

Breaking the skill loss cycle



in supply chain and procurement ►

Contents

Foreword

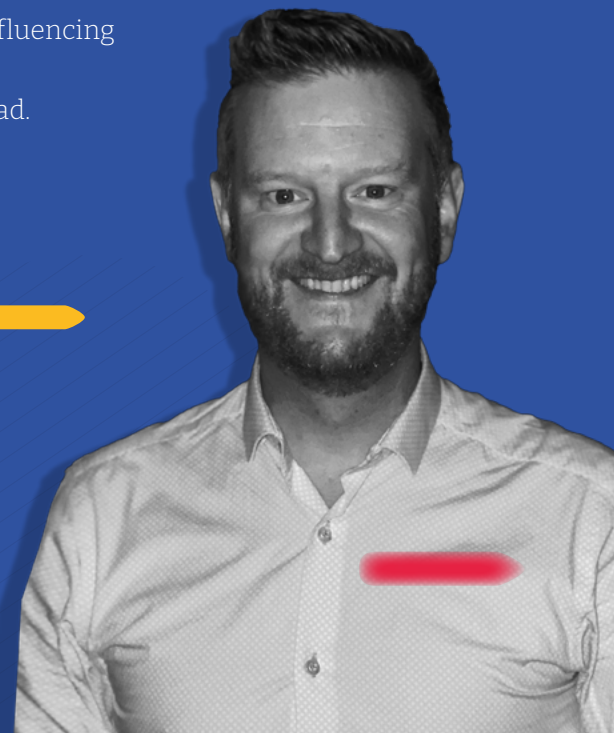
► Skills shortages trouble significant numbers of supply chain and procurement organizations, with many struggling to recruit employees who possess critical skills. Frequently, and worryingly, those skills shortages stem from skilled employees that they did have in their teams walking out of the door, never to return.

Indeed, over a quarter of junior supply chain professionals plan to leave their role over the next two years, and almost as many junior procurement professionals plan on doing the same.

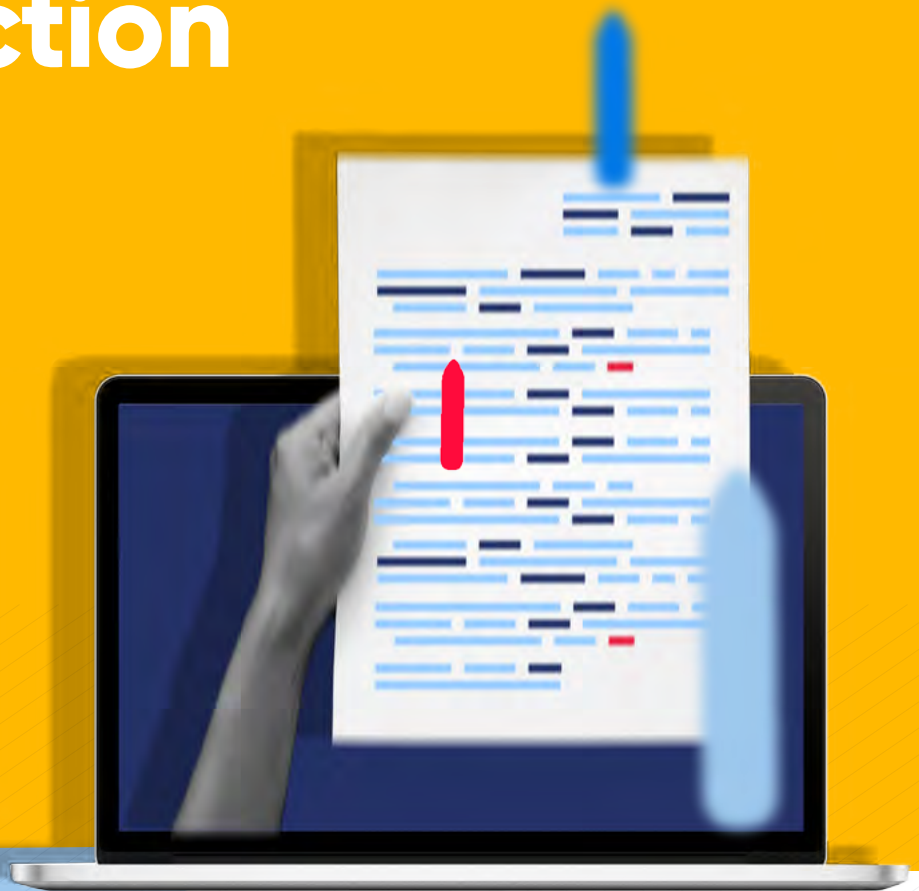
Why is retention so difficult? Salary competition plays a part, to be sure. But as this report highlights, so do several other factors—many of which seem relatively easy to fix. Chief among them, better training. Because better training has a positive reinforcing effect on many of those other factors.

This report explores the causes of employee churn, demonstrates its cost to supply chain and procurement organizations, highlights the factors influencing churn, and makes the case as to why better training—and in particular eLearning—can reduce it. I hope you find it an insightful and useful read.

Sam Pemberton
CEO, Skill Dynamics



Introduction



► They called it ‘The Great Resignation’: post-pandemic, as lockdown restrictions eased, employees across North America and Europe resigned in droves. In industry after industry, thinly-stretched workforces struggled to meet customer demand.

Yet for supply chain and procurement organizations, The Great Resignation was just one more challenge in an increasingly complex world—and arguably, nothing new.

On the other hand, issues like supply chain resilience, the ever-pressing need for greater supply chain visibility, the imperative to cut costs, geopolitical challenges and trade tensions, and keeping abreast of

a fast-changing technology landscape have definitely been keeping supply chain and procurement professionals awake at night.

And in significant numbers, too, as a survey carried out by Skill Dynamics recently highlighted. 56% of supply chain and procurement professionals were concerned about the challenges of maintaining supply resilience and continuity while faced with

ongoing supply disruptions. 48% worried about maintaining visibility across the supply chain. 46% were challenged by the need to make continual cost savings, despite rocketing inflation, and fast-changing commodity costs. And so on, and so on: just 2% of respondents didn't believe that they faced significant challenges in their supply chain and procurement functions.

