



An Oracle White Paper
June 2012

The Future of Talent Management: Underlying Drivers of Change

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Introduction

The next generation of talent management practices and solutions will largely be driven by economic evolution, demographic changes, and technology advancements. These factors are dramatically influencing the way people work, the way companies are organized, and the way talent is managed. This paper explores how current business and talent management processes and technology must evolve in order to effectively deliver business value in the next 5 to 10 years.

The research presented in this paper is supported by interviews with thought leaders in talent management, including practitioners, academics, and technologists from around the globe. Using the Oracle white paper *The Future of Talent Management: The Four Stages of Evolution* as its base, this paper builds on the unified talent management systems and processes identified as the final stage in the talent management evolution.

The key economic factors driving changes in talent management are

- **The knowledge economy.** The transition to a knowledge economy has transformed the way we value companies. Talent is now a required strategic asset. Key changes in the future include a continued blurring of the line between inside and outside talent that will result in an expansion of the talent management scope.
- **Globalization.** European expansion is well-known; the top expansion prospects for global companies now include China, Russia and Eastern Europe, Mexico and South America, and the rest of Asia—not the usual suspects. This continued expansion provides both challenges and opportunities around talent utilization, diversity, and risk management.
- **Skills gaps and structural unemployment.** An ever-increasing pace of change means organizations will face more structural unemployment challenges and skill gap issues. As a result, reskilling and continuous peer-to-peer learning cultures will become increasingly

important, as will the ability to rapidly and accurately identify current skills and talent in the organization.

The key demographic factors driving changes in talent management are

- **Generational geographies.** Although Baby Boomer retirement has been top-of-mind for many years in the U.S., even more significant demographic changes are happening outside the U.S., where population growth rates and aging populations are poised to stifle local economies. The ability for organizations to successfully tap into global talent or effectively move talent from areas of abundance to scarcity is becoming a strategic issue.
- **Longer lifespans.** The aging of the global workforce is only half of the story. Increased health and longevity mean that seniors are working longer, enabling organizations to keep experienced team members into their retirement years. But it also complicates workforce planning and raises generational challenges related to long-term succession planning.
- **Workplace diversity.** Workplace and team diversity is increasing, principally fueled by globalization and demographic changes. A more diverse pool of talent affords new opportunities such as hiring workers who are underrepresented in the workforce of a particular country to gain competitive advantage. For all the benefits of diversity, it also can carry risks related to team cohesion, cultural bias, and initial productivity.

The key technology factors driving changes in talent management are

- **Increased expectations.** Technology advances are increasing exponentially. As candidates and employees adopt new gadgets and technology in their personal lives, they will increasingly expect similar tools and levels of empowerment in their professional lives. They will judge employers by their commitment to employee enablement and the company's ability to quickly transition consumer tech to enterprise tech.

- **Digitization.** Over the past decade, employee talent data has been digitized and integrated into comprehensive talent profiles. Techniques such as attribute matching and recommendation technologies can be applied in talent management to find and match candidate or employee profiles that meet business needs.
- **Telecommunications.** With the increase in the market penetration of smartphones and tablet devices, a significant portion of the world's human potential will have access to rich Web and application experiences from anywhere. This enables organizations to source and collaborate on knowledge work with any part of the world, tapping into a global talent pool.

Economic Factors Affecting Talent Management

Although there are an innumerable economic factors that impact talent management practices, the three most relevant long-term are

- The knowledge economy
- Globalization
- Skill gaps and structural unemployment

The Knowledge Economy

The Information Age moved the basis of economic value from goods to intellectual assets, information, and the talent that develops them. It is now widely acknowledged that intangible assets, which largely consist of know-how, unique intellectual property, and patent rights, drive more than 80 percent of the valuations of publicly traded companies.¹

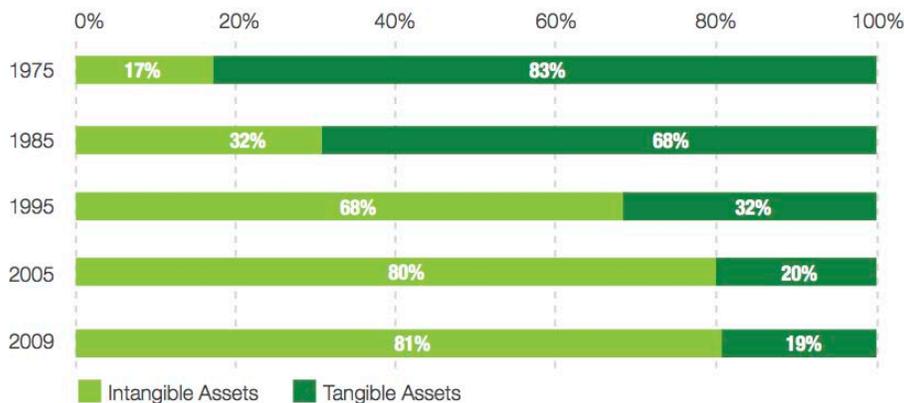


Figure 1. In the past 30 years, intangible knowledge-based assets overtook tangible assets in determining company valuations.

