Procurement Salary Guide and Insights 2017

Since our last survey, the world has experienced a number of seismic changes as socio-political systems are challenged, economies are increasingly under pressure, and global supply chains are under threat from impending tariffs. However, the procurement profession is a driver of change and innovation.

From Brexit to Trump, the move from globalisation to one of nationalism, protectionism and trade barriers, combined with falling sterling and rising inflation, means organisations need talent in procurement more than ever before. This profession can moderate and indeed create competitive advantage from many of the highs and lows that will impact on markets, businesses and economies in the months and years to come. Which means the highly-skilled will continue to be highly sought-after.

So, it’s no surprise that this year’s survey sees a rise in the number of procurement jobs created across both the public and private sectors. These professionals are becoming more focussed on strategy and alignment to organisational goals, on relationship building and developing forecasting skills needed to understand the implications of world-changing events.

These skills are all the more crucial as more transactional activities become automated. The speed of technological advancement is astonishing and, therefore we will need to develop a new skillset to make full use of this new disruptive technology.

With the rise of SMEs and sole traders, more and more non-professionals are entering the procurement and supply management space without the mantle of ‘professional’. This means that the boundaries of the profession must also change. Procurement must become even more creative, more strategic, and more influential to become elevated to the role of trusted adviser and guardian of the profession, and to promote and develop standards of good practice. This has to be conducted in the most collaborative, supportive and consultative way to bring non-professionals along with us.

The key learning I would take from the report is that once again, MCIPS professionals earn more than non-MCIPS. The value of the designation is clearly recognised, when it comes to salary, bonuses and opportunity. Similarly, the gender gap is closing, but not fast enough. Men earn an average of 14% more than women at advanced level. That’s a shocking statistic in a profession that prides itself on moving away from the stereotypes of old. Our membership is split 50/50 between men and women, so the profession’s rewards should too.

Procurement professionals are the innovators and the drivers of change. We must continue to equip ourselves with the right skills and abilities to drive our organisations forward and to develop ourselves as individuals. This is the single largest contribution we can make to an organisation, to drive the agenda onwards instead of waiting for change to come.

Andrew Coulcher FCIPS
Director of Membership and Knowledge
Chartered Institute of Procurement and Supply

www.CIPS.org/salarysurvey
Increased confidence despite market uncertainty

We are pleased to be partnering with CIPS for a third year to continue to provide insight into the key trends and issues impacting on the procurement and supply chain profession.

2016 was a year of economic and political uncertainty, however within procurement and supply, confidence in the UK economy continues to grow. This is reflected by increased salaries and Hays has seen a higher number of procurement jobs being registered across both the private and public sectors.

We have seen more organisations move from a tactical to a more strategically aligned procurement function as they take advantage of the efficiencies this can bring. There is also continued development in the technological side of procurement, with investment in more sophisticated sourcing tools becoming prevalent. Candidates with the right mix of technical and soft skills are therefore in high demand.

Skills shortages are still affecting many organisations as demand outstrips supply in many areas of procurement. Competition for the best procurement professionals remains fierce, so in order to attract and retain candidates many organisations are reviewing their benefits packages.

We have seen a number of employers investing in training and development of their procurement teams, such as offering the opportunity to achieve the MCIPS qualification.

Employers able to identify skills shortages in their procurement function as well as adapt their benefits offerings will find themselves in good shape to compete for the best talent in the market.

We hope you find this report useful in planning your workforce requirements, and/or as a guide for your own career development.

www.hays.co.uk/procurement

SCOTD DANCE

Director
Hays Procurement & Supply Chain

This year’s report continues to report buoyant demand for procurement professionals in both the public and private sector in the UK and globally in MENA, Sub Saharan Africa and Australasia. Salaries paid to procurement professionals continue to outstrip the rate at which salaries are increasing generally in the UK economy.

