

Best Practice In Supply Management Professional Development

*Don't Train – Make an Investment and
Expect a Return*

ISM-ADR School for Supply Management

11/02/09

“When change is constant, learning must be continuous.”

-- Bill Michels, C.P.M., CEO ADR North America

Introduction

The business world is not sitting still. If nothing else, the last two years have taught supply managers to be ready to adapt to changing market conditions quickly. An individual, a procurement team or an organization that knows only one way to do things will be left behind by those who are constantly learning.

In this environment, supply management teams need to apply the same strategic approaches and discipline to their professional development as they do to the purchasing categories they manage.

Unfortunately, many companies approach professional development as an ad hoc string of training courses. While many employees may learn new skills, the work environment may not enable the employee to effectively use the skill set. There is little or no support within the business to encourage the application of something new. Change, for most companies, is difficult at all levels and time constraints force people to use time-tested habits. Furthermore, there is no accountability placed on the individual who attends a training course and little measurement between their old skills and the newly acquired skill set.

A better approach to improving staff skills is looking at each individual's professional development, targeting learning experiences to individual and team needs and providing long-term mentoring, coaching and measurement of progress. In this professional development approach, expectations and deliverables are clearly stated and measurable. Implementing a solid professional development program may have a higher cost than simply training through a few selected courses, but it also has a higher return and delivers enhanced organizational capability.

Training (Ad Hoc) vs. Professional Development

Comparative Analysis

Organizations have frequently expressed to ISM-ADR that training programs are often only partially effective. When analyzing their program, evidence suggests they are attempting to address the perceived, desired goal, rather than the components that make-up a strong skill set. This is where traditional training programs and professional development diverge. Training attempts to teach a singular business function, whereas professional development teaches and connects the multiple professional skill sets that make up the performance of a business function.

For example, a manager may think his team needs strong negotiations skills and schedules an appropriate negotiations program. However, three months later, after training is

completed, there is little or no improvement in the team's negotiations capabilities. By contrast, the professional development path approach provides an analysis of additional skills needed for the team to become successful negotiators. The team may not understand strategic sourcing, logistics or a myriad of other fundamental or critical skills necessary to build a successful negotiations strategy.

Here is a side-by-side comparison between ad hoc training and professional development.

Ad Hoc Training	Professional Development
<ul style="list-style-type: none"> • Shotgun approach: one size fits all • Quick one-time approach • No performance metrics • No regard for business culture • Low expectation for change • Disregards risk • Slight improvement • No opportunities for process change • Focused on individuals 	<ul style="list-style-type: none"> • Targeted competence and capability: improvement focused on individual needs • Ongoing coaching and mentoring • Detailed performance criteria based on a continuous improvement theme • Built around business culture • High expectation for change • Manages risk • Major improvement • High opportunity for process change • Focused on teams and individuals

Phase One: Baseline Needs Assessment

Spending effort and money on courses that cover skills that supply management staff already have is wasted spending. The same is true for sending students to courses that cover significantly higher skills than those needed in the foreseeable future. The best solution is to start a professional development program with an honest assessment of current skills and gaps.

In a small purchasing unit, individuals might be able to reasonably select from a proposed curriculum those courses that best fit their own situations. When teams are large or dispersed in facilities around the globe, more formal baseline assessment instruments are a better choice.

The Case for Assessments

A manufacturer of arts and crafts products that started as a small family-run operation grew into a multi-million dollar organization with a substantial international supply chain. ISM-ADR recommended an online assessment to determine if procurement staff had the knowledge and skills to bring cost and value improvement to the company.

Results of the online survey revealed that many individuals titled as "procurement" were not actually negotiating best pricing contracts or managing supplier relationships, but simply placing orders as needed from internal customers.

Knowing the skills gaps, ISM-ADR delivered training targeted to those needs that had been identified and prioritized. ISM-ADR also mentored individuals with specific help regarding the categories of spend they managed. Finally, job roles were reorganized to allow some individuals to take on new responsibilities while keeping others in their current positions as planners.

The training, mentoring and organizational changes were all based upon the original assessment data and helped the company focus on bringing cost and value through better supply-chain practices.

