

PROACTIVE TALENT & KNOWLEDGE MANAGEMENT

An Imperative for Outstanding Procurement Organizations



PROCUREABILITY™ WHITEPAPER

INTRODUCTION

Accelerating workforce trends are driving rapid change across the economy and impacting procurement organizations. Unemployment has dropped to its lowest rate in 16 years as baby boomers continue to retire in droves. Add slowing productivity growth, evolving work habits, and new expectations among millennial workers, and procurement executives face significant challenges.

Fortunately, opportunities also exist on the short horizon. Because more people are now open to working as contractors and consultants in the growing “flex/gig” economy, today’s procurement organizations have more talent options to deliver value and meet stakeholder demands.

Progressive procurement organizations are responding to trends by developing forward-looking approaches to hiring and retaining top talent, while also building formal knowledge management programs.

This whitepaper examines vital aspects of managing talent and knowledge and addresses macro and micro trends driving change in the talent landscape. It provides advice on how procurement organizations can proactively address talent trends, and it presents key components for building an effective and robust knowledge management program.

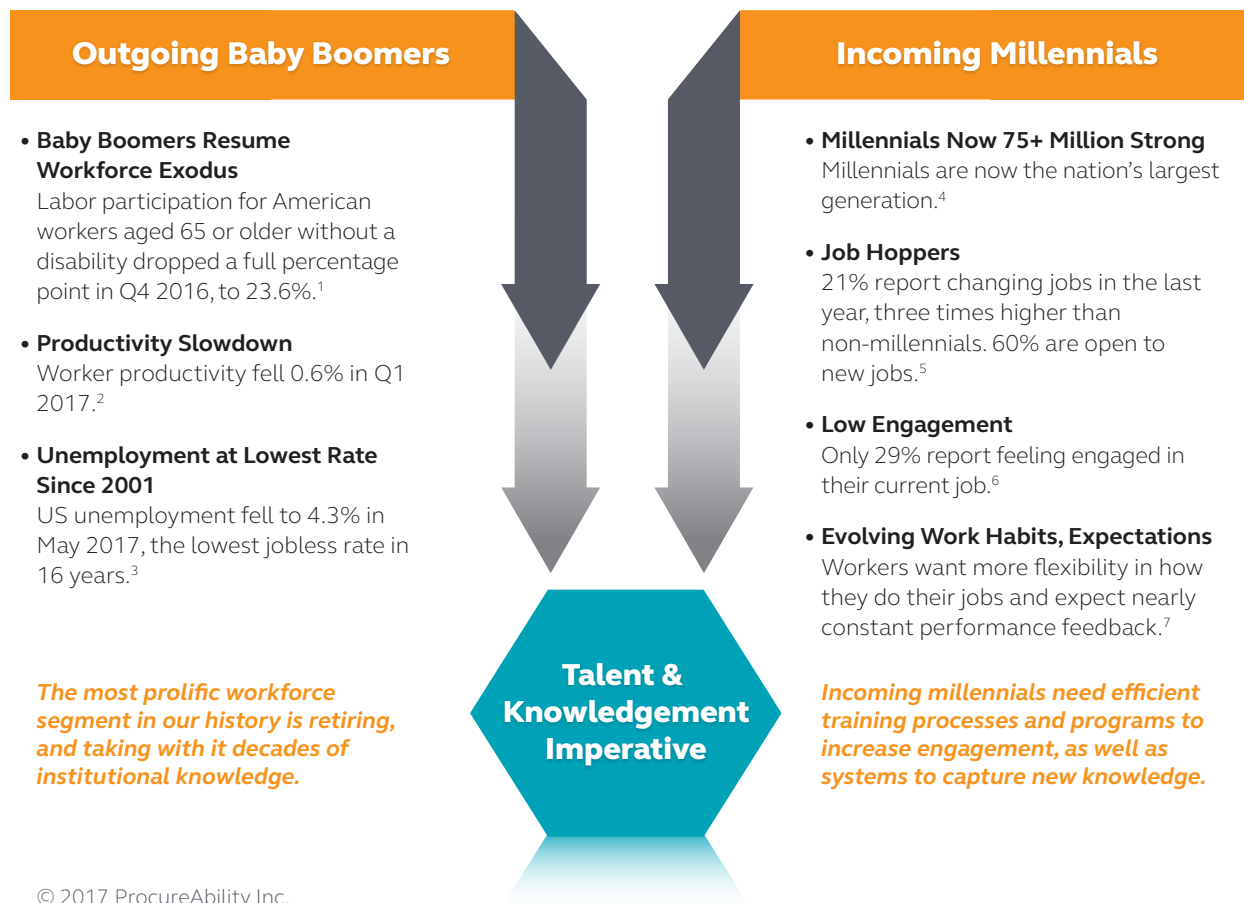
TODAY’S WORKFORCE TRENDS:

A Shifting Talent Pool

Monumental shifts in today’s workforce have immediate and significant implications for procurement. Unemployment recently hit a 16-year low, and an unprecedented number of retiring baby boomers is fueling a shortage of skilled procurement talent.

