

Ultimately It All Boils Down to People

Interview with Lukas Nosek, leader of SpenglerFox's practice group for Industry & Manufacturing

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How would you currently characterise global developments for markets in the Industry & Manufacturing practice group you lead?

First, it's important to say that *industry* is a really huge term. It can involve anything from producers of microchips to construction of airplanes or oil tankers. So depending on the segment, our customers face different or varied issues. Just giving an overview, I can say that some businesses I work with have been impacted, for example, by low oil prices. Then there is the rare metals and mining sector that faces different issues as concerns product demand. If we move on then to the automotive industry, I see a good outlook there. One client recently told us that based on the auto industry you can tell where the global economy is in the business cycle: when a recession starts cars sales drop, but when consumer confidence hits an upswing, car purchases are one of the first things to recover.

Similarly, if I give a further prognosis for the global economy, you can see a fixing of regional roles. I would say that high added-value production comes from the West. Meanwhile, what you might call low added-value production comes from the East. However, automation is changing this status quo. I have recently had conversations with customers who've talked about disruptions in this West-East production flow. For example, some American companies are now finding that it makes better sense for them to bring production back to the US. This might be for cultural reasons, for

linguistic reasons, what have you. One customer, who had in the past outsourced roughly 40 jobs to India, recently decided to insource (or repatriate) these jobs back to the USA. They found that they could do the same work with less people and a common language/cultural outlook and generally aligned expectations helped to streamline production processes.

Other companies are rethinking where they hire based on internal research into productivity. One of our clients, a globally-renowned coffee maker, recently decided to keep a majority of its workforce in Switzerland based on a huge battery of internal productivity assessments. Detailed research showed they got more bang for their buck from their Swiss team, despite the fact of higher wage expenditures in that country.

The rare metals and microchip production sectors are currently subject to a regional monopoly. Almost all the manufacturers/producers in this area are Chinese-owned and the Chinese are very intent on keeping all related production in China. This is not without its challenges, however. New environmental and ecological regulations and greater internal (domestic) demand for worker protections are slowly starting to make China more expensive than it used to be.

What about economic growth? Are there any stand-out businesses in the Industry segment?

The current global outlook suggests continued growth. You see a lot more cost rationalization in various business sectors. In recent years this has translated to a boom in mergers & acquisitions. Recent purchases that come to mind can be seen across diverse industries; namely Boeing's purchase of Lockheed-Martin, Siemens acquisition of Alstom, etc. Other industries where I see interesting growth include cosmetics. It is interesting that production and sales of chemicals that go into personal care products is growing fast. I think you could chalk this up to standard human needs: most of us want to look good. So even in lesser-developed markets, where consumers might have lower disposable

income, you still see layouts for beauty care products (i.e. lipstick) the moment female consumers have some extra cash in hand. If I speak to a prognosis for global markets over the next 20 years, I think you will see a number of "new" trends. Oil will get cheaper and producers will have to get used to prices at 60 USD/barrel. I think businesses also understand that they have to invest more in research & development and added value for their products to reap greater returns from product sales. In general, I think the industry segment will grow between 5-10% in the coming years: of course this will all depend on the specific industry and the specific geography. Depending on the evolution of local political-economic conditions in these markets, I can foresee Cuba, Iran and North Korea as rapid-growing economies (should their political regimes allow for this). Looking at growth from a global perspective though, I expect we will see more rapid changes in business cycles. I think the decade-long intervals are now gone: boom-bust periods will now shorten to a matter of 3-7 years and also will affect various global territories differently.

Have the talent needs in this segment changed since the Great Recession?

I see sourcing engineering talent as a key problem. The interest among students (potential job applicants) is just not there. A rigorous engineering degree programme is tough: not sexy. What to do with an engineering degree is less tangible for students looking to pursue university studies. I guess engineering is not as fun as politics, business studies (an MBA) or whatever. I've definitely seen a drop-off in interest in engineering and see a younger generation of students that has not kept up with studies in this area.

This has resulted in an Industry sector where there is sufficient talent on the commercial side, but where the tech skills are lacking. It's hard these days to find a match-up where talent has the necessary technological knowledge as well as the soft skills needed for leadership roles. This reality has also been influenced by the disappearance of apprenticeships. Those

are gone. And what you see is a generation of graduates (job candidates) that lacks practical skills. A candidate may have 5 MBAs but completely lacks practical knowledge.

How is technology impacting the job market/talent searches in the Industry & Manufacturing practice group? Is tech disruption an issue for your clients and the type of executive talent they are looking for?

