



THE TALENT SUPPLY CHAIN

MATCHING SUPPLY AND DEMAND OF
TALENT FOR COMPETITIVE EDGE

At a minimum, every firm should have a vision that guides the development of service offerings and a basic talent road map for getting there. Clearly, different service offerings require different technical and industry expertise. If the firm does not articulate its offering development or service-delivery vision, it may recruit for and invest in service areas that no longer fit its strategic and financial goals.



CONTENT

4 Executive Summary

5 Market Trends

- 5 Globalization
- 5 Focus on the Individual over the Brand
- 5 Client Sophistication

6 Internal Inefficiencies

- 6 Critical Service-Offering Development
- 6 Inefficient Talent Management
- 7 Difficulty Managing Project Resources
- 8 Inefficient Demand Management
- 8 Complex Supplier Management

9 The Talent Supply Chain

- 10 Talent Management
- 10 Resource Management
- 12 Demand Management
- 12 Supplier Management

13 Summary

Authors

Susie Krupa, Industry Principal,
Professional Services, SAP America,
Inc.

Carr Phillips, Senior Director,
Industry Solutions Marketing, SAP
Global Marketing

EXECUTIVE SUMMARY

LINK DEMAND WITH RESOURCE, TALENT, AND SUPPLIER MANAGEMENT

Today's professional services climate is challenging. Customers demand local delivery of global services. Sophisticated clients want professionals with deep industry or functional experience. And when clients select a consulting firm, the decision increasingly hinges on a few select individuals rather than on the brand equity or reputation of the firm.

Like no other industry, the professional services industry is dependent almost exclusively on human resources. Talent is the most important – and expensive – asset and differentiates one firm from the next. Because payroll and benefits typically constitute over two thirds of the operating costs, how well a professional services firm utilizes and manages its workforce can mean the difference between average and stellar performance.

A survey conducted by SAP of over 250 professional services firms indicates that the top three management priorities are:

- Hiring talent that aligns with the long-term strategic vision of the firm
- Retaining talent
- Managing resources effectively

Building on the manufacturing concept of supply chain optimization, innovative professional services firms are seeking to improve the return on their investments in talent with a holistic, end-to-end, optimized process. From recruiting and retaining only the best and brightest to anticipating demand, planning resources, and working effectively with subcontractors, firms must link service-offering development and talent, resource, demand, and supplier management. The objective? To create a streamlined, highly efficient talent supply chain that can help them realize a competitive advantage and grow profitably.

This paper identifies the market trends driving the need for an integrated talent supply chain and describes the internal inefficiencies professional services firms must overcome to optimize their talent supply chains. We conclude with a discussion of the innovative business practices and technologies that enable firms to support an effective talent supply chain.

Services firms are not satisfied with their talent management and staff development processes – areas so important to their success. There is a significant opportunity for services firms to improve these critical talent management areas – and reap the benefits of doing so.

MARKET TRENDS

IMPACTING THE BOTTOM LINE

Professional services firms – including consulting, IT, tax, and audit firms – have not been hit as badly as other industries by the economic downturn. But that will change as firms complete their backlog of current projects and service contracts. Firms will clearly have to improve operations to impact their bottom-line results. However, they must do so in the context of three complicating market trends: globalization, the focus on individuals over the brand, and client sophistication.

Globalization

Global clients require global support. They want professionals who are fully versed in local cultural, language, and compliance issues. And faced with growing offshore competition, global services organizations must aggressively improve their ability to manage and deploy talent on a worldwide basis. Even small to midsize firms must extend their global reach, either through organic growth, acquisition, or flexible partnership models.

Focus on the Individual over the Brand

Clients are increasingly making hiring decisions based on the individual talent a firm employs rather than by firm or brand. To establish credibility with a potential client, firms must be able to match individual skill sets to specific client needs. They need to get the right professionals in front of the client as early as possible in the selling process. In short, firms must understand what skills clients want for a particular project and acquire those skills – either internally or through a partner.



Client Sophistication

As more former consultants become employees of companies within an industry, clients become increasingly discerning, routinely expecting firms to offer highly seasoned professionals and provide greater visibility into engagement pricing and structure.

