



Bridging the Talent Crisis Created by the New Global Reality

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Executive Summary

The global talent crisis has as much to do with gaps in communication and leadership skills as it does with globalization.

A company's success in managing its talent is an important differentiator and unique selling point in the global marketplace—as well a predictor of financial performance. Yet, today, the cards are stacked against global companies and the executives who lead them. The relentless march of digital connectivity has created a global communication and information grid that drives instantaneous, large-scale interactions. Ubiquitous internet access, coupled with this worldwide information grid, makes every company, no matter how small, a global company subject to business disruptions.

What does this have to do with talent management? Globalization plus interconnectivity is increasing the demand for skilled and highly qualified employees. Yet, while demand is growing, the supply is shrinking. The trend of older, more qualified workers retiring and fewer high-potential young people replacing them will inevitably lead to a talent squeeze. But that's not the biggest or the most pressing challenge. The real problem is one of communication. In the movement toward a global economy, English became the *de facto* language of business. Yet, today 70% of global employees are non-native speakers—and only 7% think they speak English well enough to do their jobs. That's a gap of sizable proportions.

As our businesses transcend borders, we have seen a profound shift in our global teams, which are increasingly multicultural and multilingual.

Let's add one more card to the deck. Never have employees been less engaged and never has confidence in executive leadership and management been lower. Startlingly, executives themselves lack confidence in their ability to lead across borders. As a consequence, the competition for talent has reached crisis proportions, and the need for inspired leadership has never been greater. This paper discusses how companies and their leaders can rise to the task and unleash the richness and diversity of both the talent and the technology they have at their disposal to navigate the new global reality.

The New Global Reality

The accelerated intersection of people, data, and technology is reshaping the global economy.

Digital connectivity continues to accelerate around the world and around the clock. Just 15 years ago, only 3% of the world's population owned cell phones, and only 1% were online. Today those numbers are 50% and 25%, respectively. Facebook's user base has more than tripled to upwards of 500 million members. In China alone in 2009, more than 150 million people connected to the Internet. And the numbers continue to climb.

Data also flows faster than ever across borders. Global data flows expanded by nearly 50% in 2009, according to McKinsey Global Institute¹. As data and people become more and more interconnected, disruptions have more impact. Products and parts can be made anywhere, and product problems quickly have a pervasive economic sting. A typical manufacturing company, for example, relies on more than 35 different contract manufacturers around the world for parts. Global business-to-business interconnections are even more pronounced in capital markets, which saw worldwide reverberations from the U.S. real estate meltdown.

The Communications Skill Gap

Global teams have great difficulty communicating and collaborating.



As our businesses transcend borders, we have seen a profound shift in our global teams, which are increasingly multicultural and multilingual. Ten years ago if you looked into a corporate office in São Paulo you would have seen mostly Brazilians. Today you will see Asians, Europeans, and Americans as well. As workplace diversity increases, it becomes a communication issue.

¹ McKinsey Quarterly article "The Global Grid" by Peter Bisson, Elizabeth Stephenson and S. Patrick Viguerie. June 2010: http://www.mckinseyquarterly.com/The_global_grid_2626

86% of executives believe that the ability to lead beyond borders is important but only 7% believe they can do this well.

The Center for Creative Leadership, 2009

Increasingly, English has become the *de facto* language of global business. In fact, most English conversations in business today are between two non-native speakers. This has created a challenge of unknown proportions and consequences for enterprises, that find their business performance—and their plans to expand into new markets—compromised by a workforce that has difficulty communicating and collaborating with each other.

The size of the skill gap is huge. When 70% of your global workforce speaks English as a second language, communication across global teams can be tricky and frustrating—even counterproductive. Every global company today is composed of an untold number of very smart employees with cutting-edge knowledge who simply are unable to contribute meaningfully to their global teams. Evidence continues to mount that poor English proficiency is fueling—at best—misunderstandings and misalignment across global operations. At worst, so many mistakes are made and delays caused, that productivity plummets destructively.

