

THE RAPIDLY EVOLVING GLOBAL WORKFORCE

ALIGNING TALENT AGAINST FUTURE GROWTH



Talent Intelligence
Leadership Risk Management

THE NEW NORMAL

It is well accepted in the global business community, particularly among Fortune 1000 companies, that succession planning is integral to future business growth. Despite the overwhelming acceptance of this fact, the vast majority of organizations recognize their own succession efforts as ineffective. Between an aging workforce and the prohibitive cost of unplanned vacancies, it is imperative that companies adopt a proactive approach to succession planning. By keeping an eye on external talent, organizations can maintain their ability to sustain growth and expand into new markets.

The Aging Workforce

According to United States Bureau of Labor statistics, between 2010 and 2020, the 55+ age group is expected to grow 38%, signaling an impending retirement boom of epic proportions. At the same time, experts anticipate the 25-54 age group will grow a mere 1.6% while the 16-24 age group will decline by 12.4%.¹ The implications for the C-suite are undeniable: extraordinary effort will be required to retain and train the talent of the future as baby boomers retire en masse. In the face of that reality, however, only 40% of executives believe their company is prepared to address an aging workforce.²

The Future is Today

Difficulty cultivating and retaining a strong workforce in the face of demographic change is not some vaguely distant obstacle to be tackled another day; it's a real and growing problem right now. 34% of companies face difficulty filling vacancies. In the United States, that figure is closer to 50% and management/executive vacancies were among the top 10 most difficult to fill.³

Aggressive expansion by businesses into emerging markets will only exacerbate the shortage. That very point was perfectly illustrated in Talent Intelligence's 2012 Global Study. Our data revealed that 80% of CEOs are planning significant organizational change in the next 24 months. What's more, the research suggests 25% of employer-identified high-potential employees had plans to leave their current companies.

Now, more than ever, companies must align their talent management function with their strategic planning process to keep pace in a quickly evolving global marketplace.

US Workforce 2010-2020

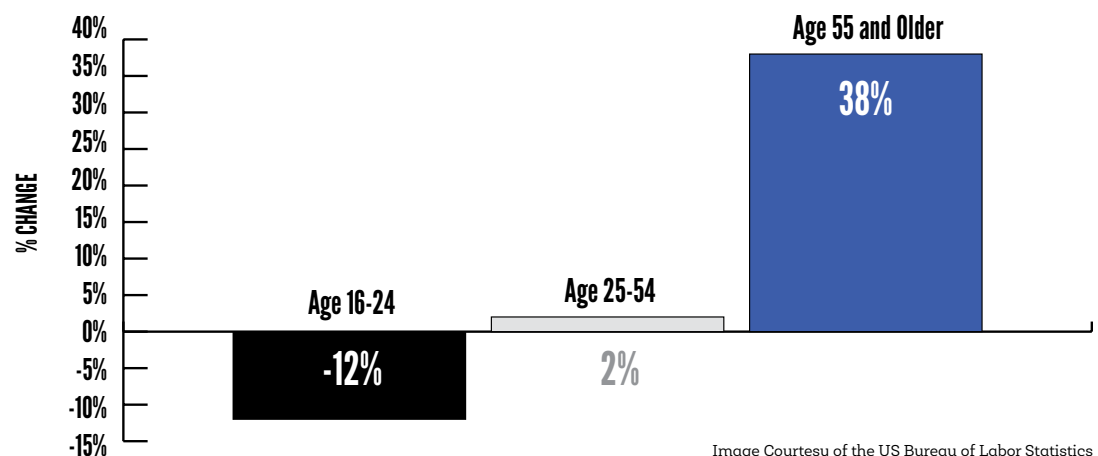


Image Courtesy of the US Bureau of Labor Statistics

¹ Toossi, Mitra, "Labor force projections to 2020: a more slowly growing workforce" Monthly Labor Review, Bureau of Labor Statistics, January 2012

