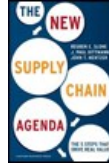


# Chapters *To Go*



## The New Supply Chain Agenda: The Five Steps That Drive Real Value

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**Skills****ft**

## Chapter 3: Hiring the Right Talent

The first step toward the strategy to drive supply chain excellence is assembling the right talent. If you don't have the right people in place you can't build an appropriate strategy and you certainly can't execute it. Finding talent for supply chain positions has unique challenges due largely to the cross-functional and cross-company process challenges that supply chain executives face.

### Unique Skills Needed

In several conversations with executives of multibillion dollar firms in 2007 and 2008, we found a surprising lack of understanding of the true nature of the modern supply chain process. In some cases, a number of those we interviewed defined the supply chain extremely narrowly as simply the process of dealing with the firm's suppliers. Unfortunately, many firms still live with just such an outmoded view.

Ten years ago, the supply chain leader in most companies held a title such as vice president of logistics. It was a largely functional role that relied on technical proficiency in discrete areas: knowledge of shipping routes, familiarity with warehousing equipment and distribution-center locations and footprints, and a solid grasp of freight rates and fuel costs. He reported to the COO or CFO, had few prospects of advancing further, and had no exposure to the executive committee. The way companies need to think of the modern supply chain executive has changed dramatically.

### Beyond Functional Expertise

Supply chain executives still need to be experts at managing supply chain *functions* such as transportation, warehousing, inventory management, and production planning. But the supply chain *process* extends end to end and even outside the firm, including the relationships with suppliers and customers on a global basis. Leading firms now see the supply chain functional leader as the necessary executive to coordinate the end-to-end supply chain process, even though he or she does not control it all. Because of that added dimension of cross-function, cross-company coordination, senior supply chain executives must possess a number of unique characteristics, which we describe in detail next. In our interactions, we find that many firms have not yet come to that realization. In a *Supply Chain Management Review* study, 60 percent of companies still do not have an executive officer who manages even the normal set of supply chain functions.<sup>[1]</sup> Further, in our experience, of the 40 percent that do have such a position, the vast majority still have not tasked that executive with full authority to coordinate the end-to-end process.

The CEO in particular should understand that the battle for top supply chain talent must be focused on acquiring people with *process* expertise, not simply *functional* competence. The mental shift to the supply chain as a process leads inevitably to a shift in the role of the supply chain executive from a functional focus to a process focus, and to supply chain becoming part of the executive team.

### Part of the Executive Team

In a growing but still small number of firms, the supply chain chiefs of high-performance companies don't just have access to the executive team, they're part of it. That role requires bringing value in not only educating the CEO and the board and giving them the vocabulary to talk about the supply chain and its critical role in creating economic profit, but in finding and driving opportunities to increase economic profit. The job in those progressive firms is no longer a mostly functional one, but instead plays a key strategic role that can influence 60 percent to 70 percent of a company's total costs, all of its inventory, and most aspects of customer service.

The supply chain leader in these progressive firms has global responsibility for coordinating processes across functional silos like sales, R&D, and finance, as well as functional responsibility for activities like procurement, logistics and production planning, and customer service. He or she pays as much attention to the demand side as to production and materials planning, and knows what it takes to reliably deliver products to customers and build mechanisms to learn what customers have to say. In some firms, the role of the senior supply chain executive expands so much that he or she essentially becomes the COO, especially in those companies where the COO does not traditionally have responsibility for sales, marketing, or merchandising.

In this transformed world, even CEOs who previously had little contact with the supply chain leader must now demonstrate supply chain expertise. Indeed, supply chain chiefs have even become viable candidates for CEO succession. Walmart's past CEO Lee Scott, who previously headed transportation, distribution, and then logistics for the retailer, is just one example. Michael Duke, his successor, also has a big dose of supply chain experience in his background. "The supply chain has elevated itself to one of the major items on an enterprise risk spectrum that is discussed at even audit committees and board of director meetings," said Mayo A. Shattuck III, chairman, president, and CEO of Constellation Energy Group. "The CEO really has to be a supply chain expert and cannot just delegate that completely to someone else."<sup>[2]</sup> And it's up to the company's supply chain professionals to find ways to educate the CEO. For example, one supply chain leader told us that after much badgering, he talked his boss, the executive vice president of operations, into scheduling a monthly supply chain update with the CEO. Now after eight months of those reviews, he says that the CEO clearly understands it at a much deeper level and now mentions supply chain advances in most of his public comments.

