Build Talent and Competencies to Optimize External Manufacturing Partnerships

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Initiatives: Manufacturing Operations Strategy and Performance

Specialized traits and competencies are needed to manage strategic external manufacturing partnerships. Supply chain leaders should develop capability models to manage complex relationships and enact steps to attract, develop and retain employees for more valuable strategic partnerships.

Overview

Key Challenges

- External manufacturing relationships are put at risk when supply chain organizations fail to define, implement and adjust talent management strategies, leaving gaps in competencies and skills to maximize these relationships.

- Organizations fail to develop career paths for external manufacturing management and governance, hampering employee development, jeopardizing employee retention and impairing the organization's ability to manage complex partnerships.

- Standard approaches to employee training are ineffective and not aligned with broader, enterprise-level business objectives, and fail to reflect the changing dynamics and complexity of managing strategic partnerships.

Recommendations

Supply chain leaders responsible for manufacturing operations strategy and performance should:

- Develop a role-based capability model by evaluating the competencies and talent requirements for external manufacturing management and governance. Ensure the job descriptions reflect current expectations for the role and cover the breadth and depth of knowledge required for managing strategic external partnerships.

- Create career pathways that are multidimensional and cross-functional by rotating employees through various functional disciplines in the supply chain organization and beyond to grow the talent required to manage increasingly complex relationships with third-party manufacturers.
Introduction

The role of external manufacturers is more critical than ever as organizations struggle to recover from the COVID-19-pandemic-related shutdowns and economic turmoil. Managing strategic partners requires talent and competencies to deal with major fluctuations in demand, changing consumer confidence and increased focus on business continuity management, resilience and cost optimization.

Today’s environment has illuminated the need for talented, uniquely skilled individuals to manage strategic external partners; without them, supply chain organizations will struggle to remain responsive and competitive amid today’s volatility and tomorrow’s uncertainty. In response to customers’ desire to provide more end-to-end supply chain ecosystem solutions, external manufacturing service providers have begun to offer a broad range of services that transcend traditional manufacturing activities. As a result, relationships between brand owners and external manufacturers are now broader and more complex than ever.

To capitalize on the value these partnerships present, supply chain leaders need to rethink their approaches to building the talent and competencies needed to manage and govern external manufacturing in a way that maximizes pursuit of enterprise-level objectives.

Gartner’s 2018 Supply Chain Talent and Organizational Pulse Survey gathered responses from 694 supply chain professionals. The survey found that 47% of supply chain employees on average at all levels, ages and regions plan to seek new opportunities outside their company in the next year. Overall, the 47% of respondents indicating they are looking for roles outside their current company in the next year are less likely to:

- Feel valued in their current role.
- Consider that they have the skills necessary to be successful in that role or to reach the next level.
- Feel that their role offers interesting challenges regularly.
- Indicate that their company offers interesting career opportunities, or that they have a defined career path at their company.
- Consider they are paid a competitive salary.

While the survey was conducted before the coronavirus pandemic, highly skilled talent will still be empowered to seek new opportunities, particularly if they continue to work remotely and have more
choices as to where to work. Some employees may hunker down, but in-demand talent may see this as an opportunity to leave and go to a company with better career and development opportunities, and diversity of staff and thought.

Figure 1 demonstrates the notion of competencies as being composed of skills, knowledge and behaviors, and defines each term. These competencies become the foundation of role-based capability models. Without these capability models to define a clear and suitable career path, and develop an overall strategy for talent acquisition, development and retention, organizations risk losing well-positioned personnel to competitors and lose the myriad benefits presented by strategic partnerships.

**Figure 1: Definition of Competency, Skill, Knowledge and Behavior**

**Definition of Competency, Skill, Knowledge and Behavior**

**Competency**

Competencies are a generic mix of knowledge, skills and behaviors as they relate to the characteristics of people who do a certain task or a job.

**Skill**

Skills are the “how to” procedures and techniques that apply to a specific situation and are typically taught to prepare an individual to perform a job or a task.

**Knowledge**

Knowledge is familiarity with someone or something, which can include facts, information or descriptions acquired through experience or education.

**Behavior**

Behavior is what a person says or does. It is something that is observable or reportable and does not usually include motives, values, personality or thoughts.

Source: Gartner

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**Analysis**

**Develop a Role-Based Capability Model**

Given the complexity of external manufacturing relationships and the roles that support them, supply chain leaders now realize that they must play a greater role in defining their talent strategy for this area of the business.

