

# ISM<sup>®</sup> INSIDE

## SUPPLY MANAGEMENT<sup>®</sup>

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## Delivering a **360° Degree** Solution

- **Focusing on Cost Plus Risk Can Help Organizations Move Forward**
- **ESG**
- **What the Great Resignation Means for Procurement**

Explore full articles and rich content that exemplify ISM's mission to advance the profession. Written by staff writers, guest contributors, and thought leaders, this mini version of *Inside Supply Management*<sup>®</sup> explores top challenges facing leaders today. Continuous news, research and data is part of the 360 degree solution we provide to our members — ensuring readers are kept at the forefront of the supply management industry.

# Delivering a 360° DEGREE SOLUTION

Delivering a 360° view of today's supply chain landscape and challenges as well as the strategic vision for the profession tomorrow, ISM® works with organizations to deliver unparalleled insights and best practices coupled with access to leading talent education and development.

As the supply chain function continues to gain tremendous visibility and takes on increasing roles within organizations, ISM® is ready to be of service. We strive to give our members — individuals and organizations alike — the tools to drive success, including continuous education, talent assessments, industry research, member webinars and timely news.

Multiple solutions for evolving supply management organizations also includes timely and relevant content. What follows is a mini magazine with full articles that exemplify our rich content relevant to talent management, ESG, risk, and other supply chain topics. Written by staff writers, guest contributors, and thought leaders, this is a part of membership, designed to keep teams and organizations at the forefront of our industry.

We look forward to connecting and learning how we can be of service — whether it's through talent assessments, thought leadership, certification, virtual or in-person education or help with increasing your team's excitement and engagement, we are here to be your partner. Let us help you build your internal organization while preparing your team with strategic vision and invaluable connection that will shape the future of the profession, the 360° solution to drive your organization to its best.

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# Focusing on Cost Plus Risk Can Help Organizations Move Forward



Author  
**Sue Doerfler**  
Senior Writer for *Inside Supply Management*® magazine.

The coronavirus pandemic has been characterized by emotional shifts in consumer-buying behavior, and as the economy opens up more, there will be a dichotomy between organizations that have dealt well with such consumer-related demand issues and those that have not.

“Many companies that had a spike in demand for consumer-related products when COVID-19 was in its full-steam-ahead mode were able to deal with it,” says Steve Bowen, founder and CEO of global supply chain and operations consulting firm Maine Pointe, headquartered in Boston. But they may be less successful as demand levels off, flattens out or

comes back down, he says.

Consider lumber: Its price hit an all-time high of US\$1,670 per board feet in early May before toppling 45 percent by the end of June. By July 7, lumber prices increased 11 percent. “Why is this happening? Well, it’s consumer behavior,” Bowen says. “Consumers had extra cash flow, whether that came from government’s economic impact payments or that they weren’t spending money on travel and entertainment, so they did home projects and drove up the price of lumber.”

A dual-shortages situation — of housing and workers to build homes — has started to level out, he says. And with businesses and



travel reopening, home do-it-yourself projects have come down by 40 percent, he says.

The difference between companies that will be able to handle consumer-related demand fluctuations and those that don't, Bowen says, centers on three factors:

**Foresight.** Many organizations' forecasts and planning — whether for their supply chain or manufacturing capabilities — are based on historical experiences, Bowen says, "therefore, they're almost guaranteed to be wrong. Emotional shifts drive consumer behavior, which is what drives demand. But most companies aren't connected to any foresight of consumer behavior."

Contingency plans for spikes or declines in demand. Although supply availability for some materials and components, like semiconductors, remains an issue, "companies that operate smart should have a proper review of their SKUs," Bowen says. "They can focus on which SKUs they can make with the supply they have and continue to get, that will sell the best and will make them the most profit. They can then optimize their profits."

However, many organizations feel they must strive to satisfy all their customers or consumers all the time, he says: "That creates challenges when it comes to profitability because in these times, they can't satisfy all those demands no matter what they do."

Even organizations that review SKUs and focus resources to satisfy as many customers as possible may encounter lingering issues: "They don't structure a program that can stay in place. The SKU rationalization or focused effort becomes a response out of desperation — and a temporary fix," Bowen says.