However, the majority of firms fall far short of this ideal. Many companies don't have a complete end-to-end process view of their supply chain and face a big problem if their competitors get it before they do. But, "getting it" isn't enough. They also have to win the battle for supply chain talent.

<sup>[1]</sup>Charles C. Poirier, Morgan L. Swink, Francis J. Quinn, "Fifth Annual Global Survey of Supply Chain Progress," *Supply Chain Management Review*, October 1, 2007. Access the report at: [http://www.scmr.com/article/329710-5th\\_Annual\\_Global\\_Survey\\_of\\_Supply\\_Chain\\_Progress.php](http://www.scmr.com/article/329710-5th_Annual_Global_Survey_of_Supply_Chain_Progress.php)

[2] Vicky Gordon, "Leadership Challenges Facing the Next Generation of CEOs: Interviews, 2008–2009," unpublished study. To contact Dr. Gordon, go to [www.drwickygordon.com](http://www.drwickygordon.com).

## The Battle for Supply Chain Talent

Supply chain executives who are keen to upgrade the caliber of their leadership quickly find that demand for top talent outweighs supply, regardless of the economic circumstances. This executive staffing challenge is exacerbated by the fact that seasoned supply chain experts are aging, and more firms are gradually expanding the role of their supply chain leaders. Therefore, demand has exploded, with insufficient high-potential candidates coming up to fill the needs. Further compounding the issue, top candidates are well aware of their options and are very selective in what they choose to do and where they choose to do it. Acquiring top talent is particularly difficult in regions where supply chains are expanding the most, as countries like India and China have yet to develop a rich pool of executives with international experience and supply chain expertise. But to remain competitive, organizations have to expand their search for talent globally.

While CEOs may now have higher expectations of supply chain management, many are still unclear about just which qualities the candidates need to succeed. Only a CEO who is current with supply chain practices and trends can properly evaluate a supply chain executive's performance. Given the importance, CEOs need to clearly understand the critical characteristics of top supply chain talent, and as indicated earlier, it is incumbent on senior supply chain managers to educate the CEO.

## Critical Characteristics of Top Supply Chain Talent

A company can acquire the best talent only after identifying it. To select the right people to oversee the increasingly pivotal supply chain responsibility, CEOs must know the blueprint for the ideal supply chain leader. These characteristics can be grouped into five key qualities:

- Global orientation
- Systems thinking
- Inspiring and influential leadership
- Technical savvy
- Superior business skills

Supply chain executives don't have a monopoly on these characteristics. Any senior executive must possess the same skills. But there are some unique needs in the supply chain area that arguably make them even more essential. As an executive said in one of the supply chain audits we do for firms, "We must find a way to avoid a functional food fight, and align for the good of our customers." As stated earlier, supply chain executives have normal functional responsibilities just like other senior executives, but far more than others, they need to coordinate areas outside their direct control as well as activities of suppliers and customers on a global basis. This is a skill well outside many traditional executive team members' experience and illustrates just one of the nontraditional capabilities required to achieve supply chain excellence.

## Global Orientation

Of course, nearly all senior business executives need to be globally savvy. Global sourcing and supply chains have expanded tremendously in recent years, for both retailers and manufacturers. There are few companies that do not either source globally, sell globally, or have competitors that do. Therefore, supply chain executives must manage an enterprise that extends across continents and must deal effectively with suppliers and customers worldwide.

