

# Talent & Knowledge Management

*The New Imperative for Procurement Organizations*



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## Introduction

With the procurement space continuing to evolve rapidly, managing talent and knowledge within an organization effectively is more critical than ever before. Today's procurement organizations need to develop a proactive, two-pronged approach to ensure they hire top talent and build a formal knowledge-management program that employs processes that capture and share vital information and prevent it from leaving when turnover occurs.

This whitepaper will examine vital aspects of managing talent and knowledge, including trends driving changes in the talent landscape and key components for building an effective and robust knowledge-management program.

## Today's Workforce: Environmental Trends in Talent

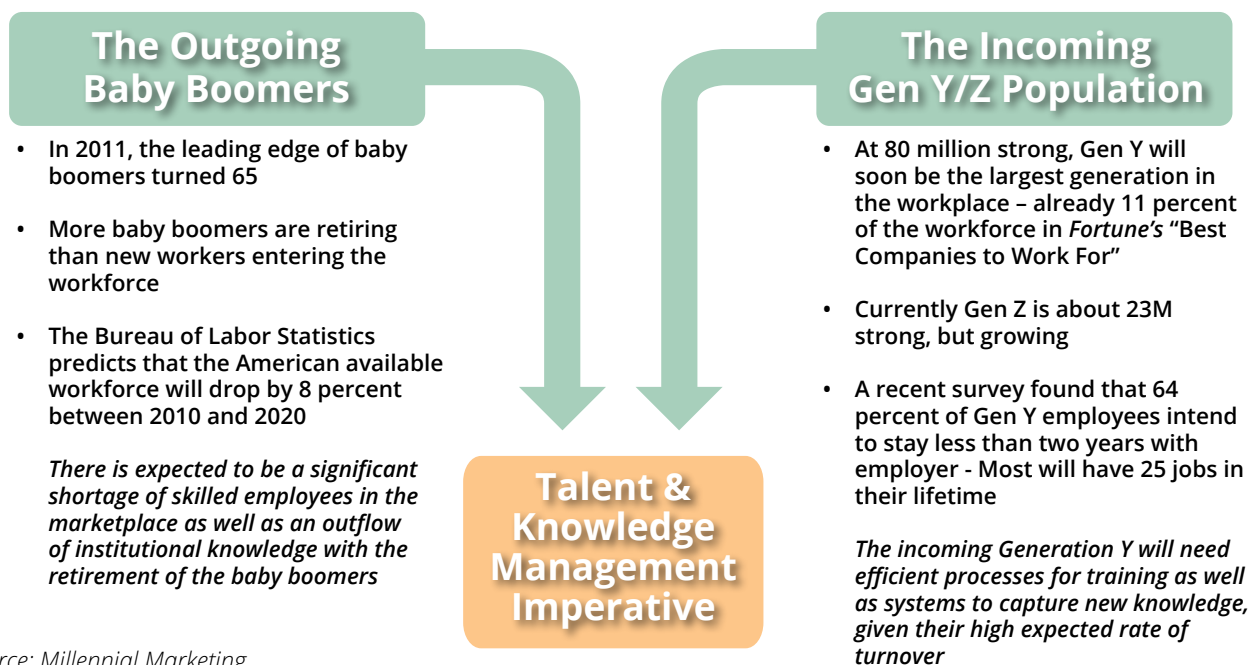
Monumental shifts in today's workforce have immediate and significant implications for procurement. With an unprecedented number of the baby boomer generation transitioning into retirement, a major shortage of skilled talent is predicted for the marketplace. Having held positions for years, many baby boomers have accumulated a tremendous amount of category-specific and

stakeholder knowledge. Their departures mark an outflow of decades of institutional experience as well as related processes and information. It will become imperative to capture that intellectual capital before it leaves and make it available to the next-generation workforce.

Replacing the baby boomers is a generation of employees whose approach to business is vastly different from their predecessors. At 80 million strong, Gen Y will soon be the largest generation in the workplace. A trend with this new workforce makes an effective knowledge-management program more critical than ever: most individuals are expected to stay less than two years with any given employer. Projections suggest that many will have 25 different job positions in their lifetime. With such high turnover, organizations will no longer be able to rely on lifetime career professionals (like the baby boomers) to be the keepers of institutional knowledge.

