

✓ **Utility Supply Chain Talent Management**

Results from the ScottMadden UMMBC 2012 Survey

Many companies proudly claim that their employees are their most valuable asset. As an organization whose business it is to manage the purchases, stock levels, and provision of critical materials and services on a daily basis, one could argue the supply chain organization should be just as adept at managing its human assets. However, recent studies have shown that external labor market pressures, changes in the characteristics of the labor force, and inter-organizational disconnects (e.g., between HR and supply chain) are among many factors challenging supply chain's ability to field the skilled workforce needed.

To more fully explore talent management issues within utility supply chain organizations, ScottMadden, Inc., in collaboration with members of the Utility Materials Management Benchmarking Consortium (UMMBC) surveyed supply chain managers in the electric utility industry. This article provides insight into a sample of the results from this survey.

### **The Workforce Situation**

Talent management, broadly defined, is the sum of strategies and activities associated with attracting, developing, positioning, and retaining an organization's talent. This includes talent sourcing strategies, training and development efforts, succession planning, and performance management, among others. Just as the organization sets annual strategic objectives and financial plans, it must also incorporate planning efforts to identify the human resources that will be required to execute effectively the company's plan.

In the world we find ourselves in today, supply chain organizations are faced with the need to re-tool their talent to take better advantage of new technology, adapt to regulatory changes, support corporate initiatives, and meet increasing customer demands. Add to the equation, an aging industry workforce (among the highest of all industries in the United States) and a new generation of workers with different expectations and aspirations, and the talent environment becomes quite complex. For supply chain organizations, the greatest impact of the situation will be the loss of knowledge and experience. One example of this can be seen in the category manager role. These individuals typically have deep relationships with suppliers, as well as internal customers, and possess extensive technical expertise of the goods and services they manage. The critical skills of this position must often be "grown" internally versus acquired externally. Additionally, the loss of key internal customer resources (e.g., technical and engineering roles), who play an essential role in maintaining consistent specifications and partnering with their supply chain counterparts to source and manage key parts, equipment, and services, will create a gap that supply chain must deal with and potentially help fill.

Although the current business environment has delayed expected retirements and softened the impending "cliff," it did not negate the staffing issues facing supply chain organizations in the utility industry. However, this delay does provide time for supply chain organizations to assess their current situation and strategically plan and prepare for the inevitable changes in staff and the marketplace. This approach for workforce planning has proven to be a significant determinant of an organization's ability to manage effectively its talent—the best companies

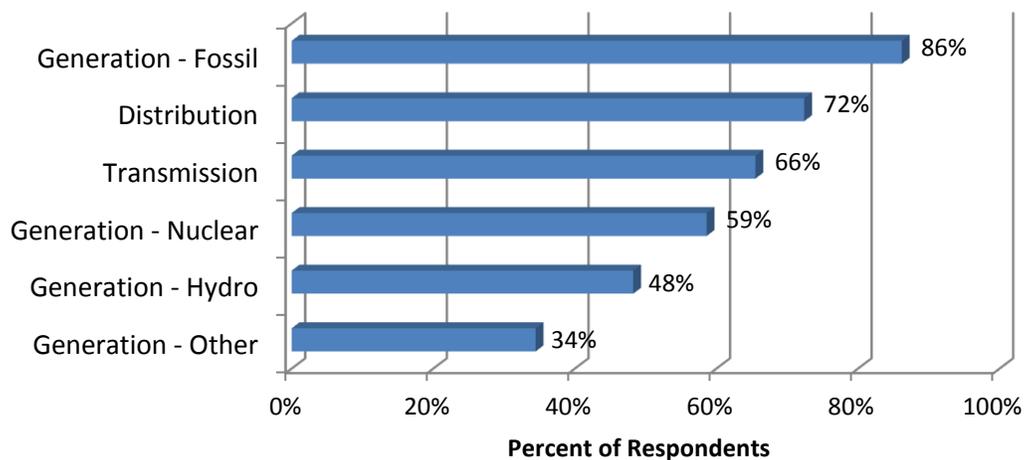
have a robust and well-integrated process that aligns the company's workforce with the strategic objectives and plans of the organization.

## Supply Chain Talent Survey Results

The Utility Supply Chain Talent Management Survey was launched in mid-2012 to provide insight into key talent management topics and trends in the utility industry's supply chain function. From the survey, we were able to glean steps organizations are currently taking to address their talent challenges, as well as issues that still need to be tackled.