² BusinessWeek Research Services, (October 2006), [Survey of BusinessWeek Market Advisory Board], <http://goo.gl/Kok30>

³ ManpowerGroup, (January-March 2012), [2012 Talent Shortage Survey Research Results], <http://goo.gl/NSfLb>



UNSUCCESSFUL SUCCESSION

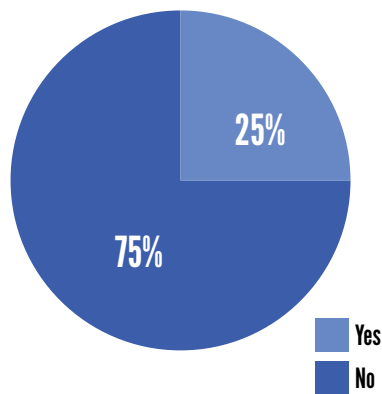
Recently, the Society for Human Resource Management announced the percentage of organizations with a formal succession planning process had dropped from 29% in 2006 to 23%.⁴

For organizations that do have a formal process in place, they often struggle to execute succession plans effectively. A number of factors contribute to poor results, from conducting succession planning only for the CEO, to prioritizing a successor's current expertise over their potential to step into a new role. One notable finding from Talent Intelligence's 2012 Global Survey indicated that after eliminating duplicate successors, the average succession plan achieved only 35% coverage.

There are other areas of succession planning where prevailing wisdom has fallen behind best practice. Those pale in comparison to one particularly pervasive dynamic that plays a major part in the demise of failed succession plans; replacement planning.

Many organizations that profess to practice succession planning actually practice some form of replacement planning. They might identify one or more individuals in the organization as potential successors to each key position and consider this "pool" to draw from when the position becomes vacant. They may even identify competencies required for each position and make an effort to create developmental opportunities to better prepare the employees in the "pool" for possible advancement. The problem is replacement planning restricts consideration of individuals in the pool for a particular position to a narrow silo of internal candidates working in a particular section or department, rather than focusing on the industry at large. More importantly, it makes the faulty assumption that the senior leadership structure will remain static over time. It is focused on the needs of the present and not the needs of the future.

Percentage of Managers Anticipating Talent Shortage In Next 3-5 Years



Data Courtesy of ManpowerGroup

Percentage of Companies Accounting for Aging Workforce Demographics In Hiring Process

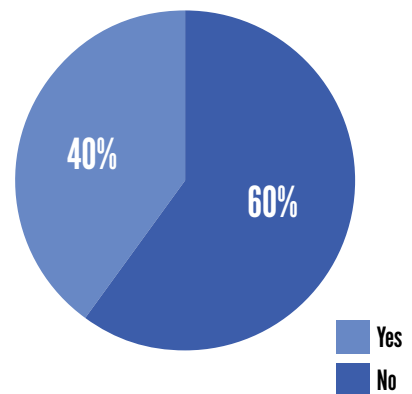


Image Courtesy of the US Bureau of Labor Statistics

⁴ Society for Human Resource Management. (June 2011). [SHRM Poll: Succession Planning]. <http://goo.gl/vDEqi>



Other Potential Challenges

Based on the results of Dr. Sullivan's research, a number of other problems stem from prolonged vacancies. These include management's reluctance to terminate poor performers, a lack of communication among strategic partners, suppliers, and customers, and a loss of confidence among analysts and the stock market.

A WAY FORWARD

The findings are clear; succession planning, integral to the success of any large organization, is becoming more important as the workforce ages and the baby boom generation retires en masse. Very few companies have implemented a succession plan and many that have suffer from poor execution. From disruption of product development to increased error, absenteeism, and tardiness, the cost of prolonged vacancy is unaffordable for companies focused on growth and expansion. Fortunately there are a number of steps business leaders can take to prepare for the evolving talent landscape.

Don't Plan for the Present, Plan for the Future!

