

Hewitt

Next-Generation Talent Management

Insights on How Workforce Trends Are Changing the Face of Talent Management



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Contents

Introduction

Five Workforce Trends You Can Count On	1
Smaller and Less Sufficiently Skilled	1
Increasingly Global	3
Highly Virtual	4
Vastly Diverse	5
Autonomous and Empowered	6
Top Implications for Talent Management	8
Predictive Workforce Monitoring and Strategic Talent Decision Making	8
Flexible and Anticipatory Talent Sourcing	12
Customized and Personalized Rewards and Communications	16
Distributed and Influential Leadership	17
Unified and Compassionate Cultures	19

References

Biographies

Tips and Take-Aways

Introduction

Now more than ever, it's imperative that organizations manage people well. In today's information economy, people's knowledge, skills, and relationships are an organization's biggest asset and main source of competitive advantage. Cost cutting and productivity boosting are corporate mainstays, while people-related costs have risen to more than two-thirds of organizational spending.¹ Increasingly, workforce optimization is viewed as a significant driver of shareholder value and bottom-line results.²

As the importance of people to the bottom line grows, the rules for managing people are dramatically changing. Demographic, economic, technological, and sociopolitical phenomena are driving the most drastic workforce changes in decades, creating a workforce that's more diverse, mobile, informed, and in demand than ever before.

Alarmingly, most organizations aren't prepared to manage this new generation of talent. In fact, research suggests that most large organizations are currently underutilizing their managerial and professional talent, are failing to understand the kind of support knowledge workers need to perform at their best, and are continuing to use industrial-age talent management practices despite receiving less than optimal results.³

Numerous studies support these conclusions. A recent Conference Board survey reported that CEOs gave *talent identification and growth*, *engaging employees in the company's vision/values/goals*, and *leveraging diversity* surprisingly low rankings—sixth, eighth, and seventeenth, respectively—in their lists of top management concerns for the year 2008.⁴ A Society for

Human Resources Management (SHRM) survey revealed that less than one-third of employers are adjusting their talent management policies and practices to the aging of their workforces⁵ and 60% of organizations don't account for workforce aging in their long-term business plans.⁶ Recent surveys also indicate that most HR leaders are spending less than 25% of their time preparing for the workforce of the future and that few organizations believe that HR has the skills required to manage a diverse and global workforce.⁷

Not surprisingly, many organizations are already struggling to effectively manage next-generation talent. The United Kingdom's Chartered Institute of Personnel and Development (CIPD) reports that most employers are having difficulties recruiting skilled staff even in a down economy and half of employers are having difficulty retaining employees.⁸ Along a similar vein, Hewitt engagement studies indicate that one out of two workers worldwide is currently disengaged, 28% of workers are actively in the job market, and 40% of workers would like to be employed somewhere else within one year. Most of these trends will only be magnified as the global economy turns around.

This report reveals five trends that are reshaping the workforce and outlines the unavoidable implications that these workforce changes will have for the practice of talent management. It also highlights examples of organizations already using innovative talent management practices to leverage the next-generation workforce.

Five Workforce Trends You Can Count On

Global organizations are awakening to the alarming realization that significant demographic, economic, sociopolitical, and technological changes are dramatically altering the workforce. Changes in birthrates, retirement trends, and job requirements are reducing the size of the workforce and creating significant skills shortages, while eased trade barriers, communications advances, and the knowledge economy are producing a highly global and virtual workforce. At the same time, loosened cultural norms, higher minority birthrates, and relaxed migration barriers are creating a workforce that's vastly diverse. And the knowledge economy, information technologies, and a changed employment contract are giving rise to the most autonomous and empowered group of workers ever.

These changes are dramatic, and they're a reality that many employers have not yet grasped. The workforce is in the midst of an unstoppable and radical transformation. It is becoming:

1. **Smaller and Less Sufficiently Skilled**
2. **Increasingly Global**
3. **Highly Virtual**
4. **Vastly Diverse**
5. **Autonomous and Empowered**

Understanding the intricacies of these five workforce trends is critical, as these changes characterize the next generation of talent from which organizations will draw for years to come.

Workforce Trend #1—A Smaller and Less Sufficiently Skilled Workforce

For organizations across the globe, an immense and potentially long-term struggle to fill job openings is about to begin. A host of phenomena are coming together to dramatically alter both the sheer number of workers available, as well as the number of workers that possess the most in demand skills.

There Will Not Be Enough Workers to Fill Jobs

In industrialized nations, smaller, middle-aged population segments and early retirements are substantially reducing the size of working-age populations. When this decline hits bottom, member nations of the Organization for Economic Cooperation and Development (OECD) will have experienced a combined reduction in their working-age populations of 65 million people.⁹ In the United States alone, there will be 10 million more jobs than workers by the year 2010.¹⁰

A 16% drop in the number of middle-aged workers¹¹—a product of a developed world population bust between 1965 and 1976—is driving the decline in workforce size. In the United States, in just the next six years, the 30-to-44-year-old workforce will decline by 3 million.¹² A more pronounced drop is expected in most other developed nations, which have more restrictive immigration policies.¹³

As the middle-aged workforce in developed nations is shrinking, mature-aged workers in these countries are fleeing the work world. Encouraged by favorable pension plans and growing affluence, large numbers of workers are choosing to retire at younger and younger ages.¹⁴ Today, the average OECD worker retires three to five years before the official retirement age.¹⁵ Half of European men aged 55 to 64 have stopped working.¹⁶ And, by 2050, one in three Europeans will be retired.¹⁷ To alleviate the worker shortage, growing participation from groups underrepresented in domestic labor markets—mature workers, women, and the disabled—will be critical.¹⁸

Also significant will be physical and virtual migration of workers and jobs across the globe. In fact, the developing world's 30-to-50-year-old population is booming.¹⁹ Worker migration is expected to create a highly competitive global labor market at least until the year 2016, when the generation born in developed nations between 1977 and 1994 has fully entered the workforce. Often referred to as Generation Y, this group will bring roughly the same number of workers to the workforce as the baby-boom generation did years earlier and will offer significant domestic relief for worker shortages in the developed world.²⁰

There Will Not Be Enough Workers With the Required Skills

Together, a rise in alternative labor pools and the entrance of Generation Y into the workforce may generate enough bodies for developed nations to make up for a dearth of middle-aged and mature workers. However, these phenomena will likely not generate enough workers with the skills and experience that employers need. As the workforce becomes more youthful and consequently less skilled, the demand for skilled labor will rise. With knowledge and technology as the new economic currency, the majority of new jobs being created in the developed world require high

skill levels and substantial knowledge expertise. And the fast pace of change requires that skill and knowledge levels be continually upgraded. Surprisingly, as demand for workers with higher skill levels rises, growth in worker educational attainment is falling short.²¹ In the United States, there will be demand for more than 30 million new college-educated workers in the next 10 years while only 23 million new U.S. college graduates are expected.²² In the European Union, younger workers are achieving high levels of education, yet demand for educated workers is still not being met.

As workers pursue less formal education, many organizations are cutting back on corporate training programs, which is further contributing to the skilled-worker shortage. In the United States and the United Kingdom, organizations have significantly scaled back training expenditures.²³ And in the United Kingdom, inadequate corporate training has been cited as one source of current skill shortages.²⁴ While some training program cuts have been the result of a weak economy and may eventually be restored, many are evidence of a growing trend for employers to source skills from the external labor market rather than develop them internally.