In today's economy, talent is the most strategic asset, and people are the greatest creator of value. This trend will continue into the future, but there is a key corollary to it that will dramatically impact talent management and future company valuations: the blurring of external and internal talent. This blurring started as soon as people could participate in chat rooms and external e-mail exchanges while at work. For many years, these activities were largely ad hoc and employee driven, but this is changing.

¹ Deloitte Consulting, "The Rembrandt in the Corporate Attic: Extracting Maximum Value from Intellectual Assets" deloitte.com/assets/Dcom-SouthAfrica/Local%20Assets/Documents/Extracting%20maximum%20value%20from%20intellectual%20assets.pdf.

Leading-edge organizations have codified efforts to tap into the talent and intellectual capital of not only employees, but also customers, partners, and the public at large in an effort to create an extended electronic community. There are numerous examples of this sort of activity, such as

- Customer support portals where customers can answer each other's questions, which reduces costs by eliminating expensive customer support calls
- External ideation platforms—such as the Dell IdeaStorm² or the Starbucks My Starbucks³—are sites that solicit ideas for new services, new products, and even new social programs to enable greater customer loyalty and engagement
- Partner and customer innovation efforts—such as P&G's ability to source more than 50 percent of its new product ideas to external innovation,⁴ driving industry-leading standards for new product launch rates
- Dedicated solutions that connect internal needs to external talent, including such well-known efforts as Innocentive,⁵ eLance,⁶ TopCoder,⁷ and MechanicalTurk,⁸ programs designed to reduce costs, solve otherwise intractable issues, and increase organizational agility in lean times

There is also a dramatic increase in the traditional uses of outside talent. The use of contingent workers is way up and will increase even more in the future. In fact, 35 percent of employers plan to increase their use of contingent workers by 50 percent or more. Labor law firm Littler Mendelson believes that contingency employment could eventually represent 50 percent of our workforce. In 2003, contingent workers represented just 13 percent of the workforce.⁹

It's clear that organizations are increasingly deriving value from talent that is outside the company. It's equally true—given the success of these organizations—that this trend will continue and accelerate in the future.

² ideastorm.com

³ mystarbucksidea.force.com

⁴ <https://secure3.verticali.net/pg-connection-portal/ctx/noauth/PortalHome.do>, hbswk.hbs.edu/archive/5258.html

⁵ innocentive.com

⁶ elance.com

⁷ topcoder.com

⁸ mturk.com

⁹ workforce.com/section/recruiting-staffing/feature/special-report-contingent-staffingthe-future-contingent/index.html

HP is making extensive use of forum technologies and customer expertise. It has 50 “super contributors,” enthusiastic customers who voluntarily share knowledge and help fellow peers on the forums. In 2010, they contributed 52 percent of the accepted solutions for their fellow customers. By contrast, 100 “HP Ambassadors,” dedicated HP employees who converse with customers and share their expertise to solve issues, find information, and help customers get the most out of their HP products and services, created 10 percent of the accepted solutions.¹⁰

The blurring of the line between employees within the organization and those outside it is also driving talent management changes, particularly around sourcing, strategic workforce planning, and employee engagement. Given these changes, executives in leading companies are increasingly focused on talent management issues, recognizing that talent, wherever it comes from, is their only sustainable competitive advantage.

Globalization

The economies of countries around the world have become increasingly integrated. Globalization has allowed businesses to expand their operations into new countries and new markets, increasing the diversity of their customer base and their workforce. Although the core story of globalization has been a market expansion into developing economies, a new chapter is being written—one in which companies from emerging markets are now moving aggressively beyond their own borders.

In a recent study, IBM found that China and India are still top targets for headcount expansion; among survey respondents, 40 percent planned to expand into China, and 29 percent expected to expand into India. The next significant targets are a bit more surprising though: Russia and Eastern Europe at 23 percent, Latin America at 26 percent, and Other Asia (excluding Japan, Australia, South Korea, and China) at 25 percent.¹¹

The most interesting data point is the number of companies that plan to expand into Russia and Eastern Europe. Just a bit more than 20 years ago, these talent markets were hyper local and literally walled off from the rest of the world. With the fall of the Berlin Wall in 1989, however, this began to change. Talent that had previously been inaccessible became available. Today, we might look at the Arab Spring as a similar inflection point that may result in an opening of the talent pool in the Middle East. In certain countries, continued democratic reforms and social equality trends could result in the emerging availability of female workers or minorities. Savvy talent leaders will anticipate these changes and have the systemic and strategic capability to be first movers into these emerging talent markets.

