

*The “DNA” Of Supply Chain
Leadership & Talent
Management*

*Recruiting top talent and building
strong SCM leadership*

MTCG
—
& ASSOCIATES INC.

Human Capital Results

Introduction

25 Years ago if someone told you that your next CEO would in all likelihood be running your supply chain (or at least have done a stint there) you probably would have scoffed. In fact, quite a few of you might have responded “what’s supply chain”?

Such has been the rapid evolution of this particular aspect of business that it now dominates the thinking of business leaders and is looked upon as a key indicator of a company’s health. Strongly performing companies (think, DELL, Wal-Mart etc...) are lauded for their strong supply chain management practices. Weak performers are chided for supply chain inefficiencies and told to emulate their supply chain betters.

The level of professionalism in the supply chain profession has risen. Not too long ago corporate procurement was handled by purchasers or buyers and all facets of logistics and distribution was left to the Warehouse Manager or in more sophisticated companies the Traffic Manager.

This is no longer the case as purchasing has evolved into strategic sourcing and logistics and distribution has become more than just loading the trucks and hoping they get there on time.

Over the past few years we have begun to see executives who have “cut their chops” in supply chain management take their place in the CEO’s chair. The most recognizable being Wal-Mart CEO H. Lee Scott Jr. who started his career as a Terminal Manager at Yellow Freight.

And why not? Today’s supply chain executive not only has to understand his/her own functional area but also the standard business functions of finance, sales, and operations. The supply chain executive has to be able to comprehend the enterprise wide implications of coordinating the various activities and processes required to manage a dynamic and sophisticated supply chain. The focus in such areas of Strategic Sourcing, Procurement, Vendor Management and Systems must be complimented with a “global” view of organizational needs including change management and overall business direction.

SCM DNA And Hiring For Success

The “DNA” of a supply chain leader is in many respects the same DNA of a CEO (or potential CEO). Some of the qualities include:

- ◆ Being Tenacious
- ◆ High Self Confidence
- ◆ Striving for Continuous Improvement
- ◆ Attention to Detail while focusing on the “Big Picture”
- ◆ A willingness and ability to lead

Therefore your next key hire into your supply chain management function should be made with this in mind. Similarly how you develop talent in this area should reflect this reality. That’s not to say that every person you hire has to be a super strategist (lets face it the word “strategic” gets thrown around way too much these days). But if someone within your SCM organization displays potential in this area, they should be nurtured.

On that note, let’s turn our attention to the characteristics that make up today’s successful Supply Chain Executive.

The Analytical

It goes without saying that anyone who has seen their career progress through the ranks and into management of the supply chain function should already have a deep expertise in the mechanics of the supply chain. In fact, if you were to conduct a search for a VP or Director of supply chain all of the candidates would have strengths in this area. The other less tangible aspects of a leader’s “DNA” are the important factors. These are harder to quantify but combined with the functional expertise add up to that holy grail of candidate selection: “the fit”.

Change Management Expertise

One of the critical characteristics of the successful supply chain executive has to do with change and change management. The corporate environment that global supply chains exist in is changing at a frenetic pace. New technologies, new competitors, more sophisticated customers mean that supply chain leaders have to be continually prepared for change.

This change orientation is not only focused outwardly on external factors but inwardly as well. However here it takes on a different texture. The Supply Chain Executive must be able to lead change within an organization. Effective change management with its focus on changing and shaping a company's culture and managing the disruptions that come with it is what separates leaders from followers.

Why? Because when distilled down to its basics change management is less about changing processes than it is behaviors and to change behaviors you have to be able to influence people.

If a company – your company – makes a decision tomorrow that you want your supply chain to be second to none in your industry and you go to market your search for an executive to accomplish this, what you are really asking for is someone to affect a change that will reverberate and resonate throughout your entire corporate structure. Because the supply chain affects almost every aspect of a business any dramatic changes will in turn cause a ripple effect across the enterprise.

In fact you may find out that your supply chain is fine but other areas of your business have to be changed. A true supply chain leader is one who can manage this. And to do it successfully they will have to be able to influence and change the behavior of those that are not only outside the reporting structure but could very well be resistant or even hostile to such changes.

Beyond the ability to manage and affect change, today's supply chain leader should possess a strong IT proficiency. That is not to say that your next supply chain hire should come from IT but recognizes the fact that technology is an integral and crucial part of supply chain management. So today's top supply chain leaders are able to display a technological expertise that allows them to leverage IT systems to their fullest extent.

Mentoring and Leadership

What excites young and not so young leaders is the opportunity to grow.

