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## ***Claymore Partners Perspectives:*** **Getting Beyond Trends: Recognizing Today's Global Workforce Implications**

*By Steven Landberg, Managing Director*

The recent announcement by three of the U.S.'s largest companies – Ford, Dell and Walmart – to begin massive workforce expansions in China and India is just the latest evidence of the transformation of once regionalized workforces into a unified global reality. The growing recognition of the realities of this unified global workforce has awakened US enterprises with both positive and negative reactions. There is growing fear among workers of multinationals of job losses as enterprises take more aggressive steps to leverage skilled lower cost workers to respond to competitive challenges from global competitors and as leaders take advantage of hard-to-find global workforce capabilities for their organizations. It is critical for every organization seeking to maintain its own workforce driven advantage to reflect upon their global workforce model in light of these global workforce developments to best understand the implications for its marketplace, customers, competitors, and internal capabilities and develop a strategic approach for addressing this rapidly evolving situation.

### **Key Global Workforce Trends**

Major global workforce trends are accelerating and impacting almost all organizations and individuals in the USA as the world's largest and most developed economy. Whether an organization is developing its own globalized worker ranks or simply competing with a competitor's, it must actively determine whether to tap into this unified resource. These trends are should be identified and leveraged to provide a basis for developing a global workforce approach with implications for each industry and organization. How an organization responds in addressing the challenges will clearly impact their future success. Few will be spared the rapidly evolving realities of a global workforce.

While each organization needs to identify the major global workforce trends that are impacting their business, a summary of key global workforce trends includes:

- Expansion of global economic trade for both manufacturing and service sectors with lower barriers and greater knowledge and availability
- Rapid emergence of 40% of the world's population becoming a vibrant part of the global economy and workforce with China and India's economic development growing at over double that of the developed economies (>7% vs. 3%)
- Growing use of global workforce for outsourcing and offshoring service oriented jobs as well as manufacturing jobs



- Rise in level of education and skills of the global workforce, especially in India and China
  - India is producing about 400,000 engineering graduates annually versus only about 30,000 in the USA
- Advanced and low cost telecommunications and internet connectivity have enabled service and knowledge worker displacement globally to lower cost environments
  - Online collaboration tools will further enhance global connectivity in the near future as well
- Continued pressure on productivity gains and lower labor costs to remain competitive in a global economy with increasing reachable large lower cost labor pools

In addition to the impact of these global trends, the U.S. workforce is also being transformed by indigenous and regional demographic workforce trends including:

- Aging baby boomer generation about to leave the workforce
- Rising health care needs that will consume about one third of the US economy as well as workforce
- Strong homeland security needs will continue to create policy/regulatory conflicts for immigration policies
- Continued shift to service and knowledge based US economy

### **Major Workforce Model Implications**

Going Global is finally affecting us at home. As a result of the global and USA workforce trends, there is expected to be continual pressures and shifts with significant implications for organizations, which drive both near term and long-term workforce decisions. By and large, future organizations – regardless of the boundaries of their customer markets – will be forced to reconsider workforce models and make key decisions regarding what the future state of their workforce. Firms will examine new options born of these emerging implications and determine whether global options like contingent workers, outsourcing or offshore staff augmentation will be leveraged– and if these global workforce options are tapped – what model for managing and developing that workforce will be utilized While the workforce model implications are not always as clear as the workforce trends, organizations nonetheless need to incorporate their views on the implications into their business strategies and human resource planning efforts.