## Global Risk

Five years ago, a manufacturer of telephone equipment decided to transfer all its manufacturing and sourcing from the Midwestern United States to Asia, mainly China. Suddenly, the firm's leaders found that its supply chain staff needed skills that were very different. They found communications with their new Chinese suppliers to be a difficult issue. For example, they scheduled meeting after meeting to discuss the problem with the one-hundred-ten-day lead times. (The firm should have known about this lead-time problem in advance, but incorrectly and naively assumed lead time would be transit time plus a couple of weeks, or forty-five days.) At the end of each meeting, the supplier agreed to address the problem, but month after month nothing happened. They bluntly asked the Chinese supplier if it understood the need to shorten lead times and they always heard yes. But later, they discovered that yes did not really mean yes; instead it meant, "We heard you, and we want to avoid an argument."

This firm was suddenly facing a very different culture and had to deal with a vastly expanded supply chain. The leaders scrambled to bring in people with global experience from outside the company and realized that they needed to develop more global expertise internally. Embroiled in this crisis, they asked several key people to pack up their families, move to South China, and undergo a very difficult expatriate assignment. Meanwhile, customer service suffered, with dire results. When a shift in demand for the firm's products occurred, it was a hundred ten days from reacting to the change, causing it to lose sales and nearly a quarter of its market share to its main competitor.

## Cultural Differences

Managing an international supply chain function requires far more than knowing what time it is in Shenzhen or what the proper meeting etiquette is in Dubai. Increasingly, it calls for the basic ability to function effectively in other cultures. Global executives need deep, fact-based, problem-solving skills. They need to focus more on forging relationships, which are far more important in most countries than in the United States. They need to understand that activities in a global environment take longer and plan their projects accordingly.

In international corporations, building a team requires that multiple nationalities and cultures be combined and somehow integrated into the corporate culture. Jay Fortenberry, vice president of logistics and planning at Honeywell, says, "Sure, we need to find the right technical skills, but the real challenge is assembling a global team with the right chemistry that can effectively work together, and that must be done at the point of hiring." Once the team is assembled, the fun is just beginning. Language is always a challenge, but almost everyone speaks some form of English. In addition, executives face a plethora of daily issues that many are not prepared for.

For example, there is never a good time for a staff meeting. One young executive stationed in Singapore with a U.S.-based consumer packaged-goods company said he was expected to be on conference calls nearly every night from approximately 8 p.m. to midnight and that the headquarters crowd always spent the first fifteen minutes making jokes that those on the phone couldn't hear or understand. Clearly, companies need a firm discipline policy for conducting global conference calls.

Laws and customs can also be extremely confusing. An executive from a manufacturing company told how he had to plan around the long paternity leaves in Europe. He also found that although furloughs may work well in the United States as a quick cost-cutting move, they are not so easy to implement in other countries, which have severe restrictions on layoffs. One young expat told us that in the United States, people tend to talk of an "Asian" culture. But, as he said, "There's a big difference for me in dealing with a manager from the Philippines versus one from Japan." A Latin American manager from a very large *Fortune* 10 company explained a similar situation, "Even though we speak a common language, Spanish (except for Brazil), there are so many differences from one country to the next that it's easy to get lost in translation. Even as a regional Latin American manager, I find it very challenging to clearly understand the different meanings of a message in different Latin American countries."

Young people are extremely ambitious everywhere, but in some countries in Asia, the expectation is that they will make a career move at least every two years. What motivates someone in one culture may not work in another. Compensation packages in some cultures may need to emphasize noncash rewards such as an emphasis on enhancing a worker's reputation in the community. Ethics and laws differ widely. One executive told us that he was shocked to learn that some companies in Europe share transportation rate quotes with competitors to try to get a lower cost, something that would never happen in the United States.

Finally, global executives learn quickly that they must travel, even in this age of electronic communication. Personal relationships are far more critical outside the United States. As Fortenberry says, "Good leaders recognize the value of face-to-face interaction with people in other cultures. We cannot rely on e-mail to have productive relationships." However, this will evolve gradually over time. For example, the next generation of video conferencing will have a significant impact. The new high-definition video conferencing, with transmissions in real time and without the infuriating delays, will help reduce some but never all of the need for global travel.

