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Research Advisory Report

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Your Workforce - the Weakest Link in the Supply Chain

The Importance of Supply Chain and Human Resources Strategy Alignment for Addressing Talent Recruitment and Retention Needs - Part Two

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Introduction and Purpose

Global supply chains are clogged, with businesses, consumers, and supply chain workers collectively frustrated. Every-day media reports provide headlines of supply chain failures and challenges that will require additional months (or years) to resolve.

In this three-part series of *Point of View Research Advisories*, *The Ferrari Consulting and Research Group* addresses specific supply chain workforce challenges with the emphasis on how business, supply chain, and human resource management teams can partner on proactive efforts to address workforce performance management, recruitment, and retention.

In [Part One](#) of this series our focus was specifically on front-line supply chain operational workforce needs and challenges in areas of manufacturing and production, logistics and customer fulfillment, field service, warehousing, and transportation workers. This second report addresses the areas of supply chain leadership and strategy, procurement, planning, and decision-making talent challenges. The final report in this series will serve as an overlay to the talent management takeaways from both groups, and cover deployment of augmented technology to provide opportunities to overcome workforce talent challenges in supply chain operations, management, and staffing areas.

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Multi-Industry Supply Chains Put to the Test

In the first half of 2020, the COVID-19 pandemic rapidly spread across the globe and resulted in public health mandates for populations to stay in their residences or be isolated. The pandemic challenged businesses with unprecedented simultaneous product demand reductions and explosive growth, triggering global supply shocks across many industry sectors. Manufacturers, distributors, retailers, and suppliers were either shutdown or operating with restricted capacity.

Workers deemed essential to economies and maintaining public health supply and services were granted exemptions to continue working. That invariably included front-line operationally focused warehouse, customer facing, production, field service, fulfillment, and multi-modal transportation focused workers. While supply chain administrative, planning and management teams generally had the ability to work virtually from home, the challenge presented was to adapt to a whole different level of added challenges in either accessing operational systems, assimilating, and communicating needed information or lacking in-person interaction with fellow workers and managers. All teams had to contend with work-life balance issues, particularly related to personal or family health, modified schooling needs of children, and non-stop priorities related to supply chain movements.

In 2021, a series of cascading manufacturing, logistics and global shipping disruptions contributed to numerous bottlenecks and choke points. Now at the beginning of 2022, industry supply chains will have to deal with the effects of the Ukraine conflict that has impacted Europe and the rest of the world.



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Inflection Point- The ‘Great Resignation’ Period

Throughout the latter half of 2021, the U.S. Bureau of Labor Statistics monthly *Job Openings and Labor Turnover* survey consistently indicated since the government began tracking departure data in the year 2000, that significant numbers of workers had voluntarily exited the workforce at the highest levels. Upwards of 4.3 million workers quit or changed jobs in December 2021, down from an all-time high of 4.5 million worker exits in November. Other BLS data indicated that more than 2 million people exited the workforce entirely, to care for family members, attend to children with day care, home-schooling, or worker decisions to take earlier retirements. By December, U.S. government data indicated that there were an estimated 5 million more open positions than people seeking work, while online sites such as *ZipRecruiter* indicated there were more than 11 million job openings of various kinds.

Such workforce exiting trends were not just confined to the *United States*, but to other countries as well. In October 2021, *Politico Europe* cited data collated by the *OECD* indicating that of the 38 member countries of advanced industrial countries, about 20 million fewer workers reside in the workforce than before *coronavirus* struck. Of these 20 million, 14 million reportedly have exited the labor market, being classified as ‘not working’ and ‘not looking for work’.

In the [part one](#) advisory of this series of research advisories, we highlighted the essence and specific drivers for what is described as the great resignation period.

Suffice to reiterate that economists and businesses are sensing a discernable shift in workforce dynamics, a shifting of power dynamics toward favoring workers. They further point to decades of declining hourly wage growth and increased use of independent contractor or “gig” worker engagement providing little added worker benefits beyond compensation.

The response in supply chain operational, staff and technical dimensions has been increased compensation, added benefits or sign-on bonuses. In early February of this year, *Amazon*, which has increasingly been recognized as one of the U.S. top three employers, but for paying management workers lower than its tech industry peers, announced that it was more than doubling the base level compensation for the online platform’s management and technology staff workers from a prior maximum ceiling of \$165,000 to that of \$350,000. The provider additionally indicated it would increase overall compensation ranges for most jobs globally, with increases much more considerable than in the past. This announcement was a significant indicator of the effect within today’s global workforce demand for needed talent during this evolving “great resignation” period.

