

The Business Case for Professional Development

Why investing in procurement excellence is great for business

We must continue to develop as procurement professionals, and as a profession, by investing in better outcomes through professional development.



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Introduction

As an institute, we often reflect on how far the procurement profession has come. From backroom-dwellers to business leaders; from perceived i-dotters and t-crossers to one of the of the fastest growing professions in business, with globally recognised accreditation, specialised qualifications at leading business schools around the world and an ever-expanding body of professional knowledge.

But if we are to bank the gains we've made, continue making inroads to our organisations' executive tables and provide cross-functional leadership that transforms our workplaces and our organisations' performance, we must continue to develop as procurement professionals, and as a profession, by investing in better outcomes through professional development.

When the Australasian procurement community gathered for the 2009 Procurement Professional Awards, there was much to celebrate; with winners' achievements representing the very best there is in procurement practice. However, many people commented, and rightly so, that it was a shame the category not awarded by the judges for want of suitably outstanding submissions was Best People Development.

Professional development doesn't belong in the 'nice to have' basket; it is essential to success, and a compelling investment. If there's one thing we've learned from the GFC, it's that the demands on, and challenges facing, procurement are increasingly complex, throwing up threats and opportunities that demand creative and dynamic responses. Think carbon trading, growing demand for detailed specialist category knowledge (as highlighted in the CIPSA – Portland Group Strategic Procurement Survey 2009)... Those that fail to continually upgrade and refine their procurement skills and knowledge will unfortunately be left behind. As they say, continuing to do things the same way and expecting to get different – better – results is the definition of madness.

Talent scarcity is a fundamental issue in the procurement profession, and still is post-GFC. Nothing has fundamentally changed; we still have a clear skills shortage in procurement. Hiring good people and training them up develops the pool of real procurement talent and experience; adding value to your organisation and to the profession as the baby boomers retire.

Training staff for recovery featured prominently in BRW magazine's September 2009 economic recovery checklist, which included growth strategy advice from ten of Australia's leading management and business advisors. Larry Gould, chief executive of Australia-wide Business Training, stressed the importance of aligning training and development with growth strategies. *"Building the skills and capabilities of employees, together with the need to identify, develop and nurture the skills and abilities of future managers and leaders, will be central to organisational performance in the recovery."*

This is not news. The case for professionally developing procurement professionals is compelling. Most of the people I talk to know how vital it is, yet they sometimes have trouble articulating the value of the investment or the benefits to the organisation internally. This white paper articulates the business case for professional development in procurement, and includes data, quotes and models that you can use to support your own professional development plans and to develop your own business case.

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We know there is growing recognition of the importance of procurement-specific professional development. CIPSA now has more than 300 MCIPS accredited members and there are more than 2000 people currently studying towards full membership. The New Zealand Government now recognises the MCIPS qualification as a requirement for procurement professionals on its Department of immigration skills shortage list.

The options for professional development in procurement are now numerous, and increasingly so as the training profession continues to evolve to deliver more flexible and effective solutions. There are many assessed and non-assessed approaches for procurement professionals at all stages of their careers, across all industries, which suit all organisational and personal objectives.

How you approach professional development is up to you. While the Institute is always ready and able to assist you with this, the point is simply that investing in your procurement people's professional development is something you cannot afford to do without. The business case is compelling and proven.

To misquote the well-known IBM quotation, nobody ever got fired for investing in professional development.

Jonathan Dutton FCIPS
Managing Director
CIPS Australasia
Melbourne, February 2010

Why invest in professional development?

1. Get more for less

The business environment is moving faster all the time and managers face ever increasing complexity and volatility. Communication is faster, everyone wants more and there is less time. It is difficult to manage in this environment, where everyone is trying to do more with less. Professional development improves productivity and delivers outstanding value, contributing to better outcomes for organisations in these rapidly moving times and giving them an edge.

