



IDENTIFYING AND DEVELOPING THE FUTURE SKILLS NEEDED IN SOURCING AND PROCUREMENT

Evolving Landscape Requires Revamped Talent Development

By: Marisa Brown, Kate Vitasek, Bonnie Keith, Emmanuel Cambresy

APQC RESEARCH TEAM

Marisa Brown

Senior Principal Research Lead, Author, and Subject Matter Expert

Andrea Stroud

Senior Statistician

Mercy Harper

Writer

SUBJECT MATTER EXPERTISE AND AUTHORS

Kate Vitasek

Faculty, Graduate and Executive Education at the University of Tennessee and founder of the Vested® sourcing business model

Bonnie Keith

Founder and president of The Forefront Group and co-author with Kate Vitasek of *Strategic Sourcing in the New Economy: Harnessing the Potential of Sourcing Business Models for Modern Procurement*

Emmanuel Cambresy

Founder, strategic advisor, and managing director at Wezard

TABLE OF CONTENTS

| | |
|----|---|
| 4 | // The Evolution of Procurement |
| 7 | // Key Skills Needed by Category |
| | <ul style="list-style-type: none">• Job-specific Skills• General Business Skills• Social Skills• Deep Work Skills |
| 11 | // Most Important Skills Overall |
| | <ul style="list-style-type: none">• Business Ethics• Communication• Stakeholder Management• Relationship Building and Management• Critical Thinking• Supplier Relationship Management• Leadership• Complex Decision-Making• Traditional Negotiation• Team Player |
| 27 | // Gaps in Key Skills |
| 30 | // How to Close Talent Development Gaps |
| 40 | // The Need is Now |
| 42 | // Call to Action |
| 43 | // About This Research |

THE EVOLUTION OF PROCUREMENT

WHAT IS INCLUDED IN “PROCUREMENT”?

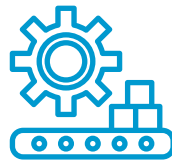
Vocabulary matters, and throughout this report, the authors use the term “procurement” to mean the all-encompassing, highest-level name for a group of related strategic and tactical processes. APQC defines procurement as including the following processes:



Provide sourcing governance
and perform category
management



Develop sourcing and
category management
strategies



Select suppliers
and develop/
maintain contracts



Order materials
and services



Manage suppliers

APQC recognizes that there is not universal agreement on this terminology. Names like sourcing, contracting, strategic sourcing, acquisition, and others are used by different organizations for the all-encompassing procurement term.

For clarity, the term **procurement** will be used throughout this report in accordance with APQC’s definition for the highest level, all-encompassing view of these critical processes.

Traditionally procurement has been seen as a “back-office” administrative function. In the early 1980s, the procurement profession got a boost when pioneers such as Peter Kraljic and Michael Porter pushed procurement professionals to think more strategically about the discipline. As a result, organizations around the world expanded their focus from back-office buying to include more strategic sourcing and supplier management concepts, embracing approaches such as the Kraljic Matrix, Porter’s Five Forces model, Category Management, and A.T. Kearney’s popular seven step framework for strategic sourcing. Today, the lion’s share of procurement professionals have been trained on these [gold standard](#) tools and skills.

And yet, many argue that the procurement profession is in need of a 21st century reset when it comes to considering the skills needed for the future. Why? The very lens through which organizations look at traditional “goods” has changed. For example, sourcing for services has exploded. A case in point is outsourcing logistics, wherein [86 percent of companies outsource warehousing and distribution](#) to third-party logistics providers. In addition, more sophisticated sourcing business models—such as performance-based contracting and [Vested](#) outsourcing models—have emerged as organizations seek to drive innovation and mitigate risk with supply chain partners.

Many academics and practitioners refer to the subtle shifts that have taken place since the turn of the century as the “[new economy](#).” Whatever you call it, the shift is clear. Today’s business environment is driven by:

- // Globalization, which is accelerating market interconnectedness, increasing the mobility of human resources, and creating a marketplace comprised of a network of highly integrated organizations.
- // A business environment challenged with increasing volatility and risk, including international terrorism, sovereign debt defaults, natural disasters, and port slowdowns caused by labor disputes and inadequate transportation infrastructure.
- // An increasingly fast, consumer-driven society that demands more agile and flexible supply chains.
- // The continued evolution of a service economy that is shifting to strategic, not just tactical, outsourcing.
- // A shift in purchasing skills and processes to create value rather than simply procure goods and services.
- // The introduction and expansion of cloud computing capabilities in procurement activities.

Simply put, today’s market realities have pushed procurement out of the back office and onto center stage, accelerating demand for skilled procurement talent. The trouble is, that talent is getting harder and harder to find. Research conducted by the [Chartered Institute of Procurement & Supply \(CIPS\)](#) found that 56 percent of organizations are struggling to find procurement talent with the right skills and experience.

In 2019, APQC surveyed 204 global procurement professionals to identify the skills future procurement professionals need, explore how organizations are developing the highest priority skills, and evaluate the current state of procurement talent investment. In addition, APQC worked with the University of Tennessee and subject matter experts Kate Vitasek, Bonnie Keith, and Emmanuel Cambresy to conduct a focus group and interviews with procurement professionals around the world to unlock additional insights from procurement experts.

The quantitative and qualitative research collectively adds up to a compelling reality that leaders in and beyond procurement must not ignore: ***Procurement talent development is not adequate in developing the most important skills for the future.*** This report identifies which skills are most critical for future success in procurement, evaluates how well today’s procurement talent programs are enabling growth in key skills, and shares examples of how organizations are closing the gaps to win at the war on talent.

EXAMINING THE KEY SKILLS NEEDED

A main purpose of this research was to identify the key skills for the future of procurement. To find out the most critical skills (and gaps) APQC surveyed 204 global procurement professionals asking critical questions about procurement related skills.

First, we asked survey respondents to identify the most important procurement related skills across four categories:



JOB-SPECIFIC

technical skills specific to the procurement function



GENERAL BUSINESS

business skills relevant in and beyond procurement



SOCIAL

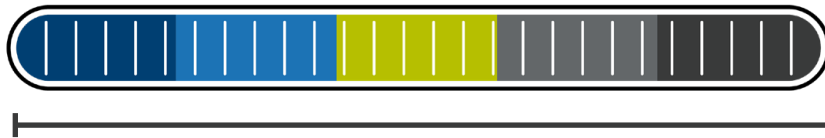
“soft” skills involved in collaboration and managing change



DEEP WORK

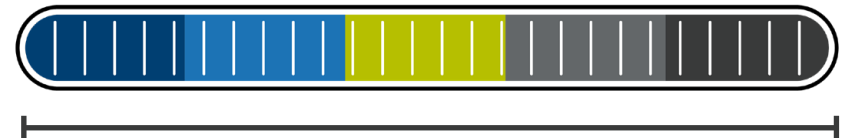
skills indicative of being able to focus without distraction

Next, we asked respondents to rate the importance of each procurement related skill along a five-point scale:



- Not important
- Slightly important
- Moderately important
- Important
- Critical/very important

In addition, we asked respondents to rate their effectiveness in training and development for each skill along the following five-point scale:



- Not at all effective
- Slightly effective
- Moderately effective
- Very effective
- Extremely effective

With the data in hand, we set out to dig behind the numbers, conducting a focus group and numerous interviews with procurement subject matter experts around the world. Where needed, we conducted primary research to put meaning behind the numbers and responses. This report is a culmination of that research, providing insight into the most important skills for the future of procurement and the associated gaps facing the procurement profession.

KEY SKILLS NEEDED BY CATEGORY

JOB-SPECIFIC SKILLS

In terms of job-specific skills, or those technical skills specific to the procurement function, the most important involve assessing and managing suppliers (Figure 1). This means using spend analytics and risk analysis skills to identify which suppliers are the best bets for building strategic partnerships. It also means improving contracting skills to make the shift to more strategic performance-based and Vested sourcing business models.

Ranking at the top of the list is supplier relationship management. This makes sense when you consider the evolutionary shifts outlined earlier. The business battles of this century will be won by harnessing the power of suppliers. The playing field is no longer one of lowest cost or best value but one of highly collaborative relationships with suppliers that can help drive transformation and innovation.

If organizations are going to compete supply chain to supply chain, shouldn't supply chain partners work together to enhance the performance of all parties involved?"

—Ted Stank, Ph.D.,

Harry J. & Vivienne R. Bruce Chair of Excellence in Business and Faculty Director of the Global Supply Chain Institute, University of Tennessee

Job-Specific Skills

| JOB-SPECIFIC SKILLS | % SELECTING "CRITICAL/VERY IMPORTANT" | N |
|---|--|----|
| Supplier relationship management | 47.1% | 96 |
| Supplier risk assessment | 38.7% | 79 |
| Spend analysis | 38.2% | 78 |
| Contracting | 32.8% | 67 |
| Category management | 31.9% | 65 |
| Industry knowledge/supply market analysis | 31.9% | 65 |
| Purchase order/requisition processing | 31.4% | 64 |
| Market research | 30.9% | 63 |
| Statistical analysis | 23.5% | 48 |
| Commercial management | 22.1% | 45 |

(Figure 1)



For additional information on sourcing business models, please read APQC's white paper, [Reinventing Supplier Relationship Management](#). We also recommend the book [Strategic Sourcing in the New Economy: Harness the Potential instead of Harness the Power of Sourcing Business Models for Modern Procurement](#). For a deeper dive on Vested agreements, see [Vested Outsourcing: Five Rules that will Transform Outsourcing](#). Vested is a methodology and business model developed out of research conducted at the University of Tennessee.

GENERAL BUSINESS SKILLS

Overall, general business skills, those skills relevant in and beyond procurement, are rated as more important than job-specific skills (Figure 2). A procurement professional participating in the University of Tennessee's focus group explains the rationale: "Future procurement professionals need to be much more tightly connected to the business needs and how suppliers can impact the business."

This rating is logical given the broader trend of organizations shifting up the sourcing continuum in order to unlock more value for their organizations. For example, the government of British Columbia is addressing cost pressures in health care through an integrated organization called [Business Initiatives & Support Services](#) (BISS), which supports quality and continuous improvement for publicly funded regional health authorities Vancouver Coastal Health, Fraser Health, Provincial Health Services Authority, and Providence Health Care.

BISS is chartered to identify and implement value-generating initiatives, encourage the adoption of common contracting and operational best practices, and drive high quality and efficiencies for the most strategic supplier relationships. For David Handley, Vice President of Business Partnerships at BISS, this means organizations need to look for innovations not only in how they conduct work, but also in how they work with suppliers and how suppliers work with them.



We are no longer just looking to compare suppliers with basic RFPs. We need more general business skills that focus more on managing strategic supplier partnerships which collaboratively look for ways to drive out total cost of ownership. This means having much more broad-based business skills, ranging from financial acumen for developing business cases to working collaboratively with suppliers to reduce our risks.

