

A HOLISTIC VIEW OF TALENT

How to enhance recruiting by building a talent supply chain.

JOHN HEALY



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THE 'OLD' HUMAN RESOURCING MODEL IS COLLAPSING— WE KNOW THIS BECAUSE WE CAN SEE IT HAPPENING.

For many businesses, the time taken to fill roles is growing longer, the tenure of employees is reducing and the cost of acquiring key skills is increasing. More companies are looking for the flexibility to quickly ramp up—and easily scale down—their talent base, but are faced with three significant issues:

- 1 the supply of talent is no longer predictable;
- 2 strategic workforce planning has become more crucial and more chaotic; and
- 3 the regulatory frameworks for managing both contingent and FTE workforces; is often complex and carries risks.

These issues present a serious challenge to the way workforces have been assembled and managed in the past, and they require HR (and others engaged in acquiring talent) to take a holistic view of their talent supply chain. When addressing their workforce needs, organizations must consider both the full-time workforce and all outsourced and variable talent pools—and this task is more complex than ever.

We may not like it, but the old HR model is collapsing. That's why it is time to enhance recruiting by managing talent using supply chain principles.



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THE PROBLEM WITH FORECASTS

Few companies know what lies ahead, and even fewer plan for it.

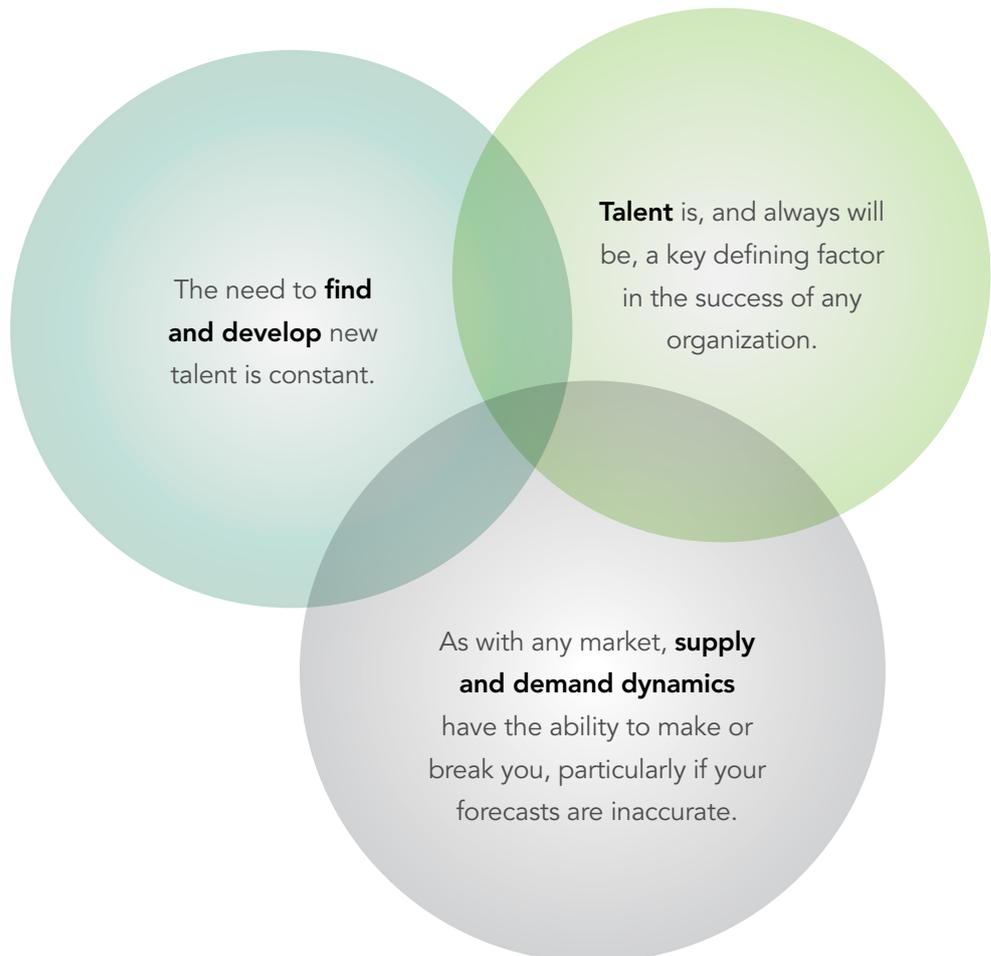
MOST WORKFORCE PLANNING IS OPERATIONAL OR TACTICAL

Respondents answering high or very high extent



Source: i4cp

Less than one-quarter of companies today undertake strategic workforce planning that aligns with their business decision-making. This means that very few organizations know about, let alone plan for, future resourcing gaps. This figure is confounding, particularly when we know that:



The challenges of managing talent are similar to those of moving goods through any supply chain. The key issues to get right are appropriate speed of delivery, and successful predictions of what demand will be before supply runs out.