2. Procurement must contribute to organisations' strategic agenda

At a CIPS Strategic Procurement Forum in New Zealand during 2008, John Allen, who was chief executive of NZ Post at the time, described what the CEO wants to see from their procurement team:

"Firstly, I want to see you, to see more of you; you're too low profile, we need you to get more involved and get engaged, get out more and understand the strategic business challenges we face more. Secondly, I wish you invested as much in your soft business skills as you do in your hard professional skills, and, thirdly, I want you to be leaders and influencers in your businesses ... to make a difference. To help build our ... future."

- What do you want to see from your procurement team?
- What does your Chief Executive, or organisation, want to see from your procurement team?
- What is the gap between what you see and what you want to see?

It is not enough for procurement professionals to be good 'housekeepers', delivering cost savings, administering tender processes and keeping tidy files, as The Buyer noted in his blog (#93) on www.pponline.com during 2009. He goes on to acknowledge that professional purchasing will do some good anywhere. "Until diminishing returns set in". Shifting purchasing to procurement, and ensuring that *procurement* delivers better outcomes, requires the function be strategic.

The contribution of any function is measured against an organisation's strategic agenda; what it is doing for the organisation that helps it to achieve its strategic goals. Therefore, it is essential that procurement is aligned with corporate goals.

3. Getting the best your procurement people have to give

Ongoing professional development is critical throughout a person's career; for the individual and also for the organisation they work for. It facilitates proactivity, professionalism, teamwork, efficiency, loyalty and better outcomes for everyone.

Professional development can:

- build on existing skills and knowledge
- equip people to deal with specific tasks and challenges
- contribute to a generalist procurement toolbox that professionals can apply to any situation
- update and refresh best practice knowledge and technological skills
- close skills and knowledge gaps
- broaden procurement professionals' areas of expertise and competence
- focus on non-technical skills and abilities...

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In short, it can achieve whatever objectives you need it to and transform the way your procurement professionals operate for the benefit of your organisation through better outcomes.

4. The cost of not investing in professional development

Without ongoing professional development, your organisation will be left behind by competitors, and may be left literally by staff.

You run the risk of:

- Being incapable of responding to changes in volatile external factors
- Losing your competitive edge
- Using out-of-date tools and techniques
- Being vulnerable to competitors
- Low staff morale
- Managing risky supply chains
- Being unable to develop robust succession plans

Why invest in professional development?

5. Staff place enormous value on professional development 84% of staff are more committed to employers who invest in their training and development.

Hays Workplace Series survey

For 70% of employees, a lack of training and development opportunities would convince them to look for another job.

Hays Workplace Series survey

68% of people cited career development or training and development as 'extremely important' considerations in looking for a new job.

Seek 2008 Satisfaction and Motivation Report

6. Your corporate memory is retiring

Baby boomers are now retiring from 2010 onwards and many organisations will lose a significant proportion of their most experienced practitioners over the next five to 15 years. Generation X is nowhere near as experienced, and they often lack formal procurement qualifications and accreditation, which were not available in this part of the world when they began their procurement careers.

As a profession, it is essential to retrofit the next generation of procurement leaders with globally benchmarked skills, practice and standards through professional development. For experienced professionals, reflective learning provides not only accreditation but also captures corporate memory for their organisation and its future leaders.

7. Professionalism in itself delivers greater value

As The Buyer noted in his November 19th 2009 blog post on PP Online, professionalism demonstrates that "procurement is not just 'shopping', and not everyone can do it". It is a complex field, where it is difficult to get great outcomes and satisfy the many and varied

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demands of stakeholders. Professionalism, which incorporates best practice and ethical standards, minimising mistakes, confidence, creating options and continuous improvement, delivers the greatest possible value and professional development is essential to developing the professionalism of procurement as a whole. “Professionals deploy the corporate memory of the profession. Everything that the profession has learnt over the years is encapsulated into accepted standards and the best practice for the given situation, guided by the right process.”

Why invest in professional development?