Management expert Peter Cappelli notes that external sourcing of skills forces a constant churn in the skilled-worker job market, and organizational hiring practices cannot keep pace. These skill shortages will create an intense global competition for the most valuable talent. In the end, each company, industry, and profession will experience the skilled-worker shortage differently. An organization's historical growth pattern, age, industry downsizing history, and skill requirements will ultimately dictate its experiences.

Workforce Trend #2— An Increasingly Global Workforce²⁵

Traditional geographic boundaries surrounding the workforce are crumbling fast. In their place, a truly global job market, the likes of which has never been seen before, is being built.

Worker Mobility and Migration Are Gaining Momentum

Free-market economic reforms and technological advancements are creating a global labor market. No longer are workers limited to marketing their skills solely within one country or region. They can now market themselves to organizations based anywhere in the world. In this global labor market, workers are increasingly being reallocated to their most efficient uses.

Worker mobility and migration are on the rise, with workers far less likely to remain in one physical location throughout their careers. During the past 40 years, global migration of less-skilled and highly skilled workers has doubled.²⁶ Among developed nations, the United States is by far the biggest recipient of labor inflows. However, other nations are likely to increase their share of migrant labor, as the impact of domestic labor and talent shortages heightens.²⁷

Statistics show that electronic immigrants—“workers who take jobs in other countries without actually changing residence, much less citizenship”—are also becoming increasingly commonplace.²⁸ Going forward, even workers from industries and professions that have historically been isolated will join the global labor market.

Job Migration Has Become a Business Requirement

As with workers, jobs are also increasingly being relocated to the places that best match company needs in terms of labor, skills, costs, and capacity. Low-cost communications technologies and rising education levels in developing nations are making it possible and advantageous to move jobs across the globe in search of lower operating costs. A recent Hewitt survey found that 45% of participant companies are currently offshoring or considering offshoring in the next three years. Companies are offshoring jobs in IT, call center support, HR, finance, and accounting to countries in the Asia-Pacific region, which have large populations of college-educated workers and low labor and operational costs.

In the future, the number of jobs offshored, the types of jobs offshored, and the nations to which they are offshored will broaden. Surveys show that more U.S. employers plan to offshore jobs. In the next three years, the number of jobs moved offshore will nearly double, increasing from an average of 13% to an average of 25%. By the end of the decade, this number will grow 30% to 40%. The jobs being sent offshore will become increasingly sophisticated and will more frequently shift to nations in Eastern Europe and Southeast Asia.²⁹

While offshoring is mostly an American practice—three-fourths of offshored jobs originate in the United States—other nations are expected to join the revolution.³⁰ As this practice continues, so too will concerns about its negative impact on the workforce. Offshoring has reportedly boosted worker stress and competition and diminished worker engagement. These concerns, however, aren't likely to stop the trend, as a failure to offshore is increasingly equated with significantly diminished competitive advantage.

Workforce Trend #3— A Highly Virtual Workforce

The definition of coworker and the meaning of being “at work” are being completely redefined as workers across the globe connect via the latest communications technologies.

A Virtual Workspace Is Taking Hold

Across the world and across industries, workers are being “freed” from their desks and “relieved” of their traditional nine-to-five schedules. Growing use of wireless phones, high-speed broadband connections, and personal digital assistants (PDAs), combined with the rising proportion of work products that can be transmitted electronically, is completely redefining the concepts of workplace and workday.

No longer is a fixed physical location a requirement for work. Instead, workers are spending large portions of their time working in their cars, at client sites, in hotel rooms, at home, and even on vacation. A recent survey of senior executives found evidence of “a significant upsurge in remote working.”³¹ In the next two years alone, the number of employers with no employees working from home on a regular basis is predicted to drop from 46% to 20%.³²

Workers can now be accessible to work anytime. Growing numbers of workers are on call, all the time. Multitasking like never before, they seamlessly switch from work to nonwork and back. They may respond to emails while waiting at the dentist’s office and log back in to work after the kids are in bed. For some workers, this capability is bringing a new level of work/life synchronization and satisfaction. For others, it’s fostering unhealthy workaholic tendencies.

Virtual Coworking Is on the Rise

Growing numbers of online news groups, discussion forums, and social networks are making many geographic, social, and even corporate barriers of the past obsolete. Increasingly, workers are part of a global talent supply chain, participating in virtual teams composed of the best employees from around the world. In this supply chain, workers across disparate nations, social strata, corporations, professions, and job classes tap a common infrastructure and set of protocols to regularly connect based on mutual interests.

No longer are workers reliant on having a common physical location or a similar place in the corporate hierarchy to interact in real time. With ease, they can now connect and collaborate with others doing the same job at other companies. Regardless of their position, workers can communicate directly with anyone in their organizations, even the CEO.³³

Together, virtual coworking and the virtual workspace are creating an “always on” workforce that sees no limits to jobs.³⁴ Many workers are simply afraid to slow down, afraid to disconnect from work at all for fear of losing job security in an increasingly competitive, global labor market. Unfortunately, the consequences of an “always on” workforce can be dire—“lousy employees: tired, depressed, mistake prone, resentful, and eventually burned out.”³⁵

Workforce Trend #4— A Vastly Diverse Workforce

Prepare to experience the most diverse workforce in history in terms of age, gender, ethnicity, and life pursuits, as changes in birthrates, migration patterns, and cultural norms take hold.

There Are More Generations in the Workforce Than Ever Before

Workers are entering the workforce earlier and staying longer. More generations are now in the workforce than have been in recent times. In the United States, growing consumerism, coupled with rising price tags for education, is motivating increasing numbers of teenagers to enter the workforce. Today, 70% of 21-year-old Generation Y Americans are in the workforce,³⁶ and a similar trend has been observed in Europe.³⁷

At the same time that younger workers are entering the workforce earlier, older workers—motivated by longer life expectancies, changing cultural expectations, and the availability of knowledge and service work—are staying longer. In the United States, workers are staying on the job for an average of 15 years beyond age 55,³⁸ and growing numbers of workers aged 50 to 70 are returning to the workforce to fulfill needs for activity and income.³⁹ Going forward, 80% of U.S. boomer workers expect to keep working past age 65.⁴⁰ Outside the United States, older workers aren't yet employed to such an extent, but this tradition is expected to change.

With an unprecedented number of generations in the workforce at one time, workers are finding themselves the brunt of stereotypes and discrimination. In the United States, between 1999 and 2002, age discrimination claims rose from 14,000 to 20,000.⁴¹ In the United Kingdom, age discrimination claims have risen to the region's top workplace discrimination claim.⁴²

The Workforce Is More Gender Balanced

Significantly large numbers of women, motivated by loosened cultural norms and economic necessities, have entered the workforce. According to the International Labor Organization (ILO), women now represent 40% of the global workforce. Today, 70% of women in the developed world and 60% in the developing world are engaged in paid employment.⁴³ Growing female workforce participation holds for married and single women, for women with and without children, and for women with both older and younger children.⁴⁴ In OECD nations, female labor force participation rates are only expected to rise. By 2015, women will make up 48% of the U.S. workforce.⁴⁵ A similar trend is predicted for most EU-15 member nations.⁴⁶

While more women enter the workforce, growing numbers of men and women are entering occupations previously reserved for the opposite gender. Today, women participate in all industries, professions, and job levels, while men are broadening the types of industries, professions, and job levels in which they participate. Increasingly, men are taking on traditionally female roles, becoming librarians, secretaries, nannies, pre-school teachers, nurses, paralegals, and typists. Unfortunately, many men in historically female roles report high levels of stress and discrimination,⁴⁷ while 56% of women believe they don't have equal job opportunities compared to men.⁴⁸

