

GEP OUT LOOK

20

**SUPPLY CHAIN &
PROCUREMENT**

22

01 Introduction

02 Executive Summary

03 Global Business and Macroeconomic Trends for 2022

GDP Growth

Energy Costs

Interest Rates

Labor

Inflation

09 Seven Leadership Themes for 2022

Responsible Investment as Cash Floodgates Open

Battling Inflation and Volatility

Is Cost Efficiency the Supply Chain's Most Important Function?

Regionalization of Supply Chains

Digitalization and Integration of Planning

New Technologies and Financial Constructs to Drive ESG Targets

Reimagining Talent Strategy

18 Conclusion

20 Notes



INTRODUCTION

The turbulence of supply chain disruptions, labor shortages and geopolitical barriers has, over the past two years, tested the strength of well-established processes, systems and networks. Legacy systems and networks often faltered, and at times, failed.

Many businesses were not equipped to handle the crisis as recent history had provided a reasonably stable set of conditions. Naturally, supply chain and procurement operations were optimized within these boundaries, and enterprises benefited from driving down significant costs: Look no further than just-in-time inventory models, dependencies on low-cost ocean freight and pricing models that excluded carbon impact.

Now, even through the fog of the COVID-19 pandemic, it is becoming clear that the rules of the game have changed — in foundational and permanent ways.

Companies that focused on resiliency and flexibility have been able to survive the storm. For those that want to thrive, it is time to take action at a more foundational level to not get caught out again.

GEP has over 20 years of experience managing more than \$300 billion in spend annually for leading global enterprises as well as guiding these organizations through transformational change in supply chain and procurement operations. With its team of accomplished consultants and technology advisors, GEP offers perspectives to help business leaders thrive in 2022 and beyond. **The GEP Outlook 2022: Supply Chain and Procurement report provides insights and strategies to help leaders navigate an environment of constraints and opportunities, of inflation and growth, of disruptions and digitalization.**

We at GEP believe that the digital revolution that took place during the pandemic would, under normal circumstances, have taken three to four times as long. Such an acceleration demands forward-looking and transformational thinking to not only keep up but also stay ahead.

It is time to rethink the rules of the game.

[← Back to Contents](#)



EXECUTIVE SUMMARY

Conversation once limited to the four walls of supply chain and procurement offices has now entered living rooms across the world. Supplier resiliency and demand forecasting feature prominently in boardroom discussions. The pandemic and its resultant disruptions impacted every household and business, and the spotlight is now on the criticality of networks, systems, organizations and people who keep supply chains moving. This period of global attention and, in some instances, notoriety represents an opportunity for the supply chain and procurement functions to transform and elevate their roles.

The road to normalcy is not straight

Economic recovery has been fragile, chaotic and largely inequitable. Global supply and labor movements remain highly disrupted even amidst record-setting levels of corporate spending and M&A activity. At a more foundational level, businesses are rethinking pricing strategy, product portfolios and supplier network design to contend with an environment of sustained volatility and supply scarcity.

Supply chain and procurement leaders must balance analytical reasoning and creativity.

- Analytical reasoning: An environment of rising inflation, high competition and bloated asset prices demands rigorous ROI evaluations to ensure judicious spending.
- Creativity: Constrained supply and geopolitical barriers require innovative supplier and network solutions. Regionalization is one of the more powerful forces we anticipate will shape supply chains in 2022 and beyond.

Supply chain and procurement functions will need a combination of strong talent and intelligent digital tools to connect the dots as organizations make critical, long-term business decisions.

Transformations must encompass the entire value chain

We believe strongly that supply chain and procurement enterprise capabilities must evolve significantly in 2022. However, internal changes alone will not be enough. Supply chains encompass an ecosystem of customers, suppliers, third-party manufacturers, logistics providers and technology partners, among many others. To thrive in 2022 and beyond, enterprises must build and hone their capabilities to manage the overall value chain.

Developing value chain management capabilities will shine a spotlight on planning, a weak point for many companies that remain dependent on legacy systems and manual processes. Rapid modernization — of both talent and technology — will be essential to stay competitive.

Another fundamental element of modern value chain management is enhanced visibility. In 2022, leading enterprises will combine performance monitoring data from their network of partners with advanced predictive capabilities to enable timely, informed business decisions.

[← Back to Contents](#)

Supply chain and procurement leaders must prioritize people, partners and the environment

Most Fortune 500 and Global 2000 companies have clearly articulated their vision for fostering talent, building diversity and protecting the environment. However, enormous gaps remain between this vision and on-the-ground realities.

Businesses will start bridging this gap in 2022; for example, through an increased focus on measuring the monetary value of the impact of ESG. Digital tools will enable quantification, but the real challenge will lie in countering conventional thinking to ensure business decisions are made based on true total cost.

From a human resources perspective, the Great Resignation is an opportunity for companies to rethink their talent acquisition and management approach. The year ahead will see procurement and supply chain functions in leading organizations play an active role in defining strategies that will help hire talent from a global network made more accessible than ever through rapid digitalization.

GLOBAL BUSINESS AND MACROECONOMIC TRENDS FOR 2022

What started out as a V-shaped economic recovery has been dampened by numerous challenges and headwinds, from slowing growth in China and supply chain bottlenecks to increasing energy costs and labor shortages. By the time 2021 wound down, the rising cost of living had become a serious concern — was it a transitory side effect of the COVID-19 pandemic or a sign of a longer-term stagflation, like in the 1970s? Soaring inflation may prompt central banks to raise interest rates, which will further slow economic recovery and growth — as will the looming threat of new variants and waves of COVID-19.

GDP Growth

The International Monetary Fund (IMF) pegged the global GDP growth at 5.9% in 2021.¹ This recovery is expected to continue through 2022, but with weakened momentum and increased uncertainty. The possibility of new variants (such as Omicron) and the rapid spread of virulent strains (such as Delta) have made the global recovery period more ambiguous. With unpredictability and supply chain disruptions becoming the new normal, the IMF has forecast the global GDP to grow by 4.9% in 2022.²

Advanced economies were expected to grow by 5.2% in the October 2021 World Economic Outlook (WEO), which is lower than was outlined in the July 2021 forecast and has been driven primarily by downgrades in the United States due to inventory drawdowns, supply chain disruptions and softening consumption. In 2022, IMF forecasts slower growth, at 4.5%.³

For the emerging market and developing economies group, the IMF forecasts GDP to grow by 6.4% in 2021 and 5.1% in 2022.⁴

[← Back to Contents](#)

In all this, however, China remains a big unknown, and as it is one of the largest drivers of economic growth, changes in the Chinese economy will lead to significant growth revisions for the region as well as for the world.