Furthermore there is clear evidence that procurement employees with professional status, MCIPS and FCIPS, receive a ‘pay premium’ indicating a clear return to professional development. This effect is further enhanced by the clear indication that employers are exhibiting a preference for procurement professionals with ‘soft skill’ when recruiting and are willing to pay a premium to attract such employees. Finally, in relation to salaries, it would appear that the differential between male and female salaries is declining with an expectation that this differential will close more rapidly in the future due to legislation that will make reporting of gender differences in pay mandatory.

With buoyant demand and rising wages comes the risk that the labour market for procurement professionals becomes very ‘tight’. This report does draw attention to the number of employers reporting difficulties when seeking to employ new hires. The profession therefore must concentrate on marketing careers in procurement and supporting the development of capability within the profession as well as facilitating movement from other professions into procurement.

Dr John Glen

CIPS Economist and Senior Lecturer Economics
Cranfield School of Management
About this report

The CIPS/Hays Procurement Salary Guide and Insights 2017, Australasia Region allows procurement professionals and employers to:

- Benchmark salary and bonuses for different roles and profiles
- Highlight career aspirations
- Understand perceptions of procurement.

The report is divided into four sections:

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Within each section we have set out the statistical findings of our survey alongside conclusions drawn by the experts involved in putting together the report, as well as six case studies that illustrate examples of best practice.

The findings in this report are based on research conducted in September 2016 via an online survey among professionals currently working in procurement. This year over 4000 professionals globally completed the survey. The results were analysed by the Professional Associations Research Network (PARN).

Statistics throughout this report have been rounded to the nearest decimal point.

Throughout this document different levels of professional seniority have been summarised into five levels of competency. These are described in the chart below along with some examples of job roles that fall into each group.

### Competency level

<table>
<thead>
<tr>
<th>Competency level</th>
<th>Typical job roles</th>
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<tbody>
<tr>
<td>Advanced Professional</td>
<td>Head of Procurement, Procurement Director, Commercial Director, Chief Procurement Officer, Supply Chain Director, Head of Sourcing.</td>
</tr>
<tr>
<td>Professional</td>
<td>Procurement Manager, Purchasing Manager, Senior Category Manager, Supply Chain Manager, Strategic Procurement Manager, Operations Manager, Commercial Manager, Head of Logistics.</td>
</tr>
<tr>
<td>Managerial</td>
<td>Senior Buyer, Category Manager, Contracts Manager, Contracts Officer, Logistics Manager, Supply Chain Executive.</td>
</tr>
<tr>
<td>Operational</td>
<td>Buyer, Procurement Specialist, Supply Chain Analyst, Procurement Executive, Procurement Officer, Supply Chain Planner, Logistics Analyst.</td>
</tr>
<tr>
<td>Tactical</td>
<td>Purchasing Assistant, Assistant Buyer, Admin. Assistant, Stock Controller, Contracts Administrator, Inventory Planner, Assistant Contracts Officer.</td>
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www.CIPS.org/salarysurvey
The role of procurement in Australasia has gained real prominence in recent years thanks to employers recognising the significant cost savings that can be made from an efficient and effective skilled professional. Add the stronger focus on cost savings and an ever-increasing desire to become more profitable and efficient, and the result has been a rising demand for procurement experts.

However, as Tim James, Managing Director, Hays Procurement Australia, commented: “While this is positive news, it has seen the shortage of such candidates become a key challenge for employers. In particular, demand is high for end-to-end procurement professionals who can provide a higher level of advice to achieve commercial outcomes.”

Another trend of note has been a rise in the use of temporary and contract assignments, as headcount flexibility becomes the norm and employers create new jobs based on project requirements. Employers are now factoring such assignments into their workforce planning. Longer-term contracts tend to attract more candidate interest, as do those offering project and stakeholder-facing opportunities.

Employers are also becoming more flexible on industry-relevant experience and will consider candidates who are the right cultural fit and who possess the right systems experience. This is borne out by our survey which highlights communications and soft skills (rather than technical ones) as the most important. It is also an essential part of addressing the skills shortage and is a strategy that we have seen widely embraced in the UK.