The Number of Ethnic Minority Workers Is on the Rise

Migration levels and birthrates are boosting the proportion of ethnic minorities in the developed world. Since 1975, global migration has doubled.⁴⁹ Since 1970, U.S. migration has tripled.⁵⁰ Today, one in 10 people living in the developed world is a migrant, and 175 million people are living in a country different from the one in which they were born.⁵¹

At the same time, ethnic minority birthrates are increasing while majority birthrates are declining. In the United States, non-Hispanic whites are declining to just 50% of the total population, while Hispanics, Asian Americans, and African Americans are ascending to 25%, 8%, and 15% of the population, respectively.⁵²

As a result, minorities are the fastest-growing segment of the U.S. labor force.⁵³ Half of new workers in the United States in the past 10 years were Hispanics⁵⁴ and by 2010 the Hispanic labor force will be larger than the African American labor force.⁵⁵ By 2025, close to 40% of U.S. workers will be Hispanic, African American, or Asian American.⁵⁶

Workers Are Leading More Complex, Less Uniform Lives

The workforce is not only diverse in terms of demographic characteristics such as age and ethnicity, it's also more diverse in terms of lifestyles or life patterns. Fewer workers are partaking in the traditional progression through life stages—education, work and family, followed by leisure. Instead, they're mixing up the pattern in unique ways.⁵⁷ They're juggling, repeating, and changing stages more frequently in a lifetime.

Older workers are staying on the job into their retirement years. Workers of all ages are departing their jobs for leisurely sabbaticals at different points in their careers. Parents are temporarily leaving the workforce while raising young children. And seasoned workers are going back to school while staying on the job.

Altogether, increased diversity is creating a workforce that defies stereotypes and generalizations. As workers interact and pursue varied life paths, less can be surmised from outward identifiers such as age or race. Traditional notions regarding the attributes of older workers, male workers, and European workers, for example, must be abandoned or used with caution.

Workforce Trend #5— An Autonomous and Empowered Workforce

Workers are taking the driver's seat in controlling the direction and substance of their professional lives. Technological and economic forces are giving them the capacity for greater authority on the job and in the job market.

Workers Have the Capacity and the Desire to Be More Influential on the Job

Trends toward knowledge work and technology-based communications are giving workers the expertise and skills to make more decisions about how they do their work. Knowledge workers have job or profession-specific expertise that's not possessed by management, making them the logical decision makers in many areas. Via the Internet and intranets, workers have access to competitive intelligence, business trend information, and experts, increasing their decision-making capabilities.

While the knowledge economy is producing workers with the expertise to make more decisions on the job, trends toward self-agency and free agency are giving workers the skills and desire to make these decisions. As organizations encourage workers to take more responsibility for their career development and employee benefits, they're creating a class of self-agents⁵⁸—workers who have the skills and desire to be self-sufficient

on the job. At the same time, corporate layoffs have pushed many workers into free agency. When the economy turns around, many free agents will again be employed by corporations and will have newfound skills and a desire for self-management.

Workers Have More Authority in the Job Market

Information technology, the knowledge economy, and a changed employer-employee contract are giving workers more authority in the job market. Today, most workers have access to unprecedented amounts of high-quality employment information. On the Internet, workers find information on specific job openings, compensation and benefit options, and career paths. They can even obtain inside information on potential employers from current and former employees who share their employment experiences online.

At the same time that access to employment information has proliferated, worker skills for accessing and applying this information have also grown. The increasingly knowledge-intensive nature of jobs has given most workers the skills they need to be proficient—and in many cases expert—at finding, evaluating, and responding to employment information on the Web.

As the Internet and information literacy reduce job search costs, a changed employer-employee contract is minimizing the costs of job switching. Ushered in by the downsizing trend of the 1980s, this new employment contract is giving employees the ability to switch employers with relative ease and minimal sacrifice. No longer are employees limited to one corporation or career path as their sole route to promotion and increased rewards. Instead of being seen as an indicator of a problem employee, searching the external job market has become a sign of

business acumen. Experience with other employers is now an asset as opposed to a limitation. And health and retirement benefits are more portable than ever.

With job searching and switching costs dramatically reduced, it's becoming the norm for workers to continuously "comparison shop" the electronic job market for better opportunities. Rather than being "brand loyal," workers are increasingly using newfound employment intelligence to bargain with employers and switch jobs when they find a better deal. Many workers plan to use their employment intelligence to seek better offers as the job market improves. One survey found that 83% of workers are extremely or somewhat likely to look for a new job when the economy strengthens.⁵⁹

Five Workforce Trends You Can Count On— Summarized

Taken together, these five trends—smaller and less sufficiently skilled, increasingly global, highly virtual, vastly diverse, and autonomous and empowered—are creating a workforce that's so radically different from what employers have known in recent times that it will require them to entirely rethink their approach to managing talent. The next section of this paper will present the top implications this next-generation workforce poses for the future of talent management, as well as real-life examples of organizations that are pioneers in this arena.

Top Implications for Talent Management

The future of business is impossible to foresee; too many uncertainties remain. Far less mysterious, however, is the future of the workforce. As outlined in the previous section, a number of forces have set in motion a radical transformation of the workforce, the effects of which will be greatly magnified in the years to come.

As this next-generation workforce takes hold, it will render traditional talent-management practices grossly insufficient, and often detrimental to the bottom line. Past practices, designed for an abundant, isolated, homogenous, and employer-dependent workforce, will no longer sustain organizations.

The new workforce will be smaller and less sufficiently skilled. It will be increasingly global, highly virtual, and vastly diverse. Autonomous and empowered, it will demand a new generation of talent management, one that embraces:

1. **Predictive Workforce Monitoring and Strategic Talent Decision Making**
2. **Flexible and Anticipatory Talent Sourcing**
3. **Customized and Personalized Rewards and Communications**
4. **Distributed and Influential Leadership**
5. **Unified and Compassionate Cultures**

Adopting these practices now is critical for future-focused organizations. Only by perfecting them will organizations get the most from the force with the biggest impact on the bottom line—the workforce.

Talent Management Implication #1— Predictive Workforce Monitoring and Strategic Talent Decision Making

Say good-bye to after-the-fact HR measurement and reactive workforce management. The scarce, global, and empowered workforce of the next generation will require that organizations embrace predictive workforce monitoring and strategic talent decision making. Together, these practices will form the foundation of next-generation talent management and ensure that organizations will have enough workers with the right skills, motivated to deliver desired results.

