



HEIDRICK & STRUGGLES

North American Paper & Packaging survey

# The crisis of talent in the industry

by **Jonathan Graham** and **Julie Kuhar**

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# The industry challenge

The paper and packaging industry faces daunting challenges from many directions. Economic turmoil has resulted in dramatically reduced demand while costs continue to rise, leading to a hypercompetitive situation that hurts everyone. As globalization continues to lead consumer companies to build capabilities overseas to win over new market segments, many packaging companies are not prepared to participate. The call for sustainable packaging solutions is gaining momentum and creating both an opportunity for those companies that are innovative and a concern for those that are not. Meanwhile, customers, suppliers, and an extremely competitive marketplace are squeezing the industry on all sides.

Ultimately, these challenges and the many others that the industry faces will be solved only by outstanding leadership and highly talented senior executives. Paper and packaging companies need leaders and top executives who can navigate in a rapidly consolidating and globalizing industry, increase speed and address costs, lead innovation and take advantage of technology, and get ahead of emerging issues like sustainability. It is therefore more critical than ever that paper and packaging companies have a robust human capital strategy in place if they hope to thrive in the most demanding business environment they have ever faced.

To find out how well paper and packaging companies are addressing the issue of human capital, we undertook

a series of industry surveys. We wanted to know how critical they believe talent is to their success. We wanted to find out what challenges they face in attracting and retaining talent and what areas could benefit from more training, development, and careful succession planning. We wanted to learn how they regarded their companies' talent management capabilities and how they viewed the recruiting of talent both from within the industry and outside the industry. Above all, we wanted to gather information that might be used as a basis for addressing this critical talent issue. The results of the North American survey are reported here; surveys of Europe and Asia-Pacific are the subject of a report to follow.

## Key findings

The key findings of the North American survey indicate that the industry faces what can only be called, quite candidly, a crisis in talent:

- Talent leads the list of concerns for industry executives and they see it as critical for their companies' success.
- While 73% of executives recognize the importance of better talent management, only 4% believe strongly that their talent management is well prepared for the challenges facing them.
- More than 60% of respondents indicate that attracting and retaining talent is an issue for their companies.
- Despite the enormous talent challenges facing the sector, most companies appear to be neglecting the human resources function.
- More than 40% of respondents say that it is difficult to find top talent inside the industry.
- The industry is losing the war for talent versus other sectors.

Despite this discouraging picture, there are a number of concrete steps, discussed at the end of this report, that companies can take to turn the situation around. In fact, based on our experience, companies that develop and execute more comprehensive talent management strategies linked closely to business performance will not only survive, but prosper in this rapidly evolving industry.

# Scope

To gain insights into talent and leadership in individual companies and the industry as a whole, Heidrick & Struggles surveyed P&L holders (CEO/president/VP GM) and top HR executives. Respondents include CEOs (23%); COOs, executive directors, presidents, general managers (43%); human resources executives (19%); other (5%).

The research sample includes respondents from a variety of material categories: paper-general (50%); pulp (27%); converted paper and paperboard products (43%); printing and label converting (27%); plastic, rigid and/or flexible (57%); metal (14%); glass (5%).

About 45% of respondents are from large companies (annual revenues above US \$1 billion); 42% from midsize companies (annual revenues between US \$50 million and \$1 billion), and 4% from small businesses (annual revenues of US \$50 million or less).

*“Paper and packaging companies must have a robust human capital strategy in place if they hope to thrive in the most demanding business environment they have ever faced.”*

# Survey results

## Top issues:

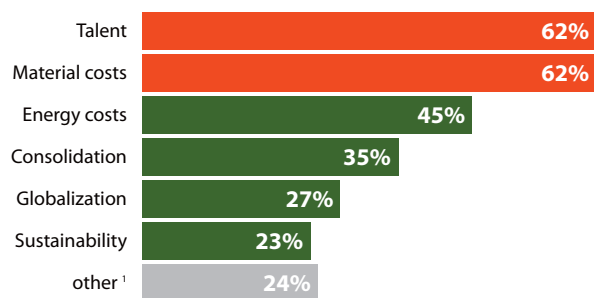
### Materials costs and talent lead the list of concerns

When asked to name the top three issues facing their companies over the next five years 62% of respondents named talent, which not surprisingly was tied with materials costs (*figure 1*). Additional comments from respondents indicate that definitions of talent management vary widely, ranging from simple hiring and firing to training to succession planning.