To address these trends and compete effectively in this market environment, professional services firms need to make sure they can retain the talent they need. Doing so requires that they gain insight into the entire talent supply chain and optimize the talent they have – tasks often complicated by internal inefficiencies. Let's take a look at some of the specific ways professional services firms are hamstrung by their own processes.

Due to limited visibility into the project pipeline, staffing decisions are often driven by availability alone – rather than being a product of the careful planning needed to ensure project success and client satisfaction. As a result, firms are not using their talent pools to their fullest.

INTERNAL INEFFICIENCIES

MEETING OPERATIONAL, ORGANIZATIONAL, AND PLANNING CHALLENGES

Professional services firms must address a wide range of operational, organizational, and planning challenges if they are going to optimize their talent and improve bottom-line performance. These vary from service-offering development and supplier management to retaining the best and brightest people, planning resources effectively, and increasing visibility in the sales pipeline. Let's take a moment to explore each of these issues in greater detail.

Critical Service-Offering Development

To optimize its talent supply chain, a firm must evaluate the specific service offerings it takes to market. Do these services support the firm's strategic vision? Does the firm even have a vision or long-term plan? Most firms

realize the importance of a strategic vision. According to a survey conducted by SAP of over 250 professional services firms, the two top talent-management priorities are hiring talent that aligns with the long-term strategic vision of the firm and retaining this talent, as shown in Figure 1.

At a minimum, every firm should have a vision that guides the development of service offerings and a basic talent road map for getting there. Clearly, different service offerings require different technical and industry expertise. If the firm does not articulate its offering development or service-delivery vision, it may recruit for and invest in service areas that no longer fit its strategic and financial goals.

What are your top three priorities for talent management and staff development?

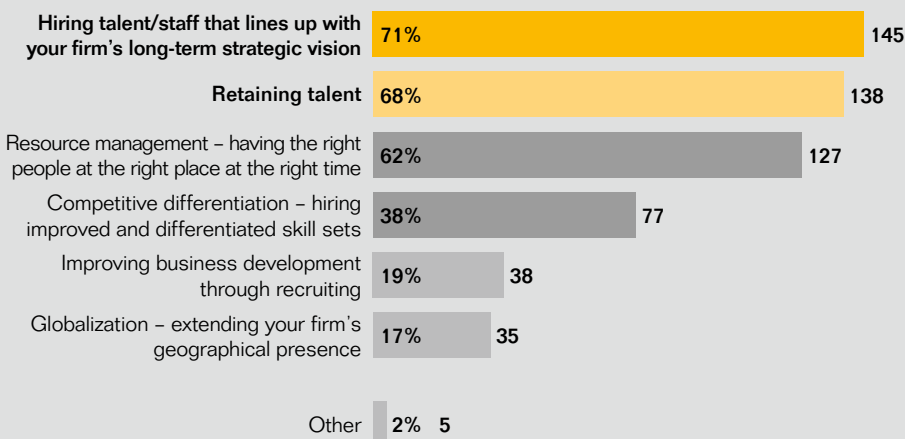


Figure 1: Top Talent-Management Priorities

Which area of your resource lifecycle process is most important to talent management and staff development?

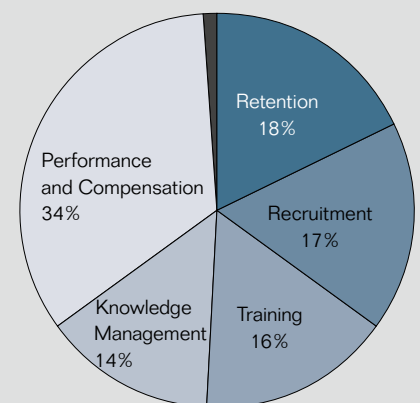


Figure 2: Most Important Resource Lifecycle Processes

Inefficient Talent Management

Most firms realize that optimizing talent management is crucial. When considering the entire resource lifecycle, 68% of surveyed firms acknowledged that, when taken together, core talent management efforts – including retention, recruitment, training, and knowledge management – trump compensation and the performance of staff development programs (see Figure 2). These results underscore the importance of these core tasks to a firm's success.