A balanced focus on cost and risk, not just cost. Many organizations struggle with doing this, Bowen says. They tend to emphasize consumer-centric factors at the expense of risk factors like geopolitical, environmental and corporate social responsibility implications, he says.

Despite wanting to be more strategic, organizations can have trouble pulling together the right data in the right format for balanced cost-and-risk decision-making and modeling to

meet the demand changes they encounter, he says. Getting company leaders to agree about what should be included in modeling scenarios also can be difficult.

Also, companies often make assumptions that put extra risk into their business, Bowen says. He cites an example of two companies in the same business: Company A, which single sources 86 percent of its products and claims that moving from single sourcing to optionality and dual or triple sourcing would create numerous added costs. Company B, which was at 75 percent single sourced, has, over the past two years, lowered its single-source dependency to 54 percent while reducing costs.

"The pandemic showed that if you're single sourcing and need one part for a product but can't get it, you're not going to be able to make that product," Bowen says. Having a balanced focus on cost plus risk can increase an organization's competitive advantage, he says.

Employing integrated business planning integrated with data analytics can help companies shift from functional silos and traditional ways of operating to more strategic modeling and decision-making. Also, Bowen says, rethinking sourcing and supplier relationships can make a difference. "There needs to be a different kind of partnering with your supply base," he says. "In today's world, it's, 'I want the product with the expected quality at the lowest possible price and I'm going to negotiate until I think I get to the lowest possible price.'"

The supplier relationship should be open, he says, with this conversation theme: "I know you need to make a decent margin to do your business; I need to make a decent margin to do our business. So, let's work together so you make money, I make money, and we all win."

Bowen says, "The lowest-cost push is so ingrained in us." However, he adds, by having foresight, developing contingency plans for spikes in supply and demand — and by making risk part of the planning equation — organizations can better manage demand issues, their customers' needs and changing consumer behaviors, and come out ahead during crisis times.

# ESG

By Dan Zeiger

Companies can achieve bottom-line benefits through environmental, social and governance standards, and the ISM World 2022 Annual Conference will focus on helping supply management professionals deliver that value.

**W**hen Tim Mohin started his career in the U.S. government more than 30 years ago, sustainability guidelines would not be commonly known as environmental, social and governance (ESG) standards for at least another decade.

“Industry was fighting environmental groups, and those of us in the government were the referee, so to speak,” says Mohin, whose first roles were as an Environmental Protection Agency section chief and a Senate senior committee staffer. “But the paradigm has changed.”

In many ways, industry is leading the way on ESG, says Mohin, chief sustainability officer for Persefoni AI, a Tempe, Arizona-based climate management and accounting platform. These days, however, it’s supply management professionals who are under increasing pressure to achieve their companies’ ESG objectives.

As a result, ESG will be a major focus of ISM World 2022, Institute for Supply Management®’s (ISM®) 106th Annual Conference on May 22-25 at Rosen Shingle Creek resort in Orlando, Florida; Mohin is a keynote speaker.

Supply management is the function picking up all of that compliance responsibility,” ISM CEO Thomas W. Derry says. “Whether it’s fair labor conditions and treatment of employees, the materials we use and their impact on the environment, supplier diversity and who we do business with, and other issues involving sustainability, increasingly the CPO and chief supply chain officer are at the center of it.”

He continues, “It’s no longer a mindset of just getting the right products on time and as cheaply as possible. There are new sets of responsibilities, and that will be discussed a lot at our Conference.”

For the first time in three years, the ISM Annual Conference will be held on-site. The 2020 event in Boston was canceled due to the coronavirus pandemic; last year’s Conference, originally slated for Denver, was all-virtual. Though ISM World 2022 is a hybrid

That happens organically — and best — when it’s in person.”

### Private Sector Leading the ESG Movement

Few people are more qualified to address Conference attendees on ESG standards than Mohin, who worked on federal environmental policy, held sustainability leadership roles with Apple, Inc. and Intel Corporation, and from 2017-20 was CEO of the Global Reporting Initiative (GRI), the developer

37,000 workers since 2008.