Embrace Predictive Workforce Monitoring

In the next generation of talent management, organizations will practice predictive workforce monitoring to anticipate future talent needs. Organizations will regularly gather information on workforce demographics, as well as worker attitudes, behaviors, and skills. They'll rely on both quantitative and qualitative information and will tap a range of information sources—including internal databases, email, the Internet, internal and external Web logs, newspapers, and internal business intelligence systems. Organizations will track broad workforce trends, as well as details on specific workforce segments. For example, energy provider PacifiCorp specifically tracks high-potential employees with leadership and technical talent.⁶⁰

At its best, workforce monitoring will involve everyone in an organization and will be led by an individual or department whose sole charge is monitoring the workforce. Intel Corporation, the world's largest chip maker, for example, uses a program called "Organization Capability Assessment," which allows the staffing department to work with the business twice a year to assess different workforce needs—immediate and up to two years out.⁶¹

Only by practicing workforce monitoring continuously and in real time will organizations have sufficient lead time for acting on the opportunities and challenges monitoring detects. For example, only with workforce monitoring was PacifiCorp able to see that 80% of its workforce would be eligible to retire in the next 15 years and have time to implement a graduate recruitment and on-boarding process to attract and retain young talent. At PacifiCorp, new graduate hires now spend their first nine months on the job learning the energy business and how to operate in a more seasoned work environment. During this time, PacifiCorp emphasizes to graduates that the company can be more than one stop in their careers; it can offer them multiple jobs throughout a career.⁶²

To accomplish continuous, real-time monitoring, organizations will employ a variety of information technologies. They'll use tacit data-collection software to gather workforce data behind the scenes as it's being input. They'll integrate workforce information platforms, combining external and internal workforce information in one, central

repository. And, they'll take their human resource information systems beyond administration and self-service to become enterprise-wide workforce intelligence portals that have easy-to-navigate interfaces, advanced data analysis capabilities, and personalized reporting.

Many organizations will turn to HR outsourcing (HRO) to access real-time workforce information collection and reporting technologies.⁶³ To reap the greatest benefit from HRO's data collection and reporting capabilities, organizations will outsource all workforce services to a single provider. For example, one of the top reasons Sony Electronics, Inc., a U.S.-based consumer electronics and entertainment company, chose total HR outsourcing—outsourcing of payroll, benefits, and workforce management services to one provider—was to improve the quality, timeliness, and access to its HR data. With total HR outsourcing, Sony has gained access to the hard data it needs to identify trends and make better workforce decisions.

Organizations, like Sony, that choose HRO will not only gain real-time access to their own workforce data but will also obtain access to aggregate data on the workforces of their outsourcing provider's entire client pool. This aggregate data on benefits, HR costs and structure, employee engagement, employee demographics, and compensation practices will be an invaluable workforce monitoring tool.

Monitoring Workforce Trends:

The Human Resources Outsourcing Advantage

An aggregate analysis of Hewitt HR outsourcing (HRO) client workforces revealed the following talent-management issues and opportunities:

- Five years from now, 24% of the workers at HRO companies will be over age 55.
- Fifteen years from now, the number jumps to 53%.
- Today, only 4% of organizations have workers who are age 60 and over.
- 54% of workers have five or fewer years of service.
- Participation of women workers dips during childbearing years, while the same is not true for men.
- Higher ages and tenures are found in transportation, utilities, and education.
- Manufacturing, electronics, and transportation are three-fourths male, while health care is 80% female.

(At the time of analysis, this database represented 184 companies with a total of 5.4 million employees. Of these companies, 53% were in the FORTUNE 500® and 36% in the top 100 of the FORTUNE 500.)

Promote Strategic-Talent Decision Making

To take action on the issues and opportunities that real-time workforce monitoring provides, organizations will use a variety of strategic decision-making techniques. They'll identify a relatively small number of critical talent measures and tie them directly to business performance outcomes. Moving beyond centrally appointed HR prevalence and cost metrics, organizations will measure key talent inputs and outcomes that have been identified by the talent decision makers who rely on them.

Talent decision makers will establish measures of "at-risk talent"—employees who have a higher likelihood of leaving the organization. They might consider how much the early retirement of a certain executive would cost department sales per year. Measures of "at-risk talent" enabled business consulting company Deloitte Consulting to determine that it needed to retain 40% of its partners becoming eligible for retirement.⁶⁴

Talent decision makers will also use measures of "pivotal talent"—groups of employees with the greatest potential for improving business results. Decision makers might look at how a change in a certain employee group's behavior would boost productivity per quarter. Pivotal talent measures allowed office furniture manufacturer Steelcase Inc. to determine that it needed to retain or do succession planning for a top executive with significant expertise and a deep relationship base.⁶⁵

Amerada Hess Corporation: Preparing for the Future

Amerada Hess Corporation, a leading global energy company, is facing a potential talent gap that's symptomatic of the entire energy industry. The average age of petroleum geologists at Hess is in the 40s, and many petroleum engineers at Hess are in their 50s. As Hess's workforce ages, the U.S. education system is producing fewer petroleum geologists and engineers.

To mitigate any potential talent shortage, Hess created the "Organizational Capability" function, dedicated to forecasting and planning for future workforce needs. The Organizational Capability (OC) group monitors data associated with workforce attrition (e.g., retirement age, time in a role, experience with Hess, education, etc.) and prospective talent requirements. The OC group then works with the lines of business to better prepare them for meeting changing global talent demands. The group considers how each line of business is evolving, examines what jobs at Hess will look like in the future, identifies sources for procuring the best talent, and assists in developing current and newly hired employees.

June 2004 interview with Robert Vogel, former Director of Organizational Capability, and Steve Stulbaum, former manager Human Resource Development and Organizational Capability Process, Amerada Hess Corporation.

To ensure that the information gleaned from business-outcome-linked talent measures and real-time workforce monitoring is turned into accurate talent forecasts and effective workforce plans, organizations will train talent decision makers in hypothesizing, predictive modeling, and scenario planning. With hypothesizing, talent decision makers will seek the meaning behind and implications of workforce measures to ultimately identify workforce opportunities and challenges.⁶⁶ Predictive modeling will help talent decision makers scientifically identify which specific changes will generate desired business outcomes. Using computer models, talent decision makers will simulate how even minute talent changes could significantly impact business outcomes. Finally, scenario planning will guide talent decision makers in brainstorming a range of possible workforce and business futures, in assessing the likelihood of each happening, and in outlining how the organization can prepare for each.

At companies that master predictive workforce monitoring and strategic talent decision making, workforce inputs will closely match talent requirements on a continuous basis. Those companies that become early masters of these techniques will be at a significant competitive advantage and reap benefits for years to come.

Talent Management Implication #2— Flexible and Anticipatory Talent Sourcing

The rigid and reactive staffing practices of the past will be grossly insufficient for tackling the staffing challenges posed by a smaller, more global, diverse, and empowered workforce. Going forward, organizations will need to abandon these practices for more flexible, anticipatory talent sourcing strategies.

Take a Flexible Approach to Talent Sourcing

To meet talent needs, organizations will leverage a broader spectrum of workers and employment relationships. From the external labor market, they'll recruit older workers, retired workers, and former employees. Home improvement giant The Home Depot, Inc., for example, is focusing its recruiting efforts on older workers, partnering with the older adult advocacy group the American Association of Retired Persons (AARP). The AARP makes referrals and trains members to work at The Home Depot. Today, 15% of Home Depot's workforce is over age 50.⁶⁷ Retail pharmacy CVS has a similar program.⁶⁸

General Electric (GE) taps the long-standing experience and knowledge of veteran managers to help integrate newly acquired businesses.⁶⁹ And global biotechnology firm Monsanto Company has a "Resource Re-entry Center" that allows full-time employees who have exited the organization in good standing to reapply after six months for part-time positions. Applicants are eligible for company savings and investment plans, as well as spot bonuses.⁷⁰

Also from the external labor market, organizations will seek workers with disabilities, as well as the long-term unemployed. Computer hardware manufacturer International Business Machines (IBM) Corporation, for instance, is effectively leveraging the skills of disabled workers. IBM reports that "disabled workers contribute millions to the bottom line. Forty-two percent of the company's disabled workers have key skill jobs such as software engineering, marketing, and IT architecture." Managers at IBM receive special training on recruiting disabled employees.⁷¹

