

# Talent: The Future Supply Chain's Missing Link

*Time to Rethink Strategies?*

8/13/2013

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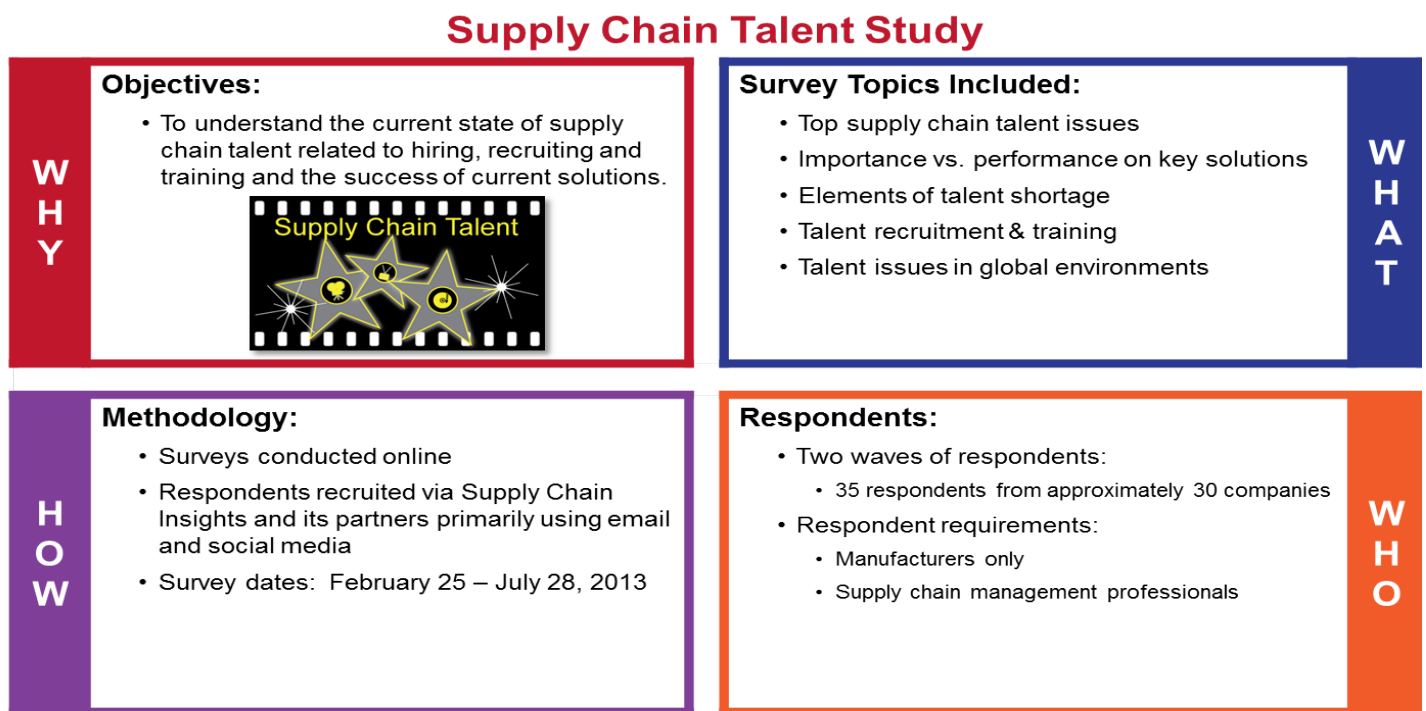
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# Research

In the next decade, talent will be the missing link in the supply chain. While companies today are active in college recruiting and mentoring high-performance talent, many are unaware of the sea change that is happening in talent management. This report is designed to help.

The recommendations in this report are based on survey data conducted online among manufacturers during the period of February-July 2013. The quantitative analysis is augmented by interviews with manufacturers and retailers. The overview of this study is shared in figure 1. For more detailed respondent demographics, reference the additional charts in the Appendix section at the end of this report.

Figure 1. Overview of the Supply Chain Insights Supply Chain Talent Study



Source: Supply Chain Insights LLC, Talent (Feb - July 2013)

# Disclosure

This report was solely funded by Supply Chain Insights. The analysis is an independent and objective read of the current market on supply chain talent.

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## Executive Overview

No supply chain leader will debate the importance of supply chain talent; they know that it is critical. Yet, we find that most companies are unaware of the current state and the criticality of immediate supply chain talent issues.<sup>i</sup>

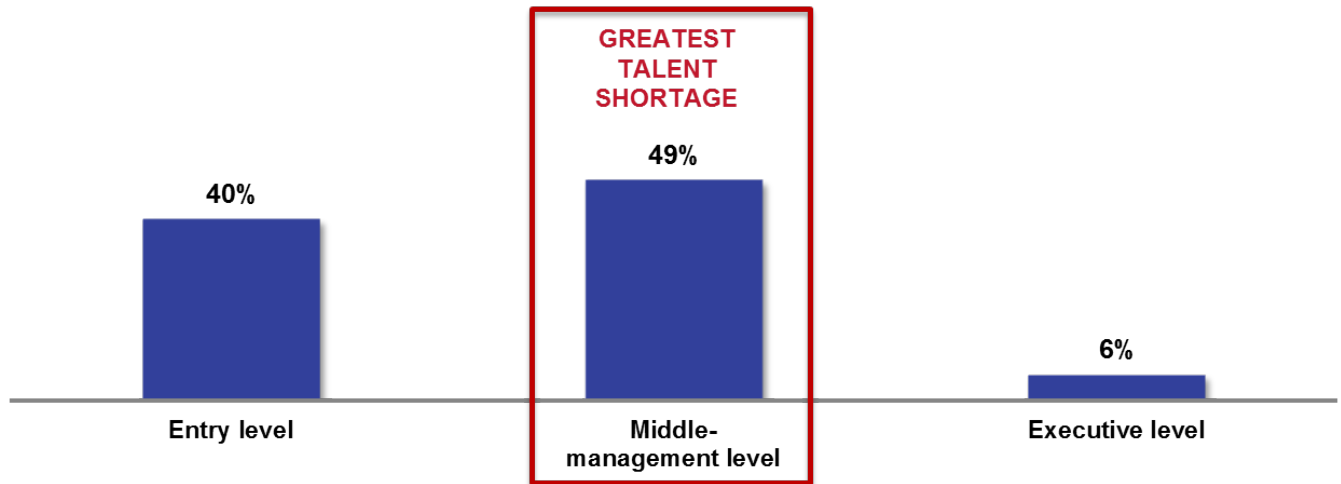
It is the dawn of a new era. Much to their chagrin, when companies go to the market to recruit, they are finding that the competition for supply chain talent has never been tougher. They simply are not able to find supply chain talent to backfill critical jobs.