By taking a proactive approach to building talent and competencies to optimize external manufacturing partnerships, supply chain leaders will be well-positioned to capitalize on the competitive advantage that strategic external partners present. Additionally, organizations will be taking an important step toward building organizational resilience as strategic partnerships are increasingly leaned upon to help weather disruptions.
A role-based capability model is a guide and map to various roles within the supply chain organization or a specific segment of it. Its contents articulate the skills, knowledge, behavior and experiences that an individual should have to be successful in a specific role or group of roles as the individual progresses in their career development. Supply chain leaders should ensure up-to-date content and expectations in their supply chain capability models to specify the requirements and characteristics necessary for employees to succeed in specific roles.

Role-based capabilities underpin the overall talent strategy when managing external manufacturing relationships. The model helps establish a foundation so that supply chain leaders can assess gaps, have objective performance management discussions and design learning and development (L&D) programs.

To develop the model, evaluate the capabilities and talent requirements for external manufacturing and governance (see Optimize External Manufacturing Relationships by Focusing on Internal Talent Requirements and Ignition Guide to Building a Competency Model for Supply Chain). Think about the breadth and depth of knowledge required for managing external manufacturing relationships. A wide range of competencies, including skills, knowledge, behaviors and experiences, are required for those responsible for managing external manufacturing engagements and relationships. A sampling of these competencies includes:

- Relationship management
- Analytical skills
- Knowledge of procurement processes
- Experience working in manufacturing operations
- Software skills
- Contract negotiation expertise
- Experience leading cross-functional teams
- Familiarity with the legal and regulatory environment

When building capability models, determine which skills or behaviors best support achievement of desired outcomes from strategic partnerships and external manufacturing execution. Evaluate the workflows and technologies associated with managing external manufacturing relationships. Then, identify the competencies necessary to execute those workflows and leverage those technologies. If an enterprise or supply-chain-wide competency model is already in place, start with that to avoid duplicating competencies, creating unintentional contradictions or adding too many competencies to any one job family.
Table 1 provides basic examples of competencies needed for managing external manufacturing engagements, and defines the associated skills, knowledge and experiences for each competency.

<table>
<thead>
<tr>
<th>Competencies</th>
<th>Skills</th>
<th>Knowledge</th>
<th>Experiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship Management</td>
<td>Cost and operational governance skills</td>
<td>Technical familiarity with outsourced products and processes</td>
<td>Experience working with external manufacturing service providers and internal stakeholders</td>
</tr>
<tr>
<td>Change Advocate</td>
<td>Supplier relationship management (SRM) skills</td>
<td>Bachelor’s degree required; master’s degree preferred</td>
<td>Experience developing and/or managing contracts</td>
</tr>
<tr>
<td>Empower Others</td>
<td>Strong interpersonal and conflict resolution skills</td>
<td>Familiarity with applicable regulations</td>
<td>Experience leading and/or supporting large-scale change initiatives</td>
</tr>
<tr>
<td>Advanced Analytical Thinking</td>
<td>Mathematical and statistical skills</td>
<td>Proficiency in Excel and statistical software for analyzing data</td>
<td>Experience working in supply chain or commercial manufacturing environment</td>
</tr>
<tr>
<td>Results Orientation</td>
<td>Adaptability and agility</td>
<td>Familiarity with Microsoft Project and other project management tools</td>
<td>Experience working in a matrixed organization</td>
</tr>
<tr>
<td>Strategic Thinking</td>
<td>Strong verbal and written communication skills</td>
<td>Understanding of tactical and strategic goals and required actions</td>
<td>Experience with process and people management</td>
</tr>
<tr>
<td>Risk Management</td>
<td>Influencing and negotiating skills</td>
<td>Knowledge of specific industries, markets and product types</td>
<td>Experience executing against defined manufacturing and corporate-level objectives</td>
</tr>
</tbody>
</table>
and six proficiency levels that can be used in a few ways:

- To identify a target level of behavior needed for specific job families. For example, one job classification may be required to have an “intermediate” level for a competency, while another more senior-level job group may be required to have an “expert” level.

- To observe behavior and set development plans for increasing proficiency in a competency.

- To assess candidates’ levels of competency using behavioral interviewing techniques during the interview process.