GDP Growth: Annual Percentage Change (Historic and Projected)

			Projections		Difference from July 2021 WEO	
	2019	2020	2021	2022	2021	2022
World	2.8	-3.1	5.9	4.9	-0.1	0.0
Advanced Economies	1.7	-4.5	5.2	4.5	-0.4	0.1
U.S.	2.3	-3.4	6	5.2	-1.0	0.3
Euro Area	1.5	-6.3	5	4.3	0.4	0.0
Emerging Market and Developing Economies	3.7	-2.1	6.4	5.1	0.1	-0.1
Emerging and Developing Asia	5.4	-0.8	7.2	6.3	-0.3	-0.1
China	6	2.3	8	5.6	-0.1	-0.1
India	4	-7.3	9.5	8.5	0.0	0.0
ASEAN-5	4.9	-3.4	2.9	5.8	-1.4	-0.5
Latin America and the Caribbean	0.1	-7	6.3	3	0.5	-0.2
Sub-Saharan Africa	3.1	-1.7	3.7	3.8	0.3	-0.3
Middle East and Central Asia	1.5	-2.8	4.1	4.1	0.1	0.4

Source: World Economic Outlook

[← Back to Contents](#)

Energy Costs

Brent crude oil prices averaged \$84 per barrel in October 2021, up \$43 per barrel from October 2020.⁵ The rapid economic recovery in advanced economies and the steady consumption of global oil inventories have influenced this rise. Another contributing factor is the announcement by OPEC+ that the group will keep the current crude oil production targets unchanged, with an output hike planned in February 2022.

Factors That Will Influence Crude Oil Prices in 2022



Major upside risks in oil prices are:

- Lower global production capacity
- Continued active oil output management by OPEC+



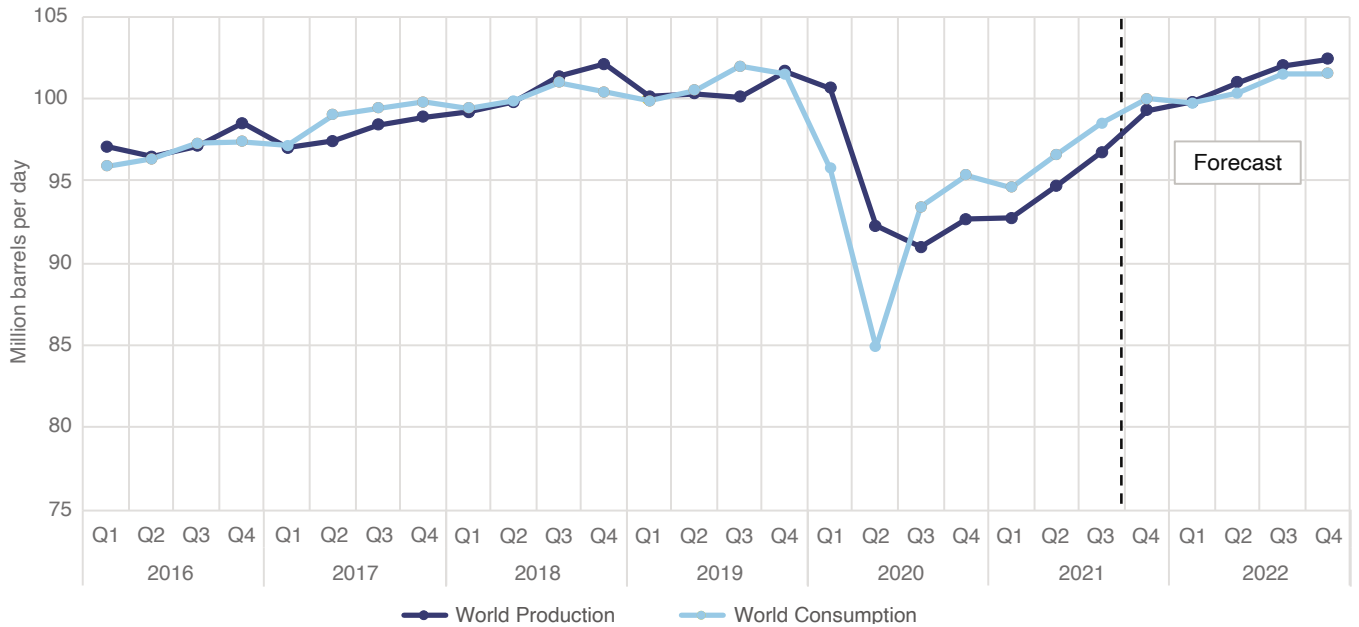
The key downside factors are:

- Uncertainty caused by new coronavirus variants
- Higher oil output from uncommitted OPEC+ members

Source: GEP

This year, however, is likely to see a decline in crude oil prices caused by higher output from OPEC+ countries that outpaces the growth in global oil consumption. We expect prices to remain relatively stable and not see major volatility like in previous years.

World Liquid Fuels Production and Consumption Balance



Source: U.S. Energy Information Administration (EIA)

Interest Rates

As the effects of the pandemic continued to be felt through 2021, central banks and policymakers worldwide kept interest rates low to support their economies. Low interest rates have been a major contributor to the global economic recovery, with strong GDP growth stemming from increased demand in multiple sectors.