These environmental shifts with the incoming generation drive the requirement for organizations to formalize processes in place to capture and manage knowledge. Given such high expected turnover rates, procurement organizations need to be prepared rather than surprised. Taking a proactive approach can prevent knowledge from walking out the door with inevitable workforce departures.

## The Importance of Knowledge Management in a Changing Workforce



Source: Millennial Marketing

## Key Changes that Drive Managing Talent and Knowledge

Generational changes are not the only factors shifting dramatically in the workforce. Other key factors driving the need for managing internal talent and knowledge include

**Globalization and Virtualization:** Procurement teams are becoming increasingly global, and the virtual workforce is now commonplace.

**Competitive Talent Market:** As mentioned, skilled labor in the procurement space is becoming scarce due to workforce shrinkage. More and more, procurement organizations need to upgrade their workforce.

**Major Shifts in Job Searching:** Traditional job boards like Monster and Career Builder are struggling to remain relevant as social media becomes the standard for job searches and recruiting.

**New Skills Required:** As the procurement function continues to evolve, new and specific skill requirements are emerging, many of which are difficult to assess.

**Connected Workforce:** As mobile devices and workplace apps become the norm, companies struggle with transitioning from the traditional 8-to-5 workday to a 24/7 environment.

For procurement professionals, such changes require the cultivation and development of specialized skillsets. With major enhancements in processes, tools, and technologies as well as global sourcing, procurement talent needs to ensure that its skills are aligned with the ever-evolving needs of the organization.

**New Processes:** Major shifts in processes that did not exist 10 or 15 years ago, including strategic sourcing, supplier development, supplier relationship management, spend management.

**Technology:** An unprecedented number of new tools and technologies, including strategic sourcing suites and eSourcing tools; data mining and search capabilities; and spend analysis, contract development, compliance and supplier performance tools.

**Changing Markets and Regulatory Environments:** A vast expansion of the marketplace from local to regional, national, and then global within a relatively short

time has increased risk and created factors that drive market volatility, resulting in greater emphasis on risk management.

**Higher Expectations:** More than ever before, procurement organizations have higher expectations of being strategic partners and contributing to the operating results of the entire enterprise. This can be seen in 1) the transition from transactional to strategic activities; and 2) greater value contributions expected for bottom-line impact.

## New Skill Requirements for Today's Procurement Talent

New workforce trends show that procurement is recruiting a different type of worker, one with both hard and soft skills, including the ability to understand dynamic global markets and navigate the ever-changing procurement-technology landscape. When it comes to assessing skillsets and attributes needed for the next generation of procurement, requirements need to be closely aligned with overall shifts in the procurement space. Due to a major initiative within procurement organizations to become more collaborative, employees now need to be able to solve increasingly complex analytical problems in addition to having the soft skills necessary to build relationships with key stakeholder groups and to work with different stakeholders to gain organizational consensus.

The following list includes some soft, behavioral, and collaborative skills that break from traditional procurement skills:

- Financial analysis and modeling.
- Market research.
- Strategic thinking/Conceptual ability.
- Technology affinity.
- Passion for the procurement space.
- Communications and teaming skills.
- Learning agility.
- Category knowledge.
- Sourcing process knowledge.

## Tips for Managing Talent within Today's Procurement Organization

Given environmental changes and shifts in required skills, it becomes a significant challenge to find, attract, and recruit top talent. Procurement organizations need to reshape expectations and approaches to recruiting employees. Several traditional approaches—such as job boards—have become irrelevant as many top recruiters are now using social media exclusively to look for passive talent. Best-in-class organizations are actively shifting their efforts toward attracting and motivating the next generation.

Below are tips to help attract, recruit, and—ideally—retain great talent:

- **Emphasize** the perception of your organization as a sought-after place to work. This can be done through social media by building brand/image and promoting positive aspects of company culture.
- **Focus** on talent cultivation. Leading companies are

recruiting top talent through internships, company visits, etc., before candidates look for a job, even starting in freshman year.