8. Summary of professional development’s tangible value

Better outcomes <ul style="list-style-type: none">• less cost• less risk	Better performance <ul style="list-style-type: none">• more productive and effective• better results for all
Competitive advantage <ul style="list-style-type: none">• higher quality work• better equipped to manage change	Improved career prospects <ul style="list-style-type: none">• feeds promotion and status• triggers rewards
Greater productivity <ul style="list-style-type: none">• more output for less input• fewer mistakes and less reworking	Greater confidence <ul style="list-style-type: none">• feel pride and fulfilment• empowerment
Improved professionalism <ul style="list-style-type: none">• more consistent approach• greater stakeholder support• better teamwork	Introduces professional community <ul style="list-style-type: none">• build networks• learn from others
Happier, better staff <ul style="list-style-type: none">• increased staff retention• easier to attract and recruit stars	Increases professional attractiveness <ul style="list-style-type: none">• creates opportunities• builds transferable skills sets
Greater consistency <ul style="list-style-type: none">• ability to manage complexity• aligned with wider business strategy	Enhances status <ul style="list-style-type: none">• greater recognition• builds credibility and reputation
Enhanced corporate capability <ul style="list-style-type: none">• corporate memory captured• contributes to overall capability	Develops skill base <ul style="list-style-type: none">• builds competency• expands capability

What does procurement excellence look like?

A generalist procurement qualification like MCIPS means you can buy professionally – and you can buy anything. The addition of market knowledge enables the best possible application of those skills.

PROFESSIONAL CAPABILITY + MARKET KNOWLEDGE = EXCELLENCE

PMMS Consulting identifies nine key areas of knowledge that core procurement competencies cover:

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The Nine key areas of procurement competency

- Supply Base Analysis
 - Risk Analysis
 - Negotiation
 - Customer client management
 - Contract Management
 - Contract selection and legal aspects
 - Procurement process management
 - Finance for procurement
 - Supply chain analysis
- + Negotiation style

The patterns of individuals' and teams' competencies across these areas will vary. Skills gap analyses benchmark individuals against local and international averages, and against best in class. Test your own knowledge against these core standards.

Research conducted by the Bristol Business School at The University of the West of England and the Chartered Institute of Purchasing and Supply in association with Oracle and the Office of Government Commerce in the UK examined the key elements of purchasing development for organisations and the stages that they move through in pursuing excellence.

The Elements and Stages of the Procurement Environment							
Elements			Stages				
Organisation	Structure		Passive	Independent	Supportive		
	Intra-Organisational Linkages						
	Intra-Organisational Collaboration						
	Inter-Organisational Collaboration						
	Extra-Organisational Collaboration						
People/ Stakeholders	People, Skills and Development					Integrative	Inclusive
	Forms of Learning						
	Stakeholder Management						
	Environmental and Social Impact						
Performance Elements	Process						
	Spend Influence						
	Competitive Advantage						
	Use of IT						
	Performance Objectives						

A return on investment that speaks for itself

1. The return on investment you will see

The three largest corporations in the world (as per the Fortune 500 for 2009) include their commitment to people development, employee excellence and continuous improvement in their organisational values; at the very core of what they are about and how they operate, so there is no question that investing in your people is valuable.

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That value should be measurable; in terms of financial return on investment and measures like:

- Productivity
- Influence and visibility
- Performance quality
- Staff morale and turnover
- Increased capacity and capability of your procurement function
- You will see a return on investment not only by what you gain, but also through what you lose, through no more:
 - Double handling because of mistakes or lack of confidence
 - Trying to make do with outdated or incomplete tools and skill sets
 - Inaccurate application and misunderstanding of procurement tools

2. Measuring financial ROI for professional development

$$\text{ROI} = \frac{\text{Net benefits of professional development (in \$ terms)} \times 100}{\text{Cost of professional development}}$$

Substitute your own organisation's figures in this equation:

\$500m = typical addressable spend of a major Australian organisation
\$1m = typical payroll costs for procurement team of around 10-12 people
\$200k = investment in training
1% = additional savings gained through professional development upskilling
\$5m = value of additional savings generated
2500% = ROI on investment in professional development investment

