Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com.

EYG no. EX0148

ED None

Growing Beyond

In these challenging economic times, opportunities still exist for growth. In ***Growing Beyond***, we're exploring how companies can best exploit these opportunities — by expanding into new markets, finding new ways to innovate and taking new approaches to talent. You'll gain practical insights into what you need to do to grow. Join the debate at www.ey.com/growingbeyond.

Contacts

Beth Brooke
Global Vice Chair, Public Policy
Tel: + 1 202 327 8050
Email: beth.brooke@ey.com

Dina A. Pyron
Global Director, Human Capital
Tel: + 1 212 773 7667
Email: dina.pyron@ey.com

Peter Matthews
Chair, Global Learning
Tel: +44 207 980 0000
pmatthews@uk.ey.com

Bill Leisy
Global Talent Management Markets Leader
Tel: + 1 404 817 5370
Email: william.leisy@ey.com

For more information on how Ernst & Young can help you in a globalized world, please visit us at: **www.ey.com/growingbeyond**

Growing Beyond

Paradigm shift

Building a new talent management model to boost growth

Ernst & Young
Quality In Everything We Do

About this report

This report draws on a survey of 596 business executives from around the world conducted for Ernst & Young by the Economist Intelligence Unit during September and October 2012. Among the respondents, 38% were from the Asia-Pacific region, 24% from Western Europe and 21% from North America. The remaining 17% were from Latin America, the Middle East and Africa, and Eastern Europe. Fifty-three percent of the respondents were CEOs, CFOs or other C-level executives; the rest were senior managers and directors. Forty-four percent of the companies surveyed reported revenues of US$1 billion or more. The high and low performers referred to in the report represent the top and bottom quartiles — by sector — of the respondents based on a combination of revenue growth and earnings before interest, taxes, depreciation and amortization (EBITDA), weighted equally.

Contents

Introduction

Beth Brooke

Peter Matthews

If we had to establish a buzzword to define the future, it would be "growth." It is at the top of every organization's agenda — at a time when growth is hard to come by in most parts of the world. In today's complex and competitive global arena, organizations need every advantage they can get. Yet few are paying attention to a factor that can help them gain that vital competitive edge: talent.

Time and again, research has shown that organizations are not identifying or investing enough in the critical talent they need to drive their businesses forward. While they recognize the need to obtain — and retain — people with the best skills and competencies, they struggle to implement effective strategies to do so. Among the organizations that we surveyed for this report, even those with robust performance are only somewhat effective at investing in the talent they need to meet financial targets.

Of course, the notion of a talent shortage is by no means new. But what is new this time around is that filling the gaps will require organizational changes of a depth and breadth that few companies have ever had to cope with before. Building a talent management model to suit our volatile times will require jettisoning decades' worth of traditional management wisdom. It will require flattening or removing entire organizational hierarchies. It will require exploring a variety of geographical locations to find the best talent. It will require a revolution in thinking to allow for diversity for talent — to be willing to look for it among different cultures, ages and backgrounds. And it will require cultivating inclusive and flexible leadership styles to nurture and develop that talent.

Paradigm Shift: building a new talent management model to boost growth is part of Growing Beyond, our flagship program that explores how companies can grow faster by expanding into new markets, finding new ways to innovate and implementing new approaches to talent management.

Our research for this report shows that much work remains to be done before organizations' talent strategies can match what the market and economic environment will demand in the future. Businesses are on the brink of a talent crisis. Only a "paradigm shift" — a major shift in thinking and assumptions — can help tackle the global talent shortfall. We hope that this report helps organizations move closer toward making that shift.

Beth Brooke
Global Vice Chair, Public Policy
Ernst & Young

Peter Matthews
Chair, Global Learning
Ernst & Young

Survey highlights
Investing in talent boosts the bottom line

There's no question that in the next few years, most organizations will have workforces that are predominantly global. But they are neither prepared for this nor able to fully understand where and how to invest in talent and maximize the return on that investment. At the same time, companies realize that they need high-quality managerial and executive talent to succeed in the new markets that are so critical to the future growth of businesses everywhere.

The results of our new global talent management survey highlight this gap between expectations and reality – a gap that urgently needs filling. Talent is not a "soft" skill anymore: it has a positive and quantifiable connection to a company's financial performance. Our survey results bear this out. High-performing companies tend to manage their talent more effectively than their lower-performing counterparts.

- High performers put greater emphasis on linking pay with performance than low performers do (59% vs. 50%). They also provide more customized training and development (55% vs. 47%).
- High performers know that investing in good people pays off. They are more likely to invest in talent management to meet the organization's financial targets (45% vs. 36%).
- When looking for potential C-suite leaders, they are more likely to choose people who can lead successfully in an international business environment (47% vs. 37%) and who can effectively convey the values and culture of the organization (44% vs. 37%).
- When it comes to leadership development, high performers outdo low performers in several key areas. They have a strong pipeline of future leadership talent (54% vs. 43%), robust succession planning (48% vs. 33%) and the intent to develop future leaders with diverse experiences and backgrounds (45% vs. 36%).

There are also some significant differences between the talent management styles of companies from developed markets and those based in rapid-growth markets. Our survey found that compared to developed-market companies, businesses in rapid-growth markets are:

- More likely to offer broader job accountabilities and responsibilities (53% vs. 41%)
- More likely to offer opportunities for employee mobility across functions (64% vs. 55%)
- More likely to encourage working in different countries (53% vs. 49%)
- More likely to offer greater freedom to direct reports to make decisions (46% vs. 38%)

This seems obvious, since companies in emerging economies are used to working in volatile environments, and managers in these companies need to be more resourceful and better able to adapt quickly to change. It may also be that these companies tend to be smaller and managers are performing multiple jobs. But clearly these organizations seem to be catching on faster than their developed-market counterparts to what the new talent management model needs to look like: efficient, flexible, adaptable, fast and diverse.

Our survey findings suggest that overall, organizations have not progressed enough in talent development to be competitive in the near future. Much work needs to be done to understand what talent is needed where, when and for how long; much work also needs to be done to shape and nurture talent, from an organizational and an individual career development perspective. It is of the utmost importance that organizations pay immediate and close attention to this issue. Their bottom line depends on it.

Bill Leisy
Global Talent Management Markets Leader
Ernst & Young

Bill Leisy

In search of a new talent paradigm

You're hearing a lot about the war for talent, but you figure you've got a few years before you need to worry about it.

You don't. If your organization doesn't rethink its approach to talent management now, it will forever lose its competitive edge in the race to grow in a world of exceptional complexity — and unprecedented competition.

Nothing less than a "paradigm shift" — a fundamental change in thinking — is required to tackle the talent shortfall. Nearly five years after the financial crisis erupted, a sustained global economic recovery remains elusive. Developed economies are struggling under mountains of debt and finding it difficult to ignite growth. Even emerging economies, thought to be the engines of recovery, are slowing. As a result, unemployment has hit an all-time high in many markets. Yet organizations are finding that the talent they need is in short supply.

The scarcity of talent is quickly turning out to be the single biggest obstacle to growth. Globally, companies are having trouble filling critical positions — roles in which they need people with the advanced skills essential to move the business forward. Consider just a few examples:

- In India, the percentage of employers having difficulty filling positions in 2011 jumped 51% from the previous year, according to ManpowerGroup, a global HR consultancy.
- A 2012 survey by the Corporate Executive Board showed that 60% of organizations were experiencing a leadership shortage, an increase of 40 percentage points from the previous year.
- In a recent study of employers worldwide, Towers Watson found that 72% of respondents reported difficulty finding and keeping the high-potential employees essential to boost their global competitiveness.