- **Promote** diversity hiring. Celebrated by Gen Y, the most ethnically diverse generation to date, diversity hiring provides bottom-line organizational benefits. Diversity is currently defined as “accepting, respecting, and leveraging all the differences that make a person unique.”
- **Capitalize** on your workforce connections. Current employees are often the best source for referrals. Consider offering a small referral bonus to attract talent.
- **Encourage** employees to network through organizations and social media.

Retaining top talent is the next vital aspect of talent management. Developing nontraditional, innovative approaches to compensation can help. Depicted in the graphic below, results from a ProcureAbility survey of procurement professionals reveal effective ways to retain high performers.

## Most Effective Ways to Retain High Performers

1. Career Advancement Opportunities
2. Dedicated Career & Development Planning
3. Life/Work Balance
4. Innovative Compensation & Benefit Plans
5. Challenging Work
6. Individual Succession Plans
7. Non-financial Incentives
8. Company Culture/Management Team



### Strategies

- Keep your team's work challenging
- Structure your department to nurture highly-skilled candidates
- Target your compensation to be 10-20% above industry average
- Encourage and allow balance between work and life
- Develop more mentoring programs
- Regular check-ins vs. annual performance reviews
- Offer training and development to keep skills relevant and demonstrate commitment
- From affinity groups that empower groups of employees, companies get new ideas and employees are reassured their differences are assets

\*Source: ProcureAbility Survey of Supply Chain Professionals

Top procurement organizations are tailoring their compensation models to align them with the motivating factors for the new generation of employee. These include:

**Pay for Performance:** Differentiate elements of the four general pay categories: cash, benefits, time and place, and equity.

- Reallocate toward high performers to ensure retention and away from mediocre and poor performers.
- Research indicates aggressively increasing the pay of the most productive employees can yield a return of more than 200 percent.
- 20/60/20 rule: top 20 percent are top performers, middle 60 percent are average performers, bottom 20 percent are poor performers.

**Soft Dollars:** Allow for flexibility in the use of the currency of time and place.

- Flexible work schedules, unpaid sabbaticals with benefits, extra vacation, additional work-at-home days, and childcare subsidies.

**Inexpensive Perks:** Partner with companies to provide discounts on services and products.

- Auto and home insurance, gym/club memberships, and childcare.

## Knowledge Management: The Second Prong of Today's Procurement Imperative

Knowledge is the intellectual capital essential to the long-term success of any procurement organization. Therefore, the benefits of managing it effectively cannot be emphasized enough. Organizations need a robust in-house program to systematically capture information, processes, tools, and methodologies. It is the only way to ensure a seamless continuity of organizational processes and practices that create stability within a dynamic workforce.

Key factors that make a holistic knowledge-management program more important than ever include the following:

- The increased outflow of talent due to baby boomer retirements is creating a significant loss of institutional knowledge.

- The high turnover rate of Gen Y workers who are expected to have 25 jobs in their lifetime.

- As procurement organizations become increasingly global (and virtual), the challenge becomes how to create a seamless global workplace environment

- Historically separate procurement organizations in global corporations are becoming one center-led global procurement organization.

- The virtual workforce is becoming a reality.

- The "connected" community concept allows knowledge-management programs to be exponentially more effective, via cloud environments and mobile connectivity, for example.

## Four Key Elements of an Effective Knowledge-Management Program

In a previous whitepaper, Building an Effective Procurement Knowledge Management Program, ProcureAbility identified four building blocks essential for developing an effective and robust knowledge management program. These are becoming increasingly sophisticated as procurement elevates to a more global arena.



**1. Process Knowledge:** This vital component is the documentation of formal processes, such as strategic sourcing, category management, category strategies, relationship management, and contract management. With the shift toward globalization, having appropriate templates, examples, toolkits, and cost models in place to ensure standardization is essential.

**2. Technology Knowledge:** In the past decade, technology has become increasingly more complex and prevalent. Managing eSourcing tools, spend analysis and contract management tools, and templates associated with new technologies is critical, particularly since most employees are now technology users.