—**David Handley**, Vice President of Business Partnerships, Business Initiatives & Support Services, Vancouver Coastal Health

General Business Skills

| GENERAL BUSINESS SKILLS | % SELECTING "CRITICAL/VERY IMPORTANT" | N |
|-----------------------------|--|-----|
| Business ethics | 59.8% | 122 |
| Team player | 39.7% | 81 |
| Risk management | 35.8% | 73 |
| Analytical skills | 33.8% | 69 |
| Financial acumen | 33.3% | 68 |
| Project management | 29.9% | 61 |
| Aptitude for technology | 28.4% | 58 |
| Process management | 27.0% | 55 |
| Computer programming/coding | 8.3% | 17 |

(Figure 2)

SOCIAL SKILLS

Social skills are the “soft” skills involved in collaboration and managing change. Of the four skills categories APQC examined, this category includes the most skills ranked as critical/very important by one third or more of all respondents (Figure 3).

David Frydlinger, Managing Partner for Cirio Law Firm, explains why he is passionate about promoting social skills in procurement in a *Harvard Business Review* article titled [“A New Approach to Contracts: How to Build Better Long-Term Strategic Partnerships.”](#) He writes, “Too many companies have used adversarial and arms-length approaches to working with suppliers. Organizations seeking to work more collaboratively with their suppliers to drive continuous improvement and innovation need to realize that social skills are important.”

Frydlinger’s co-author Oliver Hart, professor of economics at Harvard University and 2016 recipient of the Nobel Prize in Economic Sciences for his work on contract theory, points to economic research that proves that the soft skills of relational contracting can yield significant results for organizations. The authors point to examples such as Dell and FedEx whose case study is profiled in the HBR article. Hart and Frydlinger argue that not getting the soft relational aspects right fosters ill-will and unproductive “shading” behaviors that ultimately drive up costs and inefficiencies.

Social Skills

| "SOCIAL" SKILLS | % SELECTING "CRITICAL/VERY IMPORTANT" | N |
|--------------------------------------|--|-----|
| Communication (oral and written) | 55.9% | 114 |
| Stakeholder management | 54.9% | 112 |
| Relationship building and management | 52.0% | 106 |
| Leadership | 46.6% | 95 |
| Traditional negotiation | 41.2% | 84 |
| Time/priority management | 38.2% | 78 |
| Influencing/persuasion skills | 38.2% | 78 |
| Collaborative contracting | 36.8% | 75 |
| Active listening | 35.8% | 73 |
| Change management | 35.8% | 73 |

(Figure 3)

DEEP WORK SKILLS

According to thought leader, author, and computer scientist Cal Newport, “[deep work](#)”—that is, the ability to focus intensely without distraction—is becoming increasingly valuable at the same time it’s becoming increasingly rare. Of the deep work skills APQC asked about, nearly all were ranked critical or very important by more than one third of respondents (Figure 4). As automation removes busy work, there will be more time and need for procurement professionals to engage in work that is cognitively demanding.

Deep Work Skills

| DEEP WORK SKILLS | % SELECTING “CRITICAL/VERY IMPORTANT” | N |
|-------------------------|--|----|
| Critical thinking | 48.0% | 98 |
| Complex decision-making | 42.2% | 86 |
| Passion | 39.2% | 80 |
| Flexibility | 36.3% | 74 |
| Judgement | 35.3% | 72 |
| Innovation | 34.8% | 71 |
| Creativity | 30.4% | 62 |

(Figure 4)

MOST IMPORTANT SKILLS OVERALL

Looking at the overall top 10 skills across categories raises surprising insights (Figure 5). Only one job-specific skill made the top 10 (supplier relationship management), and it's not even in the top five. Social skills dominate the list, claiming five out of the 10 spots. Eight out of 10 skills involve building and navigating relationships with internal or external stakeholders. All of this points toward a future wherein procurement is a strategic business partner that drives value.

Top 10 Skills

| SKILLS NEEDED FOR SUCCESS IN FUTURE PROCUREMENT ROLES | % SELECTING "CRITICAL/VERY IMPORTANT" | SKILL GROUP |
|---|--|------------------|
| Business ethics | 59.8% | General Business |
| Communication (oral and written) | 55.9% | Social Skills |
| Stakeholder management | 54.9% | Social Skills |
| Relationship building and management | 52.0% | Social Skills |
| Critical thinking | 48.0% | Deep Work |
| Supplier relationship management | 47.1% | Job-specific |
| Leadership | 46.6% | Social Skills |
| Complex decision-making | 42.2% | Deep Work |
| Traditional negotiation | 41.2% | Social Skills |
| Team player | 39.7% | General Business |

(Figure 5)

In the following section, we'll dive into the characteristics and importance of each of the top 10 skills.



BUSINESS ETHICS

Also called “professional ethics,” business ethics involve the application of ethical principles in the business environment. It’s not unsurprising this skill topped this list, because unethical procurement practices—bribery, illegal sourcing, bid rigging—can land organizations in huge trouble with customers, shareholders, the press, and regulatory authorities. But it’s not just about avoiding the “bad stuff.” Smart procurement organizations are applying strong business ethics as a way to enable their organizational to achieve [corporate sustainability and social welfare goals](#).

One example of the importance of business ethics comes from Theo Chocolate, a small business based in Seattle. Emily Benson, supply chain impact manager at Theo Chocolate says social responsibility and sustainability aren’t add-ons for Theo; the concepts make up the backbone of their brand. Theo Chocolate is a leader in creating fair trade wagers with cocoa suppliers in the Congo, an area battered by civil war, low literacy rates, and extreme malnutrition. Theo consistently pays two to three times the market price for their cocoa beans to support their farmers. Benson states, “We deal with externalities by paying a higher price now; it’s part of our enduring mission.”

Socially responsible and sustainable sourcing models aren’t reserved for niche companies. McDonald’s is a [world leader in moving to use only Marine Stewardship Counsel \(MSC\) certified sustainable fish for their products](#). McDonald’s didn’t take the easy route. It could have switched to established MSC certified suppliers, but instead, it worked with its existing suppliers to make the improvements needed to achieve an MSC certification. That decision resulted in a more sustainable long-term supply of fish, maintenance of strategic relationships, and a strong message sent to fisheries worldwide by one of the largest fish-buyers in the world.

Business ethics are also key for ensuring suppliers are treated fairly. For example, the European Union’s [Late Payment Directive](#) aims to achieve “a decisive shift to a culture of prompt payment” and requires debtors to pay interest and reasonable recovery costs to the creditor if they do not pay for goods or services on time. The limits are within 60 days for businesses and within 30 days for public authorities.

But how can we teach business ethics? Some organizations produce a procurement ethics manual. These documents can vary in length: Some are succinct web pages; others are detailed handbooks that not only explain the principles to be observed, but also give examples of how and how not to conduct procurement to remain ethical. One example in action is the [United Nations Procurement Practitioner's Handbook](#), which is available online. It provides interesting background reading for anyone who wants to dig deeper into the subject. And yet, as the Practitioner's Handbook points out in its Codes of Conduct:

No matter how hard policy-makers try, they will never specify in law, code, regulation, rule, or other written requirement everything that a procurement officer needs to know regarding what is allowed or appropriate and what is prohibited or shunned. It is necessary for procurement officers to understand what the law or rule is intended to accomplish.

In other words, even with an ethics manual or policy in hand, there will still be questions about how the policy relates to the law and the intent of the law. Procurement professionals often struggle to figure out how and where to find the answers to these questions. And if the organization views procurement as a service area and not a strategic driver, procurement professionals may not even realize the importance of understanding laws at all—until it's too late.

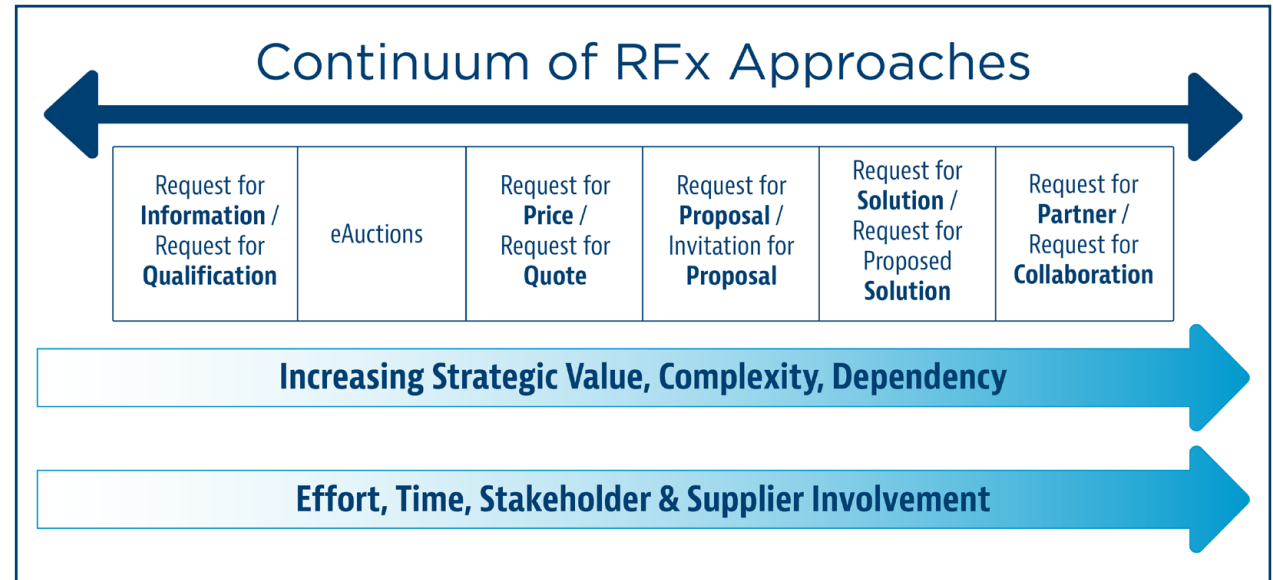


COMMUNICATION

Procurement needs strong oral and written communication skills to understand the needs of the business, clarify expectations with suppliers, and maintain positive relationships with both suppliers and the business. One trend that is taking hold is using more collaborative Request for “X” (RFx) approaches—for example, “Request for Solution” and “Request for Partner”—to better align stakeholder and suppliers during the bid process. Figure 6 maps the various types of RFx methods along the sourcing continuum.

Continuum of RFx Approaches

(Figure 6)



Source: [Unpacking Competitive Bidding Methods: The Essential ABCs of the Various RFx Methods](#)

Note: Not all RFx methods are mutually exclusive. RFIs and RFQs can be used in conjunction with other RFxs.

Why the trend? As organizations seek to create value and drive a competitive advantage through supplier collaboration, they must embed supplier collaboration all the way through the bid process. For example, the European Union has adopted into law a “Collaborative Dialogue” approach which allows for buyers and suppliers to have open dialogues where the parties jointly work on a solution.

The more collaborative Request for Solution and Request for Partner methods are essential when an organization strategically moves to more value-based sourcing business models such as Performance-Based or Vested agreements. Jeroen van der Rijt, an expert in competitive bidding and partner at the Best Value Group, offers the following advice for organizations as they seek to increase their communications skills to embrace more collaborative bidding practices: “When it comes to working with suppliers, buying organizations need to listen and observe more. It is a simple advice, but I see many procurement agents struggling with this. Many still would like to manage, direct, and control suppliers. When you listen and observe, you will get a much better understanding of what a supplier truly is able to do. When given the opportunity, suppliers can astonish you with their expertise.”



