



Build Talent Now

By Olofsson & Company

There is somewhat of a 'perfect storm' when it comes to building talent in current market conditions. The pressures have been growing over the last decade but as we move in to the 2020s, the competition for talent will be like never-before. The storm has been created by 4 key drivers:

- The radical growth in Entrepreneurism, everyone seems to, or at least wants to, do their own thing
- The ever-growing number of Start-Ups, volumes are exponential
- The ever-faster pace of technological change and innovation which leads to greater demands on employee learning and retraining
- The shift in growth opportunities and competitive threats in high-growth markets leading companies to shift into new markets they rarely understand.

As a result, all businesses need to grow depth in their bench of talent else they will simply fall behind better prepared competitors. This imperative confronts organisations in pretty much every industry and location, in mature markets and emerging economies alike. Because executing business strategy relies on having the right talent in the right places at the right time. Hence all business executives become wholly responsible for making their companies attract and retain talent.

Depth of Talent

Talent is often defined by major firms, analysts and commentators as the narrow slice of staff at senior-leadership level, or as the employees who fill critical

jobs, or even broader set of highly skilled people in certain functions. More simply, we are defining talent in this article as the people who bring competitive advantage to a company. Why? Because it is not about 'volume'. Companies can typically find volume, either through outsourcing, consulting or acquiring teams of staff from other third-party providers.

In most mature nations, despite slow economic growth and continued declining levels of unemployment, most companies are hard-pressed to find high-performing, high-potential individuals to serve as tomorrow's leaders, senior managers and executive directors. Looking just at the US market alone, about 75 million baby boomers are nearing retirement, yet with only 30 million Generation X employees set to replace them. Mature economies are also contending with talent shortages in functions such as science, engineering and IT. In new Tech such as AI and Machine Learning the situation is further aggravated.

In high-growth global markets, the challenge is somewhat different, it is typically about finding enough skilled workers. It is a therefore question of quantity, as growth in the number of university graduates in some regions lags GDP growth by a factor of two or three. It is also a question of quality, with only 25 percent of Indian and 20 percent of Russian professionals considered employable by leading multinational companies, according to recent analysis. As Technology continues to evolve, this situation will be intensified.

The shortage of talent will continue to worsen over the next decade, making it more difficult for organisations to penetrate new markets and compete effectively in volatile ones. Where industry leaders could once remain dominant in market share and profitability for decades, companies now face fierce battles to maintain their lead for just a couple of years. Volatile markets often demand new business models and new types of talent to make a company's business strategy successful.

Building the Talent Asset

The new business reality is that companies face a labour market where talented individuals have more job choices than ever before. This impacts on talent retention and goes on to deepens the problem, not ease it. Companies in industries (such as investment banking) or regions (such as eastern China) where

there is intense competition for people tend to bid up the price of talent—often far ahead of an individual’s capabilities.

As the shortage worsens, companies desperate to fill gaps quickly default to their standard recruiting sources, perpetuating a corrosive dynamic of external candidates overpromising and then job-hopping to follow the money, ultimately destroying company value. But there is another option that is more sustainable: building talent internally. This strategy confers an advantage on companies that need to change their mix of talent in response to a new business model or growth strategy or that need to adapt to shifts in their markets.

We are not suggesting that companies eliminate external recruiting, quite the opposite. In our experience, an internal/external sourcing ratio of between 60/40 and 70/30 is most effective in both attracting and retaining people who value career development opportunities. Attracting different talent profiles, and the cognitive diversity that results, improves a company’s problem-solving and innovating abilities. But building strong talent internally reduces the need to expand expensive and time-consuming recruiting processes and reinforces the company’s value proposition to employees and potential recruits.

High-performing companies, as defined by revenue growth and profitability over three years, fill 60 percent of their top manager positions internally, compared with a mere 13 percent for low-performing companies. High performers realise the need to have a holistic talent strategy in place to leverage this most valuable of assets.

Most companies, though, lack a comprehensive talent strategy and devote insufficient time to talent management. In a recent survey of executives, more than half the respondents said they lack a dedicated talent-management unit. Respondents also said that their CEO and other senior executives spend less than nine days a year on activities related to talent management, far less than the 20 days per year we observed among best-practice companies.

The Urgency for Building Talent

Smart companies with an effective approach to talent management take an end-to-end view of talent and manage this dynamically. This approach is grounded in business strategy, treats human capital with the same rigour as a capital investment, and looks for opportunities throughout the entire tenure of the employee.

Given time and resource constraints, companies may need to start by focusing on the one or two elements that address the areas of greatest need and will yield the highest return on investment. Done well, this approach can initiate a self-reinforcing cycle in which stronger performance in any one area feeds the talent-building process across the organisation.

Here at Olofsson & Company we urge business leaders to make a clear assessment of how the talent gap will affect their business in the coming years and begin bridging the gap by building the necessary talent pipeline, skills, capabilities, and infrastructure. This will help to buy time to create a sustainable talent advantage. Those companies that leave management of their most precious resource to chance may find that time, and their best talent, have run out.

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