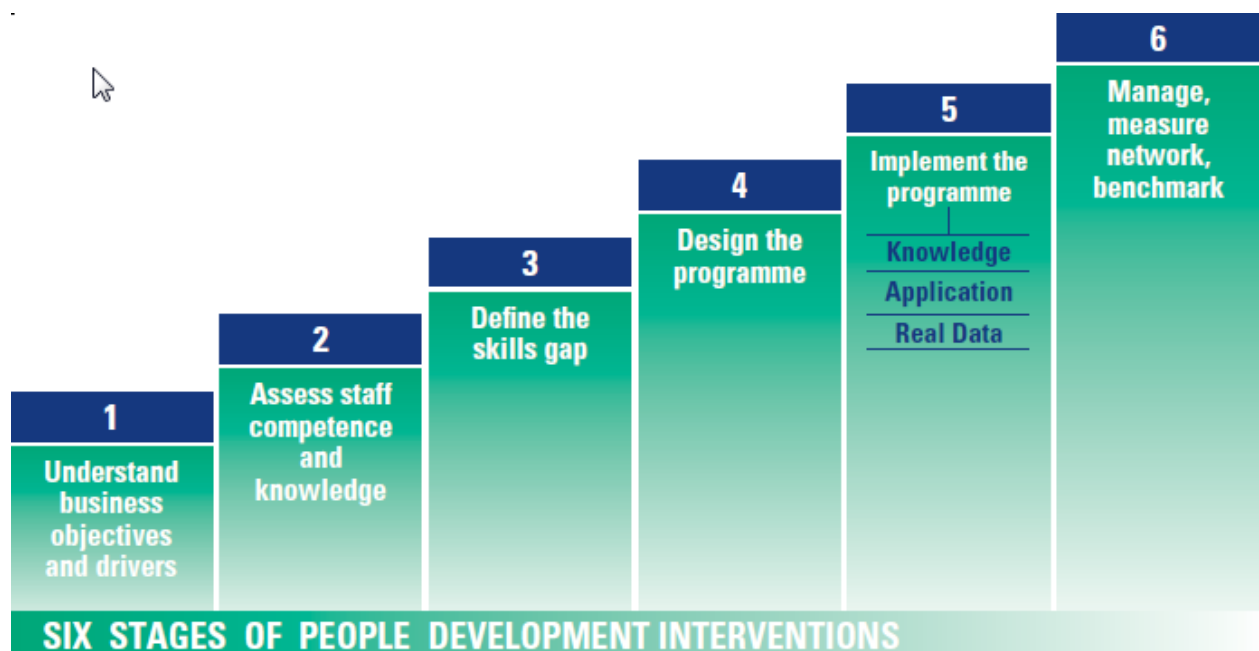
Many organisations find that the savings generated from implementing new skills and knowledge more than cover the upfront investment. This is particularly true in applied learning scenarios such as the CIPS Corporate Award Programme where real projects are used within the professional development process to transform a mere training course into a business improvement programme.

3. Even more compelling ROI for private sector organisations

For private sector organisations, the return on investment is even more compelling when you look at the value derived from professional development in market capitalisation terms. If the additional savings generated through professional development up skilling adds \$5 million to an organisation's bottom line through cost savings, this can add \$85 million to its market capital (\$5 million x 17 EPS). You can increase market capitalisation value much more easily through procurement-driven cost savings than through traditional top line sales activity. The same sales-driven result might require \$50 million in additional sales (assuming 10% of sales revenue makes it to the organisation's bottom line).

4. Maximising your ROI on professional development

- Be clear about the changes you want to see as a result of professional development, know how you will measure success and compile baseline data to compare results with. How do you want behaviour to change?
- Develop metrics that are meaningful for your organisation.
- Successful professional development involves both staff and their managers - creating opportunities to apply new skills and knowledge in a real situation is crucial.
- Bear in mind that cost is not the only consideration. Fast behaviour change may be a priority, or formal accreditation, or specificity to your business requirements.
- Ensure alignment between your objectives and professional development approaches' deliverables, and take individual learning styles into account.
- Take time to plan appropriately so that your investment delivers the intended results.



