Solving Supply Chain Issues
Through Talent Pipelining

Talent Intelligence
Leadership Risk Management

EXECUTIVE SUMMARY

Abstract: An organization is only as strong as its supply chain. However, because a number of factors can affect the various stages involved in the production and distribution process, supply chain stability can be a difficult thing to maintain.

External issues — ranging from worker strikes to other companies' financial problems — can cause delays and be hard to predict. Thus, it is extremely important for organizations to control all possible internal factors to reduce as many supply chain disruptions as they can.

In some industries, such as the manufacturing sector, skills gaps stand to pose a significant problem. To maintain current productivity levels, proactively preparing for potential labor and skills shortages is more crucial than ever.

This white paper will outline how skills gaps can arise; the negative effect they can have on operations; why talent pipelining can be the answer to potential supply chain problems; and the elements included in supporting an ongoing talent identification and recruitment system to ensure future labor and skill deficiencies do not occur.

THE DAMAGING SKILLS SHORTAGE EFFECT

To successfully produce, and eventually provide, a good or service, all aspects of an organization's supply chain must operate smoothly on an ongoing basis.

One underperforming link — ranging from a materials shortage at the company that supplies the items used to make a product to delayed delivery to its point of sale — can have a ripple effect throughout the entire supply chain.

In recent years, more C-level leadership members have begun to both recognize supply chain management's value and invest in establishing a strong, qualified supply chain management team, according to the Council of Supply Chain Management.

This year, a higher percentage of non-U.S. firms plan to drive growth by investing in supply chain management and delivery and logistics, according to a 2015 manufacturing and distribution report from audit, tax and consulting service provider McGladrey. At least 30 percent of organizations in the Asia-Pacific region and Latin America intend to invest in supply chain management. Focusing on managing supply chain processes may reduce the impact an organization will experience if it encounters issues with one or more of the sources it relies on for production and distribution.

External problems, in particular, can pose challenges — such as production delays; reduced productivity and diminished profitability.

Supply chain issues, however, aren't entirely uncommon. Suppliers go bankrupt; equipment breaks down; shipments are late.

In many cases, such circumstances are out of a company's control; and they can be difficult to anticipate and safeguard against. Complications that your providers are experiencing may not be apparent until they are having a direct effect on your operations.

Many of your organization's potential internal issues, though — particularly ones relating to its stock of available, qualified talent — can often be identified long before they become a problem. Assessing and anticipating concerns within your portion of the supply chain can help your organization develop corresponding solutions to prevent the problems from occurring, or at the very least, lessen their effect.

In industries that are currently facing significant skills gap issues, such as manufacturing, the need for a proactive response to projected future staffing challenges is more pronounced.

Nearly three and a half million manufacturing jobs will have to be filled over the next decade, according to a 2015 report produced in part by the Manufacturing Institute; skills gaps are expected to keep 2 million of those roles vacant.

In the U.S., 82 percent of executives believe a skills gap will affect their ability to meet customer demand, according to "The Skills Gap in U.S. Manufacturing" report — along with the ability to provide effective customer service (69 percent) and expand internationally (48 percent).

Other parts of the manufacturing supply chain stand to suffer skills gap issues, as well. In the U.K.'s freight logistics and wholesaling sector, for example, a 2014 report from the Skills for Logistics council found widespread skills gaps exist, with at least a third of companies reporting gaps at the middle and junior management levels. The sector expects to need 588,000 additional workers between now and 2020, who will require additional skills development.

SUPPLY CHAIN SETBACKS

Even the most well-managed portions of a supply chain can experience unexpected obstacles that throw it off course—which can include:

- **Sudden vacancies**: Employees — within an organization, or ones employed by a supply chain partner — rarely provide months of warning before they give notice. Workers can vacate key roles with relatively little lead time, prompting employers to scramble to find a replacement to maintain productivity levels.