In our study, we find five high-level findings that should be “*stay awake issues*” for the supply chain leader.

1. **Opportunity for Improvement.** In this study, more companies rate themselves as worse than their peer group in managing supply chain talent. The ratio is 2:1. In the study, when companies were asked to self-assess their capabilities to manage supply chain talent, 17% self-rated that they perform better than their peer group while 34% reported that they do worse than their peers.
2. **High Turnover.** There is currently a 15% turnover of supply chain employees. We believe it is increasing. In the study, 46% of companies attempt to hire from within the company and 17% fill roles primarily through recruiting talent from other companies.
3. **Shortage of Talent.** It is not easy to fill an open position in the open market for supply chain management due to current dynamics of demand and supply. The pain is more critical. The average company in the study has four positions open for five months. The most difficult positions to fill are in the areas of planning that require both a technical mastery of technology and an organizational understanding of the business drivers.
4. **Stiff Competition for College Graduates.** Today, there is a 6:1 demand to supply ratio for new college graduates in the supply chain field.<sup>ii</sup> Competition is intense and there is a lot of effort to attract the best and brightest.
5. **Working on the Right Stuff?** The current focus is on recruiting college graduates and high-performing talent. Less attention is being given to middle management where the shortage is the highest (see figure 2). Only 23% of companies responding to the study have a planned cross-functional training program for existing employees. This study points out the need for cross-functional skill development for mid-management supply chain leaders.

Figure 2: Areas with the Greatest Supply Chain Talent Shortage

### Level with Greatest Supply Chain Talent Shortage



Source: Supply Chain Insights LLC, Talent (Feb - July 2013)

Base: Supply Chain Leaders (Manufacturers only) (n=35)

Q13. To the best of your knowledge, what employee level is currently experiencing the greatest talent shortage at your company? Please answer only for supply chain management positions.

In the past, if supply chain teams did a good job of recruitment and talent development for executive roles, the rest would take care of itself. This is no longer the case. The demand for mid-management talent is higher and the time to backfill positions is longer. It is time for supply chain leaders to rethink supply chain talent or it will be the missing link in the supply chain.

In this report, we share insights from the study and end with three recommendations to help supply chain leaders mitigate the business pain of the growing shortage of supply chain talent.

## Current State of Supply Chain Talent

The demand for supply chain talent is increasing. In qualitative interviews with supply chain leaders, we find that there are five primary drivers:

1. Aging workforce and retirement of baby-boomers.
2. Greater opportunity for supply chain professionals within the current organization.
3. Expansion of businesses into new geographies where there is little to no supply chain talent.
4. Increased importance of supply chain talent due to the outsourcing of manufacturing and logistics.
5. Changing complexity of the business requiring the adoption of new technologies, processes and business models requiring supply chain talent.

Paraphrased comments from these interviews including the following:

- *We invest in new employees, but there is no investment in middle management.*
- *Currently we are experiencing unprecedented high turnover levels.*
- *Supply chain is a new concept. We are learning. We are hiring from the market and trying to grow a team.*
- *We believe in talent, but currently there is a lack of job rotation and funds to do training for employees.*

As shown in figure 3, many of today's top supply chain talent problems are rooted in a gnarly issue of internal support. Supply chain talent has always been readily available in the market. The higher demand than supply is a new phenomenon and the business pain created from the number of open positions is a relatively new issue.

Companies are not ready to effectively combat the issue. There are gaps in the basic mechanics of effective human resource management. The supply chain leadership group does not see and recognize the problem and most organizations do not have the basics in place to improve cross-functional training and skill development.

All too often, supply chain roles are training within a function of manufacturing, distribution, procurement or customer service. The worst case scenario is vertical job progression within these functions without the ability to cross-train or to improve job enrichment. When this happens, the company is severely impacted when a key employee leaves—especially with the increase in time to backfill the position. Five months is a long time for an organization to maintain normal operations without a demand planner.