Another key factor in Australasia is the gender pay gap. There has historically been a shortage of women in procurement roles, hence fewer in the top roles. As a result, men tend to receive higher salaries than women, which we see reflected in this report. However, looking at entry-level roles, there is a change occurring. Women at a Tactical level are seeing higher salaries than men, and as these women begin to move into higher roles, we expect to see the gender pay gap continue to lessen.

Mark Lamb
General Manager, Asia Pacific
Chartered Institute of Procurement & Supply
Salaries and bonuses

Yet again, the highest average salaries are seen in the Private Sector, with men benefitting from higher salaries than women at every level except Tactical. But above this level the gender pay gap is considerably larger than in the UK at Professional (17% in Australasia compared with 2% in the UK), Managerial (26% v 7%) and Operational levels (16% v 6%). However, at Advanced Professional level the pay disparity is smaller than in the UK: 14% compared to 25%.

The fact that women at Tactical level are being paid higher than men indicates a closing of the pay gap at entry level. Whilst this is not yet case at more senior levels we may yet see a change in the future.

In the last 12 months, 66% of respondents received a salary increase – a slightly higher proportion than the 64% in the UK - while 31% received a bonus. A general feeling is that it has taken Australasia longer to recover from the recession than the UK but these increases show signs that this is happening.

**Increased earning power of MCIPS members**

<table>
<thead>
<tr>
<th>MCIPS Average Salary</th>
<th>Non-MCIPS Average Salary</th>
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<tbody>
<tr>
<td>AUD 151,402</td>
<td>AUD 127,156</td>
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</tbody>
</table>

**Average salaries by job level and gender**

<table>
<thead>
<tr>
<th>Job Level</th>
<th>Male Average Salary</th>
<th>Female Average Salary</th>
<th>Male v Female Salary Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Professional</td>
<td>AUD 207,629</td>
<td>AUD 182,329</td>
<td>+£25.3k 14%</td>
</tr>
<tr>
<td>Professional</td>
<td>AUD 182,329</td>
<td>AUD 141,670</td>
<td>+£20.6k 17%</td>
</tr>
<tr>
<td>Managerial</td>
<td>AUD 127,663</td>
<td>AUD 101,508</td>
<td>+£26.2k 26%</td>
</tr>
<tr>
<td>Operational</td>
<td>AUD 93,429</td>
<td>AUD 80,560</td>
<td>+£12.9k 16%</td>
</tr>
<tr>
<td>Tactical</td>
<td>AUD 79,024</td>
<td>AUD 72,500</td>
<td>-£6.5k -8%</td>
</tr>
</tbody>
</table>

www.CIPS.org/salarysurvey
Benefits

Flexible working continues to be the single top benefit in Australasia (54% in 2017 and 53% in 2016), with receiving a company mobile phone the second most commonly cited. In the UK flexible working is ranked second (46%) and receiving a company mobile fifth (37%). Professional body membership fee and support for study and development also made it into the top five benefits, whereas in the UK they rank at numbers seven and eight. This supports a greater emphasis on the importance of CIPS and professional qualifications in this region.

Top five benefits

Flexible working 54%
Free mobile phone 48%
Professional body membership fee 35%
Support for study/career development 32%
Long service award 30%

Finding talent

Again this year, the general picture of challenges in finding talent is similar to the UK: 53% of recruiters admitted that they struggled to find the right talent in the last 12 months, compared to 51% in the UK. However, lack of sector skills and experience seems to be less of a challenge in Australasia, while lack of technical skills is more of an issue.

Challenges in recruiting the right talent

Budget restraints 45%
Lack of technical skills/evidence of formal procurement training 38%
Lack of sector skills and experience 37%
Candidate salary expectations 35%
Internal processes/HR 33%
Organisational fit 32%
Lack of soft skills 27%
Competition from other employers 15%
Location 10%
Importance of key skills

Communication and soft skills are viewed by most respondents as important to enabling them to do their job well, and even more so than in the UK: ranging, according to level, between 75% – 97% in Australasia compared to 77% – 86% in the UK.