This report examines the talent expectations gap — the disparity between what companies expect from their workforce and the skills and capabilities that are available in the marketplace. Our survey results show that companies understand where they need to be in terms of talent but are struggling to get there. For example, they realize the importance of a global mindset but are unable to implement effective mobility or diversity strategies, and although they recognize the need to obtain the best talent, very few are investing enough to do so.

The expectations gap stems largely from the fact that most global organizations operate under an outdated talent management model. Developed in the 1980s and 1990s, that model was built for a time when demand was predictable, workloads stable, markets and management competencies well understood, and the upheavals caused by shifting demographics and technological advances still far in the future. But there has been a sea change in the world since then. To even attempt to close the talent expectations gap, companies will need to change and flatten traditional organizational structures; allow for a vast diversity of cultures, ages, backgrounds and geographical locations; and adopt new and more inclusive leadership styles. The recommendations we propose in this report will help organizations move more effectively down this path.

When it comes to reconstructing their talent management models, companies may have made some small, incremental changes around the margins, but few have done enough to adapt their approach to meet the complexities of the current economic and market environment.

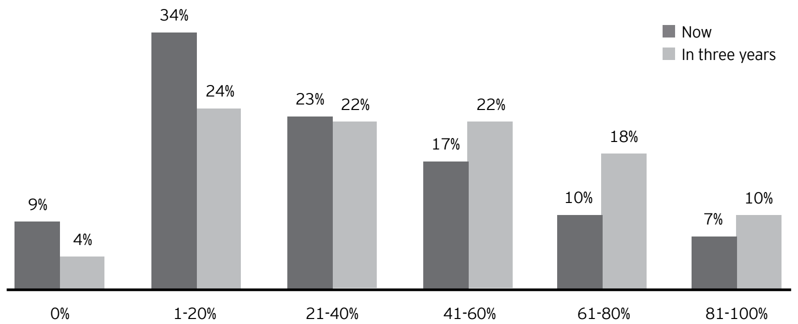
Following are five key challenges that we believe will force companies to rethink their approach to talent management. We then propose a set of options that we think will help companies address these challenges and position them to compete more effectively in a global arena.

Challenge 1: Corporate workforces are becoming more global, but talent management is not keeping pace

Today, it's hard to find a corporation that isn't global. Among our survey respondents, just 9% say that their workforce is based entirely in the country of their corporate headquarters and, in three years' time, this proportion will fall to 4% (see Figure 1). Yet those organizations with an overseas workforce of more than 60% score lowest on adapting talent management to changes in the business environment, understanding the relationship between talent and company performance, and investing in talent management (see Figure 2).

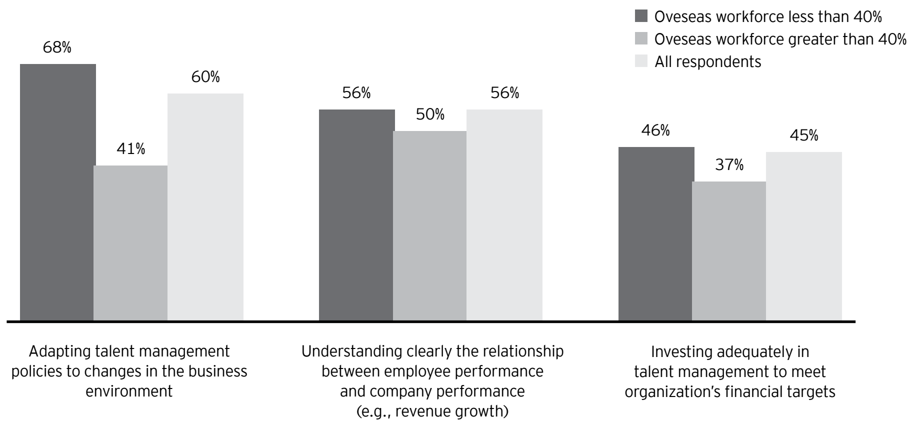
This gap will have fundamental implications for the way companies manage talent. Companies will need to create career paths that give high-potential managers and executives exposure to different markets to broaden their knowledge and make them more appreciative of different cultures. Furthermore, the old hub-and-spoke model of a strong headquarters and a weak subsidiary that must look to the center for all key decisions will no longer be suitable.

Figure 1: ***What percentage of your organization's workforce is based in a country other than where the corporate headquarters are located?***



Note: base = 596

Figure 2: ***How effective is your organization at the following aspects of performance and talent management?***



Shown: Percentage of respondents selecting "excellent" or "good."
Base: Overseas workforce: less than 40% (338), greater than 60% (100), all respondents (596).

"Of all the barriers that can impede execution, talent is by the far the most critical. Without the right people in place to implement the strategic choices that have been made, companies will find it impossible to meet their objectives. I just cannot overestimate how critical it is to have the right talent and capabilities in place, and how easily lack of talent can become a barrier to growth."

Achal Agarwal, President Asia-Pacific, Kimberly-Clark

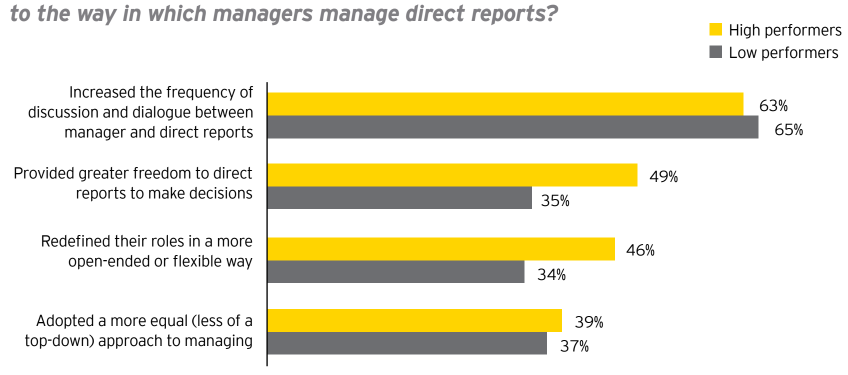
Our survey results show a link between more decentralized decision-making and stronger financial performance. High performers are much more likely to have granted greater decision-making freedom to direct reports and to have redefined their roles in a more open-ended and flexible way (see Figure 3).

It is also essential for organizations to prepare their managers for future leadership positions by giving them exposure to different business and cultural environments. Yet companies struggle with this. Even among high performers, only slightly more than half (53%) create opportunities for employees to work in different countries (see Figure 4). This could be because of logistical difficulties such as tax barriers or stringent immigration laws; cost pressures; or post-assignment attrition rates, a common challenge. According to a survey by Brookfield GRS, an executive relocation consultancy, 38% of overseas assignees leave the company within a year of completing their assignment, and 61% leave within two years.[1] In an Ernst & Young survey of more than 520 companies, 27% of international assignees returned to their old jobs, and 11% resigned within two years of completing their assignments.[2] "Overseas assignments are very often value-destroying – not because companies don't select the right people but because they don't know how to bring them back," says Boris Groysberg, Professor of Business Administration at Harvard Business School.