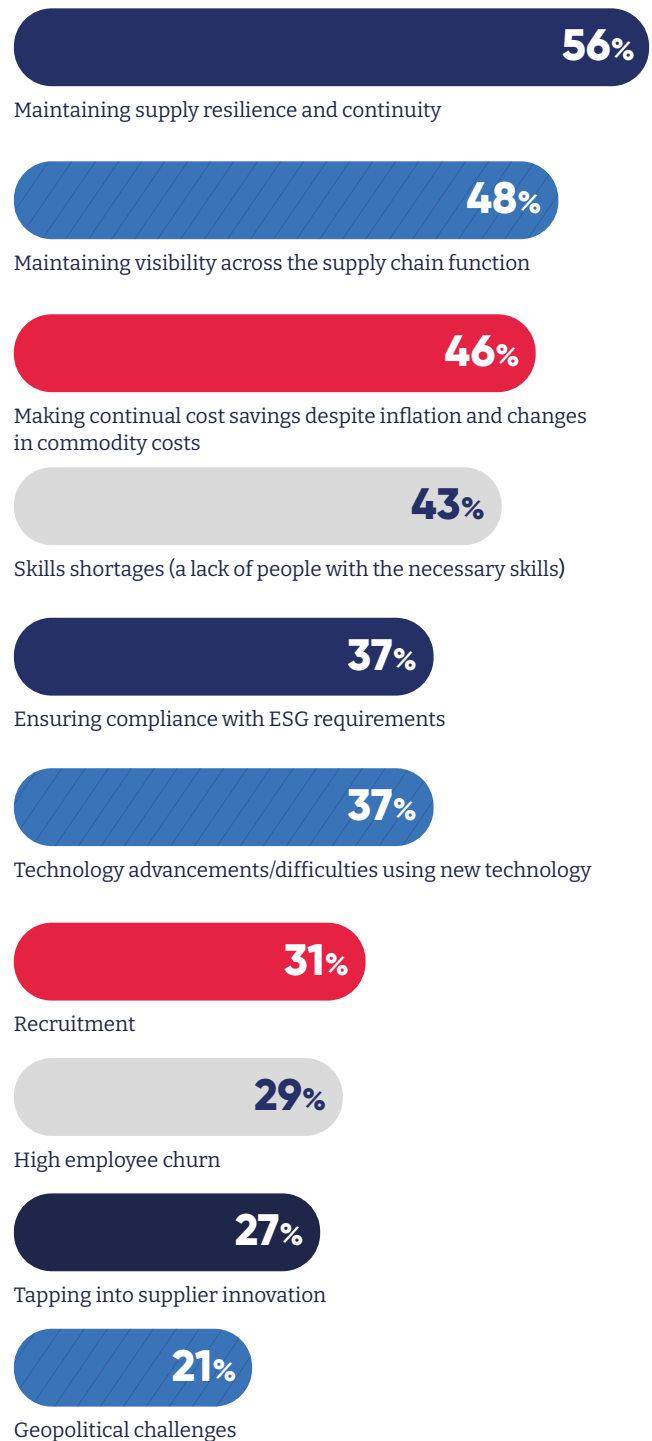
Yet, blended in with this troubling list of concerns were also human-relations issues that—perversely—adversely impact supply chain and procurement organizations' ability to address these concerns. At a time when the need for additional skilled supply chain and procurement employees has rarely been more imperative, organizations are struggling to recruit, retain, and upskill those employees.

For instance, 43% of respondents are concerned about skill shortages. 31% regarded difficulties with recruitment as a significant issue. And 29%—almost one in three—saw high levels of employee churn as an issue.

The picture is clear: The Great Resignation is no transient phenomenon, but is instead an everyday reality of business-as-usual in today's supply chain and procurement organizations. At a time when the challenges facing these teams are greater than ever, now they are finding it difficult to retain employees, or unlock their full potential.

This report explores why—and looks at what exactly organizations can do about it.

The most significant issues facing procurement and supply chain functions



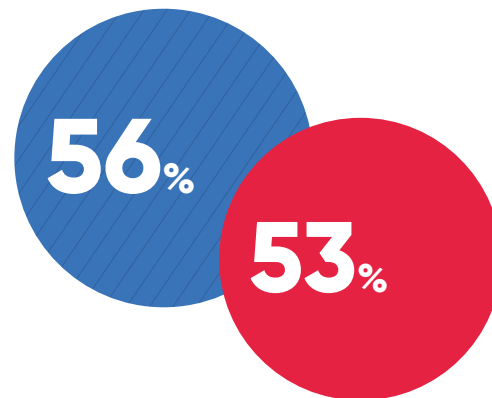
All change: employee churn in **supply chain** and **procurement**



Just how serious is the employee churn issue?
And why is it occurring? Survey respondents shed
light on both issues ►

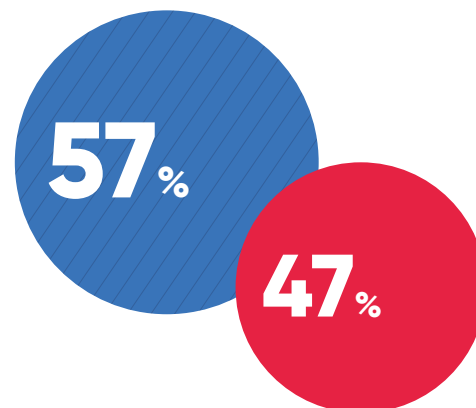
56% of senior supply chain professionals report that employee retention has decreased within their team over the past three years. Senior procurement professionals have a very similar perspective, with 53% reporting that employee churn in their function has decreased in the same time period.

Employee retention has decreased over the last three years



57% of supply chain respondents also emphasized that high levels of employee churn pose significant challenges to their functions. For senior procurement professionals, the figure is slightly less—47%—but still high, and indicative of genuine concern.

Employee churn is a problem within my function



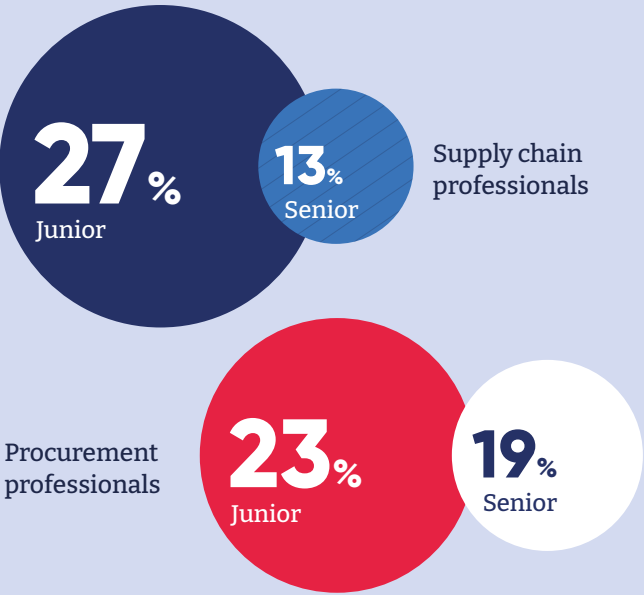
It's not difficult to see why. 27% of junior supply chain professionals report that they plan on leaving their role within the organization in 'the near future'—a period defined as inside the next two years. Almost as many junior procurement professionals—23%—said the same thing.

The picture painted by such figures is stark: over a four-year period, a supply chain and procurement organization's junior ranks will be entirely replaced. The skills and knowledge present in the heads of those in role at the start of the four-year period will be lost in their entirety at the end, leaving organizations reliant on the skills and knowledge of their yet-to-be-recruited successors.

● Senior supply chain professionals ● Senior procurement professionals



I am planning to leave my role within the organization in the near future (0-2 years)



Less worrying, perhaps, are indicative levels of future employee churn among senior supply chain and procurement professionals. Whereas 27% of junior supply chain professionals planned to leave their role inside the next two years, just 13% of their more senior colleagues did. Likewise, while 23% of junior procurement professionals, only 19% of senior procurement professionals expressed a similar sentiment.

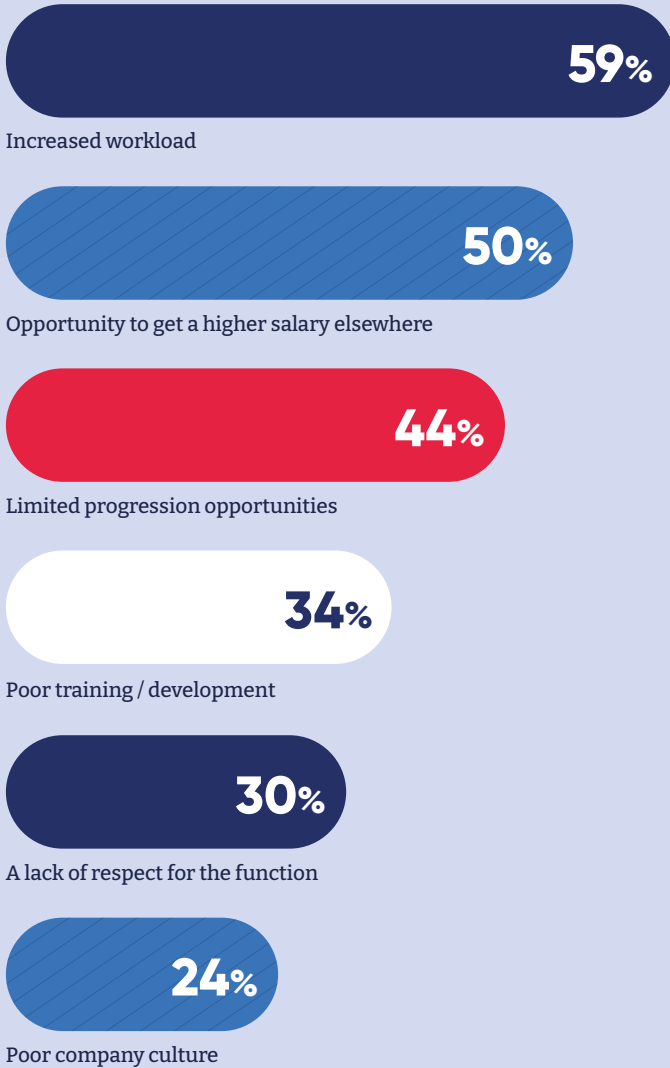
But what's driving this employee churn?

