

THE NEW AGE OF TALENT MANAGEMENT IN PROCUREMENT



Procurement underwent a massive transformation years ago when its status was changed from a back office resource to a process that brings value and helps design strategy for the organization. The second transformation came in the wake of Digitalization, where the role of procurement was elevated to an 'Innovator and Business Partner', with an objective to drive value, contribute towards digital strategy and find innovative ways to enhance user experience.

A smarter and agile procurement function is needed to manage the disruptors in the industry today.

The organizations today realize the importance of developing the right talent for enabling digital transformation in procurement.



Changing expectations from procurement

While yesterday's procurement teams operated in silos, they are becoming more cross-functional now. Procurement as a function is expected to work closely with finance, production, legal and leadership teams, to drive value by aligning their activities with the overall organizational goal. Procurement managers are expected to fill in different roles from being trusted advisors to leadership to drive innovation and risk management. And they need to do all this within the low operating budgets.

As the expectations from the function are high, organizations are realizing the need to invest in human capital and making efforts in this regard. Johnson & Johnson, for example, has a procurement Leadership Training Program that provides training in negotiations, supplier relationship management, contracting, leadership and management.¹ As per the company, the program aims at building procurement

functional skills as well as personal leadership skills in trainees.

What is driving this change in expectations?

Technology is taking up repetitive work and enabling employees to take up strategic roles. The size of 'world-class' procurement teams is shrinking and the new workforce is expected to be creative and strategic, good at building and maintaining supplier relationships, and enabling digital transformation which would bring innovation at lesser cost and risk.

Evolution of analytics: With automation and digitalization in full swing, the procurement professionals are expected to be good at data analytics and have a willingness to learn and implement new tools and technologies. They are required to work on predictive and prescriptive

models and base their decisions on data analysis.

Need for sustainability drives innovation. With increasing regulatory and social pressure on sustainable production, the procurement function is expected to bring out new ideas and innovation to enforce eco-friendly materials, sustainable practices and ethical suppliers. To meet stakeholders' demands for ethically-sourced products at low costs, the function is also expected to work on more innovative ways to streamline their supply chain processes and to create economically viable and ethically sound partnerships. Supply chain risks and its importance is being realized in many organizations today. From macroeconomic factors to natural disasters, the functions and its work force is expected to maintain the status quo and manage the supply chain in the face failure.

The talent gap

The above factors point towards an emerging need of new talents in procurement and supply chain overall. In 2017, a DHL commissioned report observed that demand for supply chain professionals exceeds supply by a ratio of six to one. Also, as per the CIPS/Hays 2018 report, around 56% of the employers in the UK alone believe it had been tough finding the talent in the last one year. Let's explore some of the issues concerning Procurement talent workforce which directly or indirectly is contributing to this talent gap:

Changing skill requirements

As digitization is revolutionizing the procurement function, it is defining new job roles with a new set of skills and requirements. Deloitte's 2018 Global CPO Survey shows that 33% of leaders believe their organizational and procurement objectives can be achieved through digital procurement strategies. Most of the supply chain managers agree that it is critical in developing procurement analytics for better decision-making. Yet they have limited ability to execute it.

The procurement workforce of today is expected to be analytical and agile. They need to be comfortable with data sets and should be able to draw insights and make decisions based on data. Also, with most of the processes getting automated, those who can act as IT coordinators and facilitators and also possess the skills needed for management, will thrive in the profession. The CPO survey also shows that 51% of the leaders believe that their teams do not have such skill-sets and capabilities to deliver on modern procurement strategies. There are not enough institutions that aim at enhancing skillsets in this arena to train enough people and match the huge shortfall in skilled talent.

The 'dark' reality of gender disparity

Procurement and supply chain management has always been perceived as a male-dominated territory. This can be

validated by a look at the pay differences between two genders as reported by numerous surveys and a general knowledge in the industry. Surveys by ISM, CIPS and Procurement Leaders² show that last year women were paid 10-15% less than men in same positions for doing same work and the gap even widens at the top positions to a whopping 26%.

By paying them less than their male counterparts in the same role, organizations make it a less attractive job area for women. Thus, in addition to facing talent shortfall, businesses are failing to tap talent.

The glass ceiling

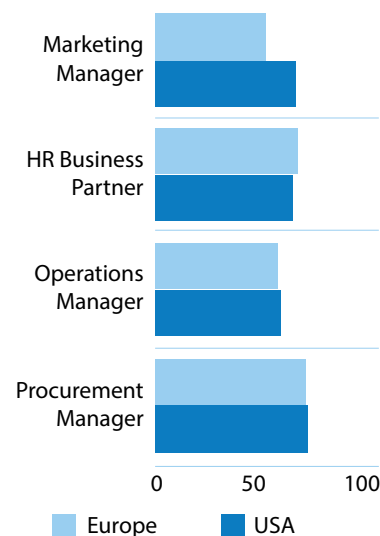
Tim Cook, the present CEO of Apple Inc., was a Procurement and Supply chain leader who went on to become CPO and then CEO of Apple. He is known to have perfected the supply chain of the company. His relationship and risk management skills, and innovative thinking made him the leader of one of the best companies in the world. Tim Cook is an inspiration for many procurement professionals but the industry would like to see more of procurement champions taking reins of companies like Apple.

