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Holmes Noble Supply Chain & Logistics Sector Review

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A Volatile Market Requires Creative Thinking Towards Talent Management

Market outlook

The complexity and uncertainty of the economic environment has meant that CEOs and executive leadership teams are reconsidering their business priorities over the next 18 months, navigating through a myriad of challenges such as inflation, talent management and geopolitical factors.

According to Fortune / Deloitte's Summer 2022 survey, "More than eighty percent of CEOs expect inflation to influence or disrupt their business strategy within the next 12 months. While labour/skills shortage has been unseated from its previous top position, it remains a top disruptor for over half (59%) of CEOs. Geopolitical instability and supply chain disruptions round out the list (49% and 45%, respectively)."

After leading their organisations through the pandemic, CEOs are now facing a new wave of social, political and economic disruptions and whilst the market continues to perform well, several businesses are tempering their growth expectations, reviewing their operating models and defining the skills they need not just for today, but for the future.

Continued supply chain disruptions have accelerated the desire of many Supply Chain leaders to deglobalize their supply chains, with an increased appetite for businesses to nearshore supply and adopt multi-source, supply chain strategies. Several multi-national and privately owned logistics businesses are reviewing their value proposition, with some focusing on providing an integrated logistics solution, offering their customers greater visibility and assurance of supply, and a belief that it will improve the ability to measure their scope 3 emissions.

We've seen several logistics businesses and private investors looking to invest in warehouse and fulfilment solutions, alongside an increased appetite to favour digitisation and automation solutions. In PWC's, 'Transportation and logistics: Deals 2022 midyear outlook', they state, "We expect that technology-backed solutions will continue to play a large role in T&L deals, with investors seeking technology-driven solutions to improve efficiencies and manage costs, especially in today's inflationary economic environment".

There is no doubt that PE investors remain increasingly interested in M&A opportunities, seeing the potential return on investment through consolidating a fragmented sector. In many cases, the preference is to invest in smaller businesses who can be acquired at more attractive valuations than market leaders. The consolidation of several small bodies combined assets, can yield higher price/earnings multiple.

In isolation previously buoyant markets, such as e-commerce have seen their growth slowed, with volumes declining between 15%-30%. Other sectors, particularly healthcare, are seeing new businesses looking to enter the market, willing to invest significantly in people and infrastructure to develop their presence or grow their market share.

Strategies to address talent challenges

Wider macro-economic factors have led to businesses having to think more creatively regarding all aspects of talent management. Businesses are not only responding to the here and now but devising strategies for a range of scenarios over the mid-term.

Talent retention is the biggest challenge for business across all sectors, with demand significantly outweighing supply. According to a Holmes Noble survey, carried out with HR leaders in March 2022, 86% of respondents stated that talent retention is their biggest concern, which unsurprisingly was followed by attraction, with 12% of responses. This problem is exacerbated by the fact that over half (54%) of the respondents stated that they do not have sufficient or adequate bench strength to effectively deal with succession planning and plug emerging gaps.

Retention strategies are evolving, with some businesses focusing on providing greater financial incentives, such as LTIPs, 13-month salaries and one-off bonus payments. Those that have had success, without increasing remuneration, are focusing on training their leaders to empower their workforce, with greater focus on engagement and formalised development plans.

A change in expectations

There is no doubt that market conditions have led to candidate's expectations significantly changing. This is across all levels of the business and is both financial and working conditions related. To little surprise, we are increasingly seeing the majority of candidates unwilling to move roles unless salaries exceed the current rate of inflation. Compared to previous years, remuneration is increasingly a primary driver to move, particularly at lower to middle-management.

Businesses are still grappling with a hybrid working model, particularly when the industry is predominantly made up of an operational workforce. Leaders are conscious that social divides can easily form between those that can perform their roles from home and those that cannot. For those that can perform their role from home, hybrid working is no longer a hygiene factor, and for businesses that wish to win the war on talent, it is a must.

DE&I

Diversity, equity and inclusion remains a strategic priority at Board level with organisations showing unprecedented levels of interest and commitment. Gartner's 'Supply Chain DEI in 2022' found that '75% of supply chain organizations consider ethnicity/race in their DEI strategies and objectives'.

There is however a clear difference between larger public and smaller private organisations, with the same survey identifying that '93% of large, global supply chain organisations have DEI goals, vs. only 37% of small organisations.'

DE&I targets or broader ESG commitments are increasingly important to candidates and as businesses battle to bring in greater diversity, diversity of thought and to appeal to Gen Y and Z, momentum needs to be maintained. We have seen this through the creation of Generation Logistics, an industry-led and government backed campaign, aimed at nurturing and attracting the next generation of talent, within the sector.



The need for **external perspectives**

There is no doubt that businesses are reviewing their existing strategies and operating models. Since the pandemic, organisations have moved at a relentless pace, with the direction of travel clearly supporting recovery or growth. However, in the last six months, we have seen an ever-growing trend of organisations considering their longer-term requirements, reviewing their structure and people within their business, moving away from the here and now, to what the business needs in the mid to long-term.

Macro-economic factors have led to businesses changing tact or scenario planning for the future, determining what key skills they need from their leaders to navigate through periods of uncertainty and volatility or where they can find these skills in other sectors. Existing sectoral expertise, whilst comforting, is no longer a pre-requisite for success.

We're seeing executive teams' appetite for third party perspectives, market intelligence and consultation dramatically increase, learning what sectors already have leaders with the desired experiences and attributes and how their businesses can access or attract them.

Increasingly, we're seeing business require greater external consultation, as to how to futureproof their business or address a particular problem. External bodies who can provide an independent challenge and bring a viewpoint beyond the client's own world view are very much in demand, as well as those who bring their own perspectives to the table. Diversity of thought has moved away from a nice idea to a must. There is need to understand how to attract these newcomers, at whatever stage of their career and a business' EVP is becoming increasingly important in achieving that, as well as in understanding of what candidate perception in the market actually is. All of this is leading to greater engagement throughout the recruitment process and requires increasing collaboration across the business.



About Holmes Noble



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Holmes Noble is a boutique executive search and talent management firm, that prides itself on having a strategic, agile and partner-led approach with their customers.

The Global Logistics & Supply Chain Practice partners with organisations across the end-to-end logistics sector, managing critical leadership hires, operating from cross-functional, senior leadership appointments to Directors or Board members.

We add value to clients globally, supporting businesses across 3rd Party Logistics, Freight Forwarding, Ports, Freeports and associated service and technology providers.



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