

The menace of maturity

PART II

by Terry Lister

Open the door to recruit and retain skilled procurement candidates

THE PROCUREMENT COMMUNITY faces the same aging workforce issues that will plague the entire public service in the next five years – high levels of retirements accompanied by a loss of corporate memory and expertise. In our previous article, “The menace of maturity,” *Summit*, November/December 2005, we explored how the federal government’s decision to pursue commodity management principles will necessarily affect the roles of purchasing specialists and line managers, both within the procurement organization and across the enterprise as a whole. This transformation of the role of procurement specialists is accompanied by an unprecedented change in the procurement community due to anticipated retirements of the “baby boom” generation *en masse* – something that faces most public procurement organizations. The result is a combination of challenges facing the federal

government as it moves to rebuild its core workforce strengths, at the same time it is adopting a completely new way of approaching the principles of procuring goods and services.

Adopting the principles of commodity management and strategic sourcing in a government context represents a radical departure from the traditional way in which the federal public service has approached procurement until now. Commodity management will require a very different skills set among those employees who manage purchasing – both within PWGSC and other departments and agencies. Future procurement specialists will require a much more detailed and comprehensive understanding of supply markets and economic trends affecting these markets. Because commodity management is a cross-functional, cross-departmental activity, future procurement staff will need to engage their clients in the new sourcing processes in a much more collaborative way than they do currently. The organizational alignment of the procurement function across government will require strong cross-departmental coordination in order to fully realize the benefits of commodity management. It demands a comprehensive approach to training and development of procurement specialists.

In some ways, the coming exodus of baby boomers presents a unique opportunity to revitalize the procurement community. A wholly new level of skills and expertise will be required, and the number of replacement procurement staff available internally is not sufficient to fill the

gaps created with the wave of expected retirements. The government has several options available to it to redevelop a procurement community that is positioned to launch and fully support commodity management principles. It can hire externally, or ramp up internal recruitment and development efforts or pursue a combination of “build” and “buy” talent.

The new *Public Service Employment Act* enables managers to set up pre-qualified pools (PQPs) as a flexible way of staffing in anticipation of a recurring need to fill similar jobs – such as the upcoming retirement replacements. PQPs save time for managers and provide candidates with improved access to job opportunities, while protecting the hiring values of merit, fairness and transparency. On the other hand, managing a workforce under a PQP regime poses its own complexities. The articulation of qualifications tends to set a target for individuals to direct their learning and development. If staff are qualified, they will want the opportunity to have their qualifications recognized and be part of the pre-qualified pool. If this does not happen; if managers keep the size of the pool relatively small, staff will be disappointed. If employees have their qualifications recognized, then they eagerly await appointment from the pool. Thus, the size of the pool has to be set to reflect upcoming demand. The trick, of course, is one of reliable demand forecasting.

What does the procurement workforce of the future need to know to succeed in the new government procurement environment? Ideally, they will need experience – not only from the public service – but from industry where they have demonstrated another way of managing risk and making purchasing decisions. External candidates recruited from organizations that have experience in commodity development and strategic sourcing leading practices may find advancement opportunities attractive within the \$18 billion government procurement environment, where purchasing ranges in complexity from paperclips to aircraft. Most will have a demonstrated sensitivity to and understanding of client needs, as well as possess a current knowledge of supply markets and supplier performance. An industry-specific background in procurement is immediately applicable in a public sector



environment as these are skills that are not unique to any individual industry.

Identifying sources of skilled external candidates will not be difficult – a wide range of organizations already successfully deliver commodity management-based procurement. The challenge for the government will be to convince private sector individuals with the desired expertise to embrace a public sector career path, where the reward for performance excellence may be eventual career advancement, but offers little in the way of more immediate reward. Industry can use more flexible compensation models to reward superlative performance. Government compensation follows the terms of negotiated collective agreements with lock step increments and few performance incentives.

In the past, the government responded to compensation anomalies between the public service and private industry by making across-the-board adjustments to wage rates for specific occupations they wanted to recruit, or by adding so called “terminable allowances.” The impact of a terminable allowance is still being felt in the computer sciences (CS) group. Toward the end of the dot-com phenomenon, the private sector enticed IT professionals by offering inflated wages and job perks that the government could not immediately match. To remain competitive, the CS wage rates were significantly adjusted upwards, not only to recruit necessary talent but to retain the professionals they had. Although the dot-com bubble has long ago burst, the inflated CS wage rates remain – making government a very lucrative option for IT professionals who would no longer command similar salaries in the private sector. The inability of the government to respond with responsive flexibility to changes in the supply and demand of labour markets is now working to their detriment. The government may want to provide attractive compensation options to procurement professionals, but not at the expense of paying above market rates over a longer term.

Apart from recruitment and retention, the procurement community faces ingrained, difficult to change behaviours in the government buying cycle. The unplanned buying frenzy that traditionally occurs in the last two months of the government fiscal year is counter to all the

long-term principles of planned buying and controlled supply chains that are characteristic of a commodity management model. Yet as long as government managers fear losing budgeted funds that are left unspent at the end of a fiscal year, there is little motivation to resist the year-end temptation to spend. To change this pattern requires a radical change in planning and a significant skill, experience and willpower to stay-the-course.

The scope of the needed culture changes is the greatest hurdle to developing commodity management. Formal training programs can be designed and delivered; the existing workforce can acquire new knowledge and practice new skills. Often, the biggest challenge is not one of learning new skills but of un-learning old, entrenched behaviours, such as the year-end spending patterns that their clients have grown to expect. Without rewards and incentives, how will they be convinced to accept the calculated risks necessary to make the most economic buying decisions? Where will they develop the leadership qualities to enforce necessary limitations on procurement? And perhaps the most difficult: how

will the next generation of procurement staff challenge old attitudes where the ability to buy anything that was desired was widely viewed as an expression of professional creativity and public service heroics.

A simpler solution may be shared services in procurement or outsourcing the procurement function entirely. By separating the procurement community from their client departments, it may be possible to circumvent these cultural pressures. Compensation for outsourced employees can be more reflective of labour market changes and therefore provide more value to the taxpayer. And with more freedom to accept risk – and to be rewarded for performance – it will be much easier to recruit professionals who already possess the requisite skills to launch commodity management and lead the government agenda of procurement reform.

Either way, success depends on a concentrated commitment by the political leaders to provide the procurement community with far greater resources and a much higher level of support. ❧

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