Although global talent leaders are looking for newly available pools of talent, those in mature economies also need to protect the talent in their own backyard. Many companies in emerging markets

¹⁰ lithosphere.lithium.com/t5/ideas/v2/ideaexchange/page/blog-id/Awards

¹¹ Working Beyond Borders, www-304.ibm.com/businesscenter/files/serve?contentid=221519

are now effectively competing for global talent. Until fairly recently, globalization and the related utilization of global talent pools has been characterized by low risks and high rewards for the developed world. But with the continued growth of companies in emerging markets, this is changing dramatically. Companies from mature economies now must compete on their home turf, not just with their local competitors or other established multinationals, but also with emerging multinationals from developing economies.¹²

One way to offset the increased pressure on local talent is to work with policy-makers to foster more open and fluid talent markets at home. According to The Global Talent Index Report¹³ from *The Economist*, policy decisions can have a significant impact on a country's talent environment ranking. Europe in particular places well in the report, capturing 12 of the top 20 spots. The Nordic countries, due to a strong investment in compulsory and university education, make a strong showing with 4 rankings in the top 10. Germany and France also rank well due to a reduction in the restrictiveness of labor laws and wage regulation, which fosters more openness and less friction in their labor markets.

The positive movements of these countries highlight the importance of policy decisions in creating a competitive talent environment, which suggests that business leaders may benefit from increased interaction with policymakers regarding talent-related legislation. As organizations compete with an ever-growing list of companies from emerging markets, a steady supply of local talent can help offset losses in offshore markets.

Structural Unemployment

Like any market system, the central attributes of the global economy include balance, flow, and self-correction. Most people think of these issues in terms of capital and other financial instruments, but the same attributes apply to the talent market as well. Unfortunately, today's global talent market is largely inefficient and is characterized by a high degree of friction relative to the redistribution of talent.

One result of this inefficiency is long periods of unaddressed and persistent skill gaps. Structural unemployment is a particularly difficult scenario in which certain skills are no longer required, not just within a particular company, but within an entire sector. Structural unemployment may be the result of cyclical boom and bust cycles, offshoring of particular industries, or the demise of certain sectors due to technology or culture change. Whatever the cause, the result is an uneven distribution of talent relative to the available jobs. In periods of structural unemployment, candidates with certain kinds of skillsets can't find jobs, and companies can't staff certain kinds of open positions. The U.S. is clearly facing some of these issues today. Fully loaded unemployment in the U.S. is now greater than 16 percent, yet job openings for critical roles in some industries remain unfilled for months at a time.

¹² www-304.ibm.com/businesscenter/fileservlet?contentid=221519

¹³ globaltalentindex.com/Resources/gti-map.aspx#

In discussions with survey participants, several hiring managers commented that “time-to-fill” has actually been going up. This was echoed in a recent research paper by *The Economist*, which noted that some companies aren’t even trying to find perfect candidates anymore, and are instead focusing on hiring for potential.¹⁴

“It is possible that companies are resigning themselves to the relative scarcity of experienced workers who can immediately perform to the highest level in a new and responsible role. To compensate for this shortage, a growing number seek to recruit raw potential and then rely on developing this potential themselves.”¹⁵

Deloitte findings also support the notion that certain roles, despite high unemployment, are difficult to fill. Nearly three-quarters of executives surveyed (72 percent) anticipate either a severe or a moderate shortage in research and development (R&D) talent. More than half (56 percent) predict shortages in executive leadership.

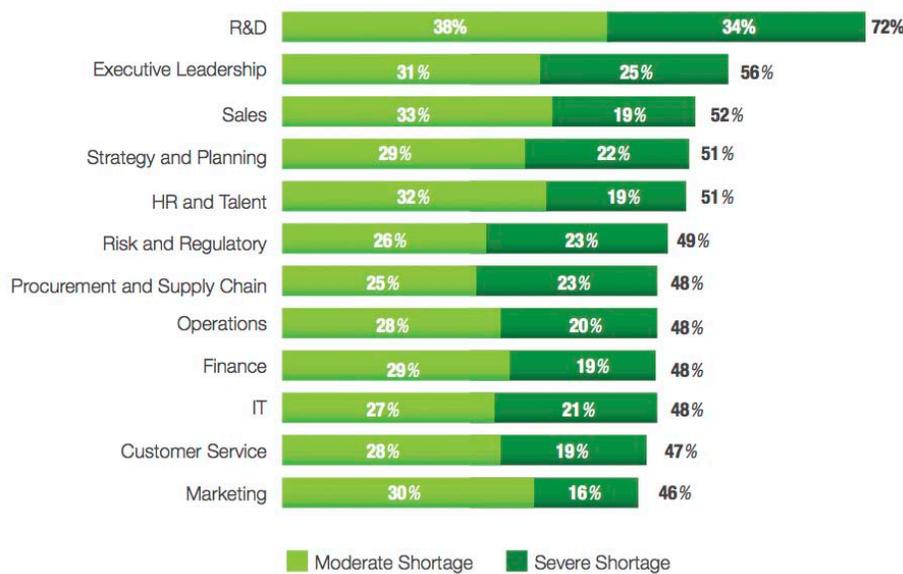


Figure 2. Executives anticipate shortages in filling key roles.

In other words, despite high unemployment, there are persistent shortages in key roles. This echoes recent comments by the President of the Federal Reserve Bank of Minneapolis who said, “Monetary stimulus has provided conditions so that manufacturing plants want to hire new workers. But the Fed does not have a means to transform construction workers into manufacturing workers.”