Organisations too often leap into professional development at stage five. Adequate planning results in professional development that is not simply training for training's sake but rather is focused, valued by staff and delivers better outcomes for the organisation.

Why the best time for professional development is now

1. Emerging issues require procurement professionals to hit the ground running

Current and emerging issues for procurement are increasingly complex, requiring high-performing, adaptable professionals to successfully manage them and keep their organisations ahead.

Managing greater complexity and higher volatility requires better capability.

The CIPSA – Portland Group Strategic Procurement Survey 2009 identified these key challenges on the profession's horizon:

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- Ongoing market volatility and the speed of economic change
- The need for greater supplier engagement
- The impacts of carbon trading and overall sustainability regulatory and CSR requirements

BHP Billiton CPO Renee Klimczak cited the changing demands of supplier relationship management in volatile economic times as something that has exposed the need to continually rebalance the skills of supply teams. Speaking at the 5th CIPSA Annual Conference in October 2009, she said financial skills, for example, the ability to understand indices and suppliers' balance sheets became crucial to meet the changing demands of procurement professionals' roles as managing supplier solvency became more prominent component.

2. Be ready to grab opportunities for procurement to take the lead

Currently, there is much talk within the procurement community of the opportunities that sustainability, and in particular, carbon trading, present for the profession.

Is your procurement team ready to take the lead on these issues?

Do they have the professional maturity and skills to make the most of whatever the next make-or-break issue turns out to be?

“Think how readily you can transfer the professional procurement skill set to managing carbon trading. Then think, who else could do it better, or even as well as procurement people?”

Procurement should volunteer for the job, before someone else gets it and makes a hash of it. Mug up folks – carbon trading is almost here.”

Wayne Evans, senior vice-president of procurement for the Americas at DHL Deutsche Post, similarly told delegates at the Aberdeen Group CPO Summit in November 2009 that if purchasers take a leadership role on green issues it could revolutionise the profession. It can even change the fabric of procurement decision-making.

“This is the kind of enabler that can help make procurement a change agent and we have an opportunity to decide whether we want to be a leader or a follower. To a lot of companies....the path has not yet been decided and procurement has a major opportunity to play that leadership role.”

3. Excuses reveal false economies

STANDARD EXCUSE #1 – “My staff are too busy to attend training / we can't afford to take time out of the office.”

They will always be busy. And when they are faced with a challenge they are not equipped to manage, they will be even busier – and less productive. Professional development makes people more efficient and better at what they do, so you will more than make up for an investment of time through productivity gains.

There are so many different professional development options that time out of the office may be far less that you think. Training now rather than later is especially important – and valuable – when it comes to capital investment.

"The business case for heavy training PRIOR to capital purchasing is compelling. If a team is recruited for any major project, training them first with specific and relevant syllabus offers a genuine RoI. Assuming any major capital purchase demands hundreds of millions of dollars, simple training costs pales in comparison. They do not even compare to the payroll cost of the buying team. But any such investment in training will leverage massive ongoing cost savings in at least the tens of millions. Never mind the extra probability of achieving the actual business benefits of the project.

The crucial bit is the timing = before the investment, not after it, stupid!"

The Buyer, 24th August 2009

STANDARD EXCUSE #2 – "Everyone has different levels of skills and experience, so planning professional development for everyone is too complicated."

There are plenty of people ready and willing to help you plan your professional development approach, and plenty of options for people at every stage of their procurement career. Skills gap analyses can be very useful in this situation.

STANDARD EXCUSE #3 – "What if I train them and they leave? I don't want to just make them more employable for someone else."