The Wall Street Journal reported in late February that nearly half of Samsung’s global workforce, from semiconductor engineers to product designers, are seeking base salary increases in line with this high-tech company’s strong revenue and profitability performance.



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Supply Chain Staffing Skills and Management Challenges

Research findings continue to indicate that the effects of the pandemic along with corresponding business and supply chain challenges are impacting management and technical staff levels just as hard, or in some cases, harder than operational employees.

Product Management, Procurement and Customer Support

Two years of pandemic driven sudden shifts in market-driven product demand and significant material shortages have brought forward a renewed focus on fostering improved supply network resilience and the need for even more enhanced supplier intelligence. The consequences of the Ukraine conflict on global energy, commodity and agricultural supplies are yet to be assessed and weighted toward risk assessment.

There are growing needs to evaluate and weight sourcing of component supply in areas of significant regional market demand while reducing the cost for the now more expensive global transportation and logistics movements. In some strategic commodity areas, new or alternative sources of supply need to be examined and acted upon.

These efforts have accelerated the needs for added technology enablement and management skills in the areas of fostering more streamlined product design that can share common components or allow for more modular component design changes. This has been especially brought to the fore across automotive, high-tech product and equipment sectors with the global wide shortage of semiconductor devices that came to painful realization in 2021. A further skills requirement relates outside-in *B2B* supply chain networks visibility, specifically early warning to specific geographical supply or supplier focused risk indicators, and the deeper visibility and understanding of multi-tiered supply network dependencies.

With the warnings that our planet has accelerated its global warming tendencies, product management and procurement professionals will increasingly be called upon to context accelerated business timetables for achieving net zero carbon emissions across supply networks with product and strategic sourcing strategy actions. Needs to either rebuild or re-architect supply networks in the post-pandemic period involves the leveraging of the opportunity to identify and influence broader sustainability and other *ESG* objectives in overall business strategy. Such needs require the ability to educate senior management to various sourcing options and their specific quantitative and qualitative impacts to expected business outcomes in key dimensions.

Customer Support and Product as a Service Needs

New digital-based business models have placed added skill requirements on customer support interaction as well as product-as-a-service processes and decision-making.



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Such skills require deeper inherent knowledge of the supply chain, of product design features and functionality, and of logistics response processes. They include the ability to exercise the communication and interactive skills involved with supporting broader numbers of customers on their technical, operational, and administrative driven challenges related to specific products. With more products able to communicate their operational status via *Internet-of-Things (IoT)* enabled sensors coupled to operational performance metrics, customer service individuals are the extension of a customer's operational team. As such, they must have sensitivity to early warning of product performance issues of respective products, a specific customer's contractual service or down-time avoidance commitments, and of field support engineering talent and resource availability to be able to expeditiously avoid excessive customer product downtime.

Strategy, Planning and Decision-Making

Constantly changing developments related to specific market demand shifts for products or continual supply network and transportation related challenges require much more dependency on outside-in driven planning information. Sources include the need to incorporate third-party structured or unstructured information related to unplanned changes in markets or product demand levels. Outside-in data related to weather or seasonality patterns, or actual real-time *Internet of Things (IoT)* enabled on the ground physical sensing of actual movements and ambient conditions can invariably impact plans and customer delivery commitments, and having such added information allows for triggering alternative plans or updated commitments.

More agile and flexible planning decision-making needs further require more dependencies on what-if or simulation-based planning techniques that provide different potential plans with corresponding impact on overall business performance indicators and metrics. This is being commonly referred to as leveraging a '*digital twins*' strategy that simulates specific product plans among different business scenarios to determine specific impacts. No longer can prior transactional based forecasting techniques be solely relied upon in markets and supply chains that are in a constant state of flux.

There is increased realization that businesses and their supply chain management teams are collecting too much of the wrong data, being too focused on historic data and not grounded in forward looking predictive and prescriptive decision-making tools and contextualization techniques. There is a further need in the abilities to harness data into meaningful insights. For example, data related to product design and manufacturing quality can assist customer success teams in proactively addressing customer inquiries. Continuing to rely on internal *IT* support teams for identification and root-cause analysis of supply chain problem areas or determining where product, customer service level or supply chain segmentation strategies need adjustment require more innate and specialized knowledge of the overall business and the end-to-end supply chain landscape.