Footnotes

1. "Repatriation the Right Way," *Strategic Advisor*, Brookfield Global Relocation Services, February 2011
2. *Driving business success: Global Mobility Effectiveness Survey 2012*, Ernst & Young

Figure 3: ***In the past three years, what changes has your organization made to the way in which managers manage direct reports?***



Base: 297 (high performers = 154, low performers = 143)

Figure 4: ***Which of the following are part of your organization's strategy to manage a multicultural or international workforce?***

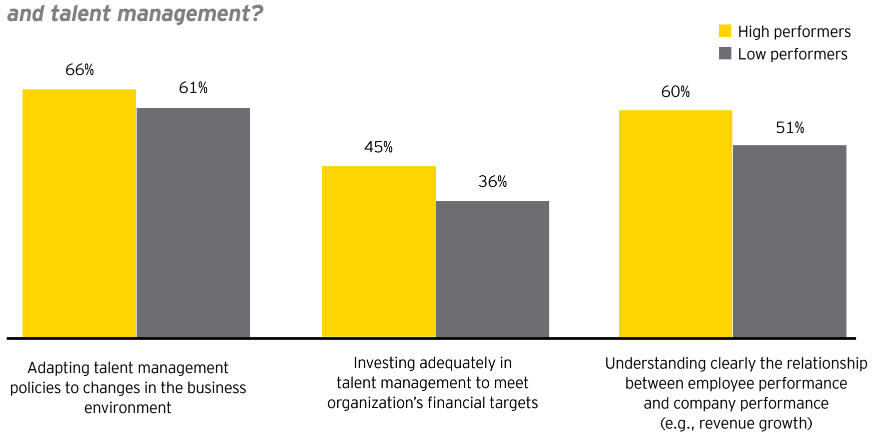
Base: 297 (high performers = 154, low performers = 143)

Challenge 2: Companies struggle to invest strategically in talent management

Achieving superior financial results on a sustainable basis depends on making the right investments in talent. Yet it is clear that companies remain reluctant to make that commitment. Even among high performers, just 45% say their company is effective at investing adequately in talent management to meet financial targets; among low performers, this proportion falls to 36% (see Figure 5).

This goes to the very heart of the expectations gap: companies still find it difficult to make an explicit link between their strategic objectives and the talent required to meet those goals. "CEOs are very good at articulating what the company needs to do to sell more products or increase margins, but they are not so good at explaining whether they have the workforce in place to achieve those goals," says Jeff Joerres, CEO of ManpowerGroup. "When everyone is competing for the same kind of talent, you need a much clearer way of explaining how you will attract those people to your organization."

Figure 5: *How effective is your organization at the following aspects of performance and talent management?*



Base: 297 (high performers = 154, low performers = 143)

Wanted (right now): top talent

Dina Pyron
Global Director, Human Capital
Ernst & Young

"In a fiercely competitive global arena, it is critical for organizations to have the right talent in the right place," says Dina Pyron, Ernst & Young's Global Director of Human Capital. "Organizations have to focus on this as a priority. It's not a choice anymore. Otherwise, they could very likely lose their competitive edge, and it won't take 10 years – it could be gone in three to five years. If companies are not taking action now, they will lose this window of opportunity."

As companies globalize, talent and geographic location don't always match, Pyron points out. "An organization looking to expand needs to be able to find where the talent is and deploy it globally," she says.

Companies in rapid-growth markets, for example, recognize the urgent need for talent on the ground, notes Pyron. Many companies in these markets develop local talent by sending managers to mature markets for obtaining global exposure and experience that they can later use back home; at the same time, these businesses are bringing senior executives into rapid-growth economies to deal with immediate challenges in the local market. "As such, they are planning for both short- and long-term objectives," says Pyron.

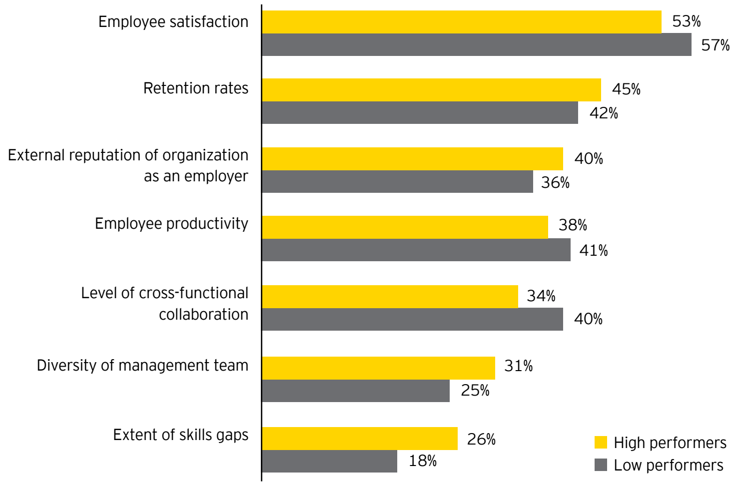
But no matter where an organization is based, it cannot operate or grow revenue in isolation - its leaders and employees need to have a global mindset. The term is often used to refer to cultural awareness, but it means more than that, explains Pyron. "It's also about having a business global mindset," she says. "A business global mindset is about going beyond knowing how to do business in a local market. It's about understanding, for instance, how a Brazilian company operates. It's about understanding that succession planning in a local market is not enough. Of course, there is also a cultural aspect to business. For example, a business may be structured differently in terms of who takes responsibility for what – the CEO may be responsible for talent rather than a talent officer."

Ultimately, it's important to remember that talent is a top-level, strategic priority, Pyron emphasizes. "If CEOs are not thinking about retaining good talent, recruiting good talent, and how the definition of reward is changing – it's no longer just about compensation but also about career and learning and development opportunities – then they may not see their businesses expanding from a financial perspective. They are thinking short-term."

> "Diversity is more than a strategic imperative; it's got to be part of our DNA. ... We purposely put together heterogeneous teams because we know that the more heterogeneous the team, the greater the innovation."
>
> Bob McDonald, President and CEO, Procter & Gamble

Challenge 3: Measuring the effectiveness of talent management remains a challenge

Figure 6: *Which of the following metrics do you consider to be the most important determinants of an effective talent management program?*



Base: 297 (high performers = 154, low performers = 143)

Many business leaders struggle to articulate a clear link between people and broader corporate performance. Part of the problem is that the metrics that really matter are the most difficult for companies to capture. Our survey respondents mainly point to easily quantifiable outputs, such as employee satisfaction and retention rates (see Figure 6).

Tammy Erickson, an expert on organizations and the changing workforce, argues that metrics such as retention rates do little to explain whether a talent management approach is effective. "The fact that you were able to coax some mediocre person to stay with you for 20 years, even though they were never really qualified for any of the jobs you asked them to do during that period, is a pretty useless statistic when you think about it," she says. "What you really want to know is whether there is a gap between the person who filled the job and the ideal qualifications that the position requires."

And yet few companies focus on skills gaps. Even among the high performers in our survey, just 26% think the extent of skills gaps is an important determinant of effective talent management, and among the low performers, this drops to 18% (see Figure 6). "The identification of skills gaps is a crucial part of workforce planning, but there are few companies that are able to capture this information effectively," says Bill Leisy, Global Talent Management Markets Leader at Ernst & Young. "If companies had a better sense of the looming skills gaps, where and when they need those skills, then their senior management team would quickly understand that they should think more strategically about what they need."