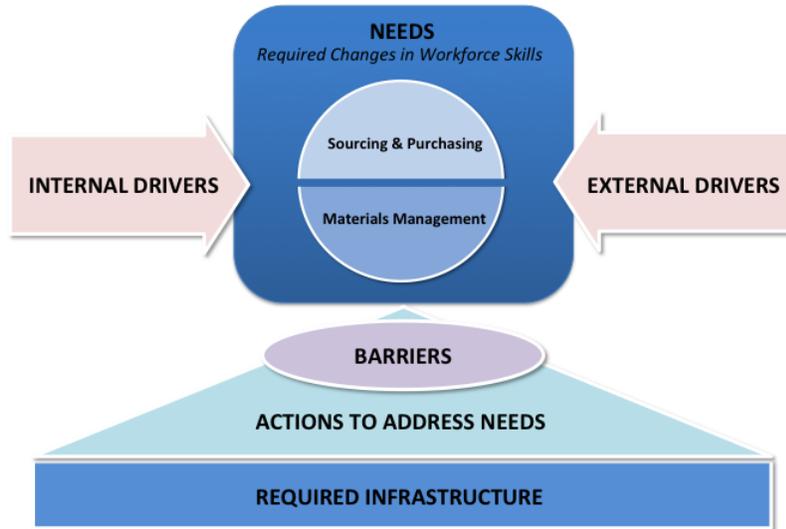
The initial survey targeted utilities across the United States and Canada, resulting in 31 respondents from 23 organizations. Participant companies in the survey support assets in fossil generation, transmission, and distribution, as well as generation from nuclear, hydro, and renewables. Figure 1 shows the breakdown.

Figure 1: Company Assets of Participating Companies



The survey addressed internal and external drivers affecting the future supply chain workforce, challenges organizations are facing managing their current workforce, as well as the steps organizations are taking to address these challenges. Figure 2 on the following page shows the elements captured by the survey.

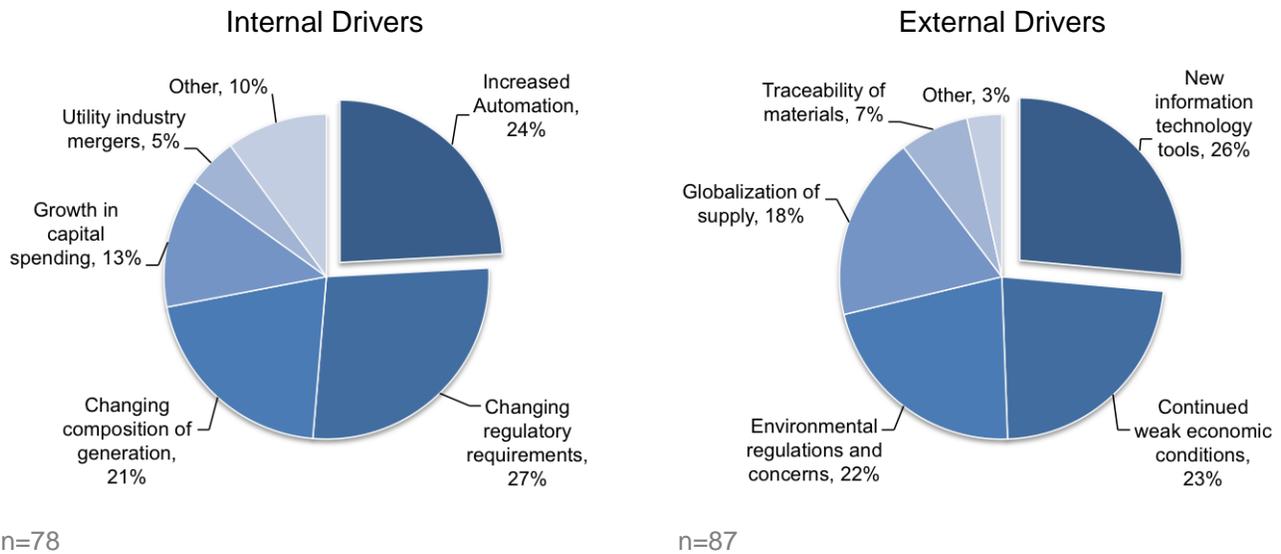
Figure 2: Supply Chain Survey Model



Participants identified and ranked a number of internal and external drivers affecting supply chain workforce needs, such as technology, regulation, the economy, industry trends, and type of work.

Figure 3: Key Skill Drivers

% of overall selections



Whether considering internal or external drivers, respondents indicated *automation* and *new information technology* are significant. The availability and introduction of *new information technology tools* was the most significant external driver shaping the skills needed in the supply chain organization. It is clear the need for information workers continues to grow in the marketplace and responses seem to indicate the impact on supply chain skills is also significant.

The survey respondents also provided their view of the skills required in two categories: sourcing and procurement and materials management. Participants rated a set of skills in each category from most important to least important. This information provided a weighted ranking within each category, as well as an overall ranking of skills needed within supply chain. A sample of these skills and related internal/external drivers has been included in Figure 4.

