

The Talent Paradox

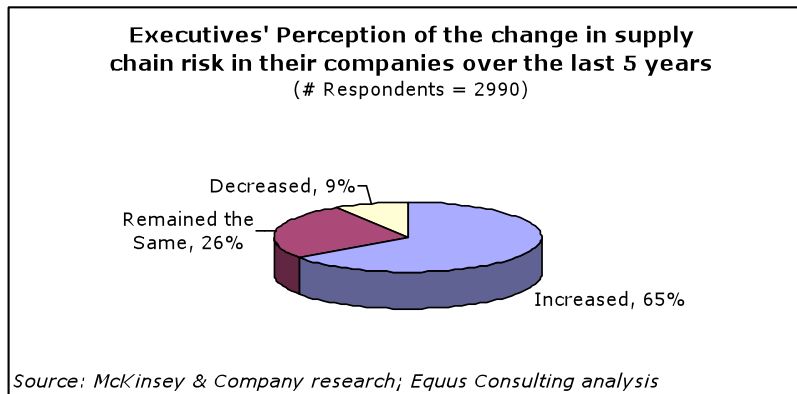
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One of the topics that is perpetually on the Board agenda for logistics and supply chain functions is talent. There seems to be a severe shortfall of the right people with the right type of skills, knowledge, training, and competencies in the industry today. The issue is twofold – one of actually finding these talented people but also retaining them for sufficient time in one function so as to be able to learn what they need to and add value to the enterprise longer term. One is obviously related to the other, as the dearth of talent drives competition amongst recruiting companies offering new jobs with better compensation packages, luring the talent away before they have spent sufficient time in their jobs. At the same time as we witness this lack of the right talent, we also see, on the other hand, a lack of effort from the employers to actually train this talent further, provide the right types of experiences and knowledge-bases, and have formal succession management or retention programs. This, in our minds, is the paradox of talent.

The Numbers

Nearly two out of three executives who responded to a recent global survey of business executives conducted by McKinsey & Company say they face "increasing risks to their ability to supply their customers with goods and services cost effectively", as shown in Figure 1. These executives identified a wide spectrum of risks both internal to them as well as external to the business and socio-political environment. According to the survey, "few executives expressed confidence in their company's ability to manage these risks with success and companies are making surprisingly little use of some well-known tools that could help to mitigate these risks."

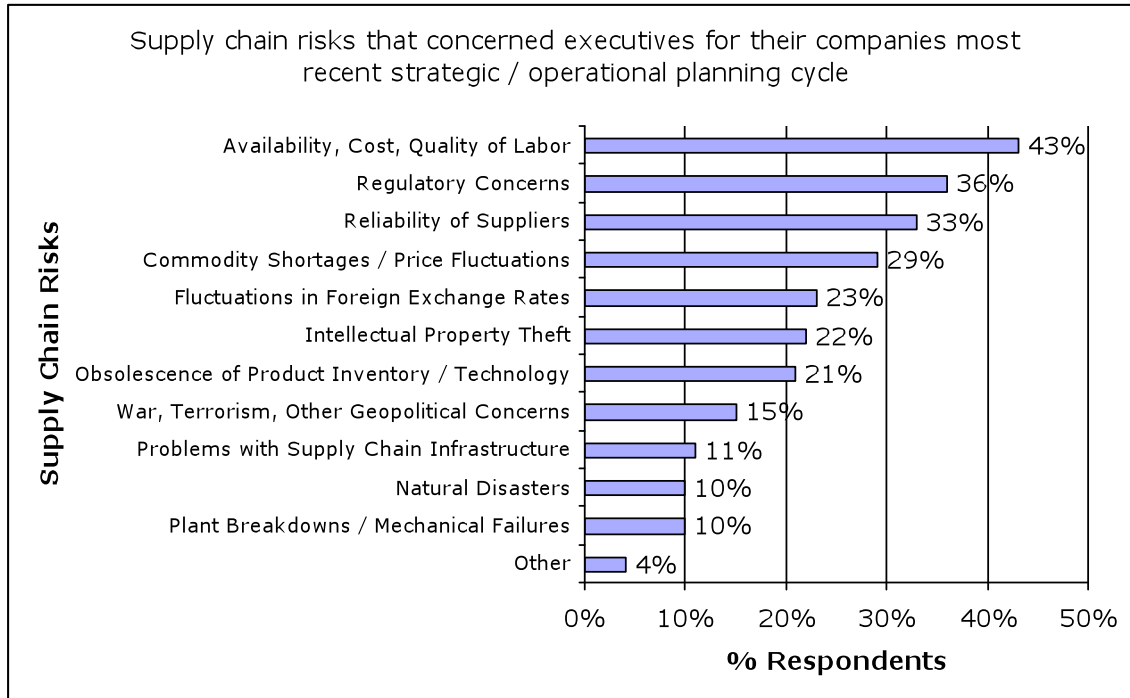
Figure 1: Supply Chain Risk is Increasing



