

Procurement Talent: It's Time to Panic

With automation quickly making today's skills irrelevant, the days of procurement staff as order takers is over. And yet, top-quality talent is a scarce commodity.



Today's procurement personnel are not tomorrow's procurement personnel. The skills required to do the job today—haggling, monitoring, and executing tasks—are irrelevant in the digital world as automation is making these skills superfluous. From robotic process automation to cognitive artificial intelligence (AI), transactional, low-value work such as placing orders is rapidly disappearing. Eventually, more complex work such as indirect category management will also vanish. An organization with 1,000 employees today will likely have 100 in the not-too-distant future—and those that survive will have a much different set of skills.

Procurement is not alone in this challenge. Most enterprises are engaging in some sort of digital transformation that is rationalizing legacy jobs (especially back-office jobs), reengineering and streamlining processes to drive efficiency, and looking to hire talent with 21st century skills, such as analytics fluency, design thinking, and agility. Simultaneously, technology companies, start-ups, and even non-profits are attracting those with great skills and even greater potential: Gen Y employees. Unlike their Millennial predecessors, Gen Y employees have spent their entire lives immersed in sophisticated technologies such as AI, big data, programming, and on-demand access to top-notch educational content online. However, while this generation and those that follow will eventually become ubiquitous in the employment market, there are only so many of these people available today. Thus, it is a classic problem of supply and demand: there is a finite supply of talent amid massive demand. This dynamic is complicated by the fact that, in addition to commercial success, many in Gen Y seek altruism and a true sense of social value.

Making matters more complex is the fact that the benefits of acquiring and cultivating talent are long-term at best. This is challenging in an era where there is more pressure to drive immediate and significant results. Any CPO investing in talent may not be around to reap the rewards or receive the credit from his or her efforts. In fact, any time and money spent on talent today may impinge on short-term benefits. And yet, doing nothing is not an option either because large low-value organizations are already under pressure for downsizing and cost savings. So those that value the profession and the long-term success of the business will choose this despite the lack of obvious short-term pay off.



“Talent is my biggest challenge.”
—global CPO

New Skills and a Whole-Brain Approach

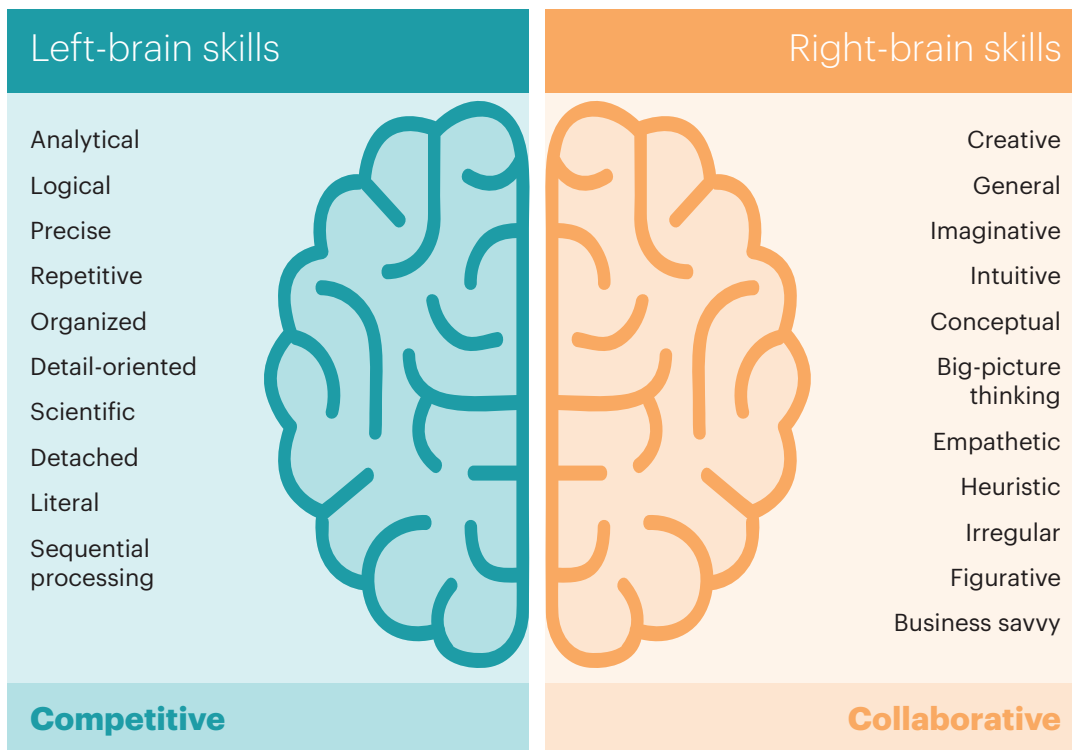
The era of procurement personnel as passive order-takers is over. Administrative, routine processing, and haggling skills will no longer be required either. Instead, procurement must proactively provide high-quality customer-focused experiences—a byproduct of the digital consumer revolution. In practical terms, this means locating procurement with the product lines so they can anticipate and respond rapidly. This also requires deployment of critical skills, which are not mutually exclusive, in support of the required new areas of focus.

