

# think:act CONTENT

Fresh thinking for decision makers

The current crisis may be over – but one problem remains | The lack of qualified staff | Do you want to keep the right people in your company? | Strategic talent management is the clear answer!



WHAT TALENT WILL WE NEED IN TEN YEARS' TIME?

WHERE CAN WE FIND IT?

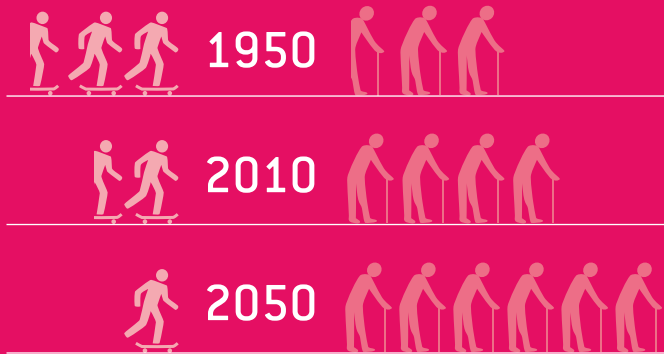
HOW CAN WE KEEP IT IN THE COMPANY?

**THE AGEING SOCIETY – A GLOBAL PHENOMENON**

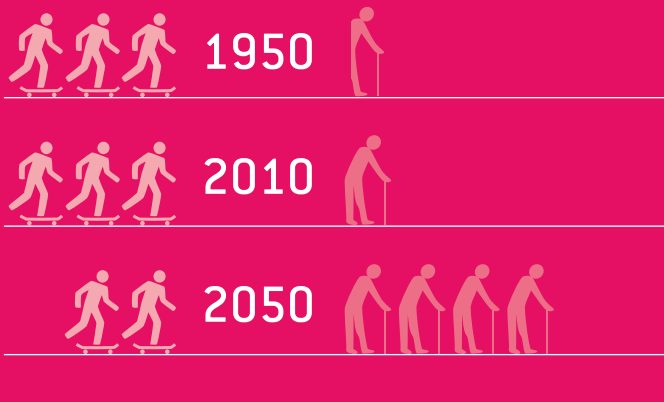
Demographic development in years



**EUROPE**

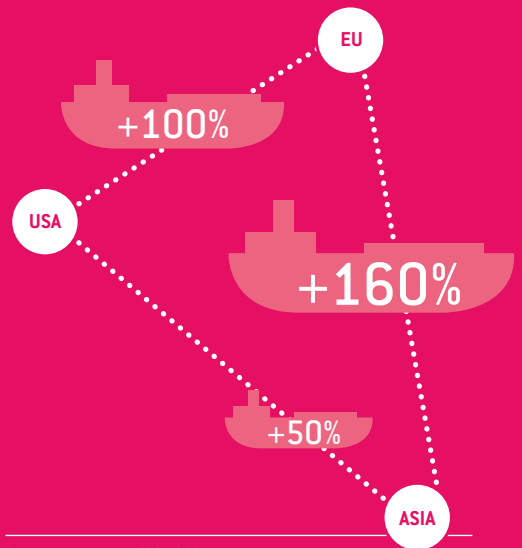


**ASIA**



Source: UN – World Population Prospects. The 2008 Revision Population Database

**GROWTH OF TRADE BETWEEN REGIONS**



Source: IWF, Helaba, 2001-2007



"The demographic situation will not change in the short term"

Professor Michael Hüther, Director of the Cologne Institute for Economic Research

Anyone who thinks that talent management is exclusively a matter for the personnel department is sadly mistaken. Delegating the job entirely to HR is pointless.

Talking about demographic change, globalization and the shrinking number of graduates is not enough: action is needed. At Roland Berger Strategy Consultants, we find that many top managers say they believe that HR issues are of prime importance in corporate strategy. But they don't follow through. The shortage of skilled workers is not a symptom of crisis, it is a structural challenge. The ability to manage personnel issues – from attracting candidates right through to retaining employees – can make or break a company. Talent management is a strategic issue for top management. Know-how is a competitive advantage, innovation a growth driver. Both need to be nurtured, and this is only possible if the people who have the know-how and fuel the innovation remain with the company. Even in times of crisis, systematic talent management on a regional, national and international level is essential.