Today’s labor market is a candidate’s market. It’s difficult to find qualified procurement professionals who have category skillsets in high demand, such as IT or marketing. It’s even harder to come by candidates with five to seven years of experience, a very popular experience-level range.

The Talent & Knowledge Management Imperative



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(Sources: 1 BloombergMarkets, 2 The Wall Street Journal, 3 US Department of Labor, 4 Pew Research, 5 Gallup, 6 Gallup, 7 Bloomberg.com)

Many baby boomers have accumulated a tremendous amount of category-specific and stakeholder knowledge, having held positions for many years. Their departure marks an outflow of decades of institutional experience, as well as related processes and information. That's why it's imperative to capture that intellectual capital before it leaves, and make it available to new workers.

Replacing baby boomers is a generation of employees whose approach to business is vastly different. At 75+ million strong, millennials are now the largest generation in the workforce (*Source: Pew Research*). Most millennials are expected to stay less than two years with any given employer, compounding the need for effective knowledge management programs. Organizations can no longer rely on lifetime career professionals to retain and grow institutional knowledge.

There is some good news for those responsible for building and maintaining top-level teams. More workers are open to the possibility of being contract workers and consultants in the developing flex/gig economy. Procurement organizations now have more talent options and additional flexibility alongside a tight and fluctuating labor pool.

Given the influx of a new working generation, expected high turnover rates, and the developing flex/gig economy, procurement organizations need to be prepared rather than surprised. Taking a proactive approach to attracting and keeping great talent while formalizing processes that capture and manage knowledge is imperative.

MORE CHANGES DRIVE A NEED FOR PROACTIVE MANAGEMENT

Generational changes and the flex/gig economy are not the only dramatic shifts in the workforce. Other key factors are driving the need for proactive talent and knowledge management:

Globalized, Remote Workforce: Procurement teams are becoming increasingly global, and remote workforces are now commonplace.

Connected, Always-On Workforce: Mobile devices and workplace apps are now the norm, and many companies are transitioning from the traditional 8-to-5 workday to a 24/7 environment.



THE FLEX/GIG ECONOMY

The flex/gig economy continues to take shape. **More workers are open to contract work** because it doesn't have the same negative connotation on a resume as it once did. For previous generations, multiple job changes were often frowned upon; today many companies see varied professional experience as a benefit.

A recent study found that about two-thirds of all businesses blend full-time employees with external workers **"to better leverage talent as a business differentiator."** Furthermore, contingent workers in 2016 made up 38% of workers globally.

(Source: 2016-2017 State of Contingent Workforce Management)

Competitive Procurement Talent Market: More often than not, procurement organizations are upgrading their workforces due to increased expectations and workforce shrinkage. The bar is higher and the pool is smaller, so it's harder to find qualified people.

Targeted Job Searching: Traditional, broadly scoped job boards struggle to remain relevant as social media becomes the standard for job searches and recruiting.

New Processes: Major upgrades to procurement processes are taking place, including strategic sourcing, supplier development, supplier relationship management, and spend management.

Advanced Technologies: An unprecedented number of new tools and technologies have entered the procurement space, including cloud platforms for business spend, eSourcing tools, data mining, and spend analytics, as well as compliance and supplier performance tools.

Changing Markets and Regulatory Environments: A quick and vast expansion of the global marketplace has increased risk and contributed to market volatility, resulting in a greater emphasis on risk management.

Higher Expectations: More than ever before, procurement organizations are expected to be strategic partners and contribute to the operating results of the enterprise.

NEW SKILL REQUIREMENTS FOR PROCUREMENT TALENT

Today's forward-thinking procurement organizations are 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.

Some emerging procurement skill requirements are difficult to assess. For example, as the use of artificial intelligence (AI) increases, emotional intelligence and behavioral skills like social understanding and persuasion can influence who is chosen for a job.



Those that want to stay relevant in their professions will need to focus on skills and capabilities that artificial intelligence has trouble replicating — understanding, motivating, and interacting with human beings. ”

Source: Harvard Business Review

There's also a major initiative within procurement to become more collaborative. Employees now need to be able to solve complex analytical problems while building relationships and gaining consensus with various stakeholder groups.