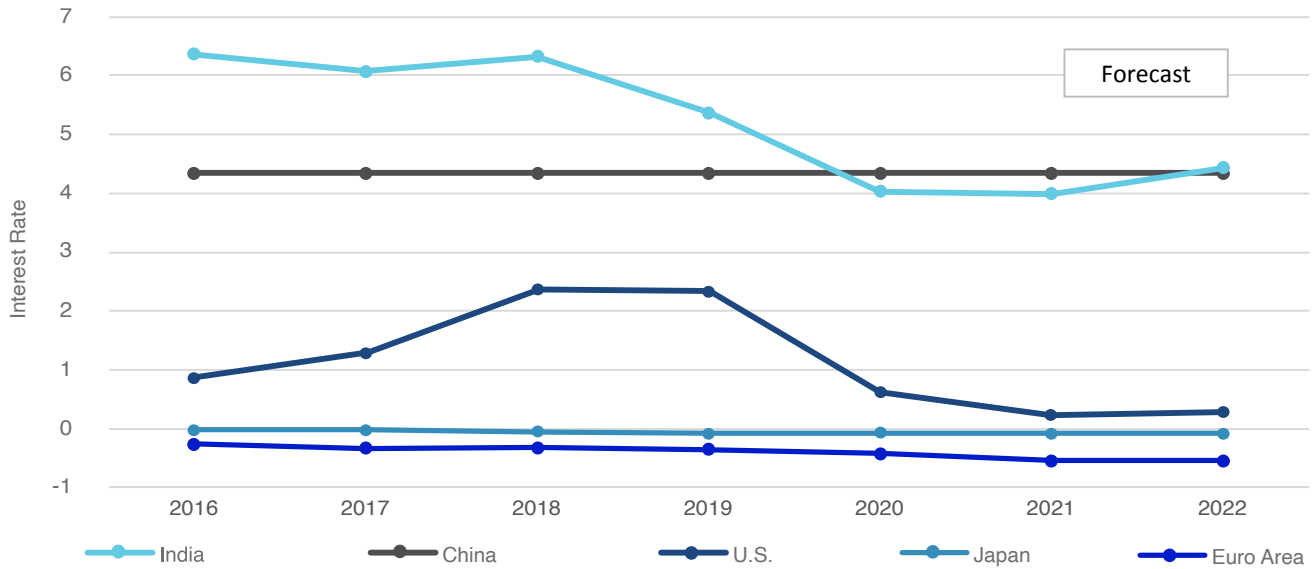
However, due to rapidly increasing inflationary pressure in Q4 2021, we fully expect the U.S. Federal Reserve to raise interest rates multiple times in 2022. An increase of 0.25% will likely occur as soon as March 2022, with more potential hikes through 2022 and 2023. Higher Fed interest rates would increase longer-term interest rates, which would make borrowing more expensive and could weaken demand.

The People's Bank of China has continued to keep interest rates near 4% and is expected to maintain this level through 2022.

Europe is unlikely to increase interest rates in 2022, with the European Central Bank only winding down their bond-buying program to combat rising inflation.⁶

[← Back to Contents](#)

Short-Term Interest Rates (%) in Large Economies: Past Rates & Projections



Source: OECD

Long-Term Interest Rates (%) in Large Economies: Forecast for 2022



Source: OECD

[← Back to Contents](#)

Labor

While labor markets around the world started recovering in 2021, employment levels continue to remain below the 2019 pre-pandemic level. Pre-pandemic employment levels in the U.S. were at 61.1% and in April 2020 they fell to their lowest, at 51.3%. Recovery is ongoing and, as of November 2021, the U.S. employment rate was at 59.2%.⁷

The U.S. will likely see a sharp reduction in unemployment by mid-2022; it's expected to dip as far as the 50-year low it hit in late 2019.⁸ However, with a record number of Americans quitting their jobs in 2021, labor shortages are likely to persist through 2022.

Unemployment Rates (%) in Large Economies: Past Rates and Projections

Country	2020	Projections	
		2021	2022
U.S.	8.1	5.4	3.5
Euro Area	7.9	8.0	8.1
U.K.	4.5	5.0	5.0
China	4.2	3.8	3.7

Source: IMF

Inflation

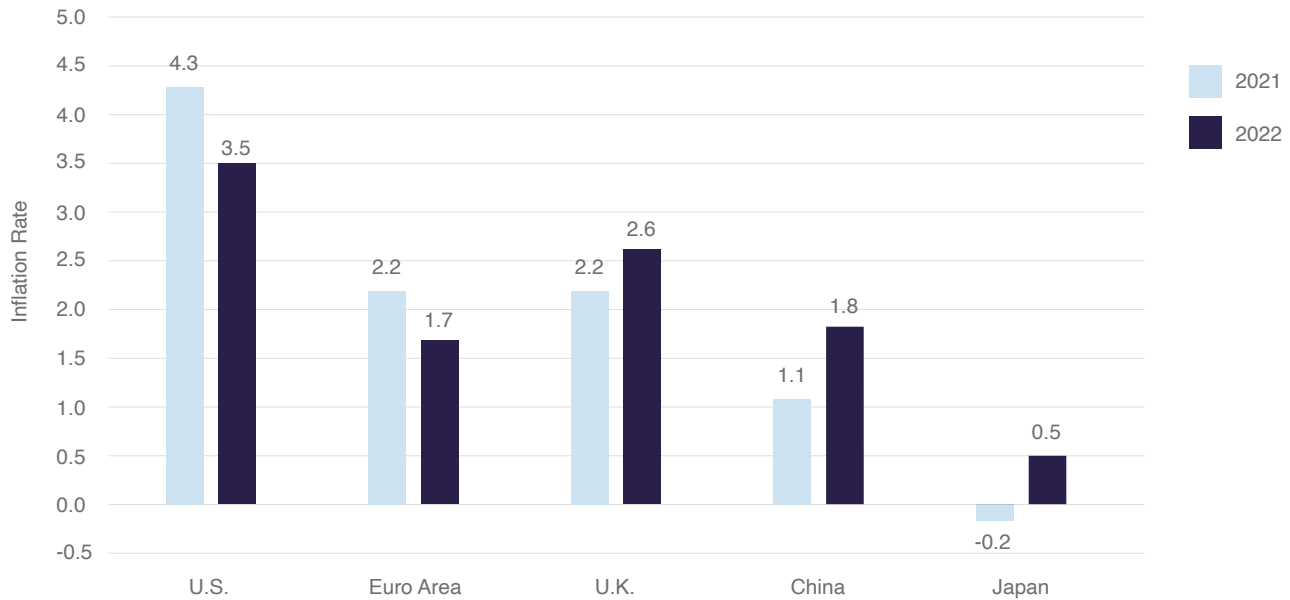
Advanced economies such as the United States, Euro Area and United Kingdom recorded high levels of inflation in 2021, and these rates are expected to persist through 2022.

While the U.S. Federal Reserve continues to believe that the high inflation seen in 2021 is only a transitory issue, economists predict that it will likely persist, driven by supply chain disruptions, rising commodity prices and pandemic-induced supply/demand imbalances.⁹

With the demand for goods and services expected to continue to rise in 2022, firms are expected to increase prices and workers are expected to bid up wages. However, once the supply/demand imbalance stabilizes, current low unemployment rates, anchored expectations about inflation and increased automation in most industries will help cap inflation levels in 2022 to the forecasted rates.