**3. Training & Skills Development:** Procurement organizations are becoming increasingly sophisticated in

their approach to training and skills development. Many are performing skills assessments to identify gaps in the organization. Based on the assessment, a specific training and development roadmap is created that includes both group and individual training.

**4. Category Knowledge:** This area is most affected by the departure of the baby boomers. With the eventuality of turnover, it becomes critical to formally document category knowledge. Progressive procurement organizations are using category playbooks to capture critical information on each spend category. They are also capturing items such as stakeholder requirements, sourcing best practices, and market intelligence to ensure that turnover doesn't affect category performance.

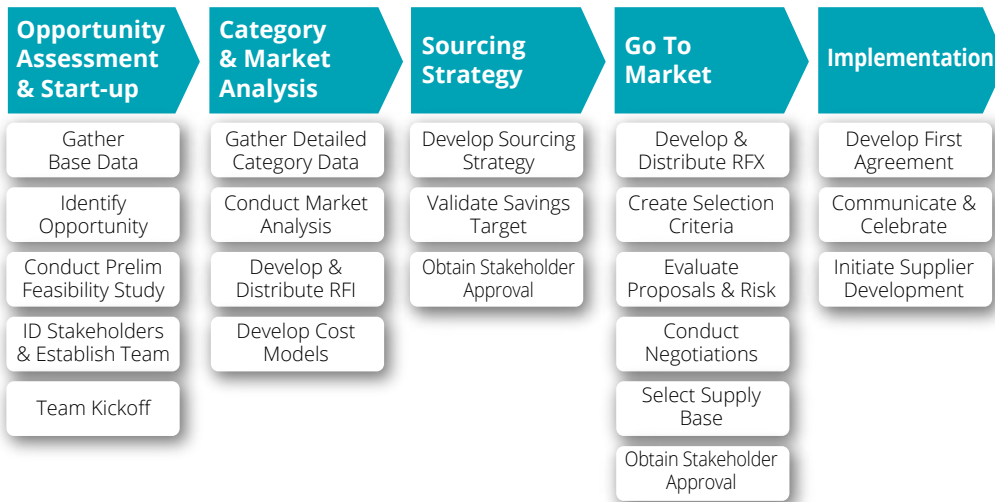
## Key Components of a Robust Knowledge Management Program

When it comes to process knowledge, it's important to focus on the best methods for capturing information. Key components for an effective formal knowledge-management program include

**Toolkits:** Process toolkits are an efficient process guide for documenting various stages of the organization's key

processes as well as capturing useful templates, examples, and process aids. Leading organizations often have seven or eight different toolkits around key procurement processes. A more efficient approach—particularly for global or decentralized organizations—involves web-based toolkits, which allow for efficient organizational distribution and effective version control. Below is an example of the sourcing process and the toolkit contents that should accompany it:

### Sourcing Process: *Example*



### Typical Toolkit Contents

- Process Overview
- Detailed Steps
- Tips & Challenges
- Tools & Templates
- Checklist

**Technology:** There is a wide array of technology solutions available that addresses knowledge management, including eSourcing, spend analysis, data cleansing, and supplier management. Charge employees with learning and keeping current with various technologies, and have processes in place to manage all aspects of technology, including permissions, training, instruction, and results

**Skills Assessment and Training:** The criteria for selecting procurement talent have changed. Many organizations are looking for skillsets that include creativity and relationship-building skills. The first approach is to perform regularly scheduled skills assessments to gauge where employees are, identify gaps, and develop training

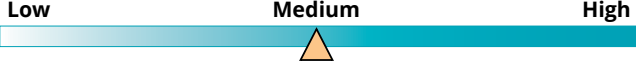
and development programs tailored to upgrade the desired skillsets. Today's training programs are commonly being integrated with a combination of experiential classroom, interactive/virtual setting, web-based, and on-the-job training to ensure that the organization has a clear understanding of

- Standardized processes expected to be used.
- Data-capture format requirements for category and market intelligence.
- Available tools and templates.
- Processes for documenting improvements.