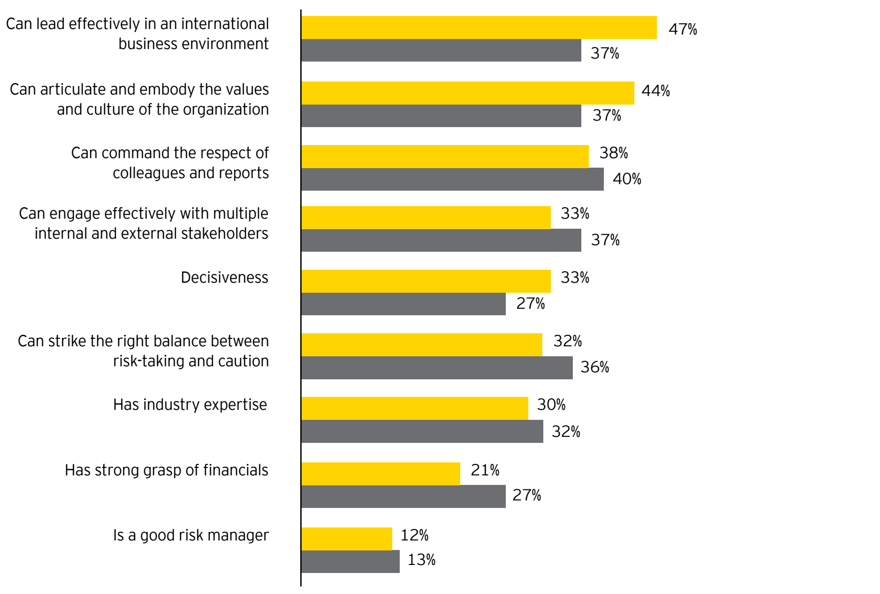
> "Local talent and even expats' talents are being heavily sought after."
>
> Jean-Jacques Guiony, CFO, LVMH

Challenge 4: The skills and competencies required by future business leaders are changing

The "softer," the better: the high performers in our survey are much more likely than their lower-performing counterparts to consider "softer" attributes important for C-level leaders. For example, they place greater emphasis on leading effectively in an international business environment, along with the ability to articulate and embody the values and culture of the organization (see Figure 7). By contrast, the lower performers place greater emphasis on the more traditional, "hard" leadership skills, such as industry and technical expertise and grasp of the financials.

"The idea of simply having a very strong subject-matter expert in the senior ranks of the company just isn't a viable model anymore," says Leisy. "Subject-matter expertise is a given. Companies need to adapt their talent management approach so that they can better identify and nurture the 'softer' skills that have now become so critical to business leadership."

Figure 7: *What do you consider to be the most important attributes for potential C-level leaders of your organization?*

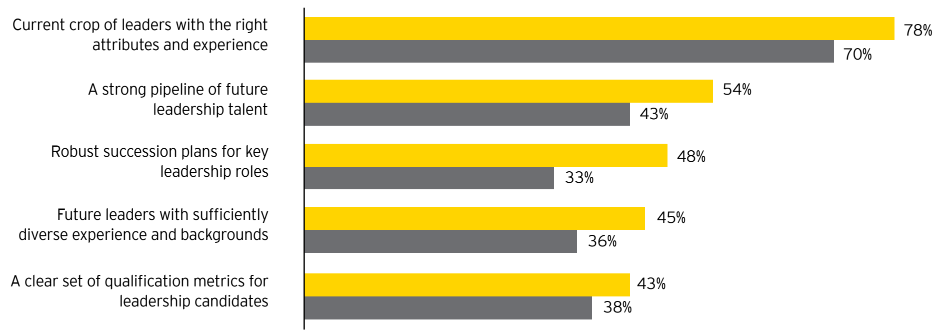


Base: 297 (high performers = 154, low performers = 143)

Challenge 5: Companies lack robust succession plans to identify the next generation of leaders

Our survey suggests that businesses may be on the brink of a leadership crisis. For now, most companies in our survey seem broadly satisfied with their current leadership, with 78% of the high performers and 70% of the low performers agreeing that they have the right attributes and experience in place (see Figure 8). But when it comes to the next generation of leaders, the gap between these two groups widens significantly. Even among the high-performing companies, there is a real lack of confidence about the next generation of leaders. Only slightly more than half (54%) agree that they have a strong pipeline of future leadership talent, compared with 43% of the low-performing companies. Companies are even less optimistic that they will be able to find leaders with sufficiently diverse experience and backgrounds, with just 45% of the high performers and 36% of the low performers agreeing that their organization has addressed these aspects of leadership development.

Figure 8: *To what extent do you agree that your organization has the following aspects of leadership development in place?*



Base: 297 (high performers = 154, low performers = 143)

Boris Groysberg, Professor of Business Administration at Harvard Business School, finds a similar gap between current and future leaders in his own surveys, with a significant discrepancy between executives' views of their top management team today and their views of the next group of leaders. "Companies are simply not doing what it takes to build the next generation of leaders," he explains. "They have a capable CEO and executive team, but when you look at the leadership bench, it doesn't exist."

There are clear weaknesses in the processes by which companies identify the next generation of leaders, even among companies with the strongest performance. Less than half of our high-performing respondents (48%) report that they have robust succession plans in place for key leadership roles but, among the low performers, this falls to 33% (see Figure 8). Companies also struggle with determining the right process for choosing a new leader. Among our respondents, just 43% of high performers and 38% of low performers agree that their organization has a clear set of qualification indicators for leadership candidates.

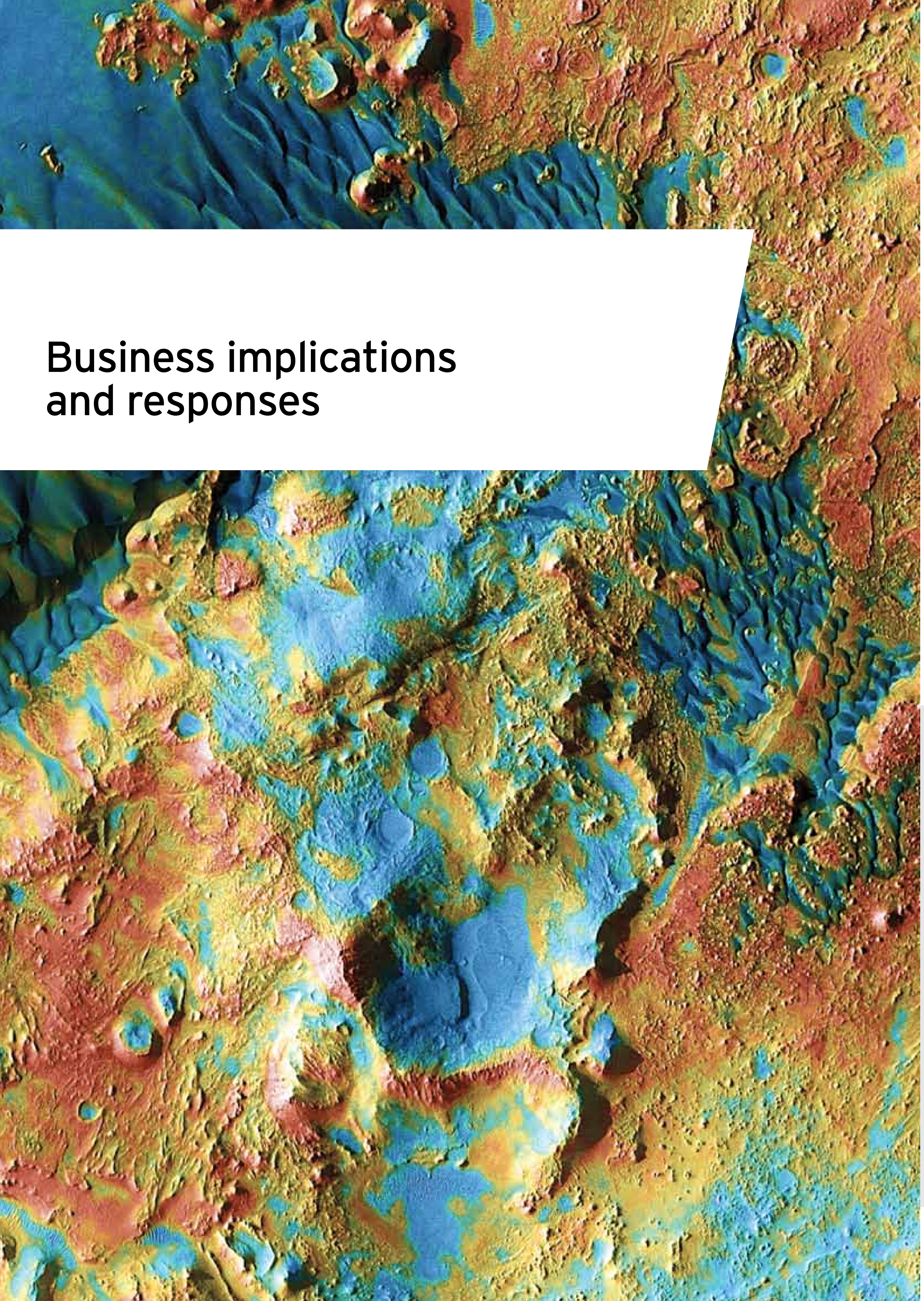
In search of the right skills: managing talent in the oil and gas sector