Overall process orchestration. Building and sustaining customer-focused experiences requires abilities such as design thinking, process engineering, complex vendor management, and fluency in technology architectures.

Strategic category management. Effectively managing supply-and-demand power requires left-brain traits, such as logic, reasoning, numbers, and analytical thinking, which are crucial for value-added activities such as total life-cycle management, value-based sourcing, and collaborative cost reduction.

Supplier relationship management. Engaging in advanced supplier relationship management requires right-brain traits, such as creativity, intuition, emotional intelligence, and visual comprehension, which are crucial to accomplishing initiatives such as strategic alliances, supplier development, and sustainability innovation (see figure 1). It also requires advanced negotiation skills that go far beyond classic haggling techniques.

Figure 1
Procurement requires whole-brain thinking



Source: A.T. Kearney analysis

Moreover, employees will need to embrace often-overlooked skills such as written and verbal communication, listening, and personal reputation management and branding. Communication skills in particular will require being adept at making clear and concise arguments as well as writing in both long- and short-form narratives. Procurement personnel must be comfortable presenting to a wide variety of audiences from the board and executive level to hundreds of general business users. In short, they will need to be good storytellers—both written and verbal—to convey the relevant business cases, benefits, and value-creation components.

Procurement is Beginning to Look Like a Tech Company

Successful tech companies treat their services and solutions as products, and they employ product managers—or at least have a product manager mind-set. Product managers own a solution from end to end—from development and deployment to usage and ongoing enhancement. Colloquially, product managers are often referred to as a product CEO. At any point, they can articulate the current or projected return on investment, areas for improvement, and level of customer satisfaction. This ensures full accountability and transparency and creates the best opportunities for customer satisfaction, which can then be measured at the individual, organization, and executive levels. Successful product managers are curious and passionate about how users are using their solutions. They continually invent solutions to problems, innovate new features, and simplify processes. Leaders empower these product managers to be nimble, take risks, and make decisions that support the business needs.

As it starts to operate more akin to a tech company, procurement will make itself more attractive to the new generation of talent. As other functions struggle for identity and relevance in the age of automation, procurement will benefit.

Not only do tech companies use product management, they also continuously measure customer satisfaction by using net promoter scores (NPS). The NPS is a way to quantify whether a particular product or service is meeting users' needs. This requires continually soliciting user feedback and turning it in practical insights, a process that requires checking one's ego at the door. And simply sending a survey that has a hit rate of 5 percent is nowhere near good enough. Successful product managers must intuit what the silent users are doing. It is often the silent users who are the biggest detractors because they are so frustrated that they will not engage in a constructive dialog to improve the product or service. In these cases, product managers must double down on behavioral analytics to predict, test, and validate improvements.

As procurement starts to operate more akin to a tech company, it will make itself more attractive to the new generation of talent. As other functions struggle for identity and relevance in the age of automation, procurement will benefit from it. For example, these days, who would want to go into accounting when bots will streamline—and eviscerate—the function? Meanwhile, procurement can use the same automation techniques to offload low-value tasks to pursue more strategic, impactful, and socially conscious ways to help the business and society. Who wouldn't want that type of career?

