



## ISM Services Conference '08 *Building the Procurement Superhero*

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## Presented By...

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- Principal, Strategic Procurement Solutions, LLC.
- Past Director of Strategic Sourcing, Bank of America. Past Director of Contracting, Security Pacific Bank. Other Past Procurement Positions – Western Airlines, Catalina Yachts, Gibraltar Savings.
- **Strategic Procurement Solutions** – A firm providing supply management Consulting, Sourcing, Staffing, Training, and Outsourcing support to Fortune 1000 & Progressive Public Sector Clients.
- *Clients have included...Apple, Entergy Services, Limited Brands, Intel Corporation, MetLife, State of Oregon, Delphi Automotive, Fireman's Fund Insurance, NASPO, WSCA, State of Massachusetts, LG Electronics, Johnson & Johnson, Mirant Services, BG&E, Nationwide Insurance, Newmont Mining, State of Illinois, Allstate Insurance, Bristol-Myers Squibb, Sterling Jewelers, Adobe Systems, PacifiCare Health, Vision Service Plan, Colgate-Palmolive, State of Washington, Federal Express Freight, Volvo Trucks, Mack Trucks...and CUNA Mutual...*
- **David Nelson C.P.M., C.P.I.M.**
- Previously Director of Strategic Sourcing, CUNA Mutual Group
- Currently Sourcing Manager, American Family Insurance.
- Prior Procurement Leadership Positions – GE Healthcare, Siemens.
- Six Sigma Black Belt
- Certified Quality Manager.



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## Building the Procurement Superhero

- Today's Challenging Staffing Environment
- Case Study – CUNA Mutual Insurance
- Principles for Recruiting, Improving, and Retaining Top Performing Supply Management Personnel:
  - Specialty Experience Needed in Supply Management Staffing
  - Effective Supply Management Performance – *The Human Side*
  - Dynamic Staffing Model – Building Flexibility into a *Cost-Effective* Organizational Design
  - Where to *Recruit* Top-Performing Staff
  - How to *Retain* Top-Performing Staff
  - Ways to *Develop* Top-Performing Staff

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## Today's Staffing Environment

- “More than 25% of the working population will reach retirement age by 2010, resulting in a potential shortage of nearly 10 Million workers” (*Inside Supply Management, Avoiding the Labor Shortage*)
- “Turnover costs for a manager average 150% of salary, including tangible costs of hiring new workers and relocation, and intangible costs such as the new worker's inefficiency and lost productivity while the job is vacant.” (*About Management*)
- Global Unemployment Low, But Rising:
  - U.S. National Unemployment Rate – 6.1%, September 2008 – *U.S. Bureau of Labor Statistics*
  - European (10 Nation) Average Unemployment – 4.0% to 7.5%, August 2008
  - China Unemployment – *No current figures (4.0% Claimed by Government in 2007)*
  - India Unemployment – *No current figures (7.2% Reported by Government in 2007)*
- “A new employee is at 50% productivity for the first 3 to 6 months on the job” (*Garner Group*)
- “Employers estimate that 39% of their current workforce and 26% of new hires will have basic skills deficiencies” (*Inside Supply Management, Avoiding the Labor Shortage*).
- “Statistics show that the failure rate of newly hired or promoted senior managers can be as high as 60%” (*Staffing Magazine*)
- “Most companies haven't calculated the true costs of hiring new employees or the impact of lost productivity for getting employees up to speed ...easily 150 percent of their annual salary for mid-level managers.” (*Career Lab*)
- “One fifth of this country's large, established companies will be losing 40% or more of their top-level talent during the next five years. During the same period, the replacement pool of 35 to 44 year-olds will decline by 15%” (*Inside Supply Management, Avoiding the Labor Shortage*).
- “The average corporate worker will change jobs at least 7 times during their career” (*Mercer HR Consulting*)

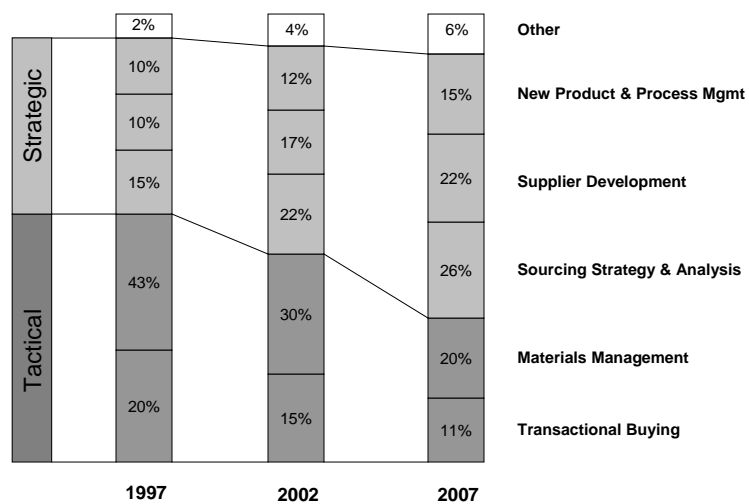
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## Procurement Groups Need to Be *More Effective* In Talent Management