The survey findings indicate that executives ranked labor, regulation, and suppliers as the top 3 supply chain risks on which they planned to focus their efforts, as shown in Figure 2. The clear number one risks that executives are facing is the "availability, cost, and quality of labor. Labor

is concern cited most often" in almost every region of the world. According to McKinsey & Company, "executives at the smallest companies (those with annual revenues under \$500 million) and with fewer global resources) are also particularly likely to say that labor is a problem." Of the respondents of the survey, almost 70% are "primarily concerned about the availability of well-trained labor." Of course, even though the level of concern is somewhat varied, a shortage of high-quality employees remains the top issue regardless of the size, scope, or geographic reach of the companies. The biggest concern is labor cost, in contrast to a small percentage of respondents who cited labor disruptions.

Figure 2: Profile of Supply Chain Risk



The Dimensions of the Talent Deficit

The talent 'deficit' is a multi-dimensional problem, as we see in the aforementioned survey. It is about the availability of talent, the cost of it, and the quality of it. Each of these is a specific issue which must be dealt with separately.

The Availability of Talent

We researched university programs – there are more supply chain / logistics oriented programs than ever before. A recent study showed that recruitment in schools for this subject matter is on the rise and is resulting in more enrollment year on year. One of the issues we find with our clients is that as businesses evolve, the processes evolve as well. As processes evolve, their scope becomes more defined and more compartmentalized. We find a growing trend in companies today to segment and compartmentalize responsibilities more clearly and more definitively. Many companies have 'super-specialized' each function. A 'buyer' no longer controls the end-to-end process of purchasing from contract negotiation to execution. Jobs have become much more specific – the 'buyer' role has gotten fragmented into super-specializations in topics such as supplier relations, contract development, contract negotiation, contract administration, pricing simulation, global sourcing, sourcing network optimization, strategic capacity management, as well as the banal roles of traditional material planning, bill of material management, materials releasing, and other execution oriented functions.

In addition, gone are the days when functions operated in an independent environment, throwing deliverables over the wall to the next function down the chain. They must integrate with each other, and each function must understand the relevance of their function in conjunction with the other functions. Buyers need to understand the functional interactions with other areas such as supply chain planning, manufacturing, distribution, and customer service. A 'buyer' who selects a raw material must do so on the basis of an integrated process with R&D who will recommend specifications of the materials, which in and of itself might require an advanced degree in

chemistry! Having received the specifications, the buyer must create an RFP on the basis of material requirements of the future months and years, requiring them to integrate with supply chain demand planners, who understand the demand aspect of the business. With newer waves of technology being introduced every year requirements for candidates who must run these systems grow more specific. Buyers of today can no longer rely on their relationships to be successful at their functions – they must also understand and deal with next generation technology, something they don't teach at universities. Without having experience in the SAP buyer platform or ARIBA training, a buyer might find it difficult to get a job.

All this to say that as jobs get more specialized, and each role requires more integration with other function with different specific organizational touch-points, in addition the technology familiarity, the roles become harder to fill. This leads to a perception of a lack of sufficient choice of resource to fill particular roles.