Figure 3: Overview of Talent Issues

### Top 3 Supply Chain Talent Issues Today (2013)

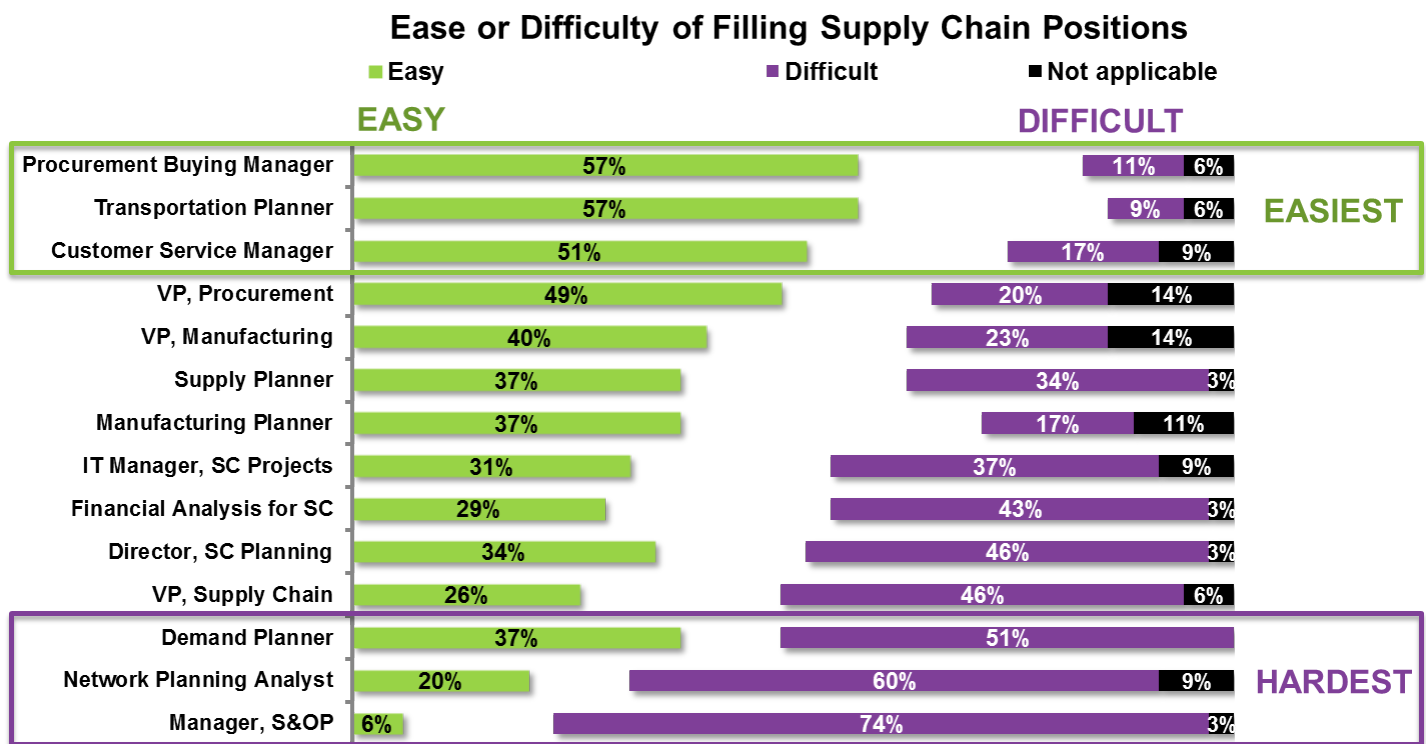


Source: Supply Chain Insights LLC, Talent (Feb - July 2013)  
 Base: Supply Chain Leaders (Manufacturers only) (n=35)  
 Q5. Which are the top 3 issues facing your company when it comes to supply chain talent?

When it comes to the replacement of supply chain talent, not all positions are equal. The greatest gap in recruiting talent development is in supply chain planning. It is the most critical in the areas of demand planning and Sales and Operations (S&OP) planning. These positions require an understanding of technology, process mechanics, and the business process to be successful. As a result, when there is turnover in these positions, it is both hard to find and train a replacement and difficult to run the business.

Conversely, as shown in figure 4, the easiest areas to backfill are those in sourcing and supply chain execution (customer service and transportation management). Cross-training and skill development across these jobs improves organizational resiliency to buffer job turnover. The worst case situation is having long-term employees in specialized roles without backfill planning or cross-training.

Figure 4: Current State of Fulfillment of Supply Chain Positions



Source: Supply Chain Insights LLC, Talent (Feb - July 2013)

Base: Supply Chain Leaders (Manufacturers only) (n=35)

Q14. How difficult do you believe it is for your company to fill each of the following supply chain-related positions? Your best estimate is fine.

In the balance of this report, we share three recommendations that we believe, based on research, can make a difference.

## Recommendation #1: Make Current Employees Feel Valued

Recognize the issue and work on internal issues to make mid-management supply chain leaders feel valued. Focus on eliminating the political issues with supply chain planning that often reduce job satisfaction (e.g., the Demand Planner's role can be a tough position because they are placed in the middle of political turmoil and often feel that they are the first to blame).

Historically, training for large-scale technology implementations has driven training budgets. Today, as these programs are smaller and more focused, there is a need to develop training programs to alleviate turnover and make employees feel more valued.

