Agenda

Mega trends with impacts on future businesses  3
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Section 1 | Mega trends with impacts on future businesses
Example 1: Growing world population
In 2050 there are more than 11 BN people on the world – 15% of them are living in the “old industry countries.

Source: United Nations
Example 2: Global Surface Warming
If we don’t steer against the surface warming temperature will grow more than 2 degrees Celsius

Source: EPA – United States Environmental Protection Agency
Example 3: International trade in services

After the signing of the Marrakesh contracts there is a tremendous growth of services.

Source: OECD
Why should we care?
There are main reasons to take care about these trends:

- Under-estimated by large companies
- Disruptive to business models
- Can be turned into business opportunities
## Five Megatrends that will shape the world economy

<table>
<thead>
<tr>
<th>Demographic asymmetries</th>
<th>Economic glocalization</th>
<th>Resource constraints</th>
<th>Innovation shift</th>
<th>New consumption patterns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ageing societies</td>
<td>BRICS, MINT and beyond</td>
<td>Strain on natural resources</td>
<td>Digital revolution and mobility</td>
<td>Health and wellness</td>
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<tr>
<td>Hyper Urbanization</td>
<td>Balkanization of Finance</td>
<td>Energy shift and Ecosystem at risk</td>
<td>Information age</td>
<td>Hybrid consumer</td>
</tr>
<tr>
<td>Rise of Asian and African middle class</td>
<td>Right-shoring</td>
<td>Right to operate</td>
<td>Boom in life sciences</td>
<td>Usage and sharing economy</td>
</tr>
<tr>
<td>Talent migration</td>
<td>Globalization of Services</td>
<td>Deleveraging</td>
<td>Acceleration of R&amp;D cycles</td>
<td>Hassle free</td>
</tr>
</tbody>
</table>
Example 1: By 2050 new competitors are present. The Next 11 will catch up with the G7.

Source: The Economist Intelligence Unit
Example 2: Globalization of Services
HSBC has 15 service plants to process the demands of its 7,500 branches
Example 2: Globalization of Services
Services growth will be strongest in emerging economies

Source: Oliver Wyman – Globalization of services, a game changing decade
Summary 1: Global connections in 2030
The future belongs to those who connect the dots

- China largest Oil importer while US is energy independent
- +3 BN middle class in Asia
- Health & wellness is priority no.1 for each of us
- 2,4 BN People in absolute water scarcity
- Baby boomers from top 10 countries own 40% of world wealth
- At least 20% Increase in life expectancy
- No more labour cost advantage in China
- Greenhouse gas emissions increase by 40%
- 2X Services growth in emerging economies
- 2 BN will concentrate in 600 cities, 75% in emerging economies
- Emerging economies make up 60% of the digital universe
- The Next 11 catch up the G7
- Massive deleveraging in G7
- Massive acceleration of usage and sharing driven by digital
- OECD Healthcare spending X3
- 100 TN of connected devices
- Emerging economies grow up to 60% of the digital universe
- 1 in 5 people will be 65+ years old
- China largest Oil importer while US is energy independent
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Summary 2: Megatrends and their influence to corporates and organizations. Organisations will have to radically adapt the Mega trends and the changes in the corporate environment.

- Demographic asymmetries
- Economic globalization
- Resource constraints
- Innovation shift
- New competitive pattern

### Need for adaptation
- Cultures
- Processes
- Structures
- Systems

### Leadership Management through influence rather than authority

- Survive in a new world order
- Managing in matrix structures
  - Information flows around the globe and organizations
  - Redundance of traditional hierarchies and reporting lines
Section 2  Business strategy and Talent Management
Dependence of Business Strategy and People Strategy

People strategy must reinforce business strategy

**Business strategy**

Defines the performance goals the organization seeks to achieve and sets parameters for the decisions and investments it will make to support those goals

**People strategy**

A unique set of prioritized choices about people investments that enables the organization to achieve its business strategy and performance goals
Dependence of Business Strategy and People Strategy