Figure 4: Sample – Ranking of Skills Needed

Skills Needed	Skill Rank <sup>1</sup>	Related Driver <sup>2</sup>
Knowledge of inventory optimization methods and techniques	1	Economic conditions
Ability to use new technologies	4	New information technology tools
Ability to perform vendor analysis	7	Economic conditions / globalization of supply
Knowledge of environmental regulations	9	Environmental regulations

<sup>1</sup> Overall combined rank between Sourcing and Procurement and Materials Management. Weighted ranking is based on respondents ranking of each skill from most to least important

<sup>2</sup> Statistical correlations between drivers and skill needs has not been completed at this time

The responses to required skills in materials management and sourcing and procurement show an overall priority for skills that involve analysis and optimization. Related skills received the highest number of most important and second-most important scores. Based on the high rank assigned to *new technology* and *automation* drivers, it should not be a surprise to see that *ability to use technology* ranked as a key attribute for employees. Participants in the survey received a detailed chart, including the priority selections (most important to least important) for each skill in the survey.

Ongoing management of talent in supply chain organizations was also a challenging area identified in the survey. When asked about talent acquisition for the supply chain function, participants indicated that *corporate recruiting (professional and campus)* is the most common

support received by supply chain organizations at 67% of respondents. Third party recruiting sources are used by very few organizations compared to *corporate recruiting* and *contingent workers*. The *inability to find qualified candidates* was cited as a significant priority, which raises questions about the effectiveness of existing talent acquisition approaches. In addition, while training and development was identified as a highly desirable and effective means to fulfill an organization's skill needs, the *lack of training and development programs* was identified as a prominent barrier for most utility supply chain organizations. Survey participants evaluated a number of barriers and obstacles affecting the re-skilling of their organization. These are shown below in Figure 5.

Figure 5: Barriers and Obstacles to a "Right-Skilled" Organization

Rank	Barrier or Obstacle	% Indicating most significant issue
1	Lack of appropriate internal training programs	26%
2	Inadequate budget for training and development	16%
3	Lack of qualified candidates	26%
4	Lack of sufficient HR infrastructure	10%
5	Candidate disinterest	3%
6	Recruiting's understanding	3%
7	Lack of focus on Supply Chain needs by HR	6%

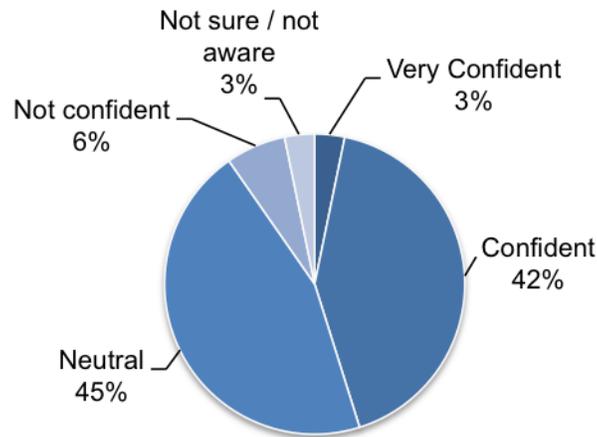
\*'Other' response examples included: collective bargaining restraints, policies/practices limiting external recruitment

Challenges and barriers are to be expected, but what are supply chain organizations doing to overcome these obstacles? The survey results indicate that most organizations are focusing on developing talent internally as their main solution with an emphasis on: *ensuring skills and competencies are clearly defined for each position; personal development plans are in place for each employee; and developing or acquiring effective training*. Fewer organizations are focusing on *automation, external hiring, and outsourcing*.

When asked about workforce planning activities, participants indicated that most supply chain organizations are performing some activities. These include regularly *revising their strategic direction* and *performing succession-planning* activities. More than half are *performing gap analyses* and *developing strategies to close talent gaps*. At the same time, less than half of respondents indicated they proactively *forecast future demands, assess current workforce supply, or conduct follow-up to review closure of talent gaps*. Additionally, 47% indicated that *talent management is only somewhat integrated* with supply chain's workforce planning, while 43% indicate it is *not at all integrated*.

As a result, less than half of respondents do not express confidence that objectives of their workforce plan will be met (Figure 6).

Figure 6: Confidence in Supply Chain Workforce Plan



### Putting It Together

The results of the full survey provide a number of noteworthy considerations, common practices, and constraints in supply chain talent management and workforce planning across the utility industry. The complexity from new automation and technology, regulatory changes, economic challenges, and changing workforce dynamics has created pressures on supply chain organizations.

The requirement to re-skill the organization to improve optimization, analysis, customer service, delivery, and cost savings, while replacing knowledgeable and experienced workers, means that supply chain must press forward in a disciplined fashion. Given the challenges, the need has never been greater for a robust supply chain workforce planning process that is integrated with full-cycle talent management efforts.

[Click here](#) to participate in future surveys or to learn more about ScottMadden's approach to developing and implementing a leading practice supply chain workforce planning process.

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