

Trend #1 – Talent, skills, knowledge badly needed and immediately

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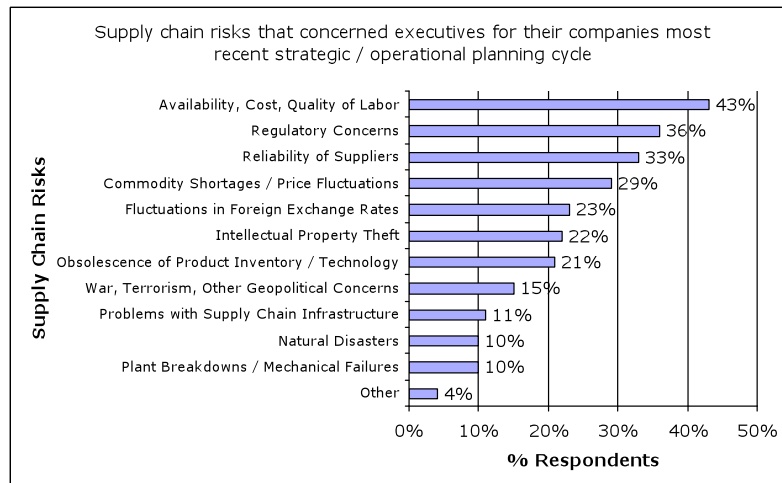
Is it me, or does it feel like there are just not enough people out there for the jobs that need to get done? Over the course of the year, we have increasingly found ourselves delving into the availability, quality, and longevity of resources and talent with our clients whilst discussing supply chain operational issues. Truth be told, many of our consulting opportunities arise from shortages of talent – not just basic skilled people or what we call 'hands on the ground' support – but more for specialized knowledge of supply chain management, or specific analytics, or with specific experiences in particular industries. Whereas there seem to be a tremendous amount of supply chain oriented resumes on the various resume posting websites, when you really get down to it, and pass your selection through industry, experience, schooling, geography, skills, competencies, and monetary filters, you come up with a shockingly short list of folks. The other side of the equation is then retaining these folks once they are in your business. And the resources know it too, and are in a position to exploit this fact, by asking for elevated salaries, quick promotions, and and rapidly increased span of control.

The Bottom Line

Fragmentation of supply chain management has led to specialization without a thorough understanding of the connectedness of the webs within the supply chain network. 'Job-longevity' is a big issue, with annual in-job turnover as high as 30% constantly means that critical functions keep 'forgetting' the issues, which keep recurring. Starvation in a time of plenty – surrounded by internet resources, supply chains are still starved of essential, usable, relevant, and specific benchmarking information. Sufficient in-depth skills in the different supply chain functional areas are lacking in graduating students - "...they haven't gone wide nor deep – they're stuck in an in-between zone where they're somewhat useless" – SVP Supply Chain, Global SC Consulting firm. Inconsistent training, skills development, tools specific training vs. conceptual training, and no SC modeling experience are some of the issues within this space.

View from the Top

Mckinsey & Company performed a comprehensive survey on supply chain risk with senior executives of various profiles of companies. 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 1 (source: Mckinsey & Company research / Equus Consulting analysis). The clear number one risks that executives are facing is the



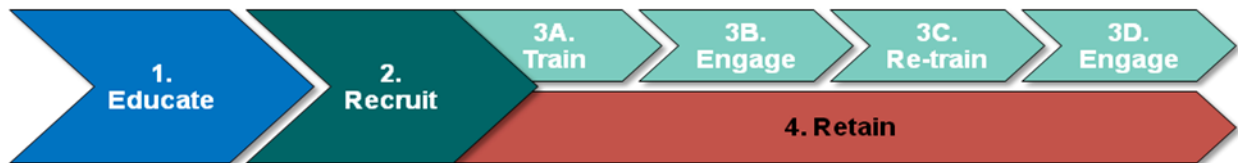
"availability, cost, and quality of labor. Labor is concern cited most often" in almost every region of the world. According to McKinsey & Company, "executives at the smallest companies (those with annual revenues under \$500 million) and with fewer global resources) are also particularly likely to say 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.

We also found that AMR Research began to address some of the root causes of the risk: "Supply chain management's rapid, but at times disjointed, growth and evolution have contributed to executive confusion about the discipline's priority and span of control. As a result, there are serious deficiencies in bench-strength, primary talent development strategies focused on personnel poaching internally and externally, and legacies that require leading organizations to self-train or pay for subject-matter expertise across the breadth of responsibility. The increasing visibility and importance of supply chain management show a crisis building with increased responsibility, complexity being driven in part by globalization, and university and professional programs struggling to independently interpret industry needs."