- Study Participants Ranked “Talent Management” as a Top Priority for SCM Success
- But 88%+ Believe They Are Not Consistently-Performing in *Personnel Leadership Training, Skill Development or Talent Management*

Source – Corporate Executive Board, Purchasing Council, Anatomy of a World Class Purchasing Organization

## The Changing Role of Procurement Professionals



Source – Corporate Executive Board, Purchasing Council Research

## Specialty Experience Needed in Supply Management Staffing

### Basic Qualifiers

- Right Education (Bachelor's, MBA, etc)
- Right Certifications (C.P.M., CPSM., C.P.I.M., C.P.C.M., Lean, Six Sigma, etc)
- Right Personality
- G.D. (Geographically Desirable)
- Right Availability
- Right References
- Right Compensation Interests

### Specialty Qualifiers

- Right Sourcing Experience
- Right Contracts Experience
- Right Procurement Experience
- Right Materials Experience
- Right Industry Experience (Automotive, Banking, Government, Consumer Goods...)
- Spend Category Knowledge (i.e. Copper Global, HR Benefits, Insurance Claims Processing, I.T., General Services, Chemicals, Packaging...)
- Technology (i.e. eProcurement, eSourcing, Spend Analysis, SAP, Oracle, Lawson, Ariba...)

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## CUNA Mutual Procurement – Then and Now

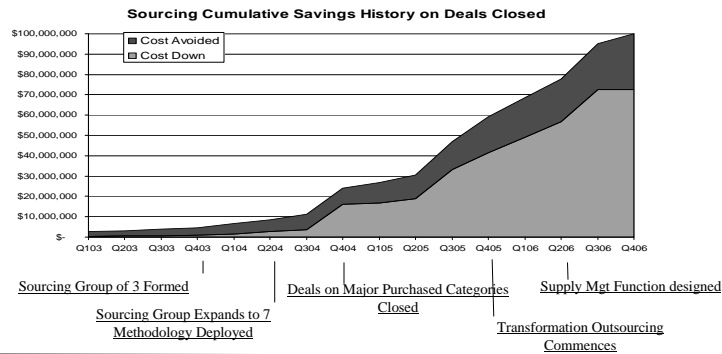
**Starting Point – 2003**



**Mid 2007 Status**

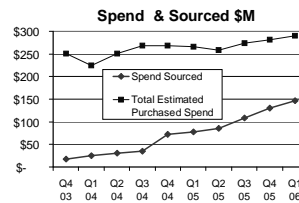
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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• A financial services company with primarily-decentralized procurement.</li> <li>• <i>Approximately \$450 Million in enterprise spending (\$350 Million sourceable)</i></li> <li>• <i>Initial Staff:</i> <ul style="list-style-type: none"> <li>• Two young CPA "transfers" to Sourcing</li> <li>• Two purchasing employees with 30+ years of experience primarily placing PO's</li> </ul> </li> <li>• <i>Processes:</i> <ul style="list-style-type: none"> <li>• "RFP is King", but only in I.T.</li> <li>• Limited penetration - Just 10% "sourced"</li> <li>• "Project" focus rather than category strategies</li> <li>• Only \$20 Million in annual spend on purchase orders...remainder on credit cards or "approved invoices"</li> </ul> </li> <li>• Peoplesoft ERP Only Procurement Technology</li> <li>• Some Pcard Use</li> </ul> | <ul style="list-style-type: none"> <li>• Center-led sourcing organization</li> <li>• <i>\$453 Million sourced (261 sourcing projects completed)</i></li> <li>• <i>\$99 Million savings impact achieved:</i> <ul style="list-style-type: none"> <li>• \$72.6 Million Actual Savings (Cost Down)</li> <li>• \$27.4 Million Cost Avoidance</li> </ul> </li> <li>• <i>Matrix Staff:</i> <ul style="list-style-type: none"> <li>• 12 Person Sourcing Staff</li> <li>• 18 Person Supply Management Oper. Staff</li> <li>• Working in team fashion with Supplier Managers in Line of Business (LOB) departments</li> </ul> </li> <li>• Professional Services and Staffing Services Managed through Eprocurement Tool</li> <li>• Expanded Use of Pcards</li> <li>• Extensive Leverage of "Sourced" Supplier Agreements</li> </ul> |
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## Supply Base Saving History



### Results Jan 03-Jan 07:

| # projects          | Total Spend Sourced  | Total Cost Down | Total Cost Avoid | Total Savings |
|---------------------|----------------------|-----------------|------------------|---------------|
| 261                 | \$ 453,080,861       | \$ 72,591,488   | \$ 27,408,247    | \$ 99,999,735 |
| % Savings           |                      | 16%             | 6%               | 22%           |
| Avg Spend/Project   | \$ 1,735,941         |                 |                  |               |
|                     | Total Contract Spend |                 |                  |               |
|                     | \$ 375,246,950       |                 |                  |               |
| Avg. Spend/Contract | \$ 1,437,727.78      |                 |                  |               |