If companies wait for labor demand to peak before restocking their labor pool, they will miss out on critical opportunities. Yet, workforce planning can only be as accurate as the business plan it's based on. And these days, most organization's workforce planning efforts are limited to budgeting and headcount planning.

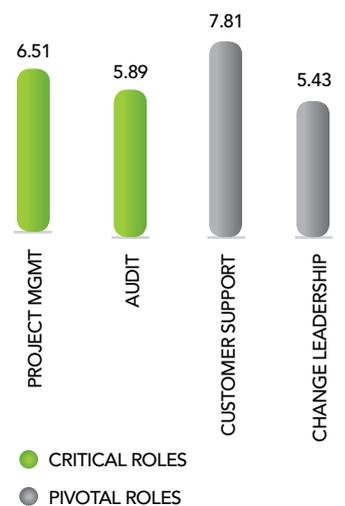
When business forecasting doesn't provide a long-term model to hire and develop against, the entire organization is exposed to increased risk of:

- a) paying the highest price for resources;
- b) being forced to take the resources that are available at the time (or at short notice);
- c) operating without key skills and talents, jeopardizing overall performance and competitiveness; and
- d) missing out on opportunities for competitive advantages through tax and regulatory concessions.

The tactical and operational focus of workforce planning is a reflection of a broader business reality that few, if any of us, can now avoid. This is that business cycles have contracted—and continue to contract—with 'change' becoming an overarching constant. As this shift has occurred, some HR practices have fallen by the wayside. And regrettably, the answer does not lie simply in picking them up and dusting them off again.

Instead, organizations must revitalize their strategic workforce planning function to look across the entire workforce and align with business goals beyond the short-term, tactical needs. Additionally, to enable better talent planning, they must apply lessons from supply chain management.

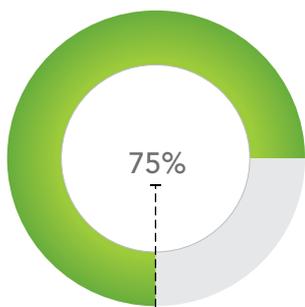
SUBMITTAL TIMES: CRITICAL AND PIVOTAL ROLES



Analyzing specific elements of the talent supply chain, such as submittal times, can provide real-time indicators of when (and why) talent supply is not meeting demand.

ACCESSING JUST-IN-TIME TALENT

Counting on internal talent to fill key roles over the medium term is no longer a reliable workforce strategy. Instead, companies are relying more heavily on talent outside their walls.



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Having access to plenty of people is not the same as having access to plentiful talent. The availability of the right skill sets—the kind that drive innovation, efficiency and competitive advantage—is elusive. Companies globally are already reporting greater difficulty in filling key roles, and even when they find and hire the right talent, it's less likely to stay put.

One study shows that 75% of companies are experiencing a deficiency in the qualifications of job candidates. Yet another study indicates that two-thirds of CEOs (66%) believe there is a limited supply of candidates with the right skills.

In addition to these specific skills shortages, talent generally have stopped managing their careers inside one company or even one industry, and instead look at their careers as a collection of assignments or contracts. For this reason, counting on internal talent to fill key roles over the medium to long term is no longer a reliable workforce strategy.

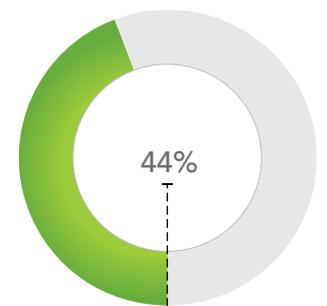
Instead, companies must look at the talent pipeline more holistically—internally and externally to access the skills they need.

Already, around one-third of the talent that companies rely upon is 'outside their walls' and doesn't appear on workforce plans (even if they're being done). We also know that this 'outside' talent comprises a growing proportion of free agents: people seeking work on their own terms and pursuing non-traditional work styles such as contractors, retirees, micropreneurs and the self employed.