Technology is taking away the human touch in business processes. If I look at searches and recruitment, I think you need to see people and have human interaction. Technology does make people accessible. But companies are made of BOTH technology and people. You need human interaction to make valid assessments of people. You need to get a feeling or sense of who they are as candidates. I increasingly have a lot of business contacts, who say "send me an email; don't call me." And I understand that this can help cut down on costs, but the flipside is that it short-changes recruiters and HR consultants in getting personal insight. I think technology is important, but in our business we need to think carefully about how we use it. It should facilitate the communications process but not become the communications process. Consider the technological tools I use on a daily basis, I would say they are helpful. But at the end of the day, it all boils down to the people using them. For example, FileFinder is a great tool, but the value I get from it is only as good as the people entering, editing and handling the data we collect in it. Technology is important, but the people factor (the human contact) is what is real, i.e. what informs and drives candidate placement.

What are the biggest challenges you face when setting up executive placements or when consulting in different global markets?

I think differences are rapidly decreasing. We do live in a global village now. There are, of course, still some differences if you've

jumped from a small market into a global city. When you work in a small market, people are still much protected. But if we look at cities like London, New York and Singapore, those locations are what I would call global. I think placements in different global geographies also depend on the general view of that venue among candidates: simply put, it's less of a problem to attract people to nice areas. So, understandably, we can still come up against problems sourcing people to Nigeria, Angola, Iraq, or perhaps even Nicaragua and Saudi Arabia. Ultimately, we really have to look to find the best talent for our clients: in some cases it's "local", in others the search becomes "global". At present it tends to be the Middle East, where we have the smallest talent pools. However, I believe this will quickly change. I think the typical situation now, where the American or European goes to China to consult or provide insight, will decrease. I believe you will see more Eastern talent flowing into mature markets; namely to fill talent gaps.

In developing markets you can see people getting more or better education. Also, globally, there is the cost: value issue of getting an education. I see a change now where emerging or developing markets are gaining access to better skills and quality education with a lower need for investment. You also have the generational issue now where the "land of opportunity" concept has all but disappeared. Graduates have a rougher time entering the job market. For example, when I started university as a student in engineering, we were drawing designs on boards with pens and chalk. My father (also an engineer) told me that, during his studies, it would take a team 10 weeks to design a gearbox. Every change had to be drawn on paper using ink – simply a nightmare. Now it takes one person a few hours to manage the whole process using 3D design software and tools. Or look at my grandfather, who worked as an accountant, he used to be part of a division that had 80 employees. Now that division consists of one person working with a SW solution from SAP. I think worldwide we see many graduates facing the tough challenge of integrating technical skills with market

demand. Some people may shout "I have an MBA!", but those degrees have been largely commoditized. I think, besides technology, there are a number of issues that are causing a "big shift" on world labour markets. In the West, for example, you find you have to overcome issues of entitlement, which is a true challenge in Europe. With the EU's single market for labour, you see competition getting tougher. Say you're a logistics company recruiting drivers for long haul shifts across the continent, who do you work with: a driver from a more developed market that requires a specially-fitted seat, air-conditioning and a max. work day of 8 hours? Or a driver from a less-developed market, who will run a 48-hour shift, needs no air-conditioning and no special seat. The post-Great Recession labour market has changed and it's not clear when, and if, previous perks and benefits will get back to where they once were.

What general advice would you give to companies seeking new talent for their executive teams?

Be authentic and realistic. Before you launch a recruitment process, think about this one thing: do you know what you want? If the answer is "no", then don't approach a search firm. I find increasingly that people from the corporate sphere have forgotten what it's like to be on the other side of the table. Essentially, you need to treat your job candidates the way you'd like to be treated. Also, I think in many cases you know during the interview itself if a candidate should move forward or not. So I find it's good to go with your instinct. In such cases, I keep thinking back to the book, *Blink*, by Malcolm Gladwell. In that book, Mr. Gladwell notes that, as human beings, our gut feelings are right 80% of the time. So you don't have to overthink the interview process. If you see the skills, if that personal connection is there, then go for it.

Unfortunately, I think we find ourselves in an era where we have too many choices and this leads us to think too much. Interestingly enough, I recently spoke with a group of clients and asked them who their

ideal employer would be: none of them listed the company they work for. And I think that's something we need to think about – both from the employer and employee perspective. It's the small things that build relationships and that foster employee loyalty. I think as HR managers and consultants, we need to filter through all the noise and keep things real. We need to be genuine and speak realistically: in the future, the candidate will most remember, and likely appreciate, the recruiter, who was most frank and honest with him/her.

We need to relearn how to step outside ourselves (step away from our own needs) and think how our decision-making affects the other party or other parts of our business. Mainly, we need to think about how it affects our company reputation. No feedback is no good. This is a message that I continue to emphasize with my clients. We live in a very hectic world, where we are increasingly losing sight of what's normal and what isn't. We can't work solely based on a model or a paradigm. The world works differently and we need to *listen* to what the world wants.

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