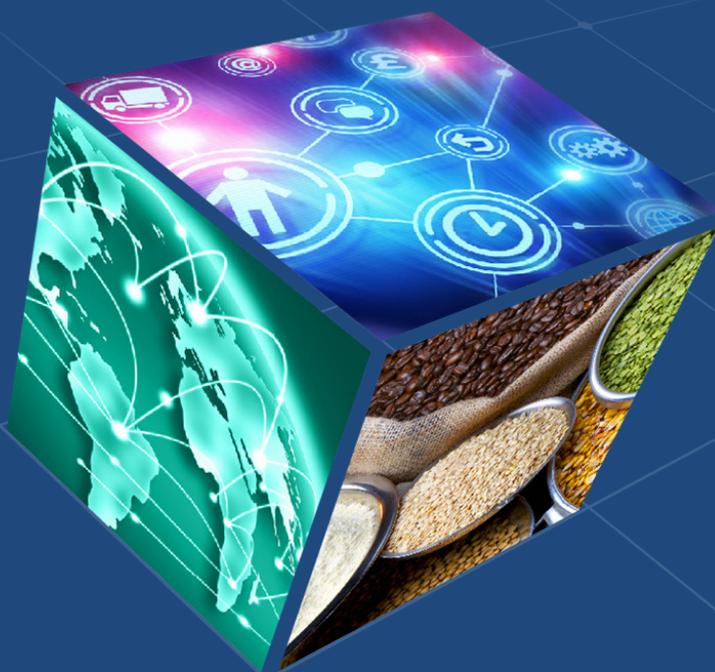


Procurement can deliver more to the bottom line



ODGERS BERNDTSON

Search Intelligence



Summary

In a world of low growth, operational efficiency is critical to achieving good results and competitive advantage. A McKinsey study stated “companies that have invested in developing best in class purchasing capabilities have nearly double the margins of those that have not”. A trend is also emerging of Non Executive Director positions actively seeking a procurement or supply chain background, such is the value this expertise can bring. It is obvious that good procurement can make a huge impact, but is hamstrung in many global companies due to a lack of talent as highlighted in the latest global CPO survey conducted by Odgers Berndtson and Deloitte.

Worryingly, 62 per cent of CPOs across a range of industries report in our survey that their teams do not have the capability to deliver on their procurement strategy. The financial services sector is experiencing this procurement skills gap most acutely with an incredible 80 per cent of CPOs identifying this as a challenge.

We found that 30 per cent of CPOs spent less than one per cent of their total operating budget on training last year, a quarter of what might be considered ‘best practice’. For comparison, in 2012 only 3.2 per cent of CPOs reported spending the same small proportion of their operating budgets on training.

Just under half of the CPOs surveyed report that attracting talent has become more difficult in the last 12 months and yet over one-third of CPOs have faced cuts to their recruitment budgets in that timeframe. This represents a huge missed opportunity for the procurement profession.

Arguably, the boardroom door has never been more open to professionals in this field as all aspects of the supply chain have become increasingly critical to business success, risk management and customer experience. However, if the procurement function fails to invest in talent acquisition, training and development, companies that are disappointed with the quality of talent available will increasingly source procurement staff from other parts of the supply chain and beyond.

Procurement is a central operational function and plays a key role in how efficiently and ethically a large organisation runs. Business-leading procurement

functions are able to contribute valuable insights and innovation through their supplier partnerships and external lens. Companies can no longer afford to view the procurement role as an isolated back-office support function or to starve procurement of the funds needed to attract, train and retain the next generation of procurement leaders. Thus, the impact of the procurement talent skills gap is being felt far outside of the CPO’s office.

Proposed Solutions

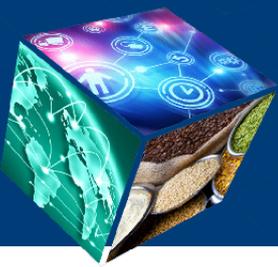
In 2015, in addition to the Odgers Berndtson & Deloitte survey, we interviewed 50 CPOs working in large, global public companies to get a specific sense of the talent-related challenges they are facing and what they are doing to overcome them.

This white paper seeks to synthesize the experience and insights of these industry leaders and to propose solutions to help current and future CPOs navigate and overcome the growing skills gap and talent acquisition challenges facing the profession.