[← Back to Contents](#)

Inflation Rates (%) in Large Economies: Forecast for 2022



Source: IMF

SEVEN LEADERSHIP THEMES FOR 2022



Responsible Investment as Cash Floodgates Open

As money remains historically cheap (for now) and cash balances healthy, companies are starting to open their wallets and invest, both in infrastructure and growth.

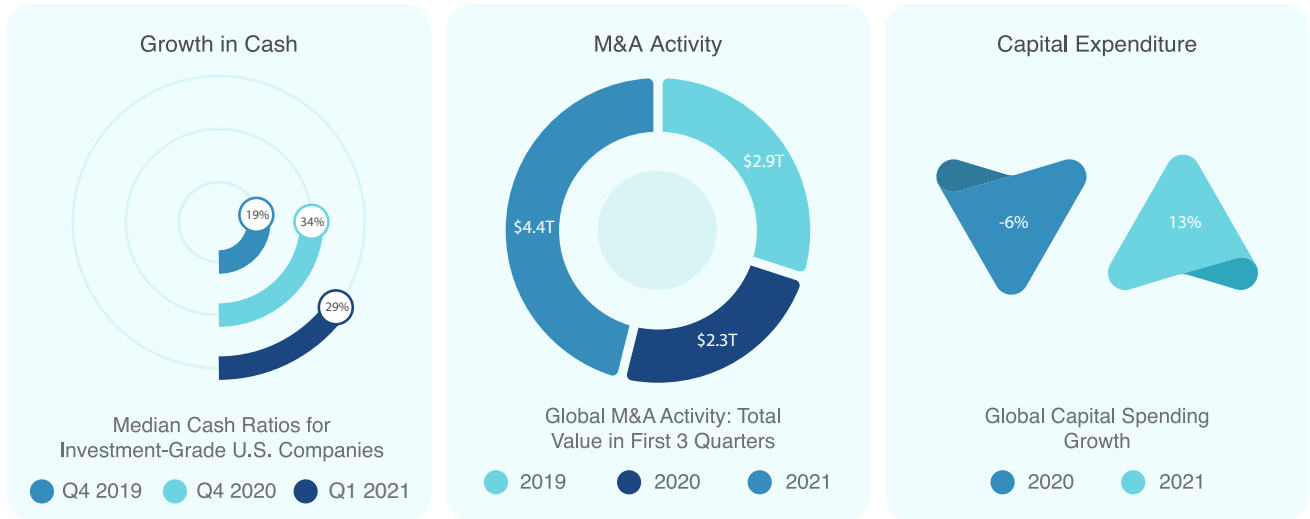
Businesses are steadily unwinding their pandemic cash buildup and deploying capital as the economy recovers. Liquidity buffers accumulated since the onset of the pandemic to manage default risk led to lower investments in 2020 and early 2021. But this is changing, as can be seen in the median cash ratio of investment-grade U.S. companies, which has fallen well below the pandemic peak of 34%.¹⁰

Large cash reserves sitting with private equity and corporates along with returning business confidence led to soaring global M&A activity throughout 2021, as businesses made up for lost time. Worldwide deals have exceeded \$4.4 trillion from over 40,000 transactions, resulting in the highest deal volumes since 1980.¹¹

Positive business sentiment and returning consumer demand are convincing business leaders to make capital investments in 2022. Global corporate spending is set to increase by 13.3%, touching the highest level since 2007¹² driven by growth across sectors, including semiconductors, retail, software and technology. For example, investments in the semiconductor sector have grown in response to recent supply shortages and capacity constraints, and in ESG as corporates look to reduce their carbon footprints.

[← Back to Contents](#)

Cash Reserve and Increased Spending

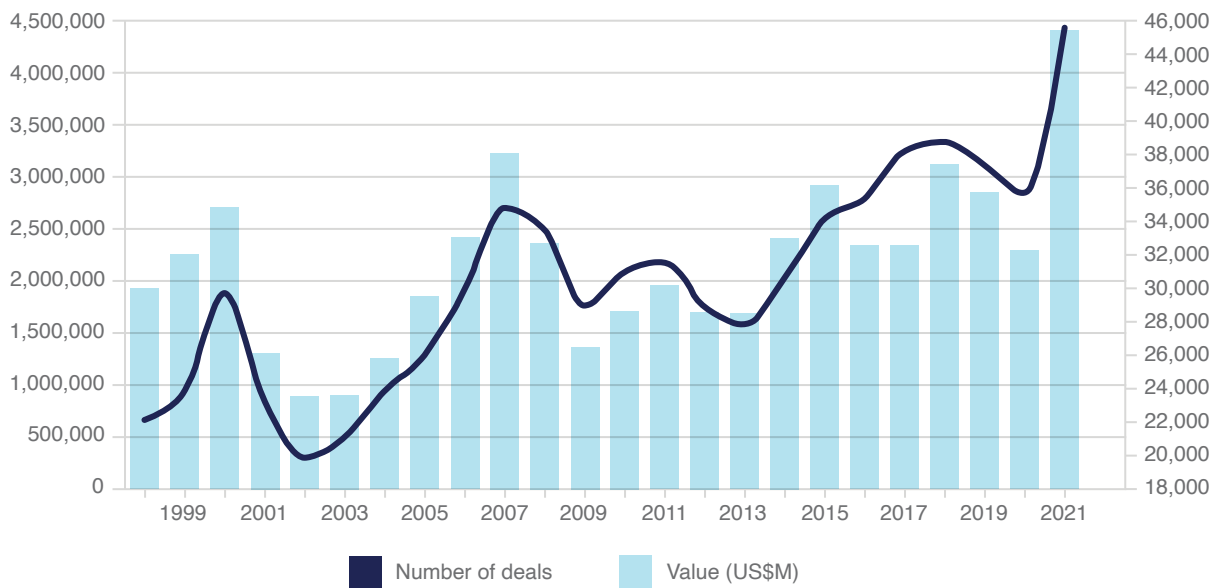


Source: Refinitiv Deals Intelligence, S&P Global Market Intelligence

Need for Judicious Spending Persists

Now as ever, companies need to remain judicious in their investments. Concerns of prolonged inflation persist while global markets remain fragile, supply constrained and talk of another Roaring '20s muted.