The Cost of Talent

This element dovetails into the availability question addressed above. Since not many people end up being qualified for specific positions, companies must pay more to seek out these individuals. The whole supply chain talent management and recruiting industry is thriving, with more business than ever. In addition, there is also an element of the internet enabling us to find more choice of talent – 10 years ago, one would have had to rely on nation-wide recruiters or classified ads placed in different journals and magazines in order to find the right talent. Today, with the multitudes of available media channels, companies are seeking employees from all over the place. Relocations are at an all-time high, as companies are ever-willing to open their wallets for the right talent, no matter where it comes from. Take our firm for instance, as a case in point: we are hiring consultants in Latin America to keep up with North American demand for consulting services. We're 'in-sourcing' back to the US with our foreign consultants, since we don't find candidates here in the US, for the specifics that we are looking for, especially linguistic skills.

One would have thought with monster.com and other such web-based engines, recruiting and ad-placement might have dropped. In fact, it is quite the opposite; companies are using a multi-channel approach and recruiting on all channels simultaneously. We have a client currently who has outsourced their recruitment efforts to a major global consulting firm, but still post ads on Monster.com all the same, in case they find the right talent on-line. We are also doing a number of projects in situations where the cost and probability of hiring the right person are so prohibitive that clients are prepared to pay consulting fees to simply outsource the function entirely and have it done professionally rather than have the wrong or sub-optimal candidate in the position.

The Quality of Talent

Having the sub-optimal candidate in the position, from the earlier section, forms a good segue into this section – the quality of talent. Hiring the wrong person for the job bears immediate results in a negative sense – jobs don't get done right, less-than-perfect integration with other functions, and incorrect perceptions around job scope, roles and responsibilities. The quality of talent is at a shortfall in light of the very specific requirements. It is a tall order to get the right candidates from an educational perspective, with the right experience, with the right systems knowledge, with the right process awareness, at the right location. Owing to these factors, companies hire the potentially wrong candidate for the position (and become impatient), which, when it doesn't work out, put forward the perception that the quality is lacking in the talent.

The Real Problem

We find it shockingly paradoxical that in light of the fact that the aforementioned survey is clearly demonstrating the fact that talent is an issue and is on the strategic agenda, companies are doing very little to actually cultivate, irrigate, and reap this harvest of talent, once they actually find it and hire it. We find that companies do not take full advantage of the talent that they have hired – they keep this talent restricted to a very small scope of work, and expect the talent to be satisfied with this. There has been an erosion of the 'human element' of hiring the right people. They have been hired for a very specialized and specific function, without the desire that they explore further and cultivate a better and more profound understanding of the business as a whole. Furthermore, there is a severe lack of a logical career-path for these individuals. Once they are hired, few companies actually have a formal career-strategy for these people. In most cases, they leave it to the people to find their way through the corporation and find their next jobs. If these hires are lucky they may find managers and mentors who they can rely on in order to either get promoted or to move to another functional area, but more often not.

Even training courses for helping this talent get enriched in subject matter content is sparse in several of the clients we deal with. Training budgets are being slashed if corporate profits take a hit, in order to preserve capital. Learning systems are not extended sufficiently to these recruits, and they are left on their own to learn from whatever free resources that they can.

Confronting the Paradox and Resolving It

We find this paradox of talent exceptional. We find that companies find it difficult to hire and retain the right talent, yet when they do, they do nothing to promote the well-being of this talent and ensure the further growth, learning, expansion of scope, responsibility, and level of this talent. They are in fact, promoting this self-fulfilling prophecy of the paradox of talent within their own companies.

In order to resolve this paradox, companies need to take more action in terms of training, developing, and really nurturing the talent that they have worked so hard to find. A formal learning programs must be in place for this talent that has been hired, career paths must be clarified for this talent, and job roles, responsibilities, and integration with other functions need to be clearly spelled out and defined. Moreover, the work to be done needs to be more definitively outlined, with the appropriate metrics and targets in place, with the right systems to support the work, with the right team, the right people, and the right organizational culture to support all the work that the talent is being hired into, to help define, manage, and lead the culture and integrate with corporate processes in order to create a success for the business as a whole.

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