The explored solutions include:

- Affecting a change in mindset to view the procurement function as an equal business partner, as opposed to a support function;
- Investing adequately in graduate recruitment schemes and salaries in order to attract and retain high-calibre talent;
- Improving talent development initiatives to expose procurement professionals to different areas of the business and international markets;
- Understanding what Millennials value in employment opportunities and how the procurement function can sell itself better to this growing segment of the talent pool.

No matter how companies choose to address this issue, time is of the essence. It will take years for the positive effects of a new procurement talent strategy to be felt and quantified. Further delay will result in an even wider gap between what procurement teams can deliver and what businesses need from this key competency in order to improve margins, deliver innovative products, achieve faster speed to market and ensure ethical and sustainable international business practices are being followed.



Affecting a change in mindset

Internal

A change in mindset is needed to ensure procurement is recognised as a key operational function and business partner that is equal in importance to functions like finance and human resources.

Given the increased focus on ethical sourcing, sustainable supply chains and organisational efficiency, procurement is increasingly under the microscope. Arguably, this is not the moment to draw down resources and outsource more aspects of this key function. As our survey concludes, the opportunity to leverage global business services is great but CPOs must play an active role in articulating their unique value proposition when being considered for consolidation alongside back-office functions.

Interestingly, the perceived importance of the procurement function varies greatly among sectors. CPOs in the manufacturing sector are twice as likely as their peers to sit at the board level. CPOs in this sector are also much more likely to have a good relationship with their CEO and to play an active role in decision-making. On the other hand, 92 per cent of CPOs in the energy and resources sector report that they are not embedded in risk management within their organisation and thus are relegated to a more peripheral role.

If procurement is viewed as a support function, it will be more difficult to convince leaders within the organisation to invest in procurement talent acquisition and development.

External

In addition to tackling this change of mindset within corporations, CPOs will have to convey the importance of the function more effectively to graduates and potential employees in order to attract the best candidates to join the profession.

The Chief Procurement Officer of one of the world's largest mining companies sums up the problem this way, "Procurement can be seen as a barrier to career progression - the onward career path is seen as limited. The perception is that you need to be in finance to progress since procurement reports to finance at a business unit level. HR, Finance, Sales and Marketing all

take more grads than Procurement & Supply Chain."

The CPO of a global consumer packaged goods company, adds, "Procurement is not recognised as a career or profession in its own right. It's an after-thought. Perceptions are changing slowly but it's still a struggle. I think this is because it's hard to articulate what we actually do."

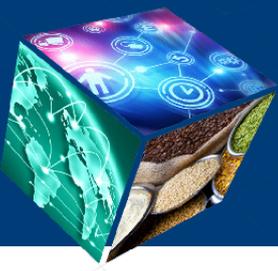
The CPO of a global engineering firm is more optimistic about selling procurement as an exciting and varied career choice. "Once people experience the function, they realise how broad it is and that there is the opportunity to be much more free ranging."

The CPO of a global media and communications organisation concurs, "Doing a role within procurement, even if it's not what you want to do long-term, is an excellent way of learning overall commercial skills that are very transferrable."

Indeed, the CPO of one of the largest global support services companies notes, "All the people that we have had rotate through procurement have ended up coming back, except for one who remained within broader operations."

A change in mindset within the organisation can easily translate into a change in the way the profession is pitched to and perceived by graduates and other job seekers. The procurement function is already an important business partner and a career path that provides an opportunity to have a meaningful impact on the operations of a business - it just needs better PR.





Investing to attract the best talent

If companies intend to close the skills gap and increase the level of talent being brought into the procurement function, a bigger investment will have to be made in recruiting efforts. The comparatively larger investment made by companies in staffing their finance function is evident in the quality of talent this area of the business attracts.

One CPO in the financial services sector notes, "Large blue chips used to invest heavily [in procurement recruitment schemes]; this seems to have dropped away. There is a real absence of schemes to bring people in."

In addition, uncompetitive salaries can result in high-potential talent seeking more lucrative positions in other areas of the business and high turnover rates. A CPO in the utilities sector observes, "Salary rises in the industry as a whole have put pressure on attracting the right talent."



Graduate recruitment schemes

Having a dedicated graduate recruitment scheme is a sure way of increasing the quantity and quality of talent coming into a company's procurement function. Of the CPOs Odgers Berndtson interviewed, just under 30 per cent are currently starting to build and shape a procurement graduate recruitment programme. Others are still finding it difficult to harness the funds necessary to do so.

A retail CPO shares, "With a team of just 20 it is difficult to do a grad scheme...we don't have the resources to justify it at the moment".