## THE NEED FOR TALENT MANAGEMENT

According to a study carried out by the Association of German Engineers (VDI) in collaboration with the Cologne Institute of Economic Research (IW), one in five companies in the areas of manufacturing and business services has had to turn down work as a result of skills shortage. Of the companies surveyed who reported problems in recruitment, 40 percent had turned down work. The IW estimates that the overall damage caused by the shortage of engineers and technicians is around EUR 18.5 billion a year. The current crisis has to some extent distracted attention from the impact of this shortage. But as soon as the economic climate starts improving the problems will come to light again. And that is just what is happening now.

The competition for good people is hotting up. To attract the best technical and managerial staff, companies need an HR marketing concept focused clearly on the various internal and external target groups. Besides employer branding, this means specific actions aimed at finding the best candidates and increasing employee loyalty. In other words, a system of talent management. Three questions are fundamental to the success of such a system: What talent will we need in ten years' time? Where can we find this talent? And how can we keep it in the company?

### Diversity strengthens global companies

One thing is certain: diversity is an economic necessity. Tomorrow's workforce will no longer be a homogenous block – that would make no sense from either a recruitment or a sales perspective. After all, in times of globalization companies need to understand customers in all the different countries they operate in. How better to do this than to reflect that diversity in their workforce?

Diversity is a key lever for staff performance, motivation and commitment. It is also an effective lever for a company's reputation. What is more, it gives businesses a powerful competitive advantage: innovation. Innovation is the result of diversity in the areas of training, talent, ideas and creativity.

**3** MILLION  
Shortage of skilled workers  
in Germany in **2015**

**5** MILLION  
Shortage of skilled workers  
in Germany in **2030**

**4** EURO  
BILLION  
Welfare lost by **2030**

**DIVERSITY IS STRENGTH  
DIVERSITY IS A NECESSITY**



It comes from staff from having followed a variety of career paths. One of the strengths of German and other European companies is that they have people from different countries in the top positions, including on the board of managers. Over a quarter of board members in DAX 30 companies are non-Germans, for example. The new CEO of Bayer is Dutch. The management board of Henkel has five members – two from Germany and three from elsewhere in Europe. One board member at Metro is French.

**AVAILABILITY OF SKILLED  
WORKERS: CHINA AND  
INDIA ON THE WAY UP**



Source: Global Talent Index 2007-2012

The software group SAP is run jointly by an American and a Dane. Nevertheless, the proportion of non-Germans in German companies remains small. In Britain, by contrast, a third of all company board members are non-Brits. Employers in the UK have realized that their leaders must understand global markets and global corporate strategy.

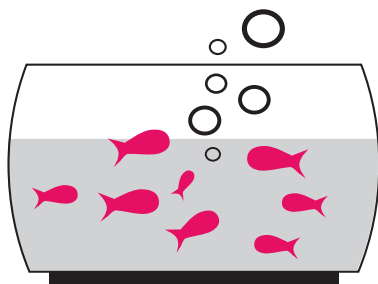
Companies that operate globally need to take a close look at their system of talent management and draw up a long-term strategy. Finding good candidates is difficult, not just in Germany but everywhere these days. There are a number of reasons for this fact. More and more highly qualified Germans choose to work abroad, creating a gap in the potential pool of candidates. Of the 160,000-180,000 Germans who leave the country each year, 85 percent are graduates. Moreover, the competition from global business has grown. Many international companies are now looking to new markets. But even that is not easy. Asia produces an increasing number of well-trained professionals, for example, but there is growing demand for them in Asia itself, where a similar skills shortage is beginning to be seen.

**Building an international talent pool**

Successful recruitment today means international recruitment. In our experience, companies often have difficulties taking a truly international perspective when selecting their leaders. Internal recruitment is frequently carried out by corporate headquarters and candidates from international subsidiaries tend to be overlooked. An effective way to create the necessary transparency is to set up an international talent pool. Many companies already have such a talent pool, but they fail to keep it up to date or make proper use of it. For a talent pool to work effectively, the top management must instill an international perspective in the organization, assigning responsibilities and offering incentives. All employees who are suitable for key positions, right across the company, must be entered into the talent pool using the same criteria. Internal appointments must be made – without exception – from the talent pool. Companies can ensure they are truly international by creating additional rules such as a minimum number of foreign candidates on the long list for open positions.

