

THE DEEPENING TALENT SHORTAGE

Demand for supply chain talent is outstripping supply, creating major worries for companies across all industries

Supply chain managers across the globe are struggling with a critical supply-and-demand imbalance. But it's not for a specific product, commodity, or even for transportation capacity. It's for people.

Demand for supply chain talent is at an all-time high, as more and more companies have recognized how important supply chain management is to their success. But even though more people are earning supply chain management degrees and certifications each year, it hasn't been enough to fill current needs. If this trend continues, businesses worldwide could find it difficult to meet demand for their products and services.

Consider the situation in the United States, which has a substantial number of educational institutions and industry associations that offer degree courses and training in logistics and supply chain management. Yet companies still have trouble filling both senior-level supply chain management positions and lower-level jobs. Some studies estimate that for every one qualified supply chain manager there are six available jobs. The shortage is being felt in terms of skilled labor as well. The lack of truck drivers in the country is already driving up transportation rates and hampering available capacity. At the same time, warehouse labor costs are rising as companies are having difficulty finding qualified warehouse workers.



The talent shortage is being felt around the globe, in almost every region and industry sector. The problem is particularly acute in developing countries, where companies struggle to find people who possess the right mix of knowledge of the local market and supply chain expertise. In China, for example, the Chinese Academy of Sciences released a report in 2007 saying that both domestic and foreign companies were having trouble finding senior supply chain managers and well-trained logistics workers. The report encouraged universities to develop more specialized logistics courses as a way to alleviate the shortage. Seven years later, however, the problem is far from being resolved. A report issued in 2013 by the consulting firm Tompkins International found that China was still critically short of supply chain talent and recommended that companies retain outside help to identify and train potential employees.

The lack of supply chain talent in emerging markets should be a major concern not only for local businesses but also for global companies.

For many of the latter, future growth depends on increased sales in developing markets. Those markets, however, cannot grow unless the workforce in those countries possesses the necessary skills to get goods into the hands of customers. For example, many believe that Africa is primed to be the next growth market. But in a 2013 paper, Gert Heyns and Rose Luke of the University of Johannesburg found that the shortage of supply chain talent in South Africa—the continent's most advanced economy—is one the major constraints on that country's overall competitiveness.

Multiple causes

There is no one cause for the deepening shortage of supply chain talent. Instead, the reasons are varied and sometimes tied to local circumstances. Here are a few commonly cited examples:

- **Demographics.** For many developed countries, such as those in Western Europe, the United States, and Australia, part of the problem is simple demographics. As baby boomers retire, many companies are finding they don't have a big enough pool of experienced managers to replace them. Members of the "Millennial" generation, which is currently entering the workforce, have been able to fill some of the open entry-level positions. But many companies are finding that their true pain point is a lack of middle managers with the required skills, according to the 2012 report "Supply Chain Talent: The Missing Link?" by supply chain analyst Lora Cecere.
- **Changing skill set.** As experienced leaders retire, companies are looking for replacements who have a broader skill set than those who came before them. The increasing importance of technology to the field means that candidates—even for skilled labor positions such as forklift drivers—need more technical and analytical skills. Similarly, companies are looking for individuals who have a skill set that cuts across traditional functional silos such as logistics, purchasing, and manufacturing. And as supply chain managers take on more strategic roles in their companies, they will need more "soft skills," including project management, leadership, communications, and relationship management capabilities.
- **Cost-cutting measures.** The shortage has been exacerbated by the cost-cutting measures companies employed during the recent economic downturn. Many companies reduced headcount and cut back or eliminated their training and development programs.

As a result, workers have not had the resources they need to develop the skills required to respond to today's supply chain challenges.

- **Lack of training programs.** In developing countries, there are not enough colleges, universities, and other institutions offering courses in logistics and supply chain management. One emerging market that has avoided that problem is the Philippines, according to Jeffrey Greg Stryker of the executive search firm Heidrick & Struggles. Unlike other developing Asian countries, many educational institutions in the Philippines offer courses, degrees, and certification programs in supply chain management. As a result, the Philippines has actually been able to "export" supply chain professionals to other developing Asian countries, such as Vietnam and Indonesia, according to Stryker.

Solving such a complex problem with multiple causes will require a complex solution aimed at multiple fronts. At the very least, companies cannot be content simply to partner with local educational institutions and professional organizations. They must also thoughtfully develop and deepen their own talent management strategy.

Further reading:

- "Supply Chain Talent: The Missing Link": <http://supplychaininsights.com/supply-chain-talent-the-missing-link/>
- Jeffrey Greg Stryker's column: <http://www.heidrick.com/Knowledge-Center/Article/Supply-Chain-Talents-in-the-Emerging-markets>