

ANALYSIS

The hard value of soft skills to procurement

BY RIMA EVANS | 02.07.2015



Soft-skill traits such as emotional intelligence and communication have long been recognised as fundamental to business success and are now gaining recognition in procurement and supply. Rima Evans reports

Since the mid-80s when workplace studies began to reveal that soft skills would be vital for creating successful businesses of the future, there has been a clarion call for employees to place greater focus on these capabilities.

Proficiency is incumbent on workers at every level of an organisation, including the c-suite.

Soft skills – those related to attitude and behaviour (see page 26) – have become so critical they are now considered a key component of economic growth. The emergence of the knowledge economy means it is these personal traits that deliver competitive edge.

In the UK, research published in January highlighted that soft skills are currently worth more than £88 billion, underpinning around 6.5 per cent of the economy as a whole.

However, the report *The Value of Soft Skills to the UK Economy* produced by Development Economics on behalf of McDonald's, also points out that deficiencies in the UK's current stock of soft skills impose severe penalties on the economy.

“These skill deficits are not just a minor irritant for employers: they can cause major problems for business and result in diminished productivity, competitiveness and profitability,” the report says.

Research from global management consultancy Hay Group shows that business leaders in China, the US and India share similar concerns, fearing that graduates’ lack of soft skills could put the future of their businesses at risk.

The McDonald’s report highlights that such proficiencies are often not given the recognition they deserve. But emotional intelligence, empathetic listening, communication and interpersonal skills, team work, time management, problem solving, decision-making skills and others, are gaining currency with procurement and supply teams as a means for securing functional success.

In procurement practice

Frank Scharadin, executive director of global procurement at MGM Resorts International says soft skills, and emotional intelligence in particular, are what deliver long-term success for procurement and supply teams because they can help navigate the most difficult negotiations and lead you to the deal you want.

“In an easy contract where everyone wants the same outcome, emotional intelligence isn’t that relevant. It comes into play during difficult conversations when you have to get the supplier to a place they didn’t see they might be going, and that benefits you – perhaps a longer term deal.”

Applying emotional intelligence involves “trying to understand and think about what is important to the other person and what they are after, listening, communication, reading body language and facial expressions and being respectful,” he says.

“At the end of the deal if you can get the supplier where you want them to be and they feel it’s a win that’s a key indicator of emotional intelligence at play.”

Scharadin explains that during complex conversations he aims to meet a person more than once in order to build a rapport and avoid the pitfalls of coming away with a misleading impression.

“We are all human, so a company’s goals and the mental state of that person might not align in that precise moment we are meeting. Someone might have had a fight with their partner then come to work mentally distracted and emotionally upset. These are all things to be aware of.

I always try to have three instances of a conversation with a person.”

Emotional intelligence has taken on increasing relevance at MGM Resorts in the past five years or so, Scharadin adds.

“This is a management skill. Any Fortune 500 company that is investing and evolving will be sensitive to it. Along with employee retention, development and succession planning, it makes your team stronger and more developed.”

Fostering the skill in his team is a priority. Scharadin conducts post mortems of complex situations with staff, explaining and analysing what happened. “It allows them to have their ‘a-ha’ moment, realise what can be achieved just by having a conversation and the turnaround it can bring about. Learning this skill is a journey really, not a test.”

Selecting on skill

Douglas Else-Jack, head of supply management and divisional CPO at engineering company Hitachi Zosen Inova says that soft/influencing skills are a part of the personality profile his company looks for when hiring. “Without them, promotion opportunities would be very limited,” he says.

Though he stresses that striking a balance so the team has a good mix of skills is also very important. “I highly value emotional intelligence and strong soft skills but this has to be held in balance with analytical and hard-headed approaches. My team has a few high-scoring emotionally intelligent individuals and many high-scoring IQs but these labels obviously are not mutually exclusive.”

Ensuring an even and diverse mix of skills is all very well across an entire team. But for CPOs, the pressure is on to have the right balance of both soft and hard (technical) skills so they are fully equipped to meet the demands of their leadership role at the same time as upping the procurement game.

Business adviser, former CPO and author of Procurement Mojo, Sigi Osagie, says expectations are changing. Hard, technical skills are a basic requirement but soft skills are the differentiators. And a career can be stunted without them.

“Many CPOs recognise the importance of soft skills and emotional intelligence and are very capable. But there are still far too many who aren’t as effective as they could be,” warns Osagie. “Typically, they progressed because of their technical ability – they are purchasing geeks rather than business leaders. But the higher you climb, the more technical skills alone become inadequate.”

Even trickier are situations where people display ‘blind’ behaviours – and actually lack the soft skills they are convinced they excel at. This becomes evident when outcomes don’t match an individual’s claims and can be flushed out during one-to-one discussions.

Osagie says: “A real-life example was when I was interim supply chain director at an industrial company. I was discussing a category manager’s competency development with him, and we got round to talking about integrity. He initially disagreed with my assessment of him. So I gave him an example to explain. Some months earlier, we had been reviewing materials supply problems in his category. From the prior root-cause analyses I had done, the problems were largely caused by inaccurate parameters on the ERP system, for example, supplier lead times.

We discussed the issues but I deliberately didn’t instruct him to do anything about it. Two weeks later, I asked what he had done about the problem and he said nothing. He couldn’t see that integrity meant also taking personal responsibility as a category manager. There was a shortfall between what he said and his actual competencies.”

Making connections

Osagie believes a shift is happening, with business leaders giving more credence to softer issues.

“These soft skills are about the intangible elements of work, competencies that are about making a connection and building relationships,” he says. “They are key given that procurement is a people-

centric activity that sits between the enterprise and supply markets, both of which are organisations and all about people first and foremost.

“In simple terms, emotional intelligence is the ability to understand ourselves and other people at an emotional level. The people we deal with are individuals and their emotions drive their attitudes, thinking and behaviour far more than we know. If we understand people’s emotional state and moods we can connect with them better. That opens the door to do the technical work we want to do with them.”

Building on and learning these skills is essential for CPOs who want to reach and stay at the top of their game. Scharadin concludes: “As successful procurement leaders we have to sell our services internally to other departments. You have to have emotional intelligence to be able to get others to trust that you can deliver greater value for them and free up their resources. For leadership and development of staff you need it and for complex negotiations you need it.”

The trap that procurement can fall into, warns Osagie, is using technical jargon or selling the procurement agenda based solely on numbers and logic.

“Humans don’t make decisions entirely on logic, emotions are always at play under the surface.”

Rima Evans is a freelance business journalist

The value of self-awareness and understanding different personality types to give you a competitive advantage will be explored at the CIPS Annual Conference 2015 on 8 October in London.
www.cipsannualconference.com