As an example, think about the ways that the skills and knowledge associated with relationship management build with experience. A junior-level buyer will begin to manage supplier relationships and develop basic skills in operational governance and supplier relationship management (SRM). As this employee grows in their career, the employee will begin to build more strategic relationships with suppliers and possibly even manage a category of spend. With this intermediate knowledge, this employee will begin to build technical familiarity with suppliers of external products and services, and develop the interpersonal skills needed to manage complex supplier dynamics and the needs of internal stakeholders. Finally, when this employee achieves the advanced level of relationship management required to manage and govern external manufacturing, the employee will understand the ways to manage performance for cost, service and quality. In addition, the employee will also meet the requirements for working collaboratively with external partners to develop a portfolio of goods and services that will promote long-term joint value creation.

Organizations that develop effective competency models demonstrate considerable focus and prioritization throughout this entire process. Just because a competency does not appear in the model does not mean that employees will not develop the associated behaviors. Rather, focusing on the core competencies will ensure that employees are purposefully developing behaviors critical to the future of the supply chain organization (see Jump-Start Your Supply Chain Talent Strategy With a Future-Focused Competency Model).

Create Career Pathways to Manage Complex Relationships With Strategic Manufacturing Service Providers

Career paths are the links and sequencing between roles. Capability models with career paths illustrate the current and future expectations a supply chain leader can have of an associate, as well as what that associate's expectations should be of feasible career trajectories within the supply chain organization. Leaders provide visibility into the connections between these roles.

Supply chain leaders are compelled to design and implement career paths that will groom the talent required to manage increasingly complex relationships with third-party manufacturers. With increasingly flat organizational structures, in-role opportunities and horizontal mobility are more important. These in-role opportunities will help employees with high potential gain a vast array of skills that are necessary for managing third-party manufacturing.
External manufacturing engagements have evolved significantly in the last 20 years. As business models, the macroeconomic environment, risk profiles and the needs of OEMs have changed, buying organizations have begun to focus on obtaining more from service providers. Buying organizations now seek end-to-end supply chain capabilities, including supply chain services, logistics services, engineering, design and development, and many others, in addition to traditional manufacturing and testing activities. In response, external manufacturers offer an extensive suite of services designed to not only meet the needs of today's buyer, but also to provide additional profit streams to complement the razor-thin margins that traditional manufacturing activities offer.

The enhanced, value-added relationships and strategic partnerships between brand owners and external manufacturers present significant career opportunities, but measured and calculated steps are required to harness this potential. Unfortunately, many organizations continue to operate with an outdated model and obsolete mindset for developing the talent required to manage the new complexity. These organizations focus myopically on linear career progression, without appropriate consideration to the evolving skills requirements and the corresponding career paths that will support this growth and development. Developing the depth and breadth of competencies required to manage third-party manufacturing relationships will be virtually impossible if horizontal career paths for external manufacturing management and governance are not developed.

A variety of experiences will characterize the career path of the well-suited employee. The career path should be multidimensional and cross-functional rather than linear as per the traditional career path. This path will include both upward and lateral moves that could include experience in:

- Sourcing and procurement
- Manufacturing operations
- Logistics
- Supply chain technology
- Planning
- Quality
- Engineering

Figure 2 illustrates that the appropriate career paths for managing strategic partners for external supply are anything but linear. While this particular path is only an example, it illustrates the ways that a wide range of cross-functional experiences can be beneficial in development. Traditionally, a career path for managing external manufacturing may have been directly up the procurement ladder from buyer to senior buyer to category manager. Today, well-qualified employees will rotate through various functional disciplines in the supply chain and beyond to build the required skill sets.
In the example shown in Figure 2, successful employees will likely have developed skills in sourcing, supplier relationship management, S&OP, engineering and production, strategy, and finance. These skills will serve them well in managing service providers and pushing to unlock deeper value as relationships become more strategic over time.