## Principles Followed – CUNA Mutual

- Engage staff in **creating a Best-in-Class (“BIC”) definition**, so they can make it theirs.
- Category strategies drive a BIC Solution in each major spend category
- Design an efficient and optimized Supply Chain / Procure to Pay process
- Documented, integrated (w/Legal, Security, etc) methodology that **maximizes value while managing risk**.
- Employ a **strategic approach for key suppliers**....
  - Have a proactive strategy for each key category & supplier.
  - Measure performance & have improvement plans.
- Demand management focus...**the “Best” way to save is “Don’t spend”**....
- Low leakage around sourcing - Benchmark is 70% of spend sourced.
- Policies that speak to **whole spend** as well as specific categories.
- Create ability to identify **non-compliance** and defined resulting actions.
- Willingness to be benchmarked and recognized with other organizations, clients, and management.

## Performance Targeted – CUNA Mutual

- **World Class Supply Management means:**
  - Impacting 90% of Purchased Spend.
  - Use eProcurement for 75% of all spend.
  - Achieve 90% “Good” or “Excellent” ratings in client surveys.
  - Achieve 5:1 return (Savings to costs of Supply Mgt Function).
  - Professional development program for staff.
  - Supply Management participates in internal customer planning sessions and internal customers participate in Supply Management planning sessions.

*Dr. Peter O'Reilly, C.P.M. – Chairman of ISM Services Group*

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## Building the Team – CUNA Mutual

- **Class of 2004:**
  - JP – Internal; CPA
  - KN – External; Mfg Procurement
  - MBr – External; Mfg & Services Procurement
  - BHe – External; Mfg Procurement
  - SH – External; IT Sales
  - SW – Internal; IT Mgr
- **Class of 2006:**
  - BW- Internal; Project Manager / Business Analyst
  - DV – Internal; IT Mgr
  - BHa – External; IT Sales
  - TK – External; Mfg Procurement/Logistics
  - JK – External; Distribution Buyer
  - MBe – External; Services Procurement

*No single staff-member began as a sourcing “pro”. Some of the first group were even cut from the team. But many additions were great draft picks. And all of the final group succeeded and improved to a large degree.*

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## Competency Matrix Created

- Communication
  - Writing, speaking, listening
- Influencing
  - **Consultative Selling!**
  - Facilitation / Consultative
  - Executive Presence
- Technology Skills
  - Office, Peoplesoft, Other
- Supply Mgt Policy & Procedures
- Project Management
- Requirements Building
  - Process Improvement
  - Business Analyst Skills
  - Requirement Documentation
- Manage the Bid Process
  - RFX
  - Supplier Communications
  - Due Diligence Activities
  - Weighted Selection
- Negotiation
  - Preparation, Execution
- Contracts
  - Writing SOWs
  - Understanding Contract Terms
- Supplier Performance Mgt
  - Scorecards
  - CAPA processes
  - Health Checks

|  | Specialist | Associate | Manager | Sr. Manager |
|--|------------|-----------|---------|-------------|
|  |            |           |         |             |
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Skill Growth

- Describes Qualitatively What Team Members Must Do At Each Level...
- Linked Directly To:
  - Development Plan
  - Promotion

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## Challenging the Team – Ownership & Accountability

| Sourcing Department AIM Objectives - 2006 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                                         | <p><b>Achieve budgets for Sourcing, responsible Supply Management functions and projects.</b></p> <p>Threshold: 110% to budget<br/>                     Target: 100% to budget<br/>                     Superior: 95% to budget</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 2                                         | <p><b>Achieve Multi-year/Annualized Savings on "new deals closed" of:</b></p> <p>Threshold: \$17mm/\$6.5mm<br/>                     Target: \$21mm/\$8mm<br/>                     Superior: \$25mm/\$10mm</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 3                                         | <p><b>Implement sourcing "quick wins" and other transformational initiatives that have a Supply Mgt component on-time, effectively and to savings targets:</b></p> <p>Threshold: &gt; 65% on-time. A few, minor, quickly fixed service interruptions. &gt;65% to savings targets<br/>                     Target: &gt; 80% on-time. No service interruptions - some user visible glitches, quickly fixed. &gt;80% to savings target<br/>                     Superior: 100% on-time. No service interruptions - very few user visible glitches, quickly fixed. 100% to savings target</p>                                                                                                                                                                                                                                                                                                                                                    |
| 4                                         | <p><b>Support the Implementation of a Supply Mgt Organization.</b></p> <p>Help design and implement SM Organization structure, integrate new functions and assess/recruit talent. Release procurement policies and effectively communicate and market Supply Mgt to CMG. Bring new Supply Mgt solutions to clients and meet or exceed their expectations.</p> <p>Threshold: Portions delayed or sub-optimized. Communications limited and not strongly noticed. Feedback fair.<br/>                     Target: Largely effective and on-time implementation. Regular, noticed communications. Good feedback. Leakage reduced.<br/>                     Superior: Clearly improved organization solution and/or implemented earlier than expected. Frequent very well received communications. Very good feedback. Leakage around Supply Mgt strongly reduced</p>                                                                            |
| 5                                         | <p><b>Implement Best / Next / Common Supply Mgt Practices/Processes.</b></p> <p>Deploy improved metrics system. Expand eServicesPro into other new services, implement new eSourcing desktop, conceive and plan improved "front-end" that drives improved demand mgt / approval and reduced leakage, enhance CMG web page "buyers portal" and implement a Supplier Diversity Program.</p> <p>Threshold: Some increase in spend on new/improved solutions. Some new practices/processes implemented or suboptimal. Some recognition of improved practices/processes.<br/>                     Target: Significant increase in spend on new/improved solutions. More than 50% implemented, largely on-time &amp; effective. Good feedback &amp; recognition.<br/>                     Superior: Large increase in spend on new/improved solutions. More than 65% implemented on-time &amp; effective. Very good feedback &amp; recognition</p> |