The insights emerging from the survey are fascinating, and point strongly to three key drivers: increased workload, the opportunity to get a better salary elsewhere, and a perception of limited career progression opportunities in their present role.

Two key points stand out. First, as will be demonstrated shortly, supply chain and procurement organizations are in 'growth mode', with significant numbers planning to increase their employee headcounts.

Despite this, 44% of all respondents felt that there were inadequate career progression prospects within their current organization and current role, with an even higher proportion of respondents reporting better salaries being on offer elsewhere. Similarly, it appears that perceptions of a poor corporate culture were significant enough to be regarded by 24% of respondents as worthy of note as a driver of employee churn.

Factors driving churn in procurement and supply chain teams



In short, organizations do appear to be masters of their own destiny when it comes to addressing these issues: to reduce employee churn, employers need to be more explicit about career progression, they must address cultural concerns, and offer more competitive salaries.

Similarly, the single most prominent issue driving churn was increased workload with 59% of respondents citing this as the reason for churn. Presumably this is to the point where employees either felt that their workload had become unsustainable, or that it was affecting work-life balance. Yet upskilling employees would help them to better cope with this increased workload—pointing again to the fact that organizations would appear to be masters of their own destiny with respect to employee churn.

Better technology skills, better delegation skills, better decision-making and analytics skills, increased domain knowledge—all of these and more would appear to have an obvious role to play in increasing employee productivity, and managing an increased workload. And with perceptions of poor training and development provision being **themselves a driver of employee churn**, emphasizing yet again that organizations can exercise some control of the issue: better training and development would reduce employee churn in not just one way, but two.

“ Increased workload drives employee churn both directly, and indirectly. Directly, when people leave because they feel overwhelmed by what they’re being asked to do. And indirectly, when that workload is then handed to other employees—who also then feel overwhelmed, and leave. ”

Dr. Howard Price
Head of Procurement Content, Skill Dynamics



The picture in procurement



If that is the high-level overview for supply chain and procurement organizations as a whole, then what is the picture when considering procurement organizations on their own? ►

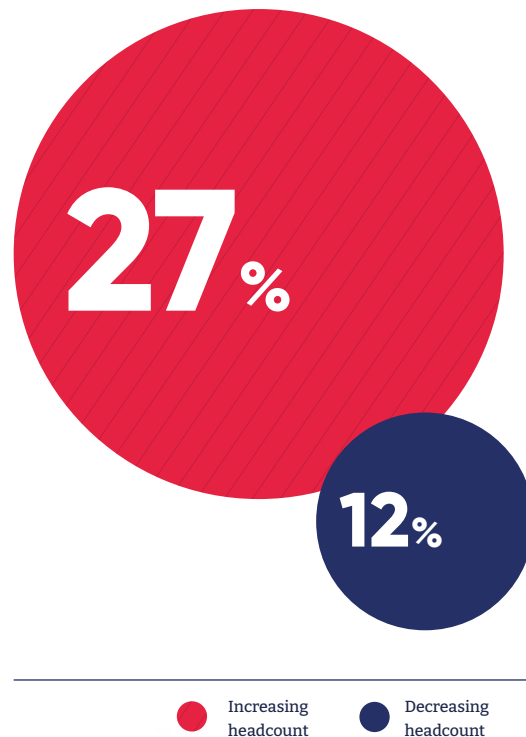
One immediate observation is that procurement organizations are undeniably in growth mode with 27% of procurement leaders looking to grow their teams, while just 12% are looking to reduce headcount.

At a time when economic downturn is forcing companies to address their cost bases, procurement's role is pivotal so this is exactly what we'd expect to see at this time and is positive for the contribution of the profession to the organizations' goals.

“ Anecdotally I am hearing the number of procurement jobs available has increased significantly of late, it would not be difficult for a procurement professional to look for a change of job and find something very quickly, prompting the need to search for a replacement. The easiest way to solve recruitment problems is to encourage people not to leave in the first place. ”

Dr. Howard Price
Head of Procurement Content, Skill Dynamics

Procurement teams looking to increase vs. reduce headcount

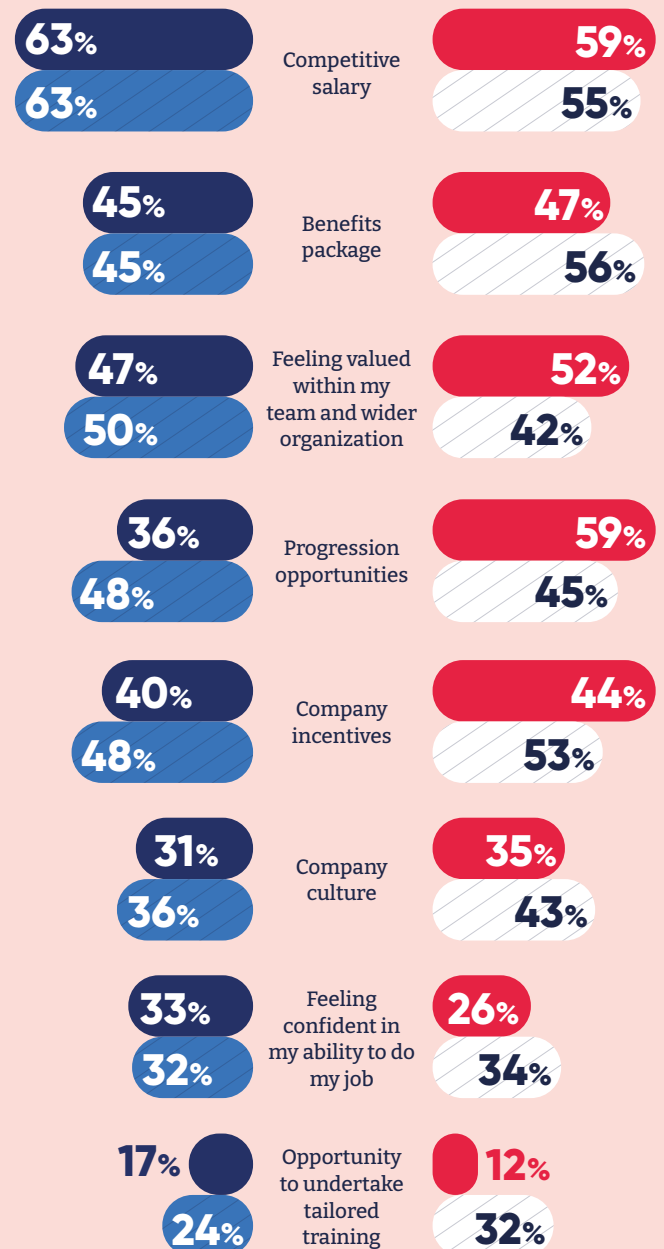


Another conclusion worth noting is that compensation levels within procurement organizations may not match current employment market realities. Skills shortages are endemic in supply chain and procurement organizations, with 91% of senior procurement professionals saying that they struggle to find specific skills in new or prospective recruits. Yet just 41% of senior procurement professionals report that their procurement organizations are consciously offering higher salaries than in 2021 in order to attract people with the skills that they need—meaning that almost 60% of procurement organizations, in contrast, are not.