A strong succession plan should start with succession profiles that reflect the company's future, not its present. This requires consensus among senior leadership about the vision of where the company should be in 3-5 years. It may be easier to ride the coattails of a departing CEO than to pursue a change in direction, but a company that does the former risks losing its competitive advantage.

External Candidate Benchmarking

One of the biggest mistakes companies make when developing a succession plan, is putting a narrow focus on the potential talent universe. Many business leaders tend to look for replacements within their company and often only within the confines of a particular department or division. While it may seem counterintuitive, companies with the greatest success in succession planning evaluate talent based on future potential rather than current alignment. Instead of limiting the search to employees that already occupy a given position, they identify high potential employees that can be groomed to fill leadership positions as they are envisioned for the future.

Further to that point, business leaders that truly employ best practices benchmark talent outside of their company. As a result, they are able to overcome the challenges of limited organization size or lack of suitable high-potential employees among other things. This kind of approach also gives companies the ability to properly mentor and develop rising stars by integrating them into the organization in anticipation of succession.

Ongoing Engagement

The overwhelming majority of our clients have developed succession plans in the past, only to watch them wither on the vine. Given how dynamic organizations and marketplaces can be, it is critical that succession plans not become static and thus obsolete when it becomes time for implementation. Through ongoing candidate engagement, a succession plan can become a living document, continuously strengthened as new developments are taken into account.

Ongoing engagement also protects companies from both organizational chaos and organizational insularity. An outsider can create ruinous clashes in a company by trying to impose systems the company rejects.

"Companies with the greatest success in succession planning evaluate talent based on future potential..." On the other hand, sometimes companies are in need of cultural transformation, requiring the perspective of talent from outside the organization. Continual engagement ensures companies have a diverse universe from which they can pull talent giving them the ability to properly gauge cultural fit far in advance of making an offer.

IMPLICATIONS

By planning for the future over the present, benchmarking external candidates, and continually engaging the marketplace, senior leaders can align their workforce planning process to their company's strategic business goals. In doing so, they will be leaps and bounds ahead of the competition and insure themselves against the risk of a rapidly changing workforce.

Talent Intelligence solves its clients' critical talent challenges through the integration of external succession planning, talent pipelining, and competitive intelligence. All intelligence is securely stored so you can access it on demand and integrate it into your company's existing workforce planning process. Our Intelligence Delivery Teams flag high-potential candidates, bringing them directly to your attention, so when the time is right, we can facilitate a networking engagement between you and any candidate of interest.

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By working with Talent Intelligence, our clients maintain a 360-degree field of vision over the talent marketplace. Our service enables companies to:

- Continually map talent outside of their organization
- Identify key players, top performers, and rising stars
- Network with select candidates to measure fit and interest
- Build informal relationships with high potential individuals
- Integrate those individuals into their workforce planning

Our core product offerings include:

Succession Intelligence: Transition smoothly when you implement your succession process by integrating the competition's talent into your succession planning.

Pipeline Intelligence: Access top quality executives for critical openings when you need them by identifying the best candidates for critical roles ahead of demand.

Competitive Intelligence: Retain your top performers and recruit your competition's rising stars by spotting trends and anticipating industry events based on intelligence directly from the competitions' workforce.

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TO LEARN MORE ABOUT BEST PRACTICES FOR ADDRESSING LEADERSHIP RISK, PLEASE CONTACT:

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About Talent Intelligence

Talent Intelligence is a global leadership risk management company that solves its clients' critical talent challenges by integrating external talent intelligence in four key areas: succession planning, talent pipelining, diversity intelligence and human capital competitive intelligence. All intelligence is securely stored so clients can access it on demand and integrate it into their existing workforce planning process. Our Intelligence Delivery Teams flag high-potential candidates, bringing them directly to our clients' attention — so when the time is right, we can facilitate a networking engagement between you and any candidate of interest.