Executives we've talked with say that resources to help them learn about global differences are few and far between. Just being aware of the myriad rules and regulations is a daunting task. Most have learned via experience, which may be the only effective way to truly internalize global knowledge. It's why companies like P&G require their high-potential employees to have a global assignment before promoting them to the executive level. And it's why supply chain executives with global knowledge are so extremely valuable.

## Managing Expats

Many top supply chain executives have worked abroad, most for several years. With components, subassemblies, and finished goods coming from China, Thailand, India, Mexico, and beyond, along with a global marketplace, companies need supply chain management executives who can manage complexities beyond traditional borders. Nothing prepares them better than an expatriate assignment.

Supply chain executives who have worked in other countries truly understand the global environment and are extremely valuable. An expat employee working for a consumer products company told us, "We have been through the fire of being treated as temporary employees that try to execute radical, strategic change. We have faced the huge challenge of integrating our families into a totally new culture, along with the confusion surrounding visa restrictions, spouse jobs, taxes, and so on, as well as the equal challenge of reentry after the expat assignment is completed. And we also know that we need to somehow stay visible in the home location so we won't be forgotten for career planning." People who have been through this expat experience can guide their firms through the global environment.

## Systems Thinker

Unlike some other senior executives, supply chain executives must embrace the added dimension of cross-functional and cross-company complexity—the challenge that comes with thinking of the supply chain as a system. Manufacturing or sales executives must develop deep expertise and a strategy for their areas. But the supply chain executive must also comprehend the connections and interdependencies across procurement, logistics, manufacturing, and marketing or sales. In addition, he or she must also absorb the complexity of interfaces outside the firm with suppliers and customers. As one supply chain executive put it, "We are the discipline that attempts to integrate multiple functional competencies both inside and outside the firm into a comprehensive, interconnected system. It seems like we supply chain people run a systems optimization problem every day, with the inputs constantly changing."

Systems thinkers have strong analytical skills. For example, as they plan a risk-mitigation strategy to anticipate tighter customs regulations at a foreign port, or as they develop a precise understanding of how a customer's upcoming seasonal promotion will require new shipping options, they need to be skilled at rigorous analysis of a wide range of data input, followed by clear decisions that are backed by contingency plans.

After completing the analysis, the best supply chain executives are also masters of change management. Not only do they envision the entire organization in constant flux, but they know how to manage the moving components that make up the entire chain, from distant suppliers to the end customer to the internal functions in the company. One supply chain executive told us, "By understanding the key performance measures of my sales counterpart, I was able to show her how it was in her best interest to increase the minimum number of units we should require customers to order. When she made that change, we were able to fill trucks faster, and get out the loads to the customers on time."

A world where supply chains stretch to thousands of miles and customers become more fickle requires multiple perspectives. Low-cost

manufacturing may not lead to lower total costs if time-to-market factors are considered. Every decision must be weighed not by how it affects one aspect of the supply chain, but by its impact on end-to-end performance.

Hau Lee of Stanford University points to a need for a broad systems view, particularly in emerging economies. When supply chain managers ask for Lee's advice on China, they frequently emphasize labor-cost comparisons only, when they should be looking at the total landed cost of their global supply chains, including not only labor, material, and freight costs, but also inventory cost and even the risk-adjusted cost to the business of potential disruptions.<sup>[3]</sup>

Focused on more than just cost reduction, the best supply chain experts start with the perspective of the customer. This calls for a firm grasp of what the customer values, a full understanding of the big reasons why the company is on its customers' preferred supplier lists, and a collaborative relationship that encourages customers to share their future plans. Armed with this input, supply chain leaders are able to view their activities as sources of competitive advantage.