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## Skills Diagnostic Testing

- Once Competency Matrix was created, we needed to validate the knowledge base of each Associate.
- Strategic Procurement Solutions was selected to test each Supply Management Professional and Internal Customers involved in Supplier Management.
- Strategic Procurement Solutions administered their *Online Supply Management Skills Diagnostic* testing process.
- Both "Group" and "Individual" development plans were created as a result.

| Competency Statistics - Overall Group |           |             |
|---------------------------------------|-----------|-------------|
| COMPETENCY DESCRIPTION                | % CORRECT | % INCORRECT |
| COST MODELING                         | 96%       | 4%          |
| EFFECTIVE MEETING MGMT                | 95%       | 5%          |
| COACHING & FEEDBACK                   | 94%       | 6%          |
| REPRESENTATION                        | 94%       | 6%          |
| LIABILITY LINES                       | 93%       | 7%          |
| SUPPLY CHAIN INTEGRATION              | 93%       | 7%          |
| SUPPLIER RELATIONSHIP MGMT            | 92%       | 8%          |
| COMMUNICATIONS - WRITTEN              | 83%       | 17%         |
| CRITICAL THINKING                     | 78%       | 22%         |
| CUSTOMER RELAT. MGMT                  | 77%       | 23%         |
| EFFECTIVE USE OF TIME                 | 77%       | 23%         |
| MANAGEMENT SKILLS (3) BANK            | 77%       | 23%         |
| SUPPLIER RELATIONSHIP MGMT            | 77%       | 23%         |
| CO-INFORM RESOURCES                   | 77%       | 23%         |
| DEMAND MANAGEMENT                     | 77%       | 23%         |
| SOURCING STRATEGY DEV.                | 77%       | 23%         |
| NEGOTIATION SKILLS                    | 77%       | 23%         |
| PROJECT MANAGEMENT                    | 77%       | 23%         |
| FINANCIAL KNOWLEDGE                   | 77%       | 23%         |
| PROC. TECH. KNOWLEDGE                 | 77%       | 23%         |
| CONTRACT MGMT.                        | 77%       | 23%         |
| SUPPLIER ANALYSIS                     | 77%       | 23%         |
| BUS. FINANCIAL KNOWLEDGE              | 77%       | 23%         |
| MARKET ANALYSIS                       | 77%       | 23%         |



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## Training & Professional Development

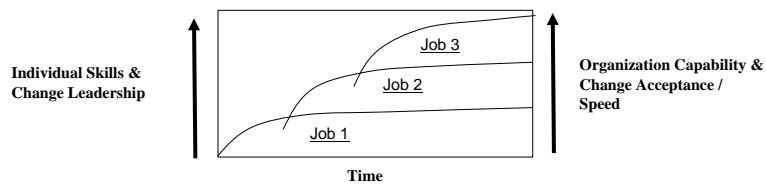
- Based on competency "GAPS" identified by our management and the Supply Management Skills Diagnostic™.
- Educational programs were selected for Associates.
- Core training was performed by Strategic Procurement Solutions onsite at company headquarters, for both Supply Management and Customer personnel:
  - Advanced Procurement Negotiations™
  - Supplier Performance Management™
  - Strategic Contracting™
- Additional training was also selected for individuals (both onsite and offsite).
- Mentoring ("Buddy System"), career pathing, and job rotations were also implemented.