In addition, organizations will court workers from many geographic locations and will tap the vast pool of women who either have yet to enter the global workforce or who want to reenter the workforce after their childbearing years. Whirlpool Corporation, the top U.S. home appliance maker, targets women in recruiting and promotion. It works to maintain a work environment that supports women's career development, conducting studies to reveal barriers female employees may face to career advancement.⁷² Computer hardware company Hewlett-Packard (HP) attracts an impressive number of female recruits by highlighting its impressive track record of women hires. Today, about 40% of HP's top-level managers are women.⁷³

As they recruit from a broader spectrum of workers in the external labor market, companies will also recruit a wider talent pool from within the organization. They'll establish internal labor markets through which permanent employees continuously sell their services for short- and long-term engagements. With these internal, project-based employment systems, workers from anywhere in the organization will match their skills, interests, and capacity to open projects.⁷⁴

To support internal labor markets, organizations will establish talent-match databases. They will regularly update these databases with worker skills and interests and continually cull them for talent matches. British Petroleum (BP) has a talent-matching system where employees can post their résumés and receive weekly notification of jobs and projects that suit their abilities.⁷⁵ Management consultants William Bridges and Susan Mitchell Bridges write that talent databases will be “a new organizational circulatory system that guarantees that when someone’s work finishes here, it can resume somewhere else in (or around) the company without undue stress or delay.”⁷⁶ Some organizations will even employ inside-move representatives to help employees market themselves in the internal employment landscape.

As they leverage a broader spectrum of workers from the internal and external labor markets, organizations will also rely on different types of employment relationships. Nonstandard employment relationships, such as part-time work, flextime, temporary work, telecommuting, job sharing, nontraditional shifts, seasonal employment, on-call work, and ageless internships, will become the norm. JetBlue Airways Corporation, a leading low-fare airline, has had success with nonstandard employment relationships, offering remote work opportunities for call center representatives, many of whom are at-home moms working part time. With this strategy, JetBlue has eliminated call center expenses and boosted productivity and retention from a traditionally high-turnover position.⁷⁷

One nonstandard employment model that organizations will rely upon heavily is free agency—a broad term describing a variety of contract and temporary employment arrangements. With free agency, organizations

will tap the best talent on an as-needed basis. Organizations will connect open projects and available free-agent workers via temporary agencies, professional organizations, and even online networks such as Elance, Inc.⁷⁸

Another nonstandard employment model that organizations will rely on heavily is phased retirement—reduced-hour and flexible-schedule employment options for workers nearing or at retirement age. With phased retirement, organizations will retain mature workers and their irreplaceable knowledge. One organization that has used phased retirement to successfully preserve the skills and corporate memory of its retiring workforce is The Aerospace Corporation, which specializes in space-related research and development. Under its Retiree Casual program, Aerospace employees can retire at age 55 with full benefits and continue working on a project basis for up to 1,000 hours per year. Eighty percent of retirees sign up for this program. Most work two days per week, but some work six months on, six months off. A majority work into their mid-60s, some into their 80s.⁷⁹

At radiotherapy system provider Varian, employees can initiate reduced schedules when they are three years away from retiring. Most working reduced-hour schedules work four days a week for a year and then drop to two days a week for the two years prior to retirement. Some work only half-time and some job share. Workers retain full medical and dental benefits throughout the reduced-hour years. Additionally, workers have the option to return to full-time status if reduced hours prove to be a financial strain.⁸⁰

SAS: Maximizing the Value of Older Employees

SAS Institute Inc., the world's leader in business analytics software, is not content with only being a leader with its customers. It also strives to be a leader in creating a unique work environment for its employees. SAS employees enjoy a sprawling campus in Cary, North Carolina; two company-sponsored onsite child care facilities, an onsite fitness center, onsite family medical care, a subsidized onsite café, break rooms stocked with food, private offices for all, a 35-hour workweek, and flexible scheduling.

Providing this creative work arrangement has paid off with greater employee loyalty, higher motivation, and higher productivity. SAS now has a 3% employee turnover rate compared to the industry average of 20% to 25%. This amazingly low attrition rate saves a significant amount of money and effort related to hiring. But it also presents the challenge of managing an aging workforce. The average

SAS employee is 41 to 42 years old. Jeff Chambers, Vice President of Human Resources, summarizes the emerging trend aptly: "As the company grows, our population stays here. No one ever leaves. This does pose some challenges over time."

For Chambers, the overall goal is to create a win-win relationship for both SAS and older employees, many of whom have been with the company from its start in 1976. Chambers recognizes the advantages of retaining older workers who have a wealth of intellectual capital and corporate memory. He's creating a new value proposition for older employees, providing them with attractive retirement options, testing out ideas such as day care for grandchildren, and part-time and seasonal hours.

August 2004 interview with Jeff Chambers, Vice President of Human Resources, and Betty Silver, Director of SAS University, SAS Institute Inc., and Ellen Bankert, Mary Dean Lee, and Candice Lange, SAS Institute, The Wharton Work/Life Roundtable, Wharton Work/Life Integration Project, University of Pennsylvania, 2000.

Adopt Anticipatory Sourcing Strategies

In addition to using more flexible staffing models to secure next-generation talent, organizations will also adopt anticipatory sourcing strategies. They'll prepare workers in advance for potential roles and offer "learning opportunities for people on a purposeful and continuous basis, thereby creating competency pools and talent reserves for later use."⁸¹ They'll help employees prepare long-term development plans and match these plans with existing work opportunities. They'll even create new job opportunities for employees whose development plans require them. In fact, Hewitt Associates has found that using such talent supply chains is a common practice at companies that

consistently achieve double-digit growth in profits. These companies have highly integrated processes that yield a steady stream of talent. They stockpile talent and hire for current capability, as well as future potential.⁸²

To reduce the time it takes to fill job openings with qualified candidates, organizations will pursue high-impact sourcing channels. Some organizations will use extensive and strategic candidate testing to identify the best talent. In preparation for its future needs, Hilton Hotels Corporation is working to "clone" its best employees. The company has used written tests to profile the behaviors and aptitudes of top performers. It has constructed a profile of the model employee that it evaluates new hire prospects against.⁸³

Organizations will also develop stronger and more targeted relationships with recruiters and professional organizations. Telecommunications provider BellSouth Corporation relies heavily on relationships with community colleges, military installations, and community relations representatives to find the highest-quality job candidates. In addition, organizations will partner with university professors to identify the best graduates and will keep in touch with organization alumni. Internet search firm Google Inc. maintains relationships with hundreds of university professors to stay abreast of future talent.⁸⁴ Nationwide Insurance uses an exclusive in-house headhunter whose job is to apply in-depth knowledge of Nationwide's business to source external talent at the executive level. As a result of implementing this strategic model, costs have been significantly reduced and candidates are a better cultural fit.⁸⁵

Some organizations will even hire workers they anticipate needing, even if there are no current openings. Some will use headhunters to keep tabs on external, as well as internal, talent. Diversified Brazilian company Semco runs ads even when there are no job openings. The ads ask potential employees to present what they could do for the company. If Semco is impressed, they create a position for the worker.⁸⁶ SAS took advantage of the recent economic downturn to hire 800 new workers.⁸⁷

Increasingly, organizations will rely on temporary staffing to try out potential hires and buy time until the right hire is identified. Cable TV provider Adelphia Communications Corporation rents talent with the option to buy, allowing them to immediately fill open positions and ensure that a correct fit is made for the long haul.⁸⁸

Together, flexible and anticipatory sourcing represent the most efficient and cost-effective ways for organizations to maintain adequate, if not exceptional, talent levels from the new workforce.

