Recruiting and retaining talent have always been a struggle for global companies, and today the challenges are larger than ever. As more companies develop global aspirations, the demand for talent increases at the same time that the retirement of the baby boom generation in the West shrinks supply.

With demand rising and supply dwindling, companies are finding that the talent issue, especially in rapidly developing economies (RDEs), is one of their most critical challenges. It is a key obstacle to developing and executing their best strategies and thus attaining their most important objectives.

While most companies are wrestling with this supply-and-demand imbalance, a fortunate few have figured out how to take advantage of the global market for talent. They have strengthened their bench, accelerated growth, and boosted innovation by carefully aligning their talent strategies with key business objectives—and, in the process, have created a lasting advantage.

The New Order

Three factors are making the global marketplace for talent far more competitive than ever before. First, the rise of RDEs and the globalization of value chains have sharply ratcheted up demand. Companies are seeking the best locations for their operations, making decisions on the basis of cost, talent, and proximity to markets. In many industries, the center of gravity for innovation has shifted to India or China. One global company is projecting the need to hire 20,000 employees in Asia over the next decade, which will strain its well-developed overseas human-resources engine. (See the exhibit “Companies Expect to Increase Resource Deployment in RDEs.”)

Second, big demographic shifts in the West are dramatically tightening supply. Few companies have adequately prepared for the looming talent shortages that will be created by the retirement of the baby boomers. In the United States, 75 million people are approaching retirement, and only 30 million
members of Generation X are available as successors. In the European Union, the working-age population is forecast to fall by 48 million, or 16 percent, by 2050. Stung by downsizings and placing a priority on their own personal growth, those who remain are less loyal to their employers than their parents were to their jobs.

Third, skilled workers are at a particular premium. Although RDEs have a bountiful supply of workers to take up the slack in unskilled jobs, they fall short when it comes to educated and skilled positions. Candidates for those jobs are increasingly difficult to find and keep because their relatively small numbers make the competition for them so intense. Infosys, the Indian outsourcer and consulting firm, hired just 2 percent of job applicants in 2006. Salaries in India in IT, insurance, and finance are rising by about 17 percent per year, while annual attrition rates in hot industries range from 15 to 30 percent. Companies in other parts of Asia and in central and eastern Europe are experiencing similar challenges.

**Talent Management 2.0**

Achieving a global talent advantage requires companies to change their mindset and processes. Talent management needs to become a core activity on a par with corporate finance and strategic planning. Talent must be managed rigorously and globally—across languages, cultures, and time zones. Given how long it takes to build an organization, companies should be making plans that look out at least three to five years. At the same time, the systems and processes involved in managing talent must be sufficiently flexible to permit customization to local conditions and markets. On the basis of our recent experience with global companies and of a research project in which we interviewed or surveyed close to 100 executives, we have identified five key actions for success.

**Create a new global model.** Global companies need to reorient their organizations, operations, and processes to reflect the new order of talent management, as Cisco Systems is doing by committing itself to basing 20 percent of its executives in India by 2010. Recruiting, leadership development, and training need to be organized in a way that allows talent to develop in RDEs and other distant markets. As companies distribute their operations globally, they will also need to figure out how to assign decision rights and reorient decision-making processes to reflect the new order. As people—and power—move away from a single center, companies must revisit fundamental organization-design principles regarding the role of the center, the sizing and staffing of functions, and the coordination of activities across the enterprise.

**Elevate global talent planning to an item on the CEO’s agenda.** Talent management is too important to be just another item on the HR agenda. Working in concert with HR, the CEO and other top executives should routinely address talent issues. The CEO of a 110,000-employee industrial-goods company, for example, recently became concerned that the company’s talent pipeline was too small to support its anticipated growth in RDEs and its entry into service businesses. Subsequent analysis revealed that the company would have to increase by a factor of eight the number of executives hired in Brazil, Russia, India, and China.
Because senior managers recognized the importance of these hires to the company’s success, they put their full weight behind a comprehensive talent-management program and an HR brand-awareness campaign in those markets.

**Expand the hiring horizon.** Many global companies rely largely on poaching talent from their competitors when they enter new markets. But to meet future needs, they will have to start playing a much larger role in cultivating talent themselves. Among other things, they should be hiring ready-to-use graduates from top schools in local markets. Of course, companies do not win every recruiting battle for the best and brightest, so they need to focus on hiring and training talented but untested recruits as well.

Finally, companies should be developing strong ties to less renowned schools in order to gain access to their best students. Top graduates from second-tier schools are frequently more motivated and loyal than middle-of-the-pack graduates of elite schools. In India, Tata Consultancy Services has developed strong ties to such schools, where it offers students supplemental training and helps review the curriculum and train faculty.

All of these steps require a strong HR brand. At the same time that they are recruiting candidates, companies need to be burnishing their reputations as good places to work. At one global industrial-goods company with a long history in Asia and a prestigious brand in its home markets, executives recently realized that they were facing a future talent gap in Asia of many thousands of employees. This shortfall would be difficult to fill because the company was still not well known in Asian markets. To close the gap, the company decided to create a new employee value proposition and a clear plan to effectively market its brand to targeted recruiting segments.

**Accelerate careers and create global leaders.** To capture rapid growth in RDEs, global companies need to build high-performing management and leadership teams in a fraction of the time it takes to put them together in developed economies. To construct these local teams, companies must deploy a new leadership-development model and demonstrate that they offer meaningful leadership positions and promotion opportunities to recruits from RDEs.

Successful companies make hard choices early on about the next generation of leaders and managers and put them through accelerated training. Talented managers will be heavily recruited by competitors, so it is critical to create attractive compensation and advancement programs that tighten their affiliation to the company. Money alone is often insufficient to keep the best employees, but a combination of compensation, career opportunities, and a good working environment can go a long way toward retaining the best and brightest. On the basis of objective rankings in ten core competencies, ICICI Bank in India identified 2,000 high-potential employees from a pool of 30,000. These employees have been given superior compensation packages, including stock options, and increased job responsibilities. They have also been encouraged to take risks.

International rotations are a key part of career and leadership development programs, offering high-potential candidates in RDEs the chance to be exposed to cultures and business practices in other parts of the world. Rotations also help feed the global talent pipeline. Schlumberger, a leading oil-field-services provider, hires people in local markets with the explicit intention of sending them abroad to serve other markets.

**Ensure that all leaders embrace the new global mindset.** If companies are to grow quickly in local markets, they need strong local leaders with an entrepreneurial bent and a belief in the global values of the organization. This commitment needs to start at the top. The 200 most senior leaders of global companies should spend considerable time in RDEs, preferably through a tour of duty.

At Air Liquide, an industrial goods company with headquarters in France, two of the top five performance indicators for the local leadership team in China pertain to talent. Every year, the senior leaders in China develop talent strategies and project talent needs for coming years. In 2007, they had already developed a plan for 2015. The company is investing heavily in talent today in order to be prepared for tomorrow.

For too long, companies have treated talent and strategy as separate spheres. Top executives have taken care of strategy and delegated talent to HR or to junior staff. That approach no longer works. Talent and strategy need to fit together like a hand in a glove, requiring senior executives to work closely with their HR staffs and local business-unit executives. Achieving a global talent advantage is hard,
which explains why few companies do it successfully. But it is not an optional exercise.

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