Strategic Talent Acquisition and Firm Performance

Fourth Annual Searle Center Leadership Roundtable on Talent Analytics and Workforce Science

October 20, 2017

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Burning Glass Technologies
The Small Picture: The Problem
Ineffectiveness in the labor market leads to Organizational Disruption

Layoffs and Management Shuffles Plague Tech Hardware Firm After Rough Earnings

- SEAGATE
- Layoffs and Management Shuffles Plague Tech Hardware Firm After Rough Earnings
- Jonathan Vanian
- Jul 25, 2017

8,100 Employees Laid-Off
17% Of Workforce 2016-2017
Up to $1.2 Billion Cost of Layoff

Organizational Disruption
Diversify business in shrinking market

Fortune 1000 Bank to lay off more workers

- REUTERES
- Bank of America to lay off more workers
- Jun 15, 2017

8,000 Employees Laid-Off
3% Of Workforce 2016-2017
Up to $1.1 Billion Cost of Layoff

Organizational Disruption
Retooling to respond to mobile banking
The Large Picture: The Cause

Disruption of Legacy Industries is Accelerating

- Telco SMS Messaging
- Music Player / Mobile
- Entertainment
- Energy Storage
- Automobiles
- Taxi

Examples:
- Facebook
- WeChat
- Apple
- Spotify
- Netflix
- Hulu
- Tesla
- Geli
- Google
- Uber
- Lyft
- Uber

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CEO’s greatest concerns in 2017 are Disruption related to Availability of Skills

- **72%** CEO’s are concerned about availability of key capabilities.
- **92%** CEO’s say to succeed an org. must react rapidly to the market with strategic sourcing from internal and external talent pools.
- **39%** Companies are changing into significantly different entities in the next 3 years.
- **65%** CEO’s believe the next 3 years will be more critical than past 5. They are concerned they are not disruptors.
Are Our People our Greatest Asset?

- Disconnect between HR and strategic decision makers
- Not much literature on the relation between human capital and firm performance
- Lack of data that can measure talent. Literature talks about skills, but uses education as a proxy

Main Research Question: How the skill composition of a firm affects its economic performance
Using Real-Time Labor Market Data to Measure Skills

Visit Online Job Sites

Collect & Deduplicate Job Postings

Read Postings to Generate Detailed Data

- Job Title & Occupation
- Employer & Industry
- Technical Skills
- Foundational Skills
- Certifications
- Educational Requirements
- Experience Levels
- Salaries

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<th>Laboratory Technician</th>
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<td>Bayer Agricultural Care (ABC) is one of the leading producers of pharmaceuticals and high-performance products in the world. The company specializes in developing and manufacturing innovative, cost-effective solutions for the agriculture industry.</td>
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- Producing bioactive compounds for use in the laboratory and field trials. |
- Monitoring and analyzing raw materials and products for quality assurance. |
- Understanding and applying state-of-the-art agricultural research methods. |
- Interpreting and communicating results to other team members and stakeholders. |
- Maintaining a safe and healthy work environment by following all safety protocols and regulations. |
- Developing and implementing new processes to improve efficiency and productivity. |
- Collaborating with other departments and external partners to ensure successful project completion. |

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Related Literature: Superstar Firms

The Gap Between the Most Productive Firms and the Rest Is Growing
A look at labor productivity in manufacturing and services.

PERCENTAGE DIFFERENCE IN LABOR PRODUCTIVITY LEVELS FROM THEIR 2001 VALUES (INDEX, 2001=0)

40% -

MANUFACTURING
“Frontier” firms

30 -
20 -
10 -

2001 2003 2005 2007 2009

Everyone else

30 -
20 -
10 -

2001 2003 2005 2007 2009

SERVICES
“Frontier” firms

Everyone else

SOURCE “THE FUTURE OF PRODUCTIVITY,” OECD, 2015

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Related Literature: Superstar Firms


Bessen: “Increasingly, it seems, top performing firms utilize new technologies productively while their rivals do not. ...perhaps, instead, top firms are better able to recruit and develop talented managers and workers skilled at working with the new systems.”
Related Literature: Relation between Skills and Firm Performance


  Deming and Kahn: “As a whole, the job skills have explanatory power in pay and firm performance regressions, beyond what is available in widely-used labor market data.”
Relation Between Skills and Firms Performance
Talent Shape and Organizational Disruption

• 2016: Cisco Systems reveals plans to slash 5,500 jobs, in a move to restructure the company (700m in redundancy payments)

• Internet of Things, data security, data centers, cloud, and collaboration tools will be the focus on the company post-restructure

• Cisco increasingly requires “different skill sets” for the “software-defined future” than it did in the past, as it pushes to capture a higher share of the addressable market and aims to boost its margins
Talent Shape of a Firm (Cisco Engineering vs IoT Industry)
Talent Shape and Technology Adoption

Blockchain: Trends by Year

- Total Market
- JPMorgan Chase

Job postings vs. Year

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Talent Shape and Technology Adoption

September 12, 2017: Co. Chief Executive James Dimon trashes the digital currency bitcoin as a fraud that will blow up

October 16, 2017: JPMorgan launches payments network using blockchain technology
Talent Shape and Financial Outcomes

Advertised Workday Skill Demand for Implementation Partners

- Deloitte gains market and talent share on Accenture as the leading Workday implementation provider.
- Accenture does not ramp up Workday hiring as the market takes off in 2014.
Talent Shape and Financial Outcomes

2016: Accenture to Acquire Workday Consulting Firm DayNine
Conclusions

• Provided some evidence on the relation between disruption, innovation, technology adoption, and talent. This offers a different framework, which does not focus only on product

• The above, together with related literature, indicate that there exists a connection between firm’s performance (short and long term) and talent acquisition. Need a more formal study

• This will help bridge the gap between HR and strategic decision makers