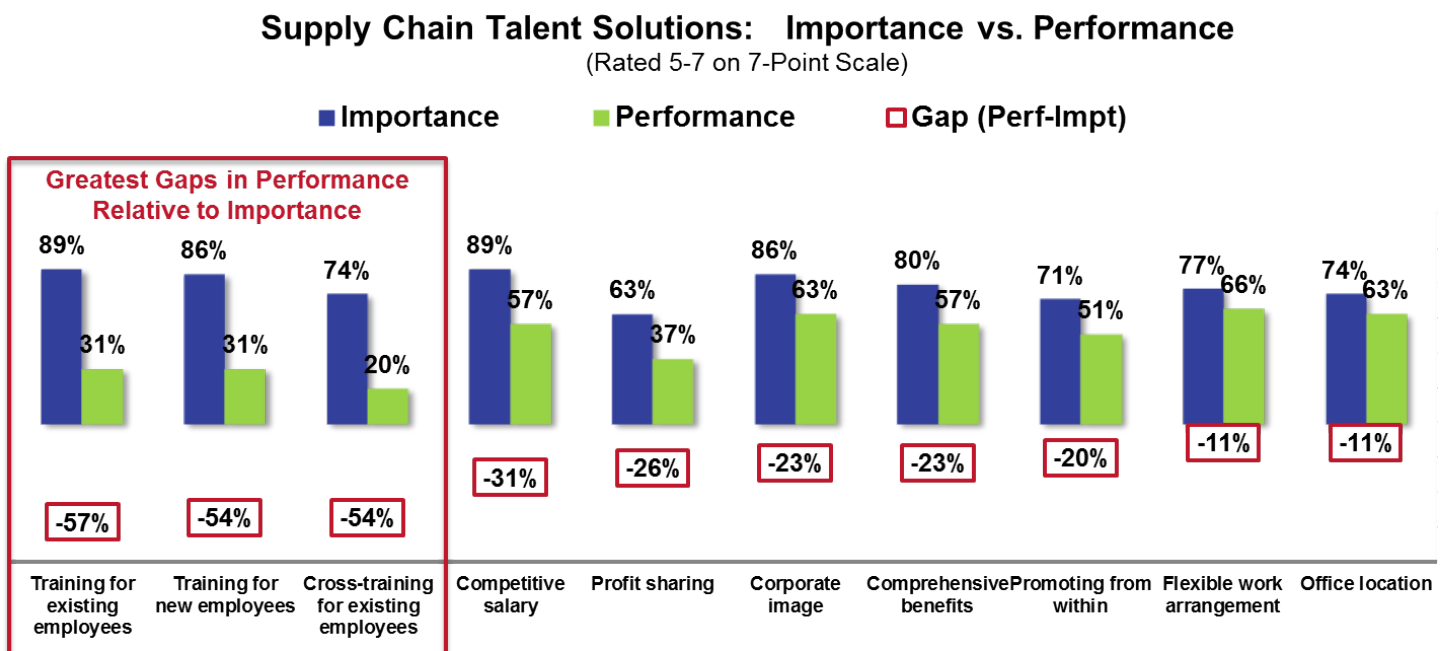


## Recommendation #2: Build a Human Resources Plan to Focus on the Elements That Matter in Recruiting

As demand exceeds supply, salaries will increase and companies will need to compete not only on salary, but also on “the attractiveness of the company” and the “role of the supply chain group” within the organization. We believe that it will get worse, not better. Companies with a Human Resources department within the supply chain organization (26% of companies) will be able to be more aggressive in building programs to attract and retain the best talent. The relative importance of these focus areas is shown in figure 5.

Building a corporate recruiting plan and brand to attract key talent will become more and more important as companies can no longer go to the market and quickly attract candidates for mid-management positions. It is about much, much more than just salary. Training, cross-training and corporate image are important.

Figure 5: Relative Importance of Approaches to Close the Supply Chain Talent Gap



Source: Supply Chain Insights LLC, Talent (Feb - July 2013)

Base: Supply Chain Leaders (Manufacturers only) (n=35)

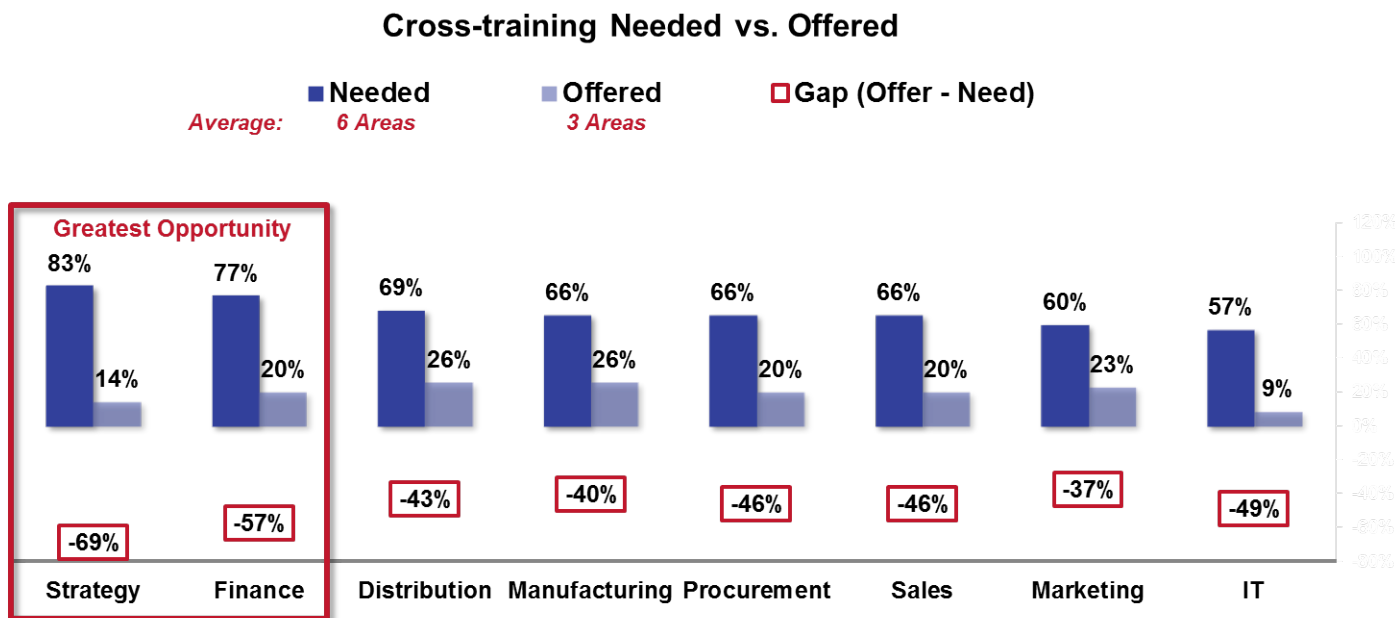
Q7. How important is each of the following solutions when it comes to attracting and retaining supply chain management employees? SCALE: 1=Not at all important, 7=Extremely important; Q8. How would you rate your company's performance when it comes to providing each of these same things to supply chain management employees? SCALE: 1=Poor, 7=Excellent

## Recommendation #3: Build Robust Cross-training Programs

Today, organizations are not good at cross-training mid-management supply chain talent. The cross-training required to alleviate this issue will fly in the face of normal supply chain skill progression for the traditional supply chain leader. Why? Many supply chain managers have grown up in a very functional organization, where functions within the company were silos, and there was a focus on job mastery within the function. In this survey, only 23% of companies had incorporated a structured cross-training program for existing

employees as part of the job progression program. The cross-training offered is usually within three areas (distribution, manufacturing and marketing), but not in the areas with the largest gaps (strategy and finance). In figure 6, we share insights on the gaps in current organizational cross-training programs.

Figure 6: Comparison of Cross Training That Is Available Compared to What Is Needed



Source: Supply Chain Insights LLC, Talent (Feb - July 2013)  
 Base: Supply Chain Leaders (Manufacturers only) (n=35)  
 Q25. In which of the following areas do you think cross-training programs for supply chain management employees is necessary at your company? And in which areas does your company currently offer cross-training? Please mark all that apply for each.

## Conclusion

Supply chain teams have largely taken mid-management supply chain talent for granted with little focus on cross-training and skill development. The roles are filled within the function, and leaders progress through a function in an upward cadence that gives employees a deep, but narrow perspective.

