

Six Critical Skills for Procurement to Succeed in a Digital World

By Amy Fong and Laura Gibbons

Executive Summary

World-class procurement organizations have higher-caliber people who apply their skills more effectively. In fact, they are able to get better results with 29% fewer (but higher-paid) FTEs per billion dollars of spend. Not only are digital technologies changing the job descriptions for procurement, they are also changing the way organizations hire and retain talent. The Hackett Group has identified six skills that are crucial for today's procurement workforce:

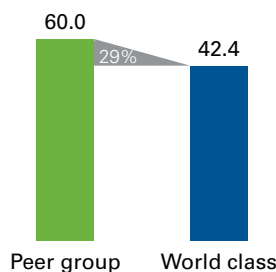
- Business acumen
- Relationship management
- Supply risk management expertise
- Strategic mindset
- Data analysis and modeling
- Savings and financial analysis

World-Class Organizations Have Higher-Caliber People Who Apply Their Skills More Effectively

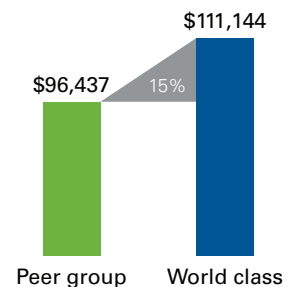
This is a unique time for procurement organizations. Never before have companies been able to derive more competitive advantage from superior procurement capability. The function's role is shifting from a sourcing gatekeeper to a provider of insight and decision support, made possible by improved access to digital technologies, data and advanced analytics. World-class procurement organizations consistently get better results with 29% fewer (but higher-paid) FTEs per billion dollars of spend (Fig. 1).

FIG. 1 Procurement staffing

Number of FTEs per \$US billion of spend



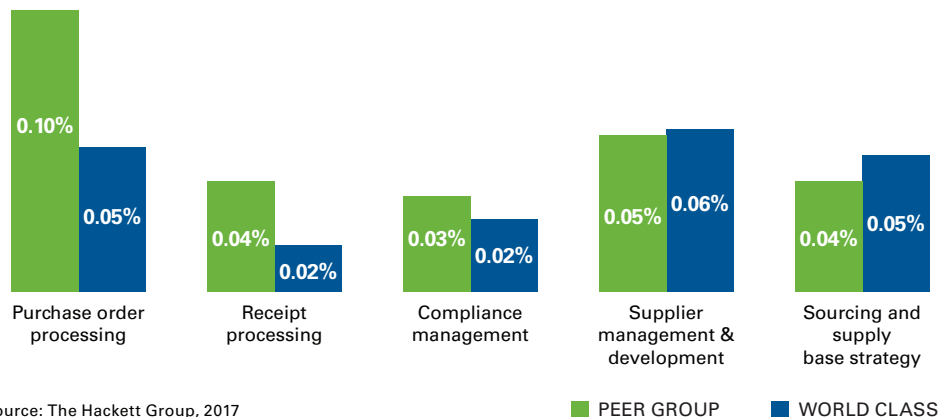
Average fully loaded wage rate



Source: The Hackett Group, 2017

Investments in automation have helped make these organizations more efficient, allowing them to redirect headcount from compliance and operations-focused processes to higher-value activities such as sourcing and supply base strategy (Fig. 2). But this is only the part of the story. World-class groups achieve their superior performance because they have higher-caliber people who apply their skills to effectively harness digital technologies and capabilities.

FIG. 2 Process costs as a percentage of spend



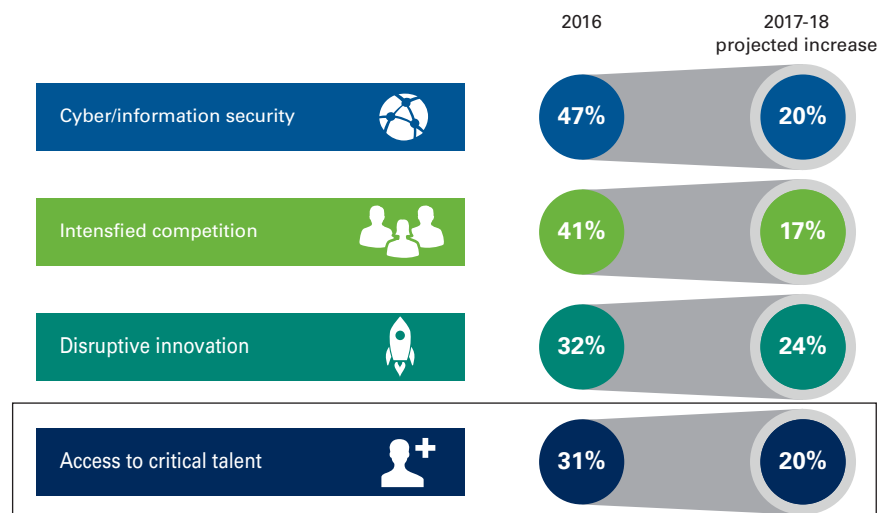
Source: The Hackett Group, 2017

100%

All respondents to our 2017 Key Issues Study expect attracting and retaining high-caliber talent will be more difficult in the digital age.

