



An Oracle White Paper
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U.S. Talent Trends for 2012

Introduction

While the U.S. business climate of 2011 was challenging and unpredictable, certain talent trends have emerged that will carry into 2012 and beyond. Chief among these is the need for companies to understand their talent assets as a hedge against continued uncertainty—whether that uncertainty comes from impending recessionary pressures from abroad or the first stirrings of growth here in the U.S. Other key trends include the continued blurring of internal and external talent, the deepening challenges around skill shortages, and an accelerating adoption of integrated, business-driven talent management solutions. This white paper discusses the 2012 forecasts in talent management, as organizations look to maximize the value of their people given the economic climate.

Existing Organizational Talent Delivers Growth and Innovation

It's difficult to predict what will happen in the U.S. in 2012 due to the uncertainty in the U.S. and global markets. The potential for recession and sovereign debt crisis in Europe as well as significantly reduced government spending in the U.S. suggest rough seas ahead. The economic uncertainty of 2011 will likely continue into 2012, requiring a new level of business focus on existing talent to drive growth and innovation.

Yet corporate profits remain high and recent economic figures show signs of growth in the U.S., particularly the increase in hours worked and off-season manufacturing and construction hiring. Not surprisingly, economists can't agree on the U.S. forecast for 2012. In this uncertain climate, leading organizations will strive to be more nimble to better react to whatever the economy brings. A key strategy will be increasing the awareness and understanding of organizational talent.

Many companies still don't have a clear view on their existing talent, and we anticipate a focus on building talent profiles for as many employees as possible in 2012. Talent management programs have historically focused on the elite—executive leaders and senior management. In 2012, there will be a shift in focus away from the elite to include line managers and even rank-and-file employees as businesses leverage talent throughout their organizations in response to challenging market conditions.

Addressing organizational skills gaps will require a reliance on both build and buy strategies. Recruiting departments will find it increasingly difficult to acquire the right talent. As unemployment continues to decrease, hiring companies will face increasing competition in staffing critical roles. Even now, many companies are struggling to hire staff quickly enough even with current unemployment rates. The recruiting team will have to work harder to source and acquire the right talent for the right job at the right time, while competing against a growing number of hiring firms. The war for talent will intensify once again.

On the build side, companies will increasingly rely on talent mobility as well as learning and development programs to proactively and reactively reassign employees into roles where they can have maximum impact or hang onto key talent who might otherwise leave the company. For leading organizations, this will be a key strategy against dysfunctional turnover; however, it will also accelerate the transition of functional talent ownership to organizational ownership. Increasingly, human resources (HR) and senior executives will be the stewards of company talent. They will try to engage and retain employees by offering opportunities for personal and career growth across functional groups, business units, and geographies. This internal movement of talent will simultaneously fill critical skills gaps. Integrated talent management solutions, comprehensive talent profiles, and business-led talent practices will be the key drivers of this transformation.

Significant Increases in Social Recruiting

The rapid adoption of social and professional networks will steadily rise as Facebook and LinkedIn continue their exponential growth, impacting businesses on a number of different levels. The continued blurring of the boundaries between internal and external talent is a result of the increase in social network adoption.

While both social and professional networks will grow in importance for sourcing members of Gen X, baby boomers, and white-collar workers, Facebook will emerge as a cornerstone source in the battle to attract millennials and blue-collar workers. With an ability to present up-to-date company information, job postings, discussion forums, videos, and all forms of rich content in a social network with 150 million U.S. subscribers, Facebook's rise as a social recruiting pillar is inevitable. The corporate career site will continue to lessen in importance as candidates leverage networks to find information on prospective employers rather than through traditional channels. Budgets will continue to shift significantly toward social media.

The rise of social media will not be limited to recruiting. Historically, high-performing businesses and employees leveraged internal networks. Increasingly, leading companies are now leveraging external talent through agencies, talent competitions, and crowd sourcing. We see a blurring of boundaries between internal and external networks, as businesses begin embracing "wisdom of crowds" models to leverage both internal and external talent to execute their business strategies.

Talent management solutions, integrated with internal and external networks, will begin to transform succession-planning activities. Organizations will tap both internal and external talent pools for successors, increasing bench strength and introducing a more diverse talent pool. Managers will be able to search for talent and skills among external candidates or internal employees with equal ease.

Skills Shortages Due to an Aging Population

An aging population and a lack of investment in training and development will result in continuing skills shortages. We anticipate increasing friction between global business ambitions for expansion and varying quality and quantity of local labor globally. In the U.S., labor participation rates among younger workers continue to fall while rates among older workers continue to rise. In the short-term, this skews the relative balance of the workforce toward more experienced and more expert workers. In the mid- to long-term, this lack of investment and hiring of younger workers is going to exacerbate talent shortages related to baby boomer retirements.

A study by the World Economic Forum suggests that the foundational skills needed to offset 2020 talent shortages in critical roles and leadership positions should already be in development.¹ Not only is

¹ "Global Talent Risk: Seven Responses", World Economic Forum, 2011.

this not the case for many “twenty-somethings” in the U.S., many of these workers aren’t even in the workforce. This will exacerbate long-term challenges in staffing critical roles. Smart companies will begin rebalancing their mix of new hires in 2012 to focus more on emerging and potential talent.