The ISM-ADR School offers its own web-based sourcing and supply chain skills analysis tool (Development Needs Analysis or DNA™) to address those situations. It has been used and validated by six sigma companies to identify the existing skills set of each individual on their supply management teams with individual personal development plans to address them. DNA™ also provides a business-unit skills gap analysis. It is a good model of what a baseline skills analysis should look like.

DNA™ follows a straightforward process that delivers the basic components needed to plan a high quality professional learning program:

- Individual competency analyses
- Macro skills gap analyses – for global, regional & local business units, if needed
- Personal Development Plans (PDPs)
- Business progression plans

Phase Two: Generate Group and Personal Development Plans

Regardless of how you collect the data, reviewing it should provide a good understanding of the knowledge needs for the overall business unit as well as those for each individual. The deeper your data, the better the plans will be that are based on it.

Once these gaps are identified, prioritize what you want to address so you are essentially creating a “Just-in-Time” training program to deliver the most needed training to meet current business needs.

Sample Personal Professional Development Plan

Learning Priorities by Sub Competency		
	Individual	Validated
Analytical Skills	●	○
Customer Focus	○	○
Financial Knowledge	●	●
Legal Knowledge	○	●
Project Management Skills	●	●
Action Orientation	●	○
Communication	●	●
Decision Making	○	●
Facilitation	●	●
Interpersonal Persuasion	●	○
Problem Solving	●	●
Sense of Urgency	○	○
Strategic Thinking	○	○
Teamwork	●	○
Coaching and Development	●	●
Command Skills	●	●
Drive for Results	○	○
Integrity, Trust, Ethics, and Values	●	○
Interpersonal Savvy	○	○
Managerial Courage	●	○
Managing Vision and Purpose	●	●
Organizational Agility	○	○
Priority Setting	○	●
Strategic Agility	○	○
Category Segmentation	●	●
Conditioning and Information Control	●	●
Creating Competition	○	●

Copyright ADR International 2008

Phase Three: Design and implement instruction

Training expert Donald Kirkpatrick describes four levels of training based on increasing impacts:

Level 1 - Reaction – did you enjoy the training?

Level 2 - Learning – did you remember what you learned?

Level 3 - Behavior – can you use the training in your day-to-day work?

Level 4 - Results – will your organization see greater results when you apply the training?

Well planned and executed learning programs should generate all four levels of outcomes.

Options for delivering training are:

- Classroom sessions – especially if they are interspersed with regular work days are good for incorporating all four stages of good instructional design. They do require excellent instructors, solid content, good presentation and relevant exercises to lock in new skills or knowledge.
- Small group learning can be tightly targeted to a set of individuals and complex skills – especially those that require collaborations.
- Self-paced e-learning can effectively teach fundamental concepts or skills. E-learning modules are often used as a prerequisite for courses with other forms of delivery, or to augment coursework moderated by an instructor.
- Distance learning, such as live webinars can be great to keep a global team focused, reach key stakeholders who are dispersed geographically or to communicate quickly developing tactics.

In real-world conditions, deciding upon the delivery format will also depend on the target population, the time-sensitivity of the training, time zones and language or cultural difference across a global organization. Budget and the specific learning objectives identified in the initial assessment are, of course, other critical factors.

As you prepare to either purchase or design a training program to close skills gaps, don't overlook existing content from past training projects. You may save costs by adapting materials rather than starting from a blank slate.

The Case for Project-Based Learning

The newly formed internal learning institute for a global diversified manufacturer wanted to offer its senior sourcing professionals a Tactical Procurement program. Its goal was to change behavior and deliver demonstrable benefit to the client's global group of companies (more than US\$10 billion in annual revenue).

ISM-ADR had to ensure that the learning was not only remembered and reinforced, but that measurable results could be attributed to the application of the learning in day-to-day work. To meet those requirements, ISM-ADR chose a blended learning design.

