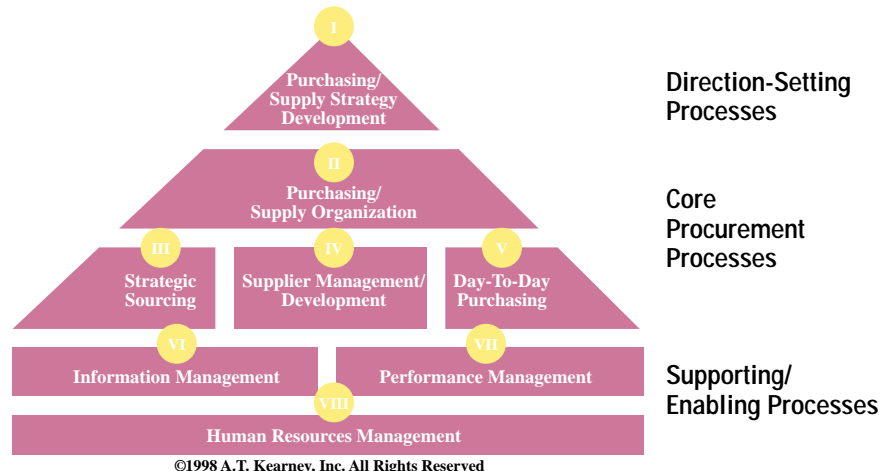
A series of 11 focus studies was conducted around the country in autumn of 1997 with 159 purchasing and supply executives. An impressive group of primarily U.S.-based organizations participated. Appendix 3 contains a

list of participating companies. A two-pronged approach was used to solicit and record input from these executives:

1. A questionnaire was distributed to participants prior to the sessions. This survey contained a list of projected developments, trends and hypotheses of the research team. A five-point Likert scale was used to register the participant’s agreement/disagreement with each statement. Separate measures were recorded for a five-year forecast as well as a ten-year forecast. Appendix 4 contains a sample of the survey instrument along with the average responses of all participants.
2. A cumulative national average response to each statement in the questionnaire was provided to all focus groups alongside the individual group’s average responses. A research team member probed the sessions’ participants about their responses. The moderator facilitated discussions of survey statements when the group exhibited a high degree of variance in response, where the group’s response exhibited unanimity, or when there was a wide difference between the group’s averages and those of the entire sample.
3. The researchers applied a statistical social science tool called Factor Analysis to uncover key issues or constructs in the survey data. Purchasing and supply executives raised 18 notable areas of concern over the five and ten years. A detailed description of the analysis is located in Appendix 5.

Results from the environmental scan were used to help develop the survey instrument. A.T. Kearney’s *House of Purchasing and Supply*SM framework (Figure 2.3)

**FIGURE 2.3
A.T. KEARNEY’S HOUSE OF PURCHASING AND SUPPLYSM FRAMEWORK**



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provided the overall structure for the survey and helped frame focus group discussions.

The framework is the product of extensive research conducted by A.T. Kearney into leadership practices in procurement. The management consultancy has successfully used this framework to help its clients transform their purchasing and supply competencies. The *House of Purchasing and Supply*SM framework examines the three levels of the procurement discipline: direction-setting processes (the apex), core procurement processes (the center), and supporting/enabling processes (the foundation). To ensure a balanced study of the purchasing and supply discipline, all eight “rooms” of the *House of Purchasing and Supply*SM framework were addressed by this research study.

Focus group discussions were audiotaped and recorded by a professional stenographer to enable the research team to analyze transcripts of the participants’ statements. These transcripts provided a rich pool of insights into the procurement profession’s five- and 10-year outlook. Highlights from these discussions, as well as pertinent anonymous quotations, have been extracted and are contained in the section outlining this third part of our research.