Energy costs, identified by 45% of respondents, rounded out the top three concerns. Interestingly, and of some concern, less than a fourth (23%) of respondents cited sustainability as one of their top concerns. This is particularly surprising since the customer base, primarily consumer packaged goods companies, is demanding more sustainable packaging. Clearly, awareness of these issues will enable some companies to benefit while those who ignore these trends may suffer.

figure 1

### Top three issues facing my company over the next five years



<sup>1</sup> mostly macroeconomic concerns

source: Heidrick & Struggles, Paper and Packaging survey, 2008

figure 2

**“It is critical to my company to better attract and retain talent”**



source: Heidrick & Struggles, Paper and Packaging survey, 2008

**Importance of talent:**

An overwhelming majority of senior executives see talent as critical for the success of their companies

Almost three-fourths (73%) indicated that they strongly agree that attracting and retaining talent is critical for their companies (figure 2). Nearly 20% said that they slightly agree, for a total of 93% of respondents who see talent as critical.

**Company capabilities in talent management:**

An enormous gap yawns between the perceived importance of talent and the ability of companies to address it

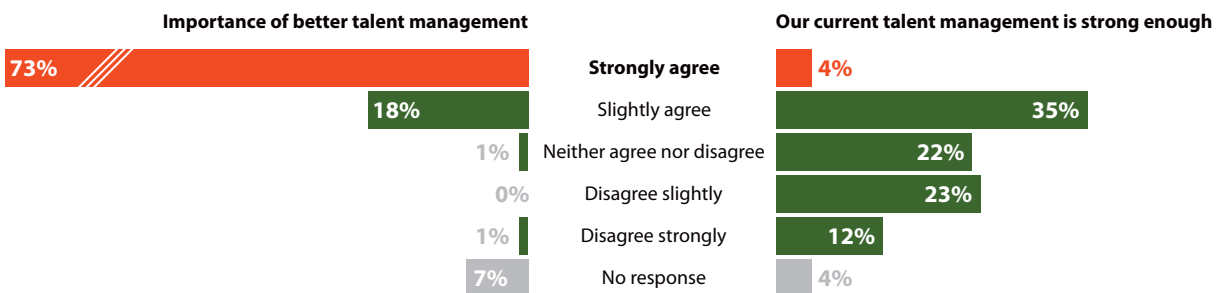
In one the most striking results of the survey, we found that while 73% of executives strongly agree with the importance of better talent management, only 4% believe strongly that their companies’ capabilities in talent management are sufficient to meet the challenges of the future (figure 3).

**Recruitment and retention: Attracting and keeping talent is an issue for most organizations**

Sixty-one percent (61%) of respondents indicate that attracting and retaining talent is an issue for their companies (figure 4). Leaders who are struggling to find talent inside and outside the industry and to retain top talent cited a number of reasons for their difficulties. “Locations, compensation and industry make it difficult to recruit,” said one respondent. Another points out that a strong bias for recruiting only from within the industry also shrinks the pool of potential talent. Because the industry is in a “declining mode,” said another, the career opportunities aren’t attractive. A number of leaders also noted their companies’ weakness in talent management, as the results of the question on company capabilities confirm.

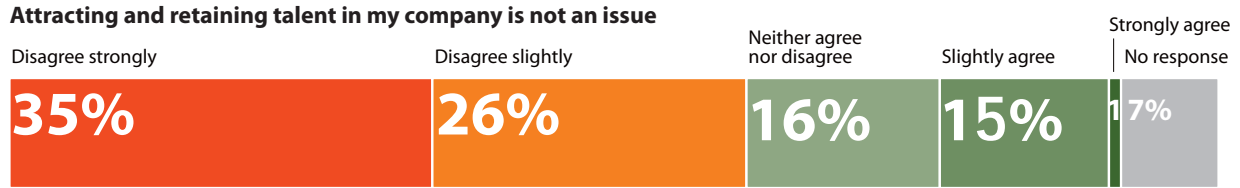
figure 3

**Criticality of stronger talent management versus company’s capabilities**



source: Heidrick & Struggles, Paper and Packaging survey, 2008

figure 4



source: Heidrick & Struggles, Paper and Packaging survey, 2008

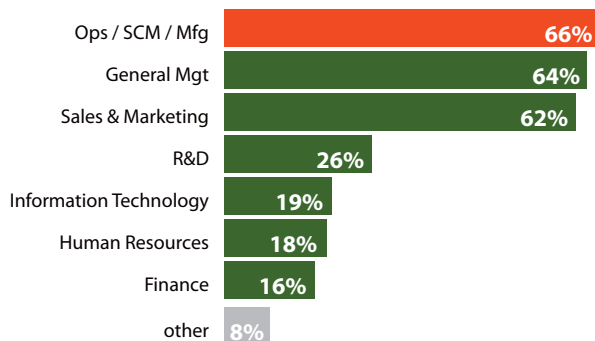
### Greatest talent needs:

Operations is seen as the number one area in need of outstanding talent in the coming years

Almost two-thirds (66%) of respondents identified operations/supply chain management/manufacturing as one of their top three areas of greatest need for talent over the next five years (figure 5). Given the hypercompetitive nature of the industry and the focus on driving efficiency and executing growth, this result is hardly surprising. Nearly as many cited general management (64%) and sales and marketing (62%) in their top three. Interestingly, only 18% placed human resources among their top three, despite their overwhelming recognition of the criticality of talent, their difficulty attracting and retaining it, and their acknowledged weakness in talent management.

figure 5

### Top three most important talent needs in my company over the next five years



source: Heidrick & Struggles, Paper and Packaging survey, 2008

### Strongest and weakest company functions:

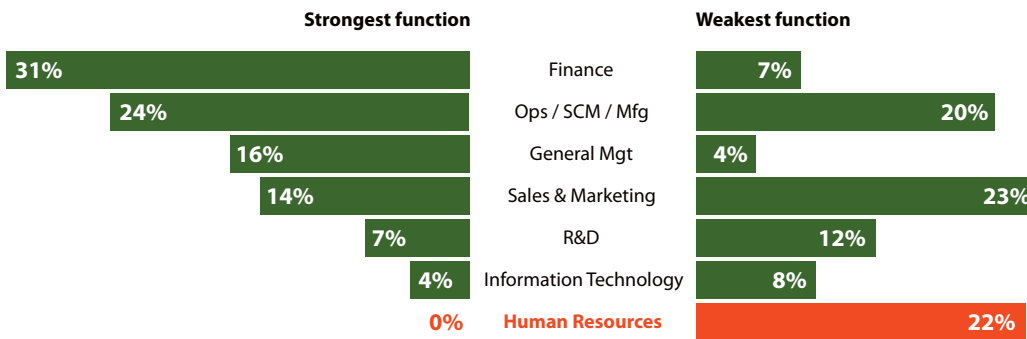
Finance led the list of strongest functions, while sales & marketing and HR were seen as the weakest

A little less than a third (31%) of respondents cited finance as their company's strongest suit, followed by operations at 24% (figure 6). Sales & Marketing was cited by 24% of respondents as their company's weakest function and, in a virtual tie, HR was cited by 23% as their weakest function. No respondents named HR as their company's strongest function. Again, despite the enormous talent challenges facing the industry, most companies appear to be neglecting the human resources function. Over time, this neglect will likely compromise their ability to address the needs of the most critical functions in play today. It is also apparent that cost pressures have diminished the talent pools in revenue-generating functions such as Sales & Marketing and in areas focused on innovation.

*“Despite the enormous talent challenges facing the industry, most companies appear to be neglecting the human resources function.”*

figure 6

**The strongest (and weakest) function within my company**



source: Heidrick & Struggles, Paper and Packaging survey, 2008

**Recruiting within the sector:**

More than four in ten respondents say top talent is difficult to find inside the paper and packaging industry

The 41% of those surveyed who find it difficult to recruit talent from within the industry largely attribute the problem to limited talent pools and lack of internal capabilities in talent management (figure 7). Said one respondent, "For the most part, we are in a 'C' talent industry and the best people often leave to go to other sectors." Another cited a "lack of appropriate processes and focus to attract and retain talent." Similarly, another said his company lacks "resources and skills within our HR function."

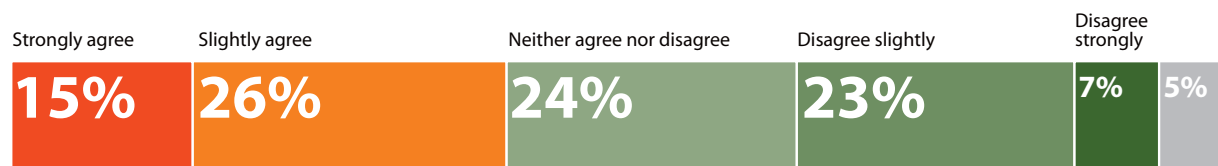
**Recruiting from outside the sector:**

A majority of executives favorably view recruiting from other industries

More than 60% of respondents agreed that it is a good idea to recruit talent from outside the paper and packaging industry (figure 8). About half as many (30%) disagreed. Among those who view outside industry recruiting favorably, 55% said that general industry has been the best place to look while 50% cited consumer packaged goods (CPG) (figure 9). While companies continue to pursue talent from CPG they risk overlooking more relevant talent from other industries.