The problem is larger than linguistic skills in English. Being able to conjugate a verb doesn't translate to the ability to be successful at one's job. Global teams require proficiency in Business English, which embraces the additional skill sets of presentations, meetings, negotiations and conference calls. It also involves topics related to business functions, such as marketing and finance, as well as topics related to business sectors, such as banking and pharmaceuticals.

The Leadership Skills Gap

Most executives are unprepared to address global talent and communication issues.

It's not that global companies aren't spending money on their communication infrastructure. In 2010 businesses spent \$146 billion on telecommunications.² But few organizations are taking into account the quality of what is being communicated: are people understanding each other, and are all the best ideas being voiced? What's missing at the leadership level is a global perspective and strategic expectations in the area of global communications. Very few executives see communication as a strategic pillar, like finance and IT. Yet, according to the United Nations, 70% of growth in multinational companies will come from emerging markets. That's a serious disconnect from the new global reality.

Executives are unprepared, and they freely admit it. In 2009, The Center for Creative Leadership found that 86% of executives believe that the ability to lead beyond borders is important but only 7% believe they can do this well.

Talent professionals—the “people” people—also lack a sufficiently global and strategic perspective. Too few have asked themselves a key question: Where will our talent come from, and what skills will we need to succeed as a global

² January 2011 The Insight Research Corporation, <http://www.insight-corp.com/reports/vert10.asp>.

company? The facts are grim. McKinsey & Company recently conducted a study and found that only 13% of university graduates from emerging countries are



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suitable for employment in multinational companies³. The number-one reason they are not suitable: lack of English skills. Yet 44% of executives expect to source talent from these emerging markets. That, too, is a serious disconnect from the new global reality.

The time is ripe for executives and talent professionals to break away from a "just-in-time" culture of talent management and move to long-term planning for the communication and business skills they will need to drive business results.

The Productivity Payoff

Companies typically realize \$1 million in productivity gains per 1,000 employees.

The evidence continues to mount that skills—in particular, communication skills—will be the driver of innovation and productivity in this century. What if all your global teams could read email efficiently, respond quickly, answer phone calls, and participate fully in global virtual team video conferencing? GlobalEnglish research shows that, on average, a person with low English skills loses two hours of productivity per week. Compounded across an entire organization, that productivity loss equates to painfully inefficient operations. Consider the reverse, again compounded across global operations. With improved English skills an employee gains an average of two hours of productive time per week. Let's assume an average global labor cost of \$15 per hour across 45 weeks. That's more than \$1 million in productivity gains per 1,000 employees.⁴

³ The Globalization of English Report, GlobalEnglish 2011, http://www.globalenglish.com/m/why_globalenglish/globalization_of_english/

⁴ McKinsey & Company, Emerging Global Labor Market Report, 2010 http://www.mckinsey.com/mgi/publications/emerginggloballabormarket/Part2/executive_summary.asp

Developing global leaders who are comfortable embracing the multicultural, multi-lingual experience is key to resolving the talent crisis.

The Bottom Line Payoff

There's a direct correlation between employee engagement and financial results.

Companies are bombarded with data that show engagement is at an all time low worldwide. According to a Towers Perrin report, only one out of every five workers today is giving full discretionary effort on the job, and this "engagement gap" poses serious risks for employers because of the strong connection between employee engagement and company financial performance⁵. Engaged employees, the report shows, collectively increase operating income by 19% and earnings per share by 28% a year. This has been substantiated by a Wyatt Watson study, which reports that firms with the highest engagement had 36% total return to shareholder over three years.

Employee engagement occurs when employees feel guided and have the opportunity to develop their skills. Engagement is also the result of excellent leadership—the foundation of which is the ability to understand an employee's unique talents and match those with the organization for a win-win partnership. Effective communication is the foundation for this.

Bridging the Talent Crisis

Developing a new brand of global leadership is key to resolving the talent crisis.

Leadership inspires innovation and creativity and drives financial and organizational results. Developing global leaders who are comfortable embracing the multicultural, multi-lingual experience is key to resolving the talent crisis.