Like Apple, many companies have recognized their responsibility to operate more sustainably — and understood the consequences of not doing so. “What started as an environmental movement broadened to other social issues, spreading in scope to the entire value chain,” Mohin says. “So, where a single company was once worried about its own sphere control, it now has to be concerned about its sphere of influence. ... (ESG) has gone from being a reputational concern to a financial concern for many companies. It has implications not just for the corporate responsibility department. Boards, C-suites and certainly investors are following it very closely.”

Around the world, governments have been accused of addressing climate change at a glacial pace. COP26, the United Nations (U.N.) climate change conference held in November in Glasgow, Scotland, left many environmentalists wanting stronger measures regarding climate change.

In September, a U.N. report indicated that countries are collectively failing to meet climate targets set by the 2015 Paris Agreement. This could lead, the report stated, to a projected 16-percent increase in greenhouse gas (GHG) emissions — thus potentially putting the globe on a “catastrophic pathway” to being 2.7 degrees Celsius (nearly 5 degrees Fahrenheit) warmer by the end of the century.

However, Mohin is optimistic, and he will share with Conference attendees his ESG optimism, which is fueled by the private sector and investors picking up the pace. More a third of Fortune 500 companies have net-zero (a balance between the GHG amounts emissions produced and taken out of the atmosphere) emissions or other climate targets, and investments in ESG-focused market funds and climate technologies soared in 2021 to set records.

**In recent years, data has shown that consumers, after years of talking about wanting more sustainably-produced and -sourced products, are starting to put their money where their mouths are.**

event — online participation includes live general sessions and breakout sessions available on demand (see box on page 25) — Derry says the current issues and challenges supply managers face are best addressed through in-person collaboration, done safely.

“We received a lot of positive feedback from our virtual Conference last year,” Derry says, “but we also heard that it wasn’t the same as being together. We learn best through interpersonal exchange. The problems that supply management professionals face are so complex and global, nobody can solve them alone. You have to build a network of people you trust.

of the world’s most widely used ESG reporting standards.

During his tenure at Apple, the global technology giant had to confront forced- and bonded-labor abuses in its supply chain, and Mohin founded Apple’s Supplier Responsibility Program, which is considered an industry leader in its standards, auditing and transparency. But given the massive scope of its supply chain, the company continues to find violations: In its 2021 supplier responsibility progress report, Apple stated that its suppliers have returned US\$32.4 million in “recruitment fees” paid by workers — a form of bonded labor — to almost

“Previous upswings in environmental technologies and sustainability in general were met by another downturn, but this time feels different,” Mohin says. “The entire investment community has discovered the value of tracking and monitoring ESG performance. All of this capital flowing through the global economy is aligning with not all, but some sustainability issues. While governments may be moving at a plodding pace, sometimes frustratingly so, there’s unprecedented movement in the private sector.”

### Companies Have Human-Rights Responsibilities

Governmental sluggishness on sustainability measures has a notable exception: The United Kingdom, Japan and Singapore are among countries that have that mandated companies include ESG reporting in their financial statements, and a similar rule is being discussed by European Union policymakers and the U.S. Securities and Exchange Commission.

Also, one of the more positive developments at COP26 was the formation of the International Sustainability Standards Board to develop a global baseline of ESG standards, not only for integration with financial reporting, but also for investors’ information needs.

“Sustainability reports won’t cut it anymore,” Mohin says. “ESG information will have to be integrated (into financial reports) and audited, meaning the CEO will have to sign off on them and be liable if they’re incorrect. This ups the ante considerably.”

Such disclosure requirements — and legislation like the Uyghur Forced Labor Prevention Act (see story on page 34) — put the onus on companies to show that they are meeting sustainability and human-rights responsibilities. And they will help separate companies that are serious about ESG from those just paying it lip service.

Mohin understands the daunting task of developing and maintaining visibility into a global, multitier supply chain; he lived it at Apple and other companies. But companies have an increasing number of

## Get Your Kicks — Or Clicks — at ISM World 2022

With Institute for Supply Management®’s (ISM®) Annual Conference back on-site in 2022, attendees will once again navigate a resort and convention space, while for virtual participants, it will be a Conference of keystrokes and mouse clicks. For some registrants, it will be both. Regardless of the format, maximum ROI can be gained from the experience.