Systems thinkers interact directly face to face with their company's customers, because they know that the customer is the one immutable anchor of an extremely complex system. They do the same with their suppliers. Systems thinkers also take planned but not wild risks to avoid unforeseen consequences. They try to mitigate the risks that exist. For example, on the procurement side, the risks of having too much product in the wrong place at the wrong time can be alleviated by product modularity and proved postponement strategies. A world of ever longer supply chains multiplies opportunities for things to go wrong and demands creators of well-constructed contingency plans focused on flexibility and resilience.

Supply chain systems are so complex that there are often unforeseen consequences. For example, a CEO's dictate to expand global product outsourcing in order to reduce cost may instead lead to unforeseen increases in inventory and perhaps even a catastrophic supply failure. This is exactly what happened to one apparel manufacturer. Two years after outsourcing a major portion of its product line to Asia, it decided to do a complete analysis, since it simply was not seeing the result on the bottom line. It was aghast to find that the real cost savings from an outsourcing initiative totally disappeared when inventory costs, exchange rate fluctuations and hedging, and lost sales (due to supply disruptions) were factored into the analysis.

## Inspiring and Influential Leadership

A small but growing number of supply chain leaders are at the front and center of the organization. They foster close interpersonal relationships that build credibility for themselves and for the function across the organization. They build teams and manage people and communicate their message compellingly to multiple stakeholders. They are influencing others in the firm to work together to create a world-class supply chain. They are masters at building close collaborative relationships with their companies' leaders in sales and marketing, human resources, and finance. As twenty-year veteran senior executive coach Vicky Gordon explains, "Inspiring leaders are passionate about all aspects of the business. They must be able to engage people's heads and hearts to make difficult decisions that are in the best interests of the entire business not just one function. They are not just great technical experts."<sup>[4]</sup>

Chinese philosopher Lao Tzu once wrote, "Of the best leaders, when their task is accomplished, their work done, the people all remark, 'We have done it ourselves.'"<sup>[5]</sup> In the same way, all the disparate functions in the firm must embrace a common supply chain direction as their own. This does not happen without an uncommon ability to influence the organization beyond areas of direct control. Backing up the inspirational approach is clear communication of the firm's vision and mission and constant recognition and promotion of teamwork.

Effective communication is all the more critical when supply chain teams extend across nations, requiring leaders to influence people who don't report to them. This is clearly a challenge that some supply chain leaders have yet to meet. In a global survey of supply chain progress, only 35 percent of respondents agreed or strongly agreed that their supply chain strategies and goals are communicated to all employees.<sup>[6]</sup> Nearly half indicated that there is little or no alignment between the supply chain function and their company's business strategy.

Gordon believes that the skills needed by supply chain leaders to be effective and influential communicators have also changed due to the expansion of their global responsibilities: "The immediacy—the speed at which we work and live has fundamentally changed the communication process for leaders. In the past if you could give a good speech, of course with Power-Point slides, and could lead a meeting successfully, that was considered adequate communication abilities for leaders. Today leaders must be able to communicate through many channels and mediums in real time. To do this a leader must have improvisational skills to be able to quickly adapt messages to audiences around the world, in different cultures, and across generations."<sup>[7]</sup>

To be effective, supply chain leaders, perhaps even more than other executives, have to move from an "I sent the e-mail, we held the meeting" approach to communicating in a collaborative way. In this model, listening is a more important skill than speaking. A good supply chain communicator will understand the motivations of his counterparts in other functions, gather feedback and concerns from areas like sales and marketing, and communicate in their language how the issues are being addressed.

Inspirational supply chain leaders ensure that everyone throughout the organization understands and is committed to supply chain excellence. One way they do this is through the highly adept development of the leaders below and behind them. This is particularly important since supply chain leaders are, to a certain extent, corporate trailblazers. Supply chain management as a stand-alone practice is relatively new. Previously, purchasing fell under the CFO, warehousing under operations, and vendor relations under purchasing and marketing, with only logistics sometimes its own function.