Another financial services CPO facing the same challenge notes, "We don't bring in anyone at the bottom level and

we don't have broader grads rotate in. We don't have the funding to do so."

Some companies have had success building procurement work-experience directly into university degree programmes. One CPO notes in this regard, "We take on individuals for a one-year "sandwich" placement as part of their university course."

A CPO in the construction sector notes that sufficient manpower is needed in addition to investment to make a graduate recruitment scheme work. "To take on more grads you need adequate management resources to coach them and give them guidance and training."

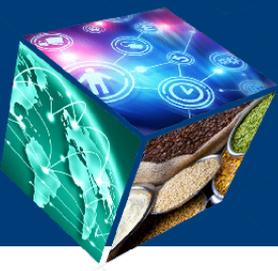
Other organisations are having more success building graduate schemes and increasing investment in this area. A CPO from the global aerospace and defence industry notes, "A lot of organisations are cost-cutting their grad programmes. We are keen to keep fresh blood coming in and are contemplating taking on interns and those with degrees into the buyer route, possibly next year."

Another CPO shares, "We have had talks recently about boosting grads and there's a re-emergence of focus on that."

One CPO from a global life sciences organisation summarises the point succinctly, "Grad schemes have to be the future. Sadly they are often also the first area challenged and axed when budgets are cut. I think all procurement execs owe it to themselves to fight to keep a grad programme."

Companies that do not invest adequately in graduate recruitment and salaries will be forced down the line to populate leadership-level procurement positions with people from outside the function. While experience in other areas of the business is undoubtedly an asset, CEOs should be cautious to hire a CPO who has not previously had any procurement-related experience and will need to learn everything on the job.

One reason it may be difficult to sell companies on investing in graduate schemes is that it can take up to a decade for graduates to reach positions of leadership. But making this long-term investment now will pay dividends when the leaders of tomorrow are ready to take the helm.



Developing the procurement leaders of tomorrow

According to our survey, half of CPOs felt that their team had the necessary skills to deliver on their procurement strategy in 2013. By 2015, this had fallen to 38 per cent.

The numbers are especially stark in the life sciences and financial services sectors with almost 75 per cent and 79 per cent of CPOs, respectively, reporting that their teams do not have the necessary skills to deliver in this area.

Yet despite the widening talent gap, CPOs on the whole reported no significant increase in activity to attract, retain or train talent in 2015.

Development opportunities, training programmes, rotations and international placements are all good ways to ensure that high-potential talent can acquire the skills needed to take on procurement leadership roles in the future.

In a tough job market, improving training programmes in particular can help firms fill senior procurement positions from within without having to rely on poaching talent. A retail CPO shares, “We find it difficult to hire talented category managers, so we now want to build from within.”



Providing opportunities for employees to learn, grow and move within a company also tends to improve retention rates.

A CPO from the oil and gas sector notes, “Keeping people interested is challenging and they have an expectation that they can move on very quickly. We are trying to find that balance.”

International rotations

According to “The Global Talent Competitiveness Index 2015-16” produced by INSEAD and Adecco Group, “Mobility, it is clear, helps to develop talent, and thereby deserves specific attention and investment.”

One CPO from a global travel provider explains why his company encourages its procurement staff to rotate

through different offices: “We are pushing cross-country rotation programmes at the moment (e.g. sending German grads to Sweden) to broaden their cultural awareness.”

Diversified experience

In any leadership role, having experience in a variety of different areas of the business is an asset. This is especially true for procurement professionals who need to not only understand how the business works but also build close relationships internally and externally to deliver on a firm’s procurement strategy.

For this reason, one CPO notes that he is “actively bringing in talent from other parts of the business rather than at grad entry level.”

One global pharmaceutical CPO comments, “Procurement grads have recently rotated into non-procurement functions and we have welcomed rotations from other graduates in to our organisation as part of building breadth into our early talent.”

Another CPO adds, “Rotations are a fantastic way of bringing in insights that we wouldn’t have otherwise.”

A CPO from the support services sector concurs, “We like when [people early in their careers] pick up different skills and a broader network by rotating. The ability to liaise with stakeholders is invaluable.”

Building business acumen

The survey suggests that the skills gap currently plaguing the procurement function is partly related to a deficiency in business acumen, as opposed to a lack of specific technical procurement competence. A CPO comments in this regard, “Trying to change people’s mindset from reactive and process-driven to more strategic is difficult.”