And at the same time, 57% of junior procurement professionals and 53% of senior procurement professionals are citing the opportunity—or perhaps necessity—to move elsewhere to obtain a higher salary as being a driver of employee churn within their function, a driver that comprises the most commonly-cited cause of churn.

Yet again, it seems sensible for procurement organizations to address all those other factors that adversely impact employee churn—including being more explicit about career progression, addressing cultural concerns, helping employees to feel more valued (something that was of particular concern to junior procurement professionals), and investing in employees through improving the training and development offering.

Motivators that would make employees want to stay at their organizations



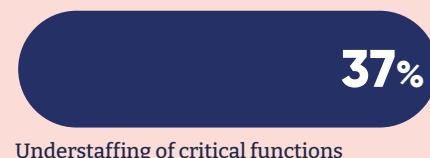
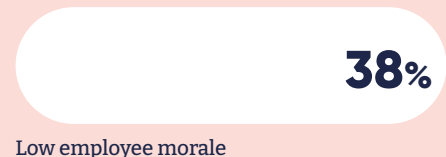
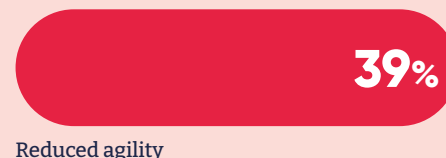
The wisdom of such a course of action is reinforced by what senior procurement professionals say about the costs of employee churn. 39%, for instance, report reduced agility as a result. 38% report reduced employee morale. 27% report reduced resilience. 33% report loss of critical skills. And 39% report a greater risk of errors.

Reduced agility, reduced resilience, a loss of critical skills, a greater risk of errors: there is an undoubted strategic dimension to such consequences of employee churn, manifesting itself in increased costs, reduced levels of customer service, and disrupted supply chains.

Once again, in short, the imperative to reduce churn is clear—pointing procurement organizations once more to that same list of remedial actions: being more explicit about career progression, addressing cultural concerns, helping employees to feel more valued, and investing in employees through improving the training and development offering.

A further area of interest is the linkage between employee churn and organization skill loss and skill acquisition. Departing employees take their skills with them, and no fewer than 33% of procurement professionals have concerns about the consequent loss of critical skills. As we have seen, as they attempt to fill the resulting skill gap, 91% of senior procurement professionals report struggling to find specific skills in new or prospective recruits.

Procurement leaders' concerns with employee churn



But which skills exactly are they seeking? Skills in procurement strategy, for example, are sought by 43% of senior procurement professionals. Skills in digital procurement are also in demand (sought by 43%), and operational procurement (42%). Yet, ironically, these are also the very same skills that procurement leaders are struggling to find. Overall, on a non-parametric correlation test, a statistically significant association exists between in-demand skills and those skills that procurement organizations most struggle most to find.

Some procurement skills are growing significantly in demand, such as operational procurement (42% growth in demand), digital (26% growth) and interpersonal skills (20% growth). Others, whilst still important, have fallen in demand to make room for these rising newcomers – for example, demand for sourcing has fallen by 20% and contract and supplier management by 22%.

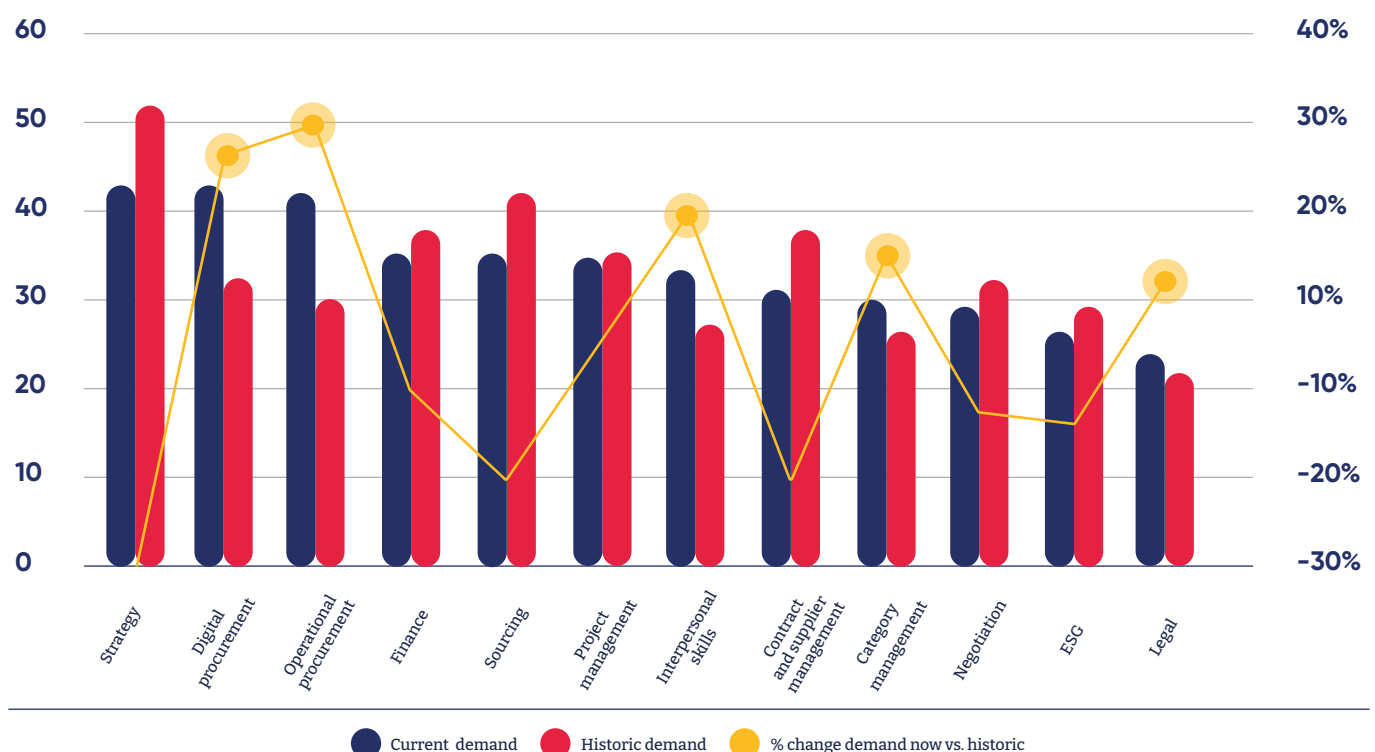
“ Digital skills are a classic illustration of where upskilling existing staff can reduce recruitment difficulties, as well as help organizations to get more value out of their existing investments in technology. Recruiting digitally-savvy professionals might be tempting, but a better strategy is to upskill existing employees who already understand the organization, its culture, its systems, and its objectives. ”

Dr. Howard Price

Head of Procurement Content, Skill Dynamics

In short, procurement organizations must continually work to update and refresh their skills—and also work harder to prevent those skills walking out of the door.

Level of current demand and scarcity for new procurement team members, and how these skills have changed over 10 years



The importance of this is further emphasized when considering employees possessing the skills that are most in demand and are also proving to be the scarcest to find (the top four highlighted in yellow on the left in the chart below). The survey findings show that strategy, digital procurement, project management and operational procurement are the top skills that organizations should ensure they put their strongest efforts into retaining.

