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OPPORTUNITIES
for ACTION

ORGANIZATION



- *Three trends are pushing Western companies to alter their HR strategy: globalization, an aging workforce, and the decreasing loyalty employees have to their employers*
- *Collectively, these trends are creating a radically different HR environment*
- *Companies need to measure the HR dimension of these trends, discover and exploit new markets for talent, promote themselves to potential employees, and support the new HR strategy with concrete initiatives*
- *By using this four-step process, companies can gain an edge over competitors that fail to alter their HR strategy*

Talent Management

Nurturing the Egg

Three trends are looming over companies as they define their HR strategy. These trends will force them to move away from a strategy based on restructuring to one based on growth and development. In this new environment, corporate HR identity—a company's brand in the HR market—will become a source of competitive advantage.

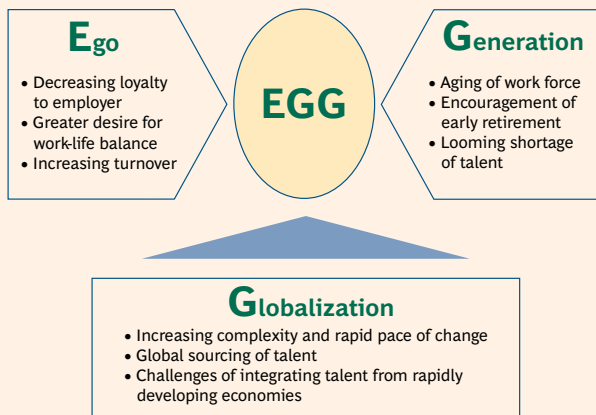
The first trend is the growing role of the *ego*—and the diminishing sway of corporate loyalty—in employees' career decisions. Few companies offer, and employees no longer expect, lifetime employment. Workers are more interested in their own careers and less beholden to their employers than they once were. The second trend is the accelerating force of *globalization*. At the same time that a global marketplace creates complexity for companies, it also opens up new labor and talent pools. Increasingly, then, companies will look to overseas markets not just for cost advantage but also for new employees. The third trend relates to the retirement of the baby boom *generation*. Having spent the past two decades trimming their work forces, many Western companies will soon be struggling to find people to fill the critical positions vacated by retiring employees.

Collectively, these three trends can be represented by an egg. (See the exhibit below.) If companies fail to adjust to the trends, the egg will break, and the companies will flounder. If companies nurture the egg properly, however, it will hatch and produce a thriving organism. Indeed, by viewing the trends holistically, companies can gain advantage over those that are taking a piecemeal approach—or none at all.

The New HR Landscape

These three trends are neither new nor unknown, but they are coming together and amplifying one another. Collectively, they are creating a radically new HR landscape.

Three Trends Are Pushing Western Companies to Switch from a Restructuring HR Strategy to a Growth Strategy



Source: BCG analysis.

Ego. *High-talent employees* (those with great potential or special expertise) are becoming more mobile. Recent studies suggest, for example, that one-third of all executives today are loyal to their careers, not to their companies. In Western countries, between 20 and 30 percent of executives receive recruiting inquiries at least once a year. In developing markets, the proportion reaches 70 percent. Turnover will only accelerate in the coming years, especially among high-talent employees, who will have greater job and career opportunities and will care more about work-life balance than their predecessors did. Employees now in their forties will likely work for 3 to 6 companies during their careers; the generation behind them, for 12 or more.

Globalization. In theory, a global marketplace for talent should benefit companies by increasing the supply of highly qualified employees. France, for example, produces just 33,000 engineers a year but needs closer to 100,000. Germany is in a similar fix. Brazil, India, and China, by contrast, are developing about 900,000 engineers a year and ought to be able to help fill the gap in Western companies. But numbers tell only part of the story. In China, only 10 percent of new engineers speak English. Although English is spoken more widely in Brazil and especially in India, the quality of the two countries' engineering schools and graduates varies dramatically. Moreover, many Western companies are not well known there. Top graduates flock to respected local companies or to global brands. In order to penetrate these markets, companies that are stuck in the middle must instill brand awareness in recent graduates and young professionals.

Generation. Many companies have not adequately addressed the upcoming retirement of the baby boom generation. Several industries, such as banking, insurance, and energy, and many functions, such as IT and R&D, are already facing shortages. In the next few years, for example, the labor market in France will produce only about one-third of the 100,000 employees that banks will need to hire. However, many companies, unaware of the coming peril, are still encouraging their most senior and experienced employees to leave with early-retirement packages or forcing them out through layoffs.

Although we anticipate that developing markets will be able to fill some of the labor needs of the West, there are hidden talent pools much closer to home. Decades after the women's liberation movement was launched, most companies still do a notoriously poor job of reintegrating into the workplace female employees who have temporarily left their jobs to raise a family. In the United Kingdom and France, fewer than 10 percent of senior positions are held by women; in Spain, just 3 percent.