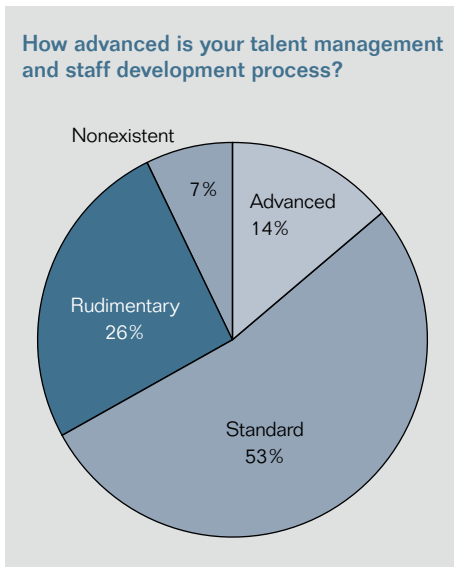


Figure 3: Description of Talent Management and Staff Development Process

In a startling disconnect, 85% of the survey respondents rated their talent management and staff development programs as standard, rudimentary, or, worse, nonexistent, as shown in Figure 3. In short, services firms are not satisfied with their talent management and staff development processes – areas so important to their success. There is a significant opportunity for services firms to improve these critical talent management areas – and reap the benefits of doing so.

Difficulty Managing Project Resources

Human resources comprise the single largest budget line item for any professional services firm. Therefore, it's imperative that professional services firms get the most from their investment in professionals and staff.

Unfortunately, due to limited visibility into the project pipeline, staffing decisions are often driven by availability alone – rather than being a product of the careful planning needed to ensure project success and client satisfaction. As a result, firms are not using their talent pools to their fullest. Without clear insight into the roles needed and skill commitments for each project – as well as a complete understanding of each professional's skill set – it is difficult to staff projects optimally.

Firms need full visibility into the skills available for utilization on projects and must conduct capacity planning more efficiently and holistically. In lean manufacturing, parts are delivered just in time for manufacturing. Using this analogy in the professional services industry, firms must be able to “deliver” their talent when and where they are needed. With this ability, firms will realize the most profitable project result possible – including satisfied clients. By mastering this balance of supply and demand, firms optimize resource utilization while retaining the flexibility they need to meet client expectations.

Human resources comprise the single largest budget line item for any professional services firm. Therefore, it's imperative that professional services firms get the most from their investment in professionals and staff.

What are the top two problems you face if you improperly forecast client demand against the composition of your current staff?

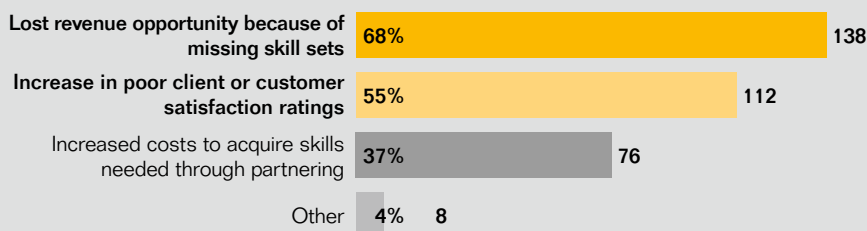


Figure 4: Top Problems Related to Improperly Forecasted Client Demand

Inefficient Demand Management

Without proper analytic tools, small to midsize professional services firms focus on top-line revenue growth at the expense of margin. New project opportunities are communicated to the rest of the firm when the deal closes – often just days before the project kickoff. This process sets off a mad scramble to staff the project with available resources – without an objective review to identify and staff the project with the best combination of professionals and skill sets.

With limited advanced planning, inefficient staffing decisions prevail, prompting the use of third-party contractors. As shown in Figure 4, over 50% of the survey respondents identified lost revenue opportunities and a decrease in client satisfaction ratings as the primary problems associated with improper forecasting.

Without visibility into committed and future client demand for resources, management cannot answer even the most basic questions, such as:

- What are the resources needed for committed projects?
- Is there proper coverage available within the current workforce?
- What are the expected resource needs for projects in the pipeline?
- How will the firm fulfill committed and future resource needs?
- Has the firm considered all options, such as retraining existing professionals, partnering with another firm, hiring new professionals, and using short-term contract employees?

Working in isolation, the services director may lack the historical data needed to analyze the impact of scoping, pricing, and staffing decisions on the profitability of services. Without this analysis, firms are unable to proactively identify which skill sets are required to staff promising new services and which skill sets are no longer in demand. What firms need is a structured, more scientific approach to demand management – one that integrates directly with resource and talent planning – if they are to optimize results.