figure 7

**When recruiting from within the industry, my company has found it difficult to find top-notch talent**



source: Heidrick & Struggles, Paper and Packaging survey, 2008

figure 8

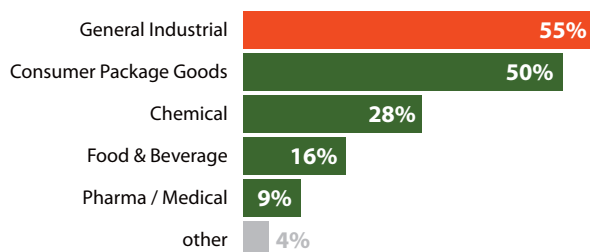
**My company has successfully recruited from outside the industry to fill key roles**



source: Heidrick & Struggles, Paper and Packaging survey, 2008

figure 9

**If successfully recruited from outside the industry, what industries have been best?**



source: Heidrick & Struggles, Paper and Packaging survey, 2008

## Recommendations

Over the past five years, Heidrick & Struggles has completed nearly 350 searches around the world for paper and packaging companies and provided them with extensive consulting in leadership and talent management. Based on that experience, the results of this survey, and our extensive experience with the sector's end-user industries, we offer recommendations here in several key areas.

### **Integrated talent management:** Align key talent activities with each other, the business, and the talent markets

Many organizations certainly have some kind of talent management system in place. Such systems may even include all of the traditional elements: recruiting, development, assessment, and retention. But unless all of the elements are aligned with each other, the business strategy, and internal and external talent markets, the system is likely to produce sub-optimal results.

Companies must create a comprehensive "people supply chain" out of recruitment, development, assessment, and other traditionally disparate HR activities. It should include a leadership pipeline and a rigorous and disciplined succession planning process at multiple levels. The company should also implement a continuous learning and development program that includes competency and skills development, experiential learning, and coaching.

A rigorous performance management system should drive accountability to all levels in the organization. Employing best practices across all of these dimensions and integrating them enables companies to create and maintain the people supply chain they need to compete more effectively in the market.

### **The Chief Human Resources Officer:**

#### Establish the role if it doesn't already exist, and elevate it

Developing, aligning, and driving the talent management system falls squarely on the shoulders of the chief human resources officer (CHRO), who in today's environment must be a key player in the company's ability to meet the growing challenges of talent in the industry. The CHRO must be given adequate resources to maintain an integrated and aligned talent management system and to upgrade HR talent to include more strategic, performance-driven competencies with a significant contribution to the business. The CHRO should also determine the company's "employment value proposition" and leverage that to attract and retain talent. He or she must also be in a position to wade into strategy with the top team and to act as a trusted business advisor.

### **The talent pool:**

#### Maintain a comprehensive view

The CHRO should be able to bring a thorough knowledge of talent - both internal and external - to discussions with top leadership. To develop the people supply chain rapidly and keep it running smoothly over the long term, the CHRO can greatly benefit from talent benchmarking, which can provide the organization with a global view of the talent market, an understanding of how internal talent stacks up against that market, and a means for securing the best external talent when it becomes necessary to go outside the company. Combined with an integrated talent management system, this ability to tap readily into the talent market enables the organization to respond flexibly, rapidly, and effectively to its talent needs and the business objectives to which they are linked. ■

# Paper and Packaging Practice

The Paper and Packaging Practice of Heidrick & Struggles brings a depth of knowledge of the industry that ensures our ability to help paper and packaging companies find the talent they need to succeed in today's rapidly changing environment. We know the talent and, with our offices distributed all over the world, we are uniquely equipped to serve an industry that is being redefined by globalization. Seamlessly drawing together industry, functional, and geographic expertise to meet our clients' unique requirements, the Paper & Packaging Practice operates around the world with one voice and one goal: to identify, assess, and deliver the best possible talent to our clients.

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**Materials**

- Pulp & Paper
- Converted Paper & Paperboard
- Printing and Label Converting
- Plastic (Flexible, Rigid)
- Glass
- Metal

**End-Use Markets**

- Cosmetics / Personal Care
- Pharmaceutical
- Food
- Beverage
- Industrial

## HEIDRICK & STRUGGLES

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