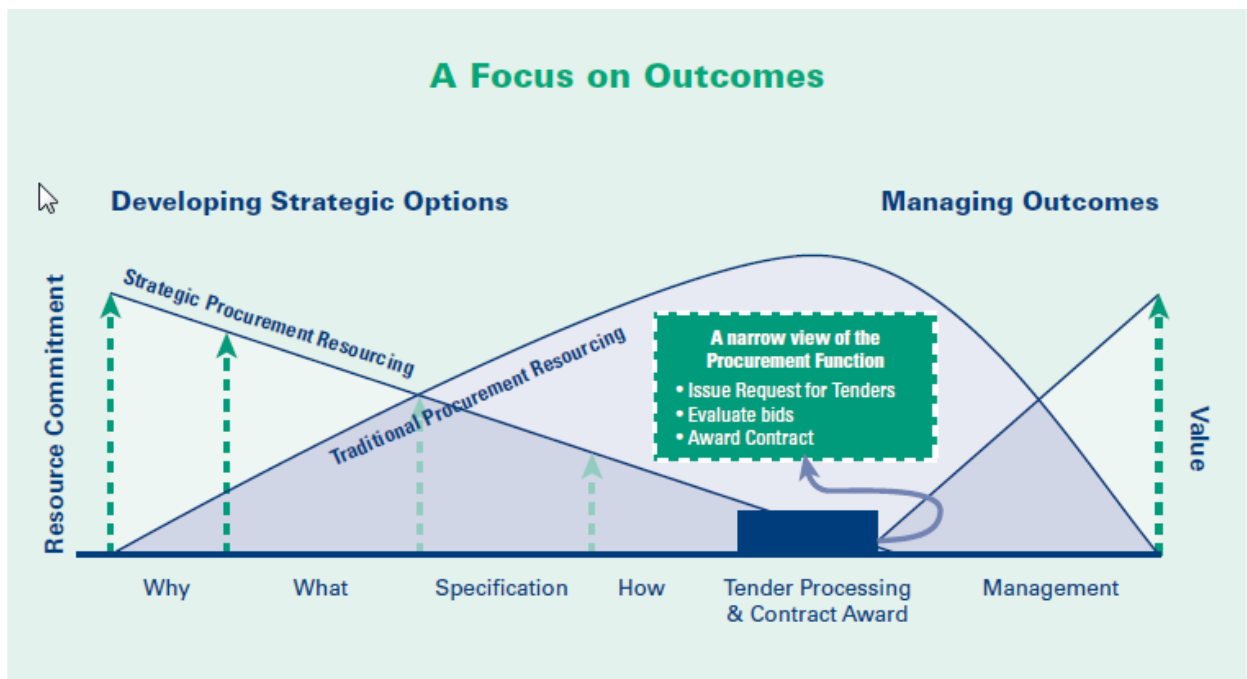
What if you don't train them? They'll leave anyway (see value of professional development to staff statistics on p.7). By investing in employees' professional development you will have the benefits better trained staff as long as they remain in your organisation. You will also enhance your reputation as an employer of choice.

You can always add 'golden handcuffs' to repay some training costs if staff leave within, say, two years.

STANDARD EXCUSE #4 – "They already know everything there is to know about sourcing, negotiating and contracts."

That is no longer where the need is. In the modern complex business environment, true value from procurement excellence is derived more upstream and downstream than from the core purchasing process itself, when procurement professionals are strategically involved earlier in the process, and stay involved for longer.

Upstream, leading procurement practice contributes supply market intelligence, expertise in low cost country sourcing, demand management, category management and risk management activities. Downstream, procurement adds value through contract management, supplier relationship management, performance measurement and security of supply.





Source: Paul Hopkins, 2007, Former Deputy Director General Procurement, New South Wales Department of Commerce.

Professional development for every circumstance

1. Striking a balance

Your own professional development requirements and business objectives will determine which approaches suit your organisation. There is often a balance to strike between the professional development that individuals would choose for themselves and that which an organisation would choose for their staff, so it is vital for both managers and employees to participate in these decisions. People getting better at what they do is a common goal that everyone benefits from.