Talent management is a major challenge in the oil and gas sector. Not only do global companies have to recruit and retain highly skilled and mobile workforces, but they must do so in an increasingly competitive labor market where competition for the best resources is intensifying.

The industry is entering a period of major capital investment to replace existing depleting reserves and to meet the growing energy needs of a rapidly increasing global population. It is moving into new areas – East Africa, Brazil, the Arctic – and into new and unconventional energy sources – ultra-deepwater, shale gas and oil, tar sands, and heavy oil. These challenges are magnified by the fact that as many as half of the industry's engineers will reach retirement age within the next 5 to 10 years, just as their expertise is most needed. While new technology is enabling greater automation and remote working, a serious skills shortage is likely to affect companies' abilities to develop new assets. These shortages are likely to be most felt in those countries with fledgling or new oil and gas industries. Brazil, for example, is looking to persuade expatriate Brazilians with oil and gas expertise to return home in order to help develop new offshore discoveries. In Australia, Brisbane, a relatively small city, is home to four separate large LNG projects, with each one placing huge demands on the local labor market.

The largest oil companies have traditionally been good at retaining talent, often through generous remuneration packages, including final salary pensions. But mobility is increasing across the sector, with fewer and fewer engineers locked into the job-for-life culture. The relative shortage of candidates in the talent pools from which executives have traditionally emerged – engineers, geologists and others with a technical background – may accelerate a trend that is already becoming apparent in oil and gas: a move toward management teams with more diverse backgrounds. And as society becomes more concerned about issues such as environmental pollution and climate change, many companies are looking beyond traditional engineering skills to recruit leaders with more experience in reputational risk, media management and corporate governance. The profile of HR is rising, and it is increasingly seen as a crucial enabler of talent management in a sector that is taking this issue very seriously.

By David Harrison
Markets Director, Global Oil and Gas Center
Ernst & Young



Business implications and responses

There are no easy, one-size-fits-all solutions to talent management problems. Nevertheless, we believe that there are a set of options that all companies should consider in order to strengthen their talent strategies and address some of the challenges that we have explored on previous pages.

Align and integrate talent management across the business

Successful talent management is not just a question of recruiting, retaining and developing a high-performing workforce. Companies also need to ensure that they align their talent management processes with their culture, values and strategic goals, and that they integrate these programs across the entire organization.

By aligning talent management with business strategy, companies can help to ensure that they recruit, retain, develop and reward employees in a way that supports their key objectives. "You have to look at your workforce and determine whether it can fulfill each element of the corporate strategy and, if not, what will need to be done through career development, leadership development, recruitment and succession," says Ernst & Young's Leisy. "Companies must be able to identify gaps and fill them in a way that both aligns with business strategy and enables the development of a strong leadership pipeline for the future." Integration takes this process one step further by ensuring that there is a cycle of workforce planning, feeding into recruitment, which in turn feeds into functions such as onboarding, learning and development, and succession planning.

Alignment between corporate strategy and talent management requires an HR function that is embedded in the business and acting as a partner to it. Joerres of ManpowerGroup believes that HR professionals need to be developed as strategic thinkers rather than as technical experts. "In the past, HR professionals have felt very comfortable in that technical role, and the leadership of the company has been quite happy to keep them in that box. But we need to move on from that and create a situation where HR and management are working together to achieve strategic objectives."

In search of balance: managing talent in the automotive sector

By Jeff Henning
Global Automotive Markets Leader, Ernst & Young

Automotive companies that aspire to operate as true globally integrated players need a global workforce. But this presents some significant challenges that many in the sector are only just beginning to grasp. Many Western automotive companies that are seeking to solidify their market positions in the highly competitive rapid-growth markets such as India and China report difficulties in attracting and retaining skilled staff in these countries, which raises the long-standing question of whether to staff up with expat workers or take the time to develop skills locally.

This balancing act is just one part of the equation for automotive businesses that are now trying to build talent management strategies for a globalized world. The need to expose young, high-potential executives to both developed and rapid-growth markets is compelling. But so too is the need to expose them to different functions in the business. Many automotive companies are actively building local talent management programs (particularly in high-growth regions) to provide a sustainable base of resources for the future. They also seek to be truly global in how leadership teams operate and interact with each other.

Dealing with these issues requires the automotive sector to think much more globally about local talent management. This is not to suggest a one-size-fits-all approach — instead, companies need to think strategically about how best to exploit their human capital around the world in order to capture valuable opportunities.

One trend in the automotive sector may make a difference. Since the financial crisis, many businesses have reshaped their leadership teams. Five years ago, industry veterans filled almost all C-suite jobs. Today, many companies are more actively recruiting senior leaders from outside the industry. GM, for example, now has a CEO, a CFO and a CIO drawn from beyond the automotive sector. In many cases, this broader approach has brought a valuable new perspective to an industry that has, in the past, tended to be somewhat insular.

A less conservative or traditional style of leadership may also help to head off the potential culture clashes that globalization brings. By implementing a talent management strategy that embraces diversity and plurality, companies in the sector can increase their chances of operating effectively at a global and local level.

Rethink approaches to international mobility — and reintegration

As companies diversify their international footprint, it becomes increasingly important for executives who occupy senior leadership positions to have work experience and knowledge within international markets. Rather than rely on a small group of highly paid expatriate workers, companies should embed mobility into their leadership and high-potential programs, creating a multi-directional flow of talent between and among developed and rapid-growth markets.

This means adopting a highly strategic approach to mobility, where the experience forms part of a long-term program of leadership development and succession management. "Companies need to consider mobility as part of building the career path for future leadership," says Ernst & Young's Leisy. "This means taking a strategic rather than a reactive approach to career planning so that there is a formalized and structured model for personal development to ensure that potential leaders have the right mix of experiences, skills and competencies to be successful in a variety of global markets."