Our respondents highlighted that negotiation was important at all levels, but somewhat less at the Tactical level. At more senior levels, influencing skills, leadership and raising the profile of procurement are all seen as important and this is consistent with UK findings.

Top skills required by seniority

Key to skills required

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Perceptions of procurement

There is an improving trend in Australasia for perceptions of procurement, which are generally more positive than in the UK: 77% of professionals feel the perception of procurement has improved in the last 12 months, compared with 66% in the UK. This is a sentiment felt by professionals at all levels, which is very positive for the state of the profession in the country.

Slightly more of our Australasian respondents also feel that procurement is valued within their organisation and that procurement is engaged at the start of the project, than the UK. However, fewer feel that directors and heads of other departments understand what procurement specialists can offer: 64% compared to 69% in the UK.

The wider organisational view of procurement

- Perception of procurement has improved in the last 12 months: 77%
- Procurement is very much valued within my organisation: 77%
- Directors and heads of other departments in my organisation understand what procurement specialists can offer: 64%
- Staff in other departments in my organisation understand what procurement specialists can offer: 54%
- Procurement is engaged from the start of a project: 54%
Building the positive perception of procurement

Delivering value to grow, influence and control.
Sovereign Living

Awarded the prestigious CIPS Procurement and Supply Management professional of the year 2015, Alan Hartley is an innovative global procurement leader who has had much success in transforming procurement teams into high-performing business functions that deliver stunning results and strong ROI.

“"The challenge the profession has faced has always been for those outside procurement to truly believe in the value it can deliver; that it is real, tangible and validated. We have to demonstrate the value we can add to other functions, without them thinking we’re taking something away from them or ‘interfering’. How do we become a business partner to reticent or suspicious parts of the organisation? How can we work collaboratively? Finding and implementing the answers is how we start to lower barriers and enable other functions to work profitably with procurement.

"The strategy to achieve this depends on the audience. In my previous role, I implemented ‘gaffer tape sessions’ at team level, bringing together users of procurement from different parts of the business and encouraging them to provide honest perceptions – good, bad and ugly. The key is to encourage complete openness, without procurement defending or retaliating. At a pre-agreed time we then reconvened to present procurement’s informed response and future commitment. We found that while some improvements needed to be made, much negative perception was due to lack of awareness so the sessions were also a chance to re-educate.

"At more senior levels, a similar approach is needed to engage with every business leader and allow them to talk about their perceptions candidly. It is then the procurement leader’s role to tailor the message back into business leaders and detail future actions to accelerate procurement’s performance.

“Once you understand the past perception and value, you are in a position to put in place a workable solutions to improve procurement’s performance within a business function.

One of procurements USPs and a very important value stream is that is often overlooked is knowledge, to achieve this I have focused on ‘externalisation’, taking learnings and solutions from different sectors or even competitor businesses. Due to our wide supply chain networks and professional connections through, for example, CIPS, procurement is unlike any other function in that we have an excellent view of what good looks like in other industries and how challenges can be overcome.

"In my experience, it pays for all key people to have agreed externalisation plans in place. One of the major successes I have seen from this was the implementation of a facilities management transformation project in the UK, inspired by a direct competitor, that delivered incredible value in just 18 months and was a model being considered for a broader geographical rollout.

“Results drive perceptions. An evolved procurement organisation should have demonstrated its worth through tangible results and earned their seat as a true business partner, and demonstrated how so much more can be achieved. At this level, it is all about total business cost. An effective partner can start to challenge business strategies and support the business in building more effective ones. Procurement is also uniquely positioned in terms of reach and span of influence; we touch every part of the business. This gives us insight and an ability to put together the right cross-functional teams that can ensure projects succeed from the start.

\"There are two other key elements to improving perceptions. First, procurement must make available all the necessary information to allow value to be validated, so the business can see that it is genuine and track it through to the bottom line. Second, we cannot be seen to take the glory for ourselves. Unlocking value and maximising ROI is a collaborative process, that requires the appropriate parts of the business to partner both in the planning and execution of such initiatives. Failure to recognise this can generate animosity and resentment, and undermine all the good work procurement has done to engage the business and improve perceptions."
Conclusion...