While these issues are not new, the combination of globalization, a rapid shift from manufacturing to knowledge work, and an increasing pace of change for both technology and business is creating ideal

¹⁴ businessresearch.eiu.com/global-talent-index-2011-2015.html

¹⁵ businessresearch.eiu.com/global-talent-index-2011-2015.html

conditions for structural unemployment. Skill gaps and talent mismatches are becoming endemic to global business; for multinational companies, the question isn't whether they will need to combat related skill shortages in a given timeframe, but which countries and how many are facing those issues at any one time. Organizations will need to plan for these sorts of challenges and focus particular attention on talent mobility strategies, rapid reskilling, and strategic hiring practices aimed at tapping into talent surpluses in one geography to offset talent gaps in another.

Demographic Factors Affecting Talent Management

The demographics of the global workforce are undergoing a significant change. The three biggest talent-related demographic shifts include

- Generational geographies
- Longer lifespans
- Workplace diversity

Generational Geographies

The issue of the aging population in developed economies is nothing new. This subject has been covered at some depth for many years now. But less attention has been paid to the differences between established economies and newer ones when it comes to demographics. The real issue isn't that the entire world is skewing toward an older population; it's that established economies are skewing significantly older while emerging economies remain relatively young.

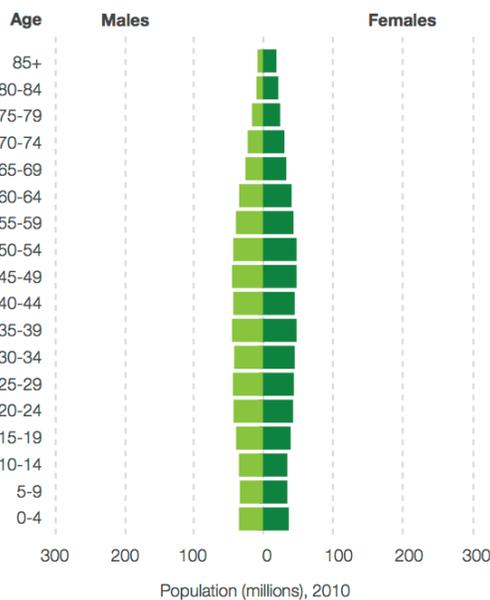


Figure 3. The population in developed countries is aging.

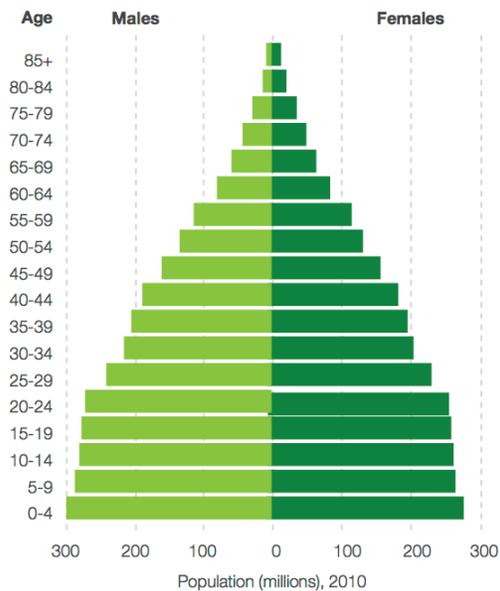


Figure 4. The population in developing countries skews toward youth.

This creates challenges for companies that operate exclusively in developed countries, and it presents opportunities for larger multinationals that operate in both developed and developing countries. The abilities of multinationals to successfully develop and transfer talent from areas of abundance to areas of scarcity in the short term, and to permanently relocate operations to areas of talent abundance in the long term, will be important drivers of talent differentiation in the coming years.

Smaller companies or those that require a local presence in a particular developed geography need to consider how to leverage talent in the developing world via technology, virtual presence, and the thoughtful re-examination of knowledge work processes.¹⁶

Although there have been numerous articles written in the U.S. about the coming baby boomer retirement and the key challenges it raises regarding leadership and succession planning, quite a bit less has been written about population growth over the next decade. In this area, the U.S. actually fares quite well as compared to many other developed countries. In fact, the overall U.S. population growth is much closer to that of emerging economies, partly due to birth rates and partly due to immigration. This in no way diminishes the impact of the coming changes for U.S. firms, but it does highlight the depth of these challenges in other established economies and for multinationals that operate primarily in developed economies.

¹⁶ data.un.org/Data.aspx?d=PopDiv&f=variableID%3a12

Country	% Growth
Russia	-8%
Japan	-5%
Germany	-4%
Poland	-4%
Italy	-1%
Greece	0%
France	5%
UK	7%
China	7%
Brazil	13%
USA	14%
Mexico	15%
Turkey	17%
India	24%
Nigeria	46%

Figure 5. The U.S. ranking among developing countries in population growth.

Longer Lifespans

Although the potential workforce impact of retiring seniors has grabbed the majority of headlines in recent years, a related issue has received relatively little attention. As medical advances enable people to survive life-threatening childhood diseases, the perils of early adulthood such as car accidents and violence, and the most common health issues of their middle years such as cancers, heart attacks, and chronic disease, life expectancy continues to increase.

