

***Building a bridge between today's talent
and tomorrow's skills***

Findings from 2014 US CEO Survey

17th Annual Global
CEO Survey, 2014



pwc

As US companies return to growth mode, anxiety over skills intensifies

Sixty-two percent of US CEOs plan to increase headcount this year, reflecting an expected pick-up in the US economy in 2014 and certainly contributing to the concerns over talent shortages.

But there's more at work here. New business models that companies are contemplating require talent with different skills than the ones they currently have. The need is acute for technology-savvy talent: 86% of US CEOs believe technology advances will transform their businesses over the next five years.

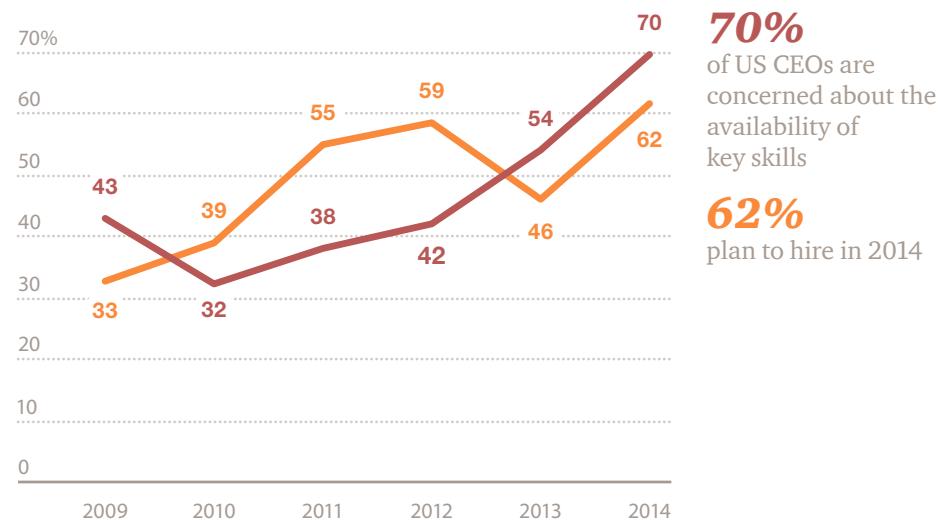
CEOs are very focused on ensuring that the skills are in place—or will be in place—to capitalize on investments they are making into mobile technologies, data analytics, and other strategic capabilities. To be sure, this means bringing in new people with the needed skills and experience. However, as CEOs know, that's not easy to do. Demand for highly valued skills is strong; the “war for talent” is as fierce as ever.

Thus addressing the skills shortage is about much more than hiring fresh talent. It means taking a fresh look at the talent within. Businesses that have been able to build up intellectual capital by continuously cultivating the next generation can experience a distinct advantage.

As Stephen A. Schwarzman, chairman and CEO of asset manager Blackstone, puts it: “Most service organizations have a problem with the people who are ahead of somebody who's coming up, which in effect, forms a glass ceiling. Because we've grown over the years, 27% to 29% a year, we're always starting new parts of our business, which gives younger people a chance to be promoted and grow a new business for us. That sense of being in charge of things, of ownership, entrepreneurship, self-actualization, that's really important.”

Will skills gaps confound US CEO plans to expand in 2014?

How concerned are you about the availability of key skills? What do you expect to happen to headcount in your company globally over the next 12 months?



70%
of US CEOs are concerned about the availability of key skills

62%
plan to hire in 2014

Respondents who stated “extremely concerned” and “somewhat concerned” about the availability of key skills; respondents who stated increase by “less than 5%” or “by 5–8%” or by “more than 8%.”

Base: 97 (2009); 100 (2010); 108 (2011); 161 (2012); 167 (2013); 162 (2014).

Source: PwC, 2014 US CEO Survey, January 2014.

A new kind of talent engagement strategy is needed in this period of rebuilding and preparing for the future. “Do more with less” has taken its toll on morale. Business leaders recognize this: just 32% of US CEOs agree that the level of trust with employees has improved in their industry over the last five years. That’s not encouraging at a time when business leaders need employees excited about the strategy and willing to take necessary risks to get there.

A business has always had a “brand” with employees and the communities it operates in as much as with its customers. This is even more so today. “When you look at employees and local communities, the big change I’ve seen in the last five to 10 years is how interconnected they are,” noted Gary J. Goldberg, CEO, Newmont Mining Corporation. “We can do one thing in Ghana and it shows up in Indonesia right away. People know what’s going on. It drives the industry to be very transparent about what you’re doing, to explain why you do certain things the way you do them along the way, because the whole world is very well connected.”

