White Paper: Mind the Gap – What’s stopping you delivering your business strategy?
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The needs of businesses are changing and changing fast, this can cause a gap between the stated strategy of the business and the ability to achieve it. Before implementing any strategy, organisations need to analyse and understand if they have the talent and skills to deliver it. This means management have to look to the future. They have to pose and answer the question: “What do I have to do to ensure we are equipped to deal with the future needs of the organisation? - How do we ensure best value through the business?”

One area that’s increasingly looked at is the use of best practice procurement skills to unlock the value in the supply chain. Procurement professionals are well placed to identify and implement cost and value improvement because of their unique position in the organisation. Their relationship with operations functions, business stakeholders and external suppliers gives them visibility from the end customer through to the suppliers that support them. Understanding the cost and demand drivers in this chain is an important step in being able to influence them. This is why Procurement leaders set targets for these skills in their competency frameworks.

“However, a recent survey carried out by ADR International revealed that 75% of procurement and supply chain professionals do not have the right skills profile to meet their organisation’s requirement”

So why is this happening, what are the skills gaps and the consequences of ignoring them?

The ADR survey revealed a number of key reasons; let’s look at the main ones;

1. Lack of consistency

Mergers, restructures and decentralised strategies mean that business processes are often a hotch potch of approaches. Procurement is no different, with varying ways of working depending on location, business unit or personal preference. If we are going to ask our people to perform to a certain standard of competency, we have to provide them the tools to do this. Such tools include consistent sourcing processes, supplier relationship management frameworks and forums to learn from each other.

“Without tools, the smart procurement professional improvises and can unwittingly allow value leakage”

2. Reduced skills investment

“Many procurement professionals surveyed felt that the skills of supplier sales professionals are constantly improving”

Perhaps this perception exists because organisations are investing less on procurement training than sales training. This mismatch creates a challenge for the sourcing manager who is facing a difficult negotiation with a counterpart using the latest techniques in persuasion. Skills like negotiation need to be refreshed regularly to be effective.
3. Ineffective supplier relationship management

Many organizations have made use of supplier rationalization programs and partnership style relationships with suppliers, resulting in a more compact supply base and less competitive bidding. This can achieve a more focused and committed supply base. Without a focused supplier relationship management program, it can also result in constricting competition, limiting innovation or neglecting competition as a tool to drive value improvement.

“Without a focused relationship management program, supplier complacency can set in”

4. Short term focus

Procurement professionals are often tasked with finding value improvements that can be realised quickly. The Procurement Leader must have a longer-term focus in their talent strategy. Many competency frameworks define skills needs based only on today’s business challenges, but they need to also accommodate future business needs. This supports succession planning and allows time to grow the skills needed for the next challenge.

“Future skills needs should be assessed, as well as current needs”

What were the skills gaps identified?

Only 24% of respondents in ADR’s Development Needs Analysis skills assessment tool considered themselves to have advanced or expert negotiation skills. This is a contrast with the requirements of the Procurement Leaders in the organizations surveyed, who expected negotiation skills to be at the advanced level for their sourcing people. The topics that participants responded to included procurement-specific areas like planning for supplier negotiation and also supporting behaviors like listening, questioning and awareness of non-verbal indicators.

87% of respondents self-assessed their skills in managing competition as lower than advanced level. This competency covers competitive bidding and business skills like project management and influencing.

Overall the most under-developed skills in procurement were financial analysis and risk management. Participant results here averaged 55% compared to the Procurement leaders’ expectation of 60 to 80% for this competency.

Competencies where participants self-assessed their skills higher than their targeted proficiency level were business needs analysis, stakeholder engagement and supply chain management. This is a very positive result given the importance of integration, both internally with stakeholders and externally with the supply chain, to drive value improvement.

What are the consequence of ignoring these gaps?

Negotiation is relevant to every aspect of the supply manager’s role. Supplier negotiation occurs during post-tender discussions, contract negotiations, and performance improvement planning. The topics being negotiated include not only cost but also quality, service and innovation. As Procurement leaders are seeking more value from their people, it is essential that professionals are highly skilled in identifying sources of value and securing agreement with suppliers to deliver it. Failure to do so could mean that suppliers focus their attention on more interesting customers.

“Negotiation skills were 15% lower in 2014 than they were in 2009”

Managing competition is one of the core skills of the procurement professional. Yet skills results in this area have reduced by 13% since 2009. If this trend is not reversed we could see reduced benefits from competitive like poor market intelligence, lost cost expertise, and a lack of supplier innovation.

Poor financial and risk analysis skills expose the organisation to potential supply failure and unnecessary cost. There are also reputational and legal implications if organizational codes of conduct have been breached.

The survey approach

ADR’s benchmarking study covers how global procurement practitioners rate their own professional skills. The data was collected from completed self-assessment questionnaires using ADR’s proprietary Development Needs Analysis (ADR DNA) tool. ADR DNA has been used by over 10,000 Procurement and Supply Chain professionals from 53 countries; with supplier management, strategic sourcing and supply chain management roles all represented. This report relates to ADR DNA participants between 2009 and 2014.
Why are the findings relevant?

The findings remind us that procurement skills needs should be well defined by Procurement Leaders because the gaps include many behavioral skills (like influencing) as well as functional skills (like financial analysis). They also show that competency frameworks must reflect current and future business needs to support the business strategy. Also, that skills need to be continually refreshed to remain current and superior to supplier skills.

“Behavioral skills are just as important as functional skills for the procurement professional”

Case Studies

Weetabix used ADR DNA to support their Procurement transformation. A detailed competency framework was devised and ADR DNA helped to identify skills gaps and strengths. Targeted learning interventions including classroom training and coaching were used to enhance team performance. This increased supplier innovation as a result of better influencing skills and collaborative techniques. The team can now use more sustainable learning approaches like eLearning and peer to peer learning.

HSBC conducted a comprehensive skills assessment using ADR DNA across 300 global procurement professionals in 5 languages. The results were analysed to support their talent management program. It was the first time that the organization had standardised role definitions across the international procurement department. This makes it easier for buyers to move between job roles, and effective succession planning also helps employee satisfaction.

What is ADR DNA?

The ADR DNA skills assessment tool helps both global and local organizations to understand the strengths and weaknesses of its procurement and supply practitioners’ skills using online customized assessments that cover different procurement competencies. These competencies include over 50 procurement and business activities such as cost modeling, stakeholder engagement, contracting, strategic sourcing, supplier management and negotiation.

The ADR DNA online self-assessment questionnaire consists of a series of questions that asks procurement professionals about their actual daily thinking, practices and behaviors in order to provide a self-assessment. The self-assessment is therefore not a subjective view of the procurement professional’s perception of their skills, but an objective rating of their current ways of working compared to world class category management, sourcing, negotiation and supplier relationship management processes and practices. The practitioners whose views are represented in this report were all invited to complete the ADR DNA online self-assessment questionnaire by their organization as part of a blended-learning talent development program or as part of a corporate procurement academy, supported by ADR.

DNA skills assessments are completed online in confidence and results are available to the individual participant as a personal development plan. Individual company skills data is never shared outside of the organization. Participants’ consent to their anonymized, aggregate data being used for benchmarking purposes.

The report is compiled by ADR International. ADR International is a specialist procurement consultancy providing training and development programs, diagnostic and advisory services and sourcing from its 9 global locations.

Over the past 30 years, ADR has provided expertise to over 600 of the world’s leading organizations in the private and public sectors in over 60 countries.

For more information on DNA please go to:
http://www.adr-international.com/services/learning/adr-dna®-development-needs-analysis