**TALENT POOL**

The talent pool must include all suitable employees



Looking beyond recruitment, firms can secure international expertise by having teams and competence areas draw on resources in different countries. This allows technical and methodological exchange to take place. They can also offer incentives for staff to go on temporary assignments abroad, facilitating exchange between business units in different countries.

### Defining the talent pool

Much talent is wasted or overlooked because companies define their talent pool too narrowly. Often, firms fail to identify and recruit specialist staff on a systematic basis even in their own countries. Employees' profiles and career paths have become more diverse over the years – a fact that businesses should bear in mind when defining the relevant talent pool. They need to make sure that they are looking for talent in the right places.

Recruitment today means more than just filling open positions. It involves building connections with people who the company may be interested in – whether now or in the future – and maintaining those connections. It also means actively managing relationships with current and former employees. To achieve a professional system of "talent relationship management", companies must strengthen their cooperation with universities, follow up on contacts made at trade fairs and through industry associations and establish an effective alumni network.

### Identifying and nurturing young talent

Companies should bear in mind that people are now beginning their careers much younger than ten years ago. The reason? Many countries have cut the amount of time spent in higher education. France, the Netherlands, Austria, Germany and other countries have introduced bachelor's degrees to bring themselves into line with international practice. According to the Federal Statistical Office, 66 percent of new students in Germany in winter semester 2008/2009 were studying for a bachelor's degree – and increase of 25 percent compared with one year earlier.

True, today's younger graduates may not have as much experience of life or work as their predecessors. But they have just as much potential. Companies must do more to help them discover and develop this potential. Recruitment criteria need to change: companies should ask not so much what candidates can already offer, as what they will be able to offer in the future. They need to help new recruits gain experience, supporting them with mentors as part of the talent management system. On-boarding programs help new staff expand the basic skills and knowledge they have learned at school and acquire new soft skills such as negotiating, managing stakeholders and conflict management.

Experience shows that young professionals who spent less time at school often want to go back into full-time education after working for a while. Companies that can cope with such interruptions and actively support employees in their decisions increase their chances of keeping experienced and highly qualified workers loyal to the firm in the long term.

### Grants and sabbaticals

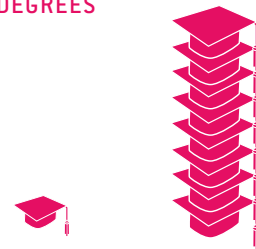
These days, employees want more than just job security from their place of work. When asked what job satisfaction means to them, they talk of variety in their work, the chance to develop their own ideas, training opportunities and flexible hours. Companies need to sit up and pay attention.

### TALENT RELATIONSHIP MANAGEMENT

Companies must work more closely with universities, trade fairs and industry associations



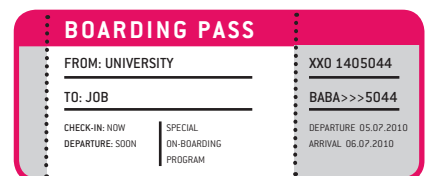
### THE RISE AND RISE OF BACHELOR'S DEGREES



2005 = 10,000    2008 = 40,000

Total number of bachelor's degrees awarded

Source: Federal Statistical Office



*"A firm should build a portfolio of diverse capabilities so that when the environment changes it has the right competencies to compete effectively in the new environment."*

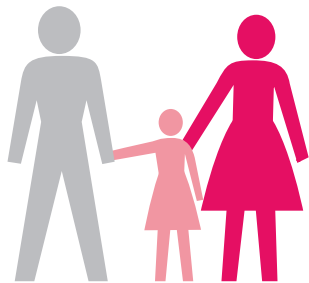
*Constantinos A. Markides, Robert P. Baumann Professor of Strategic Leadership at the London Business School*

Not only must they maintain the motivation, commitment and creativity of the workforce, they also need to prevent the slump in productivity that comes when employees no longer identify with their jobs. "In the future, we need much more emphasis on the individual preferences of our employees," warns Armin Trost, Professor of Human Resource Management at Furtwangen University. Indeed, this is the only way to make sure that employees use their talents to the full. Companies should provide opportunities for staff, linking them to factors such as length of service, recommendation by line managers or performance.

