

Procurement talent management: Exceptional outcomes require exceptional people



Over the past decade, the people behind the relatively vague label “procurement function” have collectively put billions of dollars into software, transformation programs, and third-party services. The goals of this spending have been noble—improve efficiency and enhance capabilities to support objectives such as better M&A outcomes, globally adaptable supply chains, regulatory compliance, and brand and product stewardship.

As procurement has worked toward these goals, it has established a core savings foundation built on spending visibility and awareness, first-wave sourcing opportunities such as better bidding, implementation of strategic sourcing processes, and compliance tracking.

Now, top-performing procurement functions are evolving into service providers to the business. They help enable global capabilities and align with other enterprise areas in sourcing, savings, and risk management efforts. They perform source-to-pay integration and manage commodity volatility and broader risk with systematic performance tracking.

Amid all this activity, something is still missing. Other than the imperative to secure executive buy-in, the individuals who perform these roles are rarely mentioned in these initiatives, instead being described generally as a team, unit or function.

Where does human capital—the talent—fit into a new and improved procurement area? By redefining the intersection of human capital and procurement, and recognizing that individuals do the work, it’s possible for organizations to change the dynamic following a four-step process:

- Plan and design a procurement talent structure
- Attract and orient new talent
- Manage and develop the skills of existing talent
- Retain talent

Through this process, companies can identify and cultivate exceptional people to drive both the procurement function and the broader business to higher performance levels.



Procurement and talent: common challenges

The perception that talent identification and management is more art than science continues to hang over talent decisions in some organizations. Human capital may be seen as a weak link in achieving and improving business outcomes, with several factors contributing to this perception.

to meet business needs. The question is not so much how procurement gains a seat at the corporate leadership table, but how to stay there. Permanently addressing talent gaps and maintaining a decision-making role require knowing the business first, keeping up with rapid changes, and understanding how procurement fits within the overall organization.

Who actually “does” procurement?

Hint: it’s not just about the procurement department anymore. Procurement remains a far-flung, decentralized activity in some organizations, with business units handling much of their own purchasing. The number of procurement, supply chain, and accounts payable resources involved directly in purchasing can be multiplied by a factor of 10 to arrive at the actual number of people with a role in the process.¹ Companies can find it difficult to establish a talent management capability that encompasses everyone.

What doesn’t work (at least in isolation)?

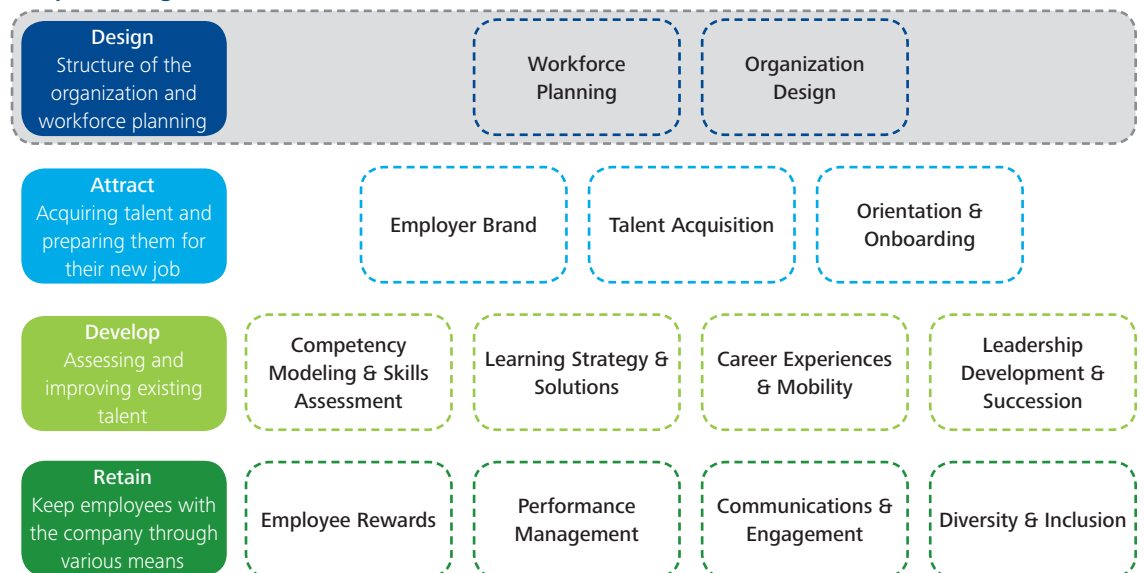
Procurement organizations often pursue various initiatives to strengthen talent management—create a center-led procurement organization, develop specific reporting structures, train and enhance skills, and enable category management. Launched as individual activities, these initiatives can be hit or miss, wasting both time and resources. However, if they’re accompanied by efforts to foster a talent-centric culture, gain executive buy-in, and secure needed funding, they can help produce lasting procurement impact.