Supply chain leaders with their wide-reaching global responsibilities need to coach younger managers to know the company inside and out, well beyond their own areas of responsibility. They should encourage young talent to constantly search for new processes and practices, since those who don't understand the world beyond their manufacturing or distribution area will find it difficult to become more than effective managers of a process.



Developing a talent pipeline of inspiring supply chain leaders is not easy. There are three systemic obstacles senior executives typically encounter that block such development. Given that top supply chain talent is in especially short supply, the following problems, elaborated by David Wright, CEO of Verari Systems, Inc., particularly affect development of supply chain talent: “First, most companies only reward bottom-line results such as profits or sales. Growing human capital to achieve results is typically neither measured nor rewarded. Second, the responsibility for developing talent typically resides with the human resources function and senior executives are not held directly accountable for talent development. Finally, business leaders are typically not trained in coaching and developing others. To develop a talent pipeline, talent development efforts must be measured and rewarded and senior executives must be trained to coach and develop others.”<sup>[8]</sup>

Another way that inspirational leaders champion supply chain excellence throughout the company is by establishing reward and incentive programs that encourage employees who contribute to supply chain process improvement. One insightful CEO gave both sales and supply chain people equal and shared responsibility for customer service and for inventory levels, knowing that both organizations played a major role in the decision process. Now when the sales managers complained about problems with customer availability, they knew they had to work with the supply chain group to come up with a creative solution, not simply make demands for more inventory.

One executive got it right when he noted, “The most inspirational leaders are those that win. Nothing beats winning to build morale and credibility in an organization.” This supply chain professional cleverly planned the multiple projects in his company’s transformation initiative in a way that guaranteed some quick and visible wins. He then built on that success and its cache of credibility to tackle the far more difficult cross-functional initiatives.

## Technical Savvy

Technology has become a key enabler of supply chain excellence, and spending on supply management applications and services continues apace (covered in more detail in the next chapter). According to AMR Research, supply chain IT spending will continue to increase rapidly, up to 15 percent in any given year.<sup>[9]</sup> Indeed, in our work across hundreds of companies, including retailers, manufacturers, and service providers, we almost always see that the supply chain organization often consumes the majority of the IT spending, in support of warehouse management systems, transportation management systems, inventory management and production planning systems, and so on. Leaders must understand technology’s contribution, both at broad and at quite detailed levels, to plan supply chain activities with precision, speed, and flexibility. That’s the case whether it involves transportation routing software, tools for better managing supplier relationships, demand forecasting solutions, or sophisticated sales and operation planning packages.

The supply chain chief need not be credentialed in IT systems, but he or she must have a close working relationship with the CIO and ideally have no shortage of IT-savvy specialists on staff. He or she should have dealt with the challenges of technology selection, implementation, and application and be alert to the next-generation of technology tools, as well as wise to the implementation challenges inherent in the complexity of supply chain software solutions.

One supply chain professional told us about a mistake he made earlier in his career. He felt he did not have time to get into the technical details of a new system to allocate inventory to customers on a priority basis. (The company had never prioritized customers before and managed by reacting to complaints.) Instead, he delegated the specifics to staff members. Later he noted, “The devil really was in the details. I didn’t think through how much conflict would arise when we tried to enforce customer priorities. My career hit the wall because I did not take the time to ask enough questions about this new technology, and especially how we were going to manage the political issues when people wanted to manipulate the priorities, which happened constantly. When major product shortages resulted for key customers, I was blindsided. All the fingers of blame pointed at me, and I had no defense. I will never make that mistake again.”

One other sea change is under way—the migration of production, IT, and business processes to outsourced service providers. The trend is particularly relevant to supply chain professionals in the case of third-party logistics providers (3PLs) that manage warehousing and transportation operations for companies. In managing 3PLs, relationship management is becoming prized as a core skill. Although innate interpersonal skills will carry a supply chain professional a long way in collaborating with 3PLs, disciplined processes and systems for managing and guiding those relationships are essential.

