

Supply Chain Predictions From MIT

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MIT's Center for Transportation and Logistics has always served an interesting role somewhere between academia and the private sector. I've come to think of it as a more academic version of AMR Research (in fact, executives have moved between the two organizations). Most recently in *Supply Chain Digest* Chris Caplice, Executive Director of the Center, chimed in with his supply chain predictions for 2010. I'll quote a few here and provide my own commentary, but I'd suggest reading the entire column if you have a minute. Chris begins by noting that "the most obvious prediction for 2010 is that the level of uncertainty in the financial markets, commodity prices, consumer demand, and virtually every other facet of the economy that supply chain managers are concerned with will only increase." And this, of course, makes "all aspects of a supply chain manager's job more difficult. It increases the need for more flexible and sophisticated forecasting methods, contractual arrangements, operational models, sourcing strategies, etc."

In my view, this prediction is spot-on. I've been talking about many of the same issues on Spend Matters for months, in fact, although I've probably not put it as eloquently as he has. His next prediction, however, is one that might not necessarily be top of mind for us given the current economy (and the high rate of unemployment, especially in manufacturing). To wit, Chris suggests that "the biggest challenge that firms and supply chain managers will face in 2010 is talent management -- ensuring that they recruit and retain the right people who possess the right skills." Despite a larger-than-ever pool of potential employees from which to choose, the primary reason for this is that "job satisfaction tends to decline during recessions and the set of skills needed in supply chain management functions is quickly changing." Among these new skills is the "ability to influence people and organizations that do not directly report to you (e.g., suppliers and customers) [which] is one of the critical keys to success in supply chains today."

Historically, in procurement and supply chain organizations few companies have valued communication skills as much as negotiation -- and more recently, analytical -- prowess. But soft skills count in a major way when it comes to working with supply chain partners, not to mention customers. This partly explains why some of the best procurement people have skill sets that are interchangeable with those of sales organizations (and why some procurement executives make the leap over to sales, and vice-versa). I've always scoffed a bit at the term "trading partner" (as IACCM likes to call the parties in a buying/selling relationship); it sounds a bit affected to me. I do believe, however, that there's something to it, because it gets us away from considering just one aspect or side of the relationship. This is precisely the type of skills required to effectively communicate and work with all of those around us who are outside our sphere of control.

- Jason Busch

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Chris may now be an academic, but he's is one of the TRUE pioneers in using combinatorial optimization in strategic sourcing -- and he brought that IP commercially to (ultimately) Manugistics and Chainalytics. His 1996 research thesis was Optimization-Based Bidding: A New Framework for Shipper-Carrier Relationships was a very important contribution. Here's a good write-up he did with Yossi Sheffi a few years later: http://www.chainalytics.com/news/article_200302-Tr... One of the things that ties to the risk/uncertainty comments is that the use of combinatorial bidding is allowing suppliers to reduce their uncertainty regarding whether they'll get the pieces of the business that would occur via traditional lotting techniques and rather let them put their best foot forward through bundled bids. Of course, a good sourcing process and risk management process should by its very nature deal with uncertainty through good scenario planning (i.e., scenario planning is strategy and helps make strategic sourcing...well...strategic.

Posted By [Pierre Mitchell](#) | 2/9/10 1:00 PM

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