Looking for a seat at the top table

Business conditions and other requirements continually change and expand the procurement skill sets needed for businesses to thrive. These evolving expectations affect how organizations approach securing the talent needed

Having examined the potential and the challenges of elevating procurement talent, we can explore the four-step process of closing the gap between procurement needs and human resources, beginning with planning and design of the talent management function.

Foolproof design



For illustrative purposes only

¹ Based on Deloitte client engagements and analysis.

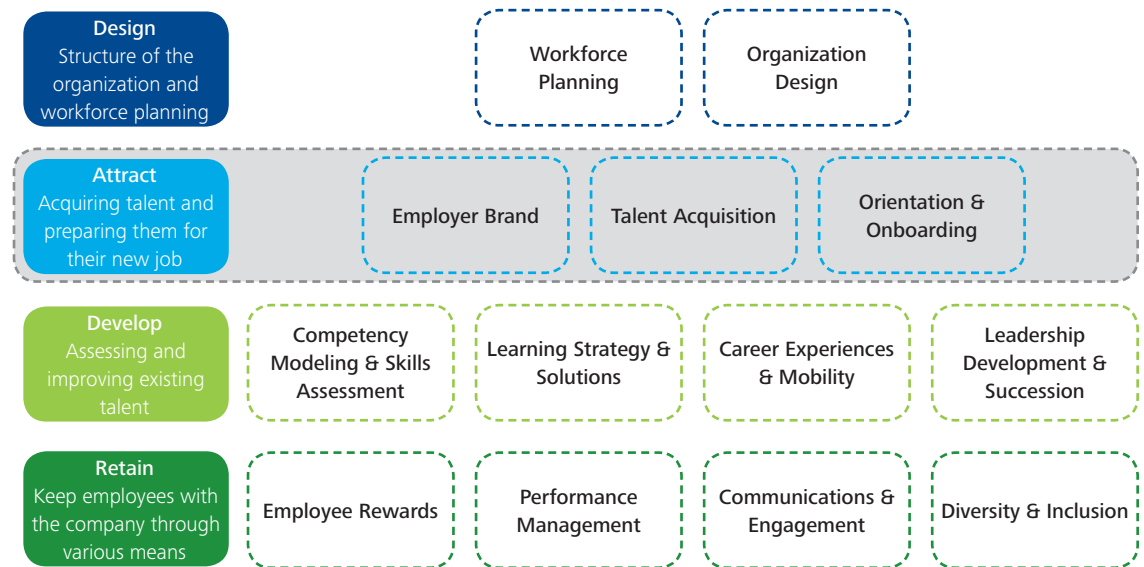
Talent management is about figuring out what is strategically important and where people are needed. Asking several questions can help determine what type of talent an organization wants to foster:

- How well equipped is the procurement organization to work with stakeholders in their language and on their level in areas such as finance, HR, IT, and, if applicable, manufacturing?
- What aspects of an eProcurement system should procurement staff run?
- Should procurement personnel manage commodity purchases such as office supplies?

- How should procurement be involved in talent development and management in high-visibility categories such as marketing and legal, which have historically been managed by the business?

More broadly, what is the purpose of developing procurement talent? Ultimately, talent supports an organization's overall mission. Some personnel will be nurtured and managed internally, while other resources will come from outside the business.

A focus on attracting rising stars



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Leading procurement functions are aggressively recruiting strong leadership candidates from universities. Businesses are offering attractive compensation and touting the multidisciplinary nature of working in procurement and supply chain. In consumer packaged goods, for example, sell-side category managers are often future business unit presidents and CEOs. Buy-side category managers essentially run their own mega-category akin to an entire services business.

Industry hot buttons can help attract strong internal and external talent. Industries such as technology can draw people interested in a broad spectrum of value creation including innovation, external capacity building, sustainability, and sales and marketing support. Procurement can become known as a leadership proving ground.

Managing and developing talent once you have it



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A detailed needs assessment, diligent resume review and an extensive interview process have delivered a promising hire. Now what?

The next step is to enable and develop talent to succeed. Many progressive procurement functions are hiring talent from internal stakeholder groups and top suppliers; the specific skills these high performers possess can be augmented with procurement-specific knowledge sharing and training.

Training is important to help instill knowledge areas across the wide array of procurement competencies. A “train and do” experiential approach can build confidence in procurement staff, while delivering self-funded benefits to the business.

The importance of a good cultural match

Managing procurement talent is about nature and nurture, skills and disposition. Just as top salespeople may not make good sales managers, a strong negotiator may not fit well as a supplier manager, internal relationship manager, or continuous improvement leader. Talent management can help reduce such mismatches. For example, enterprise-level talent processes such as behavioral assessments can help identify procurement talent with important traits.

A cautionary note: it’s important for procurement talent to possess soft skills and self-awareness. A procurement leader from manufacturing may not be a good cultural fit in a financial services organization, and vice versa.



