

New Supply Realities

GlaxoSmithKline, Procter & Gamble and Royal Bank of Scotland are among the top-performing procurement organizations recognized in A.T. Kearney's 2008 Assessment of Excellence in Procurement (AEP) study, the sixth in a series that dates back nearly two decades. The research identifies emerging trends in procurement and highlights the leaders—companies that employ best practices in procurement to achieve a competitive advantage.¹

What Constitutes an AEP leader?

Companies are recognized for using the power of procurement to transform their organizations, processes and technologies, and to drive business results. For example, AEP leaders align the procurement strategy with the corporate strategy and give the procurement chief a broad mandate to explore value creation opportunities. AEP leaders significantly outperform fol-

lowers in cost savings across the organization (*see figure*).

The following are several areas where procurement leaders excel:

Collaboration. The leaders expand time-tested practices such as sourcing, category management and supplier relationship management to increase value for the company and grow the top line. They employ new techniques with their suppliers, including innovation networks, product tear-downs, collaborative cost reduction and price benchmarking. They often develop cooperative networks of suppliers to improve products (joint design) or to work on common themes (sustainability). Of the study leaders, 70 percent truly collaborate with suppliers as they share common goals compared to just 6 percent of the overall study participants.

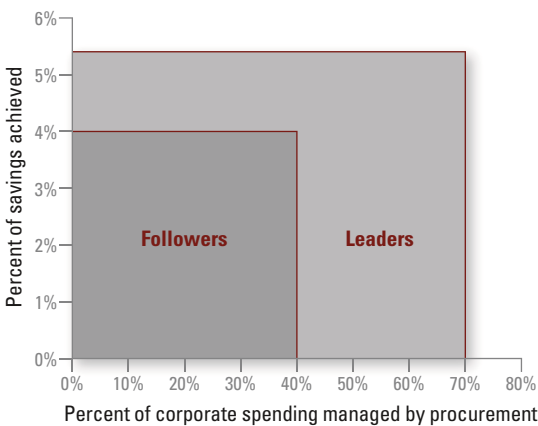
Risk management. Supply risk is a serious consideration for AEP leaders as they use internal risk mitigation strategies to avoid supply disruptions. Some are also factoring in mega-trend analysis to understand the potential impact of trends such as population growth, improved standards of living and alternative energy sources.

Emerging markets. Almost 80 percent of companies, and 100 percent of the leaders, source from emerging markets. Study participants anticipate sourcing more from Brazil, Russia and India in the next several years, and less from China, Southeast Asia, Mexico and Eastern Europe, due to concerns over quality, safety and intellectual property issues.

Sustainability. More than two-thirds of our study leaders are serious about sustainability. For example, DuPont and GE are reducing energy use and waste, P&G and BASF have a

FIGURE

Study leaders capture more savings




Source: A.T. Kearney's 2008 Assessment of Excellence in Procurement Study

¹ Study participants include supply chain executives from more than 300 leading companies across 28 industries in the manufacturing, process industries and services sectors. Participants are from all regions of the world, with 50 percent from Europe, 38 percent from the Americas and 12 percent from Asia Pacific.

holistic future-oriented focus on sustainability, and Coca-Cola and Unilever are expanding “green” initiatives to their extended enterprises.

Technology and measurement. The study leaders use state-of-the-art technologies to reinforce supplier contracts, track spending, manage demand and power collaboration. They are twice as likely to measure procurement’s effectiveness in terms of risk and supply chain security, sustainability and innovation. Although e-sourcing

tools have been around for years, nearly a quarter of the companies in our study are not using them. The new wave of the future may be the use of collaborative workspace tools.

These are among the main findings in the AEP study. As market demands and external forces increase, companies will have to consider new ways of doing business. Procurement is likely to be positioned front and center in many of these efforts. 

For more information about the AEP study, or to obtain complete study results, please contact John Blascovich at john.blascovich@atkearney.com or Randy Watson at randy.watson@atkearney.com.