

Business Briefing**Skilled people are key in low-cost sourcing****Taking advantage of sourcing from low-cost regions depends on having the right kind of specialist talent on board, says Richard McIntosh**

There is no doubt that Low Cost Country Sourcing (LCCS) can deliver the procurement savings needed to make an impact on a company's bottom line. But the complexities, challenges and risks involved must be properly managed, and this requires talented people.

In a recent study by McKinsey, 47 per cent of organisations said their top challenge in the next five years was that the fight for talent will intensify and become more global.

Across the entire LCCS spectrum from an organisation considering its first shift in sourcing to mature organisations expanding their existing international procurement offices, the key success factor is a scarcity of procurement talent.

Individuals with a combination of the right procurement skills and experience become even scarcer when a requirement for the cultural understanding needed to manage local resources, specialised communication skills and international mobility are added. An index of LCCS talent could provide a key barometer for the future for all international organisations.

However, you can succeed in LCCS by taking a good look at your sourcing talent. Here are some tips.

1. Find and secure the best talent

Emerging markets are producing a surplus of young talent, graduating more than twice the number of university-educated professionals as the developed

world. But issues remain on quality, language skills and, crucially, the ability to operate within an the kind of team environment required by international organisations.

Finding quality candidates requires expertise. Successful organisations are leveraging recruitment providers who can access the best talent, whether through their own networks or through techniques such as executive search. The lack of loyalty shown to employers in countries such as China means that existing employees are accessible to recruiters. But the competition is high and candidates are driving up salaries.

2. Use interim managers to provide immediate capability

A high quality procurement interim manager can provide immediate capability and there is increasing demand for experienced interims able to deliver LCCS projects.

Skills and experience in specific regions and categories can be leveraged with the flexibility that an interim provides. It means resource can be switched on and off to suit initiatives. Exactly the right skillset can be brought in to suit the lifecycle of the project, whether it is sourcing, negotiation, supplier sustainability and ethical audit, logistics or supplier relationship management.

3. Outsourcing to an LCCS specialist

There is an increasing trend towards the outsourcing of LCCS, both from organisations beginning their LCCS journey and those looking to source elements of their spend portfolio in the emerging frontiers.

But the focus is shifting to newer frontiers and becoming increasingly segmented - brass components from India and garment manufacture from Vietnam, for example – while specialisations are also emerging in Africa, South America and Eastern Europe.

By its very nature LCCS is a shifting environment. By some measures China can no longer be considered a low-cost country, with rising costs through factors such as salaries and changes to VAT which have increased the price of previously subsidised raw materials.

4. Talent management – develop your own capability

Interim management or outsourcing can offer ideal entry points to LCCS, but a long-term plan to develop capability from within should be implemented in parallel.

Ideally this involves the development of people in the home organisation becoming expert in international procurement while, at the same time, resources in the low-cost regions can be developed as procurement professionals.

The identification of suitable resources within the home organisation based on a program of exposure to international sourcing, secondment to IPOs and a personal development plan designed to equip an individual with the skills to operate in this environment, can build the international exposure, particularly at a senior level.

5. Maintain an international talent bank

With the right talent so hard to find, and with high employee turnover, particularly in the current “hot” regions such as Shanghai where demand is far outstripping supply, it makes sense to build and maintain a talent bank of suitable resources -- a pool of talent kept warm and connected to your organisation.

A single recruitment exercise can provide many candidates for the talent bank, and this can be continually topped up with new interest.

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