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## Helping Them Leave

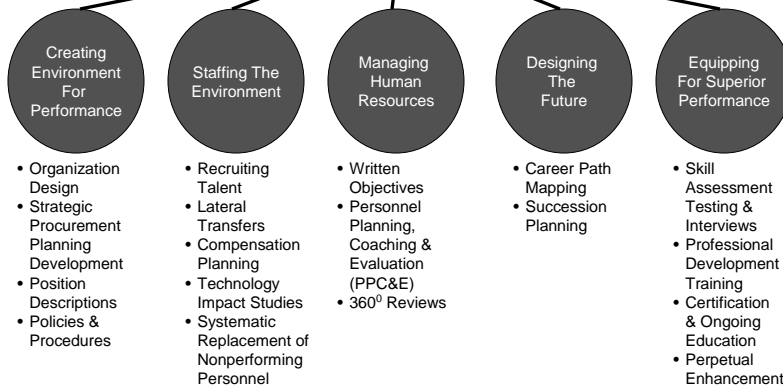
- **Class of 2004:**

- JP – Became a Director of Print Supply Management
- KN – Became Manager of Shared Services; Now a Sales Solution Architect
- MBr – Became a Sales Lead
- BHe – Became a Imaging Supply Manager
- SH – Became Sales IT Manager; Now International Sourcing Manager
- SW – Became a Senior IT Sourcing Manager



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## Foundational Elements Human Capital Performance



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## Procurement Staffing Needs Vary Seasonally

- Majority of new sourcing projects begin:
  - January to May
  - September to November
- Some industries buy seasonally...Retail, Travel, Consumer Goods, Automotive, etc.
- Key budget periods end in December (or other Fiscal Year End):
  - File Closeouts
  - Contract Renewals
  - Blanket PO Renewals
  - Invoice Processing



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## 3 Types of Staffing

| <u>Type of Staff</u>     | <u>Pro's</u>                                                                                                                                            | <u>Con's</u>                                                                                                                                        | <u>Source</u>                                                                                                                                                                                                                       |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Permanent Staff          | <ul style="list-style-type: none"> <li>▪ Good Productivity</li> <li>▪ Fully Trained</li> <li>▪ Dedicated</li> <li>▪ Sometimes Generalists</li> </ul>    | <ul style="list-style-type: none"> <li>▪ Long Ramp Up (Recruiting/Training)</li> <li>▪ Permanent Commitment</li> <li>▪ Least Flexibility</li> </ul> | <ul style="list-style-type: none"> <li>▪ Human Resource Recruiting</li> <li>▪ Internal (Lateral) Transfers</li> <li>▪ Contingency/ Retained Search Firms</li> <li>▪ Extended Retirement</li> <li>▪ University Recruiting</li> </ul> |
| Temporary/Contract Staff | <ul style="list-style-type: none"> <li>▪ Medium Ramp Up</li> <li>▪ Moderate Expense</li> <li>▪ Peak Periods</li> <li>▪ Specific Expertise</li> </ul>    | <ul style="list-style-type: none"> <li>▪ Learning Curve</li> <li>▪ Training Required</li> </ul>                                                     | <ul style="list-style-type: none"> <li>▪ Temp Agencies</li> <li>▪ Specialty Providers</li> <li>▪ Direct Contract (1099)</li> <li>▪ Internships/Students</li> </ul>                                                                  |
| Consulting Support       | <ul style="list-style-type: none"> <li>▪ Managed Solution</li> <li>▪ High Expertise</li> <li>▪ Focused Attention</li> <li>▪ Shortest Ramp Up</li> </ul> | <ul style="list-style-type: none"> <li>▪ Most Expensive</li> <li>▪ Takes Focus Away from Baseline Tasks</li> </ul>                                  | <ul style="list-style-type: none"> <li>▪ Major Consulting Firms</li> <li>▪ Niche Consultancies</li> </ul>                                                                                                                           |

## Sources For Great Supply Management Professionals

| Source                                    | Pro's/Con's                                 |
|-------------------------------------------|---------------------------------------------|
| 1. Internal Promotion                     | 1. Known Performance; Requires Training     |
| 2. Temp-to-Perm Hiring                    | 2. Challenging to Attract; But Worth Proven |
| 3. Lateral Transfer (Look for Talent)     | 3. Risk of "Dumping"; May Need Training     |
| 4. Referrals from Current Staff           | 4. Great Source; May Lose Objectivity       |
| 5. Referrals from Suppliers               | 5. OK Source; Likely to Lose Objectivity    |
| 6. External Search – Human Resources      | 6. Formal Process; Lacks Specialty          |
| 7. Job Boards – General                   | 7. Very Time Consuming; Lacks Specialty     |
| 8. Job Boards – Specialty                 | 8. Good; But Expensive & Time Consuming     |
| 9. External Search – Specialty Headhunter | 9. Top Quality; Requires HR Funding         |

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## Steps in Recruiting

1. Begin with a Good Position Description
2. Conduct a Compensation Analysis to Ensure Range is Competitive; Adjust for Specialty Knowledge....*Get it Right the First Time.*
3. Move Deliberately & Quickly (*Time is of the essence in today's job market*)
4. Determine Approach (Recruit to Hire; Temp-to-Perm; etc)
5. Advertise Selectively.
6. Rank Candidate Resumes; Using Quantifiable Selection Criterion.
7. Conduct Phone Interviews.
8. Check References!
9. Formally Interview Top 2 or 3 Candidates.

