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THE JOURNAL REPORT: BUSINESS INSIGHT

Leadership

How to Fill the Talent Gap

Global companies face a perfect storm when it comes to finding the employees they need

By **DOUGLAS A. READY** and **JAY A. CONGER**

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It's no secret that global companies are finding it harder to fill critical jobs these days. They're struggling to land top recruits in emerging markets, for instance, and haven't prepared people in their own ranks to step seamlessly into management slots.

Companies are racing to find solutions, but most of them are making a crucial error: They're treating these problems as separate issues. At most multinationals, a host of problems in recruiting and developing talent are converging to create a perfect storm -- a crisis that could derail the company's growth strategies.

PODCAST



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[Doug Ready](#), a visiting professor at the [London Business School](#)² and president of the International Consortium for Executive Development Research, discusses what happens when executives struggle to make the move into the ranks of senior management, and what companies can do to help make the transition a successful one. [Listen Now](#)³ | [Podcast RSS Feed](#)⁴ | [iTunes Archive](#)⁵ | [See all WSJ podcasts](#)⁶.

• See the complete [Business Insight](#)⁷ report.

To meet the challenge, companies must rethink how they hire, train and reward their employees, placing those tasks at the heart of their business plans. In doing so, they have an opportunity to address all these separate problems with a unified plan, rather than waste time and resources attacking each of the issues individually.

We arrived at this conclusion after researching more than 40 companies to gain a better understanding of their concerns in recruiting and developing. We wanted to identify what steps companies were taking to excel in these areas -- to see what it would take for a company to become a world-class talent factory.

As a part of our research, we identified five common problems in recruiting and development.

On their own, they were formidable challenges, though nothing that would appear too alarming to a corporate officer. As we dug more deeply, however, we began to see that those problems were coming together -- and a perfect storm was brewing.

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Here's a look at those five elements, and what companies can do to weather the storm.

THE PROBLEMS

1. EMERGING MARKETS

Most global companies are rushing into China, India, Eastern Europe, the Middle East, Southeast Asia and Latin America. But the demand for talent is far outstripping supply in those parts of the world -- a simple case of too many companies chasing too few talented managers and leaders.

Making things worse, most companies aren't familiar with how to identify, acquire, motivate and retain talented people in these regions. Companies often place successful U.S. managers in leadership roles overseas -- but those managers may lack the cultural understanding necessary to recruit and motivate a team in Vietnam, Shanghai or Bangalore. For instance, straight talk and direct confrontation about performance might be lauded in the U.S. but are viewed as rude and offensive in certain Asian environments.

2. NARROW THINKING

Customers are more knowledgeable, sophisticated and demanding, and less loyal, than ever before. In many industries, customers have more providers to choose from, and they have access to much more information about those providers, such as online reviews.

JOIN THE DISCUSSION



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Has your company ever considered making the transition to round-the-clock operation?⁹ What

are the best ways to manage employees, communications and work flow when everyone is scattered over space and time?

Join Amar Gupta, Professor of Management and Technology at University of Arizona, in an online forum.

TROUBLE BREWING

Warning Signs: Companies are facing a host of problems with landing and developing top talent -- from finding recruits overseas to filling key jobs at home.

Deeper Problems: Most companies are addressing these issues as separate concerns, which can be a critical error. These problems are converging to create a perfect storm that can derail a company's growth strategy.

Ways Out: Companies must rethink how they hire, train and reward their employees, placing those tasks at the heart of their business plans. In doing so, they will give themselves an opportunity to address all these separate problems with a unified plan.

Take financial services. If a commercial bank helps a CEO customer cash out by selling his business, the bank had better be prepared to offer the CEO wealth-management services, too. If not, the executive will go to another firm that offers integrated services.

But most companies' talent-management strategies aren't built to handle this new state of affairs. For years, organizations have been designed to maximize the efficiencies of a function or business unit, instead of coming together to generate business and offer customers integrated service. So, companies simply haven't groomed

employees who are prepared to think beyond their division, or "silo" -- and now it's coming back to haunt them.