This positive revisionism of life expectancy is a subject that has been deeply researched and tracked by U.S. insurance companies for many years. Actuary tables have long forecast the statistical impacts that longer lifespans is expected to have on life expectancy among seniors.

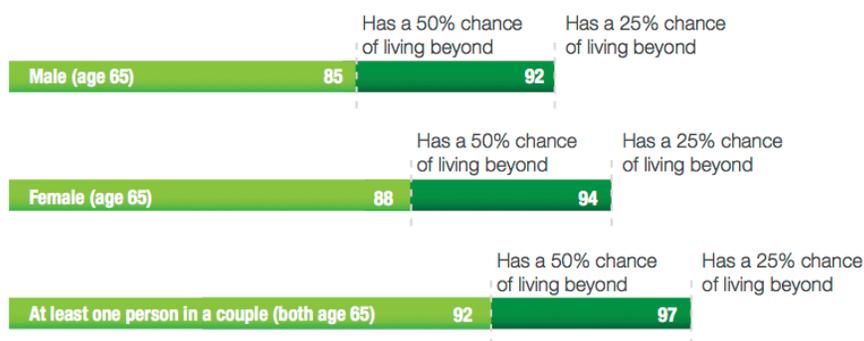


Figure 6. Metropolitan Life Insurance Company (MetLife) tracks life expectancy among seniors in the U.S.

With healthcare advances across developed and developing countries and a greater awareness of personal decisions that impact one’s health, the implications of living longer will be even greater. Each year that an individual lives brings another year of advancing medical technology, process, pharmaceutical options, and expanding medical availability in developing countries. In the U.S., the

combination of these factors means that the average life expectancy for baby boomers is now 83, with one in four 65 year olds expected to live to 92 (U.S. Department of Labor).

Not surprisingly given this extension of health, some workers are choosing to work into what traditionally had been considered their retirement years. A recent survey by Gallup found that 80 percent of U.S. workers intend to work past age 65, most because they want to.¹⁷ A related survey by the Society for Human Resource Management found that among those seniors who plan to work past age 65, the average anticipated retirement age is 69.5.¹⁸ In Australia, the Bureau of Statistics reports that more than a third of older Australian workers now plan to work until they are at least 70. In the U.K., 42 percent plan to work past their state pension age.¹⁹

"In the future there will be fewer workers and people will be working longer."

—Susan Vance-Johnson, AP Talent Management and Organizational Development, Acatel-Lucent

The presence and availability of older, more experienced workers in local and global labor markets represents an opportunity to tap new sources of talent, but it also introduces new challenges. Although many seniors are now interested in working into their retirement years, most want to do it on their own terms, either as contractors or at reduced levels of “full-time, always on” commitment. In the U.S., 63 percent of those who intend to work past retirement want to work part time.²⁰ Many organizations have not yet established strong policies and practices to support flex-time and part-time roles for experts or other seasoned professionals, nor have they addressed related issues of leveraging alumni expertise or enabling more fluid employee-to-employer relationships.

Workplace Diversity

With older workers staying in their jobs longer, the workforce is now an amalgam of four generations (veterans, baby boomers, Generation X, and millennials). Each generation has a different work ethic, different levels of comfort with technology, and unique preferences in how they create, consume, and share information. Each generation also has been enculturated quite differently with regard to learning style and adaptation to change.

In addition to the diversity created through generational differences, women and multicultural workers represent an increasing percentage of the global workforce. This presents opportunities, particularly in countries and cultures where some groups have been previously underrepresented in the working population. Ample evidence suggests that greater diversity in innovation and process decisions can lead

¹⁷ gallup.com/poll/147866/Workers-Expect-Keep-Working-Retirement-Age.aspx

¹⁸ shrm.org/about/foundation/research/Pages/SHRMFoundationResearchKanfer.aspx

¹⁹ eurofound.europa.eu/eiro/2010/11/articles/uk1011039i.htm

²⁰ gallup.com/poll/147866/Workers-Expect-Keep-Working-Retirement-Age.aspx

to better outcomes over time. It is equally true, however, that greater diversity can also present challenges related to team cohesion, short-term performance, communication, and organization culture. As with the challenge of delayed senior retirements, organizations will need to thoughtfully consider HR and talent management practices on macro and micro levels to address these issues.

Technology Factors Affecting Talent Management

The future workforce will require technical skills for many job levels and categories of work. Even traditional blue color jobs have been affected by technological changes. For example

- Automotive manufacturers have automated production through the use of computer-aided manufacturing. This automation has not only displaced workers, but also requires a different set of skills to operate these machines.
- In larger retail stores, associates are now using hand-held devices to get information about new promotional items, receive training, and even punch in for work.

Technology is changing the way people work even in the highly personalized healthcare professions. These impacts range from subtle changes such as automated patient record-keeping to more dramatic changes such as robotic surgery.