While no single list could capture the entire major workforce model implications of these global workforce trends, U.S. based businesses should consider this short list of implications:

- Shift more standardized service and knowledge work to lower cost environments that are capable of delivering quality output
- Develop operating business models that integrate global workforces to better take advantage of cost and service levels benefits via strong business processes and collaboration tools



- Invest in the education of your workforce to further enhance the value added and productivity of your core talent base
- Obtain/develop global executives to lead and effectively manage global workforces
- Continue to employ baby boomers via alternative work solutions including contract employment, remote work, part time work
- Increase the role of HR as a strategic asset focused on addressing global workforce trends/implications vs. utilizing primarily as a transaction support function
- Develop global workforce management, talent acquisition and retention approaches:
  - Employ a global talent mindset, which extends beyond the current “diversity” mentality/approach
  - Utilize comprehensive workforce planning approaches integrating permanent, contract/temporary, outsourcers, offshorers, and consultant workforce resources with a global perspective
  - Deploy global workforce strategic planning processes as a critical business planning process

### **A Strategic Approach for Addressing the Global Workforce Crisis/Opportunity**

Each organization needs to have a strategic human resources/capital plan to most effectively pursue its business strategy as well as address the implications of the global workforce for its unique workforce situation. Strategic human resource planning is increasingly being recognized as a critical source of competitive advantage and needs an embedded global strategic perspective. While a global strategic workforce plan should be based upon best enabling the implementation of an organization’s business strategy, it also should provide inputs towards the further development of the organization’s business plan.

Global organizations such as GE, Citicorp, AIG, and HP as well as a number of the professional service firms have been successfully deploying global workforce strategies for some time resulting in significant benefits. GE utilizes an annual workforce planning process to continually look at their talent on a company wide basis throughout the world. They were also one of the first organizations to offshore work and move it to locations where they could best gain a cost and delivery advantage such as GECS in India. Citicorp also moves its top talent throughout the world, not just utilizing US expats in overseas environments, but moving international executives to senior positions in the US as well. Global consulting and outsourcing firms such as HP, Accenture and IBM have been successfully deploying global HR approaches for talent acquisition, management, and project deployment, which have enabled them to deliver significantly improved results for their substantial client bases.

**A strategic global workforce planning process** should include the following major efforts (Exhibit 1):

- 1. Develop an External Environmental Scan of Global Workforce Threats and Opportunities** on a macro, countries where have a current interest or presence, competitors presence/use, and areas of major development



2. **Assess the Organization's Global Workforce Strengths and Improvement Opportunities** including the capability to lead/manage global workforces, integrate global teams, lower cost structures, improve productivity levels, achieve desired service levels, and establish a global culture and consistent processes
  - a. Benchmark human resource costs, productivity, and quality vs. leading competitors in the USA and globally
  - b. Review the organization's current workforce situation in terms of:
    - i. the number, cost, and location of people that support each of the core business processes
    - ii. the number, cost, and location of employees, temporary/contract workers, outsourcing/offshoring arrangements, and consulting
3. **Identify the Priority Global Workforce Opportunities and Needs** for your organization and evaluate them in terms of potential impact and risk for the business
4. **Establish Clear Global Workforce Objectives and Strategies** to pursue in the near and medium term as an overriding direction for the organization's efforts
5. **Create a Global Workforce Implementation Plan** for pursuing those objectives and strategies
  - a. Evaluate options to most effectively address significant global workforce improvement opportunities and further leverage competitive strengths including the location and utilization of:
    - i. Employees (exempt/non exempt)
    - ii. Contract/temporary workers
    - iii. Outsourcing/offshoring
    - iv. Consultants
  - b. Select and pursue top priority global workforce improvement opportunities including short term quick wins and longer term high impact investments
6. **Monitor Global Workforce Performance** in terms of impact and refine efforts via an ongoing global workforce planning process

While critical, these efforts are only ultimately anchored by the company's mindset about workforce. Adoption of a global mindset is the first step for an organization to establish a basis for a strategic global workforce planning approach. That needs to start at the top of an organization with an increase in global executive talent, training, and experience. Organizations need to shift from viewing businesses as international vs. domestic to global businesses and further imbed a global mentality into their overall business perspectives inclusive of workforce planning and implementation efforts. There are few organizations that can avoid the implications of a global workforce today. It is time to embrace that change and determine how to leverage the opportunities and embrace being global.

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**Exhibit 1**