Worldwide Announced M&As (First 3 Quarters Volumes)



Source: Refinitiv Deals Intelligence

[← Back to Contents](#)

While excess capital opens up opportunities for restructuring or capturing market share, it has resulted in heightened competition among buyers — corporate, private equity and SPACs — on limited assets and resources. This is reflected in asset prices that are at record-high levels. Companies need to stay focused on ROI and optimizing the invested dollars, and be quick at adapting to changes in the external and internal environment — prepare for the best, be ready for the worst.

Managements will need more flexibility in their teams to respond to inorganic growth opportunities. Now more than ever, procurement and supply chain teams must get involved early on in pre-deal diligence to ensure alignment with investment thesis, identification of synergies and risk management. Supply chain teams will also need to demonstrate agility through integrated planning and become more efficient operators to get a high ROI.

As businesses look to gain market share or build competitive advantage, procurement teams will need to be more proactive in identifying alternative sources of supply to balance the impact of inflationary environment and rising commodity prices.

As capital remains free-flowing, GEP recommends that businesses should invest cautiously, manage constraints and be prepared to tighten their belts again quickly should economic recovery lose momentum or move in reverse.



Battling Inflation and Volatility

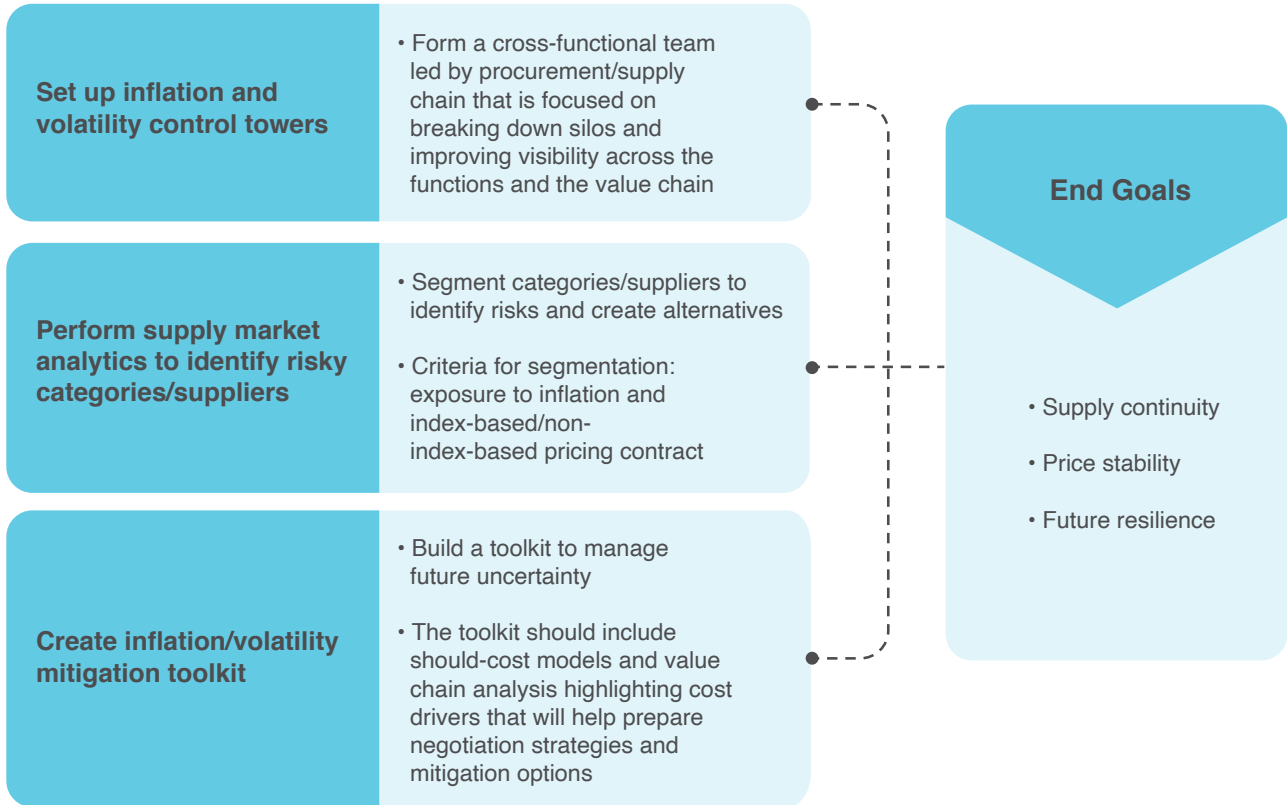
The current conditions of rising inflation and volatility are being shaped less by the conventional forces of pure demand pull. Rather, it is evolving consumer preferences, supply chain disruptions and geopolitical barriers that are leading to supply shortages, which in turn are having a cascading effect across the world's supply chains.

One of the key reasons for shortages and delays is the lack of a truly diverse supply network. What appears to be on the surface a broad and varied network of Tier 2 suppliers often turns out to be an inverted pyramid with reliance on a concentration of converters or producers at the third, fourth and fifth tiers of the supply chain. Thus, if the flow of a single item slows down or breaks, whether because of a climate event, export quota or a regional COVID-19-imposed lockdown, the resulting shortage has the potential to increase the pricing for an entire product category. Look no further than the vanilla orchards of Madagascar that produce 80% of the world's supply. Severe weather events in 2017 caused the price of vanilla to soar to \$600 a kilogram.¹³ The impact of the global chip shortage on the automotive industry is another example of how a single component can bring an entire industry to its knees.

Shortages and supply chain bottlenecks are unlikely to go away anytime soon. In fact, we anticipate that in 2022, many organizations will have to adapt their product portfolios, pricing strategies and supply networks to manage a long-term period of supply scarcity. Procurement and supply chain teams are uniquely positioned to coordinate this response and handle such a situation effectively, with support from a cross-functional team that includes manufacturing, innovation/engineering, research and development, planning and finance.

[← Back to Contents](#)

Immediate Action Points for Procurement and Supply Chain



Source: GEP

Is Cost Efficiency the Supply Chain's Most Important Function?

For decades, businesses all over the world have had a razor-sharp focus on the “best practice” of cutting costs across their supply chains. Ideas such as right-sizing, consolidation and just-in-time for inventory optimization were top priorities. This created inflexible supply chains that were severely disrupted when the COVID-19 pandemic struck nearly two years ago. Be it the inability to meet demand or unavailability of supply, organizations realized that their supply chains had to transform to address the challenges emerging from the changes in their respective industries and consumers.