STAKEHOLDER MANAGEMENT

Stakeholder management involves identifying internal and external stakeholders, determining their needs and goals, communicating with them, and positively engaging and influencing them to achieve a desired outcome. Good stakeholder management starts with stakeholder analysis by identifying individuals who can either impact or are impacted by a sourcing solution. The good news is, formal sourcing toolsets—such as A.T. Kearney’s 7 Step Strategic Sourcing Process, the Forefront Group’s Four Cornerstone methodology, and the University of Tennessee ([available as part of an open source free download](#))—are available to help professionals identify and analyze business stakeholders. Once stakeholders are identified, the procurement professional can then develop a communication and inclusion plan that not only helps build the internal cross-functional relationship, but also strengthens the success of building a broader swath of potential supply options by utilizing the expertise of the functional resources.

A key point to remember is that stakeholder management is not “one size fits all.” The book [Strategic Sourcing in the New Economy](#) emphasizes that the need for stakeholder management increases as procurement professionals seek to shift up the sourcing continuum to more strategic sourcing business models. For example, in a basic provider model, you will not need to spend much—if any—time on stakeholder management, as there is little or possibly no link to business objectives. Think of buying pens and pencils: An architecture firm might care which pencils are bought, but most organizations don’t. As you move along the sourcing continuum, you need to spend more time understanding how a spend category supports the business objectives.

CASE IN POINT: STAKEHOLDER MANAGEMENT

Let's look at how a buyer at an original equipment manufacturer (OEM) of home office printers approached requirements analysis for the printer display category. The firm had a single-source preferred provider relationship with the supplier to provide printer displays. The OEM faced competitive cost challenges and looked to procurement to find ways to cut costs.

The buyer was actively developing a sourcing strategy to reduce costs for printer displays that included a competitive bid process to see if other suppliers could meet the requirements at a lower price. The buyer knew it was important to collaborate with the OEM's product development and marketing groups to review existing requirements and understand any potential new requirements.

Stakeholder discussions revealed that consumer preferences for the displays had changed dramatically; an engineering design change was in process. The buyer recognized that the current supplier was not capable of meeting the technical sophistication of the new design. Early awareness enabled the buyer to begin searching for suppliers for the new display design. The buyer also facilitated discussions with the OEM's planning team and existing suppliers to develop a transition plan to the new design to ensure the discontinued model inventory and scrap was kept to a minimum.





RELATIONSHIP BUILDING AND MANAGEMENT

Consider this scenario. You are a fast food restaurant, and chicken is a staple on your menu. You wake up one morning to find out that the avian flu is spreading rapidly across Asia and is severely impacting your source of supply, even for your US-based restaurants. When times are tough, relationships matter. As Ed Sanchez, CEO of Lopez Foods—one of McDonald's largest suppliers—explains in the book [*Vested: How P&G, McDonald's and Microsoft are Redefining Winning in Business Relationships*](#), for McDonald's, "It's not just business—it's personal."

Simply put: Personal relationships made the difference when archrival competitors ran out of chicken during the avian flu crisis, and McDonald's didn't. And what about when salmonella struck tomato crops around the US? Competitors had signs up for weeks saying, "No tomatoes," yet McDonald's knew with certainty it had fresh and safe tomatoes. These—and dozens of other disasters—are one reason why McDonald's consciously seeks to build strong relationships at all levels of its organization.

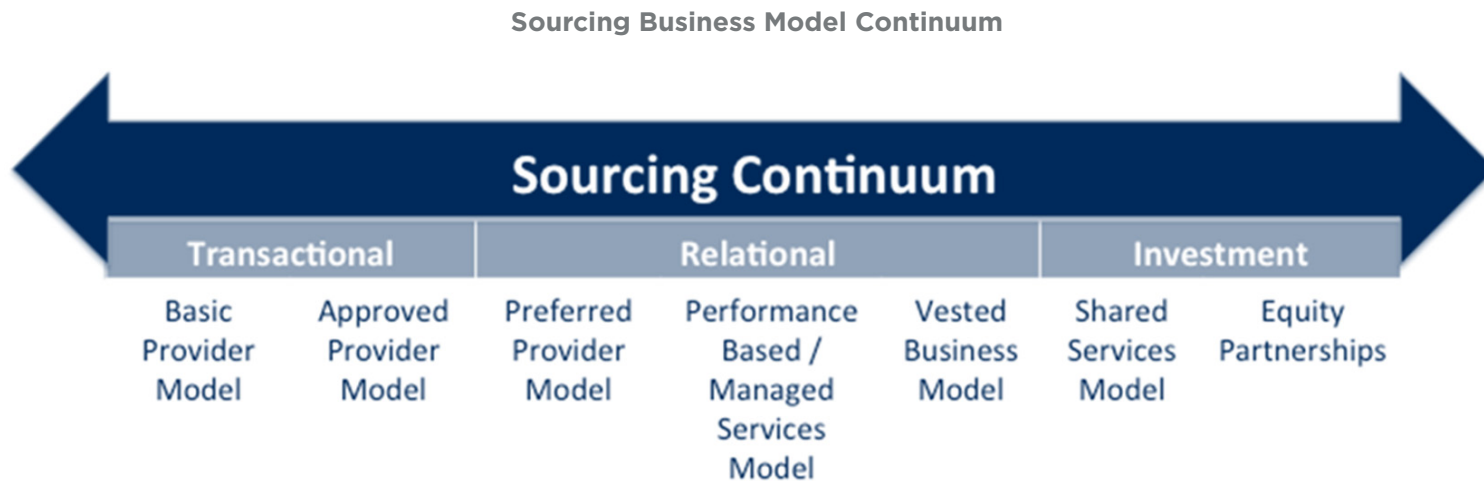
Relationship building and management is much more than "supplier relationship management" (discussed more in detail later). It involves consciously creating relationships with a focus to manage the business through insight and analytics that drive oversight versus micromanagement across all levels and functions—both internally and with suppliers. Ed Sanchez continues, "The best part of McDonald's governance is the deep peer-to-peer relationships. Work takes place seamlessly on the peer-to-peer basis where problems are solved at the lowest level possible. If we have a problem—they get it. You don't have to educate McDonald's people on the problem; instead our McDonald's counterparts are there to help us. But a key is they don't micromanage us."

Having the interpersonal capability to interact, manage, and influence across the entire population of relationships is a skill that organizations need to develop in the procurement organization of the future. Contemporary sourcing programs are addressing this by going well beyond simple stakeholder management and are striving to formally incorporate positive relationship building into their sourcing processes. For example, the Four Cornerstones process—originally developed by The Forefront Group and now adopted by the Sourcing Industry Group—formally incorporates a sourcing business model theory that approaches sourcing as a "cycle" instead of a "once-and-done" procurement buy. The logic is that almost all procurement initiatives result in an ongoing supplier relationship.

A key part of the sourcing cycle is completing a business model map and determining the appropriate sourcing business model. This sets the baseline and tone for organizations to think about relationships across their organization – both internally and with suppliers. Applying sourcing business model theory helps you determine the appropriate type of supplier relationship management depending on which sourcing business model is applied. (For more information, see [Consider the Best Sourcing Business Model for Your Organization.](#))

SUPPLIER RELATIONSHIP MANAGEMENT

Supplier relationship management (SRM) involves establishing governance mechanisms to enable healthy supplier relationships. The University of Tennessee's pioneering work on sourcing business model theory aligns the appropriate type and levels of resources when it comes to supplier relationship management, with SRM mechanisms becoming more robust as organizations adopt advanced sourcing business models (Figure 7).



(Figure 7)

At the transactional end of the sourcing continuum, supplier relationships are rarely interactive and are focused on defined execution of a task or item within the constraints of the purchase order. Basic suppliers (often selected through automated e-auctions) require little (or no) formal management beyond simply compliance measures. As a supplier shifts up the continuum to an approved supplier model, governance expands to perhaps formal quarterly reporting and an annual evaluation with the buyer.

When an organization adopts a preferred provider model, the level of interaction increases and there is a need for more formal relationship management protocols. For example, take a company that has decided to create a more strategic office supply contract where a sole source supplier will now provide vendor managed inventory and do department-level deliveries. This level of relationship requires interface with the buyer, and the supplier becomes an internal resource that requires interface and interaction in much the same way as a buying company's internal resource.



Source: [*Strategic Sourcing in the New Economy: Harnessing the Potential of Sourcing Business Models in Modern Procurement*](#)

Organizations shifting to performance-based/managed services or Vested sourcing business models will rely on even greater collaboration and more sophisticated SRM techniques. Magnus Kuchler, partner for EY's advisory practice, sums it up nicely in this explanation: "When using a Vested sourcing business model, your SRM processes are really so much more advanced. In fact, we tell clients it's not really SRM at all, but rather 'Strategic Relationship Management' because you are not really managing the supplier. You are managing the business with the supplier. It is really about putting in sound governance protocols to manage the business in a highly collaborative manner."

Donna Massari, a director of strategic sourcing for JLL (Jones Lange LaSalle), also offers the following advice. "Companies often confuse Supplier Performance Management with SRM, but they are different. Supplier Performance Management is a subset of SRM and focuses on using dashboards and scorecards to track supplier's performance."



For additional insights, please refer to APQC's [Reinventing Supplier Relationship Management](#) white paper, also written in conjunction with Vitasek, Keith, and Cambresy.





CRITICAL THINKING

Critical thinking is the analysis of facts to determine a course of action. The varied skills that we need in order to be able to think critically include observation, analysis, interpretation, reflection, evaluation, inference, explanation, problem solving, and decision making. Procurement professionals need to analyze a wealth of facts and figures around cash flow metrics, usage data, pricing, forecasts, and market trends to select the best-fit suppliers. One way to assist the critical thinking process is by using the Business Model Mapping tool referenced in the book [Strategic Sourcing in the New Economy](#) and available in the [Business Model Mapping Toolkit](#). The tool highlights 25 key business environment attributes which guide procurement professional's critical thinking in determining the most appropriate sourcing business model.

In context, critical thinking should begin with formal supply market analysis to identify potential new suppliers. Once again, sourcing business model theory can offer some guidance on how much effort to put into this. The higher the risk and the more dependent the potential supplier relationship, the more important it is to bring in more advanced techniques.

For example, rather than jump into bidding out its maintenance contracts, the Swedish telecom organization [Telia](#) set out to do a comprehensive review of its facilities and maintenance practices across its 16,000 tech sites. The study revealed fragmented processes spanning 20 suppliers and 60 contracts, all of which were highly transactional in nature. The results of the pre-study led Telia to consolidate from 20 approved suppliers to one highly strategic Vested supplier who would collaborate with Telia to drive better business outcomes in how they managed and maintained their network.