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Skill requirements are quickly moving towards new roles described as either supply chain strategist, citizen data analysts, data scientists, and others, which have the abilities to self-initiate root cause analysis, product trending and other advanced intelligence needed for integrated business planning process teams. Beyond remediating day-to-day operational problems, there is a need for continual analysis, what-if based decision-making assessment or proactive response to deemed risk areas.

More companies are additionally seeking to analyze current operations to identify new areas of value to tap and to take more proactive control of their data. They seek to do so to validate options that can be applied to existing processes and tools, rather than necessarily having to rip and replace existing software applications and IT infrastructure.

Management Skills

Two years of pandemic and business-related supply chain challenges, longer hours and literal non-stop challenges have led to increased challenges of burnout related to both employees and managers.

Findings from a study conducted by Oracle NetSuite and specialist firm Wakefield Research¹ indicate that the average business executive is working 48 hours per week, the average worker 46 hours a week, and the average manager is now working 49 hours per week. This particular study, conducted from September thru October of 2021, included 100 executives, an additional 250 managers and 150 workers. It pointed to growing stress of supply chain problems and COVID-19 restrictions that has led to manager and worker burnout. Other surveys and interviews point to similar stress and workplace concerns, along with apprehensions from employees who feel their contribution or voice is not being recognized.

This behooves supply chain executives to focus greater amounts of management attention on workforce monitoring or early warning mechanisms, individual and team employee communications, and active listening skills. Balancing both organizational and workforce quality of life needs can involve the rethinking of supply chain business processes and career progression. Such actions involve added leadership and soft skills and may be analogous to leaders who successfully manage individuals that have experienced long periods of traumatic stress that may involve job, family, or other personal needs. It is sometimes described as empowering employees in addressing their concerns and offering of some available options. Applied use of modern HCM “employee experience” technology can offer employees the ability to self-navigate “journeys” through different situations such as illness or a family event. They further provide employees an access to resources that are available to support individual needs.

¹ Wakefield Research and Oracle Net Suite, *Survey Reveals Drivers Behind the Great Resignation*, (<https://www.netsuite.com/portal/assets/pdf/wp-brainyard-fall-winter-2021-drivers-behind-great-resignation.pdf>), Fall 2021



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Multiple external survey data from supply chain professional organizations such as *ASCM*, *CSCMP* and *ISM* further indicate that diversity, equity, and inclusion across operational, staff and technical workforce dimensions require added attention efforts. In overseeing a global supply chain perspective, a diverse workforce is essential. While some progress has been made in recruiting, retention and compensation gaps, the need for added progress remains. This is a particular challenge for small and mid-sized business organizations.

A further opportunity is addressing what workforce experts describe as attracting and nurturing the “*hidden market*” of potential new recruits for existing and future skill needs. These may be candidates who are currently underemployed, often in “*gig-work*” assignments and perceiving what researchers at the *Harvard Business School* describe as obstacles standing between these workers and the work that they are capable of performing given the right circumstances. Within existing organizations, there may be individuals in other functional or line-of-business roles that have specific skills needed within the supply chain organization. Collaboration with HR professionals in the ability of a modern *HCM* application having an up-to-date skills repository allows for further options, including new opportunities for contribution and career broadening.

Rethinking of Supply Chain and Human Resource Management Business Practices

The current environment provides the opportunity for supply chain and human resource management leaders to rethink business practices to address the challenges of the great resignation environment. Some areas for consideration include the following:

Recruitment, Reskilling and Retention

- Beyond timely review of existing compensation, incentive, and employee benefit programs, is a consideration for more flexibility afforded to employees in determining work schedules, or the opportunity of sharing work assignments with other employees to allocate time for the personal demands for focusing on family, child-care or other loved one care. In that same vein, is consideration of paid family leave programs for businesses that do not currently offer such a program.
- Increased opportunities for paid training and reskilling opportunities for specific supply chain operational or staffing needs for employees expressing career interest in such areas.
- Collaborating with human resource management leaders in areas where highly in-demand technical and program skills are required, to expand the recruiting pool to nationwide and possible global dimensions. The pandemic has provided important learning relative to the flexibilities of incorporating a diversity of workers communicating virtually and across time zones.
- Fostering flexibility in work from home, deskless worker, or work from anywhere positions provide employees with the opportunity to self-manage their working environment. Data from published research studies indicate that such flexibility, from the perceptions of employees, can be an offset to higher compensation demands.