Compass Group: Grooming Talent

Compass Group PLC, the world's largest food service company, has introduced a number of talent management initiatives to develop its talent pool in ways that ensure individual aspirations match organizational expectations. Compass identifies top performers who are both ready to assume more responsibility and aspire to advance. It assesses high performers for promotability, time frame, and leadership potential. It offers needed coaching and development opportunities and monitors progress. Career and performance information is presented at talent review meetings, where decisions are made on promotion readiness and leadership potential.

Compass also uses surveys to better understand and meet employee aspirations and capabilities. A career survey collects information related to education, experience, geographic preference, and career aspirations. Another survey measures job-related qualities such as thinking and reasoning style, behavioral traits, and occupational interests. The results are entered into a software program that generates individual qualification profiles for the employees, which are discussed at talent review meetings.

Being in the service industry, Compass Group believes that people are at the heart of its business. The company's talent management initiatives are geared toward attracting the best people and realizing their full potential.

July 2004 interview with Chris Ashcroft, Executive Vice President, Human Resources Compass Group Americas Division, and Pam Perrine, Director, Talent Management, Compass Group PLC.

Talent Management Implication #3—Customized and Personalized Rewards and Communications

Traditional, one-size-fits-all rewards and communications programs just won't cut it in the next generation of talent management. A workforce that's in short supply, empowered to switch jobs, and demographically and lifestyle diverse will require, and in many cases demand, that organizations take more than one approach to rewarding and communicating. It will require that rewards and communications not only be customized with high-tech tools, but also personalized in high-touch ways.

Use a High-Tech Approach to Customize Rewards and Communications

In the next generation of talent management, organizations will use consumer-marketing technologies to customize total rewards packages. Through personalized Web portals, organizations will offer rewards menus and associated dollar credits that are tailored to groups of workers and even individual workers. Dollar amounts will be tied to role and performance as opposed to age or seniority. Options offered will go beyond the traditional flexible benefits fare to include choice in work assignments and location, time and money for training, and working-time flexibility. With customized rewards menus, organizations will attract, motivate, and retain a broader spectrum of workers without increasing total rewards budgets.

For example, pharmaceutical company AstraZeneca PLC offers workers customized rewards menus, giving employees their total cost of remuneration and allowing them to design the specifics of their rewards packages.⁸⁹ Going even further, Semco offers a flexible rewards program

through which employees determine their own compensation level. Semco keeps compensation amounts in check by providing detailed financial information upon which employees are encouraged to base their salaries. Semco also makes salaries public.⁹⁰

As with rewards, employee communications will also be customized in the next generation of talent management. With the aid of technology, organizations will gather worker information and use it to create communications that resonate with specific group or individual needs. A wide range of worker communications will be customized, from messages about benefit offerings to messages about personal development and career progression. Rather than sending a generic mailing to all employees regarding the company's 401(k) plan, organizations will use employee segmentation technologies to target communications at groups of employees based on different factors, such as interest in saving or years until retirement.⁹¹ U.K. food retailer Tesco PLC, for example, segments employees according to their personal and professional goals to better communicate and motivate its employees.⁹²

In the end, customized rewards and communications will make individual employees feel valued by even large, distributed organizations and will elicit desired behaviors from a highly varied workforce. Increasingly, organizations will turn to sophisticated HR technologies to easily and cost-effectively manage customization. In addition, strategic and systematic outsourcing of noncore HR functions will give many organizations access to the latest customization technologies, while freeing HR's time to develop customized rewards menus and communications content.

Use a High-Touch Approach to Personalize Rewards and Communications

Organizations will use a number of high-touch approaches, including the manager-employee relationship and the organization culture, to personalize rewards and communications. Next-generation managers will develop personalized employment agreements with workers, outlining project details, deadlines, and personal development plans. Semco managers routinely ask employees to evaluate their job satisfaction and to consider changing positions to find the right fit.⁹³ Another key role for next-generation managers will be developing more personalized incentives. For instance, Houston's Central Bank uses an assessment tool to determine what motivates individual employees.⁹⁴

In addition to leveraging the manager-employee relationship, organizations will also tap the power of organization culture to personalize rewards and communications. They'll create cultures that convey they care about employees' most basic and personal work needs. Humanity, respect, and dignity will be integral to these environments where basic worker rights will include opportunities to participate in productive, meaningful work, share ideas and receive acknowledgement, and be treated like an adult.

Ultimately, employers will balance the benefits of customization and personalization with its costs. They'll invest only in the areas that make a difference to their employees and their business. Regularly, they'll assess the value of individual employees to the business, measure individual results, and make adjustments to customization and personalization strategies.

Talent Management Implication #4—Distributed and Influential Leadership

Out of the next-generation workforce, a radically transformed leadership model is emerging. To get the most from a workforce that's short on experienced talent, globally dispersed, virtually connected, and prepared to be authoritative on the job, organizations will distribute leadership responsibilities throughout the organization and transition traditional leaders from commanding to influencing.

Distribute Leadership Responsibilities Throughout the Organization

The days of leadership's being defined as an individual quality or a job requirement are numbered. As we move into the next generation of talent management, leadership will increasingly be viewed as an action that any worker or group of workers can take to meet the needs of specific business situations. Decision making will grow highly decentralized. Deciding what to do and how to do it will be the responsibility of the average worker, as opposed to the sole privilege of executives and managers. Workers will make the decisions that are best made by them given their expertise and closeness to the issues at hand.

Decentralized decision making is at the very core of how The AES Corporation, one of the world's largest electric companies, operates. In fact, one of the biggest decisions in AES history, to buy a power station, was not made by the CEO or the board, but by an employee who had been with AES for less than two years. The person received advice, but the final decision was his.⁹⁵ Whole Foods Market, Inc., the world's largest retailer of natural and organic foods, also has decentralized decision making at its core, with a philosophy that "decisions should be made closest to the place they'll be carried out, should directly involve the people affected, and should leave out people who aren't involved."⁹⁶

At many organizations, decentralized decision making will give way to much less hierarchical organizational structures such as those seen at W. L. Gore & Associates, Inc., and the Massachusetts Institute of Technology (MIT). At W. L. Gore, the manufacturer of Gore-Tex, there are no titles besides that of president and secretary of the company—two titles required by law. To manage at W. L. Gore, employees must find other employees willing to work with them.⁹⁷ At MIT, senior faculty members are not bosses, but instead play a significant role in mentoring and promoting new faculty members. This loose management structure allows scholars to create and produce high-quality research and teaching.⁹⁸

Some organizations will go beyond decentralization to incorporate elements of democracy into their decision-making practices. Democratic decision making will aid organizations in unifying diverse workforces behind common goals. Organizations will employ a variety of democratic decision-making tactics, including informal worker polls and formal Web polling of stakeholders. They'll also have workers vote on job candidates, the hiring and firing of managers, and overall organizational strategy issues.⁹⁹

Whole Foods and Semco have both incorporated elements of democracy into their decision-making processes. At Whole Foods, all new-hire candidates work a 30-day trial in one of the store's departments. Then the entire department, whose bonuses depend on group performance, votes on whether to employ the candidate.¹⁰⁰ At Semco, each department has a representative on the board of trustees. Two of the 117 trustees are on the board of directors and are given time at each board meeting to discuss issues of importance to their employee constituents. In addition, at each board meeting, two of Semco's nine board seats are available for any employee who signs up.¹⁰¹

Together, decentralized and democratic decision making will create more fluid and flat organizational structures, as well as more flexible and broad job descriptions. Ultimately, these forms of distributed leadership will allow organizations to subvert the most negative impacts of the experienced worker shortage, while more fully tapping their most valuable asset—the knowledge and experience of their people.