Focus group attendees in this research indicated one of the best ways to develop these critical thinking skills is by guiding procurement resources through various scenarios and showing real-world case studies to help them visualize the potential. They also liked facilitated workshops where they could interact as a cross-functional team to ask probing questions to uncover pertinent information. Lastly, focus group attendees liked pairing junior resources with experienced resources in real time, on-the-job learning environments – especially when it came to learning how to deal with complex and strategic sourcing initiatives.

It is important to remember that critical thinking is not something solely used for new sourcing initiatives. For example, when Dell's procurement leaders set out to bid their reverse logistics operations for the fourth time, the procurement team took a step back and decided to analyze the relationship with its supplier GENCO. What if, rather than bid out the work to drive market-based price reductions, they could shift up the sourcing continuum to a Vested sourcing model? Then the parties could shift their focus from “cost per box” to working together to make foundational improvements in supply chain operations that would reduce Dell's total cost of ownership. The results? A 40 percent reduction in total costs in just two years ([*now part of the FedEx family of businesses*](#)).



As organizations make the shift to more collaborative bidding processes, it requires them to apply critical thinking to their supplier selection process and criteria. The easy approach is to pick a supplier based on the lowest price or the lowest-priced technically acceptable proposal. However, more advanced sourcing initiatives mean procurement professionals definitely need to ‘up their game’ when it comes to supplier selection and evaluation. This is especially true when selecting a partner for a long-term and highly collaborative Vested agreement.

—Jeroen van der Rijt, Co-Founder, Best Value Group



LEADERSHIP

Leadership means guiding, helping, and being a role model for others. Procurement leaders need to provide junior employees with opportunities to hone their leadership qualities. This can be challenging given the small size of many procurement teams but is essential to ensure long-term sustainability of talent. Think of it this way: If you don't invest in growing your younger talent, they will likely leave for someone else who will invest in them.

APQC spoke with the director of procurement services at a large public university who has 20 years in public sector procurement. She explained the criticality of developing leadership skills. "We need to train people on management, and that's a real challenge. We spend a lot of money recruiting people, having them learn on the job, but then, there's nowhere else to go. So, they leave for another organization that's going to give them greater opportunities."

When it comes to formal leadership training, organizations can also tap into a number of leadership training courses in the marketplace that provide tools and techniques to sharpen leadership capabilities. In addition to private organizations offering training in leadership, many universities offer executive education leadership programs.

Organizations such as NEVI (The Dutch Association for Purchasing Management) are leading the way in turning procurement professionals into procurement leaders for tomorrow with their [Procurement Leadership Program](#). The program is specifically focused on leadership and stakeholder management skills—two of the top 10 skills deemed as the most important for the future. The program boasts, "You will leave the program with fresh perspectives and tangible action plans for taking charge of your own destiny," and teaches skills designed to help professionals "to better connect with and influence your most important business stakeholders, such as CEO, CFO, R&D, CMO, and COO."

But formal training is not the only consideration. A common best practice used in businesses today includes developing career roadmaps that encompass cross-functional training and interpersonal skills development. Some of the best career roadmaps include rotational job experience as well as formal skills training. In addition, more and more organizations are also developing formal mentoring programs that team junior leaders with proven leaders.



COMPLEX DECISION-MAKING

Complex decision-making is the process of evaluating multiple options to determine the best course of action for situations where there is not one “right answer.” This skill often comes into play when monitoring and managing relationships with suppliers. As many procurement professionals know, the supplier isn’t always the one to blame when things go wrong. As [lululemon’s](#) global procurement director Michael Van Keulen explains, procurement professionals need to know when and how to salvage troubled supplier relationships, when and how to cut ties, and what the consequences are for both paths. “If a supplier doesn’t perform, then we’ve typically missed an opportunity to correct course. Maybe we didn’t provide a 12-month rolling forecast, and therefore they don’t know what our demand is, or they delivered late because we didn’t provide them with enough lead time.”



CASE IN POINT

A good example of this decision-making in practice is Dell. Dell and GENCO began their relationship in 2005 when Dell selected GENCO as a supplier to help expedite Dell's return and repair process. GENCO performed well, and in 2009, the relationship expanded when GENCO agreed to acquire Dell's buildings, assets, and people under a three-year outsourcing contract. Under the transaction-based contract, GENCO assumed the risk of meeting a set "price per activity" while maintaining service levels. Like many deals, the contract was signed, and everyone was happy with the "good deal."

The arrangement worked reasonably well for a time, but as all business people know, business is dynamic. Dell's leaders continued to face cost pressures and relied on its "every dollar, every year" procurement principle even though under the contract GENCO took much of the risk at a set price over the term of the agreement. From Dell's perspective, GENCO's cost reduction commitments were no longer good enough to provide Dell a competitive advantage in the marketplace.

By the end of 2011, one thing became abundantly clear: Neither party was happy. In fact, the parties were considering calling it quits when the contract expired. Instead, Dell applied critical thinking skills, looking beyond the surface issues. Their findings? The existing contract structure was full of structural flaws. In addition, conventional "I win, you lose" negotiating approaches were putting a wedge in the trust level between the two companies.

Dell approached GENCO to explore how the parties could transform their relationship. The solution? Shift up the sourcing continuum from a preferred provider relationship to a Vested sourcing business model. The results were nothing short of spectacular. Working together under this highly collaborative win-win model, the parties were able to reduce Dell's reverse logistics cost structure by 40 percent in just two years. In addition, scrap was reduced by 67 percent, and quality levels as measured by defective parts per million (DPPM) improved to a record level.



To learn more, please read chapter 12 in [Vested Outsourcing: Five Rules that will Transform Outsourcing](#).

TRADITIONAL NEGOTIATION

Negotiation is the process of discussing needs and goals to arrive at an agreement with another party. APQC found negotiations training is a skill area in which organizations are not afraid to invest. In fact, APQC found that, on average, 56 percent of procurement staff have received formal training in negotiation. While these trainings can be very effective, it is often cost-prohibitive to allow every member of the team to attend.

As organizations look to the future, they also need to re-evaluate their negotiations training program. Why? For more than thirty years, businesses have been indoctrinated with the idea that the prize in negotiation is to get the deal. The deal is the focus. Hundreds of books have been written to teach negotiation, from [Getting to Yes](#), [Get Past No](#), and [Getting More](#) to even the virtues of [Starting with No](#). The focus is transactional in nature and on the strategies and tactics for negotiating the “deal.” The negotiation mindset has historically been about “this deal,” “this time,” and under “this set of business and legal terms.” Negotiators think: “Get a signature, and you are done.” It’s a done deal, and the deal is the deal.

Here lies the systemic problem: Transactions are quick, short-term exchanges. The deals they create are static, but the business environment is not. Static deals often get out of equilibrium, where the deal is no longer perceived as fair by one or both parties. Business headlines are littered with stories of good “deals” gone bad. At a minimum, the individuals involved have increased frustration and companies are burdened with increased transaction costs. When this happens, the parties find themselves back again at the negotiating table under new circumstances—what a waste of precious time and money that would be better spent creating innovation and growth for both parties. At worst, law firms bill hundreds of millions of dollars in fees each year as companies battle over what went wrong, who is to blame, and how to balance out the losses when the deal was the focus in the negotiation.

As organizations seek to shift along the sourcing continuum, they will need to think differently about how they negotiate and think about the importance of the “relationship” as the focus of the deal. David Frydlinger, managing partner at Cirio Law Firm, is a renowned expert in relational contracts and is an author of the book [Getting to We: Negotiating Agreements for Highly Collaborative Relationships](#). Frydlinger comments, “Organizations are starting to recognize that ‘winning’ by shifting risk to suppliers and squeezing on price often creates problems down the line. Today’s skilled negotiators are still assertive, but they are also empathetic. They’re good listeners, effective communicators, and diplomatic problem-solvers who want to, above all, achieve a ‘win-win’ for both parties.”

Frydlinger is also a passionate promoter of teaching procurement professionals more collaborative contracting skills. “Most organizations have at least a handful of highly strategic business relationships or partnerships that have a direct impact on a company’s bottom line; even more important, that have a direct impact on their customers’ satisfaction and therefore market share. In these cases, there can easily be hundreds or even thousands of transactions each day. The classic approach is to negotiate a rigid scope of work and price – to ensure that the deal in question is ‘fair.’ The problem is that business is highly dynamic and in the midst of both a massive digital and social transformation. **The new normal is there is no ‘normal’ and constant change is the status quo. A ‘fair’ negotiation today is likely to not be ‘fair’ tomorrow when circumstances change—and they will.** In complex deals, business assumptions will change; volumes and work mix change, and uncontrollable costs can have erratic swings impacting profitability. Switching costs are very high to change service providers. And the costs of operational risk and non-performance can be staggering, or worse, can lead to reputation risk that may lead to the downfall of the company. This requires procurement and legal professionals to work together to negotiate more flexible contracting frameworks – especially for more strategic Vested sourcing business models.”

TEAM PLAYER

Being a team player means showing commitment to the organization, its mission, and colleagues. Team players are reliable, responsible, and flexible. They are transparent about their own limitations and hold themselves accountable. They're also willing to chip in, taking on additional responsibilities or putting in a few extra hours when and where needed.

But being a team player is not just a skill reserved for working within your own organizations—it is also being emphasized between companies. Consider the example set by Microsoft, who outsourced its back-office finance operations to Accenture. The complexity and global nature of the relationship spans 116 subsidiaries and requires deep collaboration in order to achieve Microsoft's goal of standardization. When Microsoft first outsourced to Accenture, it had 140 systems and spent over 360,000 hours developing reports to make sense of fragmented operations. Microsoft and Accenture set their vision on creating a “[OneFinance](#)” culture that highly incentivized Accenture for developing transformation initiatives to help them meet their standardization objectives.

How can companies instill a “team player” culture? One technique is similar to how organizations have shifted their culture around quality through consistent reminders of desired behaviors. For example, Microsoft's Henric Häggquist, senior director for OneFinance, is constantly reminding team members of the need for “together” behaviors. After winning the Shared Services and Outsourcing Network's “Best Mature Outsourced Service Delivery,” he emailed the entire team:

So why do we get these awards?

I say it is because of TOGETHER.

We face all things TOGETHER.

We win TOGETHER.

We face difficulties TOGETHER.

We never go YOU against US.

We have all seen what that leads to...

I couldn't be more proud than I am right now.

Proud with all of you!