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- Providing highly skilled and knowledgeable workers desiring to seek retirement, or who previously retired, the opportunity for working in compensated part-time staff and operational roles.
- Traditional job descriptions and candidate screening mechanisms often stress highly detailed job specifications with rigid technical and academic credentials. Consider reformatting job requirements to address the expectations of a position in terms of performance criteria, along with the technical, interpersonal, or other skill needs that make most candidates successful in the particular position. The opportunity provided is to focus more on skills-based recruitment that can help add more prospects to the hiring and interview process and afford hidden workers the opportunities to express their qualifications and readiness.

Ongoing Management Efforts

- Invite employee feedback, provide mechanisms for providing and capturing such feedback, and most importantly, actively monitor and report on programs that are generated to address stated employee needs.
- Continue to encourage a sense of ownership among employees in terms of career planning and individual skills development needs. Today, the role of supply chain is increasingly being recognized by businesses as a fabric of overall business strategy and capability. Actively collaborate with the human resource management team in providing broader career planning and skills development paths that have organizational wide recognition. Ensure that core supply chain knowledge skills are balanced with soft skills related to influencing and educating organizational wide teams on supply chain capabilities and opportunities.
- Consider augmented, but targeted automation strategies, namely those that free up staff or administrative time focused on collecting or formatting of data, and instead allow employees to be able to focus on more value-added skill areas that provide more meaning for work performed and its benefit to the organization.

Summary Takeaways

The following are the summary takeaways incorporated in this *Research Advisory*:

- The *COVID-19* global pandemic and now the Ukraine conflict in Europe have exposed pre-pandemic business process and physical supply chain vulnerabilities. They include taking care of the safety and welfare of all workers, continuous skills development among all levels, adequate availability of workers and their work-life balance, skill, and career development needs.
- The *Great Resignation* period represents an inflection point for businesses, reflecting a shifting socio-economic dynamic. Existing and prospective workers feel more empowered to seek employers willing to value individual employee contributions and respect work-life career options and needs. Workers seek opportunities that provide experiences, which give a sense of personal contribution, and the appeal of making a difference in customer and business operational needs.



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They seek to share in the personal recognition, monetary and other benefits of successful business outcomes.

- The effects of the pandemic are impacting staff, management, and technical positions just as hard, or in some cases, harder than operational positions. Supply chain managers at all levels need to devote greater amounts of management attention on workforce monitoring, individual and team communications, and active listening.
- Supply chain management teams need to step-up efforts in developing diversity, equity, and inclusion in the workforce to build a pipeline of skilled workers. Current practices tend to hire from traditional talent pools and ignore the availability of a much wider and diverse pools.
- Existing and future operational workers will need to interact with and embrace new workplace technologies. Such technologies should not only benefit business productivity and efficiency, but equally, employee experience and career development.
- The current environment provides added opportunities for supply chain and human resource management leaders to rethink human resource management practices with new more innovative approaches among key important areas.

In our third subsequent research advisory in this thought leadership series, we will overlay the takeaways from operational and management workforce challenges and address opportunities where technologies and enhanced collaboration among human resource and supply chain management teams can make a difference in dynamic skills assessments, employee journeys, diversity, and multi-cultural workforce dynamics.

About the Author

Bob Ferrari is the Managing Director of The Ferrari Consulting and Research Group LLC, a supply chain consulting and research firm providing insights and strategic assistance in supply chain business processes and information technology strategies. Bob is also the Founder and Executive Editor of the Supply Chain Matters blog and a highly recognized thought leader. His background includes over 30 years' experience across multiple dimensions of supply chain functional and information systems management.

Call to Action- Further Information

Additional insights relative to this important topical area can be found in our *January 2022 Research Advisory 2022 Predictions for Industry and Global Supply Chains*, available for complimentary download [in our Ferrari Consulting and Research Group's web site Research Center](#), and in timely updates appearing on the [Supply Chain Matters blog website](#).



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Additional information related to example of the capabilities described in this advisory can be found by clicking on the link below:

www.oracle.com/scm/scm-and-hr/

For additional information or assistance with your supply chain management business and advanced technology initiatives, please contact the author:

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