As employees aspire to the strategic role of external manufacturing management and governance, candid, constructive and direct career discussions will form a foundation for employee development and progression. Supply chain leaders should facilitate transparent manager-employee career conversations on employee aspirations and internal opportunities to promote career progression. Following these discussions, the employee and manager working in concert can do the following:

- Define short-, medium- and long-term aspirations
- Identify current strengths and development needs
- Search for development opportunities
- Build an internal network for mentoring and coaching (see Ignition Guide to Building Compelling Supply Chain Career Paths for more information)
Design Employee-Centric Training Programs to Ensure That Qualified Employees Are Equipped to Manage Strategic External Partnerships

Although many organizations have been slow to modify their L&D strategies to reflect the evolving nature of external manufacturing partnerships, some front-runners are succeeding with tectonic shifts in their approaches. Gartner’s Ignition Guide to Developing a Learning and Development (L&D) Program for Supply Chain provides a basic framework for defining training objectives, as well as for driving adoption of L&D programs. As you walk through the L&D design or redesign process, you should complete the following steps:

1. Define L&D objectives for external manufacturing management and governance.

2. Design learning programs to meet the predefined L&D objectives.

3. Drive adoption of learning programs among qualified employees who have expressed interest in, or are potential fits for, external manufacturing management and governance roles.

For L&D objectives, it is worthwhile to consider the following in addition to the others previously identified:

- Production insource vs. outsource decisions
- Service provider identification and capability assessment
- Supplier quality assessment and management
- Price and terms & conditions negotiation
- Financial acumen
- Outsourced manufacturing engagement requirements definition
- Service provider performance assessment, management and optimization
- Designing and implementing innovation and continuous improvement programs
- Ongoing relationships management and optimization
- Supply chain planning
After defining the L&D objectives, you should next design L&D interventions, which should include experiential learning, relationship-based learning and formal training. As an example, experiential learning may include opportunities such as stretch assignments or appropriate job rotations similar to the sample career path shown in Figure 2. Relationship-based learning may include activities such as leadership shadowing or mentorships. Formal training could be composed of classroom training and e-learning modules. You should choose the most appropriate blend of these three types of L&D interventions, with the heaviest emphasis on experiential learning as shown in Figure 3.

**Figure 3: The 70-20-10 Learning and Development Breakdown**

By using this 70-20-10 model for the L&D breakdown, supply chain organizations can become better equipped to build the competencies required to unlock deeper value from external manufacturing relationships. This is critical as enterprise-level goals necessitate moving from transactional relationships with service providers to strategic partnerships.

With this reinvention of talent strategy, training and L&D programs, successful companies have encouraged employees to take more ownership of their own L&D. This approach represents an improvement over simply following a predetermined set of objectives on a dashboard or in an HR platform. This shift also allows organizations to empower employees to navigate and build the careers that best suit them through continuous learning and growth.

**Evidence**

Gartner, Inc. | 731301
Gartner’s 2018 Supply Chain Talent and Organizational Pulse survey. In this study, we surveyed organizations between 24 August and 3 October 2018 to understand how supply chain professionals feel about their careers and the workplace. The survey also sought to provide insight into demographic differences, find out the impact of digital business on employees today, and determine how governance, culture or other structural mechanisms support or hamper their ability to be successful.

In all, 694 respondents participated across the U.S. (n = 152, 22%), Canada (n = 38, 6%), France (n = 46, 7%), Germany (n = 59, 9%), the U.K. (n = 111, 16%), Mexico (n = 47, 7%), Australia (n = 53, 8%), New Zealand (n = 5, 1%), Singapore (n = 50, 7%) and India (n = 133, 19%); percentages may not add to 100% due to rounding. Country, value chain industry, revenue band and job role quotas were established to enable the comparison and contrasting of key trends.

- Qualifying organizations are large organizations in the retail, healthcare provider, consumer products, chemical, industrial, high tech and life sciences manufacturing industries with at least $1 billion USD equivalent in total annual revenue for their fiscal year 2017. They must also have 2017 annual revenue of at least $250 million USD equivalent generated from outside the U.S.

- Qualified participants hold positions or job roles tied to supply chain functions (i.e., planning, sourcing, manufacturing, logistics, customer service, strategy, IT, etc.).

Interviews were conducted online and in a native language (English, German, French or Spanish). The sample universe was drawn from external panels of IT and business professionals. The survey was developed collaboratively by Gartner’s Research Data and Analytics team and Gartner analysts who follow these IT markets.

Disclaimer: Results of this study do not represent “global” findings or the market as a whole but are a simple average of results for the targeted countries, industries and company-size segments covered in this survey.

Recommended by the Author

Ensure Success When Defining Strategy for External Manufacturing Engagements
Optimize External Manufacturing Relationships by Focusing on Internal Talent Requirements
External Manufacturing Strategy Guidance for Supply Chain Leaders
Ignition Guide to Building Compelling Supply Chain Career Paths
Ignition Guide to Developing a Learning and Development Program for Supply Chain

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