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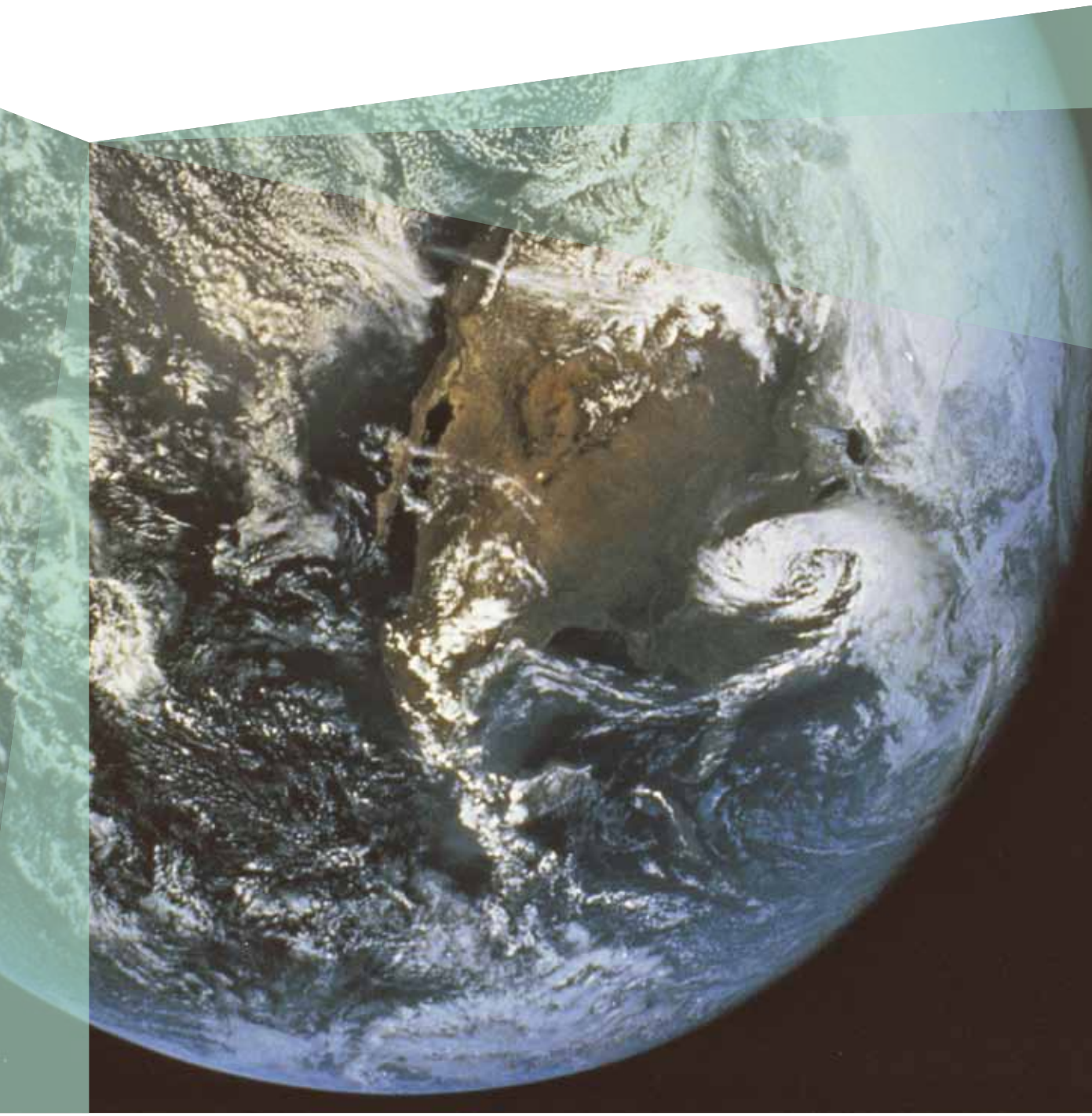
TALENT MANAGEMENT PRIORITIES IN EUROPE



MARSH & McLENNAN COMPANIES

TALENT MANAGEMENT PRIORITIES IN EUROPE

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Even in a recession environment, talent management remains a critical issue for chief executives and is undeniably a top priority for business success. A 2012 Conference Board survey[1] of 776 chief executives from around the world revealed that the war for talent sits alongside the race to innovate and the hunt for new markets, and it is seen as one of the critical factors defining today's global business environment. CEOs also list talent as a key factor in addressing other top business challenges, such as business growth, innovation and cost optimisation.

Looking ahead, five workforce trends will shape talent priorities in Europe: talent deployment, engagement, diversity, soft cloud and increased globalisation.