The following list includes hard and soft skills now in demand that break from traditional procurement skills:

- *Financial analysis and modeling*
- *Data analytics*
- *Market research*
- *Strategic thinking and ability to conceptualize*
- *Technology affinity and proficiency*
- *Passion for the procurement profession*
- *Emotional intelligence, social understanding*
- *Communication, persuasion, collaboration, and teaming skills*
- *Learning agility*
- *Category knowledge*
- *Sourcing process knowledge*

BENEFITS OF A FLEXIBLE, BALANCED PROCUREMENT WORKFORCE

Procurement organizations are creating more flexible and balanced teams in today's growing flex/gig economy. Many are implementing programs with goals that call for a certain percentage of positions to be contingent resources.

A partially contingent workforce allows the organization to draw on a broader range of skillsets based on shifting needs. Because stakeholder demands fluctuate and procurement projects change often, many executives use contingent workers to fill a one-time need.

Using contingent workers also allows a company to get to know a person before bringing them on full time. The temp-to-perm model is much more popular today than just three years ago.

Overall, a well-developed gig economy offers companies flexible access to workers with targeted skillsets “who can get to work quickly and stay on only for as long as they are needed. And, as a company's needs change, an external workforce can be scaled up or down quickly.”

(Source: CIO.com)

This approach can be a win for both parties. Procurement executives are pleased to become familiar with how new people may or may not fit with the team. At the same time, the resource gets to try out the company's corporate culture and way of doing business.



INTERESTED IN A TARGETED PROCUREMENT RESOURCE?

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TIPS FOR MANAGING TALENT WITHIN TODAY'S PROCUREMENT ORGANIZATION

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

Here are tips to help attract, recruit, and 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 their freshman year of college.

Promote diversity hiring. Celebrated by millennials, the most ethnically diverse generation to date, diversity hiring provides bottom-line organizational benefits. Diversity is currently thought of 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.

Train team members on best practices not just in procurement, but also across the enterprise.

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

The 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
- ✓ Hold regular check-ins vs. annual performance reviews
- ✓ Offer training and development to keep skills relevant and demonstrate commitment
- ✓ Leverage affinity groups that empower diverse employees: these groups provide new ideas to companies while reassuring employees that their differences are assets



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(Source: ProcureAbility Survey of Supply Chain Professionals)

Top procurement organizations are addressing three areas beyond base compensation to attract, motivate, and retain outstanding talent.

Benefits: The steady increase in healthcare prices has impacted how employers source and deliver overall benefits packages. As such, healthcare benefits are becoming a more important element in workers' job consideration and satisfaction.

Most employees are likely to “take a job with slightly lower pay but a more robust benefits package,” a recent study found. Also, millennials who are satisfied with their benefits are more likely to be satisfied with their jobs (*Source: 2017 Aflac WorkForces Report*).

Equity Compensation: Some organizations, especially in the highly competitive technology sector, are offering performance-driven equity compensation such as stock options to motivate and retain top performers.

Work Flexibility: Flexible work schedules that allow employees to attend daytime appointments and complete work remotely in the evenings are becoming more common—even expected.

Some workers might be willing to make compensation concessions in exchange for a flexible work schedule and/or the ability to work remotely.

KNOWLEDGE MANAGEMENT: Essential to Success

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. This is the only way to ensure a seamless continuity of organizational processes and practices that create stability within a dynamic workforce.

A holistic knowledge-management program is more important than ever because of these key factors:

- *An increased outflow of talent due to baby boomer retirements is resulting in a significant loss of institutional knowledge.*
- *Millennial workers have a high turnover rate.*
- *Global and virtual procurement organizations make working seamlessly more difficult.*
- *Historically separate procurement organizations in global corporations are becoming center-led global procurement organizations.*
- *Our mobile, connected, and collaborative community enables knowledge management programs to become exponentially more effective.*



FOUR ELEMENTS OF AN EFFECTIVE KNOWLEDGE MANAGEMENT PROGRAM

Four building blocks essential for developing an effective and robust knowledge management program are illustrated here. These activities are becoming increasingly sophisticated as procurement elevates services for a global arena.



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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 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, they create a specific training and development roadmap that includes both group and individual training.