## Superior Business Skills

Supply chain leaders must be businesspeople first and supply chain specialists second. Their foremost focus must be on enhancing economic profit and shareholder value, not simply on cost cutting. Supply chains enhance economic profit by looking at everything from asset productivity to revenue generation. As one senior supply chain executive told us, “In manufacturing or sales, the cause/effect of cost or sales performance is often clearer and even intuitively understood. But in a cross-functional supply chain, you have to essentially model a series of complex interdependencies to understand which button to push.”

Supply chain leaders must be able to speak the language of senior executives as easily as they can talk about fleet-truck efficiencies or demand forecasting. Terms such as EBITDA, ROIC, and economic profit should be part of their everyday parlance, and supply chain leaders should be as comfortable discussing cash flow with the treasurer’s office as they are with talking about delivery schedules with suppliers. Supply chain issues are often the least understood by the board and the CEO, and must be explained in their language.

Analytical thinking is an essential component of the business skills mix, meaning that the supply chain leader must be driven far more by facts than by gut feel. He or she must be able to quickly find useful patterns in data, communicate them clearly, and act on the findings, in short, to be able to turn information into insight. Supply chain leaders who have worked as consultants often have a good grounding in such approaches.

One CEO shared his recent experience in interviewing several candidates for chief supply chain officer. One stood far above the others, mainly due to her ability to discuss overall business strategy with the CEO. She peppered him with queries about the customers, the marketing and brand strategies, and the nature of the board of directors. She wanted to understand in detail the CEO’s own objectives, the ones that really drove his bonus. As the CEO said, “She had a real feel for the entire business and has made an invaluable member of my executive

team.”

## Finding Executives with Necessary Skills

No particular industry has a monopoly on these five skills. But could supply chain expertise limited to just one specific industry be a deal breaker when hiring a supply chain executive? In our work with hundreds of firms, we are amazed at how supply chain expertise carries across very disparate industries. For example, in our projects ranging from lipstick to jet planes (Estée Lauder to Lockheed Martin), we found executives dealing with the same cross-functional, cross-company supply chain issues. Therefore, specific industry expertise should not be a prerequisite, as long as the executive has deep supply chain expertise. Plenty of latitude exists to bring in supply chain leaders from other industry sectors. For example, we recently saw a supply chain professional move very successfully from a hard-goods manufacturer to a retailer, and another successfully move from a retailer to a global manufacturer. Core supply chain expertise transcends specific industries.

[3] John Kerr, “Hau Lee-Educator and Consultant.” *Supply Chain Management Review*, September 1, 2007.

[4] Interview with Vicky Gordon, PhD, senior executive coach, founder and CEO of the Gordon Group, October 2008, Chicago, Illinois.

[5] Lao Tzu, Chinese philosopher.

[6] Poirier, et al. “Fifth Annual Global Survey of Supply Chain Progress.”

[7] Interview with Vicky Gordon, October 2008, Chicago, Illinois.

[8] Vicky Gordon interview by David Wright in *Leadership Helping Others Succeed: In-depth Interviews with American's Top Leadership Experts* (Sevierville, Tenn.: Insight Publishing, 2006), 11–12.

[9] “Supply Chain Talent: State of the Discipline,” AMR Research, April 2008, [http://www.scmr.com/Contents/images/SupplyChainTalent\\_StateoftheDiscipline.pdf](http://www.scmr.com/Contents/images/SupplyChainTalent_StateoftheDiscipline.pdf).

## Assembling a Talented Team

Demand for the most talented supply chain professionals will continue to rise, and hiring and retaining them will continue to tax the best organizations. Companies must “sell the opportunity” to candidates much more adroitly. What must CEOs and their organizations do to ensure that they have the supply chain experts who can drive true strategic success? First, they must create the right environment, then acquire the very best supply chain talent available, and finally, aggressively develop that talent.

