

## Investment in Human Capital: Closing the Competence Gap

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**Abstract.** There is little doubt that many corporations are at a point where investment in human capital is required to get additional return on investment from the supply management team. This investment will normally involve global organizations in matrix organization structures and blended learning programs. This workshop provides the planning tools to build the business case. It will also provide tools to demonstrate the return on investment to management and provide programs for successful competence gap closure at the minimum cost. The rapid changes in economic conditions, lack of consumer confidence and downsizing of corporate staff has created a need, now more than ever, to develop the team left in place. In many cases our companies need to get extraordinary performance from ordinary people.

Getting the right training is the key to success. Many of today's supply managers have never experienced economic cycles with inflation, recession, currency fluctuations and allocations. New skill sets are required for a changing global economy and ever-increasing demands from management to better manage the supply chain. In the past, the big decision was, "Should our organization be structured as a centralized or decentralized organization structure?" The reality of supply management as a business process in global organization has created a matrix organization requiring special skills, tools, processes and thinking. Matrix organizations expect cross-functional, cross-business, relationship, leadership, analytical, cost analysis, business, and planning, forecasting and advanced strategic negotiation skills. While this is an abbreviated list the real question that remains is *how can an organization assess its current competency, define the competency gap and deliver just-in-time, precise training to meet the business and training needs of the corporation, yielding maximum cost and value improvement.*

It is interesting to note that the generation now entering the work force has different motivation, personal needs and learning techniques than earlier generations. Managing this workforce requires several different approaches, especially in a learning environment. Generation X, Generation Y, and Now Generation are very interactive with technology and have short attention spans. They are not motivated in a long classroom setting where they cannot access emails or cell phones and, in fact, taking away their technology is a form of punishment. This is much different than the Millennium Generation that is content with a classroom learning environment. Being sensitive to these subtle differences in generational learning is the basis between a successful and unsuccessful development program. It is important to note that the program for courses in the future will be a blended approach consisting of e-learning, distance learning and classroom experiential learning. Not only will a blended approach be the most effective media to develop the team, it will also be the most cost effective for the organization trying to minimize the cost of training and travel while maximizing the impact and effectiveness of the training budget.

Employee retention is a key issue to consider in the cost of developing the workforce to maximize the ROI (return on investments) on human capital. Employee retention involves being sensitive to people's needs and demonstrating the various strategies in the five families of employee retention.

1. Environmental
2. Relationship
3. Support
4. Growth
5. Compensation

For the purposes of the discussion on competency development, it is necessary to understand that the younger generations place a high priority on growth as a basic need. A company that is unable to provide the stimulus and meet the need to satisfy intellectual curiosity will be unable to retain these highly qualified, motivated employees in the future.

**Assessment.** A skill shortage can undermine any organization's ability to meet its strategic business goals and objectives. An organization must be able to assess and replenish skills to maintain competitive in a global marketplace with constant change and complexity.

Today supply managers need:

- Highly developed business skills
- Extensive business acumen
- Deep understanding of macro- and micro-economics
- Wide vision and understanding of the global market place
- Deep understanding of cultural models
- Massive understanding of process
- True relationship skills
- Volatile commodity management

It is unfortunate that our current situation is staffed with people that:

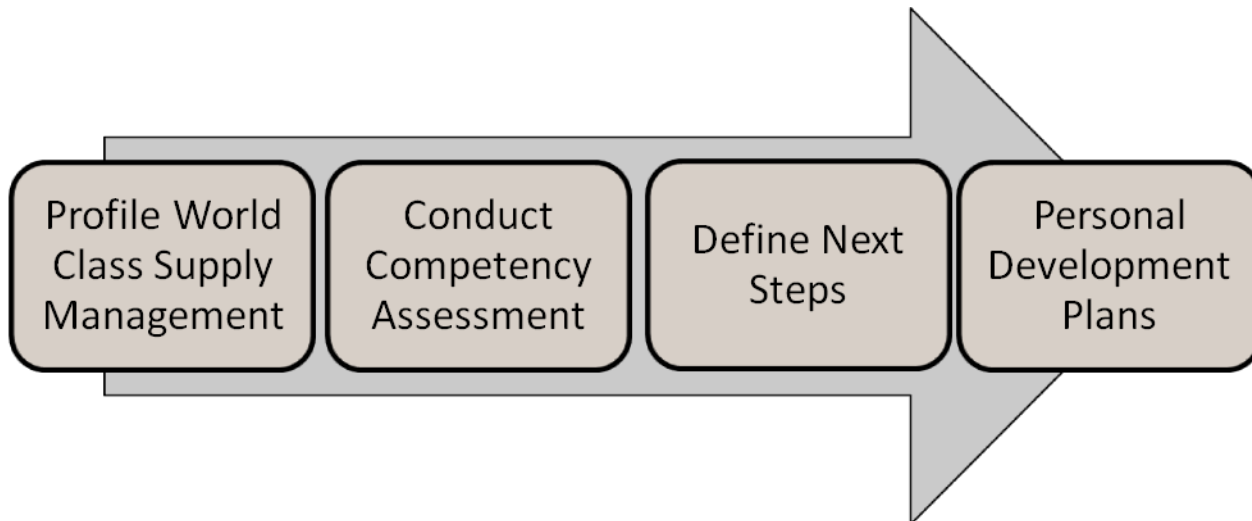
- Are functionally oriented
- Are domestically focused
- Have a limited understanding of economic factors
- Create one dimensional relationships
- Operate tactically
- Lack analytical skills
- Have short term planning skills
- Have poor presentation and influencing skills

The difference between the need and the current situation defines the competence gap.