A successful supply chain executive will also possess highly developed mentoring skills. It is axiomatic in today's business environment that "leaders grow other leaders". In that respect your company's supply chain cannot survive on the back of one person. When evaluating potential candidates in this area it is imperative that you assess their history of mentoring and developing talent within their group. A simple question to start the discussion: If we were to hire you tomorrow who will take over from you at your current company? You might be surprised at some of the answers you get to this one. And if the answer is a positive one i.e. "I have two people that could take over" it lends itself quite nicely into a discussion as to how these two people were developed. Just because your star candidate has two replacements in his/her back pocket doesn't mean they did the developing.

Finally today's supply chain executive cannot be mired in the traditional thinking of their own area of expertise. Because effective supply chain management requires coordinated efforts across the entire enterprise the supply chain leader must display a well developed "cross functional" attitude and must be able to operate in a matrix environment.

Now that we have identified what a superlative supply chain leader looks like we must turn our thoughts to acquiring and retaining this person.

Recruitment of Talent

The Five key hiring mistakes that we see in the market include:

- ◆ *Companies fail to have a structured approach to interviews.*
- ◆ *Evaluations focus on Personality vs. skills requirements*
- ◆ *Fail to differentiate via Testing, Discussion and Due Diligence*
- ◆ *Fail to develop a small candidate pool and specific market intelligence on the availability of the talent required.*

Recruitment within the supply chain field has become an increasingly challenging proposition over the past few years. As more and more organizations devote increasing attention to their supply chain the demand for talent has skyrocketed and like any commodity that is in short supply price has escalated dramatically.

The problem is that most organizations haven't reacted to this reality fast enough. This is not unusual. Salary structures are often set through a banding process which involves taking market surveys by compensation organizations and then deciding where the organization wants to be relative to the market. Thus we get the almighty "band" by which compensation for a position is set.

Competitive Compensation & Retention

This is fine in a stable talent market. However when demand starts to outstrip supply the banding process becomes a hindrance to attracting and acquiring top talent. In three significant supply chain searches that we have been involved with this last year the client company was 20% below market price for supply chain talent. However attempts to gently move them closer to a realistic compensation were met with blank expressions.

Part of the problem might lie in the compensation survey's as well. Not all organizations have evolved their supply chains at the same rate. So you will find companies in the same industry with varying degrees of supply chain sophistication. Company A might have a strategic sourcing team., while company B might still have "buyers" who are paid well below what a strategic sourcing person might be. Does this result in skewed numbers relative to compensation surveys? Maybe. Regardless of the cause you must be willing to pay for talent. In any recruiting endeavor (supply chain or otherwise) you would do well to keep this in mind.

Beyond successfully recruiting supply chain talent the next challenge that faces organizations is retaining this talent.

A recent book "Assimilating New Leaders – The Key to Executive Retention" said that *more than 70 percent of newly hired senior executives leave their positions within the first two years.*

Combine that rather depressing statistic with the high demand for supply chain leadership talent and you have a very serious problem. Not only will your latest supply chain hire face all the challenges and pitfalls that any new executive will face, s/he will also be continually bombarded with calls from executive search

consultants with the next "grass is greener" supply chain opportunity.

The challenge of any organization then is to make sure that this doesn't result in losing a key hire.

One of the best ways to prevent this from happening actually starts in the hiring process. If your interviewing and reference checking skills (organizationally) are above average you should have isolated your candidates' strengths and weaknesses. Concurrently you must be brutally honest about the strengths and weaknesses of the staff in your supply chain organization.

You should hire only someone that is able to bring strengths that you clearly need but also whose weaknesses can be complemented by others within the group. For example is your star candidate a big picture strategy expert? Better make sure his second in command is a more detail oriented person. Ultimately, what engages people is not only the size of the compensation package but the scope of the challenge and the professional environment for team/personal success and development.

Concluding Remarks

Beyond knowing the candidates blind spots your organization must be prepared to give him/her time to assimilate and learn the company's procedures and policies. Expecting miracles on the first day is too much to ask. This is a common pitfall that many organizations fall into when they hire external candidates who are often paid a premium to lure them away from their current position (in addition to the recruiting fees) and thus come with a very high expectation of success. Be prepared to compliment the executives' blind spots through development and resource allocation as required.

There are no "Supermen" or "Superwomen" in supply chain or any other field; there are only people with varying strengths and weaknesses. Knowing these and tailoring your approach to recruiting and retention accordingly will determine your success or failure in finding and retaining top supply chain talent.

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