Critical to the success of the program was a commitment made by each participant to apply the learning to a specific sourcing project. An ISM-ADR "coach" supported and challenged each delegate's proposal using e-mail and phone when not available on-site. In all, US\$5.6 million of potential savings were identified in the participant projects. Six months after the session, the company had measured US\$2 million in actual savings, with more expected over time.

The company calculates the overall savings related to the project exceeded US\$14 million, and the program delivered an ROI of 40:1.

Phase Four: Incorporate the learning into the organization

The best way to incorporate learning into the organization is to build real issues into your instructional design. Concrete examples are a component of instructional design and choosing examples from your company's current challenges virtually ensures that today's training will turn up in tomorrow's workplace.

The ISM-ADR School has had very good results asking teams in a workshop to select their own projects and to present progress reports and/or a set of recommendations at subsequent sessions. Often the teams have to calculate cost savings for implementing new purchasing strategies they have learned in a seminar. Their results offer immediate evidence that the training program is more than paying for itself.

Phase Five: Reassess at regular intervals

Markets are constantly changing, people come and go, and the need to stay on top of best practices never ends. Annual assessments of knowledge or skills gaps can drive continuous learning in almost any organization.

The competitive marketplace demands that we have extreme competence managing the supply chain. Any risk, cost, distribution, or planning error can impact a company's success. One way to keep your company competitive is by investing in continuous professional development.

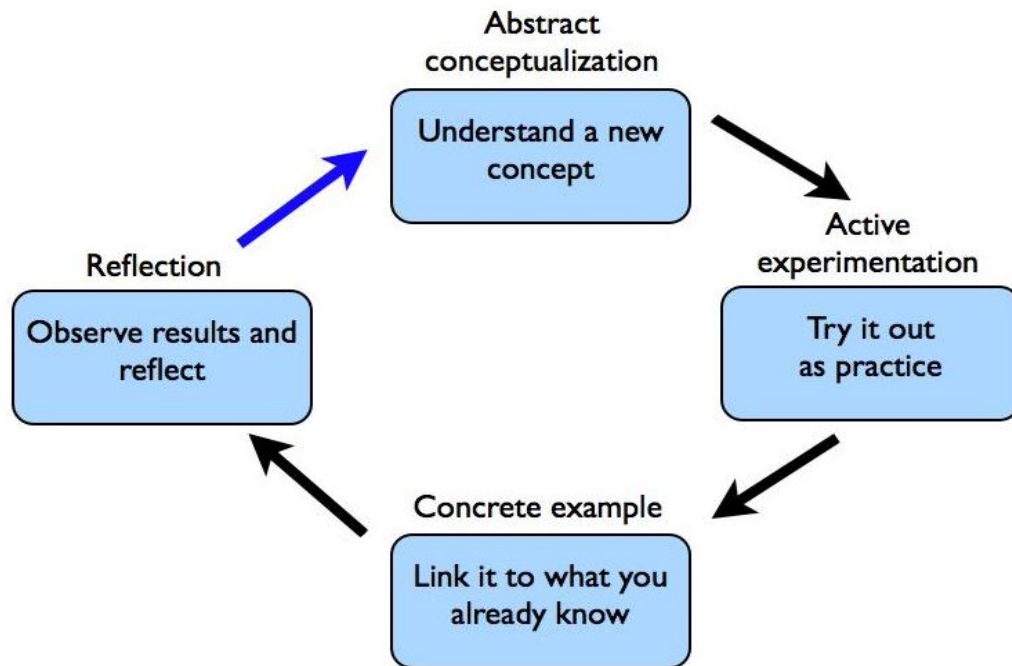
Building a Professional Development Program

Fundamental Principles

Adult learning theory is part of the foundation of an effective professional development program. Courses should build new concepts on what staff already know, allow time to practice new ideas on real-life examples and provide ways to let students reflect on their own learning before advancing. A typical learning cycle for adult students includes these four components:

1. Abstract conceptualization – the student understands the theory or basic idea of a new skill.
2. Active experimentation – the student tries out the new ideas.
3. Concrete example – the student links the new ideas to what he or she already knows by applying them to real-world situations.
4. Reflective observation – the student reflects on his or her experience, and if possible, shares those thoughts with a mentor, coach or peers.