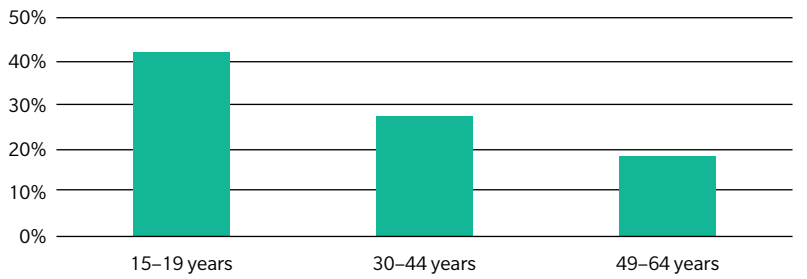
TALENT DEPLOYMENT

Organisations have been facing enormous shortages of talent and key skills across the globe. Europe does not appear to be faring badly, but skill mismatch seems to be a problem. One of the key challenges for Europe is not just to improve skills, but to match its already highly qualified workforce to the jobs available today and in the future. Right now, the European Union counts about 24 million unemployed workers opposite six million job vacancies. The European Commission[2] estimates that in Europe, overeducation averages around 30%, with at least 40% of those ages 15–19 being overeducated for the types of jobs available. This means that the underuse of skills and competencies will emerge as a real problem, particularly among the younger generation.

[1] For more information, see *The Conference Board CEO Challenge® 2012: Risky Business – Focusing on Innovation and Talent in a Volatile World* (March 2012), available at http://www.conference-board.org.

[2] The study report can be accessed at http://ec.europa.eu/europe2020/pdf/themes/19_skills_gaps_and_labour_mobility.pdf.

Figure 1
Overeducation by Age, Based on European Commission Data



The challenge facing European governments and businesses is to match individuals with the right skills to the jobs available. From an employer's perspective, it is difficult to obtain engagement when you are putting a person in a job that is unsuitable for his or her background and skills. The underlying causes of skill mismatch can be attributed to several factors, such as incomplete information in the labour market and education and training systems that are not responsive to labour market needs. These challenges have implications for talent management, and organisations therefore should consider the following:

- Collaborate earlier with universities and educational institutions to ensure that the degree and vocational courses are aligned to the needs of the labour market. Recruitment efforts from these places should start earlier. There is already evidence that blue-chip organisations are recruiting second-year university students and that organisations are penetrating universities at an earlier point in students' degree courses.
- Take a proactive approach to workforce planning and management to foster the match between skills supply and demand.

ENGAGEMENT

The majority of employees in Europe are disengaged to some extent. Mercer's latest *What's Working*™ survey,[3] conducted among nearly 30,000 employees in 17 markets worldwide, provided revealing insights into the minds of the global workforce. Mercer's research found that 34% of employees in Europe are seriously considering leaving their organisation. It's a frightening number and has serious implications for organisations. Apathy is also increasing among employees, with 24% not committing to leaving or staying with the organisation.

Looking deeper across different age demographics, loyalty among generation Y is increasingly eroding, though this does not mean they are less likely to be engaged. Workers in this generation can be extremely hard-working, but they are looking for the next stage of their career development and it is not necessarily a traditional career path offered by

[3] To learn more about Mercer's *What's Working* survey and its findings, visit http://inside-employees-mind.mercer.com/home.

an organisation. Our research shows that employees ages 34 and younger are the most likely to leave their organisations at the present time (8% difference from the overall workforce) – despite being more satisfied with both their organisations and their jobs – and are more likely to recommend their organisation as a good place to work.

The contradictory nature of generation Y presents challenges to organisations, particularly in the area of talent management. We recommend that organisations take the following actions:

- Develop multiple engagement strategies targeted for different levels of commitment.
- Leverage the use of social media tools to a greater extent to create a "conversation" with younger workforce segments, adopting a more suitable language and mode.
- Move away from traditional career paths and begin offering more career "experiences" for the younger generation.