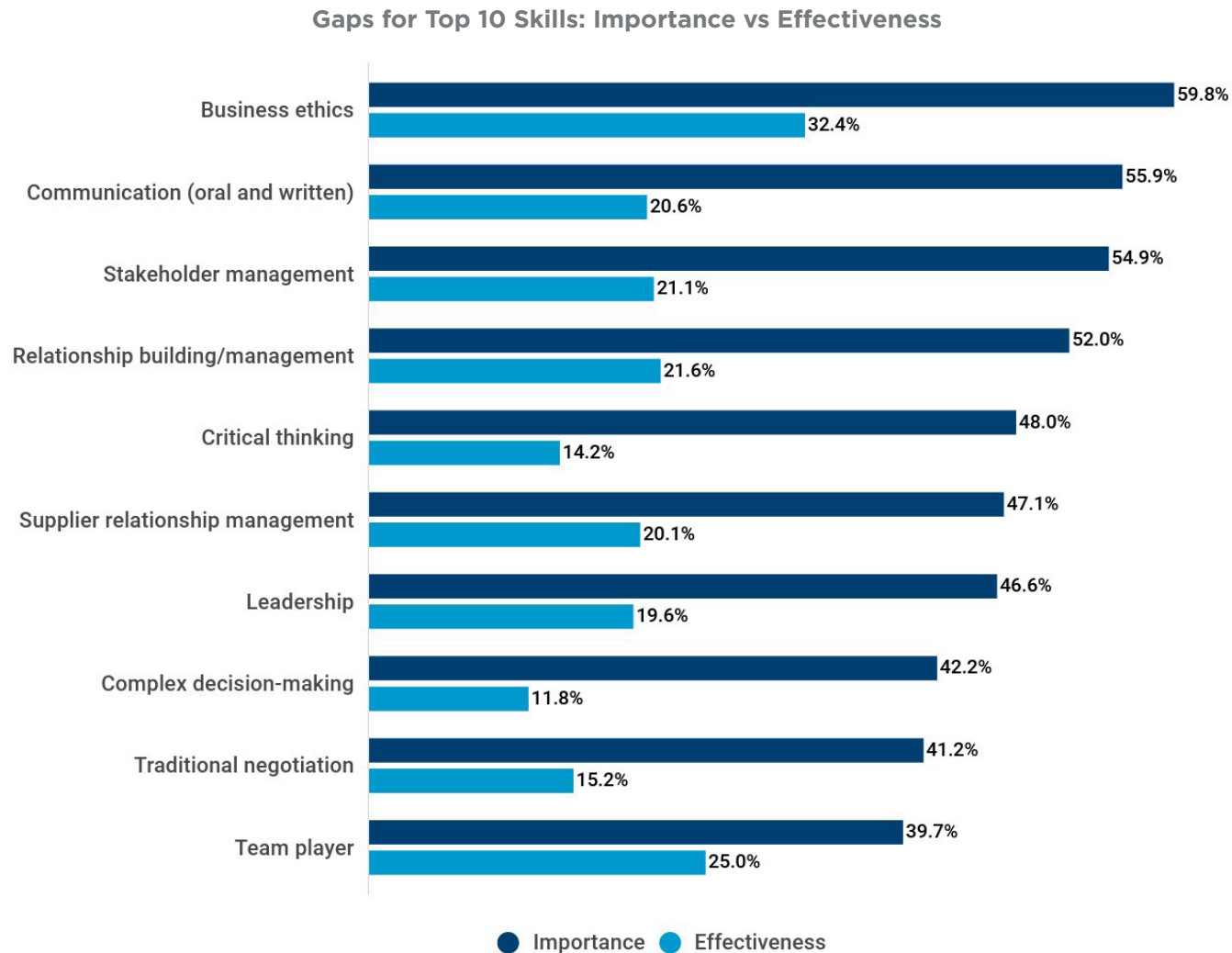
Thanks for the hard work you all do!



Source: [Vested: How P&G, Microsoft and McDonald's are Redefining Winning in Business Relationships.](#)

GAPS IN KEY SKILLS

When APQC asked procurement professionals about their effectiveness in training and developing each of the top 10 skills, sizable gaps were identified (Figure 8). There is a double-digit gap for each of the top skills between importance and performance, and some gaps are particularly notable. For example, almost 60 percent say business ethics is critical/very important, but only one-third are effective at helping employees develop this skill.



(Figure 8)

The consequences of not addressing these gaps are huge. If organizations cannot develop these skills in-house, they will be forced to secure them through external hires and/or consultants. But the only other option is to simply not develop these skills—and that's even more dangerous. Organizations may be able to rely on a handful of experienced procurement professionals for now. But when those people retire (and they will), the function will be in the hands of people who never learned how to lead, think critically, or act ethically, and who have never built relationships with key suppliers and internal stakeholders.

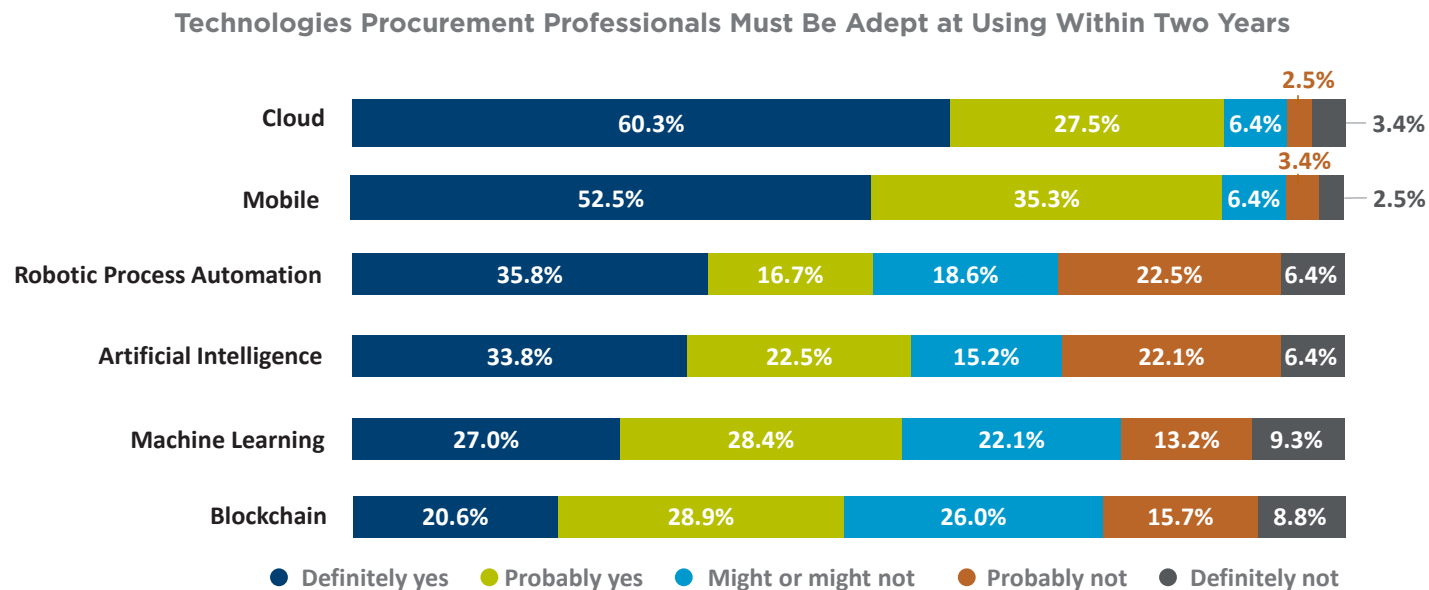
What happens if we invest in developing our people and then they leave us?

What happens if we don't, and they stay?

SHIFTING TO A TECHNOLOGY-ENABLED, DATA-DRIVEN CULTURE

Despite the predominance of soft skills on the top ten list, hard skills in data and technology are also important for future procurement professionals. According to APQC's research, two out of three organizations expect to have fully data-driven procurement within the next two years. Data analysis and management skills are key for enabling new technologies, particularly robotic process automation (RPA), which can help procurement focus more on value-added work.

APQC's research also finds that 75 percent of organizations are currently undergoing digital transformation. As organizations bring in new technologies, procurement professionals will need to quickly adapt to keep pace. When we asked procurement professionals about the technologies their teams would need to learn, cloud topped the list (Figure 9).



(Figure 9)

The cost savings and scalability of cloud-based applications is irresistible to many CIOs and CEOs, so procurement teams will need to adapt—ready or not. Many organizations have already rolled out cloud-based systems like SAP S4/HANA, procurement-specific systems, and Microsoft Office 365.

When APQC spoke with the director of procurement services at a large public university, she explained that it is essential for procurement professionals to familiarize themselves with emerging technologies so they can make informed purchasing decisions. She notes, “As soon as you buy a piece of technology, a newer and shinier object comes along. For technology suppliers, this is their bread and butter. If they can sell you a shiny object in order to compete, they will do that.”

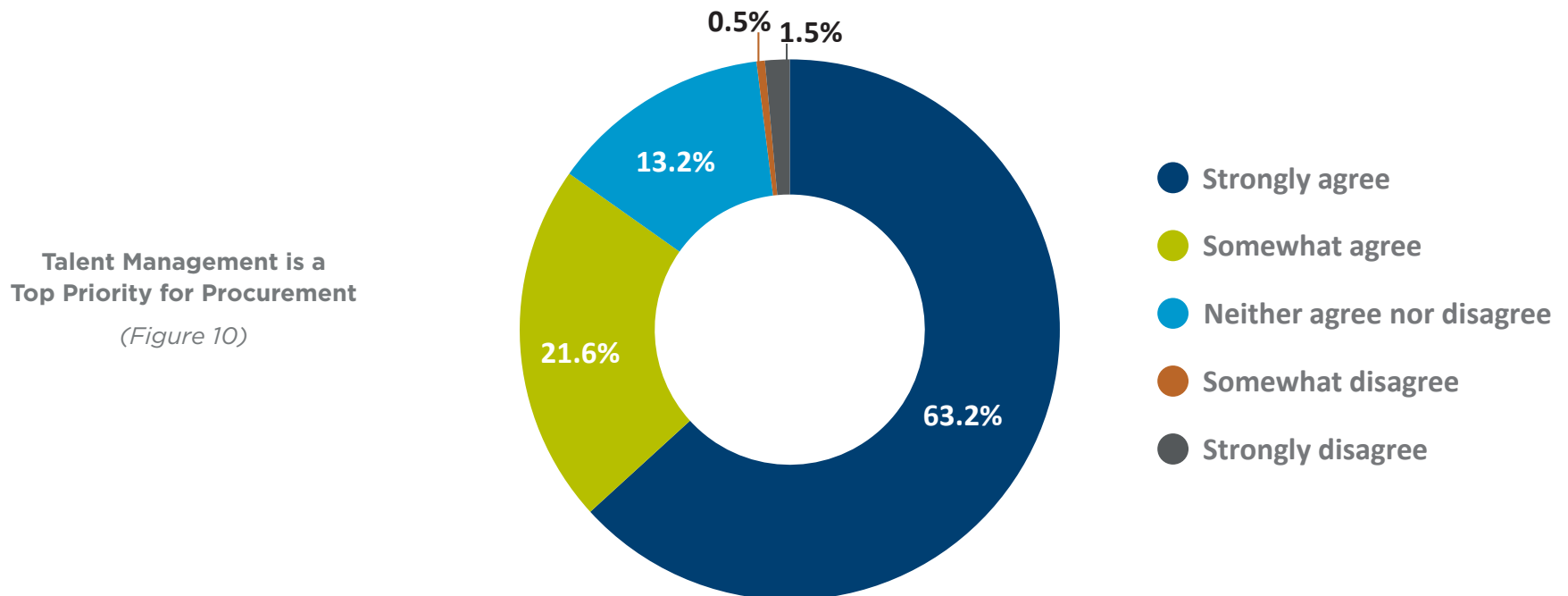
HOW TO CLOSE TALENT DEVELOPMENT GAPS

Focus group participants emphasized two key ingredients to closing the talent development gap in procurement. One is senior leadership support. Without buy-in from procurement leaders and executives, the function will not have the resources to develop the next generation of talent. The second is realignment of the talent development approach. Talent development should focus on the most-needed skills, not just those that are tactical and easy to teach.