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## Employee Commitment Levels Are Changing

- “The average corporate worker will change jobs at least 7 times during their career” (*Mercer HR Consulting*)
- “60% of U.S. workers are very likely, or likely, to leave their job in the next 3 months” (*Employee Satisfaction Survey [6,380 participants], Salary.com*)
- “Only 47% of Americans say they're satisfied with their jobs, a sizable drop from the 61% percent who expressed satisfaction in a similar survey 20 years ago” (*Executive Board, 2007 Survey*)
- “Two out of every ten employees do not see themselves in their current jobs a year from now” (*Houston Chronicle – Job Satisfaction Plummets*)
- “Less than two out of every five workers under age 25 said they were satisfied with their jobs. Their 38% overall job satisfaction tally was the lowest satisfaction rate ever recorded for any age group in the survey's history. The second-lowest job satisfaction rate occurred in the 45-54 age group, with less than 45 percent content with their current jobs” (*Executive Board, 2007 Survey*)
- “Workers said they were dissatisfied with their bonus plans, promotion policies, performance review processes, workload, work/life balance, communication channels and potential for future growth in their jobs” (*Executive Board, 2007 Survey*)

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## *Special Handling Instructions: GenX and GenY*

1. Persons borne between 1965 and 1995 have a special perspective on the workplace.
2. They are seeking an overall “experience” which enhances their ability to secure future growth.
3. Seeing their parents laid-off from corporate positions has created distrust in GenX and GenY workers. This distrust also factors into low employer-loyalty.
4. Promises of “future” promotions or benefits are not viewed as credible by many Gen X/Y workers.
5. Open communications about the pro’s and con’s of a job are critical. Failure to be forthright in the interview process may send the applicant to other opportunities.
6. An attractive compensation, benefits, and schedule/transportation package are all key factors in attracting and retaining Gen X/Y professionals.

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## Ways to Extend the Existing Staff Pool

1. **Attract & Train Younger Talent:**
  - Use college interns.
  - Recruit direct from universities.
  - Train in supply management concepts.
2. **Extend Availability of Senior Staff Talent:**
  - Utilize Extended Retirement (allows for reduction in hours to build project/peak staff demand resources).
  - Don't force early retirement.
3. **Retain Current Staff by Increasing Job Satisfaction:**
  - Have HR survey employees for "Dissatisfiers"...and address.
  - Allow Job Sharing & Telecommuting, as appropriate.
  - Eliminate common "Dissatisfiers" ...for example, frustration over Communications, Workload, Lack of Feedback, Promotional Opportunities, Boredom, Lack of Cross-Training, etc.
  - Create clear opportunities for growth and advancement.

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## Create a Top-Performing Environment

- **Manage Against Challenging Objectives:**
  - Far Exceeds (5%)
  - Exceeds (20%)
  - Meets (60%)
  - Meets Some Not All (10%)
  - Does Not Meet (5%)
- Insist Upon **360° Reviews**
- Provide **Regular** Coaching & Feedback
- Measure Low Performers "**Up**" or "**Out**"
- **Rotate Staff** to Find Areas of Strength
- **Financially Reward** Top Performance
- Create **Career Path Mapping** for Top Performers (Don't Promote Mediocrity...*Peter Principle*)
- Create a **Succession Plan** (2 to 5 Years)
- **Train** (Didactic & Job Rotation) to Prepare for Greater Responsibility.
- **Make a Difference!**

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## Eliminate/Reduce Job “Dissatisfiers”

### Reasons Employees Stay in Job

|                                      |            |
|--------------------------------------|------------|
| <b>Managers</b>                      | <b>28%</b> |
| <b>Co-Workers</b>                    | <b>24%</b> |
| <b>Good Working Hours</b>            | <b>21%</b> |
| <b>Challenge</b>                     | <b>19%</b> |
| <b>Job Security</b>                  | <b>19%</b> |
| Adequate Benefits                    | 19%        |
| Fair Compensation                    | 18%        |
| Desirable Commute                    | 17%        |
| Commitment to Job                    | 16%        |
| Professional Development             | 14%        |
| Career Advancement                   | 14%        |
| Compatibility With Corporate Culture | 13%        |
| Recognition                          | 12%        |

### Why HR “Thinks” They Stay

|                                      |            |
|--------------------------------------|------------|
| <b>Co-Workers</b>                    | <b>35%</b> |
| Commitment to Job                    | 26%        |
| Compatibility With Corporate Culture | 26%        |
| Adequate Benefits                    | 23%        |
| <b>Managers</b>                      | <b>20%</b> |
| Job Security                         | 19%        |
| Fair Compensation                    | 19%        |
| <b>Challenge</b>                     | <b>14%</b> |
| Professional Development             | 13%        |
| Recognition                          | 13%        |
| Career Advancement                   | 9%         |
| <b>Good Working Hours</b>            | <b>7%</b>  |
| Desirable Commute                    | 7%         |