One idea is for companies to provide grants for employees who want to go back to school, say for a master's, PhD or MBA. Staff can be relieved of their normal duties for a limited time to work under their own steam on a specific topic related to the company. Alternatively, sabbaticals are a way for employees to develop their own interests and pursue projects such as travel or working for a charity without sacrificing their job security and insurance benefits. Methods such as these can give employees new motivation and creativity when they do return to work.

**A pro-family approach**

Another important factor in staff commitment – and one that is regularly underestimated – is the company's pro-family credentials. In our experience, German companies still believe that family-friendly policies are of no financial benefit to business. An old wives' tale. According to scientific research, people who work for companies which espouse family-friendly policies are far more motivated (+17 percent) than people at other companies. What is more, according to the Allensbach Institute for Public Opinion Research (IfD) the number of employees returning to pro-family companies after taking parental leave is much higher (+22 percent) and the amount of time actually spent on parental leave is shorter (-8 percent).



**+22%**

*Difference in number of employees returning to pro-family companies*

Not having a pro-family approach is a risk for employers. These days, qualified individuals can reject companies on the grounds that they don't offer help with childcare. Companies can reduce this risk substantially by setting up a company crèche, cooperating with childcare facilities or offering financial or other assistance. They can also offer flexitime, flexible daily, monthly or annual working hours or "working time accounts". Complete or partial ("alternating") teleworking can also make it easier for staff to combine family and work.

And that's not all. Talent management should begin before employees take time out. Systems for keeping in touch and return-to-work programs increase staff loyalty and help those who have been on break make a smooth return to the workplace. Specific measures include holding a planning meeting before the employee leaves, setting up sponsor and mentoring programs, and offering training opportunities during the break. Covering for other staff who are on vacation or sick during the period of parental leave is also a possibility.

The more flexible the working hours are, the sooner employees will return to work. Companies can offer teleworking as a way back into the job, for instance, or the chance to return to work on a limited part-time basis initially and then gradually build up the number of hours worked a week.

Finally, companies should remember that "family matters" increasingly include the care of dependent relatives. According to the German Federal Statistical Office, just under three million people will be in need of care in 2020. Companies must make sure that they have suitable mechanisms in place to cope with this.

### Flexible working time for older employees

In many European countries, the average age of the workforce is increasing. Companies need to find solutions that go beyond offering medical check-ups at the workplace and providing incentives for physical activity. Many older employees are willing to continue working. For them, flexibility is key.

Companies can retain valuable experience and know-how by providing this flexibility. They must be flexible about where older employees work and how many hours they put in – in fact, a flexible approach to working hours over the entire professional life of employees is helpful. Horizontal career paths will become increasingly important in the future, for example the chance for older employees to move to positions where they have less team responsibility but where their experience is especially valued. Such sideways steps can represent a good alternative to traditional vertical career paths.

### Seeing the bigger picture

You may have already taken some of the actions described above. But the chances are that you are not doing nearly enough. In our experience, talent management is still in its infancy at most companies. Businesses need a systematic approach that brings together a range of different solutions. They need clear targets that are regularly reviewed so that they can monitor the effect of the measures implemented. Particular attention should be paid to planning, recruitment and staff deployment.

As part of the strategic personnel planning approach, HR experts and selected line managers should discuss planning questions in regular workshops held at least once every two years. Their job is to identify potential future skills bottlenecks and find the required mix of staff in terms of experience, educational background and age distribution. Using this information, and taking into account expected fluctuation in the workforce, they can derive the actual gap in staffing. The result should be a catalog of interrelated actions, backed up with figures against which the success of the implementation can be measured. Such quantitative and qualitative indicators form the basis for focused, effective talent management.

### The right time for talent management?

Talent management in itself is not new. Putting it on the agenda now, when there is so much else going on in the business world, may seem odd. But our consulting projects show us that although most companies pay lip service to talent management, very few are actually doing anything about it, at least on a systematic basis. That flies in the face of what all the forecasts are saying. It doesn't make good business sense, either. Talent management – it is our firm belief – is the answer to one of the biggest problems facing companies in the coming years. It is a matter for top management. And it requires decisive, strategic action focused on the entire company.

### 24% OF EMPLOYEES AGED 55 TO 65...



*... in Germany  
would be happy  
to work one or  
two days a week*

### 18% OF EMPLOYEES AGED 55 TO 65...



*... in Germany  
would be happy  
to work three to  
four days a week*

IF YOU HAVE ANY FURTHER QUESTIONS,  
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