When business strategy evolves, so must people strategy

- New labor markets and products
- Diversity and globalization
- Organic growth and acquisitions
- New leaders and new visions
- Changes in workforce demographics
- Shifts in critical roles and competencies
- Evolving employee priorities and values
- New HR function requirements
Requirement: Validation and quantification
Dashboards deliver current-state foundational metrics

### ENERGY

**Workforce Structure**
- Headcount trend
- Span of control
- Staffing ratios
- Supervisory layers

**Capabilities and Sourcing**
- Internal labor market flow
- Build/Buy trend
- Hire rate trend
- New hire premium
- Age/Tenure distribution
- Retirement eligibility

**Performance and Accountability**
- Performance distribution
- Year-to-year rating variability
- Pay change by rating
- Turnover by performance
- Movement by performance

### ECONOMICS

**Recognition and Rewards**
- Base pay increase trend
- Pay mix
- Pay trend
- Pay change by promotion

**Communication and Connection**
- Additional module only

**Promotions of laterals**
- Turnover of promotions and laterals
- Turnover/Promotions of high performers
- Turnover/Promotions of high potentials

Revenue per FTE trend

Revenue per compensation trend

Employee turnover trend and projections
Quick quit trend

Employee turnover trend by tenure

Energy economics

Revenue per FTE trend

Revenue per compensation trend
From business strategy to talent strategy
Phase 1: Critical talent is identified through executive interviews

- Affected by strategy:
  - Specialist
  - Non-core/Flexible

- Affect strategy:
  - Strategic
  - Core
From business strategy to talent strategy
Phase 2: The Wireframe Summarizes Leadership Decisions

<table>
<thead>
<tr>
<th>Business strategy</th>
<th>Workforce requirements</th>
<th>People strategy imperatives</th>
<th>Outstanding questions: analytic requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Need to differentiate and innovate to stay ahead of increasingly competitive marketplace</td>
<td>• Entrepreneurship and innovation</td>
<td><strong>1. Focus on buy over build</strong></td>
<td>• How are employees most effectively developed?</td>
</tr>
<tr>
<td>• Agility to respond to rapidly changing regulatory environment</td>
<td>• Understanding of marketplace and regulations</td>
<td>• Reduce recruiting cost by increasing utilization of internal transfers – both across businesses and across positions – to fill vacancies</td>
<td>• To what extent are transfers linked to success and innovation?</td>
</tr>
<tr>
<td>• Continuous improvement of core processes to ensure efficiency and improve margins</td>
<td>• Knowledge of company products and processes</td>
<td>• Use internal transfers to build core competencies and foster innovation: knowledge of marketplace and products</td>
<td>• To what extent are built employees retained?</td>
</tr>
<tr>
<td></td>
<td>• Commitment and engagement</td>
<td>• Enhance development programs to build strategy</td>
<td>• What is the employee value proposition for developed talent?</td>
</tr>
</tbody>
</table>

2. **Foster employee engagement**
- Align compensation programs to ensure strong impact on engagement
- Train supervisors to drive engagement and support development

3. **Manage employees effectively**
- Realize scale in supervision: minimize spans of control
- Encourage supervisors to “share” not “hoard” high performing talent
- Retain and motivate high performing supervisors

• What drives the general employee value proposition?
• To what extent does engagement drive innovation?
• How does supervision drive both engagement and innovation?

• Where is increasing spans of control an opportunity? a risk?
• What are the characteristics of supervisors who share talent?
• What factors drive retention and engagement of supervisors?
• What is impact of supervisor engagement/retention?
From business strategy to talent strategy

Phase 3: Determine Impact on the HR Function

**People strategy**
How will the organization manage and motivate a workforce that can execute the business strategy

**HR function strategy**
How does the HR function support the people strategy, deliver expected value and contribute to the organization in support of business priorities?
What HR programs and initiatives are required to meet the function strategy

**HR operating model**

- **Sourcing**
  What activities will the HR function do themselves/have others do?