This strategic approach to mobility means that companies must pay greater attention to repatriation before an assignment is over. "High-performing companies carefully consider which jobs and individuals need what international experience, in what markets, when, for how long, and to fill what potential future roles," says Leisy. "They also think about the effectiveness of the assignment both for an individual's development and meeting business needs. Repatriation becomes one step in the development and succession of future leaders and managers, taking them to the next stage in their careers."

"We delegate a lot of responsibilities and power to our local managers. We take a global view of their numbers, their development, their plans — two, three, five years out. But we empower them to do locally what we would expect them to do. We believe that a good Chilean CEO is good in Chile, and since the market in Brazil is so different, we would not expect him to succeed as well as a good Brazilian CEO would in Brazil."

Sergio Bunin, Head of Latin America/Asia, Talanx International

Create the right blend between global and local talent management

Multinationals have become accustomed to thinking about the right mix between globalization and localization when it comes to their customers. They may seek economies of scale with activities such as procurement, but they will typically ensure that their go-to-market strategies are, to some extent, localized within each market.

When it comes to talent management, however, few companies have made this leap. Most will do what they can to standardize and globalize their talent management practices in the hope that this will enable them to compete more effectively for talent on an international basis. But as Tammy Erickson explains, this one-size-fits-all model will not work. "I get very nervous when companies talk about globalizing their talent management practices, because people are so different around the world," she says. "Although there are certain efficiencies companies can achieve, for example by having a global IT system for the HR department, it is absolutely essential that they think locally about how to attract talent, shape their messages and position their company as an attractive destination to work."

Joerres believes that companies should think in terms of frameworks when deciding which talent management decisions should be determined centrally and which allow local interpretation. By splitting a framework into two components – fixed and flexible – a lot of the mystery is removed from accountability for decision-making. "The fixed parts of the framework are non-negotiable, and that means that you need to abide by them regardless of where in the world you are," Joerres says. "The flexible parts, on the other hand, can be localized by managers on the ground according to their interpretation of local conditions."

In search of agility: managing talent in the consumer products sector

By Emmanuelle Roman
Global Consumer Products Markets Leader, Ernst & Young

Consumer products companies are facing a "brand new order," an environment of spiraling complexity and unprecedented pace of change in which many tried-and-tested ways of creating value are no longer fit for purpose. To succeed, companies need to rethink their approach to talent management.

When surveyed for Ernst & Young's *Brand new order* report on consumer products companies,[3] many respondents admitted that talent is a key challenge. Just 20% of companies said they were very good at attracting and optimizing talent and resources, and 36% identified talent as the single most significant barrier to the execution of strategy.

A key problem is that the skills and capabilities needed in the past are insufficient for companies to thrive in the brand new order. Entrepreneurialism, agility, adaptability and diversity are more critical than ever before. Among the consumer products executives surveyed for this report, there is also greater concern than in other sectors about the quality of the next generation of leaders. Filling this gap should be a key priority for boards and management teams in the sector. Other strategies must include a free flow of talent between developed and rapid-growth markets; ensuring that managers have a holistic view of the business; looking for people with diverse backgrounds and experiences; and aligning different functions, so that, for example, the marketing function understands the consequences of its decisions on the supply chain.

In a volatile, uncertain, complex and ambiguous environment, consumer products leaders should empower and challenge their organizations to rethink how they do things, rather than simply tinkering with existing processes and ways of working. Companies need to build a workforce that thrives on curiosity and that is prepared to explore new options and do things differently, at a rapid pace.

Footnote

3. *Disrupt or be disrupted: creating value in the consumer products brand new order,* Ernst & Young, 2012

Use analytics to identify talent gaps and gain a better understanding of workforce behavior

Workforce analytics offers companies the opportunity to gain a better understanding of where skills gaps lie and how talent management decisions feed into broader corporate performance objectives. At present, this is a capability that few companies really do well. Effective workforce analytics starts with having accurate, complete data. Some companies already have this in place, while others are far behind or may have data that is scattered across disparate, unconnected systems and spreadsheets. By aggregating data into a single source, companies can have the foundations in place to perform more detailed analytics, either with a single data set or by combining multiple sources to examine the relationship between them.

At the advanced end of the spectrum, companies are using predictive workforce analytics to forecast potential shortages or surpluses of talent, or to assess how industry cycles will affect the availability of the right human capital resources. Dow Chemical, for example, has mined three years of historical data on its 40,000 employees to anticipate workforce needs based on predictions of promotion rates, internal transfers and overall availability in the labor force. It has created a custom modeling tool to segment the workforce and calculate future headcount for the entire company.[4] The company can then carry out "what if" scenarios to determine how different external or internal factors might affect the availability of talent for different business units.

"More and more organizations are implementing tools that will enable them to identify skills gaps," says Leisy. "But equally, companies need to be careful that they do not expect too much from analytics. Technology is a supporting mechanism for executing talent management, but it isn't the solution to everything."

Footnote

4. "It Makes Sense to Adjust," Strategy + Business website, http://www.strategy-business.com/media/file/sb59_LeadingIdeas-3.MakesSense.pdf, accessed 31 October 2012

Take a long-term approach to developing the next generation of leaders

Our survey respondents are concerned that they do not have the right processes in place for developing the next generation of leaders – who themselves are likely to require quite different skills and competencies from their predecessors. This highlights the need for companies to take a much longer-term approach to leadership development, extending succession planning beyond the immediate top team to encompass other high-potential leaders across the organization.

High-potential programs are expensive and can, if they are not run correctly, simply turn into training grounds for the competition. A high-potential manager who becomes disengaged from the process or fails to secure an expected promotion may quickly become disillusioned and decide that the opportunities for advancement are better elsewhere. A second problem is that past performance is not always a predictor of future potential. Managers who excel in the early stages of their career will not necessarily maintain that high level of performance, and this means that high-potential programs may not always select the best people for future senior-level roles. "It's hard to predict future performance, so any high-potential program needs to be crystal clear about how it defines potential in the first place," says Groysberg. "That is not any easy thing to do, and not enough companies take the fundamental step of determining what they are trying to measure and predict."

In search of global reach: managing talent in the asset management sector

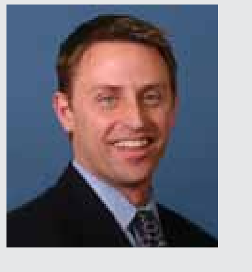
For the asset management sector, new financial services regulations could be a valuable opportunity from a talent standpoint. These regulations include curbing banks' proprietary trading or possibly ring-fencing traditional retail bank activities. Over the past two years, leading banks have shed thousands of trading and operations positions, and there may be more culling on the way. Given this changing landscape, affected individuals are now keen to apply their skills in the asset management industry.

