

Recruiting a Competitive Workforce: Should Needed Skills be Built or Bought?

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Executives in virtually every industry are concerned about the lack of available talent. Globally, the working-age population is on the decline while the number of retirees is on the rise. At the same time, low-skilled workers exceed demand while highly educated ones are in short supply. For the foreseeable future, it appears there will always be more buyers (employers) than there is product to buy (talent).

The companies that come out on top will be the ones that learn when it's best to buy talent and when it's more effective to build it. And the answers may not be as obvious as they seem. For example one study¹ of financial services "superstars" found that companies that wooed these high achievers typically ended up spending a lot of money to watch them fall well short of expectations. Unintended consequences included drops in morale among incumbents, group-wide performance declines and falling stock prices (by an average of three quarters of a percent). The key takeaway is that it's time to let go of long-held assumptions and implement talent development strategies that will work in today's global marketplace.

The most effective path forward is a matter of global economic trends, the market, the industry, a company's needs and culture, and the pipeline of talent available. For companies with high-volume needs, it often makes most sense to hire outside talent with the potential to develop requisite skills, and then develop that talent once on board.

Effective Talent Acquisition is the Key to a Competitive Future

How is it that 200 million people are available for hire,² while 34% of companies around the world report having difficulty filling jobs?³ Quite simply, the demand for educated, skilled talent vastly exceeds the supply. The distance between the world's available workers and the skills that are needed is more than a gap. It's a chasm, and it's only going to get worse.

In 2012, more than one-third of respondents to the ManpowerGroup Talent Shortage Survey indicated they were having difficulty finding the talent they needed.⁴ The extent to which they faced challenges varied by industry, job role, available candidates in the local labor market, as well as demographic and economic factors.

Availability of locally skilled candidates may also impact an organization's ability to meet talent goals. Countries such as China, Israel and Australia may experience a greater talent shortage compared to other regions due to lack of specific skills, education or relevant industry experience. Yet even in the UK and U.S., nearly half of employers report a skills gap. Increasingly, it is "soft skills" that are also missing, such as the ability to function appropriately in the work environment, communicate effectively, collaborate with colleagues or adhere to company policies, like attendance.

What is Teachable Fit?

According to the data, there is a large gap between the global demand for highly skilled labor and the supply of available workers with the right skills sets. Correcting this supply-demand imbalance requires efforts to increase supply. Teachable fit offers a promising way forward. Teachable Fit is a recruiting approach that emphasizes soft skills and cultural fit in cases where the hard skills can be reasonably taught. Of course, there is still a need to identify the right people. In our experience, large and systemic talent gaps can best be filled through four potential labor pools: location migrants, industry migrants, internal role changers and workforce entrants.

Once the right candidates are sourced, the teachable fit analytical framework can predict how successfully a candidate's skills gaps can be filled. It organizes the capabilities required for a given role into four categories: knowledge, skills, values and mindset, and personality and intelligence. Each of these categories is weighed on two scales: "Is it important?" and "Is it teachable?"

To learn more about the Teachable Fit framework, see "Teachable Fit: A New Approach for Easing the Talent Mismatch" at <http://us.manpower.com/us/en/multimedia/fresh-perspective-hardest-jobs-to-fill.pdf>.

Projections for the future suggest more of the same, only worse. The McKinsey Global Institute recently projected that by 2030 the global economy will have as many as 40 million fewer workers with college degrees than it will need. At the same time, there may be a surplus of up to 95 million workers who lack the educational credentials employers will demand.⁵

The competitive employers of the future will be the ones that plan for talent shortages today.

Strategies for Building a Competitive Workforce

Developing a long-term, competitive workforce is a complicated business and many interrelated issues come into play. However, there are a few basics that apply regardless of company size, location or industry. ManpowerGroup Solutions' experience as a Recruitment Process Outsourcing (RPO) provider has enabled us to develop an understanding of the fundamental factors that contribute to talent acquisition. A few of these are outlined here:

- 1. Understand your market:** Time and again, we come across companies who believe there is a shortage of available talent when, in fact, the employer simply isn't doing enough to compete for the talent. For example, one retail company in Latin America needed a diverse array of bilingual talent on a contract basis to launch a new enterprise. Their needs included everything from architecture and public relations to sales and administration. Clearly such talent would need to be bought, but the client had challenges with recruitment. As it happened, the company had never worked in the particular region before, so they simply didn't have access to the leading candidates. Moreover, without access to regional data, they didn't realize their salary offerings were not competitive for the area. Once they had a better understanding of the market, they were able to reshape their recruitment efforts, resulting in higher quality candidates.
- 2. Plan for the future:** Hiring needs are never static. However, even industries that traditionally need to expand or contract their workforces on demand can build a sustainable competitive workforce. One European auto manufacturer regularly found itself in the position of needing to fill hundreds of skilled jobs within weeks to fulfill export demands. RPO solutions enabled the manufacturer to leverage market intelligence and technology to meet near-term needs on an on-going basis, as well as to identify, recruit and retain contract employees with long-term growth potential. According to a recent ManpowerGroup survey of 23,000 hiring managers,⁶ outsourcing this kind of just-in-time recruiting can be crucial in a fast-paced business environment.
- 3. Recognize and value potential; focus on Teachable Fit:** For many industries, the days of prioritizing candidates who fulfill a checklist of skills are over. Ever-changing technology and business approaches demand a more flexible workforce. The more competitive companies will focus on a candidate's capacity for transferable skills such as problem-solving and complex thought, as well as his or her fit with company values and culture. As part of that, the hiring manager must consider the *potential* to acquire near-term fixed skills. This approach is called teachable fit (see sidebar) — a framework developed by ManpowerGroup to help companies analyze the true competencies required for a position, alongside the right screening and assessments to identify the most "teachable" candidates.

The U.K.'s largest digital broadcasting services provider has figured out a way to do just that. When the company needed to expand its door-to-door sales force, they

realized the pool of experienced talent was extremely limited. At that point, they sought out ManpowerGroup Solutions to help the company develop a profile of experience and attributes that is customized to local markets. Now the company targets gregarious sales professionals in other industries including those focused on phone and regional sales. An intensive three-week training module helps bring new recruits up-to-speed on necessary skills while generating enthusiasm for the company's brand platform.

- 4. Commit to your employees and they will commit to you:** Every available indicator suggests that competition for talent will continue to be fierce. Those who build the best workforces will have done so with an eye toward retaining them. After all, what good is training someone who gets poached by the competition? In Australia, a global technology firm had difficulty filling its customer contact positions that opened up as a result of turnover. With baby boomers retiring at a fast clip, they expected the problem to intensify. The solution was found in a 12-month government-funded traineeship program focused on candidates who could acquire the near-term skills necessary, but who are also eager to learn and develop further. From the trainee's point of view, one of the key selling points of the program is the ability for trainees to receive nationally recognized certifications in Information Technology, Customer Contact or Business Administration at no cost. The program is also seen as a clear signal of the company's commitment to their employees' futures. The result: reduced turnover, increased morale, improved productivity and a \$250,000 cost savings in year one.

Key Considerations When Determining to Build Versus Buy

Determining the most effective talent acquisition strategy — in this case, whether to build or to buy — typically begins with a look at a series of fundamental questions related to an employer's needs, structure, resources and expectations for the future. The answers will shed light on the path forward. For example:

Do we have the budget, resources and culture to support a training environment?

Recruiting the right talent and providing opportunities for continued growth is a key to long-term success and strategic succession planning, but not every organization can support a learning culture. Focused professional development requires commitment from the top levels of the organization as well as resources that not only understand the business imperative, but have bandwidth and expertise to manage the content, instruction design and delivery to ensure training aligns with business goals. While talent development is crucial in every organization, embracing it as a talent acquisition and management strategy requires a long-term vision and investment.

Are there potential partners in the educational or government community who might have an interest in partnership?

Partnering with educational or government institutions can not only help organizations solve the talent gap, but increase employment opportunities for those who currently do not have the skills required for career progression. Working with universities to design curriculum that supports in-demand skill development can help organizations meet recruiting goals as well as strengthen performance and retention. Investing in training and building capabilities ensures individuals are prepared to excel.

Is leadership committed to operating in an environment where talent is built as a long term strategy?

Successful companies understand the benefit of intellectual enrichment and invest in training and development of their talent. This commitment needs to extend down through the ranks whether

that is implementing mobility programs to expose employees to different functions and job roles or coaching managers about how to develop and reward team members for contributions that drive organizational change.

Do we have time to invest or is our need immediate?

Nearly all organizations have a mix of immediate and longer-term talent needs that can be satisfied through staff development. The key is having an accurate, up-to-date inventory of both sets for informed decision-making. If skills exist in adequate numbers in the market or the need is immediate, a buy versus build approach may be the most expedient and effective solution. But, skills and job types are continually evolving in the workplace. Ten years ago most organizations didn't employ a community manager, but with social networking now ubiquitous, more organizations are hiring for that role. Organizations with a small social presence may want to cultivate that talent and train for teachable fit rather than invest in buying it today.