In this section, we will examine organizations' preparedness for tackling these challenges and offer best practices for success.

LEVERAGE SENIOR LEADERSHIP SUPPORT

Fortunately, among most organizations APQC surveyed, talent development is already a recognized priority for procurement (Figure 10).



Additionally, nearly 55 percent of chief procurement officers (CPOs) and procurement directors say they view training as an essential or high priority (Figure 11).

Priority CPO/Procurement Director Gives to Providing In-Depth Training for Staff



(Figure 11)

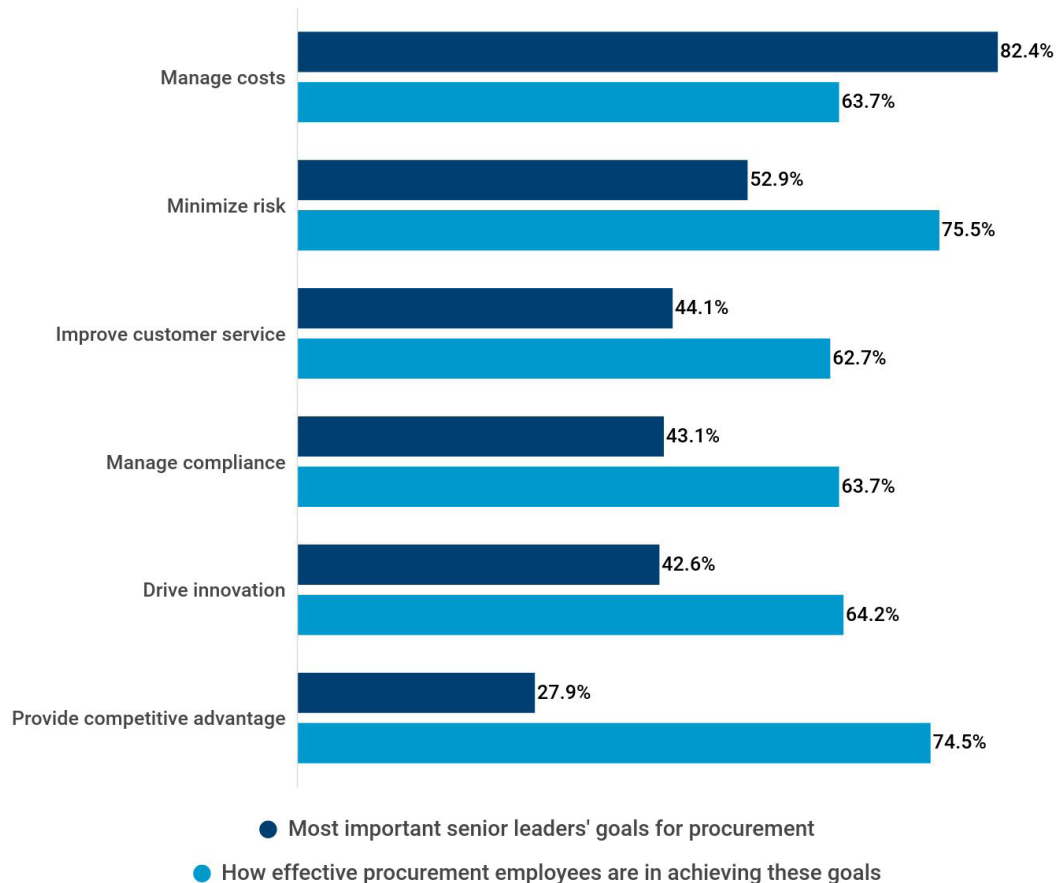
Clearly, there is leadership support for training and development within the procurement function. However, APQC's research reveals it may be misaligned with the expectations of executives. We asked respondents the following questions:

- // What are senior leaders' top three most important goals for procurement?
- // How effective are procurement employees at achieving these goals?

The results reveal that most senior leaders are still focused on costs and risks rather than the other benefits procurement can provide, such as competitive advantage and innovation (Figure 12).

Senior Leadership Goals vs. Effectiveness of Achieving Goals

(Figure 12)



Dawn Tiura, president and CEO of the Sourcing Industry Group (SIG), believes the best way for procurement leaders to get their executives to support their talent development plans is to change the conversation from costs and risks to value generation. “The APQC benchmark data shows just how conflicted organizations are; they all want to invest in training and education but then fall into the trap of having short-term and tactical actions on costs and risks...It can seem daunting to jump off the cliff to make large-scale investments in training and education across the board. I tell executives if they have limited budget, they should consider going deep in one area to get traction.

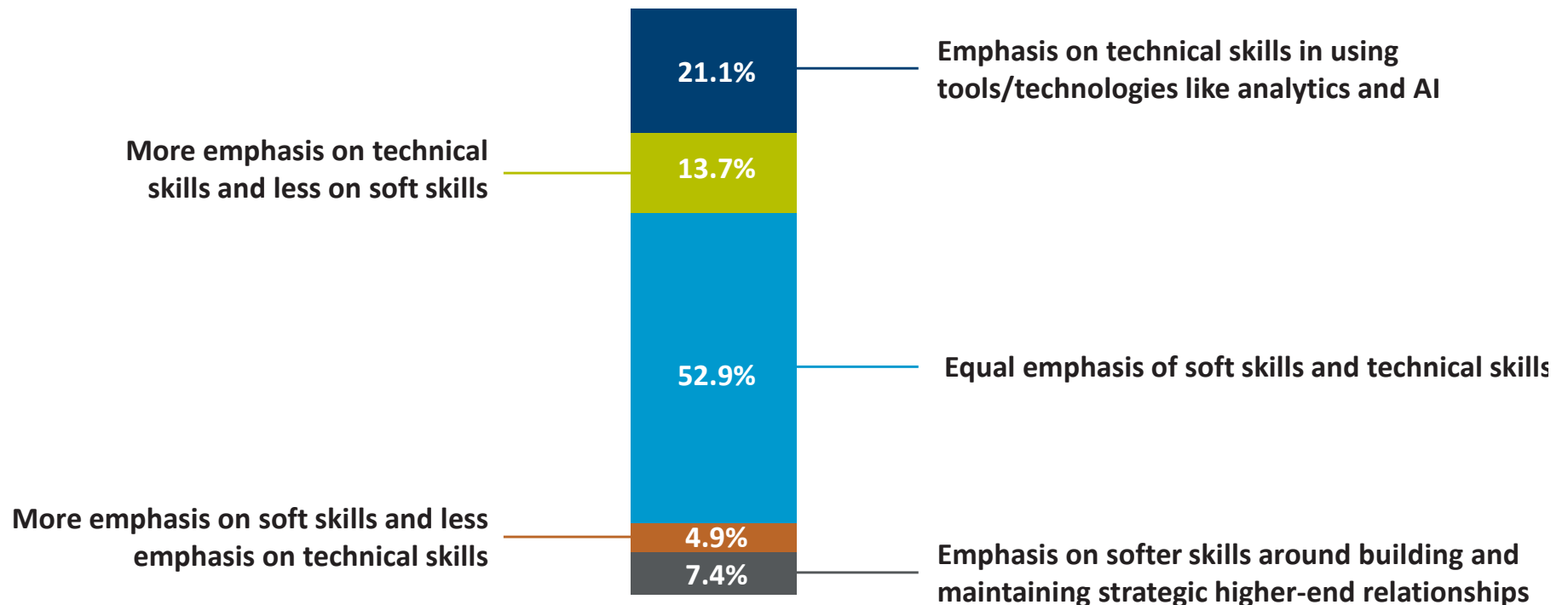
For example, start by getting smart on sourcing business models with the Certified Sourcing Professional (CSP), which anchors their certification around sourcing business model theory and augments it with more contemporary topics such as using artificial intelligence. After all, if you are fighting for precious training dollars, who can argue with making sure your team members are grounded in a basic foundation of which sourcing business is best for their situation.



REALIGN PROCUREMENT TALENT DEVELOPMENT WITH CRITICAL FUTURE SKILLS

Currently, 35 percent of organizations focus their procurement skills development approaches to a greater extent on technical, hard skills for non-management employees while only 12 percent are focusing more on soft skills development (Figure 13).

Emphasis of Procurement's Investment in Skills Development for Non-Management Employees

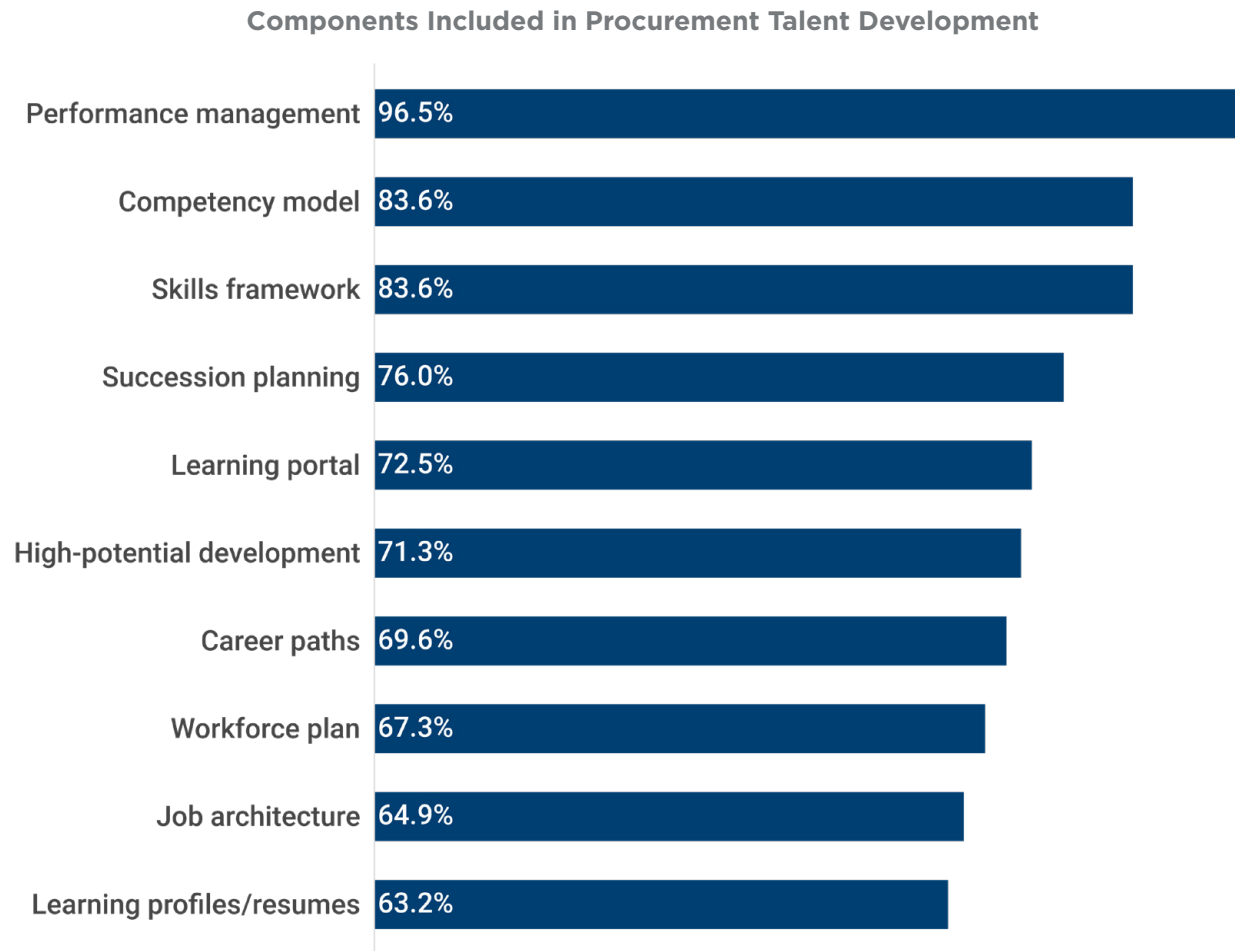


(Figure 13)

This is a distinct disconnect from the skills identified in the top 10 list, five of which were soft skills. Accordingly, many organizations will need to realign—and some will need to completely overhaul—their procurement talent development approach. In the next section, we'll discuss where procurement is getting talent development right and the biggest areas for improvement.