## Create the Right Environment

First, companies must shift from functional leadership roles to process-wide supply chain management. They must redefine the role of the supply chain functional leader to include responsibility to coordinate the end-to-end process. To do this effectively, supply chain leaders should report directly to the CEO and be closely involved with strategic direction, including inorganic growth through mergers and acquisitions. Supply chain management can deliver significant benefits in the form of outstanding product availability; reduced working-capital investment; and faster inventory turns, lower fixed costs and greater return on assets. But it can do this only if recognized as a complex, technology-driven discipline that must be approached holistically across functions, business processes, and corporate boundaries.

Second, companies must define the supply chain role and its link to business strategy. It is crucial to communicate within the organization and with critical business partners exactly what the supply chain process means, how far upstream it extends toward customers, and how far downstream it reaches through the tiers of suppliers. In general, firms must accept that the supply chain process extends end to end, from suppliers to customers, and across functional boundaries. The broad meaning of the supply chain then must be communicated widely and reinforced in every subsequent supply chain activity. The definitions become the foundation for everything from supply chain job descriptions to the language of collaboration used with third-party logistics providers.

## Acquire the Best Talent

Next, companies must enter the contest for talent after carefully determining the right mix of functional proficiencies and the right combination of the five universal characteristics discussed earlier. Engaging in the battle for scarce talent involves viewing the world, other industries, and supply chain management training programs as the talent basket. Supply chain management is no longer limited by national borders or industry boundaries. Leading practitioners consider the world their talent basket, and they extend their searches accordingly to India, Australia, the Philippines, South Korea, Mexico, and beyond.

David Speer, chairman and CEO of Illinois Tool Works, a diversified manufacturer of advanced industrial technology, is clearly aware of the competition for global talent, “I think there is a huge challenge not only in trying to grow in a variety of international markets and settings but in attracting and retaining the kind of people you need to be effective in diverse cross-cultural organizations.”<sup>[10]</sup>

## Develop Internal Talent

Finally comes the need to develop talent for key supply chain process roles, which involves creating a professional development plan for every

manager in the supply chain organization. Too many supply chain managers lack sufficient knowledge of how the rest of the company runs. CEOs should include their supply chain leaders in cross-functional businesswide decisions. In addition, they should encourage their supply chain staffs to take advantage of the wide range of educational opportunities available at universities and professional societies.

Leading firms create ways to develop the talent needed. Approaches may involve temporary and part-time positions, and underutilized practices such as circular migration, as is done at Procter & Gamble, with expatriates coming to the home office country, and those in the home office going abroad. Any global approach to talent will not succeed easily; it will require a major effort involving detailed planning of an array of leadership development initiatives.

Universities are stepping up not only with more appropriate education for the growing numbers of aspiring supply chain leaders, but with executive education programs that help shore up the business savvy of established supply chain specialists. When it comes to functional expertise, companies can do more to align and drive new phases of supply chain education at all levels. There is more room for universities to provide universal supply chain management skill sets.

CEOs know that managing the supply chain effectively is critical for corporate survival in a global marketplace. Now it is time for them to turn awareness into action by identifying and empowering the talent that can lead their organizations to increased profitability.

[10]Gordon, "Leadership Challenges."

## Conclusion

Acquiring, developing, and retaining the right talent is a critical element in building a world-class supply chain. Finding talent is a special challenge due to cross-company, cross-functional challenges. Therefore, the five key talent characteristics discussed are even more critical for supply chain executives. A talent plan is clearly an essential part of the strategy to drive supply chain excellence and economic profit. But, it is not enough. There are four more steps to include in your strategy to achieve supply chain excellence; we describe technology in the next chapter.

## ACTION STEPS

1. Seek talented supply chain professionals who possess the five key characteristics of global orientation, systems thinking, inspiring and influential leadership, technical savvy, and superior business skills.
2. View the world as a talent basket and look for talent across industries.
3. Shift from a purely functional leadership role to enterprisewide supply chain process management.
4. Define the supply chain role broadly and link it to business strategy.
5. Define the right mix of functional proficiencies, competencies, and experience needed for each of the supply chain team members and compete aggressively for people with those skills.
6. Develop talent internally with a professional development plan for all employees.