HEIDRICK & STRUGGLES

meeting the talent crisis with multisource strategies

By Stephen Langton

In the beginning there were three risks. Or at least that is how the emerging corporate observers and academics before the 70s saw it. Like many fields of science, their primal but elegant simplicity was to prove deeper and more profound than those early pioneers of the field first saw.

Market Risk observed that markets can fail without warning. Contingency Risk revealed that the risk was actually in not having a robust and thorough enough strategic plan to prosecute these markets. Agency Risk in those days was about the risk of your management failing in capability to deliver the plan. Agency Risk of course, became the only true risk, for mitigating it resolved a poor implementation of a poor plan that has been defined for a misunderstood market. Today we call it Leadership Risk and the emergence of an extraordinary new breed of consulting is chasing it.

The professional services industries have admirably chased the formula of contingency, market and credit risk management for decades and a fine job they have done too. The finest professional bankers, strategists, lawyers and accountants were able to legally prove to the market that the 1998, $18bn merger of Wells Fargo and First

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Interstate Banks – at the time the largest financial institutions merger ever – would add a billion dollars to net shareholder wealth. It didn't. It created loss. But then again, what possible due diligence could have foreseen the exit of over 70% of executives post-merger.

Dare we suggest a Leadership Risk management issue? This one was meant to be 'risk free'! The sneaky suspicions of corporate commentators were ignited.

With the rise in scrutiny of managers and the Boards that govern them, the agenda of leadership, its monitoring and development, transitions now to the world of Risk Management and thus into the agendas of Governance. The topics that now transition to the audience of the Board from the audience of HR under this mandate are many. Common themes include how corporations are preparing for a multigenerational or multicultural workforce, retaining talent, dealing with diversity, culture change.

Three storms in fact – the perfection is the collision of all three over the next ten years.

Storm One: Population

The population of the planet has tripled in the last century alone. Today it is around 6.5 billion and growing. The projections are it could touch a high of 11 billion this century. Over 95 percent of this surge from now on will be in the developing world – particularly China and India.

By 2050 the population of today's 'developed world' will fall from 1.2 billion to less than a billion! The developing nations' populations will double in this time. Medicine and education have helped – infant mortality rates in these nations have leapt from 25% in 1960 to only 57 for every thousand today. Life spans are surging – up an average of 20 years worldwide since 1950! The post-war baby boom saw this birth surge increase the momentum.

Today China and India together account for a sixth of global economy. By 2017 this will be a quarter. India's growth fuelled by education, languages and technology, China's by industry, resources and supply of labor. To meet their commercial needs for the next ten years, they will together require more oil per year than the Organization of Petroleum Exporting Countries have currently been able to produce each year to date! This growth therefore takes resources, technical talent and knowledge as well as experienced leadership.

This isn't the real demand concern though – executive talent is. China has declared that to meet its business industrial needs for the next 10 years in the telecommunications and technology sectors, they have a deficit of nearly 70,000 executives. These they can't manufacture and will be drawn from other offshore talent pools. Germany by the way, is declaring 48,000 deficit in engineers and will also seek them offshore. All at a time when talent is willing to 'have a chat' globally!

Former Chairman & CEO of CIGNA International in Thailand, Steven Lee Novkov, has worked in Asia for 40 years. He says "40 years ago it may have been an exception for people to live and experience cultures outside their home countries. Today young people, not only in Thailand but across Asia and perhaps the world, have almost similar desires, needs, expectations – it becomes easier for these youngsters to experience and adapt to foreign work cultures. And from a corporate perspective, it is apparent that young foreign workers tend be a more flexible, and yes, more global in their thinking as well."

With populations shrinking, the developed world does not have the resources and the labor power to replace the dependency needs of the population that is retiring. The European Union is declaring figures ranging between 42 and 70 million people deficit. The U.S. estimates range from 32 million to 48 million. The peak comes in 2010 when the last of the baby-boomers hits 65 – the 'current' legal retirement age.

This draw on talent is just one, but a very small influence on the next major source of concern… the aging population! In 2006 in the United States, two workers left the workforce for every one that entered. The populations of the western world are getting smaller and older in proportion. A recent Harvard Business review survey says by 2011, 50% of the workforce of the western world will be over 50 years of age, and by 2018, that would go up to 80%! U.S. Bureau of Labor statistics says by 2012, two-thirds of all 55 year-olds and over will still need to work – that will comprise a quarter of the total U.S. workforce.

Asia feels it as well. Japan recognizes that by 2020, 65% of its financial services workers alone will be over 50! By 2050, 31% of China's workforce will be over 60 to meet current demand... What demand? Why is this happening?

With populations shrinking, the developed world does not have the resources and the labor power to replace the dependency needs of the population that is retiring. The European Union is declaring figures ranging between 42 and 70 million people deficit. The U.S. estimates range from 32 million to 48 million. The peak comes in 2010 when the last of the baby-boomers hits 65 – the 'current' legal retirement age. Both regions cite solutions that include the ongoing employment of otherwise retiring workforce, as well as significant sourcing of talent and leadership from fast developing nations.