While not typically frontline news, the demographic and talent challenges in the emerging BRIC countries (Brazil, Russia, India, China) are even more acute than in the U.S. Russia, for example, will have fewer workers in 2020 than it does today. India and China, despite massive gains in educational programs, do not yet turn out sufficient numbers of business-ready employees to support sustained long-term growth. In fact, a McKinsey study found that just one out of every 13 college graduates in the developing world is hireable by a global organization.² According to a recent Manpower study, 67 percent of companies in India report challenges in finding talent. In Brazil, that statistic is 57 percent.³ As a result of these challenges, global companies will begin to invest more in evaluating candidate and employee potential and to take a much more active role in developing this potential internally. Larger organizations may also begin to get more involved in educational policies in key labor markets around the world.

Accelerating Interest in More Integrated Talent Solutions

While full-suite buyers will remain a minority in 2012, so will those companies that buy a single talent management solution as a long-term strategy. Some companies may start with a point solution, but only as a starting point. The vast majority of HR teams will have a larger strategic vision that includes multiple, integrated talent management modules. Increasing numbers of companies will adopt this vision for installing integrated talent suites in 2012.

According to Jim Holincheck of Gartner, 86.1 percent of companies already have at least two talent management modules and 55.6 percent have three.⁴ Based on sales pipeline and inquiries, these multisolution deals will increase significantly in 2012. Taleo⁵ already saw increases in these kinds of deals in the second half of 2011 and pipeline activity suggests that 2012 will represent an inflection point in the adoption of suite-based talent management solutions.

This trend is in some ways an outgrowth of the other trends noted above. Economic uncertainty is driving companies toward consolidation of systems, efficiency and cost savings in contracting models, and reduction of complexity. At the same time, organizations need to maximize the value of their people given the global economic uncertainty and the potential for serious systemic shock. With an ability to consider the complete talent picture, leading companies will be able to retain highly engaged

² “Sizing the Emerging Global Labor Market”, McKinsey Quarterly, August 2005.

³ “Talent Shortage 2011 Survey Results”, ManpowerGroup, 2011.

⁴ “The Talent Management Suite Market Emerges”, Gartner, May 2011.

⁵ Oracle acquired Taleo in June 2012.

talent regardless of macroeconomic forces, enabling greater organizational continuity and teamwork during periods of growth or recession. Further, they will use their strong talent practices and culture to attract higher-quality talent, creating a virtuous cycle that will enable them to outperform their less talent-focused competition in both the short- and long-term.

Another driver is the role that business leaders are playing in HR and talent processes. They are much more involved in talent management than ever before. For business leaders, the distinctions between recruiting, onboarding, performance management, succession, and development are largely artificial. They want the best people on their team, assigned appropriately to work that draws forth their best contribution and efforts, and developed and compensated properly to drive long-term engagement and continued high-value contributions. Where HR sees bright lines between recruiting and performance management, business leaders see a need to achieve business objectives through people. For them, all talent decisions are driven by business need and value. As business leaders become more involved in HR and talent management processes, the demand for integration and suite solutions will increase. Leading organizations that are already satisfying these needs will provide even more talent tools to their line managers and business executives.

Recognition of Talent Management as a Core Business Process

Talent data is the last business information to be digitized into mineable, searchable data. All other major corporate systems—financials, inventory, sales, and marketing—have enterprise-grade systems and data models supporting them. These systems in turn have led to the rise of business intelligence solutions that help organizations make sense of this data and improve their decision-making. Talent-related data, to date, has not been treated with the same rigor.

With the rise of integrated talent management solutions and the underlying unified talent profiles and normalized data models, talent data is now as digital and as accessible as any other corporate data set. This enables talent data to be more readily incorporated into key planning and strategy discussions.

At the same time, business leaders are increasingly influencing or even owning key aspects of talent strategies and practices within the business. This shift of ownership is leading to an increasing demand for talent data that matches the quality, accessibility, and relevance of other business data sets.

As the speed of business accelerates, the ability to collect talent data, gain insight, and make informed decisions about people and processes becomes increasingly important. U.S. business leaders, as key stakeholders in talent management processes, will become more involved in the definition of talent management system requirements and even the selection process, triggering a dramatic increase in the adoption of solutions that satisfy their data, analysis, and reporting demands. For these companies, talent data and processes will be held in the same regard as critical business data and processes.

Conclusion

After an extremely challenging and unpredictable 2011, businesses today operate in a market of thinner margins, lighter demand, credit and liquidity challenges, and an uncertain outlook going into 2012. Talent decisions have taken on increased importance in the face of these challenges as companies that fail to effectively manage the flow of critical talent risk their growth and, in some cases, even their survival. This white paper underscores the fact that organizations are looking to maximize the value of their people given the global economic climate and the potential for serious systemic shock. With an ability to consider the complete talent picture, leading companies will be able to hire and retain highly engaged talent regardless of macroeconomic forces, enabling greater organizational continuity and teamwork during periods of growth or recession.



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