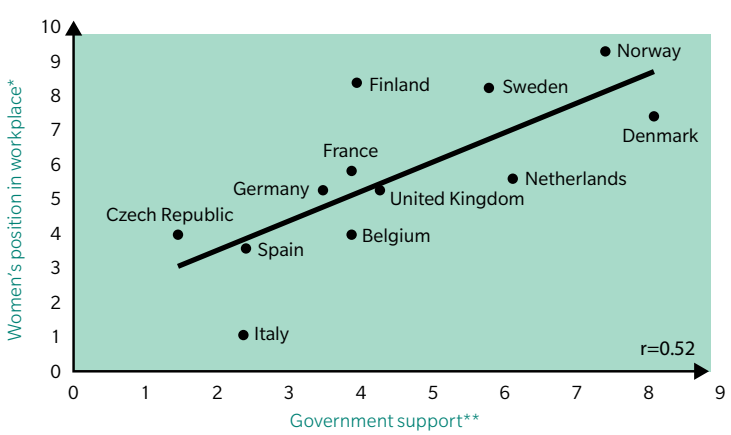
DIVERSITY

In Europe, organisations are facing an increasingly diverse workforce, in terms of both gender and age. Gender diversity is topping the agendas of many European governments, and this is reflected by the increasing amount of state support given in areas such as tax breaks, legislation in the form of quotas and other support mechanisms. The graph below demonstrates the strong correlation between government action and the increased presence of women on the boards of companies. There are some anomalies: Finland has one of the highest scores for representation of women on companies' boards, yet it invests less than the Netherlands and Denmark in terms of government support.

Figure 2

Correlation Between Government Support and Women's Position in the Workplace

Number of countries = 12



* Average of indicators: board representation of women; women's share of men's working hours; employment rate of women

** Average of indicators: number of children in child care; government expenditure on family/children as percentage of GDP; proportion of men working part time

Source: European Commission; Eurostat: 2010 Catalyst Census

We predict that a number of European governments will take forceful action in the next couple of years. For example, it seems highly probable that the elected French president, Francois Hollande, will implement hefty fines for French companies if they fail to have 50% representation of women on the board.

Although we expect to see more women in the workforce in the next few years, one of the outstanding challenges for organisations will be to implement HR strategies that address the loss of women in middle and senior management. It is well-known that organisations lose women as they reach more senior levels. Mercer analysed 264,000 senior management jobs at approximately 5,300 organisations across 41 countries and found that countries in the former Soviet bloc had the highest percentage of women in senior-level positions (44% in Lithuania) compared with 28% in Spain, the UK and France.

Although women's representation on corporate boards in European countries has grown in the past four years, their representation on executive committees – where the critical organisational decisions are made – remains low. This is one area that organisations need to address. But it is not just about the culture of the organisation; a country's culture is at play as well.

EU PUSHES 40% FEMALE QUOTA ON CORPORATE BOARDS

Regarding women's representation on corporate boards in European countries, the situation varies widely. Eleven EU member states, as well as the European Economic Area member state Norway, have already introduced legal instruments to promote gender equality on company boards. In eight of these countries, the instruments cover public undertakings. Meanwhile, in two-thirds of the member states, no legal measures were introduced and no significant progress has been made in recent years.

In France, women make up 22.3% of women on the boards of French blue-chip companies – after the country introduced quotas, with an aim of 40% women by 2017. The Netherlands has mandatory quotas for women but lacks major penalties to back them up. Spain and Italy are among the EU countries that have voluntary quotas. In the UK, the House of Lords EU Select Committee has criticised the idea of mandatory quotas for the number of women on EU boards.

The EU directive proposed in November 2012 will apply to private companies listed on the stock exchange that have a percentage of women lower than 40% among non-executive directors. This should be on the basis of a comparative analysis of the qualifications of each candidate, by applying "transparent and unambiguous criteria" in order to meet the 40% objective. The proposal is expected to apply to about 5,000 publicly listed companies in the EU. It does not apply to businesses with fewer than 250 employees and an annual worldwide turnover of less than €50 million. The 40% target is binding, but not reaching it does not mean that there will be sanctions against a company.

Organisations can have initiatives in place to address gender diversity, but they will still be fighting the cultural barriers of the countries in which they operate. This will require organisations to adopt different approaches to managing gender diversity. Below are some recommendations for organisations:

- Build a culture of diversity and inclusion.
- Develop recruitment and promotion processes that take into account unwitting biases.
- Spread out mentorship programmes.
- Create a more balanced work environment.

From an age perspective, Europe will have an increasingly diverse workforce in the future as well. The European Commission data indicate that, in spite of a high unemployment rate, a large number of millennials will be entering the labour market. Alongside that, pension reforms across Europe will likely cause more employees to remain in the workforce for a far longer period of time than originally anticipated.

Organisations will also have to contend with the contradictions presented by generation Y (ages 16–34). This age group is more likely to think and act like their age-group peers around the world. Keep in mind that generation Y has already developed its own global peer network through social media tools such as Twitter and Facebook, resulting in an unprecedented cultural alignment. Interestingly, all the other age groups are far more likely to think and act within the established cultural norms of their particular country. Our own research has indicated that generation Y's allegiance is to themselves and their careers, and this has major implications for how organisations should manage this youngest segment of the workforce. We recommend that organisations address the generational challenges of their workforces in the following ways:

- Introduce reverse mentoring programmes.
- Enhance learning through career experiences.
- Deliver a segmented talent strategy to address the specific needs of generation Y.

