

KinheadPartners Perspectives

THE NEW TALENT CHALLENGES WORLDWIDE: The US Is Now The Greatest Net Exporter of Talent

There is a relatively new threat on the horizon that many manpower planners haven't yet factored into the talent equation – offshore competition.

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The Boston Consulting Group completed a recent study on global talent challenges through 2015, and the report included challenges to companies on all the continents. Information was gathered from a survey of 1300 participants and interviews with 100 executives around the world, and three highlights stood out.

First, the US will lose a great deal of talent to growing companies in developing countries. Second, those companies are managing talent better than we are. And finally, the employment issues most important to executives are the same everywhere.

To understand the first, consider that in 2004, 4% of the largest corporations worldwide were in developing countries, whereas in 2007, just three years later, the number had grown to 13%.

And in 2009, it is projected to be 19%. Developing countries lack the talent base at home to staff the management ranks in these rapidly growing enterprises, and they will look to

hottest topic on all the continents now, and globalization has brought escalating competition.

The second revelation is that talent issues are nearly identical on all the continents, and in both developing countries and the large establish economies. That is, the major issues in attracting and retaining talent are virtually the same in Nairobi, emerging Asia and Cleveland.

Since 9/11, non-financial incentives have become much more important, and quality of the employment experience reigns supreme everywhere today. Work-life balance, work flexibility and autonomy, corporate social responsibility (including “green” initiatives), and leadership development are the most critical issues today, even in Africa and South America.

These factors influence attracting talent, but are even more important in retention, at a time when key people can almost act as free agents with global reach.

Finally, the report indicates that companies in the developing countries are proving significantly more innovative than US companies in talent management strategy and execution – in addressing employee experience issues. Greater innovation elsewhere has diluted the US employment brand, making us less competitive, at a time when, because of talent shortages of our own, we need to attract from offshore talent pools.

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We have our own domestic talent issues – very real shortages, and a precipitous decline in housing prices, which has made relocation especially difficult and costly. And 70 million retiring Baby Boomers will be replaced by just 30 million Generation X employees in the US.

The BCG study concluded that your employer brand in the marketplace may well be the difference in the ability to attract the necessary talent in the coming years. Companies will need to broaden their thinking to address talent issues, and managing talent is difficult because it is a complex and multi-layered issue. While the traditional attractors of compensation and benefits can be quantified and compared, quality-of-employment issues are softer, and innovation and measurement are more challenging.

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Nevertheless, there was significant consensus from participants worldwide on the many opportunities and actions that can help meet the new demands.

Managing Talent

People must find satisfaction in their work – opportunities to perform, excel and advance. A key success factor is engaging key people directly, and there are many ways companies can do so effectively. Introducing formal rules for advancement, for example, minimizes the risk of managers blocking people from promotions. And because talented people often leave because of their relationship with their manager, managers should be made accountable for the success and advancement of high performers reporting to them.

Transparency in the process for managing talent is important. When managers understand the process and it is consistently applied, they don't suspect favoritism.

Likewise, silo-like behavior and bureaucracy hamper collaboration and communications, and strike young managers as archaic. And an exclusive focus on performance discipline can make people feel overworked and underappreciated. More emotional engagement can energize and inspire. Effective employee environments must have both – discipline and engagement.

Managers typically have ample training in economic value creation, strategic mindset and key person hiring. But to engage employees emotionally, additional skills training is required, in visionary thinking, influence, persuasion, coaching and responding to generational differences.

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When talented people leave the company, managing the departures in a positive and professional way can retain a friend, who will continue to speak well of the company. Disgruntled employees or ex-employees and blogs can be a deadly combination. Exits can evoke strong feelings on the part of the manager losing the employee, so rules and accountabilities on the handling of exit interviews are useful.

Improving Leadership Development

High potential people know their market value today, and companies can effectively engage

them through tailored career tracks, specific compensation schemes and sophisticated retention plans. And they can offer potential and current employees a value proposition that aligns closely with their desires/values and with the employer brand.

Mentoring programs help new talent maneuver within the organization, and identify dissatisfaction issues early. Talent management programs should be insulated from any short term implications for profit and loss, so that, for example, valuable job rotations are unhampered by the current recession.

Managing Work-Life Balance

Work-life issues have everything to do with flexibility, allowing employees to decide where and when they will work. Highly motivated executives can work effectively from anywhere today, and most experiments with executives working from non-traditional locations have proven successful. This is especially true for people who travel a great deal, but companies will have to broaden their thinking on location for other types of positions. CEOs very often want their key people close at hand, or working out of a company facility, but this is often more convenience than necessity, and may need to be re-thought.

Executives working from home have proven highly effective, without the constant distractions of the traditional workplace. And clearly, people around the world value the flexibility working from home can offer. A year ago my wife Gail took on a new assignment with a major insurance company, and her entire team is virtual, working from their homes all over the country. She is enjoying the experience and is having no difficulties communicating with and managing a far-flung group. She travels less, accomplishes more and works longer, devoting the commuting time to work. Most of the people in this situation log evening hours as well. It works.

In situations calling for relocation, the question should be asked if the relocation need be immediate. In today's job market, allowing a delay of several months may make all the difference in attracting talent, as housing prices recover. Client objections to this typically center around the possibility of losing the individual to another position local to his/her home. This insecurity about the ability to hold key people may no longer be affordable. And on the flip side, the company, by delaying the relocation, gains the ability to fully assess the candidate on the job before incurring the relocation expense.

Managing Corporate Social Responsibility

This has to do with ways by which a company contributes to society beyond its regulatory and legal obligations. Again, in the aftermath of 9/11, people are looking for more meaning in their jobs, and a reasonable opportunity to make a difference in the world. In seeking a "meaningful workplace", they want to work for an organization that is also working to improve society. For employers, being a strong corporate citizen creates stronger emotional attachment (engagement) among employees and greater retention.

Most survey participants felt they could create shareholder value **and** societal value, through donations and philanthropy, community involvement, planet-friendly initiatives, general transparency in company activities, and a commitment to ethical business behavior. To the last point, the world is very weary of corporate scandal and corruption in our leaders. The irresponsibility that created the current financial crisis will only fuel this fire.

Managing Demographics

As baby boomers retire and we learn to accommodate their more demanding offspring, we can minimize knowledge loss and transfer issues and retain key talent by offering a variety of flexible work arrangement for retirees. In that regard, they can be expected to be a demanding

as Generations X and Y workers. They are, after all, retired, and will not want to conform to traditional work rules. Today's retirees represent a still-vital, highly experienced and very large talent group.

Another underutilized group is women. In general, women are still under-represented in the executive ranks. We work in the industrial world and see very few female executives. This is due in part, but only in part, to the nature of engineered products, which women don't relate to as readily as men.

Highly skilled women at home with small children continue to remain a largely untapped group. Meaningful work that uses all that training gained in the corporate world before having children, is not readily available to most women. But with our clients who do offer part-time assignments to women at home, the results have been positive in nearly every case. Give a young mother a meaty 30 hour/week position and she will excel and work 40 hours, around her other responsibilities.

The real danger now, especially for major corporations, is to allow the recession, a potentially less business-friendly administration, and a developing short-term buyer's market for talent, to distract from comprehensive talent acquisition and management policies.

David Kinkead is President of Kinkead Partners, a specialized boutique search firm focused on commercial leadership for diversified industrial manufacturing clients.

*Kinkead Partners
106 Quarry Road
Glastonbury, CT 06033
P: 860-659-4664
info@kinkeadsearch.com*