Business leaders recognize that the people currently in place will drive transformation in the near term. This is different than the view that the skills of the people in place now will be irrelevant in 10 years.

Alignment begins with strong communications and employee engagement about the journey and the destination. Roger Wood, CEO of automotive supplier Dana Holding Corporation, put it this way: “Having a company with everybody aligned and pulling in the same direction, with a very innovative and open culture, is the recipe for our success.”

Encouraging innovative thinking across the organization is important for NCR Corporation. “Quote-to-cash (the sales process management), some might argue, is a mundane process enterprise-wide, but I would argue that you can be disruptive in thinking about how you handle that long-term, and I want every employee to feel empowered to think that way,” said Chairman and CEO William Nuti.

Upgrading skills supports innovation—and thus transformation. Most employees know their skills likely have a shelf life in this economy. So do their employers. The significance of training—and retraining—programs continues to rise to the top to bridge transitions from old to new business models. For example, to prepare for smart grid jobs, some workers, including electrical engineers and operations research analysts, will require training in addition to their core skills, to use new technologies. Other workers, such as meter readers or power-line installers and repairers, will require extensive retraining to acquire more diverse, higher level skills.¹

Many are embracing the opportunities to upgrade skills on their own. Most of the people who enroll and complete Massive Open Online Courses, or MOOCs, are already employed.²

Revamping talent assessment frameworks is critical. CEOs tell PwC that they are more focused on creating the right environment and being transparent about what success in the company looks like. They’re also seeking to better nurture leaders throughout the organization. “It’s important to identify leaders at the operating levels and they become your advocate, your megaphone for cultural change. It’s very difficult if you don’t find them or they don’t identify themselves. If they don’t volunteer, you’re going to have to identify them,” explained Tom Casey, chairman and CEO of Tronox Limited, a mining and chemicals group.

¹ Bureau of Labor Statistics, “Powering the nation: smart grid careers”, Fall 2013.

² “Who takes MOOCs? For online higher education, the devil is in the details”, New Republic, Jan. 4, 2014.

Advanced workforce analytics is part of moving beyond the annual performance review to better identify those individual contributors most likely to be successful as managers or future leaders. Combining workforce data from internal systems with survey, macroeconomic, and socio-demographic data, companies can cut turnover in pivotal roles.³

Developing a pipeline of business-ready talent in new ways. US CEOs are also talking about how to step up what they see as much-needed collaboration with the educational system. They can't wait for the government to make more meaningful progress in creating a skilled workforce.

For example, IT distributor Tech Data Corporation is now offering an MBA program at night inside their building. The company worked with a university in Tampa, Florida, to create the program. "It's a never-ending process to find the right people," said CEO Robert M. Dutkowsky. "We've changed our recruiting techniques. We use all the tools in the online social sites, and we network like crazy."

Some US CEOs (14%) say they are prioritizing creating jobs for young people (16–24 years old). These are the 'digital natives' who will drive many of the changes in the way businesses are managed and led in the not-too-distant future.

Chemicals group LyondellBasell Industries N.V. is working on many educational levels to prepare the next generation. The company is working with universities, particularly in engineering skills. "We're working with some community colleges, two-year technical degree people to be operators at our plants," CEO Jim Gallogly told PwC. "We're working in high schools, trying to get shop programs again to make sure we have young people interested in welding, pipefitting, and other important skills. And even going into lower levels in the school system—people in seventh, eighth, and ninth grades, before they start to make career choices—and educating them about the great jobs our industry has."

Download the full 2014 US CEO Survey at www.pwc.com/usceosurvey

³ "Big Data for HR-Getting up to speed with predictive analytics", PwC's HR Innovation, 2013.



Implications

1. Getting people excited and connected to the strategy matters when CEOs make changes in their business model. Being transparent about what it will take to be successful and where the company is headed is important.
2. Equally, being clear about expectations about employee behavior, for example, in how to interact with customers or collaborate together with other people helps change the corporate culture. Leaders need to create the environment and back their employees as they go through the changes to improve employee engagement and raise the levels of trust.
3. Support your employees' desires for new skills. Be clear around what skills are needed in the future, what are the technical and managerial skills that employees need to develop. Many employees recognize they will need continuous training as technology changes what they do and how they do it. The enthusiasm generated by Massively Open Online Courses (MOOCs) offer a path; they indicate demand for non-traditional and self-directed learning.
4. Look beyond the hype around data analytics for HR. Apply analytics to answer specific questions. For example, what schools yield successful recruits? When are employees likely to leave the organization? How effective is a specific flexibility program?

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