Adult Learning Cycle

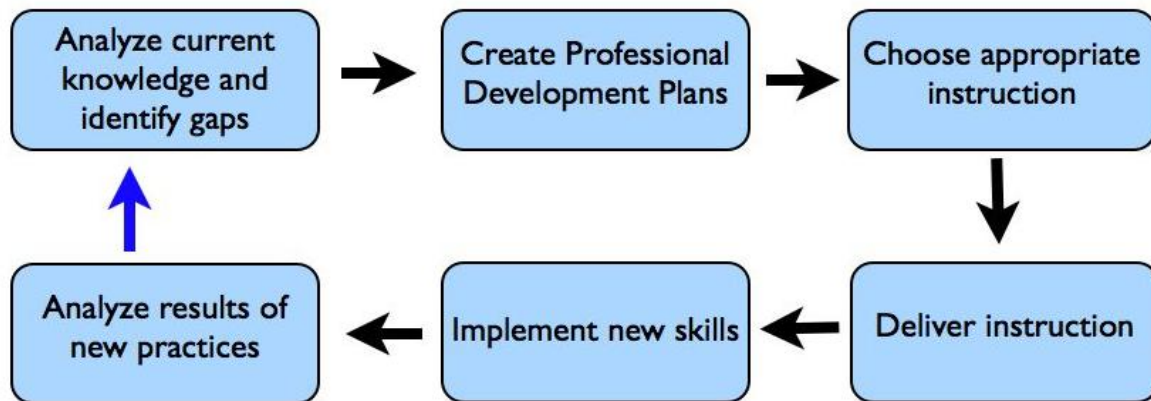


This adult learning cycle for individual skills fits into a larger cycle of continuous learning that works as well for an individual as it does for a global procurement organization.

On a macro level the ISM-ADR Professional Development Cycle is comprised of six recurring phases:

1. Analyze current knowledge and performance and identify gaps
2. Create Personal and Business Unit-level Development Plans
3. Choose (or design) appropriate instructional materials and methods
4. Deliver instruction
5. Implement new skills
6. Re-analyze knowledge and performance and begin new cycle

Continuous Learning Cycle



This cycle aligns well with the ADDIE model of five phases for instructional design — Analysis, Design, Development, Implementation, and Evaluation – incorporating them through the first four steps of the Professional Development Cycle.

Using these models, a complete professional development program has these characteristics:

- Training programs are tailored to the individuals learning needs, which are objectively assessed.
- Classroom learning is interactive and uses real life examples from the client, industry and the public sector.
- Small group learning is targeted to individual and category needs.
- Learning is supported by planning actions that will translate techniques learned into business benefits.
- Program benefits are measurable based on the tracking of planned and attained successes. By carefully defining the business needs and objectives of a professional development program, then carefully creating metrics and selecting a training provider, it is possible to get a measurable high return on training investments.

Delivery Mechanisms

Delivery Formats

Primary delivery formats for professional development paths include Instructor-led, classroom based seminars and self-paced, online courses. Delivery formats are then further customized to fit the specific needs of individual organizations..

Instructor–Led, Classroom Based Seminars (synchronous) are defined by the following characteristics:

- Classroom based instruction by one (1) instructor with a maximum of thirty-five (35) students
- Primary instructional strategies that include lecture and discussion sessions as well as role playing, case studies, small group exercises and problem-solving sessions
- Course materials that include text, graphics and visual aids

ISM-ADR embeds learning objectives aligned with your organization's strategic imperatives. The learning objectives include work environment simulations, case studies and work team exercises based on real life scenarios and on the job experiences and situations, supply management reference articles and organization specific policies, procedures and practices.

Advantages to instructor-led, classroom based seminars listed below include:

1. ISM-ADR instructors travel to your location of choice. By having the instructor travel to your location, it minimizes your organizations travel costs related to training
2. Instructor-led, classroom based seminars held onsite are environmentally friendly
3. Students get to network and problem solve with their peers during classroom work team exercises, case studies, and/ or work environment simulations built into the seminar
4. Students have the opportunity to ask questions of seasoned subject matter experts who are facilitating the seminar
5. ISM-ADR has the capabilities to conduct seminars in various languages globally
6. All participating students receive a seminar workbook that may contain tools, checklists, templates, reference articles and other learning aides and classroom takeaways
7. Once the seminar is completed, students receive a Certificate of Completion that can be used to re-certify for the CPSM or C.P.M.