2. Assessed and non-assessed professional development options

Assessed training	Non-assessed training
<p><i>Building individuals' overall capability</i></p>  <ul style="list-style-type: none">• Competency benchmarked against standards• Comprehensive expected outcomes• Transferrable skills that have broad application• Knowledge and skills examined to validate progress over time• Achievements are certified	<p><i>Meeting specific business needs by developing procurement people</i></p>  <ul style="list-style-type: none">• Change behaviour quickly• Keep up with the latest tools and techniques• Facilitates networking and knowledge sharing• Can address specific knowledge gaps• Required time investment is flexible• Can be tailored
BUILDING CAPABILITY	IMPROVING SKILLS

3. Investing in soft business skills equally important

Leadership skills are essential for achieving strategic procurement objectives. The Global Financial Crisis of 2009 was both a threat and an opportunity for procurement. All of a sudden, cost-cutting and value were at the forefront of every CEO's mind, creating the perfect opportunity for procurement professionals to take the lead. Provided they had the capability to do so.

As The Buyer said in his blog dated 14th July 2009 on www.pponline.com.au, some teams within the profession might have realised the truth behind the saying, 'be careful what you wish for'.

"As one CPO said within earshot of the Buyer recently, 'what my lot? In front of the CEO? That is a worry.'"

The skills demanded of procurement professionals go beyond the technical. This should come as no surprise. Procurement is, after all, first and foremost a people business. People represent organisations, build and maintain relationships, make decisions... As procurement grows in profile within organisations, the requirement for procurement professionals to have outstanding interpersonal skills – leading, influencing, presenting – becomes increasingly important.

Like then-NZ Post CEO John Allen said (p.5), investing in soft business skills is just as important as investing in harder skills. There should be no need for procurement managers to doubt their teams' ability to front and lead initiatives or interact with senior managers. His statement was made in the context of the importance of strategic business awareness. This is the greatest challenge. How do you train commercial acumen?

Professional development exposes people to wider business environments than they may operate within day to day, introduces strategic business challenges and gives them greater understanding of the business context.

4. Make your case

Finally, everyone has a training budget but very few have one that is sufficient to enable the investment they need to make in professional development. This means that most procurement people need to make a case for an increased training budget. To generate the best outcomes, a professional development budget for the fastest growing profession in business should be 20% of salary budget, not a token amount.

Use the points in this business case and the return on investment data that applies to your organisation to make your case, because if you do not ask, nothing will change.

CASE STUDY: PARMALAT

To supplement technical skills, the Parmalat strategic procurement team adopted an applied learning programme that focuses on communication and is based on real workplace challenges, where politics, deadlines, precedent and culture all come into play. They practiced and role-played key business interfaces prior to execution with a specialist facilitator.

“It doesn’t matter how good you are – if you can’t convey that, or apply what you know, then you can’t deliver,” says project and performance manager Russ Mason. “The team’s real world presentations were transformed from text rich and statistical to compelling messages that engaged senior decision-makers emotionally, politically and rationally,” he says.

Return on investment

Because the applied learning approach tends to involve, in essence, a rehearsal for an actual task, there is an immediate and clear return on investment measure.

Is the presentation / negotiation / pitch successful?

“We’ve been getting our proposals through more successfully, through a now more receptive audience and selling radical change in areas we hadn’t previously been able to.”

Printed with the support of Blue Star Print Group an FSC Accredited Company (SGS-COC-004630), on Australia's first range of Carbon Neutral stock Envi, contributed by PaperlinX.

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Edward Rayner in his role Head of Training for CIPSA he focuses on establishing training and education programmes that align with the professional agenda of the Australasian procurement profession. Each year, these programmes deliver training to more than 1500 procurement professionals working across both the public and private sectors.

The principal discussion points and arguments within this white paper have been refined over the course of Edward’s experience within the corporate education field in Australia, New Zealand, Papua New Guinea, Japan, Pakistan, China and Hong Kong.

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