Complex Supplier Management

Finally, professional services firms are increasingly using subcontractors and lower-cost offshore resources to assist on engagements. The same survey found that a majority of the IT services companies benchmarked uses subcontractors to deliver at least 20% of the services on an engagement. While this partner delivery model creates scalability, flexibility, and certain cost advantages, it also increases operational complexity. Firms must be able to quickly evaluate and then seamlessly combine offshore components, specialized expertise, innovative subcontractors, and low-cost labor if they are going to succeed in the countries in which they operate.

THE TALENT SUPPLY CHAIN

INTRODUCING AN INTEGRATED APPROACH

Given the challenging marketplace combined with internal inefficiencies, professional services firms need to rethink internal operations in order to stay competitive. Specifically, innovative professional services firms are looking at ways to link service-offering, talent, resource, demand, and supplier management holistically to create – and optimize – the talent supply chain.

However, it is not commonplace for most professional services firms today to take an integrated approach to managing the talent supply chain. A noticeable 80% of respondents from the survey indicated that their current processes for business development, resource management, and HR management were only somewhat or not at all integrated, as illustrated in Figure 5.

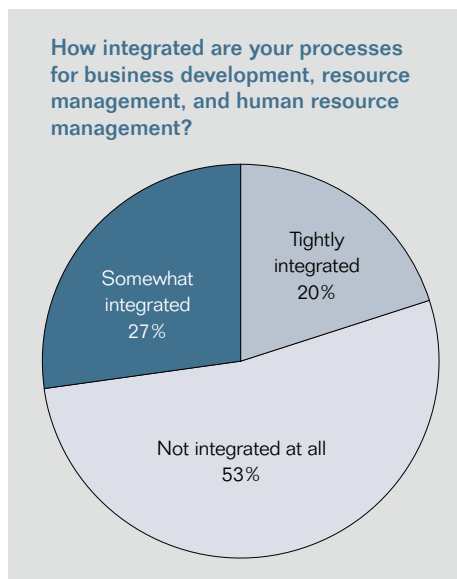


Figure 5: Integration Levels of Talent Supply Chain Processes

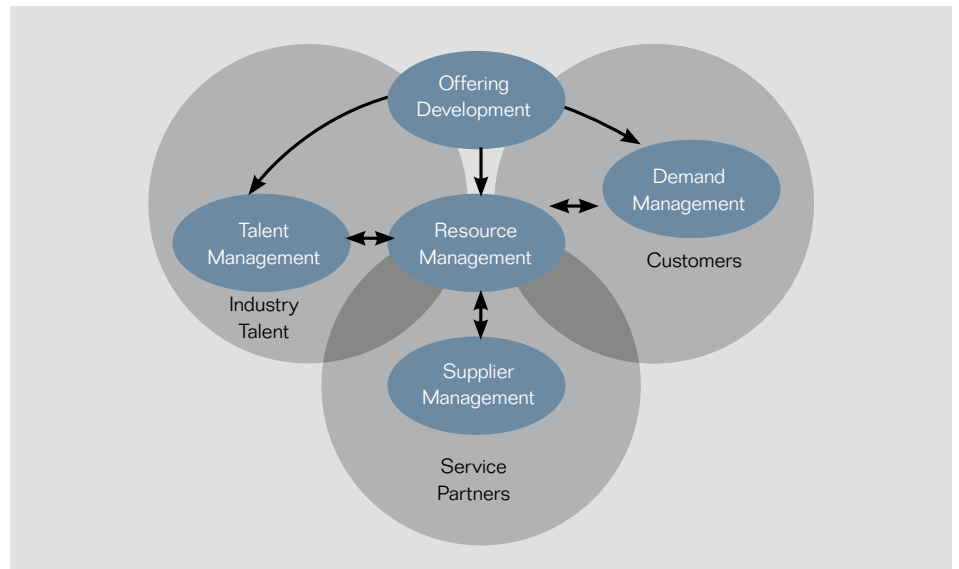


Figure 6: The Talent Supply Chain

The holistic approach to managing the talent supply chain enables real-time allocation of resources and long-term staff planning. In addition, it provides a global view into what skills are available to meet future demand.