Be passionate about procurement; be passionate about your business

Procurement continues to be more valued by organisations, as shown in this year’s report, but there is still work to be done. It is the mission of new CIPS President Sam Walsh (November 2016 – October 2017) to convince CEOs that we are ready to face the future, and to do this he has outlined three observations on how procurement leaders can work better with their senior leaders and give their procurement teams the spotlight that they deserve:

1. Get under the skin of your organisation
   “Ensure you have a good nexus with your end customer and understand what creates value for them. This is what I mean when I say you need to get under the skin of your organisation. Too many procurement teams still focus on the ‘busy work’; for example, the number of contracts they’ve signed, cost savings or how many supplier visits they have made. What they need to focus on is the value that they deliver to the organisation. Of course, to do this often means gaining support for a value policy that doesn’t only recognise cost savings. So understanding what creates the right value that your business partners need is critical.”

2. Invest in good people
   “Building a strong brand for your procurement team and selling the benefits to senior stakeholders is important, but a strapline isn’t enough. Surround yourself with smart people, and don’t be afraid of people who are smarter than you. A diverse team with a wide range of skills, knowledge and backgrounds can collectively make a real difference. Identify where you have gaps and fill them with complementary people. It might be that you have to draw on talent from other sectors or outside procurement. Good people have access to the most up-to-date thinking, so a life-long approach to learning and development is critical and I believe that investing in licensing is a way for us to ensure this as a profession.”

3. Add game changing value
   “The traditional functional boundaries of business are becoming more blurred. Appreciating that many problems in business today are on a global level and too complex to be solved by just one specialised discipline, means a trans-disciplinary and cross-industry solution is required. Procurement must also take on the role of trusted advisor, becoming guardians of procurement standards, but working more collaboratively with business partners. Whether it is operations, finance, marketing, sales, or external multi-stakeholder initiatives working on a specific problem, the ability to work together towards joint goals is where value can be optimised.”

Sam Walsh’s key tips for embracing opportunity and managing your own career

1. Make sure you fill the skills gaps in your repertoire, whether that’s legal, marketing, or finance skills, knowledge, or communication and interpersonal skills. Work out what it is and get up to speed.

2. Form both formal and informal networks to surround yourself with experts, especially the ones that help you address your skills gaps.

3. Have a sense of urgency and understand the pressing needs of others too. This will get you recognised as someone who understands and delivers the needs of the business.

4. Opportunity knocks but once – I’m a true believer in this. Jump at opportunities even if it makes you feel out of your depth. Someone must believe in you in order to offer you the opportunity, so start to believe in yourself and rise to the challenge.

5. Know and work to the limit of your authority. Often people work well below their limit, which is very frustrating for CEOs and senior leaders as it pushes delegation up the chain. Take the initiative and move work forward as far as you’re able to.

6. Stretch your experience. Take on non-exec roles or volunteer with clubs and charities, even try out being a school governor. These experiences will expose you to all the activities of running a business, but on a smaller scale.

7. And lastly, if there was one piece of advice I could give myself early on in my career it would be to have more confidence in my decision making. Have some conviction and don’t be afraid to stick your neck out.

We hope you found our Procurement Salary Guide and Insights 2017 useful and we value your contribution. Procurement is on the precipice of change resulting from volatile trading environments, increased supply chain complexity, changing trade dynamics, and the disruptive impact of technology. Here lies an opportunity for CIPS and procurement and supply professionals to carve out a more strategic role where we maximise value across the entire enterprise, and for society too.

SAM WALSH
CIPS President

It is encouraging to see salaries in procurement and supply continue to rise above the national average across all sectors despite uncertainty in the market. Employers must however take heed of the increasingly competitive war for procurement talent. Skills shortages in many sectors will only continue to be exacerbated as recruitment continues to increase, making recruitment planning more important than ever for procurement functions to deliver results.

Scott Dance, Director
Hays Procurement & Supply Chain