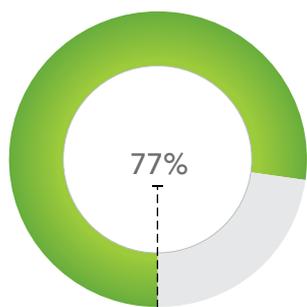
In fields with significant talent shortages, such as the STEM fields (science, technology, engineering and mathematics) the growth of 'free agent' talent is well above the norm. In fact, STEM workers are opting for the free agent work style at twice the rate they are seeking traditional positions (i.e. full-time, permanent employment). This is occurring for many reasons, not least of which is the fact that free agency in a tight labor market provides financial and skill development benefits, as well as a greater degree of flexibility.

Generally, the tighter the candidate pool, the more likely candidates will seek and have access to flexible employment options. So, when operating in this type of market as an employer, flexibility is a must-have employment proposition.

Today, free agents across all industries make up 44% of the active workforce in the United States. And, a report from the Economists Intelligence Unit: Global firms in 2020 confirms this trend is likely to continue. When executives were asked how the employee experience would change at their organization over the next decade, six in 10 (62%) said that they would expect to see a growing proportion of contract-based workers, or free agents. This is five times the number who expect to see a growing proportion of internal staff at their organization.



OF THE ACTIVE
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The free agent population is also one of the most valuable pools of available talent. This is because:

- 77% of free agents have a professional/technical skill-set and are well educated;
- free agents as a whole are highly experienced—as workers become more seasoned in their career, the propensity to become a free agent increases; and
- free agents are measured by the outcomes they deliver, thus are often engaged to execute highly prioritized projects and then move on to the next engagement often at a higher “hourly” rate, but a lower total cost.

Free agents may already form a high proportion of company workforces, yet we’re likely to see this figure spike thanks to three key issues:

- 1 Businesses are now seeking higher and more specific skills and knowledge to help them respond to faster and more dramatic changes in their chosen market;
- 2 Long-term falls in fertility rates across those markets where highly skilled and educated talent has historically been in greatest supply are seeing the global working population age and decline; and
- 3 Free agency is what many workers seek, and in those areas where skill sets are in highest demand, flexible work styles are already more prevalent.

From here on in, what will distinguish the best performing companies is how quickly they adapt to wide variations in the supply and demand of the right skill sets, and their ability to engage these non-traditional workforces to fill gaps.

Perhaps one of the most effective adaptation strategies of all is to give employees what they really want. This doesn't mean higher salaries, greater security or promises of advancement over the long term—it means giving them flexible work options alongside attractive opportunities, challenges and new skills.

Google is one company that has this idea of providing 'challenging and meaningful work' as a key pillar of its talent engagement strategy. The company retains some of the brightest minds in the technology industry. A key driver of keeping "Googlers" engaged is their *20% Time Program* which encourages all Engineers to spend 20% of their work time on projects that interest them. Not only does this keep Engineers happy and engaged, it's also good business – some estimates attribute half of all new product launches directly from products derived from the *20% Time Program*. And this is the new paradigm for astute companies to maintain a competitive edge—keeping the right talent interested so that they stay around long enough to execute on company goals.

We can no longer rely on internal career planning to keep a steady supply of talent coming up through the organizational ranks. Instead, we need to look broadly at the talent market and develop new ways of engaging workers to complete tasks as, and when, they arise.

Essential sources of talent and innovation, including stay-at-home parents, retirees and other outside contractors are needed to feed the pipeline of skills and ideas that companies need. And often, these sources of talent are less able to (and less interested in) traditional working assignments. Instead, they are willing to trade job security for more meaningful and challenging opportunities—and this is what companies must adapt to provide.

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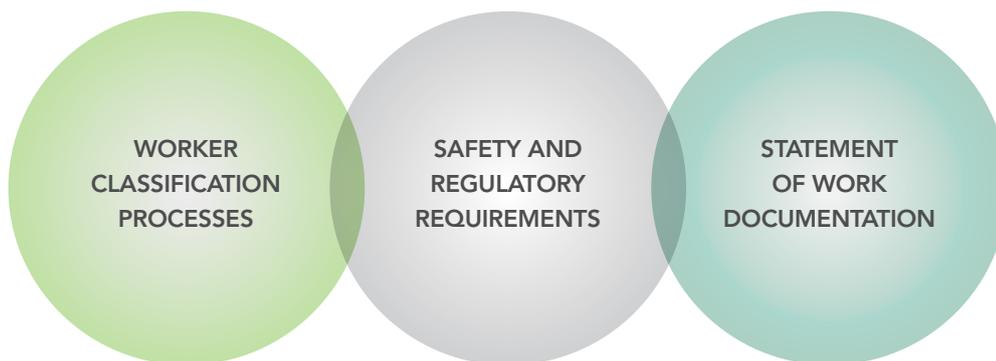
BEWARE THE RISKS

Some 30% of the world's talent has gone missing from HR workforce plans, creating new risks and greater complexity.