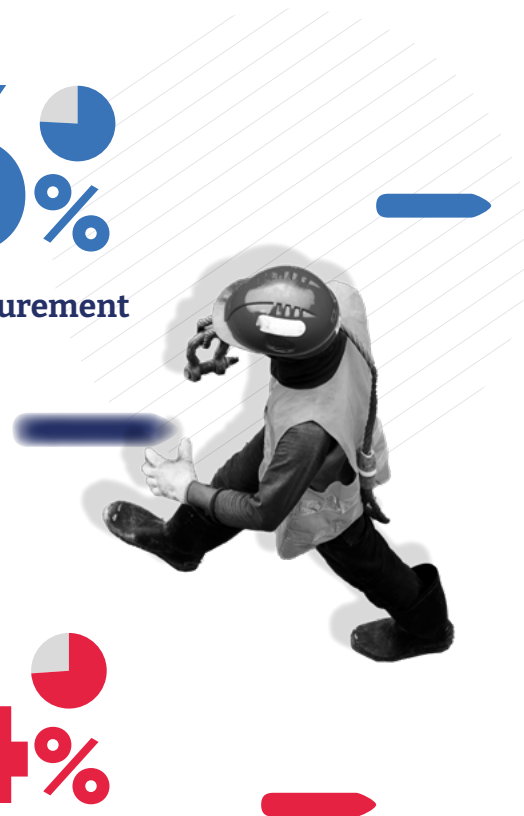
Yet perversely, employee churn itself has a bearing on skill acquisition. While procurement qualifications exist, as do forms of professional accreditation for procurement professionals, the reality remains that many procurement professionals learn ‘on the job’, even if they are studying for professional accreditation. High levels of employee churn diminish the opportunity to both learn skills and practice them, meaning that an individual’s skill acquisition is slower than it otherwise would be, and the knowledge gained arguably less secure.

Not surprisingly, then, significant numbers of both junior and senior procurement professionals—76% and 74% respectively—agree that there is a strong need for structured, on-the-job training within procurement organizations, partly to compensate for this, and partly due to a lack of formal qualification options.

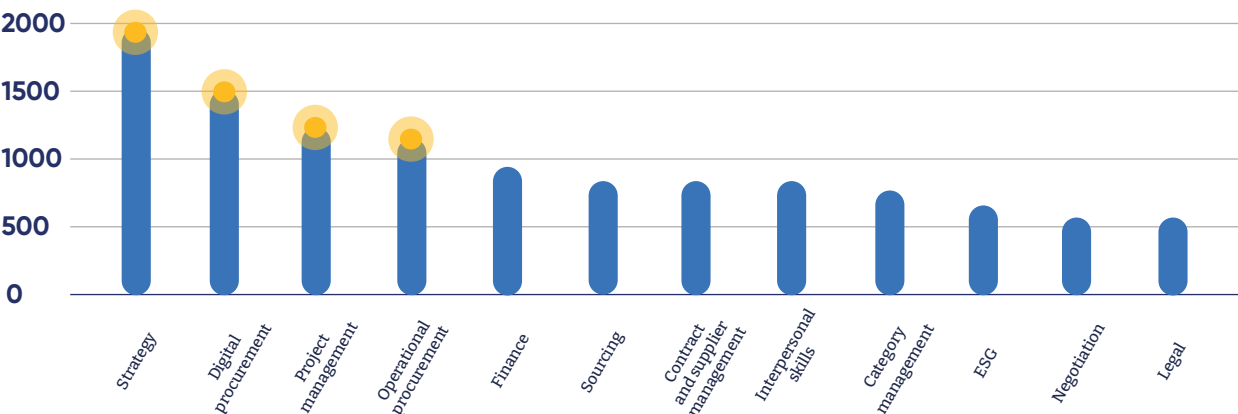
76%
of junior procurement professionals



74%
of senior procurement professionals agree there is a strong need for structured, on the job training.



Procurement skill challenge: demand + scarcity index



The situation in supply chain

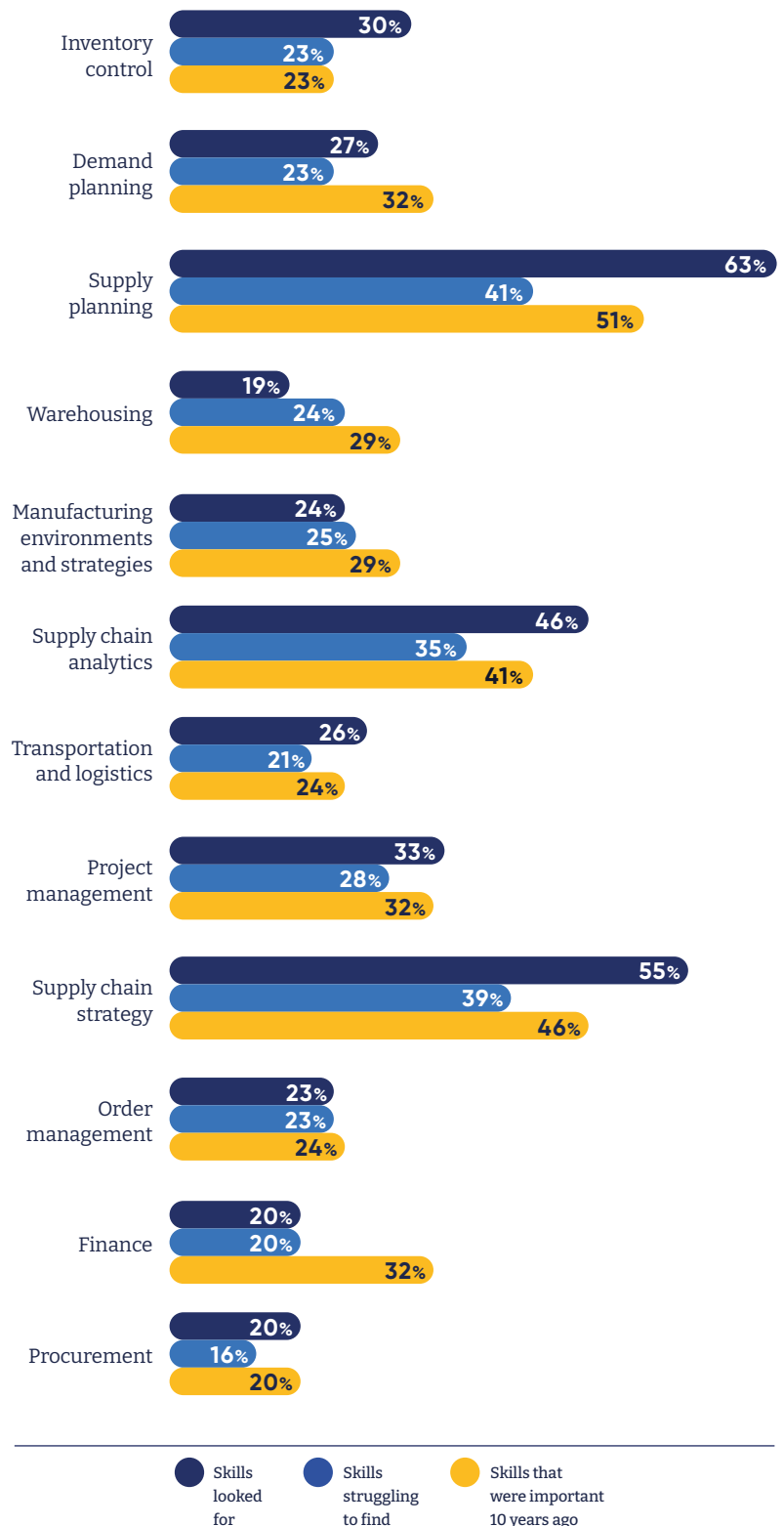


So what of the situation in supply chain organizations?
And how does it differ from the picture in
procurement? ►