- **Infrastructure**
  What internal capabilities are needed to fulfill the HR function strategy
  - **Process**
  - **Technology**
  - **Talent**
  - **Organization**

- **Governance**
  How will the function be led and how will related investments be managed?
  How will success be measured?
How big is the gap between the current and future states? How quickly do you need to get to the future state?

What leadership and management behaviors are required to move the business forward? Is leadership sufficiently aligned? Are managers sufficiently skilled?

Does the change signal New values? New behaviors required? New metrics and success criteria? How will the change affect each stakeholder group?

What impact will proposed changes have on the organization? How will different employee groups be impacted?

From business strategy to talent strategy
Phase 3: Define the Magnitude of Potential Changes
From business strategy to talent strategy
Phase 4: Build a 3-year blueprint

Workforce Investments and HR Programs

Activities, tasks and responsibilities

Budget and resources

Impact measurement framework

HR function requirements

High-level change plan
Section 3  Future requirements for Talent Management
Impacts on organizations
Global balance of power is changing

**Organizations**

- Awareness of
  - Political
  - Economic
  - Cultural sensibilities in different countries
- Converging of consumption patterns among the middle classes
- Value may differ widely from those in established markets

**Impacts**

- Adoption of global strategies for local markets
- Fostering local participation in decision-making
- Culturally diverse leadership teams
- Encouraging more cross-country and cross-functional collaboration
- Agility as the most important characteristic
- Operation with flattened matrix
- Information and authority flow in all directions

**Required competencies for talents**

- Collaboration
- Flexibility
- International mobile
- Conceptual and contextual thinking
- Leading diverse teams
War for talents
Talent will continue to be at a premium and retaining employees with key skills will be a challenge

Open questions (selection)

• Will jobs as we currently understand them exist in the future?
• Will we all be contractors?
• What, if neither the young nor the older colleagues are likely to be interested in working 12 hour days, for very much longer time?

Requirements for talent leaders

• War for talents continue to rage
• Strong effects on the innovation capability
• Unprecedentedly diverse pool of potential employees to draw on
• Attract, integrate, develop international migrants, older people, women and other with “caring” responsibilities
• Family-friendly and age-appropriate employment models
• Educational and development programs
• Integrating and motivating teams of increasingly diverse employees
• Inter-generational and inter-cultural team work
• Encouraging more women and more “minorities” into leadership positions
Growing individualizations
Careers play an increasingly important role in the trends of self-fulfilment and self-expressions

Selected characteristics

- Individualization with an enormous impact on loyalty and motivation
- Soft factors like
  - Recognition
  - Self-development
  - Self-direction
  - Value-driven engagement
  - Work-life balance
- Promoting independent work and time management

Requirements leadership

- Balance of the role of Boss, mediator and coach
- Allowing freedom and autonomy
  => But: Focussing on objectives
- Re-thinking of the approach to loyalty and retention
- Leading remotely
- Combining vertical and face-to-face contact
New leaderships competencies
The new world order will challenge leaders on these levels: Cognitive, emotional and behavioural

<table>
<thead>
<tr>
<th>Cognitive</th>
<th>Emotional</th>
<th>Behavioural</th>
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<tbody>
<tr>
<td>• Leaders need new forms of contextual awareness, based on strong conceptual and strategic thinking capabilities</td>
<td>• Overall, leaders will need to be much more sensitive to different cultures, generations and genders</td>
<td>• Leaders must create a culture of trust and openness</td>
</tr>
<tr>
<td>• They need to be able to conceptualize change in an unprecedented way, again based on conceptual and strategic thinking</td>
<td>• They will need to demonstrate higher levels of integrity and sincerity and adopt a more ethical approach to doing business</td>
<td>• As post-heroic leaders they must rethink old concepts such as loyalty and retention and personally create loyalty</td>
</tr>
<tr>
<td>• Leaders need to exhibit new forms of intellectual openness and curiosity</td>
<td>• They must also tolerate far higher levels of ambiguity</td>
<td>• Collaboration – cross-generational, cross-functional and cross-company – will be their watchword</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• They must lead increasingly diverse teams</td>
</tr>
</tbody>
</table>
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