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Voice of the CSCO

A recurring conversation with CSCOs on the state of supply chains

February 2026

CSCOs balance disruption and opportunity in a tectonic world

Chief supply chain officers (CSCOs) are at a critical juncture as they navigate tectonic ground. Conversations center on three core pillars affecting supply chain operations with underlying pressures threatening profound changes in societal, economic, and cultural landscapes. First, Meagan Schoenberger, senior economist at KPMG, outlines the economy's fragility, noting that on-again, off-again tariffs are forcing a fundamental rethinking of supply chains due to the monumental shifts transforming markets. Discussions focused on the dual-edged sword of artificial Intelligence (AI) from both an operational perspective and from the view of talent. CSCOs talked about moving beyond the pilot phase, scaling challenges and the possibility of an AI bubble. One CSCO described grappling with component shortages because of the data center buildout. Lastly, CSCOs turned their attention to talent management, focusing on strategies to bridge the knowledge gap between retiring, seasoned professionals and a new generation of workers with digital savvy but lacking in experience.

On the CSCO agenda

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A three-legged stool

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Economic conditions

A three-legged stool

CSCOs heard that despite some good numbers, the economy remains fragile. Meagan Schoenberger, senior economist at KPMG, keeps her finger on the pulse of the economy. "When you picture the economy right now, I've been calling it a three-legged stool."

The three-legged stool encompasses spending by high-income households, rapid investment in AI and the infrastructure needed to service it, then the third leg relates to hiring in the health sector. Schoenberger shared the risk of knocking out a leg is being left with a much weaker base.

Schoenberger articulates the risks and events that have constructed the wobbly stool. "Over 80 percent of the job growth that happened last year occurred before Liberation Day last April."

While tariffs are being passed through to consumers at higher prices, the uncertainty inhibits business decisions. "The uncertainty has caused firms to slow hiring and curtail investments. The result is a low hiring with healthcare the only bright spot."

Leaders from various sectors share their struggles with tariff complexities, managing extreme lead time increases, and fundamentally rethinking their supply chains to cut risks.

"Our lead times have increased from 30 weeks to 200 weeks or more," noted one CSCO with a utility company.

For most, the main challenge is the volatility and unpredictability of trade policies. A global manufacturer CSCO describes how they're dealing with Section 232's 50 percent tariff on the value of copper content. "We've been riding an emotional roller coaster."

Despite a fragile economy, Schoenberger sees bright spots for AI and supply chains. "The data center buildout has strong economic fundamentals, and we could see productivity gains earlier. AI and other high tech applications could make a difference for supply chains."

Several CSCOs disclosed approaches from private equity (PE) firms. Partner or competitor? With PE, it can be either. PE firms, in their role as partners, often prioritize expediency over strict adherence to compliance measures, which may increase the risk of regulatory violations and potentially alter the organizational culture. Having a PE firm as a competitor, CSCOs can expect operational changes to boost performance, optimize cash flow, or explore new markets or customer segments.

> "With new technologies, it can take a bubble of rapid growth to go from innovation to commercialization."
>
> — Meagan Schoenberger, senior economist at KPMG LLP

Scaling AI

Scaling the supply chain

Like most members of the C-suite, CSCOs are focused on AI and the challenge of transitioning from piloting use cases to integrating AI across the network. It's a scaling issue.

Chris McCarney, US Consulting Leader for Supply Chain and Procurement, KPMG LLP, asked: "How do you scale now that we've realized some value? How do you find the right use case? Oftentimes, it's filling a gap like a complement to your TMS or WMS system or replacing software that isn't delivering."

"Our strategy and focus have been resilience and to adapt to whatever is coming," shares the CSCO with a consumer products company. "If costs and intentions remain the same, how do we create flexibility? Our industry has a readiness to automate."

For Senior Economist Schoenberger, AI poses both an opportunity and a risk. "There are a lot of cybersecurity concerns surrounding AI. In supply chains, we see low-hanging fruit with AI and ways to automate operations."

For another CSCO at an industrial conglomerate, AI is having the opposite effect. The data center buildout is creating extreme shortages of a key sourced product used in the company's manufacturing processes.

"We're worried about the continued AI buildout by the hyperscalers. It creates a shortage of memory chips that we buy on a regular basis, and it's only going to get worse."

The other issue this company faces has less to do with AI and more to do with optics, not the perception kind but rather the manipulation of light rays using lenses, mirrors, and filters. Cameras and telescopes the company builds require source elements that are only available from one country, which leaves the company more vulnerable to tariffs.

"We're putting in deals and talking all the way down to the mine level, which I wouldn't have fathomed a year ago. It's fundamentally changed how we look at our supply chain."

Schoenberger sees the potential for light at the end of the tunnel. "A lot of trade deals are coming out focusing on building out critical mineral capacity with trading partners and within the US. Of course, it takes time."

> "What we're experiencing from the data center buildout is extreme shortages with specific chips."
>
> — CSCO for an industrial conglomerate

Talent management

Strategies to close the talent gap

Supply chains harbor a talent gap and hiring challenges due to the surge of seasoned employees retiring early and an influx of younger cohorts who are more AI-native but supply-chain naive. Supply chains are losing invaluable "kinetic" or operational knowledge while at the same time, the industry is making digital and data skills baseline requirements. All in all, it's a unique human resource challenge.

The CSCO for an aerospace and defense company summed it up best. "A lot of new hires have data and digital skills, but they have no baseline of supply chain knowledge that we've lost with early retirements. We've already elevated it as a risk to the company. We must have that synergy."

A tactic employed at other companies is reverse mentoring when an experienced supply chain professional is paired with a digital-savvy newer employee. They learn from each other and benefit while synergy is the outcome that companies seek.

On the hiring front, there is an alarming trend in new applicants who leverage AI to develop the perfect résumé only to crash and burn during the interview. Noted the CSCO above, "I look through their résumés but when I meet with them and ask questions about data or AI governance, they fall short."

Overall, the hiring process in supply chains has been impacted by a flood of applicants for every open position. Despite having résumés that pass an initial AI screening, many applicants lack real-world qualifications. For HR and recruiters, AI tools help, but they can hurt—requiring more time for the recruiting and hiring process.

A CSCO for a utility company wonders if the government layoffs mean better candidates for supply chains. "Are supply chains picking up any former government employees?"

According to another CSCO, "With layoffs and reductions, there is a lot of talent out there that is pretty experienced in supply chains."

Some supply chains are having luck hiring people who've left other companies in the distribution space. Others involved in automation and adopting new technology value applicants from major delivery companies as they often have experience of doing that kind of work.

> "I have yet to see superhuman supply chain people with both operational experience and digital skills."
>
> — Chris McCarney, US consulting leader for Supply Chain and Procurement, KPMG LLP

Considerations

- A tip from the KPMG Trade and Customs Conference on managing tariff rumors. It's not real unless it's an executive order, a federal register notice, or a Cargo Systems Messaging Service message.
- The key to AI agent value and scaling from pilots is knowledge engineering. Capturing and structuring data for machine use enables supply chains to scale AI.
- Get specific with AI training. By breaking down day-to-day tasks, from procurement to last-mile delivery, supply chains can pinpoint the exact digital skills needed.

Additional insights

Biannual Supply Chain Report: Five Trends Shaping the Economic Landscape
Knowledge engineering—the key to AI agent value
Key trends impacting supply chains in 2026
2026 Trade Outlook: A Herculean Effort

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