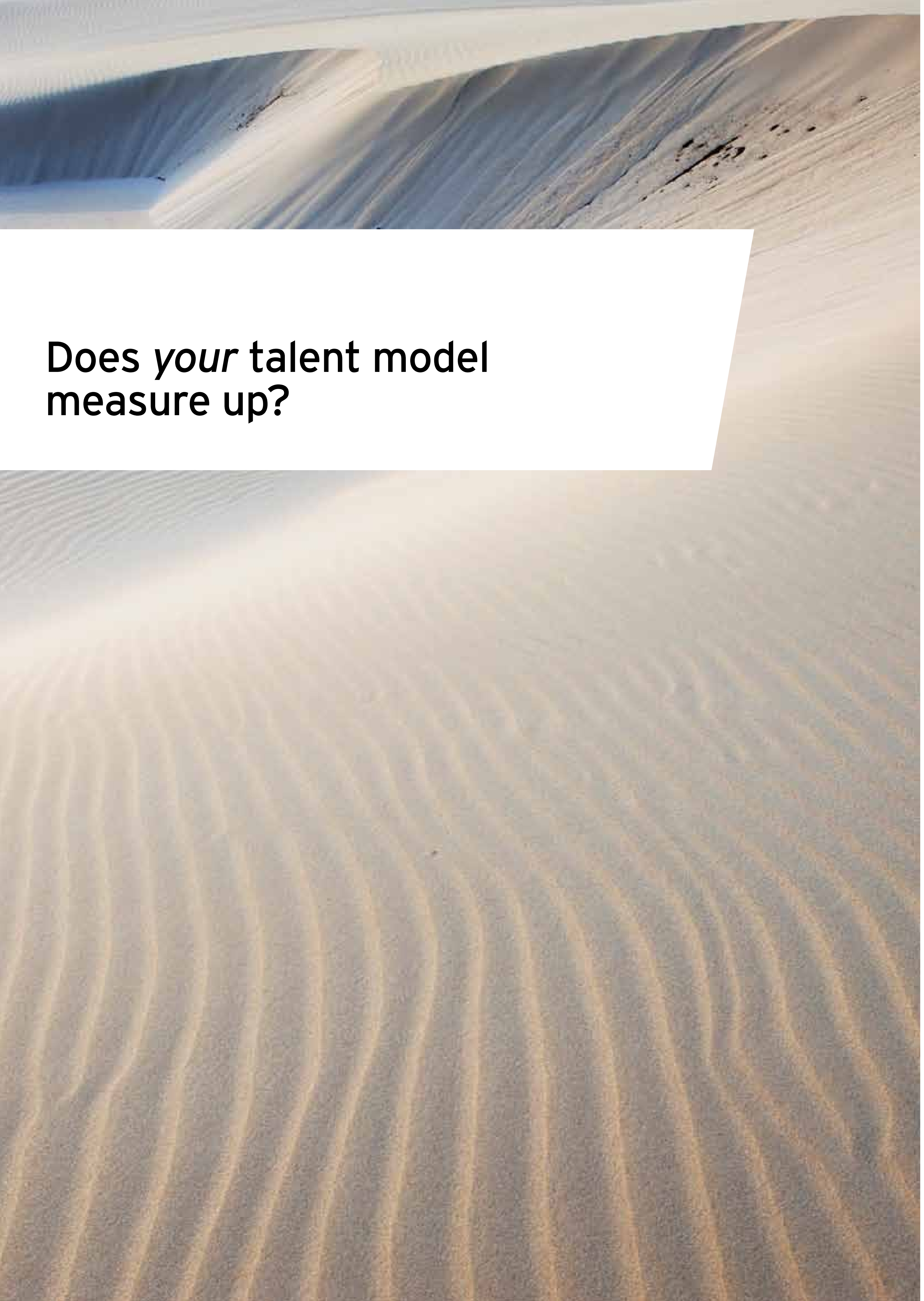
Asset managers should take advantage of this new supply of talent. But asset managers will need to think carefully about how they transition that talent and how they structure compensation in a way that motivates traders while aligning their interests with the manager's fiduciary responsibilities.

Asset managers face their own regulatory challenges. More than ever, the sector needs a workforce that can meet the demands of heightened regulatory reporting and investor communications. In addition, many asset managers have not done enough thinking about succession planning in recent years, and now face the challenge of recruiting and developing the next generation of leaders. Transitioning talent from the banking community could be part of the solution, since the banking sector has experience in operating in complex environments.

A key part of the sector's growth trajectory will involve building global reach. Mobility will be a part of this, but it is not always easy to move talent around the world. A credit trader may be a high performer in one market but not necessarily in another. By contrast, operational roles — such as setting up controls, infrastructure and compliance — may be more transferable across geographies, although still subject to local idiosyncrasies. Addressing these challenges will require asset managers to think carefully about how they structure themselves and how to balance central decision-making with local autonomy.

By Michael Lee
Global Markets Leader, Financial Services
Ernst & Young





Does *your* talent model measure up?

A paradigm shift in talent management for the 21st century is not easy to pull off. It is one thing to understand an urgent need for change, but quite another to implement it. Our research shows that most businesses inherently understand the connection between employee performance and organizational performance. Yet they do not invest adequately in talent management, possibly because they find it difficult to quantify the return on what is often a substantial investment. How can businesses maximize this return? Here are three key strategies:

1. Think long term. This goes beyond trying to make an immediate and "direct" connection between the investment and the return on talent. Investing in talent has a long-term outcome. It may be years before a company sees the results. Most corporate programs such as mobility, performance management, and recognition and rewards are short-term inputs, which is why you often hear about how "expensive" it is to move a high-performing candidate overseas. If companies were to consider, instead, how that person could get critical market experience and skills to be groomed for a CFO position someday, somewhere, that would present an entirely different return on investment.

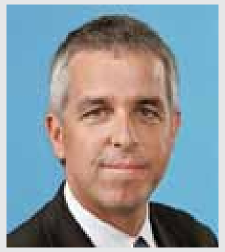
2. Measure the right outcomes. Our survey shows that companies are still using traditional measures to grade outcomes, such as employee satisfaction, productivity, engagement, collaboration and retention. But the future of effective talent management lies elsewhere. It will derive from practical measures such as filling key positions with promising candidates from within the organization; developing job-specific employee skills and leadership competencies; assessing and later validating these through recruitment, selection and development processes; and evaluating talent management's impact against key financial and non-financial performance objectives.

3. Adopt a disciplined approach. Unlike most other organizational functions, "talent management" remains difficult to define, and its processes and outcomes vary widely across organizations, geographies and sectors. But high-performing organizations tend to have similar approaches to talent management. They treat it as a disciplined process of alignment to the business strategy, integration of talent programs across the organization and measuring results to validate business strategy execution. The high performers in our survey invest more in talent, focus on closing skills gaps, have more customized training and development programs, identify future leaders earlier in their careers, and have robust succession plans in place. They also focus more on "soft" leadership skills such as the ability to embody the organization's culture and values and to lead effectively in a complex global business environment. That's a lot to do – but to prepare for tomorrow's uncertain and volatile business climate, companies cannot afford to do anything less.

"Talent is the biggest challenge for growth in the high-growth regions of the world. How do you take talent and build an organizational capability that allows you to make real-time decisions closer to your customers? The headquarters mentality of the 1990s is just not going to work."

Shane Tedjarati, President and CEO, Global High-Growth Regions, Honeywell

In search of new solutions: talent management in the mining and metals sector



By Mike Elliott
Global Mining & Metals Leader

Catherine Choate
Partner, People & Organization
Ernst & Young

Investment is crucial in the mining and metals sector, yet over the past decade some categories have received more attention than others. While many businesses have spent huge sums on the cutting-edge plant and machinery that they need to access new resources and improve productivity, the same level of commitment has not always been so apparent when it comes to human capital.

If growth continues at the same pace, mining and metals companies will find themselves competing even harder for a limited pool of talent, leading to wage inflation, lower margins, technical difficulties and possible project delays. Also, increased resource nationalism and environmental awareness means that the skills of managers with narrow, technical backgrounds may not be sufficient to deal with the demands of a broader range of stakeholders. These stakeholders include governments keen to secure a greater share of their countries' natural resources, environmental campaigners, charities, non-governmental organizations and labor unions.