### ON-SITE

**Make the most of your schedule:** Pencil in keynote sessions and review breakout session topics. Find topics and sessions of most relevance to your job or personal interests. Peruse Wednesday workshop topics. Attend each learning event focused on finding solutions to current issues, problems or challenges on your job.

**Tap the app:** Download the ISM Events mobile app to connect with fellow attendees before the Conference and set up meeting times.

**Establish networking goals:** Networking sessions are a vital part of an attendee’s Conference toolbox. Create a list of who you would like to meet — for example, someone from within your industry, a new supplier organization, a Conference speaker/presenter or a member of the ISM team.

**Experience the extras:** Round your schedule with visits to the Exhibit Hall and such events as the Welcome Reception and J. Shipman Gold Medal Award winner announcement. Review the exhibitor list for each of the Exhibit Hall neighborhoods — Diversity & Future of Work, Risk, Sustainability, and Technology & Innovation — to learn about products and prepare for meetings.

**Missed something? Don’t panic:** All-Access Pass holders can view on-demand versions of breakout sessions, available for 90 days afterward. They can also take advantage of networking opportunities via the online Conference platform.

### ONLINE

**Just like you’re in person:** During the daily general sessions, online participants will be able to interact and ask questions, as if they were sitting in the audience.

**Sessions on your schedule:** The Hybrid Virtual Pass enables access to the on-demand library of breakout sessions, allowing registrants to (1) watch at their leisure, (2) rewind to catch key points and (3) immediately apply learnings to their jobs.

**Yes, networking is available:** Discussion boards and scheduled meet-ups enable connection with fellow Hybrid Virtual and All-Access attendees.

For more information, visit  
**[ismworld.org/annual](https://ismworld.org/annual)**.



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— **TIM MOHIN**  
Persefoni AI

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tools, with one of the most powerful being collaboration — with suppliers, and sometimes competitors.

While senior director of corporate responsibility at Advanced Micro Devices (AMD), a position he held from 2009-16, Mohin chaired the Electronic Industry Citizenship Coalition (EICC) that includes AMD and about 90 other companies. One of the EICC's missions was to shut down sourcing of “conflict minerals,” those from the trade that supports unrest and such human-rights abuses in the war-torn Democratic Republic of Congo (DRC).

EICC companies collaborated to find the conflict-material sourcing choke points: smelters and refiners. Through audits, the EICC identified facilities using the materials (tin, tantalum, tungsten and gold) and determined “conflict-free” smelters and refiners.

“When you find something as egregious as the conflict mineral situation, it doesn't matter which part of the supply chain or how deep it is,” Mohin says. “You have to go after it and rectify it. Collaboration among competitors can be difficult, but it's necessary if it involves something deep in the supply chain. But we did it and mitigated a major issue.”

### Sustainability is Smart Business

In recent years, data has shown that consumers, after years of talking about wanting more sustainably-produced and -sourced products, are starting to put their money where their mouths are. This sentiment is especially evident among millennials and Generation Z, consumers groups that are gaining more purchasing power.

“I would love to say it's all based out of altruism,” Mohin says

of companies' putting greater emphasis on ESG standards, but consumer demands have been a big motivator. An even greater incentive is the bottom line: “There is value associated with ESG. That's the biggest reason it's taken root in 2021 and '22.”

Among an abundance of sustainability financial success stories, a report by global management consulting firm McKinsey & Company points out two:

- After British consumer goods company Unilever developed a dishwashing liquid and other household products that use less water than those of competitors, sales outpaced category growth by more than 20 percent in several key markets.
- American consumer goods and equipment company 3M has saved US\$2.2 billion since 1975 through such pollution-reduction efforts as reformulating products, redesigning equipment and manufacturing processes, and recycling or reusing production waste.

More sustainable business can also reduce regulatory pressures and legal fees, improve employee recruitment productivity and retention, and increase investment and asset optimization (in big part through less capital in energy-draining facilities and equipment).

“Not only can you protect workers and the environment, but a company can avoid certain risks, lower costs and create opportunities to be more efficient,” Mohin says. “I think that's why Wall Street in particular has determined that (ESG standards) are going to have staying power, because (investors) have seen the correlation to financial results.”