To put things in perspective, only 10% of companies can sense and shape demand in real time, and only 13% can segment channels based on service requirements and commercial volumes.¹⁴ Going into 2022, businesses should focus on reconfiguring their supply chains to be “efficiently flexible” rather than being only “cost efficient.” Organizations should undertake supply chain transformations focused around three central themes:

[← Back to Contents](#)

1. Restructuring Networks

Strategically introducing flexibility into both manufacturing and distribution networks is crucial to develop resilience against volatility in the current market conditions and to be prepared for future needs. Pruning portfolios and configuring demand-driven supply chains will offer distribution efficiency, while partnering with external manufacturers and reconsidering nearshore/onshore manufacturing tradeoffs will surgically embed flexibility.

2. Digital-Driven Process Excellence

Modernization of supply chain processes not only helps improve productivity but also accelerates operational excellence. Adopting digital solutions to connect people and processes across one's organization will lead to improved efficiency and quality while eliminating processes that do not add value. Digital solutions will streamline omnichannel operations from a distribution and warehousing perspective, ensuring adaptability to the consumer's ever-changing needs.

3. Enhancing Visibility

It is critical to upgrade and adopt business intelligence systems that allow organizations to proactively sense supply chain risks before they become disruptions. The ability to view activities and measure performance metrics in real time across the supply chain should be combined with advanced predictive capabilities to enable businesses to make informed decisions that ensure disruptions are absorbed with minimal business impact.

Building flexibility requires not just real-time information sharing between partners across inventory, logistics, supply and manufacturing, but also defining customized processes to meet business goals. Leveraging digital solutions available in the market along with reconfiguring supply chains based on business needs will help replace the rigidity of current supply chains with reliability.



Regionalization of Supply Chains

Regionalization will be a compelling force in 2022 as organizations restructure their networks as part of supply chain transformation initiatives. In many instances, these initiatives will be undertaken proactively to improve resilience and enable sustainability goals. However, regionalization will also be imposed by geopolitical forces as well as the general reversal of the trend of globalization and free trade that persisted from the 1980s to the early 2000s.





GEP believes that, in 2022-2023, there will be significant structural changes in supply chains across industries with strong dependencies on China and other Asian manufacturing hubs. Companies will seek to diversify their supply networks, and in general, supply chains will shorten as a direct consequence of the vulnerabilities exposed by the pandemic.

The Change Has Begun

The trend of regionalization has not yet reshaped our global supply networks, but there are many signals that the foundation is being laid. Some key movements include:

- Major European companies shifting away from low-cost manufacturing in Asia in favor of productions closer to home in Serbia, Croatia, Turkey and Egypt.
- Governments subsidizing reshoring efforts as a path to economic recovery. For instance, Japan set aside \$2.2 billion in subsidies for companies that moved out of China and brought back domestic manufacturing.¹⁵
- Companies in the U.S. reshoring production from around the world. In early 2021, Intel announced it would infuse an investment of \$20 billion into two new semiconductor plants in Arizona; General Motors is reshoring its battery production to Michigan; while U.S. Steel has decided to build its new \$3 billion factory in Alabama or Arkansas.¹⁶

Restructuring Supply Chains: Reshoring and Nearshoring

 Benefits of Regional Supply Chains As product lifecycles shorten and demand variability becomes the norm, shorter supply chains will make more business sense as they will offer:		 Embracing Hybrid Supply Chains Industries likely to adopt the hybrid model are those severely impacted by the disruptions and shortages of 2020-2021, such as high-tech, pharma, health care and medical devices, consumer durables/appliances and Tier-1 automotive/heavy equipment parts suppliers.
 Resilience It's easier to spot early warning signs in localized supply chains. Responses tend to be more rapid and targeted.	 Sustainability A shorter, regional supply chain has fewer transport miles, which reduces carbon-intensive airfreight considerably.	

Source: GEP

This is not to say that the complex, global Asia-centric supply chain is dead. It's not. It will continue to fulfill the bulk of manufacturing demand, but we expect that more companies will adopt hybrid supply chains. For example, China might serve as a primary manufacturing location, with the remainder of demand fulfilled by secondary, regional supply chains that are better equipped for shorter lead times and more varied demand patterns.

Prudent investment in regional skills, factories and technology could become a competitive differentiator as sophisticated global supply networks take a more regional turn in 2022.

[← Back to Contents](#)



Digitalization and Integration of Planning

Digital transformation has been a large focus area for businesses across industries over the past five years. This trend is expected to accelerate, and investment in digital transformation is estimated to rise at 16.5% during 2022-2024.¹⁷

The crisis triggered by the pandemic has dramatically underscored the importance of supply chain planning. Sophisticated digital solutions across the planning spectrum — from basic forecasting to advanced scenario analysis — continue to flood the market, in response to heightened demand. However, for many businesses, there's still a significant dependency on legacy systems for planning decisions.

Unfortunately, many companies fail to extract full value from their digital planning investments as employees fall back into old habits, the newly acquired skills slowly fade, and the organization strays away from the optimized planning approach. The few enterprises that successfully use advanced, digital planning capabilities develop a stronger competitive advantage in the marketplace as there's a material difference between them and their less-skilled competitors — at GEP we refer to it as a “planning gap.”

As most of us understand, selecting and implementing new digital planning tools is only half the battle. The other half — and often the hardest part — is for businesses to sustain the new capabilities, retain the skilled practitioners, continue to use their data effectively and harvest the financial benefits from the new tools.

GEP recommends steps for businesses to close the planning gap and realize the benefits of digital planning transformation:

Get Expert Help

Leverage expert help during the nascent stages of adoption. Alliances with academics, consultants and software providers can go a long way in providing support, especially in areas that are not a business's core domain. This is true more so when complex analytics and mathematical approaches are part of the solution.

Develop New Processes and Organization Components

Invest the time to develop new processes, planning models, metrics and collaborative teams that allow the new tools to fully transform the extended supply chain.

Involve the Leadership

Enlist company leadership to communicate the changes and the new planning models effectively and repeatedly for widespread adoption. Their message should be: “This is our new path forward and we expect the business to adopt these new tools.”

Prepare Your Employees

Developing a digital culture will make employees aware of the new capabilities and their intent; specialized training will be critical for sustaining change. Companies can take a range of actions, such as creating playbooks and practice aids to support employee training, and developing other collateral such as frameworks and analytics that supplement the software.

[← Back to Contents](#)

Find the Right Resources

Often, companies don't have the expertise required to develop and manage the career path for digital planning in their business. They can gain such expertise by hiring or by exploring the option of managed services, which gives them easier access to the set of skilled resources. Either way, that gap has to be filled — it's necessary to sustain the planning model and realize the value.