Transition Traditional Leaders From Commanding to Influencing

With the advent of distributed leadership, the roles of traditional leaders will dramatically shift. Executives and managers will stop commanding and start influencing. They'll promote a common organizational mission, using their passion for the business to excite employees. And they'll work to ensure that employees understand how they can contribute to the organizational mission.

Next-generation executives and managers will promote a few suggested protocols for how work gets done in the organization. They might put forth stringent hiring standards aimed at hiring only those capable of working in a decentralized organization. Or they might promote the regular practice of giving advice and seeking guidance.

At AES, the main responsibility of leaders and managers is to champion the organization's core principles and processes, to maintain the organizational structure, and to serve as advisors. AES leaders, for example, have established restrictive hiring standards, requiring job candidates to pass through a number of interviews and gain coworker approval.¹⁰² At SAS, CEO John Goodnight is seen as a silent leader. Employees have much freedom to work without direct leadership oversight. Goodnight's philosophies strongly shape the practices within the company, and many consult him regarding decisions. SAS also has very selective hiring standards. Employees are noted for saying that the company hires hard and manages easy.¹⁰³

Another key role for next-generation executives and managers will be to ensure that information systems and knowledge-sharing incentives are in place. With these systems, they'll make available to the entire organization information that was once reserved for executives. They'll offer incentives for workers to act as knowledge stewards (subject experts) and brokers (knowledge stewards who connect with knowledge users).¹⁰⁴ Information-sharing incentives will include public recognition and financial rewards. Ultimately, knowledge-sharing systems and incentives will ensure that all workers have the resources to make decisions and act as leaders.

At AES, financial and strategic information is shared freely throughout the organization and employees are encouraged to share their perspectives.¹⁰⁵ At Google, employees are asked to participate in weekly "Thank Goodness It's Friday" (TGIF) meetings where cofounders inform them about everything from finances to marketing to product development.¹⁰⁶ Google employees also make use of Web logs to document work activities, discuss issues, and share information.¹⁰⁷ Lockheed Martin Corporation, the world's leading defense contractor, has an information-sharing system that scans employee emails and matches employees who are doing similar work. Employees can search the system for coworkers with whom they can collaborate.¹⁰⁸

Another crucial role for executives and managers will be to transform workers who are comfortable with traditional command-and-control leadership to be decision makers and leaders themselves. Executives and managers will coach workers in information gathering, peer communication, and peer negotiation.¹⁰⁹ They'll model how to cultivate stewardship, finding coworkers to partner with and setting an example of how to lobby for one's beliefs. Ricardo Semler, President of Brazil's Semco Corporation, for example, does not typically make major decisions. Instead, he lobbies for what he believes in and contributes his viewpoints during discussions.¹¹⁰

Altogether, distributing leadership responsibilities throughout the organization will engage a workforce that's prepared for, and in many cases accustomed to, being authoritative on the job, while at the same time tackling the shortage of experienced talent. As more workers assume leadership roles, what has been described as a severe leadership crisis could be transformed into an unprecedented leadership boon.

Talent Management Implication #5— Unified and Compassionate Cultures

As the next-generation workforce emerges, threats to employee engagement are mounting. A workforce that's scarce in number and skills, globally and virtually dispersed, demographically and lifestyle diverse, and empowered in the job market is one for which the opportunity for organizational conflict and job-related stress is high. Organizations that want to motivate and retain next-generation workers will need to build unifying and compassionate cultures to combat the disengaging impacts that new sources of organizational conflict and job-related stress would otherwise have.

Build a Unifying Organizational Culture

Organizations will minimize self-interest, worker difference, and distance; build an organizational fabric; and work to make participation in these cultures more salient than membership in any demographic, geographic, or departmental subgroup.¹¹¹ At telecommunications provider Cincinnati Bell Inc. diversity isn't emphasized because it calls attention to worker differences as opposed to worker similarities. Cincinnati Bell does not use employee affinity groups, because they highlight divisions between employees and take away from the company's culture of inclusion.¹¹²

Organizations will also promote collectivist values and reward collaborative contributions.¹¹³ They'll highlight the goals, standards, and destinies that all workers share and emphasize the commonalities among workers, such as the need to make a living and the desire to participate in fulfilling work. Many organizations will cultivate an "us" versus "them" mentality, rallying workers against the competition or behind a common cause. And most will rely heavily on rituals and celebrations to reinforce organizational belonging over individual difference.

In addition, organizations will build cultures free of any kind of discrimination, including that based on gender, sexual orientation, age, employment type, and job location. They'll train workers on a broader definition of discrimination and will emphasize that discrimination doesn't just include big acts with obviously high costs, but also encompasses many small, everyday occurrences whose subtle costs add up.

Many organizations will set hard targets for hiring, rewarding, and advancing all kinds of employees. They'll tie manager and leader evaluations to the achievement of a broad range of diversity targets. They'll frequently review policies and workforce composition for signs of covert discrimination and regularly survey workers regarding their perspectives on discrimination at the organization.

At carmaker Volkswagen AG, workers are encouraged to submit ideas for eliminating age barriers. Seasoned managers are asked to train newer managers on ways to meet older workers' needs.¹¹⁴ Energy company Shell Oil Company holds managers accountable for developing diverse pipelines of future talent, tying compensation to hiring, development, and promotion of minorities.¹¹⁵

Going even further, health care provider Baptist Health Systems, Inc., requires actions that could negatively impact employees with 15 or more years of tenure be approved by the president, the head of HR, and the vice president of the employee's department. In addition, Baptist Health employs two inside move representatives to assist older employees in making internal job moves. Today, 24% of Baptist Health workers are over age 50.¹¹⁶

Many organizations will move beyond formal discrimination programs toward more grassroots efforts to eliminate discrimination. Some will utilize self-appointed discrimination stewards to educate and correct peers. Others will have peers review one another on how well each supports efforts to eliminate discrimination, tying worker compensation to the results.

Create Cultures That Minimize Stress From Work/Life Conflict and Job Insecurities

Global competition for jobs, workers' growing responsibility for their own careers, and expanding life choices are creating a workforce that is highly stressed. Organizations will take steps to minimize this stress by putting workers in charge of arranging workdays and work weeks according to both work and personal demands. Ricardo Semler, CEO of Semco, calls this practice "reinventing the workweek." He notes that workers will still meet their job commitments in the reinvented workweek, writing, "People want to work when work is not the enemy of personal freedom and legitimate self-interest."¹¹⁷

In the reinvented workweek, organizations will offer more workers a choice of where to work—from home, at the office, or even at a coffee shop. Health insurer Cigna Insurance has an E*Work program set up to allow employees to “work wherever work occurs.” The program has cut employee turnover in half and boosted productivity.¹¹⁸

Organizations will also reward based on results achieved, not hours worked, and will ensure that career progression isn't contingent upon putting work before one's personal life. At Ernst & Young LLP, an accounting, consulting, tax, and legal services firm, employees create flexible schedules to accommodate personal and professional needs. Some work full time for part of the year and part time for another part of the year. Numbers show that employees using flexible scheduling are not hurt in terms of promotions and rewards. Ernst & Young has a philosophy that workers will be more productive and will produce higher-quality work if they're not distracted by work/life balance concerns.¹¹⁹

In addition to reinventing the workweek, organizations will also become experts at minimizing job insecurities within their workforces. They'll present an accurate picture of employees' job security at all times. Managers will be responsible for having ongoing dialogues with workers regarding individual employment situations. Workers whose jobs are not secure will be informed. Workers whose jobs are secure will know it and be spared needless preparation for job change.

