MORNING KEYNOTE SESSION

Talent on Demand - The Future of Workforce Flexibility and Talent Acquisition in an Uncertain World

- Peter Cappelli, Leading Authority on Managing Workplace Talent; Professor of Management, The Wharton School, University of Pennsylvania, Director, Wharton Centre for Human Resources
Talent on Demand: Managing Talent in an Uncertain Age

Peter Cappelli
Professor and Director
Centre for Human Resources
The Wharton School
What is Talent Management?

*(Keep supply chains in mind)*

Matching supply to anticipated demand

- Getting it wrong costs $ - mismatches, last minute outside hires, etc.
- Getting it right means right skills when you need them, done most efficiently
The Challenge is Financial

- In the traditional model, supply meant internal development
  - Up-front investment in candidates, recouped over time through improved performance
  - Here’s the risk: Can make money this way, but also lose money if employee leaves or don’t need them
Three options for getting talent

- **Build** – internal development
  - Taking a risk
- **Buy** – hire from the outside
  - Paying a premium to reduce the risk
- **Borrow** – temps, contractors, staffing firms
  - Truly just-in-time: Even less uncertainty, even bigger premium

**Q: How do you choose?**
Why These Challenges Arose

- **Open markets in the early years**: No planning, all markets
- **The Rise of the Planning Approach**: All internal
  - 1950s–’60s average Fortune 500 exec had been with their company 24 years
  
  The typical career path…
  - 12-18 month training
  - 18-21 month job rotation
  - “Hi potential” programme – accelerated promotions
  - 75% execs had > 5 years on corporate staff
  - 40% execs began in marketing/sales
  - Detailed workforce and succession plans – 15 years out
Which is the Kindergarten Report Card
Which is the Performance Appraisal?

System A
Rank candidates on a scale of…Very Satisfactory – Satisfactory – Unsatisfactory

- Dependability
- Stability
- Imagination
- Originality
- Self-expression
- Health and Vitality
- Ability to plan and control
- Cooperation

System B
Rank candidates on a scale of…Satisfactory – Improving – Needs Improvement

- Can be depended upon
- Contributes to the good work of others
- Accepts and uses criticism
- Thinks critically
- Creative ability
- Shows initiative
- Plans work well
- Physical resistance
- Self-expression
The lifetime, pipeline model broke up

The notion of a secure, long-term career is harder to imagine

Predictability is gone: Forecasts become irrelevant
**CEO Tenure**: 10 yrs in 1950s; 5 years in 1960s; <3 yrs by 2000’s

CEO turnover rising 2x as fast in UK and Europe as in US
- Firing for performance biggest cause, 2x as retirement
- 54% VP vacancies and above have an outside search in US
- Taleo reports 2/3rds of vacancies now filled from outside in US

Restructuring is non-stop
- *Fortune 500* now employ ½ as many as 20 years ago
- Cuts happened faster in this downturn than any time before
- Employee Tenure: Down with employer/ Up with occupation
- Non-standard, “contingent” work up to 16% in US, 2x in Europe
Employers can’t plan long-term, so they pulled back from “building” talent

How did employees respond?
Characteristics in First Employers*

Please rate the importance of each of the following in choosing a first employer

- Challenging assignments
- Company values balance between personal life and career
- Competitive benefits
- Competitive salary
- Financial strength
- Good reference for my future career
- High-achiever programme
- High ethical standards
- Immediate responsibility
- Likeable/inspiring colleagues
- Ongoing educational opportunities
- Opportunity to influence my own work schedule
- Opportunity to specialise
- Opportunities for continuous learning
- Secure employment
- Variety of tasks or assignments

* From Pricewaterhouse survey of 1500 MBA students from around the world conducted by Universum
<table>
<thead>
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<th>Characteristic</th>
<th>Importance</th>
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<td>Good reference for my future career</td>
<td>42%</td>
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<tr>
<td>Company values balance between personal life and career</td>
<td>41%</td>
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<tr>
<td>Likeable/inspiring colleagues</td>
<td>37%</td>
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<tr>
<td>Competitive salary</td>
<td>34%</td>
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<tr>
<td>Challenging assignments</td>
<td>33%</td>
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<tr>
<td>Competitive benefits</td>
<td>32%</td>
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<tr>
<td>Opportunities for continuous learning</td>
<td>31%</td>
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<tr>
<td>Opportunity to specialise</td>
<td>30%</td>
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<tr>
<td>Secure employment</td>
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<td>Financial strength</td>
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<td>High ethical standards</td>
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<td>Ongoing educational opportunities</td>
<td>27%</td>
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<td>High-achiever programme</td>
<td>26%</td>
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<tr>
<td>Variety of tasks or assignments</td>
<td>26%</td>
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<tr>
<td>Immediate responsibility</td>
<td>24%</td>
</tr>
<tr>
<td>Opportunity to influence my own work schedule</td>
<td>24%</td>
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The New Challenge for Talent Management....

- How to get just the right amount of talent to match estimated demand
  - When demand is very hard to predict
  - When the supply of talent won’t stay put and now took the advice to “manage their own careers”
1st Principle: Forget About Long-term Planning

- For most businesses, forecasts are a waste of time
- Instead of workforce planning….
  - Use simulations
  - Use scenario planning
2nd Principle: Choose Among Build, Buy and Borrow

- How accurate is your forecast of demand?
  - If very, “build” more; if not, “buy” and “borrow” more

- How long will the “talent” be needed?
  - If long time, “build” more; if not, “buy” and “borrow” more

- Can we keep our employees?
  - If we can, “build” more; if not, “buy” and “borrow” more
  - Hiring also changes organisational culture

- Do we have the ability to train?
  - If yes, “build” more; if not, “buy” and “borrow” more
Use Mix of “Build, Buy and Borrow”

Costs

- Use supply chain analyses to minimise “mismatch costs”
  - Are “Deep benches” inventory?
- Overshooting is often more expensive –
  - Use “buying” to fill in gaps
  - Use “borrow” to fill remaining gaps
- Why bother with succession planning?
  - It assumes certainty: That you know what each job will require in the future and the person now will be able to do that job in the future
  - Why talent pools have taken off
The Second Challenge: Business Risk

- Everyone wants to run lean = cut reserves
  - What about *reliability* – something always goes wrong. Do we have backup?
  - What about *responsiveness* – demands change unexpectedly. Where do we get the resources to respond?
Two ways to respond: Mitigation and Contingency Strategies

<table>
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<tr>
<th>Reliability</th>
<th>Mitigation</th>
<th>Contingency</th>
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<tbody>
<tr>
<td></td>
<td>Inventory</td>
<td>Just-in-time back-up</td>
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<tr>
<td>Responsiveness</td>
<td>Internal Capacity</td>
<td>Outsourcing</td>
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Outside agencies can help with all four options

The choice depends on how close you are willing to make those supplier/vendor relationships...
The Long-Run Trend

- Challenge of uncertainty unlikely to go away
  - Old “planning model” requires certainty
- Pressure for cost control is likely to grow
- Talent management challenges growing
- Risk management challenges may explode
- We need a different approach
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PETER CAPPELLI

TALENT ON DEMAND

Managing Talent in an Age of Uncertainty

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