The technology trends that are having the greatest impact on talent management are

- Increased expectations
- Digitization
- Telecommunications

Increased Expectations

It's long been recognized that human knowledge isn't just growing, it is growing at an ever-accelerating pace. It's also an accepted truism that much of what college students learn is outdated by the time they graduate due to this rate of increase. Current estimates are that human knowledge doubles every two years on average.²¹

According to celebrated futurist Ray Kurzweil, an analysis of the history of technology shows that the technological growth rate is exponential, contrary to the common-sense intuitive linear view. So we won't experience 100 years of progress in the twenty-first century—it may be more like 20,000 years of

²¹ theglobeandmail.com/news/national/time-to-lead/internet/human-knowledge-by-the-numbers/article1801253/

progress (at today's rate). The "returns," such as chip speed and cost-effectiveness, also increase exponentially. There's even exponential growth in the rate of exponential growth.²²

A corollary to this is that the rate of technology adoption is also accelerating. It took 38 years for radio to be adopted by 50 million consumers. Television took 13. The internet, iPods, and Facebook took four, three, and two years respectively.²³ And the iPad did it in a year and a half—at the rate of one sold per second.²⁴

The key takeaway from these adoption rates is that knowledge, technology innovation, and technology adoption are all experiencing exponential growth. So although HR professionals and managers will have an ever more powerful set of tools and technologies to discover and manage talent, employees and candidates will also have greater expectations about the tools they use to perform their jobs, create and maintain professional connections, and rapidly find the relevant information or expertise they need to do their jobs.

Digitization

When asked what technology had the biggest impact on their company and their talent management strategy, 95 percent of those interviewed said it was the internet. The internet has not only allowed people to connect, communicate, and create communities, it has also changed corporate business plans and the competitive landscape. In fact it created a new business model, partly predicated on the digitization of content, and partly predicated on the digitization of commerce itself, a process that led to the wholesale disintermediation of entire industries, such as print journalism, banking, travel, retail, music, and video renting, among many others.

Media has also become digitized. With the advent of the Kindle and the e-book paradigm, books and magazines have become primarily digital assets, a transformation that echoes and extends the evolution of newspapers from physical artifacts to digital pages. Apple led a music transformation effort with the advent of iTunes and the popularization of the MP3 format. Netflix and various cable companies are now doing the same thing with movies and television. According to Karl Ederle, VP of Product Strategy for Oracle Taleo talent management products, "nothing has changed the competitive landscape more than digitization."

Just as digitization has transformed the consumption of media and the practices of commerce, so too has it transformed talent management practices. The digitization of talent profiles and required talent attributes are key elements of this transformation. The Oracle Taleo product family has been

²² kurzweilai.net/the-law-of-accelerating-returns

²³ theglobeandmail.com/news/national/time-to-lead/internet/human-knowledge-by-the-numbers/article1801253/

²⁴ blogs.computerworld.com/18550/apple_2011_ipad_sales_hit_40_million

incorporating and driving innovations around digitized candidate profiles, assessments, and job matching technologies for many years.

With the advent of social media, LinkedIn and similar services have enabled candidates to maintain a resume and related body of work in the cloud. And this is just the beginning. The digitization of key talent data and talent transactions will transform how companies generate workforce plans, recruit and hire, share and utilize talent, and create goal-aligned development plans.

Telecommunications

Telecommunication technology is experiencing the same exponential growth as hardware, storage, and processing technologies. Given the rise of knowledge work and the incredible growth of virtual teams in the last few years, this technology deserves a bit more scrutiny.

There are three aspects of telecommunications that are having and will continue to have significant impacts on talent management and HR practices.

- Speed increases
- Bandwidth increases
- Enormous growth in mobile internet access

Telecommunication technology has always been unbelievably fast, right from its modern origins with the telegraph. Recent advances are even more impressive.

- We can now stream movies from other continents on demand, not just to wired devices, but also to wireless ones
- We can listen to music in the cloud with high enough quality and reliability that companies such as Spotify, a music-in-the-cloud offering, might provide the first credible threat to Apple's iTunes hegemony²⁵
- We edit graphics over the Web with online versions of photo editing technology that are responsive enough to satisfy the needs of serious digital designers²⁶
- We play video games online—not just those games that are designed for play over the Web, but full hosting and controller virtualization through emulation technologies that respond in the millisecond range²⁷

In fact, wireless transfer speeds such as 4G now rival landline speeds, and almost one in five global mobile subscribers have access to fast mobile internet (3G or better).²⁸

²⁵ rollingstone.com/culture/blogs/gear-up/spotify-can-now-be-integrated-into-apple-ios-apps-20110831

²⁶ photoshop.com/tools/overview

²⁷ businessweek.com/magazine/content/11_27/b4235037448495.htm

In terms of bandwidth, an ongoing stream of advances has led to data plans for cellular technologies that are now offered in the gigabyte range and show no signs of slowing down. A recent breakthrough in cellular technologies is projected to double the carrying capacity of cellular networks using the existing network of cell towers.²⁹