Do we need a short and long term strategy?

Some roles and skill gaps create a serious disadvantage when left unfilled. Skills such as analytical ability may play an important role today, but will be increasingly critical in the future. As a greater number of jobs require proficiency at translating vast amounts of data and data-based reasoning skills, organizations will need more individuals with those capabilities. Acquiring talent with necessary skills and establishing formal mentor relationships and career paths can support a teachable fit strategy and help meet current and future goals. A blended approach that ties business strategy to resources, budget and need can help organizations build bench strength and increase agility to respond to changing requirements.

Do we have the right processes to ensure alignment between talent acquisition, development processes and business goals?

Hiring only the exactly-qualified talent you need at precisely the times you need it is a very expensive way to run any organization. Most enterprises find their sweet spot for human capital lies in a mix of hiring experienced and/or specialized talent; hiring less experienced employees and providing a development path; and ensuring at all times that both pools of workers are the right fit for current and anticipated business goals. Having separate systems for tracking those goals and processes can slow down competitive flexibility and lead to serious misalignment between available human capital and the organization's needs. What's needed is an integrated solution that tracks business goals alongside projected needs, employee development, and the availability of new talent.

Do we have sufficient recruiting resources?

While the size of the talent pool remains the same, high unemployment typically translates to a higher number of applicants for every open position. With smaller HR departments and fewer resources, keeping up with volume to source and screen for qualified candidates is time consuming and prevents HR from more strategic work such as change management and workforce strategy development. In many cases, an external partner has the insight into available talent pools as well as the resources, experience and expertise to help organizations determine the right strategy, whether that is to source for specific talent or identify candidates with comparable skills and experience and provide training and development to build a competitive workforce that aligns with business requirements. This is consistent with the aforementioned "Recruiting Strategy" research report in which hiring managers cited the three main reasons for outsourcing recruitment processes as: 1) improving time-to-fill, 2) improving process efficiency, and 3) attracting hard-to-find skills.⁷

What to consider when deciding

| | ...to build | ...or to buy |
|--------------------------------|--|--|
| Company history | Mature companies may have the resources and existing workforce to support talent development | Start-ups need experience right away |
| Industry history | Long-standing industries are better equipped to anticipate needs and predict change | Industries characterized by fast-paced change (e.g., technology) |
| Long-term vs. short-term needs | The company anticipates and plans for long-range recruitment needs | An immediate need for specialized skills that cannot be cost-effectively built in-house |
| Partners | Partners from the educational or public sector are available to support ongoing training opportunities | Existing partners are not available |
| Market practicalities | There a lack of available talent, and is that trend projected to continue | Quality talent is available |
| Company commitment | The budget, resources and culture exist to support an environment that develops talent | The company is not yet in a place to integrate talent development across functions |
| Recruiting resources | Either internally or externally, the company has access to experts who can streamline recruitment, training and retention processes to meet big-picture needs. | For a variety of reasons – e.g., longevity, production, regulatory, etc. – internal and external resources must be focused on immediate recruitment needs. |

Ensuring a Competitive Workforce for the Future

Whether an organization builds talent, buys it, or uses a blended approach, attracting and retaining qualified people is the key to success. With the talent shortage here to stay, victory will come to those who cultivate human resources in new ways. We can't just assume that talent can be bought, because it makes the assumption that supply will always be adequate and that people will perform consistently in any work environment. At the same time, we can't assume talent can be built, unless we create an environment that nurtures it.

It would be misleading to suggest that developing an effective talent acquisition strategy is easy. It takes time and expertise as it relates to economic context, industry trends and market dynamics. Oftentimes, this means bringing in the right partners to help recruit high-quality talent – whether that talent is built or bought. Globally, there is no sign the talent shortage is going to ease up, and the time to figure out the path forward is now.

Sources

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About ManpowerGroup™ Solutions

ManpowerGroup Solutions provides clients with outsourcing services related to human resources functions, primarily in the areas of large-scale recruiting and workforce-intensive initiatives that are outcome-based, thereby sharing in the risk and reward with our clients. Our solutions offerings include Talent Based Outsourcing, Managed Service Programs, Borderless Talent Solutions and Recruitment Process Outsourcing, where we are one of the largest providers of permanent and contingent recruitment in the world.

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