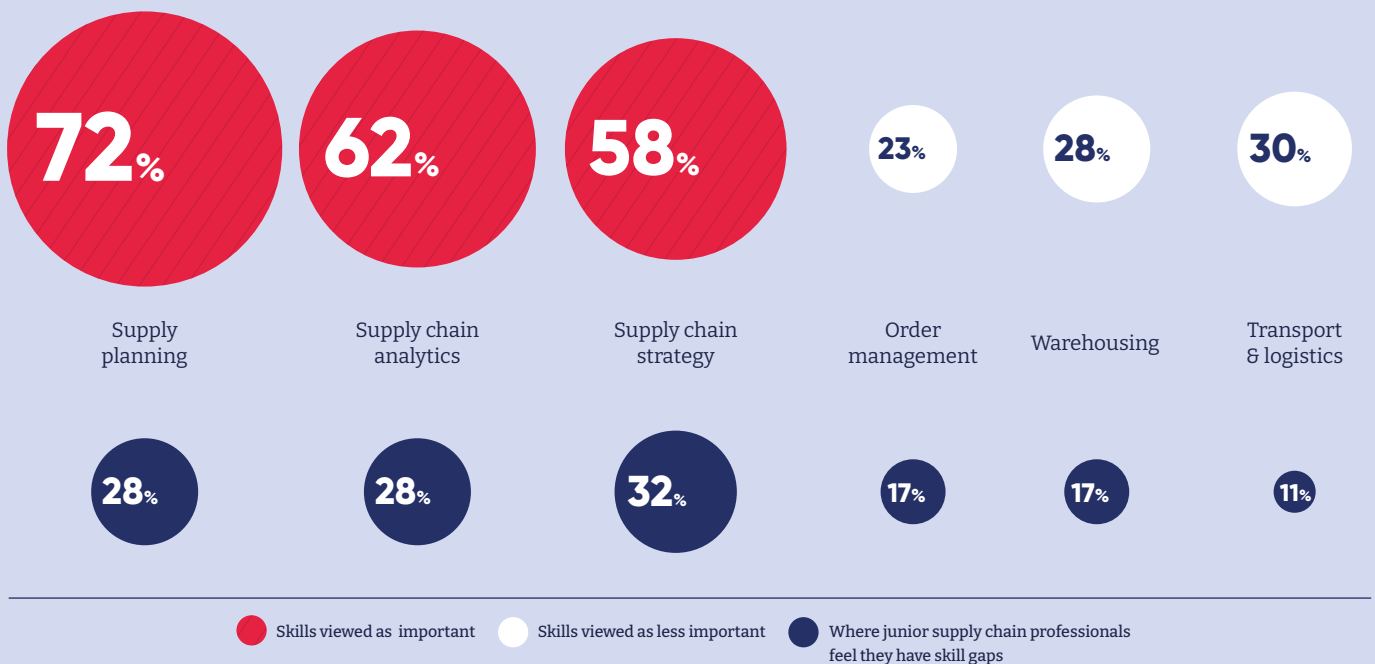
One immediate observation is that the supply chain management role is these days highly strategic, with the traditional emphasis on tactical and operational activities being supplanted by an emphasis on more strategic capabilities.

For example, just 19% of senior supply chain professionals were looking for skills in warehousing when recruiting for their supply chain organizations. Similarly, just 23% were seeking skills in order management, and just 26% in transportation and logistics. In contrast, 63% were seeking skills in supply planning, 55% in supply chain strategy, and 46% in supply chain analytics.

In new/prospective supply chain professionals, what skills do you look for/struggle to find/think were important 10 years ago?



Skills important to junior supply chain professionals, and where they feel they have skill gaps



Broadly speaking, more junior supply chain professionals shared this perspective on key skills: when asked about which skills were most important in a supply chain role, 72% identified supply planning, followed by supply chain analytics (62%) and supply chain strategy (55%). Traditional operational skills were again marked down: just 23% regarded order management as important, 27% regarded warehousing as important, and 30% regarded transportation and logistics as important.

“While the strategic nature of supply chains is on the rise and the days of “just shifting boxes” have gone, other functions sometimes still ponder “how hard can it be to...?”. What is not always appreciated is that the best supply chains are the result of meticulous planning – a Plan for Every Part. Long before anything is ordered, the supplier, the box, the carrier, the journey, the loading bay, the delivery point, frequency and much much more is established, calculated, derived and scheduled into the system. This is not a trivial task. It requires extensive knowledge of the product, the supply base, the customer, the manufacturing process, the transportation mode, the financial impact and the resources – in short some serious intellectual, tenacious horsepower! Not to mention a team running the supply chain that are fully skilled to do their jobs.”

Adrian Preston,
Head of Supply Chain Content, Skill Dynamics

Yet despite the undoubted strategic dimension to supply chain management's role, many of those working within supply chain organizations feel under-appreciated and undervalued—especially at more junior levels with organizations. Indeed, over a third (34%) of junior supply chain professionals name a lack of respect for the function as a factor driving employee churn in the team. And almost one in five (19%) of junior supply chain professionals do not feel valued within the organization—in sharp contrast to more senior professionals, where just one in twenty (5%) of respondents express such sentiments.

It also seems that in terms of skills' shelf-life, supply chain organizations appear to differ from procurement organizations. Again, in respect of 12 relevant supply chain skill areas, just four were today meaningfully less important, and less in demand than ten years ago—where 'meaningfully' is defined as being indicative of a difference that is likely to be statistically significant, rather than mere noise. An investment in supply chain skills therefore looks likely to provide a return on that investment over a longer period—something that is likely to be of value for both supply chain organizations and the individuals acquiring the skills in question.

34%

of junior supply chain professionals say **'lack of respect for the function'** is a driver of employee churn

AND

1 in 5

do **not feel valued** within the organization.



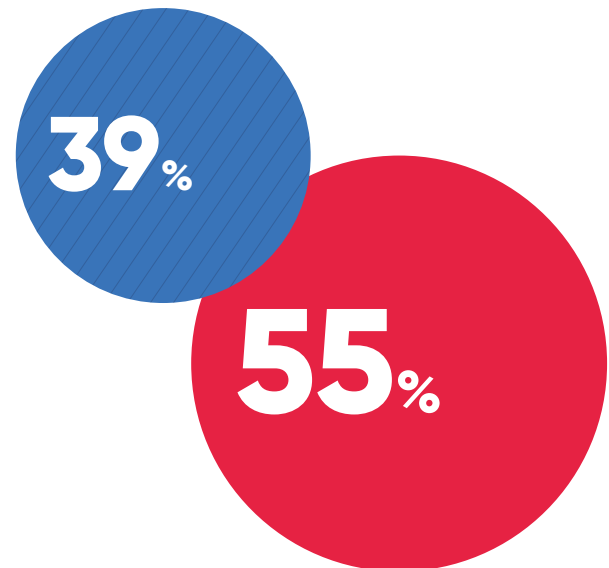
“ It is not surprising to see that the fundamental skills required haven’t changed. However when looking at core competencies, what we’re seeing now is that each of these areas have become substantially bigger, longer, and more varied and complex. Generally speaking, supply chains are now contributing to a bigger proportion of costs and is, perhaps, why CEOs are now seeing the importance of good supply chain management – underlined by the shortages caused by recent global events. With the shift in perspective from “materials people” to supply chain professionals”, should come the recognition that they need investment in training to keep their skills up-to-date, just like engineers and accountants typically do. ”

Adrian Preston,
Head of Supply Chain Content, Skill Dynamics

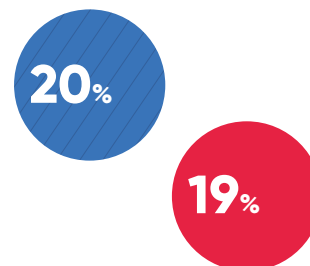
Where do junior supply chain professionals acquire their skills? At entry level—for example as a supply chain graduate trainee—just over a third of new entrants (39%) possess a Bachelor’s degree deemed relevant to their role. (In comparison, 55% of junior procurement professionals do.) Just one in five (20%) possess a relevant Master’s degree, such as an MBA or Master’s in Supply Chain Management and Logistics.