CEOs and HR directors are often stunned to learn they have two to three times more people working on their behalf than they have listed in their HR files—often in highly specialized roles such as force.com developers or environmental engineers. This more complex employment landscape creates significant legal and risk issues—and employee misclassification alone is a major issue.

To successfully navigate the ongoing war for talent, companies must include free agent pools in their overall workforce strategies. However, doing so will introduce legal and risk issues, which can add to the time and resource costs of a workforce if not managed effectively. Unfortunately, few companies have formal processes in place for engaging and managing this non-traditional workforce and the associated spend.

To keep track of, and effectively manage, outsourced talent the following issues must be closely considered:



Companies must respond by being more flexible and adaptive without increasing risk to the organization.

As companies rely more heavily upon contingent workers and free agents to fill critical skill gaps across multiple markets, they must respond by being more flexible and adaptive without increasing risk to the organization.

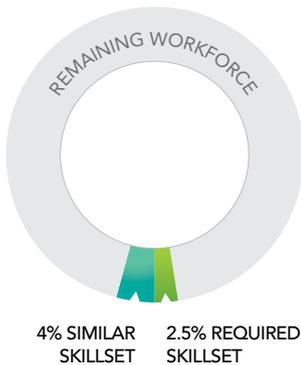
HR departments, in collaboration with Procurement, will need to adapt to managing these risk-related issues, and the key will be to increase oversight without increasing the amount and complexity of processes.

WINNING THE WAR FOR TALENT

It works for other kinds of resources, so why not for people?

Taking a disciplined yet adaptive approach to talent management is the new way forward.

WHAT % OF A MARKET'S TOTAL WORKFORCE IS SKILLED IN YOUR AREA OF NEED?



Source: Wanted; BLS 2011

As organizations move to understand their talent management and retention costs more closely, they begin to see it much as they would any other cost. Managing for immediate need makes sense, but many are still unsure how to do that.

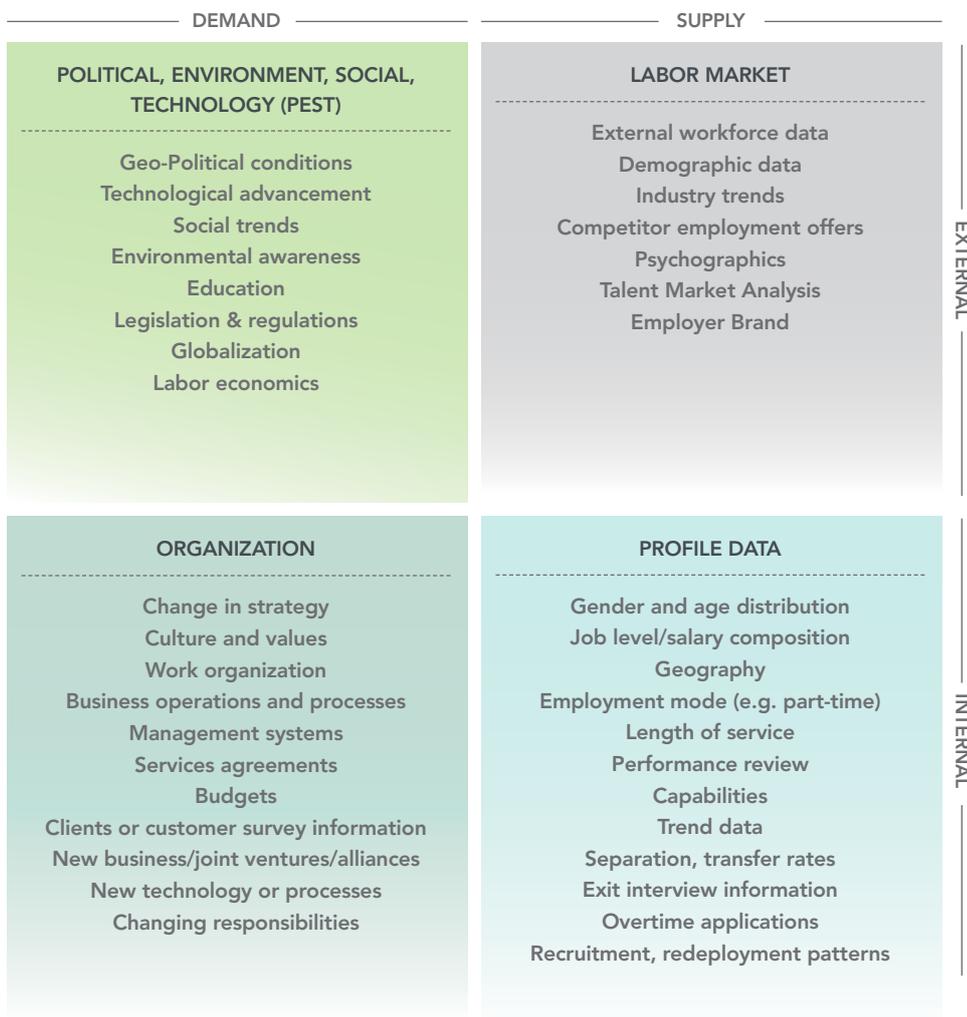
By integrating supply and demand data with the principles of supply chain management, we can begin to evolve the strategies of accessing and managing talent to fit better with current-day business cycles. This kind of data can help determine the strength of the supply chain, especially for those mission-critical skill areas. Ultimately, this helps businesses:

- Determine the Critical and Pivotal skills for their organization (those jobs that are key to success, i.e. engineers for petrochemical companies);
- Assess the real market value of a particular skill or qualification;
- Determine how long it will take (on average) to find those skills; and
- Understand how skill demand and supply differs across regions and markets.

In this way, outsourcing is entering a new phase. It's becoming less about the cost metrics of individual areas, functions or projects and more about increasing overall business performance.

Conducting an environmental scan can provide in-depth insights into the array of workforce risks between internal versus external sources and supply versus demand-based risk. It draws out business priorities, challenges and, of course, the vital and often overlooked information that is the opinions of leaders.

Supply chain management requires a true understanding of the skills and projects that are critical to business success



Once you have engaged the right team, gathered the right data, including an environmental scan that considers your corporate strategy, you then need to adapt to it, and this could mean a number of different things, including:

- Shifting the mix of FTE vs. contingent talent in your workforce;
- Rationalizing the supply base to more effectively match demand;
- Considering flexible work practices such moving the work to a different region or redesigning the work so that it can be done remotely;
- Engaging the free agent population to fulfill individual projects;
- Aligning internal and external compensation with talent market cost pressures.

Moving to a supply chain management model first requires data. It requires a true understanding of the skills and projects that are critical to business success, and then a broad enough network to be able to access those skills on a just-in-time basis. Knowing whether or not this is the right approach for your organization begins with answering a few critical questions:

- Which positions are Critical or Pivotal to achieve your corporate strategy?
- Where is the talent you need? And how does it prefer to be engaged?
- Are you struggling to fill vacancies in certain functional areas or regions?
- Are you seeing recruiting requests staying open for longer periods?
- How many 'free agent' or contract workers do you engage at any one time and how robust are your processes in managing the risk and compliance issues associated with these resources?
- How effectively are you managing the right network of suppliers to meet your current and projected needs?

CONCLUSION

Adapting HR and your entire organization to meet the needs of business today means taking a different view of human resourcing altogether. It means taking lessons from cost- and time-sensitive disciplines to develop a supply-chain-management model that works for 'people' and 'talent'.

Many companies are still under the illusions that they have plentiful internal talent to fill key roles over the medium term, and that workers want fixed, full-time employment. In dynamically changing economic and competitive times, the people you have must be the best they can be—and you must be able to attract and retain them as, and when, you need them. The ability to scale up and down quickly and easily is critical to improving productivity and efficiency in uncertain times, and workers themselves know this.

Demand for talent is becoming harder to predict. So, in addition to leveraging the Talent Market analytics that are now available, we must also adapt and evolve our practices constantly. Just how well is your organization doing with this? How fast and successfully is it evolving to fill the vacancies when and where it needs to?

Talent supply chain management techniques will be the way forward for organizations large and small. And rather than simply being a way to fill individual roles or deliver single projects, it will be about lifting the performance of the entire business.

ABOUT THE AUTHOR

JOHN HEALY is responsible for integrating data analytics with supply chain principles to drive proactive management of talent acquisition strategies across directly hired and outsourced labor categories. He is a member of the Gartner Sourcing and Vendor Management Council and the Duke University Center for International Business Education and Research (CIBER). He has been a featured speaker on related topics for Staffing Industry Analysts, Human Capital Institute, and the Institute for Supply Management.



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