A Better Approach

Many companies have started to tackle some of the challenges presented by ego, globalization, and the retirement of the baby boom generation. But few are taking a comprehensive view of the HR dynamics resulting from these trends. By measuring the HR dimension of the trends, opening new markets for talent, marketing their organizations to potential employees in novel ways, and supporting these new initiatives, companies can thrive in this competitive HR environment. This approach amounts to a focus on crafting a corporate identity and developing an HR brand.

Measuring the HR Dimension. HR metrics have a long way to go before they catch up with, say, financial metrics. An employee's essence and contributions cannot be reduced to a number. But companies must start doing a better job of developing a quantitative understanding of their HR capabilities and needs. Companies can measure, with a fair degree of precision, the potential vacancies they will need to fill as their employees age and, with somewhat less certainty, plot their future needs against their internal capabilities and the availability of talent in the market. HR managers should start developing quantitative tools to understand their HR needs, making sure that overall corporate strategy and HR strategy mesh. If a company's HR function is

not yet performing these types of analyses and exercises, it needs to start doing so now.

We recently completed a talent-assessment and strategy exercise for a French industrial-goods company with 100,000 employees. As part of the exercise, the company identified 500 high-talent employees. Although many foreigners were among those 500 individuals, few of them were from rapidly developing economies (RDEs), where the company wanted to grow quickly. The list also included few women or employees from the service side of the business, which the company was trying to develop. On the basis of the analysis, the company began to focus recruitment efforts on RDEs, women, and service professionals. Of the 1,700 positions it wanted to fill with high-talent individuals, the company set the goals of hiring 300 people from RDEs, 300 women, and 300 service professionals.

Opening New Markets for Talent. Many companies will not find the talent they need in order to thrive—or even survive—by visiting the same old fishing holes. They need to move outside their comfort zone and find and develop new pools of talent. This step can be especially difficult for managers accustomed to business as usual. The most persuasive evidence that new approaches are needed is hard numbers demonstrating that managers will not reach their business goals without the new approaches.

Ironically, developing a more open recruiting environment often requires the introduction of hard rules, procedures, and targets into the hiring process. The best intentions to recruit women and individuals from RDEs, for example, will be unrealized without goals, quotas, dedicated programs, career paths, and other avenues. Companies that successfully reshape the composition of their employee base do not rely on turnover, luck, and good ideas. They set numerical goals and work toward achieving them. To become more fluid, in other words, a company must temporarily become more rigid. It is also critical that companies retain new employees in new markets, where loyalty to one's employer tends to be lower than in the West. Companies need to systematically integrate new employees through an ongoing dialogue about performance and careers.

Marketing the Organization to Potential Employees. Companies that want to start selling a product or service in a new region understand that they need to create awareness through marketing. Likewise, companies that want to hire in a new market need to make a favorable impression in that region. This is not

trivial work. Recruits must be confident that they will be able to develop a career at a company whose identity they do not know and whose home culture they may not understand. Recent graduates and young employees in China and India tend to pick companies on the basis of brand and prestige. After that initial cut, career opportunities are most important for the Chinese, whereas salary and benefits are the prevailing draws in India.

Companies must tailor recruiting and marketing messages to these local markets while maintaining a consistent global presence. One-size-fits-all approaches will not work. Companies will also need to make strong investments in marketing campaigns and rely on local managers to recruit first-tier candidates. In unfamiliar markets, a company must publicize its local success stories, build its brands, and define attractive career paths. These activities will serve as warranties for applicants who have not heard of the company.

HR marketing is also effective—and often necessary—in home markets. A European bank, for example, recently launched an offbeat mass-recruiting campaign promising prospective employees that they would not lose their identity in a large financial institution. The bank's campaign also emphasized the diversity of its branch work force. About 60 percent of the individuals recruited were women, and the campaign attracted philosophy graduates, former physical-education teachers, and other unconventional candidates.

Supporting the New Initiatives. Companies will need to ensure that they have the right organization in place to execute this strategy. The center should coordinate overall HR activities and goal setting, and manage the tension between global aspirations and local needs. The HR function should play a pivotal role, ensuring that each business unit has an HR investment plan. But there are limits to the effectiveness of HR executives in recruiting and managing talent in faraway markets. Business unit managers will need to actively recruit local candidates who can rise in the organization, not just those who can fill a short-term need. Although recruiting may be outside the normal scope of their duties, it will be necessary in order to satisfy the talent needs of most companies.

A new era is coming. Today's perceived surplus of talent and human resources will rapidly morph into an actual shortfall. The need to identify, develop,

and retain talent will rise on the corporate agenda and demand the attention of chief executives around the globe. In this new world, corporate identity can be a competitive advantage.

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