With skills shortage ranked as the second largest risk in Ernst & Young's *Business risks in mining and metals report 2012-2013*, the industry's focus on people management is now more important than ever before. In a productivity survey released in Australia in May 2012, the mining sector was ranked well below the national productivity average.[5] As a first step, companies need to understand and increase the productivity of their existing workforce through the inclusion of productivity in their key performance indicators and incentive schemes.

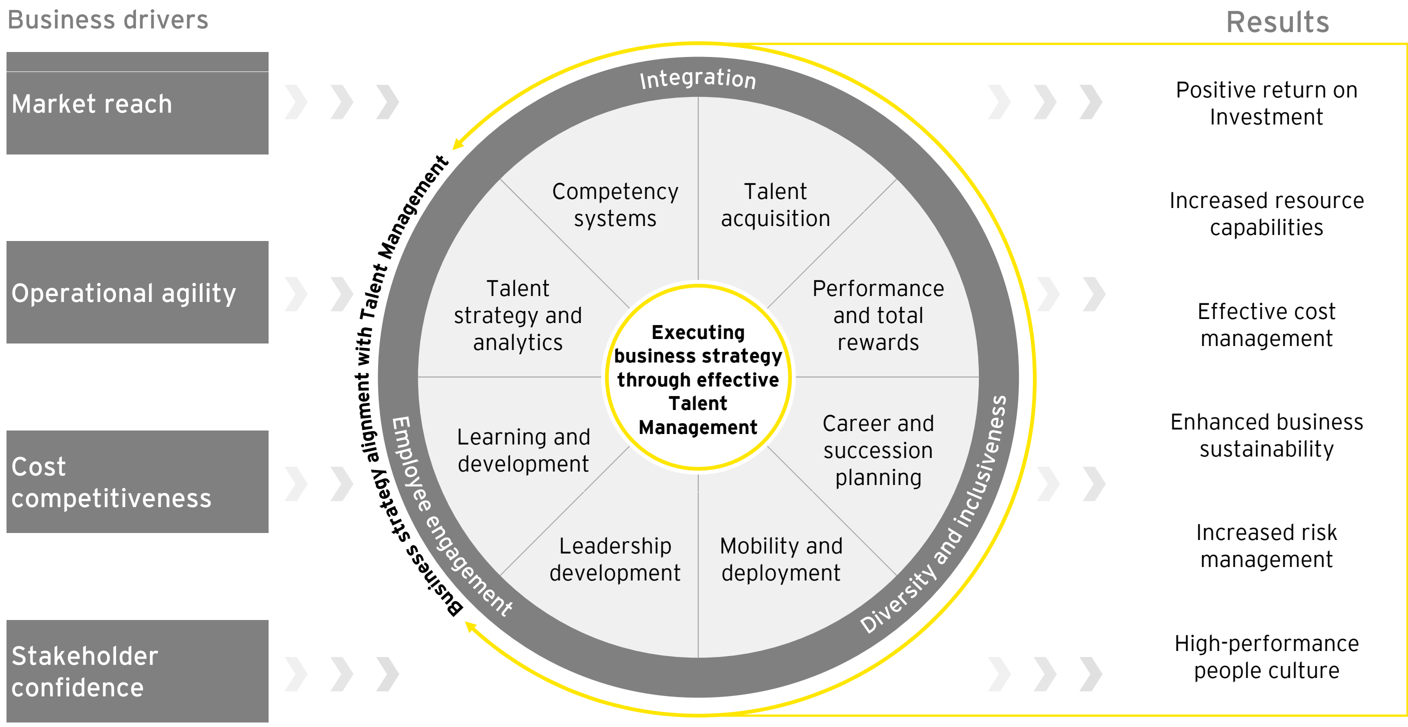
Technology is also part of the solution. Strategic investments in remote working solutions, such as driverless trucks and trains, mean that fewer people are needed on the mining site. This enables operating hubs to be located in the cities where there is a larger and broader talent pool and a lower cost operating base.

Efforts are also being made to attract and retain older, more experienced staff and to broaden the recruitment pool by appealing to women and indigenous workers, two significant talent pools that are not fully leveraged by the sector. Additionally, the sector is looking at talent from other sectors with similar or complementary skills, such as oil and gas and manufacturing.[6] In some countries, mining and metals companies are working with governments to help develop tertiary education and vocational courses to create a stronger pipeline of potential local recruits.

Footnote

5. *The Ernst & Young Australian Productivity Pulse™, Wave 2,* May 2012
6. *Business risks in mining and metals 2012 - 2013,* Ernst & Young

The talent equation



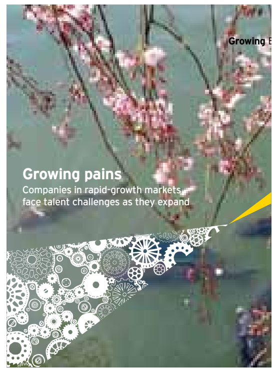
Every company faces unique challenges and business drivers. No single talent management approach applies to all of them. Yet Ernst & Young's research and client work indicate that leading companies adhere to the following principles:

- Talent management (how an organization manages and develops its people consistent with its business strategies) must be an integral part of the business strategy to be effective.

- Alignment and integration are the keys to the success and effectiveness of global talent management and are proven to correlate strongly with superior business performance, both financial and non-financial.

This may sound simple, but executing it properly can be a challenge. Managing talent means trying to harness the full potential of your human or people capital – that intangible resource that brings the complexities and connections to human behavior.

Related Ernst & Young thought leadership



Growing pains: companies in rapid-growth markets face talent challenges as they expand

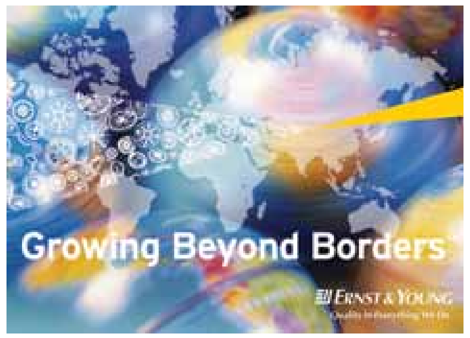
Getting the talent equation right has never been easy for businesses, but as companies globalize, it is proving exceptionally difficult. Learn about our survey and four major talent-related challenges that this report identifies.

Driving business success: Global Mobility Effectiveness Survey 2012

Companies often experience a disconnect between global mobility aspirations and day-to-day operations. This report offers unique insights into the expatriate and mobile executive world, capturing where mobility is today and suggesting strategies for tomorrow.

Frequent business traveler survey report 2012

Many governments and authorities are modifying and alternating compliance rules pertaining to frequent business travelers. This report will help you understand how companies are managing their frequent business travelers from an employee and risk perspective.



Growing Beyond Borders™ (GBB)

Ernst & Young's Growing Beyond Borders™ (GBB) is an interactive tool that helps you navigate the challenges and opportunities in doing business across the globe. During a GBB session you'll explore publicly available data depicted in heat maps, competitive footprint views and comparison tables, both regionally and globally, to help you make better business decisions.

Your GBB session will help you:

- Identify and analyze risks tailored to your individual priorities and displayed visually to give you instant insights

- Seize opportunities for profitable growth based on a clear overview of your competitors' current position and gaps in the market

- Accelerate your decision-making, freeing up time to focus on implementing your strategy