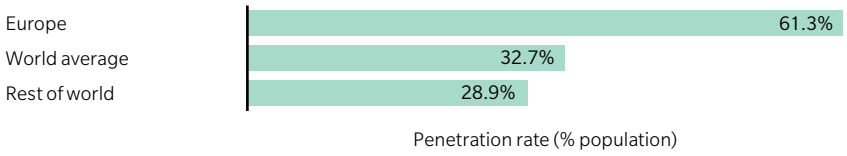
SOFT CLOUD

Internet penetration among European countries is driving social network diffusion. As of 31 December 2011, there were 500 million internet users, with 61.3% penetration.

Figure 3

Internet Penetration in Europe

31 December 2011



Source: Miniwatts Marketing Group (2001–2002). "Internet World Stats", available at http://www.internetworldstats.com/stats4.htm. Based on 2,267,233,742 world internet users as of 31 December 2011.

Europeans spend 27.5 hours a month on the internet. Europe also has the largest number of Facebook subscribers in the world, with 223 million users. However, organisations tend to use Facebook in a passive manner, and there are opportunities to use social media for engagement and innovation. We recommend that organisations do the following:

- Design and adapt talent-acquisition processes focusing on social recruiting.
- Leverage social media as a technology and cultural platform for talent management, and use it for onboarding, learning and development, and performance and career management – particularly for generation Y, as this group wants to contribute ideas through social media to improve the organisation.

COCA-COLA'S EFFECTIVE APPROACH TOWARDS ENGAGING YOUNGER WORKERS

An example of an innovative organisation that has actively engaged its young workforce is Coca-Cola. This beverage conglomerate has introduced reverse mentoring for its workforce, in which the average employee is in his or her mid-30s. On a one-to-one basis, Coca-Cola pairs generation Y employees with older, more senior employees – with the goal being to foster a dialogue rather than a one-way conversation. The company has also established an "affinity" group consisting of generation Y employees from across its operating groups who meet up with the leadership team within Coca-Cola. Interns and management trainees are leveraged to present their views from a generation Y perspective and to tell the organisation how it could improve internally. Coca-Cola also has an internal social media capability, called "Chatter", through which the company communicates with its generation Y employees and uses the ideas generated by this forum to innovate.

Note: Information courtesy of Stevens Sainte-Rose, HR Director Eurasia Africa Group at The Coca-Cola Company.

GLOBALISATION

Globalisation is now a part of everyday business for larger European companies. But we find that many organisations do not have a global culture that reflects the marketplace in which they operate. There are several important drivers for globalisation, including:

- Access to foreign markets, driven by the easing of governmental restrictions in many countries
- A business focus on following customers into foreign markets and observing international development and its speed

The main obstacles for organisations to collaborate globally are:

- Language or cultural barriers
- Lack of face-to-face meetings
- Regulatory barriers
- Difficulty building trust and partnerships

To meet the talent management priorities created by globalisation, organisations will need to have the infrastructure to build global talent management platforms, and leadership needs to be transformed so that it can thrive in a global and diverse environment.

CONCLUSION

The five workforce trends we've described have clear implications for organisations in Europe. Many talent management processes will require reshaping to fit the new scenario.

In summary, organisations should look at the following areas:

TALENT STRATEGY

It will be all about having a talent strategy that offers a global platform allowing you to segment your workforce populations, with a special focus on generation Y so that you can differentiate your talent management processes and tools to cope with the different needs of this group.

A forward-looking focus will be required as well, with a growing need for strategic workforce planning to address future capability requirements.

TALENT ACQUISITION

Organisations should review this process and start engaging candidates at an earlier life stage to identify and strategically plan for their specific future needs.

Organisations should also use social media in innovative ways to attract and engage generation Y.

CAREER MANAGEMENT

Traditional career paths are becoming obsolete and unmanageable due to the speed of organisational changes. Career management should be rebuilt around the concept of "career experiences" gained through special assignments, international/multifunctional projects, situational roles and other creative ways.

LEADERSHIP

Leaders today must be fit for a global and inclusive culture, putting at the centre capabilities such as cultural sensitivity, sense of adventure and global mindset, among others.

Organisations must carefully examine and use proper mentoring and reverse mentoring practices in order to engage and motivate all segments of the workforce – especially generation Y.

ABOUT THE AUTHOR

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