

## Capturing the People Advantage

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Imagine a massive, long-term partnership with a developing nation that requires turning thousands of poorly educated citizens into a highly skilled workforce. Or a government-controlled monopoly transformed at the stroke of a pen into a public company in one of the world's most competitive industries. Or a merger so large that, statistically speaking, not one of the combined company's 200,000 employees has the same job post-merger.

These kinds of business challenges require human capital solutions that stretch far beyond the traditional transactional and compliance roles of HR. Foremost among the pressing human capital challenges are today's demographic trends. In mature economies, the aging of the population has led to a brain drain of critical skills and institutional knowledge, especially in sectors like energy and health-care. Further complexities stem from the migration of talent to regions where economic growth creates demand for expert labor. Companies at the origin points of migration face talent shortages; others have to cope with a greater degree of ethnic and gender diversity.

Skills deficits represent another pervasive challenge. Too many education systems aren't properly preparing young people for work. In 2003, according to Newsweek, employers in the U.S. spent US\$1.3 billion to teach basic writing skills.

Finally, the changing needs and expectations of today's workforce are challenging traditional practices. Organizations need flexibility, but some employees are reluctant to travel; others want flexible or part-time work; and others a global career. "We need to create a work environment that enables people to put their own personality into their job while understanding that we prescribe certain behaviors," says Neil Hall, the PNC Financial Services Group's executive vice president of retail banking. The real story in HR is of variation in individual expectations.

### The Differentiated Talent Market

We asked distinguished business executives and academic experts what works in the real world, not just in theory. Their answers provide valuable insights into how people-related strategies can differentiate business success. They describe many new approaches aimed at attracting talent, such as:

- Applying a "market segmentation" strategy for managing human capital. Just as customer segmentation is the basis for modern marketing, employee segmentation is becoming the basis for modern HR. Basic standards of HR practice need to be in place for every employee, but HR must create customized career alternatives for a diverse workforce. "When somebody tells me he wants to move to France and work from there for a year, I've got to say, 'How can we make that happen?'" declares Shannon McFayden, Wachovia Corporation's senior executive vice president for human resources and corporate relations. This also means employers will prioritize

their investments in and commitments to employees on a more individualized basis, predicated on the different levels of value they deliver.

- Attracting and retaining talent through employer branding. A strong employer brand can maximize an organization's position with the labor pool. Novartis AG HR head Jürgen Brokatzky-Geiger told us that to hire 17,000 people worldwide in 2006, they received more than 300,000 applications. The best employer brands, like Novartis, focus on just a few key attributes, often articulating a clear shared purpose that rises above the profit motive.

- Creating unconventional talent acquisition strategies to look ahead and act with precision. In tight labor markets, accurately forecasting future talent needs is essential. Organizations must act whenever exceptional talent appears. And they must also anticipate, as E.ON AG, the world's largest private energy service provider, realized when privatization overtook the power generation sector in central and Eastern Europe. "We have learned to launch an ambitious and proactive recruitment drive in anticipation of those needs," says Chief HR Officer Christoph Dänzer-Vanotti.

### **Leadership, Learning, Adaptability**

Many of the human capital-related strategies described by the interviewees in the book involve the development and retention of people:

- Recognizing that high performance requires great leaders. Successful leaders support and enable workforces in the quest for extraordinary results. Recognizing this, leading organizations use rigorous development processes to deepen their leadership benches. The goal is a virtuous circle: Sound human capital development attracts high-potential leadership candidates, who deliver the consistently superior business performance that generates the profits needed to invest in better leaders. But sometimes speed and culture change demand external talent injections. Kraft Foods Inc., newly independent in 2007 after decades as a subsidiary of Altria Group, faced this issue. "In the past, we always tried to build all our talent," says Karen May, executive vice president of global human resources. "But our focus on growth means we don't always have time to do that. So ramping up our talent-buying skills has become an urgent matter."

- Rethinking the connection between learning and strategic goals. We know that high-quality learning programs can drive change, innovation, and business value. Nonetheless, many companies still struggle with corporate learning programs that have ambiguous ownership and an underdeveloped support base of internal clients. Accountability for training expenditures is fragmented, costs are not managed tightly, and business outcomes go unmeasured. The cure is closer integration with the business. At Novartis, business units drive the content of learning programs to ensure alignment with strategic objectives. At Toyota Motor Sales U.S.A., Chief Information Officer Barbra Cooper aligns the strategic direction of the corporate university with the needs of the retail network.

- Emphasizing adaptability and resiliency in your workforce. The ability to adapt to and manage change is a key characteristic of an effective workforce. Kraft has a proven method for building the adaptable workforce and Karen May ensures the company's ability to navigate change "by acting on all our people issues, including

current talent, recruiting, workforce of the future, and culture, in the context of business strategy as it relates to growth, innovation, and technology."

### **The Business Impact Imperative**

In the face of today's human capital challenges, many HR professionals are not changing fast enough. "The field is basically operating on a model that's around 70 years old and has a history of being wedded strictly to compliance," observes FedEx Ground Inc.'s senior vice president for human resources Shannon Brown. "And that approach simply doesn't work anymore."

HR underperforms where its capabilities, competencies, and focus are not tightly aligned with the critical business priorities. "A major risk in HR is that we become seduced by the theory alone," warns Barclays PLC HR Director Cathy Turner. "[We] forget that the primary reason the company employs us is to enable business leaders to run their businesses better . . ." This business focus is particularly important because, as several of the thought leaders observe, the global HR profession lacks the standard, widely accepted, and proven methodologies that disciplines such as finance and marketing enjoy.

The greatest value of innovative HR is to elevate the idea that people are a primary asset and competitive advantage, and that a compelling people strategy is required to realize their value. Leaders who understand and embrace this principle have already taken the first step toward capturing the people advantage.

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