Current market uncertainties — risk of competitive disruption, supply chain glitches, supply shortages — suggest that businesses need to exploit any competitive advantage they can find to drive better performance. Given the new generation of digital planning tools that are available and the planning gap we see between businesses, GEP believes that companies can realize significant value by better using and sustaining digital planning capabilities through following the recommendations discussed in this section.



New Technologies and Financial Constructs to Drive ESG Targets

Environmental, social and governance (ESG) expectations have never been higher. Enterprises are looking clearly toward their supply chain and procurement leaders to deliver against these expectations. The functions will have to actively drive their organization's strategic vision, delivering operational excellence and robust governance to achieve measurable outcomes. Teams and tools will need to evolve rapidly in 2022 and beyond to meet these targets, which now sit at the heart of business strategy.

Adopting New Approaches Across the Value Chain

Supply chain and procurement teams will need to drive ESG objectives both upstream and downstream concurrently, across the value chain.

Upstream measures will have to go beyond policy enforcement and supplier qualification checks. Leading businesses are increasingly aligning with suppliers willing to invest and enable their ESG vision, and transitioning away from those that are not. Data sharing and common KPI frameworks will be essential in an environment of deeply interconnected networks, warehouses, buildings and people. Downstream support will be necessary to enable business owners to drive changes in their products, services and end-customer behaviors.

Assuming that baselines have already been put in place, supply chain and procurement teams will need to gain greater visibility into the different nodes of their supply chains across all ESG KPIs. Benchmarking between the different nodes and synthesizing relevant information for business leaders will facilitate informed investment and marketing decisions.

Monetary Impact Tracking Will Become Standard Practice

ESG impact is rapidly shifting from a soft measure to a quantifiable metric. Appropriate quantification and tracking will require close coordination with business owners. Challenges to conventional assumptions regarding total cost will likely face resistance, and this is precisely where procurement teams can help business leaders get more comfortable — by consistently embedding monetary values, such as carbon pricing, in cost models to reflect the true value of certain decisions.

Such actions also present interesting opportunities to question whether a certain product or service is needed, or if certain supply chain activities really need to take place. In 2022, we anticipate more drastic action and out-of-the-box initiatives, including green financing, use of refurbished goods and materials, shared resources, monetizing waste and application of smart technologies as companies respond to the rising expectations of investors, consumers and governments.

Enabling ESG With Technology

Digital tools that enable supply chain and procurement to drive their organization's ESG goals have matured over the past few years. In 2022, supply chain and procurement will have access to tools across the full budget-to-pay cycle to:

- Embed ESG criteria through the supply chain and procurement process
- Guide stakeholders to sustainable suppliers and practices
- Enable complete visibility of ESG KPIs
- Provide auditable insights into targets and actuals

To drive ESG targets in 2022 and beyond, supply chain and procurement leaders will have to reimagine cost-focused strategies, define new priorities and empower their organization with intelligent tools.



Reimagining Talent Strategy

Across the world, organizations are grappling with a combination of wage inflation, record-breaking quit rates and labor shortage. Data released by the U.S. Bureau of Labor Statistics shows there are 0.67 job seekers for every job opening, or three job openings for every two people looking for work.¹⁸ This is by far the worst ratio for employers since 2000. The talent shortage is amplifying existing supply chain challenges, resulting in a vicious cycle of overworked employees and further resignations.

These unprecedented labor dynamics will require bold interventions and innovative talent management strategies to ensure business continuity. This applies to both internal supply chain and procurement teams as well as to the third-party service partners managed by those team members.

In 2022, organizations will have to take measures to differentiate themselves from competitors. These include:

Increased DEI Focus

Employees value Diversity, Equity and Inclusion (DEI) initiatives. Numerous studies show that a vast majority of people prefer to work for companies that have a strong DEI focus, and this also drives improved business results. Companies must respond by offering equal opportunities across a spectrum of workers while recognizing their unique backgrounds, personal identities and contributions.

Proactive Employee Retention

In order to retain high-performing employees, companies must invest in them. A recent Forbes Human Resources Council interview of business leaders found that customizing offers by employee as well as offering incentive-based pay and outside training were more successful strategies than counter-offers and other stop-gap measures.¹⁹ These same strategies can also be applied when structuring the compensation and incentives for external service providers.

Tapping the Global Talent Pool

Leading organizations will also take advantage of the world of talent that has become available as a result of rapid digitalization and remote work trends during the pandemic. A recent poll of CFOs by Globalization Partners found that 81% believed that the pandemic had transformed their perspective on remote employees and the work-from-anywhere model.²⁰ This model also lowers the cost of engaging global talent by eliminating relocation and immigration costs, though some of these savings may be offset by the technology investments required to ensure workforce connectivity and productivity. Leveraging this talent pool fully through a work-from-anywhere approach will require a cultural shift within organizations. Companies that embrace it will reap the benefits.

Conclusion

In 2021, supply chain and procurement leaders learned that recovery can be fragile and systemic challenges will persist as the world adapts to a situation where the pandemic lingers on.

The conditions — geopolitical, environmental, societal — under which we enter 2022 have evolved in very fundamental ways over a few short years. The year ahead will reward those supply chain leaders who meet change head-on, ready to explore the new opportunities it brings, and prepare to meet it by undertaking bold transformational initiatives, investing in digitalization and rethinking their talent management strategies.

[← Back to Contents](#)

Turn ideas into action. Talk to GEP.

GEP helps enterprise procurement and supply chain teams at hundreds of Fortune 500 and Global 2000 companies rapidly achieve more efficient, more effective operations, with greater reach, improved performance, and increased impact. To learn more about how we can help you, contact us today.



John Piatek

Vice President, Consulting

John has over 15 years of strategy consulting experience managing several large-scale engagements with leading global clients.

At GEP, John is responsible for partnering with leading CPG and retail enterprises on strategy, supply chain and management initiatives. John is also the Chair of GEP's Thought Leadership Council.