But hang on… they need them! Their plan is to head-hunt labor and leadership from the developed nations. So the perfect storm brews! Labor, talent and leadership will now need to come from more diverse sources. The mix of genders, ages, races, regions and languages is about to surge in the workplaces of developed organizations. The male-female balance will go up, and at older ages than before. A study by the International Labor Organization this year sees 63% of women in the developed world are in employment today. 40% of them are in the global frontline workforce, while 34% are in management. 25% of women in their 20s in Britain state that they do not intend to have children until their 40s. 12% do not intend to have children at all! In Italy, a third of women in their 30s are in full-time work, but birth-rate there fell from 2.6 in 1985 to 1.2 in 2005. Indeed on an average, in developed nations, in the last 20 years, birth-rates fell from 2.4 to 1.6!

Storm 2: Mobilization

Today 200 million people on the planet live in countries they did not grow up in! The United Nations forecasts that 2.2 million will migrate from the developing to the developed world in the next 8 years. The U.S. will take 1.1 million of these. The temporary migration of workers will double globally in this time.

To facilitate this demand, nations are making unprecedented immigration and migration legislation. The laws that have kept talent at home globally have become very relaxed, including in countries like China and Russia. In half a century of existence, one-third of all UN border treaties were signed in the last 5 years. The Organization of Petroleum Exporting Countries was formed to wean nations off their dependency on the oil economy. It failed. 50% of Saudi Arabia's 13 million population is under 18, and 65% of Iran is under 25 – workforces and talent in nations with declining oil reserves and employment draughts. They have to migrate!

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Says Chanin Donavanik, Chief Executive Officer of Dusit Thani Hotels, "our hotel in Dubai has people from 37 countries. Earlier it was difficult to get homeward-looking Thais to work in Dubai. Now they are willing to travel and work in other markets. Thailand's hotel and tourism industry has seen several changes in the last 20 years. Earlier senior level executives in our hotels came from Europe, North America and Australia. Now we are hiring more executives from China and India."

It isn't just international migration by intra-national as well. 120 million people have mobilized from rural to urban areas in China in the last 10 years. China is encouraging talent migration to enable learning and knowledge. The printing of Chinese passports is one of the steepest curves in the book! The developing world sees a surge in population living in the urban areas – up from 18% to 45%. In the developed world this is happening as well, surging from 52% to 75%. In 2007, 50% of the planet was living in urban regions!

Storm 3: Multi-generation

So as the vets hang on and the new generation becomes employed, we will see five generations in the workforce by 2013. That will be compounded by race, gender, ability, language, wealth and health. Choice becomes a kaleidoscope of a lens to see each generation through. The check is against any pigeon holing and stereotyping with concern.

The needs of multiple generations must be catered to, to sustain the numbers of employees required to service the much larger retiring population. We won't be able to throw cash at this problem. The panacea of extrinsic reward of yesterday won't win in a cash reward war with intrinsic rewards. It is here the leadership will fight and mitigate the risk of human failure.

In October 2006, the World at Work consortium surveyed 487 organizations globally – over 3000 workers. 88% respondents stated that the ongoing management of the multi generational workforce is a major risk to company growth and success.

What people of diverse beliefs, cultures, skills and generations need is to be provided with the conditions in which they can choose to succeed. We need to go back to the basics of our race. We need to fight lasers with bows and arrows and again talk to, listen to and engage with our people like we used to. The needs of multiple generations must be catered to, to sustain the numbers of employees required to service the much larger retiring population. We won't be able to throw cash at this problem. The panacea of extrinsic reward of yesterday won't win in a cash reward war with intrinsic rewards. It is here that leadership will fight and mitigate the risk of human failure.

In AD 66, Roman satirist Gaius Petronius (circa. 27 – 66) famously considered organizational dilemmas for his master Emperor Nero.

When asked to consider future leadership for Rome he declared "we tend to meet any new situation by re-organizing; and a wonderful method it can be for creating the illusion of progress, while producing confusion, inefficiency and demoralization." It is this mindset we need to now understand again.

We have learned through the history of employment that in good times and bad, the most powerful means of attracting, engaging, developing and retaining top talent is to provide it with the conditions for it to succeed and feel successful, rewarded, contributing and learning.

The solution to the challenge of today's multigenerational workforce will not lie in elegant strategies, restructures, re-organizing the company for talent or complex reward and remuneration structures. We have learned through the history of employment that in good times and bad, the most powerful means of attracting, engaging, developing and retaining top talent is to provide it with the conditions for it to succeed and feel successful, rewarded, contributing and learning. Throwing money at talent may even have a negative impact on their intrinsic motivations that will now need tapping in order to win this war. Simply said, we need to go back to the most primitive lessons of true leadership. Talent talks to talent.

Employee branding and employee equity is at its peak when feeling well-led. Word of mouth spreads and well-led organizations attract talent and keep it loyally through this.

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