As the supply management profession gathers in person and virtually for four days in May, ISM World 2022 aims to help executives and practitioners leverage sustainability value opportunities for their companies.

“More than ever before, professionals are dealing with regulatory and consumer pressures as they try to build supply chain resiliency,” Derry says. “Having access to smart people to solve problems is critical, and that’s

the ongoing value of the ISM Annual Conference.” **ISM**

**Dan Zeiger** is Senior Copy Editor/Writer for *Inside Supply Management*®.

## Book Preview

# The CEO's Secret Weapon: Procurement and Suppliers

By Christian Schuh, Wolfgang Schnellbacher, Alenka Triplat and Daniel Weise

**S**upply chain challenges have risen to the top of CEOs' agenda. In our new book, *Profit from the Source: Transforming Your Company By Putting Suppliers At The Core*, we argue that to solve those challenges, they need to put suppliers at the core of their businesses and empower CPOs and procurement executives to extract the maximum value from those relationships.

To do this, however, CEOs will have to radically transform their companies. Right now, suppliers are too often marginalized, and the CPO and procurement function undervalued. According to research by Harvard Business School, CEOs spend just 1 percent of their time with suppliers, even though they account for half of a company's costs. Similarly, while the procurement function “owns” the corporate relationship with suppliers, CEOs rarely mention the work of the CPO in shareholder meetings or on earnings calls.

But overhauling the way companies interact with suppliers is not just about solving today's supply chain crisis. If suppliers and, by association, the procurement function are placed at the heart of their businesses, CEOs will be able to tap their rich potential to help create products and services that not only cost less but also are more innovative, higher quality, more sustainable, faster to market, and lower risk.

Take sustainability, for example. A company's sustainability success depends on its relationships with suppliers, who, in some sectors — including consumer goods, fashion, food, automotive, construction and electronics — account for more than 75 percent of a company's carbon emissions. The CPO is responsible for managing those relationships.

A counterargument we hear is that as soon as normality returns, anxiety over supply chains — and the need for an expanded role for procurement as the vital link with suppliers — will fade. We think this is a forlorn hope; it's only a matter of time before the next crisis will disrupt global supply chains.

In *Profit from the Source*, we offer a blueprint for change. First, CEOs need to change by making suppliers and the business of procurement personal leadership imperatives. Second, they need to change their companies by (1) forging dynamic relationships with top suppliers, (2) giving the CPO a central role in the product life cycle and (3) strengthening the procurement function with the latest digital technology and the company's best young talent. Third, CEOs need to change their companies' supplier ecosystems by demanding upfront double savings from their top suppliers and finding collaborative ways to pool R&D resources, limit errors, meet environmental, social and governance (ESG) standards, increase speed to market and anticipate the next crisis.

If they do these things, CEOs can ensure that their companies emerge from the current supply chain crisis stronger.

**Christian Schuh, Wolfgang Schnellbacher, Alenka Triplat** and **Daniel Weise** are managing directors and partners in Boston Consulting Group's global procurement practice. *Profit from the Source: Transforming Your Company By Putting Suppliers At The Core* is published by Harvard Business Review Press.

**Meet the Authors:** ISM World 2022 attendees can get a preview of *Profit from the Source* before its June release at a reading and author meet-and-greet on May 23 at 3 p.m. ET.

# What the Great Resignation Means for Procurement



Chalirmpoj Pimpisarn/EyeEm/iStock/Getty Images Plus

**Author**  
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If your organization's talent acquisition team seems a little frenzied, that's because it's likely dealing with a historic phenomenon dubbed the Great Resignation.

According to the U.S. Bureau of Labor Statistics, 4.4 million American workers quit their jobs in September, following 4.3 million in August. With 10.4 million job openings nationwide, companies are scrambling for talent, while candidates have more power than ever before. This unprecedented number of openings is a product of the current economic recovery, as well as companies aggressively poaching talent to meet their needs.

## **Burnout, Reluctance or Better Pay**

Why is this happening? In many cases, disengaged employees (who would have otherwise quit) opted to sit tight during the massive economic uncertainty triggered by the coronavirus pandemic. With the economy recovering fast, they can now find other jobs with relative ease.