Get Moving—You’re Already Late

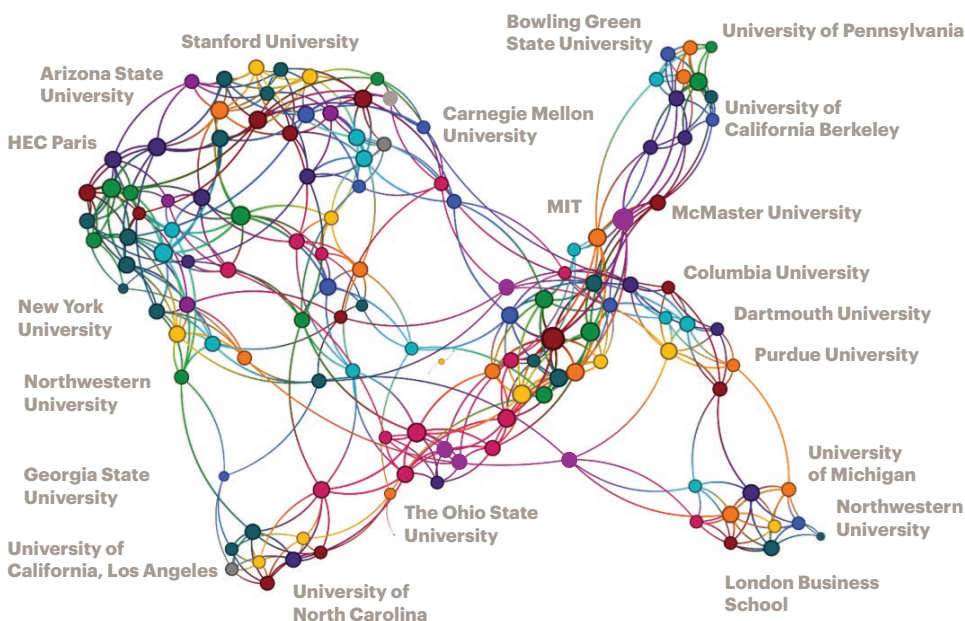
There is no time to waste. Given the finite supply, the competition for talent is a no-holds-barred affair. Perhaps the most important step for procurement is rebranding. Historically, procurement has had a severe image problem. The idea of haggling with suppliers and enforcing purchasing controls appealed to few. Consequently, procurement struggled to attract and retain the top talent. Yet, in an era where procurement can drive innovation with suppliers, employ cutting edge technology such as negotiation bots, and implement a true sustainability program, this traditionally dowdy function suddenly looks a whole lot more appealing. Thus, procurement must rebrand itself. This is not some fake branding exercise where everyone sits in a room thinking of adjectives to describe the group or pontificating random aspirations. This is a fundamental mind-set revolution paired with an attitude adjustment that shifts the focus to the excitement and social difference procurement can make—messages that will resonate with the Millennials and Gen Y.

Because people with these new and advanced skills are not easy to find, companies will have to work doubly hard to build a robust pipeline of talent. This is not a passive activity. CPOs and leaders will need to hustle to win out over not only start-ups and other competitors, but also other groups within the same enterprise. This means having an active presence at universities with programs that produce students with the right mix of skills and experience. Doing lectures, sponsoring theses, and recruiting are just a few of the many ways to engage with—and inspire—the next generation.

Yet, there is no obvious road map for engaging with universities. For a long time now, procurement organizations have had an eclectic composition with people taking all manners of journeys to get there. For evidence, look no further than the educational backgrounds of a random sampling of the LinkedIn profiles of procurement directors, vice presidents, and CPOs (see figure 2). Out of 131

Figure 2

An array of universities are producing today’s procurement leaders



Note: Data obtained from 131 LinkedIn profiles of procurement directors, vice presidents, and CPOs.