Consequently, much supply chain training and skill acquisition happens in the workplace, learning ‘on the job’. As a result, 73% of junior supply chain professionals agree that there is a strong need for structured, on-the-job training within supply chain organizations, and 98% of respondents expressed a desire for more training, to help them meet the requirements of their job.

Entrants possessing a Bachelor’s degree



Entrants possessing a Master's degree



● Junior supply chain professionals ● Junior procurement professionals

And not surprisingly, this combination of low esteem, inadequate training and support, and lower-than-average salaries proves toxic in terms of employee churn: 27% of junior supply chain professionals report that they are intending to leave their roles in the next 2 years. With 99% of senior supply chain professionals expressing concern over at least one of the consequences of employee churn—and with 48% most worried about the loss of critical skills, which will render work yet more difficult for those remaining in the supply chain organization—it is clear that supply chain organizations face a significant challenge.

“ There’s a real need for brainpower in the supply chain function: supply chain professionals are dealing with a complex cocktail of materials shortages, supply disruptions, price hikes and geopolitical issues. Rising to the challenge calls for skill, experience, and hard work. As the saying goes, supply chain management is not rocket science – it’s more complicated! As a supply chain leader, perhaps I would say that. But given the ever-increasing speed at which supply chains are expected to deliver, organizations must consider the emphasis they put on the customer experience – and how critical everyone in their supply chain is to deliver on that. ”

Adrian Preston,
Head of Supply Chain Content, Skill Dynamics

27%

of junior supply chain professionals report that they are intending to leave their roles in the next 2 years

AND48%

of senior supply chain professionals are most worried about the loss of critical skills.



How to break the skill skill-loss cycle



The picture that emerges is not a pretty one. Skills shortages are endemic; recruitment is challenging—and yet high levels of employee churn help to perpetuate both problems. ►

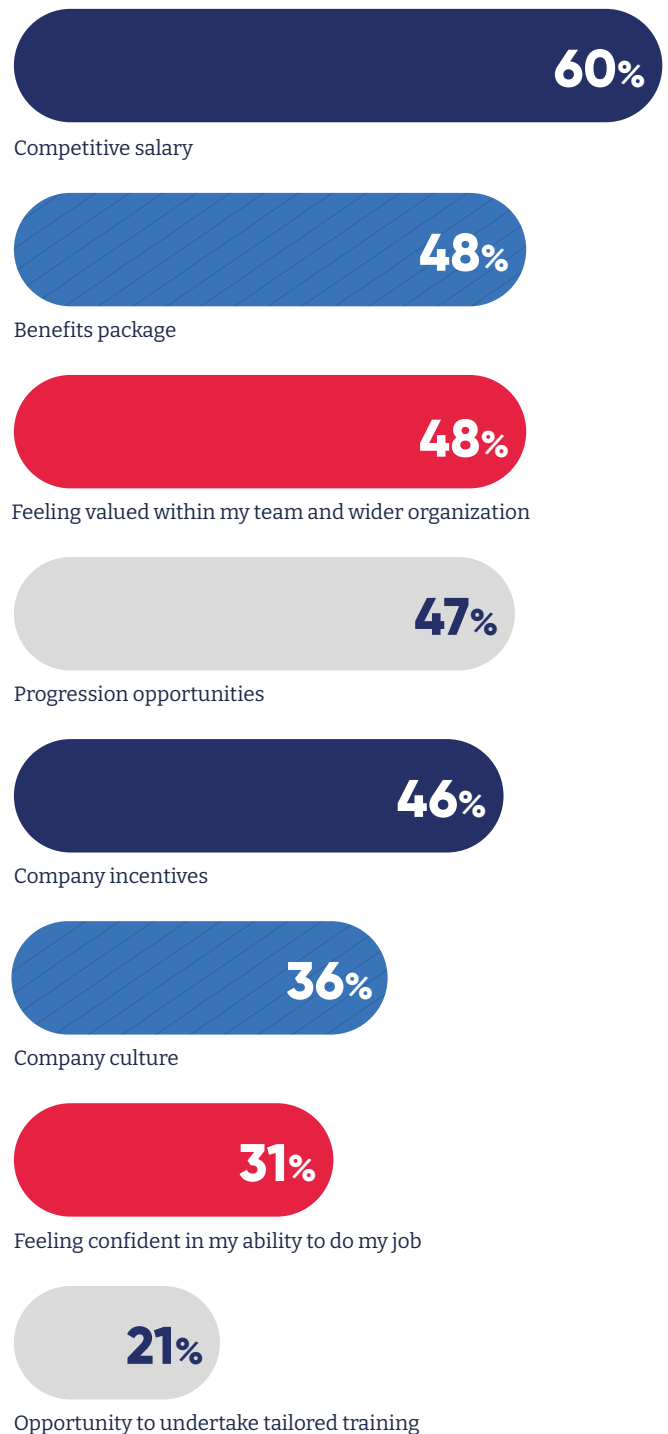
At Skill Dynamics, we call this the skill-loss cycle: if only the flow of skilled people heading to the exit door could be slowed, skills shortages would lessen, and there would be less pressure in terms of recruitment.

To this end, procurement and supply chain organizations are to a very large extent masters of their own destinies: when the causes of employee churn are examined, the vast majority of them are readily addressable.

As we have seen, the opportunity to obtain a higher salary elsewhere is the second-most significant driver of employee churn, cited by 49% of supply chain and procurement professionals. And when asked what if anything would make respondents more likely to remain with their present organizations, 60% cited a competitive salary—well ahead of other factors. So offering a competitive salary is important.

Despite this—again as we have already (partly) seen—reducing employee churn is not just about increasing the organization's salary bill. There are other levers to pull as well. Helping employees to feel more valued, for instance, would dissuade 48% of supply chain and procurement professionals from heading so smartly to the exit. Better progression opportunities would help retain 47%. A better corporate culture, 36%. Opportunities to undertake tailored training, 21%.

Motivators that would make employees want to stay at their organizations



Granted, these numbers—although far from insignificant—are not quite on the same scale as the impact of a competitive salary. But many of them reinforce each other. The provision of tailored training, for instance, is likely to contribute to employees feeling more valued, likely to contribute to employees feeling more confident in performing their jobs, contribute to a positive corporate culture, and provide progression opportunities.

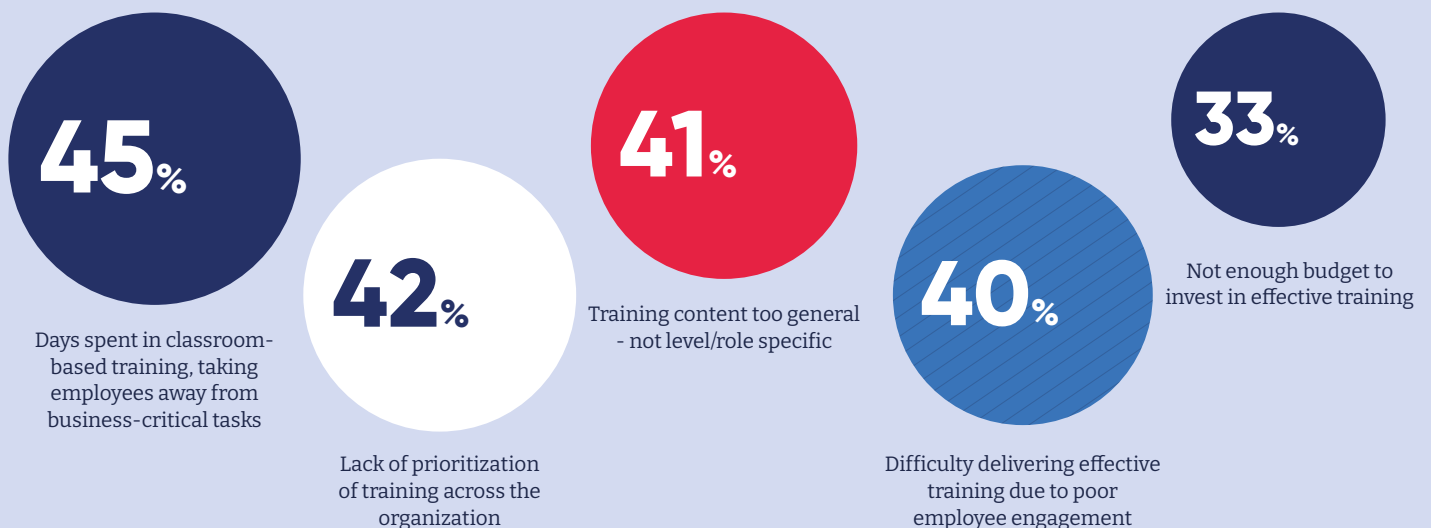
A relatively modest investment in training, in short, can have a significant impact on churn. Respondents affirm this, with 75% of all supply chain and procurement professionals agreeing that they would be more likely to stay at their present organization if it offered more structured training that was relevant to their role.