Source: 2006/2007 Salary.com Employee Satisfaction Survey

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## Professional Development is *Essential* to a Top Procurement Organization

- “*World Class*” organizations have formal programs that invest in the training & development of their supply professionals. (CAPS Research), Critical Issues Report

- Procurement executives say that Talent Management is a “critical” attribute of a *World Class* procurement organization. Executive Board Purchasing Council, Anatomy of a World Class Purchasing Organization

|                    |                           |                 |                                |                        |
|--------------------|---------------------------|-----------------|--------------------------------|------------------------|
| Adobe Systems      | The Allstate Corp         | ALLTEL Corp     | Metropolitan Life Insurance    | USPS                   |
| Astra Zeneca plc   | Barclays PLC              | Capital One     | Chevron Texaco                 | Chiquita Brands Intl   |
| The Clorox Co.     | Colgate-Palmolive Company | Delta Air Lines | Department of Veterans Affairs | Entergy Corporation    |
| Exxon Mobile Corp  | First Energy Corp         | Georgia Pacific | Glaxo Smith Kline plc          | The Hartford Financial |
| JC Penney          | Johnson & Johnson         | Kellogg Corp    | Lowe's Companies               | US Bank                |
| Michelin N.A.      | R.R. Donnelley & Sons     | 3 Com           | United Technologies            | Wisconsin Energy       |
| W.W. Grainger Inc. | Merrill Lynch & Co.       | Mead Westvaco   | LG&E Energy Corp               | Sonoco Products        |
| Holcim Ltd         | Interbrew U.S.A.          | Belgacom SA     | Abbott Laboratories            | Telstra Corp           |

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“Today I believe in the importance of training more than the importance of hiring...”

(Mark H. McCormack, *What They Don't Teach You At Harvard Business School*)

## Skills Needed By Today's Procurement Superhero



| Functional Skills                                                                                                                                                                                                                                                                                                                                                                                                                                                | Business Skills                                                                                                                                                                                                                                                              | General Skills                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Demand Management</li> <li>• Spend Analysis</li> <li>• Specification Management</li> <li>• Cost modeling</li> <li>• Market Analysis</li> <li>• Strategy Development</li> <li>• Supplier Evaluation</li> <li>• Negotiations</li> <li>• Contracting</li> <li>• Supply Chain Integration</li> <li>• Supplier Relationship Management</li> <li>• Customer Relationship Management</li> <li>• Contract Management</li> </ul> | <ul style="list-style-type: none"> <li>• Business process knowledge</li> <li>• External customer &amp; market knowledge</li> <li>• Product &amp; service knowledge</li> <li>• Supply market knowledge</li> <li>• Technology knowledge</li> <li>• Business finance</li> </ul> | <ul style="list-style-type: none"> <li>• Team building</li> <li>• Group problem solving</li> <li>• Managing resistance to change</li> <li>• Public Speaking</li> <li>• Change management</li> <li>• Coaching and feedback</li> <li>• Project management</li> <li>• Effective meeting management</li> </ul> |

## Skill Assessment Testing & Gap Analysis

1. Position design, definition, and competency benchmarks;
2. Skills testing (vs. assessment);
3. Skills evaluation;
4. GAP analysis vs. Best Practices;
5. Career mapping; and
6. Training plan development.

| Competency Area               | Competency Type | Team Manager | Commodity Manager | Commodity Analyst | Contract Analyst |
|-------------------------------|-----------------|--------------|-------------------|-------------------|------------------|
| Demand Management             | Functional      | 10           | 10                | 5                 | 3                |
| Spend Analysis                | Functional      | 10           | 10                | 5                 | 3                |
| Specification Management      | Functional      | 10           | 10                | 5                 | 3                |
| Cost Modeling                 | Functional      | 10           | 10                | 5                 | 3                |
| Market Analysis               | Functional      | 10           | 10                | 5                 | 3                |
| Strategy Development          | Functional      | 10           | 10                | 5                 | 3                |
| Supplier Evaluation           | Functional      | 10           | 10                | 5                 | 3                |
| Negotiations                  | Functional      | 10           | 10                | 5                 | 5                |
| Contract Drafting/Development | Functional      | 7            | 7                 | 5                 | 7                |
| Supplier Relationship Mgmt    | Functional      | 10           | 7                 | 5                 | 3                |
| Customer Relationship Mgmt    | Functional      | 10           | 7                 | 5                 | 3                |
| Contract Management           | Functional      | 7            | 7                 | 7                 | 7                |
| Technology Knowledge          | Business        | 10           | 7                 | 3                 | 3                |
| Business Process Knowledge    | Business        | 10           | 7                 | 3                 | 3                |
| Product & Service Knowledge   | Business        | 10           | 7                 | 3                 | 3                |
| Team Building                 | General         | 10           | 7                 | 3                 | 3                |
| Problem Solving               | General         | 10           | 7                 | 3                 | 3                |
| Coaching & Feedback           | General         | 10           | 5                 | 3                 | 3                |
| Time Management               | General         | 10           | 7                 | 3                 | 3                |
| Public Speaking               | General         | 10           | 7                 | 3                 | 3                |
| Project Management            | General         | 10           | 7                 | 3                 | 5                |