Many employees cite burnout as their motivation for quitting, which is understandable after such a high-pressure situation as a global pandemic. A recent FlexJobs/Mental Health America survey found that 75 percent of workers have experienced burnout; of those, 40 percent claim COVID-19 as the cause.

There also is a concept known as “COVID epiphanies.” This is where employees have been motivated by their pandemic experience to reevaluate their life goals, direction and priorities. As a result, people are quitting to change industries, pursue hobbies, spend more time with family and/or purposefully step off the career ladder.

Additionally, many employees are reluctant — or don’t want — to return to normal office life. Employers pressuring remote workers to return on-site run the risk of triggering further resignations. After all, what better time to find a remote role than in today’s marketplace?

As a recruiter specializing in procurement and supply management roles, I can confirm the profession is no exception. However, as employers urgently ramp up recruitment programs, they’re doubling down on retention strategies. Meanwhile, candidates have the luxury of choice and are increasingly bullish in demanding higher pay, improved benefits and more flexibility.

### Avoid the Waiting Game

Should procurement leaders attempt to wait out the Great Resignation to begin hiring again? Probably not. Vacant roles will become harder to fill and will likely impact the bottom line. Also, day-to-day procurement activities may suffer as remaining teams are forced to pick up the slack, which creates a vicious circle of employee burnout and departures. In addition, the Great Resignation places the successful delivery of ambitious digital transformation projects, catalyzed by the pandemic, in peril.

These three strategies can help organizations maintain a full procurement team during these tumultuous times:

**1) Ramp up your employee value proposition (EVP).** Why would experienced professionals want to work for you? In a candidate-driven market, hiring managers must be laser-focused on the priorities of the talent they’re courting. In

addition to salary, potential employees are looking for:

**A clear career trajectory.** Employees want to know they’ve got options when it comes to their next move.

**Flexibility.** The past 20 months have shown employees that they can effectively work from anywhere, on a schedule that’s convenient for them, and many aren’t willing to compromise that freedom when taking on a new role.



## The Job Market

- 4.4 million quit their jobs in September
- 4.3 million quit their jobs in August
- August’s 2.9-percent quits rate (the number of quits as a percentage of total employment) was the highest ever recorded
- 10.4 million job openings at the end of September

Source: U.S. Bureau of Labor Statistics

**A higher purpose.** Having built a greater understanding of the overlap between work and life, people want to believe that they’re part of a bigger cause. That means they care about their company’s mission more than ever.

If these options aren’t among your current offerings, consider what you can change to compete better.

### 2) Concentrate on retention.

This is no time to be coy. Instead, book one-on-one meetings with team members — and talk about retention. Do it now: They already may be considering opportunities or offers from competitors and recruiters.

A powerful argument for convincing top performers to stay while everyone else seems to be quitting is that the Great Resignation offers opportunities for rapid internal advancement. Show that you’re open to renegotiating roles and plan genuine career paths to demonstrate that employees have a bright future in your organization. Avoid making vague promises.

Currently, the best way for many workers to advance their careers is to change companies, stepping upward into better jobs and higher pay levels. What can you offer to counteract this argument?

**3) Don’t rely on the usual talent acquisition strategies.** With millions of employment ads in circulation, the old “post and pray” approach isn’t going to cut it. Among the ways to quickly expand your talent pool are accelerating your graduate program, hiring more talent from other industries, and — dare I say it — poaching experienced workers from the market. Don’t underestimate the impact of remote work: Not only is it a powerful element of your EVP, but it greatly expands the talent pool from your immediate geography to the entire country — or even overseas.

A longer-term strategy for winning talent involves building your employer brand through the power of employer marketing, social media and employee advocacy to become a team that every procurement professional knows about and aspires to join.

As McKinsey & Company notes in its September article, “‘Great Attrition’ or ‘Great Attraction,’ The Choice is Yours,” employers that act decisively in this period have the opportunity to turn the Great Resignation into the Great Attraction. After all, the silver lining in a mass exodus is a flood of experienced prospective workers entering the market. Make sure you are well-positioned to capitalize and hire the best talent. **ISM**