One positive trend the survey results reveal in this regard is that firms are now putting as much emphasis on building soft skills such as influencing, partnering and leadership as they are on up-skilling core procurement competencies. Proficiency in the traditional core competencies is essential but there are lots of other skills needed to successfully lead a procurement operation.



Bring in the Millennials

Millennials will be the business leaders of tomorrow. The good news is that this new generation has a different wish list of opportunities and experiences they are seeking from employment and the procurement function is well placed to lure the highest performers away from other areas like finance or sales and marketing.

For one thing, the extended supply chain is ripe for digital transformation. Millennials who are interested in innovations like autonomous vehicles, 3D printing and the Internet of Things will encounter all of these disruptive technologies as they transform the procurement function.

In addition, even more than the generations that have preceded them, Millennials want to work for companies whose values they share in roles that touch on environmental sustainability and ethical sourcing in multi-national operations. Sustainability in the supply chain, in particular, is a hot topic that interests Millennials as much as it does investors, consumers and company executives. A career in procurement, or at least a rotation through the field, should be an easy sell.

The procurement function can also appeal to Millennials' desire for a varied, dynamic and fulfilling career. According to The Global Talent Competitiveness Index

2015-16, Millennials' "single biggest fear is being stuck in a job with no development opportunities – nearly half of them would prefer no job rather than being in one they hate."

The report continues, "For Millennials, mobility has become a key factor in selecting a potential career path and in choosing an appropriate employer."

One CPO surveyed agrees with this assessment: "Location is an issue for retaining people. Some companies now offer grads a relocation package [for overseas assignments], which is a good idea."

Even for Millennials who would prefer to work in their home countries, career development and a breadth of opportunities are attractive qualities in a potential job. For this reason, several of the CPOs Odgers Berndtson spoke to commented on the importance of focusing on career development to attract talent to the profession.

One CPO notes, "We need to create a career path beyond procurement to attract the best talent." Others echo this advice; "More and more grads want something bigger at the end of the two years so we are working hard to plan their route for the future."





Conclusion

In a globalised, competitive economy and a world where social media fuels snap judgments and perceptions, there is more focus than ever on the business goals of fairness, risk management and efficiency. Procurement has a key role to play in each of these areas. Procurement is at the heart of efforts to engage in ethical supply chain practices and is under increasing pressure to deliver greater efficiency savings and value through supplier partnering.

At the same time, CPOs are dealing with an increasingly large skills gap and are being asked to recruit and retain the highest calibre of talent from a limited pool. The temptation to outsource more aspects of this key function is great but given the function's importance for multi-national businesses, that could be a short-term solution with far reaching implications.

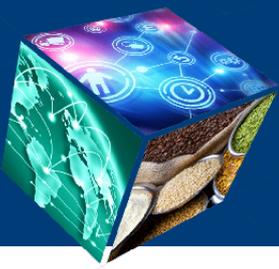
In order to ensure that the right talent is in place to take on procurement leadership roles in the future, efforts to recruit, train and retain the right individuals needs to start now.

Recommended actions

- Sell the career path beyond just procurement. The breadth of business exposure, senior executive interaction and external supplier engagement offers a solid foundation for future career development;
- Drive a change in mindset in the Boardroom about the importance of the function. Sell the margin improvements, speed to market, innovation and risk management to the C Suite;
- Invest in graduate recruitment schemes, ensuring that employees have the development opportunities they require to grow into strong leaders and selling the profession to high-potential Millennials;
- Attract talent into the function from across the broader business and export your best procurement talent across your organisation;
- Create advocates of the function around the business and start to change perceptions of the procurement career path and “what good looks like”.

Fully investing in this key function will require a longer-term focus and a bit of patience but will pay off sooner than you think.

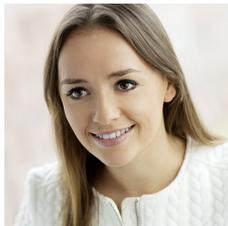




Authors



- **Lucy Harding**
20 Cannon Street, London EC4M 6XD
+44 (0) 20 7529 1067
lucy.harding@odgersberndtson.com



- **Rebekah Orchard**
20 Cannon Street, London EC4M 6XD
+44 (0) 20 7529 3074
rebekah.orchard@odgersberndtson.com

About Odgers Berndtson Executive Search

Odgers Berndtson is one of the leading international executive search firms, helping private and public sector organisations find the highest calibre people for senior management appointments.

Our reputation for excellence and integrity has been established over 50 years. We act as trusted advisors to clients who need help recruiting for important positions.



International Executive Search and Assessment in 29 countries across the world