Yet training is no simple panacea, or universal magic wand. The key words in the above sentiments might be ‘structured’, and ‘relevant’—for while there appears to be a clear demand for more training, significant numbers of supply chain and procurement professionals express dissatisfaction with the existing training provision within their organizations.

45% of senior supply chain and procurement professionals—almost half—complain that training takes employees away from their roles for entire days or half-days at a time. 41% regard the content of their organization's training provision as being inappropriate, and not sufficiently role-specific. 40% report difficulty in delivering effective training, due to poor employee engagement—not surprising, perhaps, if the content is inappropriate—and 33% report having insufficient training budget.

A similar message comes from junior supply chain and procurement professionals—typically those people within the organization who are receiving the training in question. 89% of them express frustration with the training opportunities that they currently receive: almost 42% say that it takes too much time out of their day, leaving them with a backlog of work to complete, over a third (35%) report that the training that they receive is too general to be useful, 31% complain that the content is too theoretical and difficult to apply, and 29% find that the timing of training is often inconvenient.

The challenges of training procurement and supply chain teams



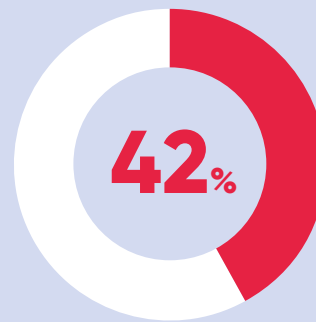
Yet despite these complaints from both employers and employees, over half of supply chain and procurement organizations—56%—report planning increased training budgets over the next year, while 31% plan on maintaining existing training budgets. Given the high levels of dissatisfaction reported by both the employers providing training and the employees receiving it, it seems that much of that training constitutes a poor investment for both parties.

Is there a better way? Yes, reckon many supply chain and procurement professionals: eLearning and significantly, when respondents were asked how their organizations should provide them with training that could better help them meet their job requirements, 53% expressed a desire for access to personalized eLearning—a higher percentage preference than for any other form of training, including the provision of access to formal qualifications and certifications.

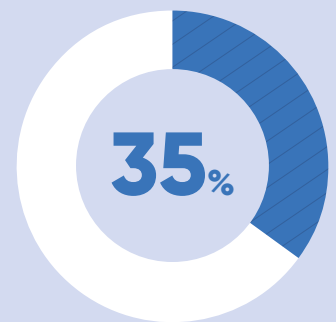
Consider, too, the complaints articulated by both employers and employees about those existing, traditional, alternative means of providing training. It's inconvenient, they said. It's inappropriate, they complained—too theoretical, and too general. And it consumes whole days and half-days at a time, leaving a work backlog in its wake.

eLearning, targeted to fill individuals' identified skill gaps, has none of those drawbacks. Among employers, the appetite for training is certainly there: 56% of supply chain and procurement organizations report planning increased training budgets over the next year. Now it's time to focus that appetite for training on a means of learning—eLearning—that delivers what employees and employers alike actually want.

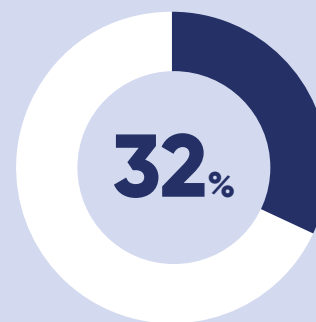
Frustrations with procurement and supply chain training received



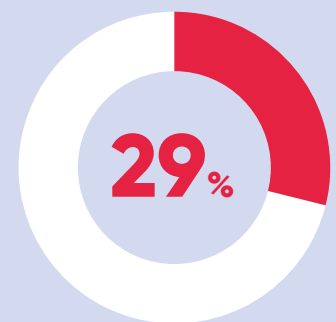
It takes time out of my day, leaving me with a back-log of work



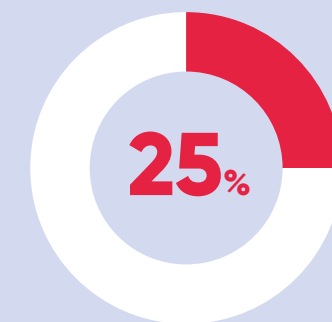
The training is too general to be useful



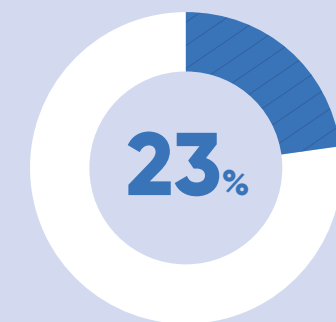
Training content is too theoretical. It's hard to apply it to my role



It's always at an inconvenient time



I'm rarely given the opportunity to use training in real life



Training content is boring

The eLearning lever is worth pulling

Undeniably, supply chain and procurement organizations have changed dramatically over recent decades: traditional challenges have evolved into new and different challenges; traditional skills have been supplanted by new ones. The perspective of today's supply chain and procurement organizations has to be global; the perspective of yesterday's was often solely national.

As a result, talented professionals are more in demand than ever before—and yet, as we have seen, they are also increasingly difficult to retain. There are many causes of this employee churn, but—and this is the crucial point—they are not solely financial. Salary plays a part, to be sure. But so too do other, non-monetary influences.

Employees like to be appreciated. They like to work in a great culture. They appreciate an employer who invests in them, through training. They don't like feeling overworked and stressed, and don't like feeling that they don't have the right skills for their roles. They like the function for which they work to be respected by the rest of the organization.

The provision of better training addresses several of these—cost-effectively, and efficiently. And for a variety of reasons related to the perceived shortcomings of traditional approaches to training, 'better training' translates into eLearning. Indeed, high numbers of employees explicitly say that the provision of structured and personalized eLearning, tailored to their individual knowledge gaps, would directly impact on their propensity to leave the organization for another role elsewhere.

In the battle to attract and retain talent, eLearning looks to be a lever that it's certainly worth pulling.



Methodology

►The findings presented here were based on a questionnaire-based survey undertaken in early 2022 of 419 UK and USA based supply chain and procurement decision-makers (roughly an even split between supply chain and procurement, and between the UK and the USA) drawn from organizations with over 5,000 employees.

Skill Dynamics

►Skill Dynamics is a leading provider of digital procurement and supply chain training that offers high-impact continuous learning that's personalized by role and skill level, and is delivered at scale.

Our industry beating content, innovative technology and cognitive science gives procurement and supply chain teams the real-world skills they need to excel, helping to accelerate performance and ensure their business is fit for the future.

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