Again, take financial services. As recently as the 1990s, the mortgage division wouldn't approach the wealth-management division's clients about selling them products. Managers were rewarded for hitting business-unit targets, not collaborating with other departments.

3. DEMOGRAPHICS AND ECONOMICS

Companies are losing leaders at a much faster pace than they are producing them. More than 30 million managers and leaders will be retiring within the next five years. Executive recruiters move hundreds of thousands of managers across companies and industries annually.

Adding another wrinkle, since the early '90s many companies have been stripping out layers of management to gain operating and cost efficiencies. These downsizing tactics were important at a time when new entrants into virtually every industry were demonstrating superior flexibility -- such as with upstart airlines vs. large, established players, which were saddled with outdated infrastructure and high cost structures.

VIDEO



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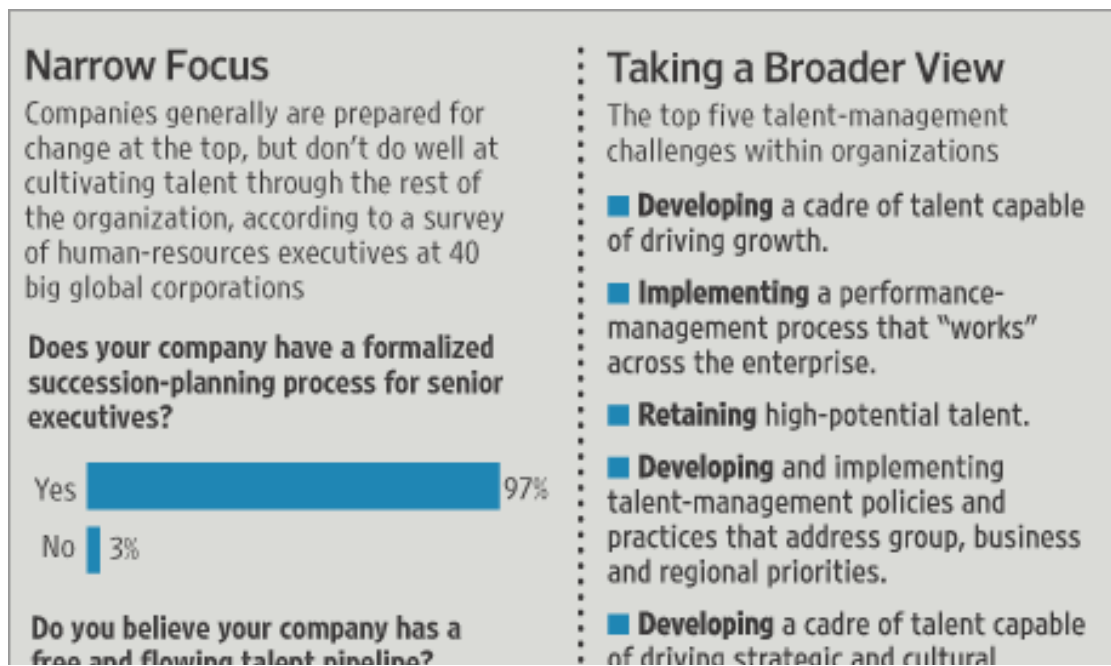
Jay Conger talks with the Journal's Erin White¹¹ about what people in the youngest generation in the workforce expect from their employers, how they differ from their elders in that regard -- and what it all means for companies seeking talent.

But in the process of paring down, all of those "lean" organizations cut out many developmental opportunities for next-generation leaders. So there are fewer and fewer candidates ready to step into crucial management roles as older managers retire.