Framing the Issue and Solution

We consider the framework shown in Figure 2 (source: Equus Consulting) to begin to understand the issues and to start considering the possible solutions.



We will discuss these components in reverse order.

Component (4) – Retaining

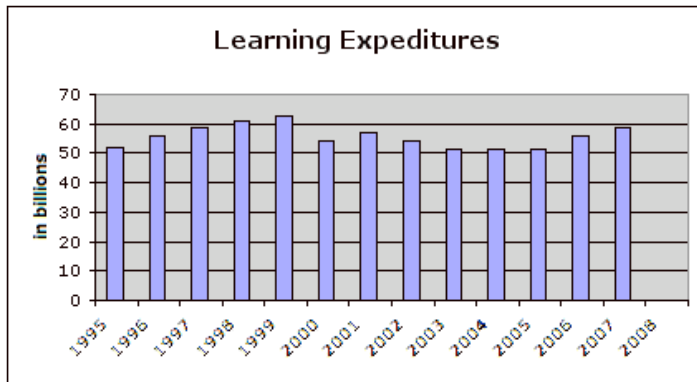
As we mentioned in our article last year on this subject, little, if any, effort is actually spent on retaining the people that you have spent so much on recruiting and engaging / learning within your business. We caught up with David Ingram, Vice President of Supply Chain for the China Group at global consumer goods giant, Unilever. He gave us an interesting perspective of his team's efforts in this space. He mentioned that the HR director spent between 30% and 40% of his time actually 'schmoosing' the employees, taking them out to dinner, listening to their career ambitions, training development needs, and general employee requirements. His approach is remarkably effective and necessary in a dynamic economic environment where knowledge and experience is of huge value, and companies are not holding back the dollars to recruit excellent people in a seller's market.

One of the most dynamic proponents of retaining talent within Unilever is Beth Coppinger, Supply Chain Director for the US personal care business. "We need to strike a balance between helping our people accelerate their careers and to gain expertise in their existing roles to achieve and demonstrate operational excellence. Between leadership experience, ability to develop insights from analytics, and performing to meet and beat key supply chain and business metrics, our resources are challenged at each step in their careers and receive the appropriate training along the way."

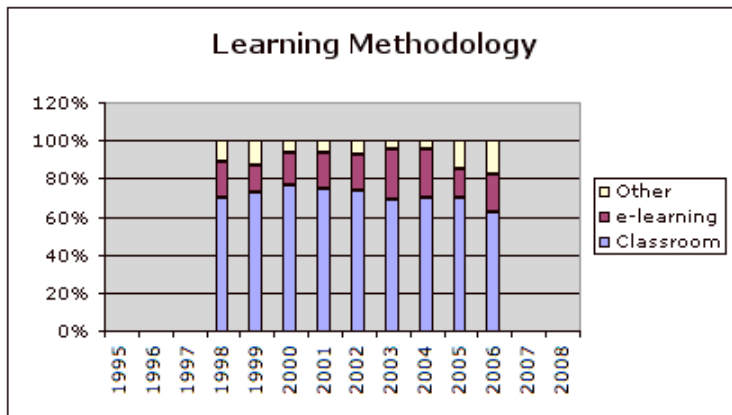
One of the other methods gaining popularity is the concept of sabbaticals. Cisco, 3M and other companies are providing employees with sabbaticals to de-stress, get off their burn-out, and re-charge themselves through learning, life experience, and generally getting a change from their routines.

Component 3 – (re)Training & (re)Engaging

Laurie Bassi is an internationally known expert in measuring, valuing and optimizing the return that organizations receive from investing in their people. She writes that organizations that make large investments in people typically have lower employee turnover, which is associated with higher customer satisfaction, which in turn is a driver of profitability. "Companies that fail to invest in employees jeopardize their own success and even survival. In part, this practice has lingered for lack of alternatives. Until recently, there simply were not robust methods for measuring the bottom-line contributions of investments in human capital management (HCM) - things like leadership development, job design, and knowledge sharing. That's changed." Clearly training is essential, but the question remains as to what is the best means to do this.



Companies spend between \$50 billion and \$60 billion annually on training. Figure 3 below highlights the stagnating trend of training cost (source: <http://www.nwlink.com/~Donclark/hrd/trainsta.html>). However, the interesting point to note is that in spite of rising globalization, change in corporate dynamics, outsourcing, competitiveness, etc., the spend on training has not changed year on year.