As the job market tightens, we believe that it is time to rethink current supply chain human resource plans. Companies need greater flexibility to protect the business from turnover. This includes cross-training and skill development. And, in parallel, employees that have a greater investment in cross-training and skill development are less likely to pursue other opportunities.

## Prior Reports Related to this Topic:

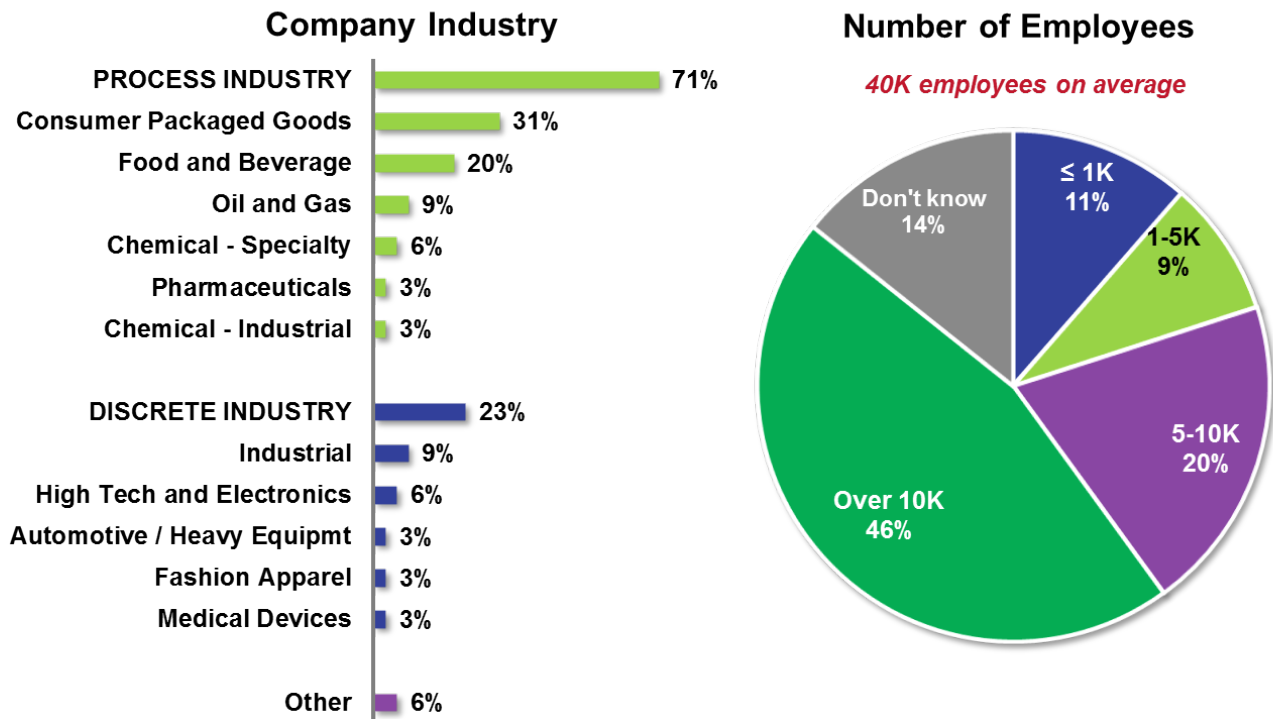
[Supply Chain Talent: The Missing Link?](#)

# Appendix

In this section, we share the demographic information of survey respondents. The participants in this research answered the surveys of their own free will. There was no exchange of currency to drive an improved response rate. The only offer made to stimulate a response was to share the survey results in the form of Open Content research at the end of the study.

The names, both of individual respondents and companies participating, are held in confidence, but the demographics are shared to help the readers of this report gain a better perspective on the results. The demographics supporting these figures are found below in figures A-J.

**Figure A: Overview of Companies Responding to the Study**

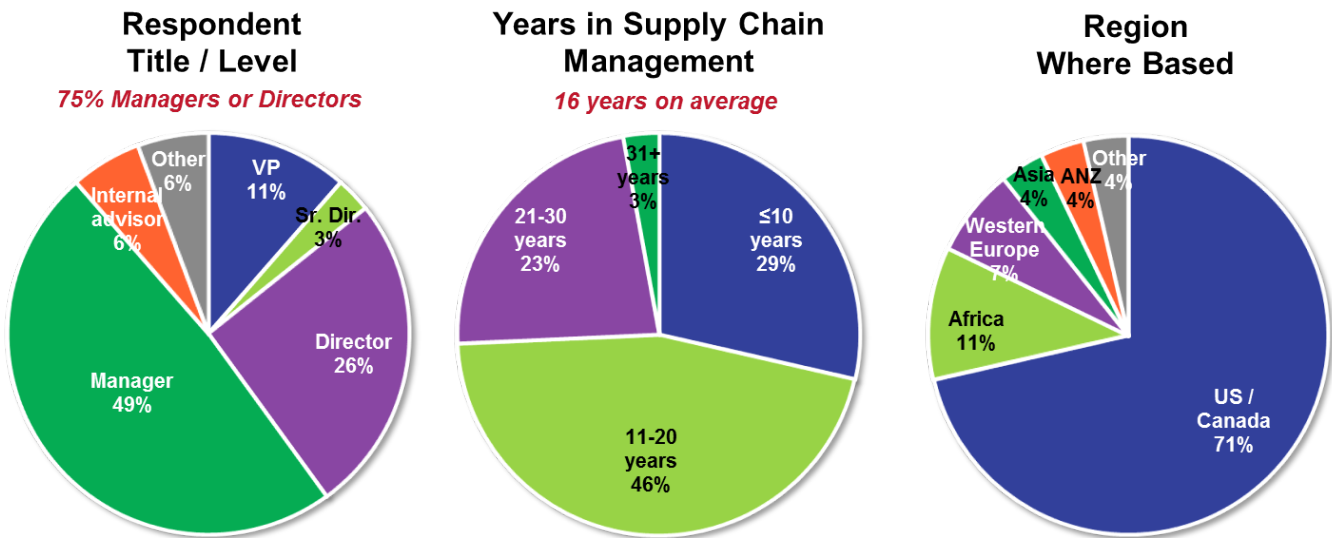


Source: Supply Chain Insights LLC, Talent (Feb - July 2013)

Base: Supply Chain Leaders (Manufacturers only) (n=35)

Q39. Which industry grouping best defines your company? Q38. What is the size of your organization in terms of number of employees?