- **Growth-related skills gaps:** Expansion can create operational challenges in some industries. Fifty-six percent of healthcare and life science organizations in North America, Latin America, Asia and Western Europe, for example, report rapid business growth has increased their supply chain complexity, making the process costly to manage, according to UPS' most recent annual report. Without a way to quickly find and assess available talent options to fill a significant number of new positions at various points in the production process, companies can struggle to meet potentially profitable demand.

- **Retirement-related skills shortages:** An unanticipated high — or low — number of retirements in any part of the supply chain can create significant problems. Due to the effect the Recession had on the ability to save for retirement and other factors, analysts predict that workers in several countries will remain in the workforce past the traditional retirement age. Roughly 65 percent of baby boomers — Americans born between WWII's end and 1964— plan to work past age 65 in the U.S., according to research from the nonprofit Transamerica Center for Retirement Studies.

The majority of European countries are expected to see the biggest increase in the proportion of persons aged 65 and older within the next two decades, according to Eurostat. The trend is already apparent: Between 2000 and 2010, the percentage of over-55 workers rose in all 27 EU countries, except Portugal and Romania.

Employees remaining in the workforce longer than anticipated can throw off an organization's succession plan, causing overstaffing issues. Similarly, if younger workers who are frustrated by a lack of advancement opportunities leave, and post-65 workers then decide to retire, organizations could face a sudden skills gap. Without seasoned employees, or workers who have been trained to take over their roles, an organization may have to scramble to get employees up to speed about key operational aspects so it can maintain productivity.

- **Cyclical talent shortages in the market:** The talent climate for candidates with skills that are viewed as high-demand in various industries can be competitive. In recent years, 34 percent of companies have reported they'd had difficulties filling vacant positions, according to the Manpower Group's Talent Shortage Survey. In the U.S., that figure is closer to 50 percent, with management and executive vacancies among the top 10 most difficult positions to fill.

- **Inaccurate employment need estimates:** To understand what candidates it should reach out to, an organization has to know what critical roles it cannot afford to have vacant for long. Establishing a succession plan can help identify key positions, skills and potential gaps; however, not all organizations utilize that type of preparation. The Society for Human Resource Management recently found that the amount of organizations with a formal succession planning process had declined to 23 percent from 29 percent.

- **A lack of well-prepared internal candidates:** Budgetary constraints are often put in place to protect the bottom line; but they can also harm it if adequate funding isn't available to properly establish training programs for potential leadership candidates. Providing internal training opportunities or funding for external courses can help organizations develop future leaders, and, at the same time, let employees know you feel they are valuable, contributing to employee satisfaction and retention rates.

SOLVING THE SKILLS CRISIS

Creating — and maintaining — a robust talent pipeline can help combat the continuity challenges many organizations face.

With a talent pipeline, highly qualified candidates can be identified to fill positions, before a replacement for those roles is needed; rising stars within the organization can be cultivated and prepped to assume future roles; and initiatives can be incorporated to directly address any retention problems that are causing a company to lose valuable talent assets.

Talent pipelining's proactive recruitment, training and retention efforts allow an organization to:

- Identify the top candidates in 'talent short' or specialist spaces before they are needed to decrease the time it takes to hire new employees
- Potentially save on recruiting costs by eliminating the need to hire a recruiter
- Increase HR department efficiency by reducing the number of applications hiring managers need to comb through to find solid candidates
- Prepare to address future talent needs by building a solid resource to draw from

A talent pipeline can also offer an additional benefit. By continually reaching out to potential candidates to discuss their plans and options, organizations can obtain valuable benchmark data about their industry, including average salary and benefit information — which can help a company make adjustments, if needed, to remain competitive in the talent market.

Companies that fail to build and sustain a talent pipeline can find themselves making hasty, potentially unsuccessful hiring decisions, based on need when an opening arises.

The resulting expense can be significant. More than half of employers in the 10 largest world economies say they've had a bad hire negatively impact their business, according to a recent CareerBuilder study.