In making decisions regarding job elimination, outsourcing, and offshoring, organizations will make it policy to obtain perspectives of potentially affected workers and managers. Organizations will also make it policy to announce job changes well in advance of the actual events taking place. Workers will know they'll be given adequate preparation time should they ever lose their job.

For workers whose jobs aren't secure, organizations will offer opportunities to build job market security. They'll help workers maintain up-to-date skills and external marketability with continuous, personalized development support and projects divided into distinct parts that individuals can manage and add to their résumés. The most progressive organizations will make these employability-enhancement opportunities a regular part of their employee-value propositions, giving all workers, not just those whose employment is insecure, the peace of mind that comes from maintaining job market value.

IBM, for instance, has adopted new Global Redeployment Principles to help those whose jobs are being outsourced find jobs within the company. The emphasis of this program is on redevelopment and reskilling. IBM is creating software to help match the skills of these employees with job openings and is requiring managers to hire internally if a qualified candidate is available.¹²⁰ IBM has also created the \$25 million Human Capital Alliance Fund to counsel and train employees whose jobs may be outsourced.¹²¹

In the end, efforts to counter next-generation threats to employee engagement by building a unifying and compassionate culture will stave off what could be a huge drain on corporate bottom lines—disengaged workers, often star performers, withholding talent due to mounting dissatisfaction.¹²²

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Biographies

Elissa Tucker

Elissa Tucker is a consultant in the Research Practice at Hewitt Associates and is a member of Hewitt's Insights and Innovation team, a thought leadership group dedicated to cutting-edge research and ideas on people and business issues. In these roles, Elissa initiates and leads large-scale research studies that are both qualitative and quantitative in nature. She is also an expert on workforce trends.

Elissa's published papers include *Driving Firm Performance Through People Management*, *21st Century Corporations*, *Becoming a Generation X Employer of Choice*, and *The IT Talent Environment*. Among her published survey reports are *Improving Organizational Speed and Agility* and *Paying for Performance*, which was produced in conjunction with WorldatWork.

Previously, Elissa conducted data analysis for *The 100 Best Companies to Work for in America* study for FORTUNE magazine and coauthored Hewitt's survey report *The People Practices of the 100 Best Companies to Work for in America*.

Elissa earned a BA degree in social and cultural anthropology from Lawrence University. Prior to joining Hewitt, Elissa worked as a researcher at an international management consulting and cross-cultural training firm.

Tina Kao

Tina Kao is a consultant in the Talent and Organization Consulting Practice at Hewitt Associates' New Jersey center. She helps organizations design and implement HR strategies and systems that support business objectives. Global talent management, HR strategy, recruitment and sourcing, merger and acquisition integration, culture assessment, and HR organizational design are among her areas of specialization. Tina is a key member of Hewitt's Insights and Innovation team, a thought leadership group dedicated to cutting-edge research and ideas on people and business issues. Her work on critical talent issues has appeared in a number of journals, including *Across the Board*, *WorldatWork Journal*, *Human Resource Executive*, and *Human Resource Planning*.

Tina's previous work experiences include HR generalist for a FORTUNE 500 investment banking firm, HR and communications specialist for a major agribusiness company in Taiwan, and teacher in Brooklyn, New York. Tina earned a BA degree in history from Brown University and an MBA from Yale University School of Management.

Nidhi Verma

Nidhi Verma is also a consultant on the Insights and Innovation Team at Hewitt Associates. In this position, she provides consulting and thought leadership in the area of talent management and strategic directions of the human resources function.

Nidhi has experience both in external consulting and internal HR and change-management roles. She has experience in a wide range of people and organizational development areas; specifically, talent development, change management, organizational design, and leadership development. Nidhi has focused on supporting organizational change and transformation with effective, practical people solutions. This includes assessment, selection, and development of current and future talent bench for clients worldwide. Nidhi has consulted with a diverse range of clients in the United States, United Kingdom, and Asia.

Prior to joining Hewitt, Nidhi worked at Clark Consulting as an organizational development consultant helping clients on issues related to improving organizational effectiveness. Before joining Clark Consulting, Nidhi was with Andersen's Human Capital Practice for more than five years. Prior to joining Andersen, Nidhi worked for General Electric.

Nidhi holds a master's degree in leadership and adult learning from Teachers College, Columbia University, New York City, and a master's degree in human resource management from the Tata Institute of Social Sciences, Mumbai.

Tips and Take-Aways

Closing Thoughts on Ushering in Next-Generation Talent Management

Our research clearly indicates that over the next decade a significant corporate change will be in progress. Organizations will confront challenges relating to demographic trends, global mobility, diversity, a virtual workforce, work/life issues, and technology changes. In this new era, competition will be global, ideas will be developed swiftly, and talented people will be keen to change jobs frequently. In this environment, a prime resource that will become increasingly scarce is people.

Questions organizations must ask themselves include these: Are we prepared for the new global workforce revolution? What can we do to be winners in this race toward managing next-generation talent?

Truth be told, our research on leading organizations revealed no single company that has planned a holistic approach to address all of the coming workforce changes. It showed that while many organizations are aware of the unstoppable workforce trends identified in this report, they fall short in terms of preparing for the talent management implications these trends present. In fact, many organizations fail to comprehend the intensity of these workforce changes. Some are complacent, assuming the workforce changes will have little or no impact on them. Some have dismissed these workforce trends as “hype” or exaggeration. Only a select few have begun planning “combat” strategies. But even they are still predominantly focused on addressing one or two workforce trends.

A pioneer of next-generation talent management, Semco is embracing innovative talent practices more than most organizations. Semco does not define its business or industry. It does not have a stable organizational structure, nor does it have business plans. Semco purposely does not define these operational aspects, leaving them open for employees to shape as they pursue their own ideas, interests, and instincts. At Semco, major decisions are made democratically and information is shared freely. Managers focus on employee outcomes, learning what motivates individual employees, and making sure specific employee needs are met. Workers determine their own schedules, working when it fits and working wherever they choose. The ultimate goal at Semco is to give workers a satisfying and challenging work experience. Semco’s philosophy is that profits will come if workers’ needs are put first. A model of next-generation talent management, Semco’s productivity, growth, and profits have all benefited significantly from its approach.¹²³

Yet even with models such as Semco, for many organizations there exists a wide gap between ambitions and accomplishments. This gap can be fatal for organizations looking to attract, retain, and motivate the best-in-class talent in this dynamic and competitive environment. Organizations that are ignoring or procrastinating on these issues will almost certainly—at first slowly and then with exponential speed—face a severe talent crisis. Today’s organizations need to heed the warnings. They need to build upon the few bright sparks of action relayed throughout this report and begin to proactively usher in the next generation of talent management.

Hewitt

About Hewitt Associates

With more than 60 years of experience, Hewitt Associates (NYSE: HEW) is the world's foremost provider of human resources outsourcing and consulting services. The firm consults with more than 2,300 companies and administers human resources, health care, payroll, and retirement programs on behalf of more than 300 companies to millions of employees and retirees worldwide. Located in 35 countries, Hewitt employs approximately 19,000 associates. For more information, please visit www.hewitt.com.

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