4. THE EXPECTATIONS GAP

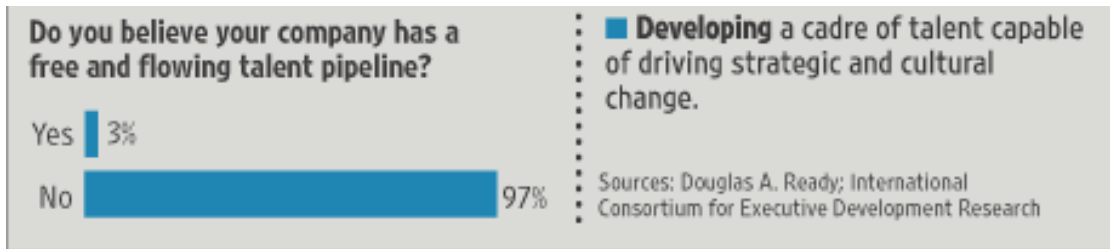
The postwar generation pursued careers that were characterized by stability and loyalty. Workers expected to be in a job for decades -- a standard that lasted well into the middle of baby boomers' careers.

But things are wildly different today. After the downsizing waves in recent decades, workers are less likely to view a job as a lifetime proposition; some studies suggest that people expect to work for no fewer than eight companies during their careers. And thanks to recent talent shortages, and the increasing mobility of the work force, prospective employees know they have the upper hand -- making it much harder to recruit and retain top talent. Workers expect top pay and more say in their assignments and working conditions. On top of that, they are pushing companies in areas such as environmental friendliness and social responsibility. If they don't get what they want, they're prepared to go elsewhere.



5. BLIND SPOTS

For all their talk about diversity, most business leaders tend to hire, promote and reward people who look, think and behave like them. But in today's world, searching for your own reflection could leave you with some troubling blind spots. And it could make you miss out on tapping the talent you'll need to



win in the future.

Many companies, for instance, don't have relationships with universities and business

schools in emerging markets to land the best and brightest talent. There are also blind spots at home. Women, for instance, now represent approximately 40% of most M.B.A. programs. But many companies lack role models and mentors for women.

THE SOLUTIONS

1. MAKE YOUR TALENT PLAN MATCH YOUR BUSINESS PLAN

Successful companies understand and exploit the capabilities that let them provide unique value to their customers. Your talent-management initiatives should focus on building those capabilities among your employees.

Take the case of a global financial-services firm that has grown by acquisitions for the past two decades. Now the management team has decided that there are few attractive acquisition candidates. So, expanding the business from this point on means taking a much more aggressive sales and marketing approach to reach out to new customers instead of buying up their accounts through acquisitions.

The problem: After all those years of relying on acquisitions, the firm doesn't have sufficient people in the pipeline who have high-level marketing know-how. Most of the top performers at the firm were moved up the ladder because of their skill in sizing up acquisition candidates. The firm must begin seeking out, cultivating and promoting managers who can meet the new customer-focus challenge.

Or consider a national bank in the U.S. that wants to expand its service to two booming market segments: Chinese-Americans and Hispanics. Historically, the bank didn't focus on those customers. Not only did the bank lack employees who spoke the languages and understood cultural nuances, it didn't know how to market to the needs of those groups. In the Hispanic community, for instance, savings accounts aren't as important as services that allow them to send money home to families overseas and other offerings.

So the bank now focuses on recruiting branch managers from the Chinese and Hispanic communities, who are skilled at reaching out to those markets and bringing in customers.

THE JOURNAL REPORT



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To win market share, don't try to influence¹³ what brand of product people buy. Change how they use the product in the first place. Plus, round-the-clock operations¹⁴ aren't just for call centers anymore.

• See the complete [Business Insight](#)¹⁵ report.

FOR FURTHER READING

These related articles from MIT Sloan Management Review can be accessed online

• Getting the Right People at the Top

By Claudio Fernández-Aráoz (Spring 2005)

There are reasons companies have trouble finding and hiring top-notch executives, but organizations can overcome those obstacles by deploying a set of basic practices.

<http://sloanreview.mit.edu/smr/issue/2005/summer/12/16>

Along the way, it's also important to train employees in both skills and corporate values. Values training helps to ensure that employees aren't simply going through the motions of their job, or ignoring ethical standards to meet their targets.

One luxury-hotel chain, for instance, provides all its workers, even lower-level staff, with extensive training in necessary workplace skills and core company values. Thus, the workers feel like professionals who are part of the corporate "family" -- and in the end provide the best possible service to guests.