With the advances in cellular technology, plus the adoption of more-recent standards in developing economies, mobile is already the dominant method of connecting to the internet in many areas of the world. In fact, on a global basis, mobile internet access is growing at far faster rates than desktop access, fueled in part by the greater variety and lower price points of mobile internet access technologies. Even in the U.S., 25 percent of Web users use mobile access exclusively. At current growth rates, mobile internet access is projected to surpass desktop internet access in 2013. A similar pattern is starting to emerge regarding landlines and cell phones, with a significant portion of the world now standardized on cell phones.³⁰

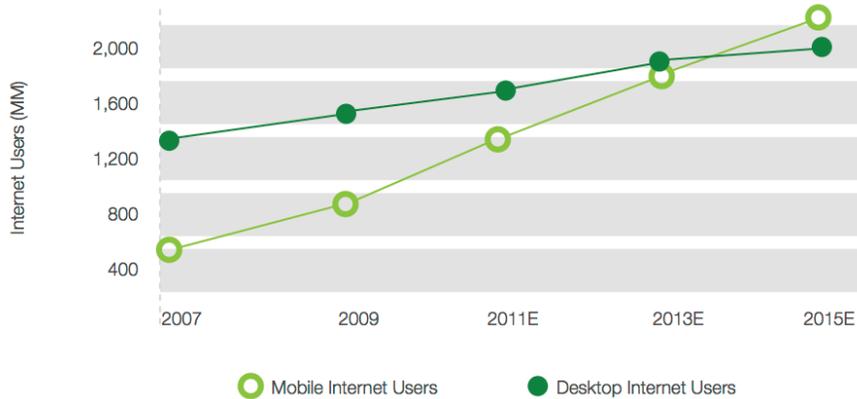


Figure 7. Microsoft Tag projects global use of mobile versus desktop internet access.

²⁸ reviews.cnet.com/8301-12261_7-20000832-10356022.html and <http://mobithinking.com/mobile-marketing-tools/latest-mobile-stats>

²⁹ kurzweilai.net/full-duplex-breakthrough-could-double-wireless-capacity-with-no-new-towers

³⁰ mashable.com/2011/03/23/mobile-by-the-numbers-infographic/



Figure 8. In 2004, ITU tracked telephone subscribers per 100 inhabitants in Africa.³¹

The incredible advances in telecommunications over the past few years and the coming innovation in the next few years will lead to profound changes in how we utilize talent within given geographies and across them. Organizations will be able to tap into pools of talent all over the globe, not just through full-time employees but also through contractors, consultants, and freelance experts who bid on specific projects.

Efforts to tap into global talent pools are already underway, as seen in some of the recent practices of innovative organizations. Solutions such as Innocentive, Mechanical Turk, and TopCoder—an example of a new hyperspecialization trend noted in a recent *Harvard Business Review* article³²—are already being leveraged by leading organizations that seek competitive advantage through talent.

Some organizations, particularly those in the hospitality industry, are investing heavily in core HR concepts such as talent mobility and workforce rebalancing efforts. Still other companies are pursuing strategies such as P&G's open innovation model,³³ and Cisco and Netflix's use of talent-driven competitions³⁴ to tap into the collective expertise of the public at large to solve key business challenges. Although these innovations will certainly become more mainstream in coming years, it's likely that even more innovations will emerge, particularly as social networks and telecommunications continue to remove barriers to global collaboration, virtual work, and communication.

³¹ emeraldinsight.com/journals.htm?articleid=1742120&show=html

³² hbr.org/2011/07/the-big-idea-the-age-of-hyperspecialization/ar/1

³³ hbswk.hbs.edu/archive/5258.html

³⁴ cisco.com/web/solutions/iprize/index.html and nytimes.com/2009/09/22/technology/internet/22netflix.html?ref=technology

Intersections and Rogue Waves

Each of the factors discussed so far will dramatically impact the practice, strategic importance, and scope of talent management for many years to come. It's likely that these influences will even redefine what talent management means, and extend the concept beyond a company's four walls and existing paradigms of employee-to-employer relationships.

These factors do not represent the sum total of talent management influences, and perhaps just as important are the impacts of the interplay of them. None of these factors exist in isolation from each other or from the wider impacts of other socio-economic influences. Although many of these intersection points have not yet happened, there are a few already in play that are worth noting.

- Personal empowerment
- Contingency work
- Regulatory policy and macro political shifts

One consequence of advancing technological innovation has been a dramatic increase in personal empowerment. In vast swaths of our personal lives, intermediaries have been eliminated or relegated to the sidelines, enabling individuals to take more direct control over their affairs, whether through online banking, investing, travel planning, or consumer purchases.

The intermediary absent from the interaction is almost always an in-person expert. In fact, the paradigm shift from in-person sharing of expertise to the mass sharing of expertise is perhaps the internet's greatest accomplishment. Google, YouTube, and Wikipedia have fundamentally transformed how we discover and access expert information. Today more information is available to a 22-year old political refugee in Africa with a cell phone than was available to a CEO in the 1980s.