As shown in Figure 6, the five primary components of the talent supply chain are:

- **Offering development** – The process of developing and deploying service lines as a means of differentiation
- **Talent management** – Processes used to ensure that the right set of employees is recruited, trained, retained, and given the resources to fulfill current and future client demands
- **Resource management** – Activities focused on optimizing staffing decisions and covering everything from calendaring to accessing a skill-set

database to ensure that the firm has the right resources in the right places at the right time

- **Demand management** – The forecasting and planning component of customer relationship management (CRM) for identifying and quantifying demand so that a firm can efficiently plan for upcoming projects
- **Supplier management** – The management of suppliers, subcontractors, and offshore resources to help firms flexibly meet client needs in local markets

Increasing productivity requires professional services firms to excel at executing each segment of the talent supply chain. More important, they must integrate these elements if they are to optimize the overall process. Technology can enable the talent supply chain for firms seeking the advantages that a holistic approach delivers.

These innovative firms will be able to significantly increase staffing efficiencies, improve the utilization of the talent pool, and align talent acquisition with the long-term goals of the firm.

In conclusion, we examine how technology can enable improvement across four of the primary sections of the talent supply chain: talent management, resource management, demand management, and supplier management.

Talent Management

One area that most firms have spent a great deal of time developing is talent management: the discipline of selecting, recruiting, developing, and retaining staff. Because talent is the most important differentiator in the professional services business, executives must describe in clear and concise terms what competencies the firm needs to satisfy current and future demand and translate this into actionable hiring practices. Traditionally, new hires have been evaluated in terms of education, years of experience, and type of experience. However, firms recognize that clients are not demanding talent fresh from a top business school. Innovative HR departments must find talent by recruiting from

other firms and using executive search firms and online job boards, with focus on how each candidate will address specific client needs.

In addition, firms can create training and development programs to build skills in areas that reflect client demand. The success of these kinds of endeavors depends on the firm's ability to identify and address labor and skill gaps in a way that minimizes the combined hiring and training spend. In other words, does the firm have the ability to evaluate which is the better option: hiring a new professional with the right skill set or training an existing employee to fit the need?

Innovative firms are also developing tools to manage the influx of resumes resulting from the proliferation of online job boards and e-mail applications. Designed to improve the selection process, technology can enable the pre-screening of candidates and the presentation of a select group to the hiring manager or recruiter, resulting in a smaller subset of more highly qualified candidates. This reduces the time and cost to hire while improving candidate quality.

Retention strategies – from paid time off to administrative support – also require innovation if professional services firms are going to compete effectively in a marketplace that values industry experience. No longer can firms expect to offer the standard four weeks of vacation. Instead, today's new hires want flexible time off – such as the ability to work for a year and then take a sabbatical for a couple of months. And to make the daily life of a professional easier, technology can provide time-and-attendance tools that minimize time spent on administrative activities and provide professionals with more time to devote to client-facing activities.

Resource Management

Another area that most firms recognize as critically important is the ability to manage resources effectively. By integrating the process used to assign resources with both talent and demand management, firms can maintain the highest utilization levels. Typically, the information on opportunities and source management is generated and managed in two different parts of the organization. To streamline capacity planning, these information silos must be integrated in a way that is meaningful and productive, so that the firm can easily balance demand and supply.

In lean manufacturing, parts are delivered just in time for manufacturing. Using this analogy in the professional services industry, firms must be able to “deliver” their talent when and where they are needed. With this ability, firms will realize the most profitable project result possible – including satisfied clients.



Technology can be used to systematically compare the sales pipeline, resources, and current services with an overview of their total talent pool. With this insight, firms can determine whether they have the right resources – based on skill set, knowledge, and experience – to match their clients’ expectations and improve both calendaring and booking.

Leading firms strive to balance professional skill sets and career aspirations with client needs and expectations. To optimize resource management, a firm must have timely and accurate information about availability, utilization, and rates per employee as well as each individual’s visa status, travel preferences, qualifications, and skills. When resource management is executed well, professionals are satisfied because they are staffed on projects that leverage their skill sets and set them up for success. As a result, talent management benefits.