**Defining Competence.** A great deal will be expected of tomorrow's supply management professionals, as they will be charged with developing and executing value acquisition strategies that find new value in the supply base, deliver value as quickly as possible within the cost parameters defined by the demand market and maximize the return to the company. To do so, they will need to find and leverage external sources of innovation, contribute to revenue generations, expand efforts to manage costs and ensure business continuity and sustainability.

## Competence Assessment Process

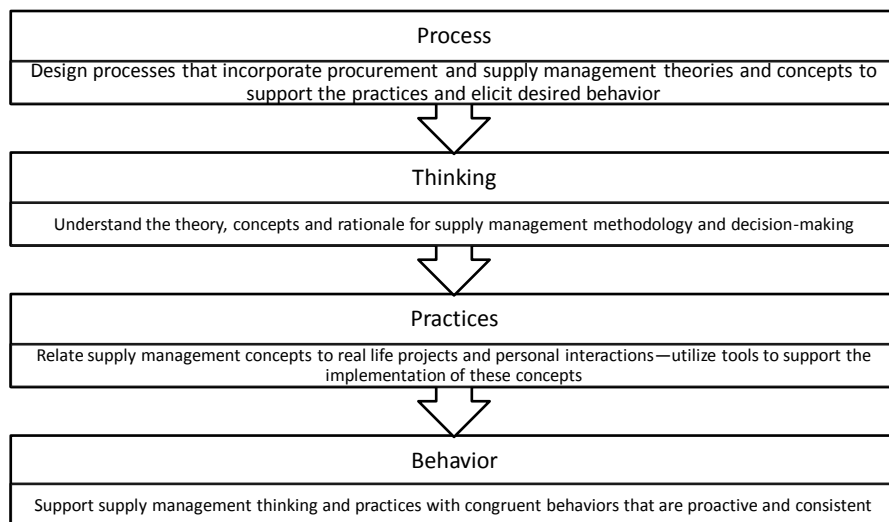
The diagram below details a process for competence assessment:



Key competence assessment attributes:

- Job-specific competencies must be measured
- Competencies will be different from job spec to job specification
- A target competence should be defined by the company
- The assessment must be used to develop employees at the company, team and individual levels
- The assessment must be used by the company to prioritize gap closure

## Competency Assessment Aspects



# Building the Assessment

Think through key areas of competence by job level

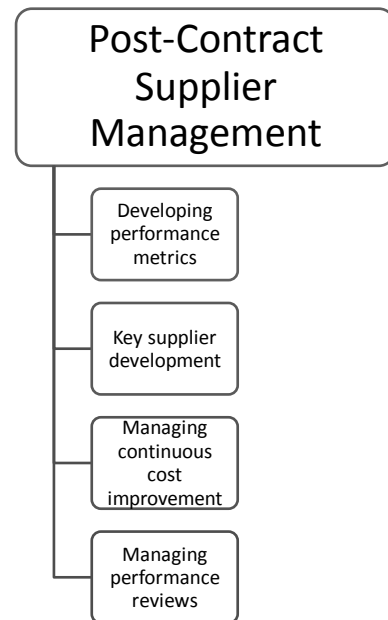
- Competitive Leverage
- Price and Cost Control
- Sourcing Strategy Development
- Supplier Selection and Contracting
- Operations Management
- Business Skills

These are a few of the top level competencies

It is essential to develop a comprehensive list of major competencies with 5-10 sub-competencies for each

## An example of a key competency and its sub-competencies

For each key competence level, the sub-competencies should also be identified to assure a clear picture of the whole competency area



The examples above are ways to think about building assessments. One of the key points is that mastery is not always required and establishing a capability band that meets your organization's need will provide the best profile. The diagram that follows is one example of establishing a competence band.

## Example Capability Bands

Expert	100%
Advanced	80 to 100%
Proficient	<b>60 to 80%</b>
Developing	40 to 60%
Basic	20 to 40%

Once competencies are identified and profiled, it is relatively easy to administer a competence assessment using interviews, web based questionnaires, or profiling. ADR has found the web based self assessment is best when combined with a manager's assessment. The difficulty is development of the assessment criteria and application to specific job skills.

Once the assessment is completed, the organization can rapidly bring the needed skill development to the organization to close the gaps on a just-in-time basis. This process enables quick delivery of the business goals. Assessment should be considered by companies looking for quick wins and sustainable team development. By customizing the training needs to meet the organization goals, rather than a sheep dip approach to development, the company will gain cost and value improvement on a sustainable basis