World-class procurement organizations attract the best people because they do a better job of hiring, managing and retaining them. However, 100% of respondents to our 2017 Key Issues Study expect attraction and retention of high-caliber talent will be more difficult in the digital age. Further, 31% believe access to critical talent is an area of high risk and expect that risk to grow by 20% by the end of 2018 (Fig. 3). One of the more challenging issues facing procurement organizations is finding enough qualified candidates with the skills required to support the function as it adds higher-value activities to its service portfolio, such as business acumen, strategic thinking, and the ability to navigate current digital capabilities. These needs should shape training for specific roles and take precedence over generic types of learning and development.

FIG. 3 Percentage of companies ranking issues as “high risk”



Source: Key Issues Study, The Hackett Group, 2017

The Digitally Enabled Workforce Requires Six Key Skills

Effective procurement teams focus on people development from multiple points of view. Softer skills like relationship management and business acumen are important for managing customer relationships, while technical skills are necessary for analyzing data and developing strategic insights. The following skills are fundamental to the operations of procurement organizations in the digital era.

1. Business acumen

As economic volatility increases, category managers need to sit side by side with their stakeholders to make business decisions that impact the supply base. It is crucial to understand complex business needs and be able to identify ways for procurement to address them using new technologies. Business acumen is fundamental to elevating procurement's role as a trusted advisor.



Individuals with strong business acumen . . .

- Understand how key business drivers relate to each other and are impacted by competing courses of actions.
- Have deep knowledge of factors, priorities, and demands that influence business decisions.
- Are experts in identifying problems, prioritizing alternatives and implementing solutions.
- Understand interdependencies between business functions.
- Are able to manage and remain flexible amid shifting circumstances.
- Adjust to the short- and long-term trade-offs of business decisions.



Business acumen: How to build it

- **Learn finance and operations basics:** Courses in cost accounting and finance or operations can matter a lot; an MBA is not necessary to absorb the basics.
- **Take job rotations:** Moving through different parts of a business exposes people to different perspectives and goals.
- **Monitor industry research:** Pay attention to the company's industry and markets, following the news on competitors and substitutes.
- **Spend time in one company/industry:** In some cases, there's simply no shortcut; time in an industry or company builds understanding of the business as well as credibility.

2. Relationship management

Evolving the value of procurement requires working cross-functionally with a variety of stakeholders, from senior budget owners to line managers, as well as being a customer of choice and partnering with valuable suppliers. Procurement should have multiple communication channels open with business partners and customers to fully understand their needs.



Individuals with strong relationship management skills . . .

- Treat individuals from all levels of the organization with courtesy.
- Meet with others and listen to their perspective on business issues.
- Interact with internal and external peers to positively influence decisions.
- Are approachable even when resolving highly sensitive and complex issues.
- Build strong relationships with senior leadership.



Relationship management: How to build it

- **Listening, learning and caring:** Building collaborative relationships and trying to understand to the perspectives of others is fundamental to finding better solutions.
- **Embrace diversity:** Make an effort to interact with people from around the organization.
- **Check subtle cues:** Soft cues like body language and tone matter more than words.
- **Be approachable:** Be open to others and make the effort to connect with them.

3. Supply risk management expertise

In a market of increased risk and volatility, risk management capabilities are more valuable to the enterprise. For procurement, this no longer means simply reacting to events – now the focus is on predicting and avoiding risk using internal and external tools.



Individuals with strong risk management skills . . .

- Are considered an expert in assessing and prioritizing business and category-specific risks.
- Develop templates and frameworks to measure, prioritize and address risk.
- Lead others in the development of risk mitigation plans for high-priority drivers.
- Adopt emerging technologies like advanced analytics and cognitive tools to better assess, monitor and mitigate risk factors to the business.



Risk management: How to build it

- **Know industry risk factors:** Different industries and even different competitors within the same industry need to prioritize different risks. Understand the risks, and watch them over time.
- **Include risk in category plans:** Category managers should have a documented assessment of risks for each category. Research risk tools and methods to understand where to start.
- **Read up on risk:** White papers, books and articles published on managing supply risk and corporate risk are key to understanding the topic. This is a complicated area, but researching case studies and expert recommendations can provide an advantage.
- **Pay attention to technology developments:** Interesting things are being done with cognitive tools in supply base information management. Watch the market and be prepared to adopt to technologies as they arise.

4. Strategic mindset

Understanding the broader market and aligning procurement's vision with that of the business is fundamental to navigating change and extracting value from the supply base.



Individuals with a strategic mindset . . .