Mentorship can make a difference

High-potential staff can become high performers by learning both the mechanics and the art of the procurement trade. Anyone can comprehend a process, but invaluable learning can be gained by working alongside highly skilled teachers, mentors, colleagues, and trusted third parties in an apprenticeship model. Top chief procurement officers (CPOs) often cite mentors who helped shape their careers and instill the importance of strong execution.

Other considerations in mentorship and management include:

- Applying good principles: Being captive to continuing education credits and training-hours-per-year benchmarks can create a go-through-the-motions atmosphere that works against transformation.
- Being demand-driven: Rewriting job descriptions and having procurement staff apply for new roles can be part of procurement transformation. With such an approach, it's important to focus on the capabilities required to advance the corporate agenda, not the legacy procurement agenda.
- Being practical: Professional associations such as the Institute for Supply Management (ISM) provide certifications that can provide a base framework for procurement talent development that can be adapted to your organization.

- Tailoring the process: Adapting the talent management process to your organization can help create ownership and buy-in. For example, Deloitte has used a "business chemistry" methodology to help procurement assess the working style of its stakeholders and better align its approach to them.
- Understanding stakeholder requirements: An internal assessment of stakeholder alignment can help determine knowledge and skill gaps to close through hiring, training, and use of third parties. Talent is the ace card. It's much better to have the top people and not necessarily the top tools rather than vice versa.

Churn can be virtuous

Formal job rotation programs for future senior leadership positions, or even senior finance positions, are increasingly putting procurement and supply chain on the rotation list. What better place to develop commercial, operational, analytical, and collaborative skills all in one department?

In addition, a rotation can instill awareness of the value that procurement can provide, making it easier to form partnerships with future leaders in other parts of the business. Some procurement functions have become net exporters of talent into other parts of the business.

Another benefit of duty tours in procurement is self-selection by future leaders of the function, people who thrive in its dynamic environment. Procurement can become a destination other than one for people who "can't make it" in other departments.

Retain, rotate, and repeat



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Many procurement functions downsized extensively after the 2008 financial crisis. Early retirement packages led procurement groups in industries such as oil and gas, chemicals, utilities, transportation, and metals and mining to lose considerable institutional knowledge and experience. To respond to this brain drain, a proactive approach is needed.

The salary question is central to how the business perceives procurement. Alignment of compensation to expectations is essential to selling executives on paying for skill sets and to selling candidates on giving procurement a chance.

Is procurement a rung on the ladder to something more, or is it a career destination? Increasingly, it can be the latter. One benchmarking analysis found high-performing organizations paying top procurement talent an additional 30 percent or more than typical performing organizations, well into six figures.²

Compensation initiatives can be augmented with innovative performance management and rewards programs. Procurement functions might reward an entrepreneurial approach, incenting top talent to take risks and improve the procurement organization. This may lead to a virtuous cycle, drawing talent to procurement and then persuading them to stay through innovative performance review, remuneration and rewards programs.

Steps to elevate procurement talent

Talent management is critical for procurement. Here are some steps you can take now to cultivate the ongoing ability to identify, provision, and deploy talent, wherever it comes from:

- Understand what knowledge and skills are important for procurement to fulfill its future role. Filling capability gaps with fresh recruits is no longer enough. Instead, redefine procurement's talent requirements to align with business goals.
- Attract strong talent by selling the value of procurement as a sustainable career in a function intrinsic to business performance. Bring in high performers from leading enterprises as a magnet, and, of course, offer appropriate compensation.

- Procurement is omnipresent, touching most parts of the business. So it's increasingly important to put procurement talent on the work experience rotation list. This can help foster self-selection of future CPOs, while capturing valuable knowledge from existing staff that might otherwise become lost with natural churn.
- Hire talent from internal stakeholder groups and top suppliers and harvest their knowledge. This will support ongoing alignment of procurement with the challenges facing stakeholders elsewhere in the business.
- Train, in the right way. Instead of simply imparting skills, teach procurement people how to turn skills into business benefits. Apply solid principles, adopt a process, be demand-driven like the supply chain, and understand and tailor training to stakeholder needs.
- Invest in your talent, including commitment to mentorship, to expand their skills and knowledge. This can be invaluable to future CPOs.
- Devise a self-supporting talent management process. HR can provide core training and resourcing, but it is procurement's role to add value by translating the elements of exceptional supplier and procurement performance into capabilities that fulfill talent requirements.
- Match roles and talent intelligently. Talent processes have been shown to help identify top procurement performers. But however talented they are, it is important that those top performers fit into the existing structure.

Achieving procurement leadership

The path to a high-performing procurement function exists, and it's clearer than many people might think. Talent that is nurtured, mentored, and invested-in can self-perpetuate. Talented, knowledgeable individuals can enjoy rich careers in procurement while the business benefits from their contributions. And, procurement can assume a more meaningful role in overall organizational direction and strategy. It all starts when procurement becomes more scientific and process-led in the way it applies talent management to the CPOs of the future.

² Based on survey data from The Hackett Group, Inc.

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