Twenty-nine percent of German companies reported bad hire-related expenses of 50,000 euros ($65,231) or more. In the U.K., 27 percent of companies said bad hires had cost more than 50,000 British pounds. In the U.S., 27 percent reported losses of more than $50,000 per bad hire.

Three in ten Indian employers said the average bad hire cost more than 2 million Indian rupees ($37,150); nearly half of employers in China (48 percent) who responded to the survey reported their costs exceeded 300,000 CNY ($48,734).

Some assessments place the cost of a bad hire at an even higher amount. The International Business Times estimates a unsuccessful hiring attempt can cost an organization up to 150 percent of the person's first year of compensation.

As a result, it is in companies' best interest to hire the right candidate on their first attempt — particularly in some industries, such as durable goods manufacturing, which has one of the highest cost-per-hire levels of any industry, according to Recruiterbox's estimation. The software provider has pegged the cost for each new durable goods employee at more than $5,100.

CONCLUSION

Because a talent pipeline can serve as an ongoing source for potential candidates who have been prescreened and tentatively approved, companies that employ the process can reduce their chance of bringing in employees who aren't a good fit for a role.

Establishing and maintaining a talent pipeline, however, requires a significant amount of time and manpower.

Talent pipelines are created through thorough research, followed up by efforts to contact industry members in an approachable way and regular contact with potential candidates. The individuals who are spearheading the effort need to have detailed knowledge of the organization's critical job families and be able to effectively maintain communication with key talent.

Organizations sometimes fail to make a connection between the skills and experience needed to oversee a company and the candidates they consider to ultimately assume senior-level executive positions — frequently compiling potential successor lists that are too narrow in scope and ultimately unreliable when put into use, according to a survey conducted by Stanford University and the Institute of Executive Development.

To be as effective as possible, large organizations often need to establish talent pipelining efforts for several key geographic locations, which can involve additional effort.

And available talent options can be hard to find. The number of global employers that reported talent shortages in 2015 reached a seven-year high of 38 percent, according to the Manpower Group's tally of more than 41,700 hiring managers in 42 countries.

Several manufacturing industry-related positions were on the report's list of the top 10 hardest jobs to fill — including skilled trade positions such as drivers and production/machine operation workers.

Because it needs to be thorough, and ongoing, talent pipelining work can be time-consuming. Many organizations lack the necessary resources to successfully do it.

A 2012 LinkedIn study found that only 2 percent of organizations had adopted a long-term approach to sourcing passive talent — partially because they lacked the time and resources regular talent pipelining work requires.

For organizations that are struggling to keep up with the frequent contact, research and recordkeeping requirements involved in talent pipelining, engaging external assistance may prove helpful.

Outsourcing talent pipelining efforts to a separate organization that specializes in the work can ensure your company is accurately maintaining programs to identify highly qualified candidates; establishing an ongoing rapport; obtaining valuable industry insights and building an effective candidate pool.

Having an external resource dedicated to the recruitment process can make it considerably more effective — and, by sidestepping the costs involved in having to replace a bad hire, less expensive.

For more than 14 years, Talent Intelligence has been providing leadership risk management services to companies across the world.

By integrating proprietary external intelligence, obtained on a constant basis, into succession planning, talent pipelining and human capital intelligence, Talent Intelligence provides a 360-degree view of the hiring marketplace to solve clients' most critical talent challenges.

To find out how Talent Intelligence can help transform your organization's recruitment and hiring process and eliminate internal supply chain-related skills gaps, request a Talent Intelligence consultation today.

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About Talent Intelligence
Talent Intelligence is a global leadership risk management company that solves its clients' critical talent challenges by integrating external talent intelligence in four key areas: succession planning, talent pipelining, diversity intelligence and human capital competitive intelligence. All intelligence is securely stored so clients can access it on demand and integrate it into their existing workforce planning process. Our Intelligence Delivery Teams flag high-potential candidates, bringing them directly to our clients' attention — so when the time is right, we can facilitate a networking engagement between you and any candidate of interest.