Successful global companies identify global leadership competencies and customize their leadership development programs to sustain a healthy pipeline of talent for their global organizations. Among the most critical competencies for global leadership are what are commonly referred to as IQ, EQ, SQ, and CQ:

1. **IQ:** Intelligence quotient is the cognitive ability to acquire, assimilate, and utilize knowledge. Here is where leaders need the mental acuity to understand the complexity of global markets, global economics, changing demographics, and diversity of cultures. This competency enables leaders to create a compelling vision, mission, and strategy.
2. **EQ:** Emotional intelligence includes self-awareness and self-management. Emotional intelligence includes our ability to know who we are, what values guide our decisions and behavior, what situations or people bring out our best, and which bring out our worst. In addition, emotional intelligence includes the ability to have emotional self-control and to be

⁵ Towers Perrin, Global Workforce Study 2007-2008: http://www.towersperrin.com/tp/getwebcachedoc?webc=HRS/USA/2008/200803/GWS_Global_Report20072008_31208.pdf

The vast majority of employees actively seek opportunities to learn and grow and set high personal and professional standards.

adaptable.

3. **SQ:** Social intelligence is the ability to be socially aware and manage relationships. Empathy is a crucial competency in this area and is a necessity in particular for leading global teams. Empathy is the ability to respect and relate well to people of diverse backgrounds and be open to perspectives different than our own. The relationship part of this competency includes the ability to influence, coach, resolve conflict, help teams work effectively, and inspire great performance.
4. **CQ:** Cultural intelligence is having the curiosity and sensibility to explore and understand cultural differences and adapt leadership behavior appropriately.

The vast majority of employees actively seek opportunities to learn and grow and set high personal and professional standards, according to the Tower Perrins report. Organizational leadership plays a pivotal role in developing an engaged global workforce and keeping their talent highly productive by developing and applying these competencies.

Towers Perrin

The Silver Bullet

Successful companies have a global communication strategy supported by a global platform.



In our interconnected economy, people are a sustainable competitive advantage. But when the majority of the world's global workforce can't speak English well enough to perform their job, that's a talent crisis of major proportions. Successful global companies wrap a communication strategy around the

leadership competencies, just described above, to ensure that their investments in people and infrastructure align with their business goals.

A communication capability strategy includes:

- Mapping of specific technologies to global communication needs
- Assessment of Business English language capabilities and gaps globally
- Establishing flexible programs to deliver lasting Business English proficiency
- Incorporating ongoing business-focused training and support
- Providing on-demand tools to maintain daily productivity (such as e-mail templates, vocabulary assistance, translations, and text-to-speech capabilities)

- Establishing metrics and measuring progress globally, regionally, and individually

Global companies are always constrained by the gap between the current business reality and their long-range business goals. Technology exists today that can address the communication complexities of the global economy—and the underlying gap in Business English skills that fuel them. Companies that deploy a global communication strategy, supported by a global platform for developing Business English proficiency, will be able to harness the full power of their workforce and achieve the lift in financial performance that engaged and well-communicating employees around the world deliver.

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About the Human Capital Institute

HCI is the global association for strategic talent management and new economy leadership, and a clearinghouse for best practices and new ideas. Our network of expert practitioners, Fortune 1000 and Global 2000 corporations, government agencies, global consultants and business schools contribute a stream of constantly evolving information, the best of which is organized, analyzed and shared with members through HCI communities, research, education and events.



About GlobalEnglish

GlobalEnglish offers solutions for Enterprise Fluency™: the communication, collaboration, and operational proficiency companies must have to compete in today's global economy. Enterprise Fluency is the measure of a company's ability to apply their company-wide gains in Business English skills to improve the ease with which their global teams can communicate and collaborate with each other and the effectiveness with which the company can operate across country borders.

We have more than 500 enterprises partnering with us globally, including BNP Paribas, Capgemini, Cisco, Deloitte, GlaxoSmithKline, Hewlett-Packard, Hilton, John Deere, Procter & Gamble, and Unisys. Our comprehensive, on-demand software solution is available in 15 languages for instant, on-the-job support for business tasks in English such as writing emails and programs for building lasting Business English proficiency. Headquartered in Brisbane, California, we have global reach to support multinational companies in any country worldwide.

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