

Resources and Competencies in Procurement

There are just not enough skilled procurement people and there never will be (Joe Ippolito, Global partner, PWC).



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Introduction

Resource- and competence-based procurement can provide a good insight into company strengths and weaknesses. Resource-based strategy enables the focus on company competencies and differentiate it from its competitors. Resource- and competence-based approaches are particularly valuable in cases of acquisition, joint venture formation, or other partnership arrangements. Such strategies can aid entry to new markets, taking on new technologies, dealing with disasters or building a sustainable competitive advantage (Mills).

In purchasing, the resourcing of professionals as part of a wider resource- and competence-based organisational strategy should include skills analysis. Purchasing professionals must be competent both internally (within the organisation) and externally (industry, suppliers, customers). The former should include good knowledge of the legal and financial framework, technology and IT capabilities; an understanding of limitations and opportunities; good project management skills; the ability to analyse, evaluate and mitigate risk and to develop positive relationships with other departments; the ability to convince others of the benefits of purchasing within the organisation and manage people effectively within their own team. External competencies can refer to a good awareness of the business environment; the ability to analyse issues at global level and work with ambiguity; a general understanding of stakeholder management; and specific knowledge of purchasing tools and techniques. In addition, procurement professionals should have a working knowledge of current excellent purchasing practices, the ability to demonstrate practical use of that knowledge to add value to the organisation and access to support from a professional purchasing institute (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).

Overall, planning of resources and competencies should address two main areas: (1) human resources planning and development, and (2) planning of general resources. The former incorporates two main strategic changes: the development of a purchasing specialist and the in-depth knowledge of the industry. The latter relates to purchasing professionals working within an integrated product/service delivery team (IPT) (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).

Definition

Competencies are sets of skills that individuals require to interface internally within their own team and organisation and externally with suppliers, customers and other stakeholders. Resourcing refers to the strategic activity of a department to acquire the right professionals. Resourcing is a key lever for effective management of costs and is a strategic differentiator for companies (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).

Successful Application

Procurement capability assessment should address two main questions: (1) Does the procurement team have the right mix of skills/sufficient people? This question helps to assess how proactive the procurement department is in terms of planning future resources, whether/how procurement professionals add value to the wider organisational strategic plan with routine procurement activity (change management, risk management, project management) and whether/how procurement professionals contribute to initiatives to

improve procurement efficiency and effectiveness. (2) Are there effective people management and development processes in place for the procurement function? This question aims to understand whether the competency levels of procurement professionals are assessed by a competency framework; how well-established the training/development support structures for procurement professionals are; whether there is a designated budget for procurement training; if there is a process in place to ensure the competency levels of non-procurement staff and; how proficient procurement professionals are with EU Procurement Legislation within the organisation (The Scottish Government, 2011).

Steps to Successful Application

- Use skills analysis to identify the skill set for a purchasing professional in a set role.
- Use the identified framework to drive individual personal development and develop professional skills.
- Develop an individual's 'soft' skills.
- Facilitate an ongoing development within the purchasing team and support a culture of learning.

CIPS: Managing Purchasing and Supply Management Resourcing and Competencies

Hints and Tips

- Procurement can be a professional foundation from which individuals can move into general management or business leadership at the highest level. It is important to communicate these career opportunities widely through a structured approach (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).
- The resourcing activities of the HR department should reflect the strategic contribution purchasing makes to the organisation's success (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).
- Continuous skills analysis and procurement team professional development are crucial (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).
- Individual professional development is very important. It can only be achieved through development within the purchasing team and a culture supporting approach of that (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).

Potential Advantages

- Effective resourcing of competent professionals helps organisations to achieve corporate objectives (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).
- Consideration and strengthening of internal resources helps the company to become internally stronger, thus making it easier to achieve competitive advantage, higher performance and higher profits (Teece et al., 1999).
- Careful consideration and identification of competences and resources facilitates the implementation of new business activities: attracting new customers, selecting new suppliers, entering joint-ventures or undergoing mergers or acquisitions (Mills).

Potential Disadvantages

- There are no actual measures that can help to identify which procurement professional is more successful than another and why (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).
- Purchasing is often not a career of choice. Despite the profession being in a transitional phase and many organisations today recognising the strategic input of procurement to the business process, good procurement professionals are rare (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).
- The purchasing function is often seen as a non-strategic activity within an organisation and it might take a lot of effort for purchasing departments to extend beyond the narrow definition of purchasing (CIPS: Managing Purchasing and Supply Management Resourcing and Competencies).

Case Studies

- Blackpool and The Fylde College operate a procurement system that requires all staff with procurement responsibility to know the impact of their procurement decisions. This allows employees to carefully evaluate their decisions. Board level and senior management buy-in is critical to success (Condon, 2008).
- GlaxoSmithKline (GSK) combines enterprise-wide tools and custom applications with active team involvement (including procurement) to create a powerful engine for savings. These resource-based strategies led to a big payoff yielding annual savings of 8% (Blascovich et al., 2004).
- In the late 1990s Thomas Stallkamp, who joined Chrysler in 1980 as a general purchasing agent, was appointed head of Worldwide Purchasing Operations and became the company's President in 1997, and Vice Chairman of DaimlerChrysler in 1999. Before he left in 2000, his collaborative approach to supply management had made Chrysler the world's most profitable automaker (Blascovich et al., 2004).

Further Reading/References

Web Resources

- Required Competencies for Procurement Organisations
http://itsami.com/index.php?option=com_content&view=article&id=64&Itemid=91
- Department for Work and Pensions: Competency framework for the procurement profession (three levels)
<https://www.gov.uk/government/organisations/department-for-work-pensions/about/recruitment>
- Procurement performance measurement
<http://www.procurementleaders.com/blog>
- Supply Management Skills Competency Assessment
<http://www.atkearney.com/solutions/competency.html>
- What's Your e-Procurement Competence?
<http://www.sdcexec.com/article/10289593/whats-your-e-procurement-competence>

Books

- Procurement, Principles and Management, Peter Baily, Prof David Farmer, Barry Crocker, Prof David Jessop, David Jones - Procurement basic: resources and competencies
- The Procurement and Supply Manager's Desk Reference, Fred Sollish C.P.M., John Semanik C.P.M. - Procurement professionals
- Procurement of Hospitality Resources, David K. Hayes, Jack D. Ninemeier - Procurement resources on hospitality
- The Procurement Game Plan, Charles Dominick, Sohelia Lunney - Procurement planning: resources
- Human Resources Outsourcing: Solutions, Suppliers, Key Processes and the Current Market, Ian Hunter, Jane Saunders - Human resources and procurement

References

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- Teece, D., Pisano, G. and Shuen, A. (1997) Dynamic Capabilities and Strategic Management. Strategic Management Journal, Vol. 18(7), pp. 509-533.
- The Scottish Government (2011) Procurement Capability Assessment 2011. Section 7: People. [Online] Available at: www.scotland.gov.uk/Publications/2011/09/16111624/10 [Accessed: 7 February].

Video

Competency Assessment

<https://www.youtube.com/watch?v=6vBTZfIVvik#t=18>

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