Sources: LinkedIn; A.T. Kearney analysis

profiles, 101 universities are represented. Clearly, there are no procurement feeder schools like there are for finance, IT, and other more traditional disciplines. More precisely, there are well-established undergraduate and graduate programs in finance and accounting that consistently churn out a cadre of well-qualified candidates each year. These candidates follow a well-trodden career path into the financial profession. Few such graduate programs exist for procurement, and there are even fewer at the undergraduate level. Although there is nothing wrong with an eclectic approach to team-building nor is it a reflection of the individuals' talents, this sets procurement up at a disadvantage for building a pipeline to staff a high-performing team as there is no universal pool from which to draw from. Ambitious leaders will see this as an opportunity to build custom university partnerships and have first pick at new talent.

In addition to looking externally, there are likely rough stones in the existing internal employee pool that can be polished into diamonds. If there are 1,000 employees today, statistically speaking, a portion of them should have some of the skills and desire to make the transition to the new paradigm (see figure 3). This will require doing a multi-level capability and character assessment. Investing in employees who make the cut and can make the transition will pay huge dividends.

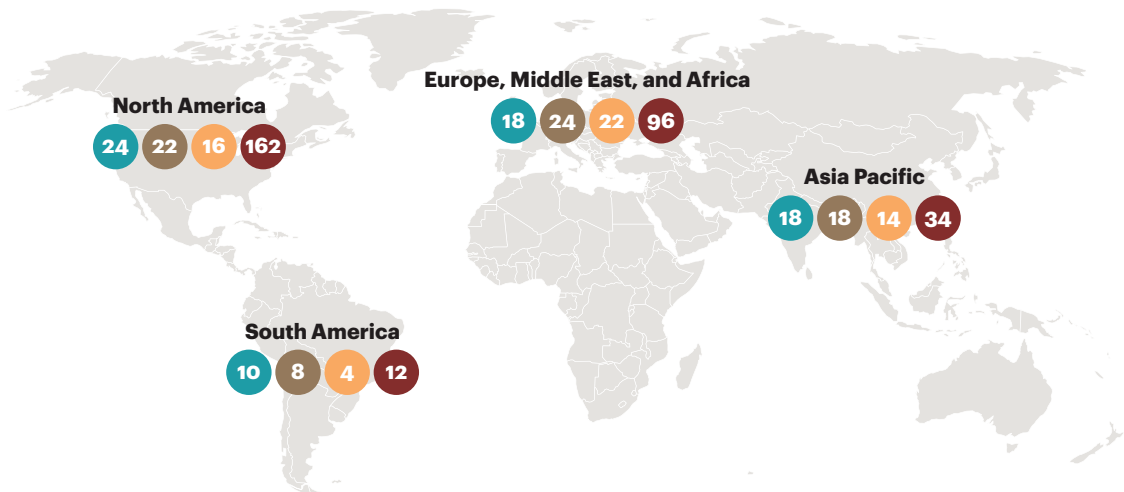
Figure 3

Top-notch procurement talent could be hidden in existing resources

My talent capabilities at a glance

Region	Country	Site name
Asia Pacific	Australia	Brasilia
Europe, Middle East, and Africa	Brazil	Hackensack
Latin America	Germany	Hanau

- Skill and will (grow) **70**
- Skill but no will (develop) **72**
- Will but no skill (motivate) **56**
- No skill and no will (refocus) **304**



Source: A.T. Kearney analysis

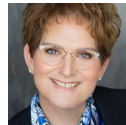
Ultimately, procurement is exciting, and the CPO and his or her leadership must convey a sense of excitement. The ability to create a buzz around procurement will provide the advantage in the scrum for talent. Creating excitement is fairly easy as good procurement makes a difference, not only to the bottom line, but also to society. Tracking and contracting suppliers with sustainable practices or socially conscious agendas or helping them to adopt said behaviors

sits squarely within procurement's purview. For upwardly mobile employees who aspire to leadership positions in other disciplines, procurement is an excellent place to advance to roles beyond procurement. What better place to learn how an organization operates than to engage in its supply base and external spend? And procurement done well will give tomorrow's leaders the necessary hands-on experience in strategy for CEO and other senior leadership roles.

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The authors wish to thank Renata Kuchembuck for her valuable contributions to the paper.



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