Using role and skill requirements generated from the opportunity management system, successful professional services firms can quickly perform sophisticated searches on a skills database to identify the right specialists for each project. Leading firms take this a step further and evaluate talent that can be staffed from lower-cost outsourcing options and third-party contractors. The result is not just more effective staffing but also more satisfied clients, better resource utilization, and ultimately higher profitability.

Demand Management

To manage the talent supply chain effectively, a firm needs to create visibility into the sales pipeline. Amid growing competition from offshore resources, product companies, and niche firms, a services director's goal is to sell more services to both new and existing clients. Technology can enable a complete picture of committed projects and resources – a transparent view into the project pipeline, project schedules, future skill needs, and talent utilization. Information should be tightly integrated with engagement planning or resource management, so the resource manager can begin evaluating alternatives for staffing the project – for example, determining whether the firm can use available or soon-to-be-available talent or whether contracting with subcontractors or a partner firm is necessary.



Supplier Management

When internal resources are stretched too thin, innovative professional services firms rely on technology to identify and use partners, subcontractors, and offshore resources to meet clients' needs. Leading technology can help facilitate collaboration with suppliers by integrating subcontractors into a firm's service-delivery processes across diverse markets. Using tools designed to improve supplier management, a professional services firm can create a single, real-time view of all external resources. Leading software provides integrated resource manage-

ment functionality, such as the ability to schedule resources from Microsoft Office Outlook. Professional services firms can use service procurement technology to perform strategic-sourcing activities such as bidding and contract management, not to mention the full range of operational procurement activities from requisition to payment. Finally, portal technology can give partner firms self-service access to supplier applications, thereby streamlining service delivery administration and other activities.

SUMMARY

OPTIMIZING THE FIVE SEGMENTS OF THE TALENT SUPPLY CHAIN

From globalization to finding the specialized talent that discerning clients demand, professional services companies face daunting challenges that can impede their ability to operate efficiently and profitably. Moreover, firms must continue to attract and retain the talent needed to define new service lines and provide competitive differentiation. With limited visibility into the sales pipeline, it is no wonder that staffing managers have difficulties planning resources and organizing staff.

In many firms, rudimentary or manual systems support talent, resource, and demand management processes. Even if a firm excels in one area, the overall planning process may be disjointed, with activities isolated in separate silos. Firms that plan and staff projects based on a combination of spreadsheets and management instinct may fail to recognize the benefits of an integrated talent supply chain.

To boost profitability, innovative professional services firms are adopting best business practices that improve, integrate, and optimize the five segments of the talent supply chain: the development of service offerings and the management of talent, resources, demand, and suppliers. With an integrated talent supply chain, data flows freely to where

To boost profitability, innovative professional services firms are adopting best business practices that improve, integrate, and optimize the five segments of the talent supply chain: the development of service offerings and the management of talent, resources, demand, and suppliers. With an integrated talent supply chain, data flows freely to where it's needed – and talent, resources, and opportunities are managed fluidly.

it's needed – and talent, resources, and opportunities are managed fluidly. In this environment, firms gain a clear understanding of demand and benefit from highly efficient and coordinated processes for optimally staffing engagements globally.

The SAP for Professional Services solution portfolio provides the integrated portfolio of solutions, applications, and services that professional services companies need to take a holistic approach to the talent supply chain. The SAP® software helps firms enhance their ability to focus on recruiting and retaining the ideal mix of the highest-level talent. They will have the information they need to put the right

people in the right place at the right time. By adopting technology that can support a fully integrated talent supply chain, firms can benefit from timely, accurate insights; make proactive business decisions; and deliver the high-quality, on-time results clients demand.

To learn more about how SAP for Professional Services solutions can provide the solutions, applications, and services needed to integrate your talent supply chain, visit www.sap.com/industries/professionalservices.

50 084 551 (09/06)

©2009 by SAP AG.

All rights reserved. SAP, R/3, SAP NetWeaver, Duet, PartnerEdge, ByDesign, SAP Business ByDesign, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and other countries.

Business Objects and the Business Objects logo, BusinessObjects, Crystal Reports, Crystal Decisions, Web Intelligence, Xcelsius, and other Business Objects products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of Business Objects S.A. in the United States and in other countries. Business Objects is an SAP company.

All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.

www.sap.com/contactsap

THE BEST-RUN BUSINESSES RUN SAP™