WHERE PROCUREMENT IS GETTING TALENT DEVELOPMENT RIGHT

Most procurement talent development programs include a strong mix of components to evaluate performance and present employees with clear development opportunities. A majority of organizations' procurement talent development programs include all of the major elements below (Figure 14).



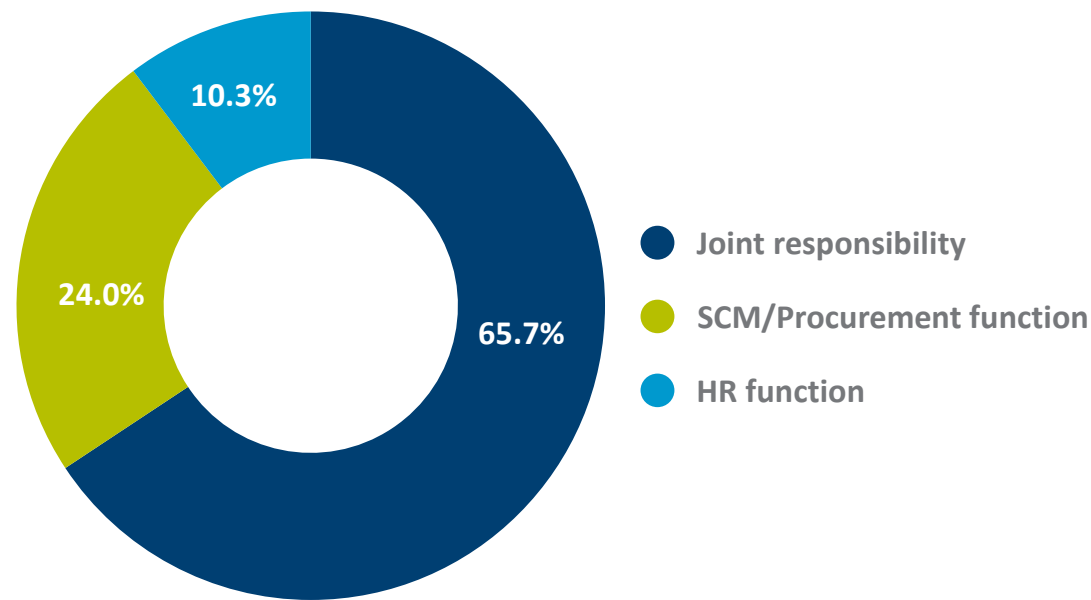
(Figure 14)

The data shows that a high percentage of companies have what appear to be comprehensive career development and capabilities development programs for procurement professionals. But based on our overall findings, we suspect that beneath the surface many of these programs may be incomplete, not integrated, or potentially outdated.

Moreover, the key skills these programs grow are often defined differently from company to company. Magnus Kuchler, partner for EY’s outsourcing advisor practice, explains. “Take for example Supplier Relationship Management. SRM is really just that—a concept—when it comes to what organizations are doing. For example, SRM at one company may be highly collaborative and strategic, but at another it may look more like “old school” supplier performance management. In a nutshell, most companies do have the tools to build procurement skills—but the question is whether they are using them effectively.”

Additionally, two-thirds of procurement teams partner with HR for procurement talent development (Figure 15). A strong partnership combines HR’s employee-centric support and direction with the function’s operational knowledge of necessary skills.

Who is Responsible for the Management of SCM/Procurement Talent Development?

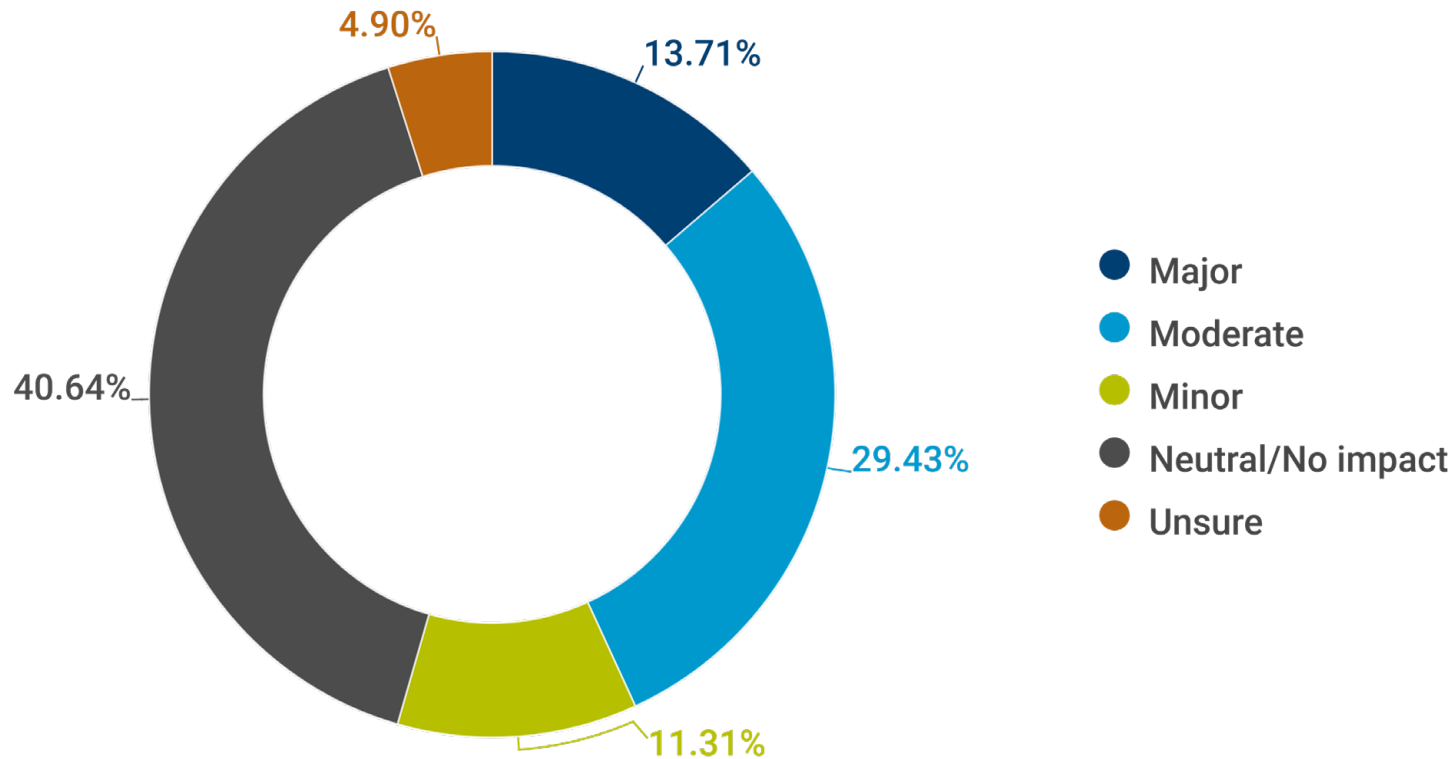


(Figure 15)

WHERE PROCUREMENT DEVELOPMENT FALLS SHORT

One of the biggest areas where procurement skills development approaches often fall short relates to credentials. Almost 41 percent of survey respondents indicated they saw only neutral or no impact from credentialing (Figure 16). Simply put, while credentials establish a baseline for procurement knowledge, they don't guarantee results.

Extent to Which Having a Credential Impacts a Procurement Employee's Effectiveness and Performance



(Figure 16)

Even though the impact may not be significant, credentialing is providing a role in educating procurement professionals as 54 percent of respondents did at least get some value from credentialing.

The largest credentialing programs come from the Institute of Supply Management (ISM), the American Production and Inventory Control Society (APICS), and the Council of Supply Chain Management Professionals (CSCMP):

// **CPSM:** Certified Professional in Supply Management® awarded by ISM

// **CSCP:** Certified Supply Chain Professional awarded by APICS

// **SCPro:** a three-level certification program awarded by CSCMP

Traditional credentials can help procurement professionals learn and stay abreast of the most current job-specific knowledge and skills. However, as evidenced by our top ten skills list, most in-demand procurement skills aren't job-specific. One procurement director APQC spoke with comments, "Of course, procurement professionals need to understand the economic side and be numerically savvy. Those sorts of things are covered in what's being provided in training today. But we need to do more to develop business ethics, writing skills, relationship management skills, and critical thinking."

The good news is, newer and more tailored certification programs are popping up to fill the gap found in more traditional certification programs. For example, the Sourcing Industry Group (SIG) offers three certifications through SIG University.

// **Certified Sourcing Professional (CSP)**, which anchors their certification around sourcing business model theory and augments it with more contemporary topics such as using artificial intelligence.

// **Certified Supplier Management Professional (CSMP)**, which closes the gap in supplier relationship management skills.