- Are experts at developing strategic frameworks and setting a vision for the organization.
- Serve as a resource to advise others.
- Effect change through formulation and implementation of objectives and priorities.
- Are able to lead a strategic planning team to address major challenges and outline a future direction for the organization.



Strategic mindset: How to build it

- **Learn about corporate strategy:** Corporate strategy methods and toolkits can easily be found online and can enrich strategic thinking skills.
- **Understand the business:** Studying the strategy as well as the objectives, risks and opportunities faced by the enterprise sets the foundation for better decisions.
- **Be a leader:** Leadership skills can be acquired through courses, books, online videos or even by taking on leadership roles at nonprofits or volunteer organizations.

5. Data analysis and reporting

Big data will change the way procurement organizations use information. Those able to sort through the data and draw the right conclusions have the potential to add value to the organization. The tools are available today, but it will take years for widespread adoption, making analytics a prime vehicle for competitive advantage for early adopters.



Individuals with strong data analysis and reporting skills . . .

- Possess expert ability to process data and synthesize many sources to extract relevant information.
- Have deep knowledge of analytical tools and methodologies.
- Design training programs for data development and analytics as a means of supporting organizational needs.
- Are able to query complex data sets and derive conclusions, as well as translate disparate analyses into actionable business plans.
- Can think mathematically and model complex problems using the latest statistical tools.
- Support all hypotheses and recommendations with relevant data.



Data analysis and reporting: How to build it

- **Train on the latest analytics tools:** Learning how to use data visualization tools can help procurement communicate more effectively with management about complex issues.
- **Start with a spend cube (or spend analysis):** Think through different ways to look at the data, ask questions and use visualization tools on top of the raw data to report to stakeholders.
- **Learn from the best:** Listen to webcasts and attend demonstrations of new technology to learn how the most successful procurement organizations use advanced analytics tools.

6. Savings and financial analysis

Tying savings and value benefits to financial statements documents the business value contributed by the procurement organization and drives profitability. Identifying direct procurement impact on the budget can be elusive but critical.



Individuals with strong savings and financial analysis skills . . .

- Translate the impact of spend, savings and value improvements on the P&L statement.
- Develop creative new tools to track, measure and forecast the results of savings and delivery of broader value.
- Share expertise with the sourcing team and finance department to guide projects.
- Analyze suppliers' financial statements for insights that will benefit the procurement organization and overall company.



Savings and financial analysis: How to build it

- **Visit the finance organization:** Understanding the tools the finance department uses to manage P&Ls or cost accounting can help procurement calculate its own contribution to the bottom line. A rotational position through finance can be ideal for procurement staff, but even meeting to ask questions is a good start.
- **Take a class:** Online classes can be taken on an individual basis or as groups within the procurement organization. MOOCs, for example, make professional training available to everyone.
- **Lead a project:** Most procurement organizations struggle with showing how savings hit the bottom line. Take the initiative to work with budget owners and finance to improve procurement's tracking process.

Digital Technologies Are Changing the Way Organizations Hire and Retain Talent

Access to new technology makes it possible to hire more effectively. By analyzing demographics, job experience, recruiting data (like quality of resume) and environmental data, organizations can increase the effectiveness of new hires.

Even the culture of procurement groups is changing now that hiring standards have risen. Social media has provided new channels for knowledge and learning. Learning on demand is a common service delivered to employees, allowing access to training modules or experts from their preferred devices. Joining networks of colleagues and outside communities to tap into knowledge and solutions to problems is common with tools like LinkedIn.

Strategic Implications

It is getting harder to find and retain people with transformation change experience and the ability to think strategically. Unfortunately, procurement's hiring practices, training and skills have not kept pace. To compete, they must not let themselves be limited by organizational or geographical borders. By hiring globally, procurement deepens the potential talent pool and opens the door to new ways of thinking.

Next-generation procurement organizations are "borderless," allowing for the free flow of ideas and talent regardless of geography. Leadership is distributed based on supply and customer priorities, not headquarter location. The model that procurement must work toward is one that is capable of expanding, contracting and adapting rapidly as situations change, just like modern-day supply chains.

About the Advisors

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Ms. Gibbons has industry and consulting experience in areas such as purchase-to-pay, strategic sourcing, payment strategies, manufacturing operations, economic impact analysis, and organizational and process design. She previously worked in The Hackett Group's Strategy & Operations consulting practice, where she specialized in sourcing, procurement and supply chain. Before joining The Hackett Group, Ms. Gibbons served as Strategy & Operations Associate at Groupon.

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Ms. Fong has 20 years of experience in industry and consulting with a focus on procurement, supply chain and organizational effectiveness. She helps business leaders improve source-to-pay processes, manage complex supply chain partnerships and mature their organization's service delivery model. She also performs primary research in source-to-pay and operations and is the author of a number of publications on these and other topics.

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