**Category Playbooks:** Category playbooks are used to document detailed information and processes for specific spend categories. They organize important information and strategies so that everything about each category is

accessible to the organization. To provide a seamless flow of knowledge in the event of turnover, category playbooks must be updated on an ongoing basis. Below is an example of a playbook for a real estate category:

## Category Playbook: *Example*

Definition	Category Strategy	PO Instructions	Vendors	Template Library
The Real Estate Category is a mix of CAPEX and OPEX spend in Security, Construction, Facility Management and Leasing.				
<b>In Scope:</b>				
<ul style="list-style-type: none"><li><b>Security</b><ul style="list-style-type: none"><li>Guards</li><li>Armored Cares</li><li>System</li></ul></li><li><b>Lease</b><ul style="list-style-type: none"><li><b>Retail Broker</b> (no spend, commission based)</li><li><b>Auditor</b> (no spend, commission based)</li></ul></li><li><b>Utilities</b><ul style="list-style-type: none"><li><b>Utility Management Provider</b></li></ul></li><li><b>Construction</b><ul style="list-style-type: none"><li><b>A&amp;E Firm</b></li><li><b>Project Manager</b></li></ul></li><li><b>Fixtures</b><ul style="list-style-type: none"><li><b>Lease Administration</b> (outsourcing - currently internally)</li></ul></li></ul>				
<b>Category Maturity:</b>				
				
<b>Contact Info:</b>				
<p><b>Jane Doe – Category Coordinator</b> (555) 555-5555 jdoe@company.com</p>				

**Market Intelligence:** A formalized documented market intelligence component is necessary to capture category knowledge and share it with others in the organization. Whether current market information is provided by an internal or external provider, it should include the following:

- Category Definition:** Understanding of how the category is typically defined by the market.
- Supply Market Description & Context:** Background and competitive forces analysis.
- Demand Update:** Detailing of demand drivers, indicators, trends, and capacity issues.
- Supply-Base Characteristics:** Leading suppliers, sales, financial disclosures, market shares, corporate forecasts, market news, and any recent supply-base changes.
- Key Cost Drivers:** Primary and secondary cost drivers

quantified for the category along with pricing/cost trends and forecasts

- Price Trends & Forecasts:** Summary of category pricing trends and forecasts.
- Insights & Best Practices:** Description of sourcing-related best practices and insights—what other companies are doing to enhance value within the category.

**Center of Excellence:** Best-in-class procurement organizations are using an in-house Center of Excellence (CoE) model as a formal “keeper of the processes” to capture and organize content within a formal knowledge-management program. CoE is one-stop shopping for managing aspects such as updating and keeping current process knowledge, technology expertise, internal and external market intelligence, category-specific knowledge and strategy, and best practice assessment.



## Conclusion

The procurement talent landscape is markedly shifting, creating the need for formalized talent and knowledge-management programs. It's imperative to have a finger on the pulse of what evolving skills are needed and then attract and retain top talent by understanding their motivators. It is equally important to build effective processes to capture intellectual capital so that when shifts in workforce occur, an organization is able to seamlessly manage the transfer of knowledge.

**Learn** more about how ProcureAbility can help you **evaluate, select, and implement** procurement technology solutions today.

## About ProcureAbility

ProcureAbility™ transforms traditional, outdated consulting and staffing models by offering our clients advisory and resource support on their terms.

**Our delivery model is unique.** We give clients access to unbundled resources, plus the ability to selectively add value through leading-edge methodologies, the latest best practices, and specialized insight and advice—an approach unheard of in traditional consulting and staffing firms.

ProcureAbility's customer-focused delivery model allows for a wide range of flexibility:

- **Working with strategic or tactical experts** who can deliver a wide range of solutions, from consulting to staffing
- **Scaling a team your way**, from individual resources to complete project teams
- **Adding value as needed** from a deep and broad library of procurement insights
- **Choosing remote or on-site support options** — or both

Since 1996 we've focused only on procurement's success. **It's all we do.**

For more information on ProcureAbility services, visit [ProcureAbility.com](https://ProcureAbility.com) or call **(888) 824-8866**.