



Procurement and Capability Development

Nick Ralphs founder of DevelopMyTeam shares his views on Procurements need for enhanced capability development

Development - the process in which someone or something grows or changes and becomes more advanced.

Focussing on developing capability and skills at a team or an individual level takes focus and effort. This is as true in Procurement as it is more broadly across an organisation.

The challenge becomes greater still when building capability requires financial investment.

Articulating the direct ROI on developing greater digital or supplier management skills etc. is not easy. This difficulty is amongst the reasons required capability often isn't built.

This lack of focus on development explains in part at least why the latest Deloitte Global CPO report revealed that "the confidence level among CPOs on the ability of procurement teams to deliver on strategy has slipped from 49% last year to 46% this year."

Does it matter if Procurement's capability is sub-optimal?

The question is conclusively answered by Hackett's 2020 procurement benchmark analysis which concluded that "world-class procurement functions deliver 85% higher cost reduction savings, operate at a 20% lower cost, and run with 28% fewer full-time equivalents (FTEs). As a result, they achieve a 2.2 times higher return on investment than their peers and are five times more likely to be viewed as a valued business partner."

Not every procurement team will aspire to be or need to be world-class. However, this conclusion demonstrates the prize for improving and providing the organisation what they need from the procurement function.

WHERE ARE WE NOW?

There is a level of development within the profession.

There are procurement-training providers and CIPs type accreditations are well established.

There is a base and of course, there are some impressive leading-edge world-class examples of procurement teams and procurement practitioners. However, the approach to develop both for procurement teams as entities and individuals within them is often adhoc. The result can be seen in many reputable reports and surveys such as the recent Hackett Group's Digital Skills Poll, where only 17% of procurement executives said they have most of the new skills needed today and are well-positioned to anticipate and respond to future needs.

This is clearly a critical state that would need improving at any time. Given the rate of change, we are seeing now particularly around digital and data the need to improve is greater now than ever. It is unlikely to reduce either as a World Economic Forum reported that in general, the proportion of core skills required to perform a job will shift by 42% between 2018 and 2022. Furthermore, at least 54% of all employees will require significant reskilling and upskilling by 2022.

PROCUREMENT NEEDS AN IDENTITY TO START PLANNING DEVELOPMENT

In a number of instances, procurement is still working out its identity and raison d'être. Until that is defined it is difficult to establish what capability is required from a team. In particular, there is a need to recognize that different organisations can need entirely different things so there is a need for flexibility in thinking.

For instance, the risk appetite in a highly regulated industry vs one that has little regulation will be very different. That in turn will need different levels of risk related skills from procurement practitioners. It also means that a generic one size fits all approach can meet resistance as the rest of the organization struggles to understand when and where procurement fits in.

UNDERSTANDING THE NEEDS OF EACH INDIVIDUAL ORGANISATION IS KEY

What is required in the pursuit of capability development is; understand exactly where our organisation needs us to be and assess ourselves very honestly against that need.

A key part of that process is to understand what an organisation needs from Procurement and how does Procurement as a team get better at providing those needs.

Understanding the need drives a move away from generic benchmarking that shows where the team is in a functional bubble. In general, Procurement should have an awareness of good practice and developing technologies. However, a particular organization won't necessarily need to be at the cutting edge of all procurement elements. Where we are versus another procurement team in another organisation doesn't matter to the majority of our organisation. They are interested in what value we bring for them.

Having established the organisation's requirements we can then be effective in planning our development. That development needs to be on 2 levels. Using the dictionary definition we need to pay attention to the team as an entity in its own right (something) and the individuals within the team (the someone)

When we ask ourselves where should we be we might not know the answer. We don't have the base to build our development plan from. To find the answer the team's leadership in particular needs to "walkabout" and understand the organisational culture and strategy. With that knowledge comes a clear understanding of what is required from the procurement offering.

That's at the team level but that same understanding should be used to establish competencies at every role type we have in our teams.

If there is a deep understanding of current position versus required positions at a team and individual level the effectiveness of our development planning will increase significantly.

Being prepared to get to this position requires leaders who are comfortable with accurate self-analysis and are prepared to face up to and improve the areas where the team is not as strong as needed. Equally importantly this readiness to accept a 360-degree analysis is required from the individuals within a team. It must be seen as a genuine base for development; if there is a defensiveness or inability to accept feedback there is the potential for more harm than good arising.

Successful teams will be open to feedback and have a desire to see an increase in performance at the individual and team level. The more procurement teams we have with that mindset the more the professions reputation and contribution will increase.

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