LET'S TALK

[← Back to Contents](#)

NOTES

¹ "Real GDP Growth: World Economic Outlook," *IMF*, October 2021 | https://www.imf.org/external/datamapper/NGDP_RPCH@WEQ/OEMDC/WEOWORLD/USA/ADVEC/JPN/IND/CHN/DA/AS5/WE/SSA/MECA/EURO

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ "Short-Term Energy Outlook," *U.S. Energy Information Administration (EIA)*, 7 December 2021 | <https://www.eia.gov/outlooks/steo/index.php>

⁶ Johanna Treeck, "Despite Surging Inflation, ECB Sees No Rate Hikes in 2022," *Politico*, 28 October 2021 | <https://www.politico.eu/article/ecb-leaves-policy-on-hold-as-prices-surge/>

⁷ "United States Employment Rate," *U.S. Bureau of Labor Statistics*, November 2021 | <https://tradingeconomics.com/united-states/employment-rate>

⁸ Matt Egan, "The Unemployment Rate Will Match 50-Year Low By End of 2022, Goldman Sachs Says," *CNN Business*, 15 November 2021 | <https://edition.cnn.com/2021/11/15/economy/unemployment-rate-goldman-sachs/index.html>

⁹ Aimee Picchi, "Inflation Jumped 6.2% In October, Biggest Monthly Rise In 30 Years," *CBS News*, 10 November 2021 | <https://www.cbsnews.com/news/inflation-october-gas-prices-food/>

¹⁰ Peter Brennan and Tayyeba Irum, "US Companies Unwind Cash Buffers As Economy Recovers, Default Risk Eases," *S&P Global*, 4 August 2021 | <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/us-companies-unwind-cash-buffers-as-economy-recovers-default-risk-eases-65849103>

¹¹ Matthew Toole, "Global M&A Soars As Acquirers Make Up for Lost Time," *Refinitiv*, 7 October 2021 | <https://www.refinitiv.com/perspectives/market-insights/global-ma-soars-as-acquirers-make-up-for-lost-time/>

¹² Peter Brennan, "Global Corporate Capex Poised For Biggest Surge Since 2007, S&P Forecasts," *S&P Global*, 2 August 2021 | <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/global-corporate-capex-poised-for-biggest-surge-since-2007-s-p-forecasts-65739086>

¹³ Pam Wright, "Vanilla Prices Surge Months After Cyclone Enawo Hits Madagascar, Impacting Ice Cream and Other Culinary Delights," *The Weather Channel*, 24 August 2017 | <https://weather.com/news/news/vanilla-prices-cyclone-enawo-madagascar>

¹⁴ "Supply Chain Transformation Trends for 2021 and Beyond," *GEP and ESG*, July 2021 | <https://www.gep.com/research-reports/supply-chain-transformation-trends-for-2021-and-beyond>

¹⁵ Simon Denyer, "Japan Helps 87 Companies To Break From China After Pandemic Exposed Overreliance," *The Washington Post*, 21 July 2020 | https://www.washingtonpost.com/world/asia-pacific/japan-helps-87-companies-to-exit-china-after-pandemic-exposed-overreliance/2020/07/21/4889abd2-cb2f-11ea-99b0-8426e26d203b_story.html

¹⁶ Sabrina Kessler, "Why US Companies Are Reshoring Businesses," *DT Next*, 12 December 2021 | <https://www.dtnext.in/amp/News/Business/2021/12/12235121/1333495/Why-US-companies-are-reshoring-businesses.vpf>

¹⁷ Giulia Carosella, Serge Findling, Shawn Fitzgerald, Daniel-Zoe Jimenez, Gard Little, Adelaide O'Brien, Robert Parker, Joseph C. Pucciarelli and Yukiharu Yorifuji, "IDC FutureScape: Worldwide Digital Transformation 2022 Predictions," *IDC*, October 2021 | <https://www.idc.com/getdoc.jsp?containerId=US47115521>

¹⁸ "Job Openings and Labor Turnover Survey," *U.S. Bureau of Labor Statistics* | <https://www.bls.gov/jlt/>

¹⁹ "12 Unique Incentives to Retain High-Performing Employees," *Forbes*, 8 November 2021 | <https://www.forbes.com/sites/forbeshrumanresourcescouncil/2021/11/08/12-unique-incentives-to-retain-high-performing-employees/?sh=b93bd5b6f3cf>

²⁰ "CFOs See a Clear Pathway to Growth Through Global Expansion," *Globalization Partners*, 13 April 2021 | <https://www.globalization-partners.com/resources/report-cfo-survey-clear-pathway-to-growth/>



GEP delivers transformative supply chain solutions that help global enterprises become more agile and resilient, operate more efficiently and effectively, gain competitive advantage, boost profitability and increase shareholder value.

Fresh thinking, innovative products, unrivaled domain expertise, smart, passionate people — this is how GEP SOFTWARE™, GEP STRATEGY™ and GEP MANAGED SERVICES™ together deliver supply chain solutions of unprecedented scale, power and effectiveness. Our customers are the world's best companies, including hundreds of Fortune 500 and Global 2000 industry leaders who rely on GEP to meet ambitious strategic, financial and operational goals.

A leader in multiple Gartner Magic Quadrants, GEP's cloud-native software and digital business platforms consistently win awards and recognition from industry analysts, research firms and media outlets, including Gartner, Forrester, IDC and Spend Matters. GEP is also regularly ranked a top supply chain consulting and strategy firm, and a leading managed services provider by ALM, Everest Group, NelsonHall, IDC, ISG and HFS, among others.

Headquartered in Clark, New Jersey, GEP has offices and operations centers across Europe, Asia, Africa and the Americas. To learn more, visit www.gep.com.



GEP SMART is an AI-powered, cloud-native software for direct and indirect procurement that offers comprehensive source-to-pay functionality in one user-friendly platform, inclusive of spend analysis, sourcing, contract management, supplier management, procure-to-pay, savings project management and savings tracking, invoicing and other related functionalities.



GEP NEXXE is a unified and comprehensive supply chain platform that provides end-to-end planning, visibility, execution and collaboration capabilities for today's complex, global supply chains.

Built on a foundation of big data, artificial intelligence and machine learning, GEP NEXXE is next-generation software that helps enterprises make supply chain a competitive advantage.

100 Walnut Avenue, Clark, NJ 07066 | P 732.382.6565 | info@gep.com | www.gep.com

Clark, NJ | Austin | Chicago | Atlanta | Toronto | Mexico City | San Jose | São Paulo | Dublin | London | Amsterdam | Frankfurt | Prague | Cluj-Napoca, Romania | Pretoria | Abu Dhabi | Mumbai | Hyderabad | Kuala Lumpur | Singapore | Shanghai | Dalian | Tokyo | Sydney

Copyright © 2022 GEP. All rights reserved.