**Figure B: Overview of Demographics of Respondents in the Study**



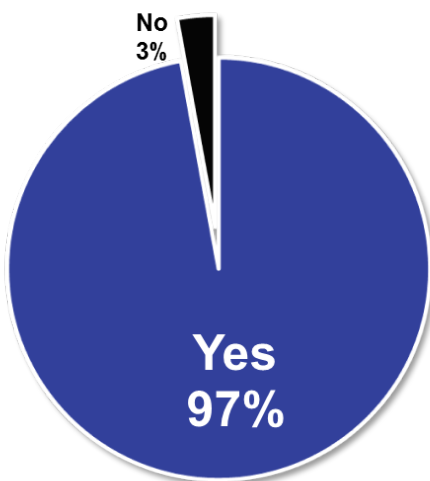
Source: Supply Chain Insights LLC, Talent (Feb - July 2013)

Base: Supply Chain Leaders (Manufacturers only) (n=35)

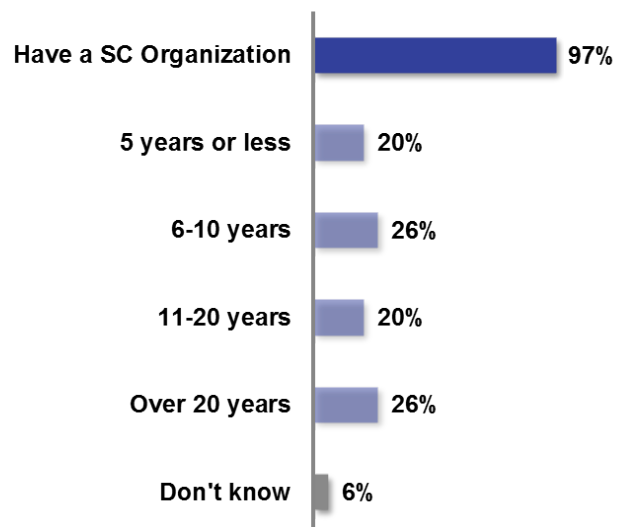
Q40. Please indicate which of the following best describes your current position or role. Q2. For how long have you been a supply chain management professional? Your best estimate is fine. Q40A. In what region of the world are you personally based at this time?

**Figure C: Definition of Respondents' Supply Chain**

**Presence of Supply Chain Organization**



**Years with Supply Chain Organization**

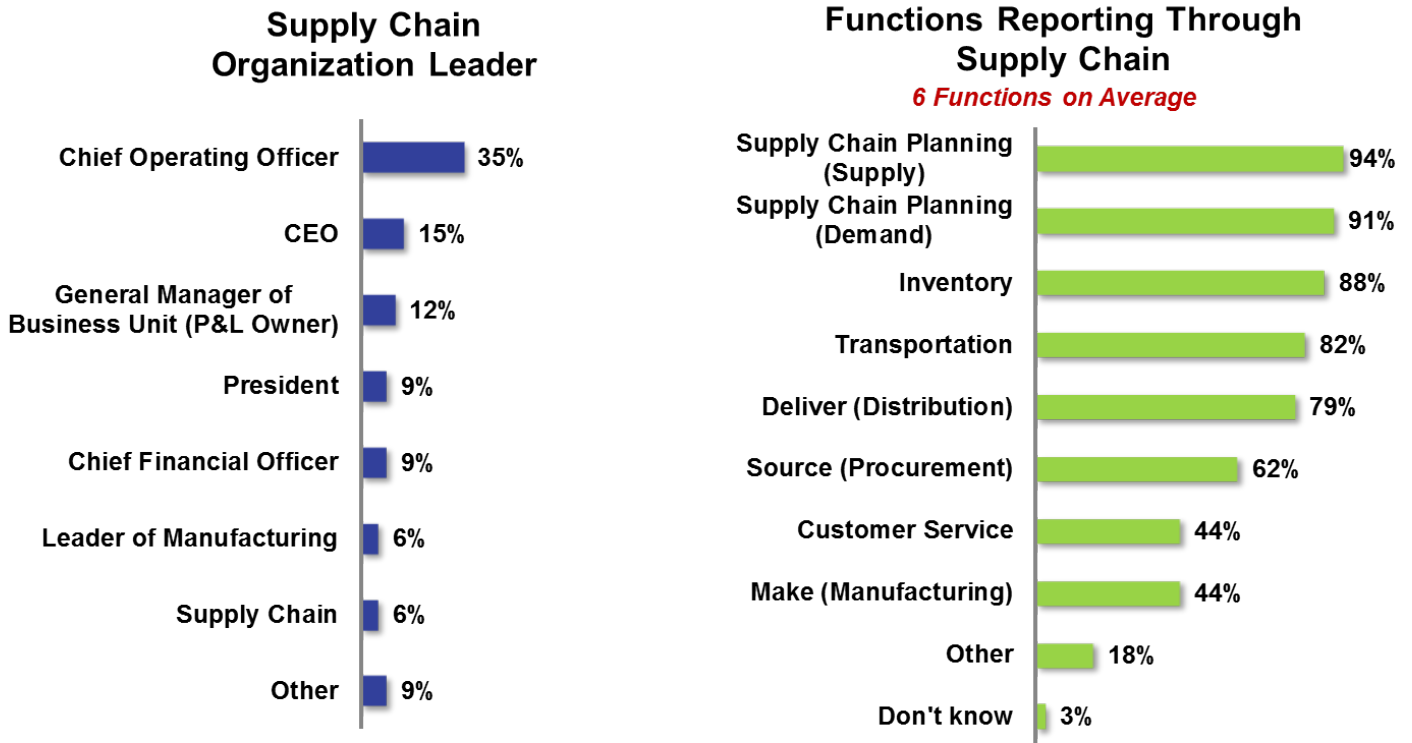


Source: Supply Chain Insights LLC, Talent (Feb - July 2013)