Considerations to instructor-led, classroom based seminars include:

1. On average, most instructor-led, classroom based seminars are 2-3 days in length. Some organizations do not wish for employees to be out of the office that long
2. Students have only a couple days time during the course of the seminar to ask the instructor questions related to the subject matter
3. Some students are visual learners that do not learn as well with this type of instruction
4. ISM-ADR instructor-led seminars are held at set times on predetermined dates

For a listing of standard ISM seminar outlines on the ISM Web site, please refer to <http://www.ism.ws/education/OnsiteSeminarList.cfm?navItemNumber=5954> .

Self-Paced, Online Courses (asynchronous) are defined by the following characteristics:

- Asynchronous, web-based application that contains learning objectives and pertinent content at the level for the target audience
- Use of adult learning theories and techniques that stimulate learning and reinforce the online content

Advantages to self-paced, online courses include:

1. ISM-ADR has online programming that can be used in a stand-alone fashion or in support of other supply management professional development programs
2. ISM-ADR also has the capabilities to create blended learning programs for organizations
3. Blended learning programs cater to various types of adult learners
4. ISM-ADR's web based training courses are available online 24 hours a day, 7 days a week
5. Students can take web-based training on their schedule at their convenience
6. Once web-based training course is selected, the student has 12 months to complete the course
7. Once the course is completed, students receive a Certificate of Completion for Continuing Education Hours (CEHs) to re-certify for the CPSM or C.P.M.
8. After the course is completed, at the student's option, they can review the online content as a refresher as often as they want during the 12 month access period

Considerations to self-paced, online courses include:

1. Students do not interact with each other during an asynchronous, self-paced web-based training course
2. Students do not have the opportunity to ask questions to an experienced instructor during the asynchronous, self-paced web-based training courses
3. With 12 month access period to online courses, students tend to procrastinate about taking their assigned online courses

ISM-ADR's online courses are delivered through ISM's Knowledge Center at http://www.ism-knowledgecenter.ws/customcontent/course_info/comp_catalog.pdf .

Addendum

Sample Three-day Training Agenda

3-Day Procurement Skills Agenda		
Topic		Level
	Day 1	
Price vs. Cost		Theory
Portfolio Analysis		Theory
PA Exercise		Exercise
Price List Analysis		Theory
Exercise		Exercise
Target Costing		Theory
Supplier Visits		Theory
Cost Driver Focus		Theory
Case Study—Cost Analysis		Theory
Data Collection		Theory and Exercise
RFI/RFQ's		Theory and Exercise
	Day 2	
Supplier Conditioning and Information Control		Theory
Video: Goofs, Gaffs and Giveaways		Video
Case Study—Hour Company		Exercise
Price vs. Cost		Theory
Pricing		Theory and Exercise
Purchase Price and Cost Analysis-PPCA		Theory and Exercise
Opportunity Analysis and Exercise		Theory and Exercise
	Day 3	
Supplier Relationships		Theory and Exercise

Tactical Negotiation
Video—Doing the Deal
Strategic Negotiation
Video— Under the Microscope
Video-Partners in Performance
Performance Contracting and SLA's
Incentivization and Gainsharing
Supplier Performance Management

Theory
Video
Theory and Exercise
Video
Video
Theory
Theory
Theory

ISM-ADR School for Supply Management: www.ismadrschool.ws

Institute for Supply Management

2055 East Centennial Circle
Tempe, Arizona 85285-2160
Phone: 800/888-6276
www.ism.ws

ADR North America, LLC

24 Frank Lloyd Wright Drive, Suite B-1100
Ann Arbor, Michigan 48105-9484
Phone: 734-930-5070
Corporate: www.adrna.com Δ Blog: www.sourcingguy.com