As far as the type of training that is being used, we also see not much of a shift as we expected, from classroom style to e-learning (Figure 4 - source: <http://www.nwlink.com/~Donclark/hrd/trainsta.html>), in spite of the tremendous progress being made in this space. Combining these insights, we can see that classroom training is still the predominant form of engaging and teaching the

work-force in any company. But how effective is it?

Various research estimates point to numbers between 10% and 20% of learning that is truly absorbed and deployed comes from the formal classroom environment, whereas most usable / practical / applied learning comes from 'informal' means or employees learning from one another. Yet this type of learning is the least funded. The benefit for companies is to deploy more 'communities of practice' (CoP) rather than formal classroom sessions. We have also found that combining classroom type training with hands-on practical application immediately after / during the classroom training adds tremendous value, and the learning 'sticks' with the employees.

Component (2) – Recruiting

Many companies use various means to recruit employees such as career / job search websites to recruiting firms who manage this as a service. Even outsourcing firms such as Accenture, are finding that they have to go back to Monster.com in order to recruit people, and that there are no 'aggregators' of people in specific industries or with specific skill-sets. Recruiting is an expensive

proposition for companies, and the tentacles of reaching potential employees are few and sparse. "Failing to manage your company's talent needs", says Wharton management professor Peter Cappelli, "is the equivalent of failing to manage your supply chain." And yet the majority of employers have abysmal track records when it comes to the age-old problem of finding and retaining talent." Cappelli, in his new book titled *Talent on Demand: Managing Talent in an Age of Uncertainty*, holds the view that "this is a fundamentally different paradigm in terms of thinking about talent." Those who study supply chain management tackle these kinds of questions all the time, notes Cappelli. "Managing supply chains is about managing uncertainty and variability. This same uncertainty exists inside companies with regard to talent development. Companies rarely know what they will be building five years out and what skills they will need to make that happen; they also don't know if the people they have in their pipelines are going to be around." The other subtlety in the fold is also what we find many times – companies ramp up on hiring staff, and then have an 'excess inventory' of staff with nothing to do. "In the language of operations research and supply chain management, the problems of undersupply and oversupply are collectively known as 'mismatch costs,'" which must be dealt with and managed through a portfolio approach across functional areas within the supply chain (PLAN, SOURCE, MAKE, DELIVER) as well as between other functions (SALES, SUPPLY CHAIN, MARKETING, FINANCE).

Component (1) – Educate

One of the principal sources of the talent issue lies in the education system which puts out all the qualified candidates into the workforce. According to the thought leaders at AMR Research, "Universities have an opportunity to take a leadership role. Schools can lead the way in providing more universal supply chain management skillsets. Truly comprehensive programs, covering the full talent attribute model, would gain strong support from the industry. This partnership model, with industry providing access for students to gain real-world experience, is a starting point for reducing the talent gap." AMR Research also believes that "academia must push to extend its curriculum and training development beyond the current view of supply chain. Industry leaders spoke passionately about the need to partner with academia to develop a universal curriculum based on the intellectual property that is being developed at leading universities. This is a big goal. Work needs to be done to build the necessary bridges that will ensure the building of comprehensive programs that reduce the time necessary to develop attribute proficiency and reduce the necessity for industry leaders to directly fund, support, and even provide teachers to universities."

In economically mature regions like the US and Europe, there are many splinter groups within the general field of supply chain management, and because of this fragmentation, the discipline whereas highly developed in pockets, lacks sufficient inter-functional integration, i.e. 'connecting the dots'. In emerging markets such as India and Brazil, universities are taking a more holistic approach to teaching supply chain management. Instead of focusing on the individual disciplines within the subject matter areas, they instead focus on the whole chain, from store to supplier and teach the integration points first before delving into the individual functional verticals. Students must first take the holistic classes before diving into the separate functional areas. In addition, classes are flush with industry practitioners coming in to teach guest lectures which focus on practical application of theoretical knowledge. Even academics tend to be more practitioner oriented than pure academicians. One of the pioneering professors in the supply chain space in Brazil is Professor Lars Meyer Sanches, an alumnus of MIT, who now teaches at IBMEC, one of the premier private business schools in Sao Paulo. He bases many of his classes on case studies, in the Harvard Business School style, and holds discourses both in Portuguese and English, inviting several global subject matter leaders to host guest lectures. Many companies such as Nestle, Unilever, Dannon, and others, send a plethora of their employees to his classes, to gain this

knowledge in system dynamics, supply chain processes and technologies, and simulation techniques.

Through combining the components in the framework, we can seriously make a dent in the issue of talent, turning it from a risk into a reward, making the most of the employees we hire, hiring them at the right time, and making them dynamically perform in our enterprises.

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