Base: Supply Chain Leaders (Manufacturers only) (n=35)

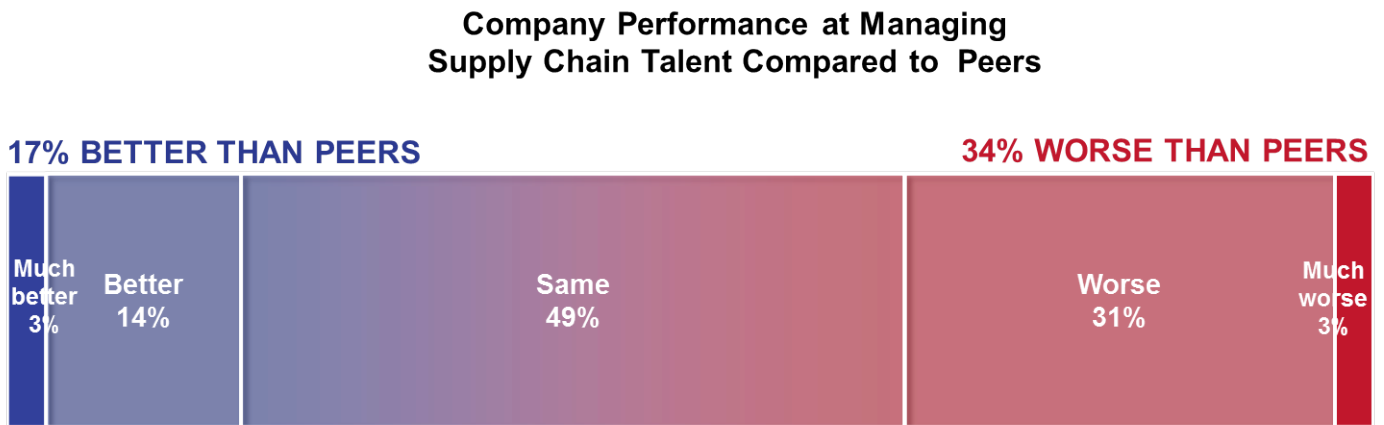
Q32. First, does your company currently have a supply chain organization? Q33. For how many years has your company had a supply chain organization?

Figure D: Overview of Reporting Relationships of the Supply Chain Organization of Respondents



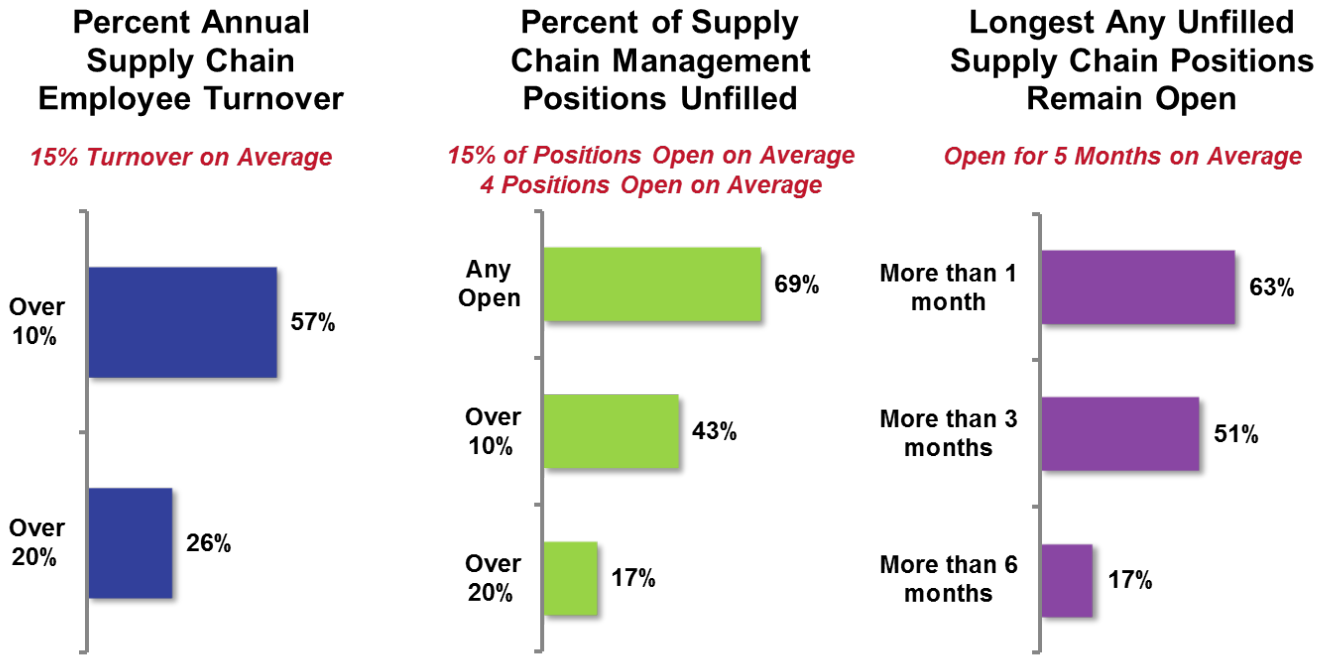
Source: Supply Chain Insights LLC, Talent (Feb - July 2013)  
 Base: Supply Chain Leaders (Manufacturers only) with a Supply Chain Organization (n=34)  
 Q35. To whom does your company's supply chain organization report? Q34. Companies define their supply chain organizations in different ways. Please tell us how your company defines its supply chain organization by selecting which function(s) report through the supply chain organization. Please select all that apply.

Figure E: Self-Assessment of Company Performance on Managing Talent



Source: Supply Chain Insights LLC, Talent (Feb - July 2013)  
 Base: Supply Chain Leaders (Manufacturers only) (n=35)  
 Q4. Overall, how well do you think your company performs at managing supply chain talent compared to its peers? Please think about all aspects of talent management – recruiting/hiring, training, retaining, etc.