It is a general perception in the industry that not many procurement professionals make it to the boardrooms or ascend to a leadership role. It is generally believed that the highest position a procurement professional can pursue is a CPO title, which is like a glass ceiling. This would definitely make it a less attractive job area for people who are talented, ambitious and aspire to get into leadership roles. This perception is changing but not at the pace we would like it to.

High demand for talent

The salary graph below shows that an average Procurement professional is now earning more than the professionals in other job functions with the same amount of time spent in respective job roles. Employers are offering competitive salaries to attract and retain talent.

Salary Per Annum in USD thousands



Source: Data collected from RW 2018 survey, ISM survey and Payscale

The 2017 CIPS survey reported a 5% increase in average salary for a procurement professional in the UK which is even higher than their National Average pay rise of 2.2%. In the US, procurement salaries rose at 4.1% as compared to a 3% rise for professionals in general, as reported by the ISM survey.

This wage growth analysis does confirm that procurement is increasingly seen as a valued profession today. It also indicates that procurement employers are fighting for the same kind of people, which is making it harder for organizations to secure and retain talent. A survey of by CIPS/Hays showed that 30% of procurement employees were looking to change jobs in next one year. Apart from salaries, people choose job based on factors such as location, flexibility in the working environment, kind of work and opportunities for career growth. People are not hesitant to change jobs if they find their employer is unable to offer any of the factors that are important to them in their profession. This is making it harder for organizations to retain the right people and manage the cost of bringing in new people.

The need for companies to reassess their recruitment and talent management is more pressing than ever.

Building your procurement talent bank:

Digital transformation is changing the industry and this change is inevitable, hence traditional staffing processes, training and development need to be re-designed to facilitate this transformation. The workforce needs to be open towards technology and the challenges it would bring with it.

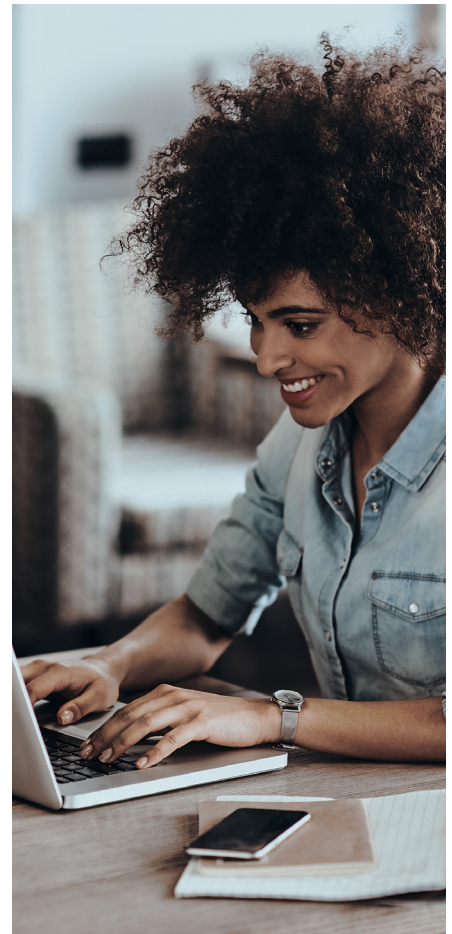
Create a new talent pool for procurement

This can be achieved by employers coming up with apprenticeship programs. Microsoft's 'Grad week' program, for example, offers training to new hires in supply chain management through direct interaction with executives. Companies can come up with their own institutions or tie up with universities to create customized course content that aims at developing technical as well as soft skills necessary in procurement.

Develop the talent from within by focused interventions by focusing on transferrable skills. Employers need to look at widening the talent pool by identifying the skills shortages in the existing teams and invest in training them. As per the CIPS/Hays 2016 report, apart from offering competitive salaries and benefits, most of the employers are using training and skill-development programs to increase employee satisfaction³.

Reducing gender parity

While most organizations today are working towards bridging the gender parity- Studies further show that women are 'au naturale'⁴ when it comes to procurement as they possess the diligence and soft skills, needed while dealing with business and vendors alike for e.g. empathy, multitasking, negotiation skills and art of prioritizing. Providing them with opportunities to grow in career and a vision to leadership roles in the function will prove beneficial for Procurement employers.



Conclusion:

The future for Procurement function looks bright with organizations redefining procurement objectives to align with the business goals. And this creates the need for better talent management more critical than ever.

The new, improved and technology-driven Procurement function needs to attract, train, develop and retain right people who can contribute towards achieving organizational goals and make it a high-performing function. Technology is transforming the Procurement function tremendously therefore, the employers will have to focus on developing a premium talent force that is tech savvy and good at managing risks and relations.

A high performing, collaborative and value oriented Procurement function is capable of driving innovation and increasing efficiencies across business units. To achieve this, employers need to plan and strategically build a talent pipeline by investing in continuous training and development programs that can create innovators, strategic partners, important decision-makers, and strong leaders who are capable of leading originations.

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