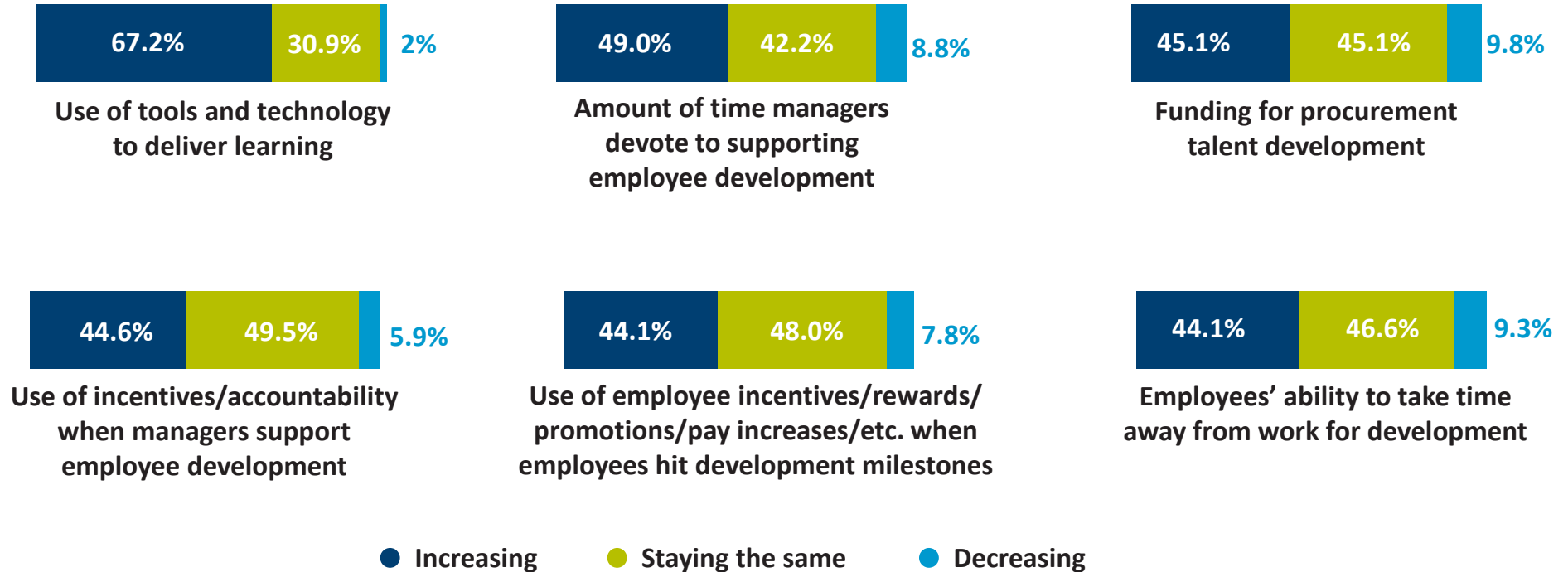
// **Certified Third Party Risk Management Professional (C3PRMP)**, which addresses how to mitigate and manage risk when working with suppliers.

Besides skills-related certifications, more innovative and hands-on approaches to teaching procurement skills are being developed that address the most desired skills. For example, NEVI (the Dutch Association for Purchasing Management) launched an interactive workshop-style course where procurement professionals can learn (and apply) sourcing business model theory in practice.

In addition, [*Contract Management Magazine*](#) has cited the University of Tennessee's Certified Deal Architect (CDA) Program for its innovative approach for teaching individuals the art, science and practice of creating strategic supplier relationships. As Vancouver Coastal Health's David Handley explains, "The beauty of the UT approach is that while you are learning about Vested and outcome-based contracts, the 'homework'—or term paper, if you will—results in a real buyer/supplier contract. You learn the theories and then have to put the theories into practice in real time." This approach echoes sentiments expressed by many [procurement leaders APQC spoke with](#), such as Igor Zenker, who said, "Ultimately, you need a combination of formal instruction and on-the-job learning to understand strategic sourcing...It's 50 percent studying and 50 percent application."

So, are organizations investing in these newer training programs designed to close some of the more critical skills gaps? The answer is: somewhat. Survey data shows 45 percent of organizations are planning on increasing investments for talent development. However, 45 percent plan on keeping investments at the same level and 9.8 percent expect funding to decrease (Figure 17).

Trends in Organizational Investment in Procurement Talent



(Figure 17)

Another significant finding relates to how training is delivered. A significant majority (67 percent) of those surveyed are planning to invest in tools and technology to deliver learning. One procurement leader we spoke with provides a word of caution to organizations looking to make the leap to online learning. “There are a lot of online courses, but are people actually getting real, meaningful, intelligent information? Or are you being given a framework you can paint by numbers? We don’t need people who have learned by rote. We need people who know how to think critically and creatively.”

But Executive Director of the Global Supply Chain Institute at the University of Tennessee Shay Scott points out that not all e-learning is “paint by numbers.” In fact, some online programs involve learning by doing and practical, real-life applications. Scott said, “Our impact-driven approach to learning is widely recognized by leading influencers such as *The Economist* magazine, which ranked our executive degree program #1 globally for relevance. The practical and applied nature of our programs can be seen in our Certified Deal Architect program. Procurement professionals are not just sitting in front of a screen learning a topic. Rather, the focus is to couple learnings from an online course with having people apply the learnings in real life.”

Another area where procurement has room to grow is in using job rotations. Only 34.8 percent of respondents in APQC’s research use job rotations outside of the procurement or supply chain function. Moving procurement employees out into the business—and moving people in the business into procurement—on a temporary basis offers significant potential. It can help procurement employees hone their business acumen and build relationships with internal stakeholders. It can also help the business better understand how procurement works and the value it delivers.



THE NEED IS NOW

The big-picture view of the current procurement talent landscape reinforces the need to develop talent—now. Many procurement teams are already struggling to recruit well-qualified external talent, especially for senior-level positions (Figure 18).



(Figure 18)

Note: Figure shows the percentage of respondents indicating very easy/easy to recruit employees at that level

The market for top procurement talent is highly competitive, so organizations need to offer competitive packages to attract qualified candidates. Of course, salary and benefits are a key part of that equation. But development opportunities are also important, especially for young and mid-career professionals seeking to grow their careers.

With talent hard to come by, this is an even bigger reason why organizations should invest in procurement talent management programs. Unfortunately, APQC found that more than half of organizations (56 percent) do not currently use their talent development program as a selling point to appeal to procurement professionals during recruitment. That's a huge missed opportunity and is likely contributing to turnover. Donna Massari, a director of strategic sourcing at JLL, explains, "The Millennial generation has a reputation for job hopping, and if they don't have a clear path to grow their careers in your organization, they'll simply go elsewhere."

PROCUREMENT AS A CAREER

Most organizational functions have clear career paths and multiple opportunities for people to find their place within their chosen profession. If you like numbers, you can study accounting, find an entry-level accounting position, earn your CPA, and work your way up to a public accountant, controller, or even CFO role. But with procurement, it's not so straightforward. adly, most newcomers enter the profession with backgrounds in general supply chain, business administration, finance, or accounting.

[Michael van Keulen](#) feels the frustration of retaining top talent and says that recruits often see procurement as a stepping stone to other jobs. “People like procurement because they get to be involved with a bunch of different, cool things, but then they leave and go do something else,” said van Keulen. When you consider the fact that procurement and sourcing courses are often a small piece of a broader degree program, it's no wonder young professionals get this impression.

Many of the procurement leaders we spoke with in researching this topic highlighted the need for procurement to be recognized as a profession. The question, of course, is how to get there. One way is to take the lead on developing real career paths, starting with formally recognized degree programs. While there are procurement-specific college degree programs, they are few and far between. NEVI (The Dutch Association for Purchasing Management), for example, works with universities in Holland to provide degree programs in procurement. However, for the most part, it is extremely rare to find universities offering a degree with a major in procurement or sourcing.

Some universities with strong supply chain programs are taking note of the need to develop skilled procurement professionals. Arizona State University and the University of Tennessee currently offer procurement courses as part of their supply chain management major. The University of Washington added a sourcing course to its Master of Supply Chain Management program in 2017. However, none of these universities currently offer a major in sourcing/procurement. Thomas Krull, professor of supply chain management at Arizona State University, is excited that ASU is stepping up to the plate and will be launching a formal BA in Business Administration with a procurement concentration next year.

The good news is, there is a roadmap. In the early 1990s, there were very few universities that offered courses or a degree in supply chain management. Today, it quite common for larger universities to offer a degree in supply chain management, and dozens of universities around the world now offer MBA concentrations or master's degrees in Supply Chain Management—and several even have full-fledged PhD programs.

But until universities step up, organizations will need to explore certification programs and other options to fill the talent gap. Rather than wait around for universities to embrace procurement as a legitimate profession, one procurement leader we spoke with recommends empowering your own team to advocate for the profession. She said, “We need all our procurement professionals to have that 90-second elevator speech that they can give to anyone, both within and outside the organization, about the value procurement can bring to the overall business. Basically, you have to do your work really well, demonstrate it, and talk about it, and people will start to change their views about procurement.”



CALL TO ACTION

New business realities including globalization, technological change, market volatility, and accelerating consumer demands have pushed procurement into the spotlight. But without the next generation of skilled professionals waiting in the wings, procurement's time in the limelight may be met with rotten tomatoes rather than roses. Expectations for procurement's performance are high and growing higher. Are your understudies prepared to take center stage when you exit? For many procurement leaders, the current answer is a resounding "No."

Procurement leaders must act quickly to develop the next generation of procurement talent. They should use all tools at their disposal, including certification programs and online trainings, but must also understand that a lot of this work must be done in-house. Many in-demand skills—like business ethics, communication, relationship building, and critical thinking—take time to develop and are impossible to fully acquire without real-life, practical experience. Procurement newcomers need to observe skilled negotiators and thoughtful decision makers. They need guidance and mentorship from leaders who care about their future and the future of the profession. Perhaps most of all, they need defined career paths and clear opportunities to hone their skills.

Ultimately, the development of next-generation procurement talent requires an ensemble cast. Procurement leaders have a crucial role to play, but so too do senior executives (who control the talent development budget) and HR (who controls the talent development strategy). Professional associations and certification programs have a major part in this as well, although some leaders we spoke with recommended they re-interpret their role to deliver more brief, tailored, and in-house trainings. And while many universities are not quite ready to join this cast, leaders should consider reaching out to them to convey the need and help shape the role higher education will play for the next generation of procurement professionals.

ABOUT THIS RESEARCH

APQC's supply chain management senior principal research lead, Marisa Brown, conducted this research in conjunction with subject matter experts Kate Vitasek, Bonnie Keith, and Emmanuel Cambresy. Kate Vitasek is Faculty, Graduate and Executive Education at the University of Tennessee and founder of the Vested® sourcing business model. Bonnie Keith is the founder and president of The Forefront Group and co-author with Vitasek on the book *Strategic Sourcing in the New Economy: Harnessing the Potential of Sourcing Business Models for Modern Procurement*. Emmanuel Cambresy is founder, strategic advisor, and managing director at Wezard, a boutique advisory firm specializing in helping organizations develop procurement skills and processes to foster collaboration and innovation with their suppliers.

ABOUT APQC

APQC helps organizations work smarter, faster and with greater confidence. It is the world's foremost authority in benchmarking, best practices, process and performance improvement, and knowledge management. APQC's unique structure as a member-based nonprofit makes it a differentiator in the marketplace. APQC partners with more than 500 member organizations worldwide in all industries. With more than 40 years of experience, APQC remains the world's leader in transforming organizations. Visit us at www.apqc.org, and learn how you can make best practices your practices.



www.apqc.org | US: 1.800.776.9676 | INTL: +1.713.681.4020