**Figure F: Current State of Supply Chain Talent for Respondents**



Source: Supply Chain Insights LLC, Talent (Feb - July 2013)

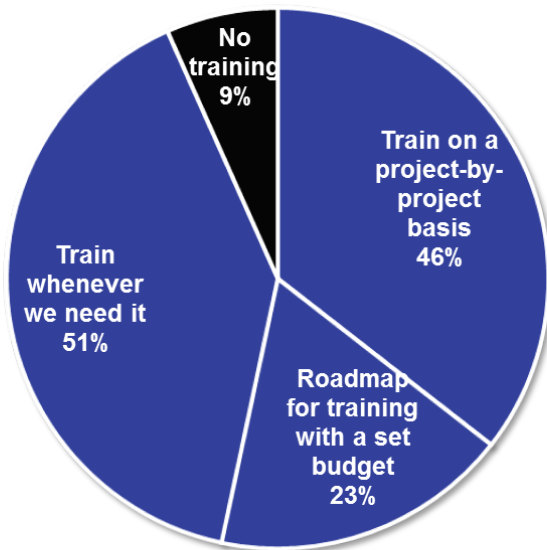
Base: Supply Chain Leaders (Manufacturers only) (n=35)

Q9A. What would you estimate is your company's annual rate of employee turnover, thinking just about supply chain management employees? Q10. How many supply chain management positions currently exist in your department – including both filled and unfilled positions? Q11. And how many supply chain management positions in your department are currently unfilled? Q12. Of those currently unfilled positions, what is the longest that any of them have been open?

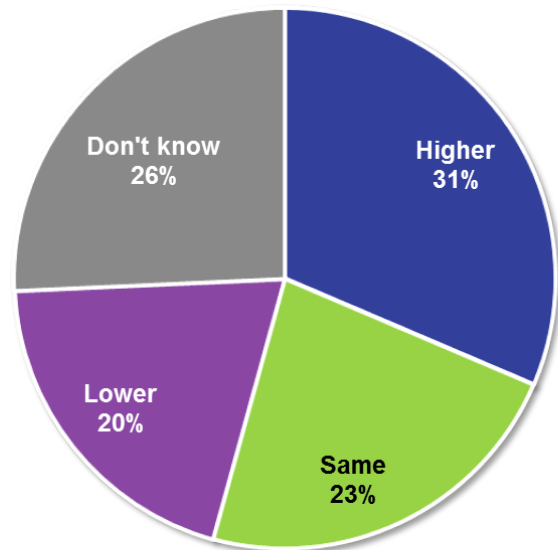
**Figure G: Training Budgets of Respondents for Supply Chain Training**

**Supply Chain Employee Training**

*91% Offer Employee Training*



**Training Budget vs. Last Year**



Source: Supply Chain Insights LLC, Talent (Feb - July 2013)

Base: Supply Chain Leaders (Manufacturers only) (n=35)

Q21. What is your company's approach to supply chain employee training? Please select all that apply.

Q22. Is your company's budget for training in 2012 higher, the same or lower than it was in 2011? Your best estimate is fine.

Figure H: How Companies Implement Employee Cross-functional Training

### Formal Cross-functional Employee Training

60% Offer Cross-Functional Training



Source: Supply Chain Insights LLC, Talent (Feb - July 2013)  
 Base: Supply Chain Leaders (Manufacturers only) (n=35)  
 Q24. Now please think about cross-functional training for supply chain management – these are formalized programs for employees to be trained in other departments. How does your company implement cross-training programs? Please select all that apply.

Figure I: How Companies Currently Fill Mid-Management Supply Chain Positions

### How Company Typically Fills Middle-management Supply Chain Positions

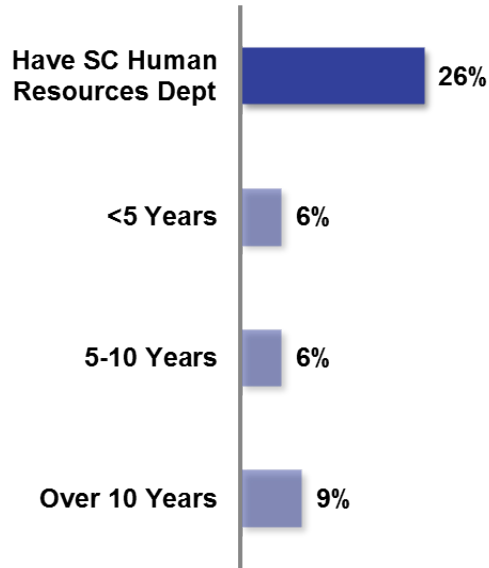


Source: Supply Chain Insights LLC, Talent (Feb - July 2013)  
 Base: Supply Chain Leaders (Manufacturers only) (n=35)  
 Q17. Which of the following best describes how your company typically fills middle-management (manager and director level) supply chain positions?

Figure J: Supply Chain Human Resources Department

### Length of Time with Supply Chain Human Resources Department

*6 Years on Average*





## About Supply Chain Insights LLC

Founded in February, 2012 by Lora Cecere, [Supply Chain Insights LLC](#) is focused on delivering **independent, actionable and objective advice for supply chain leaders**. If you need to know which practices and technologies make the biggest difference to corporate performance, turn to us. We are a company dedicated to this research. We help you understand supply chain trends, evolving technologies and which metrics matter.

## About Lora Cecere



Lora Cecere (twitter ID [@Icecere](#)) is the Founder of [Supply Chain Insights LLC](#) and the author of popular enterprise software blog [Supply Chain Shaman](#) currently read by 5,000 supply chain professionals. Her book, ***Bricks Matter***, (co-authored with Charlie Chase) published on December 26<sup>th</sup>, 2012, and her second book, *Metrics That Matter* will publish in 2014.

With over nine years as a research analyst with **AMR Research, Altimeter Group, and Gartner Group** and now as a Founder of Supply Chain Insights, Lora understands supply chain. She has worked with over 600 companies on their supply chain strategy and speaks at over 50 conferences a year on the evolution of supply chain processes and technologies. Her research is designed for the early adopter seeking first mover advantage.

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<sup>i</sup> Qualitative interviews with twenty supply chain leaders in strategy days and training sessions

<sup>ii</sup> Nick Little, Michigan State, Supply Chain Insights Podcast