2. TALENT MANAGEMENT IS EVERYONE'S JOB

Human resources has an important role to play in recruiting and retaining employees. But the commitment should extend through the entire company. The best-in-class firms that we examined had talent processes that were marked by deep commitment, high levels of engagement and widespread accountability among senior leaders, line managers, human resources and the talent prospects themselves.

At one global company, for instance, the CEO regularly attends orientation sessions for new recruits and teaches in the company's educational programs for high-potential talent. In another company, the CEO meets every summer with his top 24 executives individually to review the organization's talent. These meetings are personal in nature, with no presentation decks or thick books outlining human-resources procedures. But they are rigorous.

Executives come to the sessions with a concise document -- three pages or less, to ensure simplicity -- describing the strengths and weaknesses in their unit's talent pipeline. During the conversations, the executives make specific commitments regarding current or potential leaders of the unit -- identifying these people's next assignments, special projects, promotions and the like. The CEO follows up with the executives in his quarterly business reviews, to ensure they've fulfilled their commitments.

3. GLOBAL EXCELLENCE NEEDS LOCAL EFFECTIVENESS

If a company wants a rich and diverse flow of talent in its core operation, it must begin with well-crafted and efficient hiring and development practices in its local branches. In other words, if your company can effectively recruit and nurture employees at the local level, and then feed them into the core operation, diversity will happen naturally -- without the need for special outreach efforts.

Procter & Gamble Co., for instance, focuses on identifying and developing talent at the local level and then integrating those people into regional and group talent pools as their careers progress. The company has an automated tracking system that can identify candidates inside the company who have the skills and experiences required for important assignments around the world -- letting the company fill key roles much faster and more efficiently. The company also tracks its hires and monitors the success rates of these people

• Building Competitive Advantage Through People

By Christopher A. Bartlett and Sumantra Ghoshal (Winter 2002)

Forget capital; it's relatively easy to obtain nowadays. Today's scarce, sought-after strategic resource is expertise, which comes in the form of employees.

<http://sloanreview.mit.edu/smr/issue/2002/winter/3/17>

• Intellectual Capital = Competence x Commitment

By Dave Ulrich (Winter 1998)

Commitment and competence are embedded in how each employee thinks about and does his or her work and in how a company organizes to get work done.

<http://sloanreview.mit.edu/smr/issue/1998/winter/2/18>

• Old Laws Hobble the New Economy Workplace

By Peter Cappelli (Winter 2001)

Employment conditions have changed in almost every way except how regulators see the issues. The old model is obsolete.

<http://sloanreview.mit.edu/smr/issue/2001/winter/10/19>

placed into key roles.

4. SUPPORT MATTERS

Forget the "cream rises to the top" theory of leadership development. Even a company's highest-potential employees need help in taking on the challenges they will face with new assignments. Provide them with frequent coaching and feedback, connect them with one another so they can share concerns and best practices, and offer executive-education opportunities that will supplement their skills and perspectives.

AP Moller-Maersk Group is a world leader in shipping, transportation and logistics. How has this Danish powerhouse stayed on top for so long? In part, AP Moller-Maersk works to ensure it selects the right people for its organization. In its entry-level Maersk International Shipping Education program, for instance, one employee is hired for approximately 200 applicants. These hires are then provided with a series of assignments to help them to better understand the entire company -- not just one function or unit. The company also provides extensive coaching and assessment of leadership potential and offers regular feedback, enabling its key prospects to focus on the things they need to do to keep their careers on track.

5. MEASURE WHAT MATTERS

Establish a set of metrics for talent development, linking them to your company's strategic objectives whenever possible. For instance, measure how well the company retains key employees and high-potential ones, and frequently assess those who are in line to fill crucial assignments. And when you notice things are off course or simply not working, don't be afraid to change them. Don't make your talent-management processes a series of bureaucratic routines.

P&G uses an extensive series of metrics to make sure its talent-management practices are working -- such as the percentage of key assignments filled within certain time frames, retention of key talent, and hires from local universities around the world. And all of these metrics are important to P&G's long-term business strategy. Line managers design and participate in the talent reviews, which helps the managers feel more engaged in the process and hold themselves accountable for the results.

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