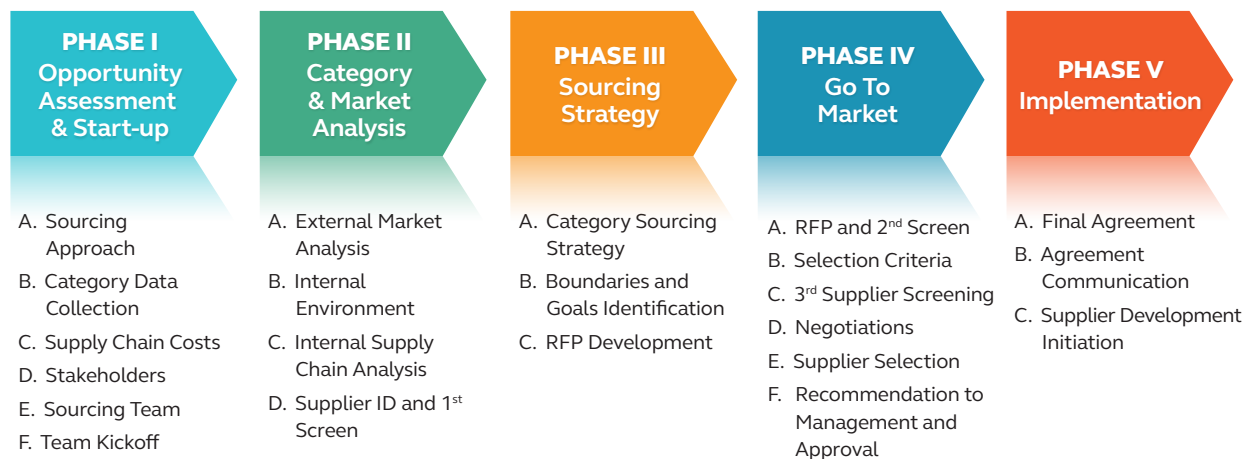
4. Category Knowledge: This area is most affected by the departure of the baby boomers, who are being replaced by workers with fewer years of category experience. This turnover makes it critical to formally document category knowledge. Progressive procurement organizations are using category playbooks 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, technology, skills assessment and training, category playbooks, market intelligence, and a Center of Excellence (CoE).

1. Toolkits: Process toolkits are an efficient 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 a sourcing process and the toolkit contents that should accompany it.

ProcureAbility™ Strategic Sourcing Process



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2. Technology: A wide array of technology solutions addresses knowledge management, including eSourcing, spend analysis, data cleansing, and supplier management. Employees should be charged with learning and keeping current with various technologies, and procurement organizations should put processes in place to manage all aspects of technology, including permissions, training, instruction, and results.

3. 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. An effective approach is to perform regularly scheduled skills assessments to gauge where employees are, identify gaps, and create training and development programs tailored to upgrade the desired skillsets. Today's training programs commonly include a combination of training methods—experiential classroom, interactive/virtual setting, web-based, and on-the-job—to ensure that the organization has a clear understanding of the following:

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

4. 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 face of employee turnover, category playbooks must be updated continually. 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

IN SCOPE:

<ul style="list-style-type: none"> • Security <ul style="list-style-type: none"> - Guards - Armored Cars - System • Lease • Retail Broker (no spend, commission based) • Auditor (no spend, commission based) 	<ul style="list-style-type: none"> • Utilities • Utility Management Provider • Construction • A&E Firm • Project Manager • Fixture • Lease Administration (outsourcing - currently internally)
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CATEGORY MATURITY:

Low
Medium
High



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

6. Center of Excellence: Best-in-class procurement organizations are using an in-house CoE model as a formal “keeper of the processes” to capture and organize content within a formal knowledge management program. A CoE is a one-stop shop for managing aspects such as process knowledge updates, technology expertise, internal and external market intelligence, category-specific knowledge and strategy, and best practice assessment. Additionally, many CoEs are tasked with providing procurement analytics, performance management and dashboards, and spend analysis support.

CONCLUSION

The procurement talent landscape is markedly shifting, creating the need for formalized, proactive talent and knowledge management programs. It's imperative to understand what evolving skills are needed and then to attract top talent by understanding motivators. Once employees are on board, procurement leaders are working to improve their performance and reduce turnover with formal retention and knowledge management programs.

Procurement leaders are also seeing the possibilities of leveraging a blended workforce to meet fluctuating project needs per stakeholder demands, as well as to optimize strategic and tactical functions. When procurement executives need to quickly add talent to meet peak demand in a certain category, ProcureAbility recommends they hire contingent talent to fill the gap. This can be done in a matter of weeks, versus perhaps months with a full-time role. If the role becomes a consistent and long-term need, the hiring manager has a chance to evaluate the person as a long-term fit.

It's important to consider how best to build and optimize a capable, flexible team poised to drive strategic value while meeting peak demand cycles. It's equally important to build effective processes to capture intellectual capital so that when shifts in the workforce occur, knowledge transfer is seamless.



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ABOUT PROCUREABILITY

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

Our delivery model is unique. Clients have 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 gives clients flexible options to meet their needs:

- **Work with strategic or tactical experts** who can deliver a wide range of solutions, from consulting to staffing.
- **Scale a team to fit requirements**, from individual resources to complete project teams.
- **Add value as needed** from a deep and broad library of procurement insights.
- **Choose remote or on-site support options**—or both.

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