Personal empowerment is also being driven by access to an unprecedented number of communication and collaboration technologies. Twitter is now used to share real-time news from any corner of the world (via mobile access to the internet in many cases) on topics as diverse as natural disasters, political movements, and celebrity gossip. Through blog and wiki technologies, individuals can share expertise and opinions with the world at large and amass followings that rival those of dedicated news organizations. Facebook, LinkedIn, and Orkut enable individuals to stay connected with friends and colleagues all over the globe. At no other time in human history have so many empowering technologies been in the hands of everyday citizens.

This environment will deeply affect talent management practices. The generations that have grown up with these technologies have been enculturated to expect high levels of autonomy, control, and self-efficacy. Expecting these employees to blindly follow direction or work as automatons in highly structured roles characterized by low levels of self-direction or creativity is likely going to cause significant challenges. Similarly, asking members of these generations to work with subpar enterprise technology while simultaneously denying access to more powerful external tools will result in serious disengagement—if companies with such an environment could even attract enough workers to survive.

Many people will instead just opt to work for themselves. In the U.S., contingency work has been on the rise for decades, but sharply so in the last few years. The rise in contingency work is being driven by multiple factors: the increase in technological power now available to the individual, the disconnect between personal empowerment and old-fashioned business practices that still reflect top-down hierarchical practices, and a business-driven need to become ever leaner and more agile. While contingency work rates are not as high in Europe or other parts of the world as they are in the U.S., expected changes to government safety nets and the continued loosening of top-down economic policies may change this.

Regulatory and political factors might seem separate from influences such as the aging workforce, but they are in fact significantly impacted by them. For example, the aging of the global workforce has resulted in the raising of retirement ages in the U.S., Germany, and France; the passing of comprehensive healthcare reform in the U.S.; and the elimination of mandatory retirement ages in the U.K. These regulatory changes affect talent management practices and processes. In the U.S., the implementation of healthcare reform is expected to significantly reduce the number of small businesses that offer health insurance to their employees. For many individuals, healthcare benefits are a primary reason to work as a full-time employee. Given this change, how many more knowledge workers and experienced professionals will attempt to move into roles as consultants? To what extent might this policy initiative accelerate the growth of contingency employment in the U.S.?

The core influences of technology, demographics, and economics can also combine to create “rogue wave” events in which the total isn’t just greater than sum of the parts, it is orders of magnitude greater. In the Middle East, the confluence of young, technologically savvy, empowered citizens has been a significant underlying contributor to the Arab Spring. It’s undeniable that the availability of social media technologies and internet access, largely through mobile devices, was a key contributor both to the start of the movement and to its sustained resonance. If these democratic movements hold and evolve toward full-fledged democratic states, new global sources of talent will emerge at a key crossroads between Europe and Asia.

The Future Is Unevenly Distributed

Although all these trends are well documented, they are not created equal. The knowledge workers of a Mumbai-based multinational have access to more information than U.S. citizens living in an area not served well by internet telecommunication providers. Similarly, in Europe, 50 percent of Dutch households have connection speeds in excess of 10 Mbs, whereas Eastern European countries connect at less than 1 Mbs, if they connect at all.³⁵ Of course, wealth and age also play into the digital divide.

³⁵ setyoufreenews.com/2011/08/09/can-the-eu-close-europes-digital-divide/

"The future is already here—it's just not evenly distributed."

—William Gibson, in *The Economist*, December 4, 2003

The nature of any given job can also dramatically impact the applicability of any of these trends. A multinational financial institution may be global in reach and scale, but its bank tellers will still be hired and promoted locally. Thus, some of them will swim into the global talent ocean with its attendant risks and opportunities, while others will never leave the backyard swimming pool.

A related issue is the intersection of digital work and knowledge work. The bank tellers in the example above are digital workers, but not necessarily knowledge workers. Tellers handle fairly routine tasks following prescribed rules and processes, which is why so much of the work can be automated through online banking. Contrast this work with the expertise of a retail worker in a hardware store who provides advice on plumbing or electrical projects. This work involves a great deal of judgment, critical thinking, and personal interaction. Continued advances in technology threaten the remaining work opportunities for tellers but open new possibilities for retail hardware store workers by enabling them to make even better decisions via mobile internet access and decision-support technology.

Demographic issues are similarly uneven. Older workers' expertise cannot be leveraged in countries with mandatory retirement ages. And in countries handicapped by racial or gender bias, workplace diversity across virtual teams can pose significant challenges regarding team cohesion and performance. Moreover, if certain groups are culturally excluded from the workplace or positions of authority, organizations may be constrained in the execution of strategic expansion plans.

Conclusion

Although future social and economic drivers will provide many new opportunities, it's important to remember that these changes will not apply to all sectors, all economies, or all employees evenly. Talent professionals in coming years will need to develop a nuanced view of emerging trends, not just in terms of how they will impact the organization, but also how and where they might not. In particular, it will be important to understand the talent implications of the imbalances.

It's clear that the impact on talent management of changing demographics, economic evolution, and technology advances will be profound. In concert, these factors can be mutually reinforcing, and result in even larger impacts. Organizations that regard talent as a key differentiator have no choice but to consider the impacts of these trends on their talent processes and strategies.



Future of Talent Management
Underlying Drivers of Change

June 2012

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