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Pulte Homes’ CLO/National Vice President Supply Chain/Purchasing Reggie McCoy draws on experiences with the U.S. Army, Walt Disney and Wal-Mart in reshaping the GIANT builder’s purchasing strategy.

Redefining Purchasing:

Supply chain management leaders

Talent is scarce, but an outside-the-industry perspective on your supply chain could yield the right business results.

By Scott Petty, Spencer Stuart

From consumer-goods companies to healthcare organizations, nearly all industries are reexamining their supply chains. Their objective? To gain a strategic edge and cost advantage in a highly competitive marketplace.

Home builders are no exception to this business trend, but the industry has only recently begun to address the issue of supply chain management. Fearing their bubble of prosperity may burst, home builders are carefully looking at ways to save costs while adding to the bottom line. But given the traditionally decentralized nature of the business, it has been difficult to create efficiencies in the supply chain.

The management teams of best-in-class supply chain companies are telling us that leaders who are able to supply the entire organization in a more efficient manner are at a premium. Because the supply chain encompasses everything from distribution, transportation and inventory management to operations and the end-customer experience, these leaders need to consider the implications from end-to-end.

For nearly 50 years, we at Spencer Stuart have studied what it means to be an exceptional leader. As a result of our work, both in the home building industry and across the supply chain function, we understand the type of talent needed to help home builders achieve this competitive advantage. A strong “blueprint” would include the following competencies:

Strong leader: No longer merely a behind-the-scenes role relegated to managing inventory, today’s supply chain leader is front-and-center within the organization. People management skills are critical for the executive responsible for overseeing a complex and scattered function.

The decentralized nature of the supply chain requires a great team builder and influencer — someone who can manage and inspire people who do not necessarily report directly to him or her. With the drive to achieve more supply chain transparency, executives need to forge strong relationships both internally and externally. This requires an exceptional communicator, motivator, collaborator and delegator.

Given the intricacy of managing across a decentralized organization,

success or failure often is determined by the supply chain executive’s ability to be an excellent leader as well as a good manager. The importance of leadership has increased greatly over the past few years. Prior, companies were looking for functional depth only. As more attention is paid to the supply chain, organizations see the value of hiring business-minded people who can engage, excite and inspire the team.

Negotiator: Success in the home building industry can hinge on the effectiveness of relationships with key external vendors — if the quality of materials is substandard or if they do not arrive at the site on schedule, it could be a disaster. Because supply chain sits in the center of a lot of activity that occurs outside of the organization, executives need to build sustainable and collaborative interpersonal relationships with all partners and third-party vendors.

Despite some outsourcing concerns regarding the loss of control or the risks related to choosing the wrong supplier, most of which can be managed, alliance and vendor management is critical for any supply chain leader. Executives with strong customer-interfacing capabilities and the ability to understand the nuances of complex alliance management can add a great deal to an organization. Not only does the function require someone who is able to influence others and create positive working relationships with their external providers, but also someone who is skilled at the art of negotiation.

Business mindset: Given the evolution of the supply chain function, home building companies require someone who can manage the entire supply chain — from manufacturing and logistics to alliance management and profit-and-loss statements. This requires an executive with a record of operational excellence; someone who has a big-picture perspective, but who can also manage the details to drive performance.

In the recent past, the supply chain professional possessed a functionally oriented perspective. Today, this individual must not only understand, but advocate, a horizontal business perspective if he or she hopes to get the most value out of the supply chain.



Professional Background

U. S. Army: aviation engineering and logistics. Specialization in logistical concepts and design.

Lessons Learned: “How to look at an organizational structure and understand what needs to be there to deliver on a plan.”

Walt Disney Co.: logistics management and strategic purchasing

Lessons Learned: “An unyielding corporate focus around the customer and exceeding expectations. Sometimes when you just meet expectations, you risk losing a customer because a lot of companies can meet expectations. However, when you consistently exceed their expectations, you keep that customer for life. You truly get only one shot at this.”

Wal-Mart: managed high-velocity distribution network for the southeast operations.

Lessons Learned: “It’s all about simplicity and velocity. The company’s vision is very clear and they communicate it throughout the organization. The logistical function is the key cog that drives their velocity so everything is focused there. Wal-mart has been able to leverage their spend and understands the proposition of bringing value to the customer.”

Photo by Todd Winters

The successful executive also must have a breadth of general business experience, everything from buying, planning, construction and delivering. This requires that home builders look beyond executives who have done more than just purchasing. Today’s talent needs to understand all aspects of the business, and be of an analytical mind, in order to understand both the cost-saving and value-added implications of doing business. This often requires that supply chain executives have cross-functional experience in manufacturing, warehousing, purchasing and finance.

Strategic thinker: As the home building industry grows and changes, what works today may not necessarily work tomorrow. Supply chain executives need to understand how to position their organizations to stay ahead of the competition. Great leaders must manage the constantly moving components of the supply chain for both the present and the future. This requires the ability to think ahead, predicting how customer or vendor demand will change.

Home builders need strategic thinkers who can balance the essential components of the supply chain while ensuring that every single action is consistent with the organization’s game plan. A strategic leader also will be better equipped to employ performance metrics to measure the effectiveness of the supply chain. World-class supply chain executives will constantly string the “dots,” but they will also need to know when one of those dots will eventually fail. This requires being aware of key performance measures, understanding what’s working today and, more importantly, what will work in

Pulte Homes’ Purchasing Pro

With the U.S. Army, Walt Disney and Wal-Mart on his resume, Reggie McCoy practices what he learned there at one of America’s GIANT builders.

