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## Trends & Tidbits

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### Sociable Sales Skills

April 8, 2004

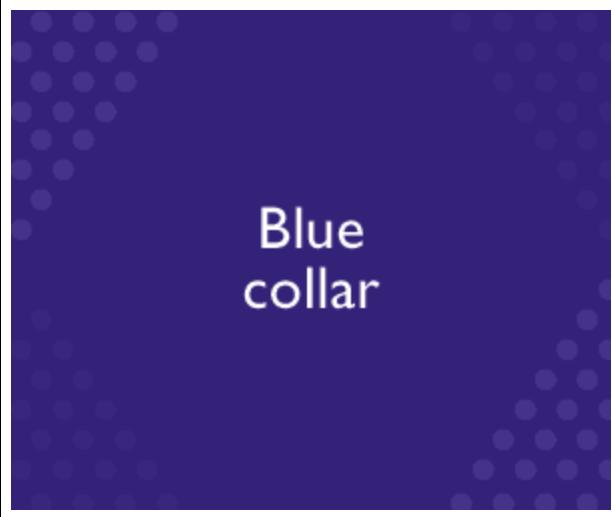
*By David Jacoby*

Throughout the 1980s and early 1990s, companies increasingly applied strategic sourcing techniques such as global sourcing, group buying, long-term contracting, and supplier process integration.

Then the technology boom that peaked in 1999-2000 brought new ways to identify suppliers and negotiate with them, including portals, auctions, and exchanges. Now that that bubble has burst and the dust has settled, where have companies decided to focus their strategic sourcing efforts? Which tools and techniques will you be emphasizing moving forward?

### Sourcing Strategies

Boston Logistics Group launched an executive survey to find out. The study received over 100 responses, of which over 20% were from Global 1000 companies. Over 60% of the respondents hold Vice President Procurement or Director-level procurement positions, and more than half of these are corporate Officers. The average company has \$4 billion in annual sales, and companies of all sizes were represented, from those with more than \$20 billion to those under \$50 million. Over 90% operate in the U.S.



Blue  
collar

### The study uncovered four important trends:

1. Senior executives will place 30 percent more emphasis on implementing strategic sourcing over the next four years, as supply chain partners pressure each other for total cost reductions, and as procurement continues to become more strategic and less tactical.
2. Companies will use scale to drive more production and distribution economies by centralizing strategic procurement, forming purchasing councils, and rationalizing the supplier base. In some cases this is to digest recent mergers and acquisitions; in others it is to leverage shrinking spend with fewer, partner, suppliers.
3. With fewer suppliers, there will be more emphasis on integrating processes and systems through e-procurement, long-term agreements, and supply chain programs. The use of e-

procurement is directly linked to company size - large companies are implementing expensive purchased solutions, while others are deploying second-tier or home-grown applications.

4. Global sourcing is becoming a way of life due to the increased availability of skilled and inexpensive offshore labor, especially in China, and to technologies that facilitate those relationships. Those who will be relying heavily on global sourcing will also be emphasizing partnering and long-term agreements.

The 30 percent increase in the overall intensity of strategic sourcing efforts at the senior executive level is a formidable challenge for human resource management. Even at the current activity levels, the skills currently in place are often insufficient after years of de-layering. Plus, sourcing is becoming more strategic as supply chain integration increases, requiring a different and more robust skill set.

Therefore, companies need to recruit, hire, train, and manage a new breed of procurement person -- with cross-functional and international experience, and with CPO potential -- to have responsibility over a large proportion of sourceable spend.

In the recruiting and hiring stages, both the organization and the individual benefit from a good fit.

- ✉ The right hard skills set the minimum requirement. The price of entry for candidates is the right skills for a specific company and supply chain organization. These will certainly include a mix of traditional "hard" skills (such as math, computer modeling, economics, finance, or engineering), some "semi-soft" process skills (such as negotiation, strategy, or writing), and some "soft" skills (such as interviewing, presenting, and general people skills).
- ✉ Reference and background checks make a difference. During the dot-com era when money was loose, the Wall Street Journal was littered with stories of people - including high-powered professionals and politicians - who had mis-represented their backgrounds in order to get a piece of the action.
- ✉ Tough interviews work. Silence is an effective tool for learning how a candidate thinks; that way the candidate does the talking up-front.

In their early career stages, future CPOs need motivation, mentoring, training, and global exposure.

- ✉ Mentoring programs can make recruiting a competitive advantage, reduce turnover, and build skills for managers. A good mentoring program will give newcomers project opportunities, help them get technical skills, coach them with honest feedback, and offering them career advice.
- ✉ Professional certifications (CPM, CPIM, etc.) are a relatively inexpensive form of training, and can offer an immediate payback. Some companies are "anchor" sponsors of these certifications.
- ✉ Cross-cultural management opportunities are important for career growth in today's global supply environment. International experience helps someone in global sourcing learn several skills, including modulating the level of personal interaction ("bow, kiss, or shake hands"), adjusting to different work paces (e.g., Latin America vs. Asia), and adapting to different action orientations (United States vs. Africa).

In later career stages, professional development requires continuing education and knowledge management. As with most education, the cost of not getting trained exceeds the cost of getting trained.

- ✉ Most professional certification programs involve credits for continuing education. Focused training in areas such as negotiation, terms & conditions, and financial analysis, which are regularly offered by Institute for Supply Management (ISM) or its affiliates, can support periodic skills upgrades.
- ✉ A records retention program can protect against information loss due to the eventual departure of an employee.
- ✉ Distilling specific knowledge into briefings or training sessions can help to share knowledge around the organization at any stage in an employee's career.

Every organization needs to assure it has implemented all the necessary strategic sourcing tools and initiatives.

The complete study contains a comprehensive, multi-page checklist for procurement and supply chain managers. The five self-assessment questions below are a starting point for evaluating how well you are adapting to the HR ramifications of the new sourcing environment.

Many companies have determined that supply chain management is critical to their ultimate competitive success. These significant strategic sourcing trends further reinforce the need for high-performance human resource management in supply chain processes. Therefore, if you are embarking on a major supply chain initiative, do your company a favor and get an objective assessment of internal skills and training needs in order to assure a successful outcome.

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