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## Success Factors for Highly-Effective Training

1. “Gap” based against staff skill assessment testing & interviews;
2. Format structured to optimally-match content;
3. Delivery cost-effectively addresses the organization’s desired competency outcomes;
4. Instructor(s) has “real world” SCM experience;
5. Content reflect “Best Practices” and be “Implementable”; and
6. Knowledge transfer is verifiable:
  - Level 1 - Participant Surveys
  - Level 2 - Pre- and Post- Testing
  - Level 3 - Follow-up Knowledge Transfer & Verification

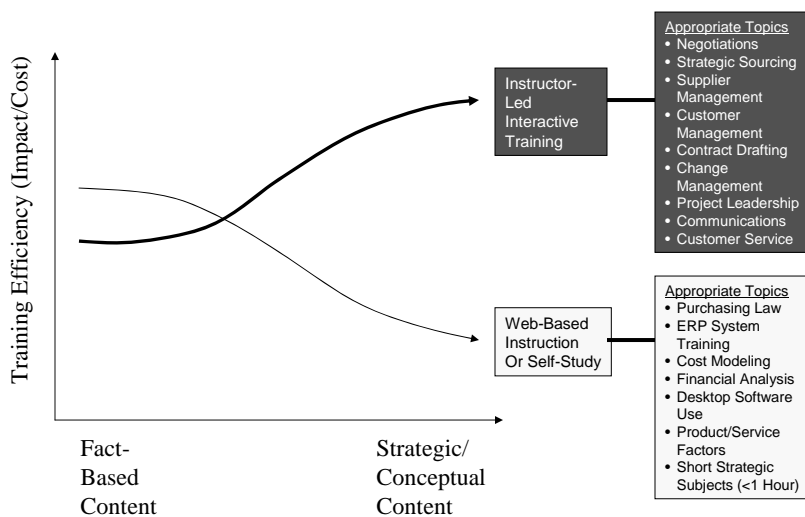
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## Ways Organizations Approach SCM Training

| Offsite "Retail" Training Programs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | On-The-Job Training & Department Rotations                                                                                                                                                                                                                                                                                                                                                                                      | Collegiate Degrees & Professional Certifications                                                                                                                                                                                                                                                                                                                                                                                                                                 | Onsite Training Programs Using External Provider                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Internal Development & Delivery of Training                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Advantages:                             <ul style="list-style-type: none"> <li>- Many topics to choose from</li> </ul> </li> <li>Limitations:                             <ul style="list-style-type: none"> <li>• Training lacks consistency for different staff members</li> <li>• Expensive to deliver (typically \$600 - \$1,200 per participant day, plus travel costs)</li> <li>• Training not tied to organizational needs</li> <li>• Employees away from office...non-productive</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Advantages:                             <ul style="list-style-type: none"> <li>- Cost-effective to deliver</li> <li>- Practical application</li> </ul> </li> <li>Limitations:                             <ul style="list-style-type: none"> <li>- Promote existing practices</li> <li>- Fail-to-address "best practices"</li> <li>- Fail-to-address new concepts</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Advantages:                             <ul style="list-style-type: none"> <li>• Comprehensive &amp; Long-Term</li> <li>• Provide solid baseline for future performance</li> <li>• Reflect staff commitment</li> </ul> </li> <li>Limitations:                             <ul style="list-style-type: none"> <li>• Can be expensive</li> <li>• Lengthy commitment</li> <li>• Not oriented to needs of organization</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Advantages:                             <ul style="list-style-type: none"> <li>- Many topics to choose from</li> <li>- Incorporates "best practices" &amp; new techniques</li> <li>- Skilled trainers</li> <li>- Cost effective delivery</li> </ul> </li> <li>Limitations:                             <ul style="list-style-type: none"> <li>- If not selected carefully, training may not address organizational needs</li> <li>- Training may require customization</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Advantages:                             <ul style="list-style-type: none"> <li>- Highly customized to organizational needs</li> <li>- Flexible scheduling</li> <li>- Works for "tactical" and "fact-based" training</li> </ul> </li> <li>Limitations:                             <ul style="list-style-type: none"> <li>- Training is usually not a core organizational competency</li> <li>- Trainer quality can be limited</li> <li>- Program development takes much time</li> <li>- Can be costly</li> </ul> </li> </ul> |

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## Matching Training Delivery to Content



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## Questions & Answers – Discussion



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