By Heather McCune

At the center of Pulte Home’s supply chain sits people not products, and this is entirely by the design of Reggie McCoy, the GIANT builder’s chief logistics officer/national vice president supply chain and purchasing. While efficiently buying and moving product is the “a, b, c’s of the job,” McCoy’s focus is on delighting customers with the products that matter most to them.

Here, McCoy explains how his learning in other industries shapes future purchasing at Pulte.

Purchasing Philosophy

“Product purchasing in home building has been largely one dimensional — buy things to fill the holes in the house. There is very little focus in purchasing departments on understanding what products would drive customer demand for the home or what would add to the buyer’s overall experience. At Pulte, we give the customer an opportunity to upgrade, but we should really be building that into the program to begin with.

“New home customers care about quality, value and perception. Our purchasing organization is built around providing our buyers with the wow experience — exceeding their expectations the minute they come into the home. We already do that in terms of constructed quality and customer service. My purchasing focus should be to do the same thing — to add to the customer experience. When a buyer walks into a house, I want him/her to say, ‘This feels like me. I can’t get a better deal.’ I want them to feel the value, feel the quality.

“I want to institute this customer-centered purchasing philosophy across the company — at every price point and for each of our customer segments. All of our products must represent

the future. In addition, executives need to be comfortable balancing innovative ideas with risk — something that is quite foreign throughout the home building industry.

Finding The Talent

Executives seasoned in the world of supply chain management will be in high demand throughout the home building industry. As more and more builders realize the critical importance of having an effective supply chain, they will need to recruit those leaders capable of turning the supply chain into a competitive advantage.

But given the short supply of superior supply chain management talent, companies will need to look at both traditional and nontraditional sources. In the short-term, that means looking outside of the industry.

Among the traditional sources for supply chain executive talent are the established companies that have mastered global integrated supply chain management over the last decades. At Spencer Stuart, we also look to global logistics and transportation organizations and consulting firms.

true quality and true value, and purchasing has to help in that regard. Our opportunity to do that comes in understanding what the customer wants, understanding what we currently buy and then standardizing our processes to get the best buy on the best products in the home. We can buy things all day long at the right price, but if they aren't the things that drive value, then we're missing the mark. We must enhance the customer experience by putting the right things in the home."

Creating Customer Value

"Understanding what products make a difference to buyers is what we're always working to answer. To do this, our purchasing organization partners with our marketing segmentation team to draw on their knowledge. We're exploring the value of brand versus the value of the product. For example, consumers know their brand-name appliances, faucets and toilets. Right now we buy 30 different types of toilets throughout our divisions. What if, through customer research, I learn we only need two types of toilets? I can leverage that buy across tens of thousands of units and then the price I pay per toilet goes down. I've increased the value to our customers and I've delighted them.

"It's all about the customer's brand experience. Our job is to recognize the brands in the home that drive the customer's perception of quality. Then we go get those items and do our homework in terms of how we secure the commodities in the home. Look at lighting. There are a lot of good companies, but lights still are not a branded product. No home buyer talks about the maker of a light fixture, just the appearance of it. The job of purchasing in a category like this is to drive the quality and get the best buy. To do this, we're going to look at more globalized purchasing streams for lighting, investigating resources around the world. There are lots of other commodities in the house. I want to drive standardization in these areas to reduce our SKU base

These organizations can be a source for bright consultants who will be able to learn the operational grounding.

Last, but not least, we recommend that supply chain talent be developed internally. Yet companies must recognize that internal development takes time and may need to complement recruitment efforts if the demand for talent is urgent.

Conclusion

No longer just about purchasing, today's supply chain executive is charged with cutting costs and adding value. Builders will need to recruit superior supply chain management talent that will be accountable for profitability. By hiring supply chain executives who embody the critical skills — leadership, negotiating, business-mindedness and strategic thinking — progressive home builders will have an advantage over their competition. ■

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so we're more efficient.

"The other way to create value for the customer is to put real discipline to the ABCs of purchasing and procurement. This means looking at our standardization process and our SKU depth. We need measures and metrics for everything. The goal now is to focus the purchasing organization in four major components:

1) Purchasing: We are looking at a coordinated activity versus a fragmented approach while still allowing each division autonomy.

2) Contract management: We must re-look at all our contracts to allow the organization to run at the velocity we're growing. Our contracts have been designed to buy things, not to leverage partnerships. It's time to look at the strategic partners we have done business with for many years and help them understand our growth so they're able to support it. 'Partnership' is a bit of a cliché; what I really expect is a marriage. We want the companies we align with to know we care about their success and we want the same commitment from them.

3) Business development: We must manage our labor base. How do we take a contractor that builds 10 homes for us and get him ready to build 200? This is a vital part of the purchasing function. If I purchase materials and get them at the right price, my trade contractor just lost a bunch of the margin he needs to grow his business. It becomes our job to teach him we can make him more money on the labor proposition alone. We just hired another senior leader to help secure our production capability throughout all our markets.

4) Logistics/distribution network: If we manage purchasing, contracts and our trade partners correctly, we have to be able to move all of it to where it is needed when it is needed. Whether we create our own high-velocity network or consider a third-party integrator to do it, distribution is the next piece.

"With all basics in place, we'll be able to sprint real soon."