



SIMPLIFY TO WIN IN THE HUMAN AGE
Organizational Agility a Must in Certain Uncertainty



ManpowerGroup™

THE GORDIAN KNOT HAS TIGHTENED. THE TRENDS MANPOWERGROUP IDENTIFIED PREVIOUSLY ARE ACCELERATING AND CONVERGING.

ManpowerGroup has been at the forefront of changing world of work trends for more than 65 years, leveraging its deep insight and experience to analyze the demographic and technological trends impacting the world of work and ensuring the talent sustainability of the world's workforce. At the beginning of 2014, it has become clear that ManpowerGroup's forecasts and predictions of those trends have been right on track. [FIGURE 1]

The trends identified previously continue to accelerate and converge, and the full weight of their impact is being felt by economies, employers and individuals. Macroeconomic forces continue to decrease margins, creating the need to do more with less and elevating human potential as the major agent of economic growth. Technological evolutions are redefining how work is done and the skills necessary to do it. Talent mismatches are increasing with shifting demographics and the rising sophistication of employers who look for specific skills to enable their companies to meet ever-changing consumer needs.

ManpowerGroup was founded in 1948 with a clear mission: to power the world of work and to build talent sustainability for the good of companies, communities, countries and individuals. That commitment has not wavered over the past 65 years, but ManpowerGroup has constantly evolved and reinvented itself to anticipate trends in the changing world of work. When ManpowerGroup was founded, business was transactional and globalization was not part of the vernacular. Since then, economies have shifted from being predominantly industry-focused to service-focused. ManpowerGroup recognizes that agility and flexibility, while anticipating the world of work trends and keeping pace with the continued shifts in the marketplace, are essential for companies to succeed in an uncertain environment.

This ability to anticipate the evolving and increasingly more complex demands of its clients (ManpowerGroup was the first company to identify the Human Age and understand the implications of talent becoming the key competitive differentiator for all businesses), was the key motivation behind ManpowerGroup's decision to refresh its brand and simplify its business. ManpowerGroup has evolved quickly to meet clients' needs — delivering faster time-to-value, a better and more differentiated suite of workforce solutions, and possessing the ability to react more swiftly to changes in the marketplace.

At ManpowerGroup, we have the insight, experience, strategy and energy to build momentum for our clients.

TOGETHER, WE WILL WIN IN THE HUMAN AGE



PAST PROJECTIONS OF FUTURE FORCES HAVE BEEN RIGHT ON TRACK

2012: Adjusting to a New Ecosystem: Human Age

Two years ago we identified the Human Age as the dynamic that would define the world of work. It has, and it will continue to do so. The only difference is that now more and more companies are realizing just how much human capital contributes to their ability to compete.

2011: Entering the Human Age

Three years ago we introduced the world to the notion that human potential—not technology or product development—would become the major agent of economic growth.

2010: Preparing for a New Normal in the World of Work

In 2010 we looked ahead to major shifts that would impact the supply of and demand for talent. We anticipated a deepening of the Talent Mismatch, alongside increased power among those with the most in-demand skills. At the same time, rising consumer sophistication would compel companies to deliver greater value with fewer human resources. Addressing these dynamics could be facilitated by technology, as long as businesses knew how to leverage it.

2009: Reconfiguring the World of Work

With the global economic recession well under way, our 2009 effort took a look at shifting market dynamics through the lens of turbulence. We anticipated, for example, the clash between different generations in the workplace and mounting frustration among young people who lack access to opportunity. This also marked the first time we formally acknowledged the evolving power of data mining and its implications for work—a topic which is widely discussed in our industry today.

2008: World of Work: Dynamics Forecast and Implications

Our earliest effort to formally build predictions into our business strategy identified a series of shifting dynamics that would ultimately inform our work for years to come. For example, we predicted that changing demographics would seriously alter the availability of talent in OECD countries. Six years later, we are seeing this play out in dramatic ways.

FIGURE 1

Employers and employees are increasingly selective, elevating the need for one-size-fits-one solutions. [FIGURE 2]

Last year, ManpowerGroup highlighted that macroeconomic forces are getting stronger — making uncertainty the only certainty. The forces shaping the volatile and unpredictable Human Age — the transformational new era ManpowerGroup identified in 2011 — have grown more intertwined, pushing and pulling in different directions so that they are difficult to separate, much like a Gordian Knot. One year later, the Gordian Knot has tightened as the employment ecosystem has become exponentially more complex:

- **A Shift from Capitalism to Talentism has Taken Hold:** Talentism, with talent and human ingenuity as key drivers of growth, is now unequivocally the dominant force behind economic progress. At the same time, talent is difficult to find, threatening companies' ability to compete and succeed. Organizations that unlock and unleash the potential of their people, and develop and leverage their talents and skills by adopting one-size-fits-one approach are better prepared to execute business strategy and win in the uncertain environment.
- **Global Readjustment Leads to a State of Perpetual Motion:** The fast-moving economic forces are proving disruptive, making it difficult for business leaders to anticipate changes and prepare adequately for the future. Businesses that are complacent cannot expect to be successful in times of certain uncertainty. The ability to turn on a dime and shift gears quickly in response to changing market demands is the key to executing strategy and meeting business objectives. This marks a significant shift in the way businesses must operate.
- **Technology Shapes the World of Work:** Technology has allowed individuals and businesses to work more productively. Individuals first used technology to simplify work. The prevalence of new technologies, and the rapid pace at which they have developed, has created a number of new jobs while making others obsolete.

The continuous and ongoing technological innovations leave the marketplace and current systems playing catch-up while affecting, often disrupting, the way in which employees think and communicate. The proliferation of new technologies is therefore a double-edged sword. While it can help drive simplification, it also creates complexity as it defines how and what work is done, as well as what skills are necessary to carry it out.

- **Bifurcation of Labor Markets:** There is a growing divide between those who have opportunities to participate in the workforce and those who do not. This means that job-ready talent is hard to find. In the Human Age, where talent is a key driver of growth, addressing the pervasive talent mismatch and talent shortage, and developing and leveraging a sustainable workforce are essential for economic progress. Countries and companies must focus on developing a talent pipeline that is aligned with their long-term strategy and economic goals. Leaders, who want to win in the Human Age, must not only develop talent strategies that align to business strategies, but also that take into account how the talent shortages affect their current and future workforce needs. [FIGURE 3]

Volatile and unpredictable forces are pushing and pulling on organizations in the Human Age. Forces accelerate and converge becoming difficult to separate, much like a Gordian Knot. The Gordian Knot is tightening, impeding growth. Leaders must loosen the Gordian Knot to improve business performance. They must simplify organizations to drive agility and flexibility. Agile and flexible organizations will help confront market uncertainties and achieve their objectives.

MANPOWERGROUP: 65 YEARS OF FORECASTING TRENDS IMPACTING THE WORLD OF WORK

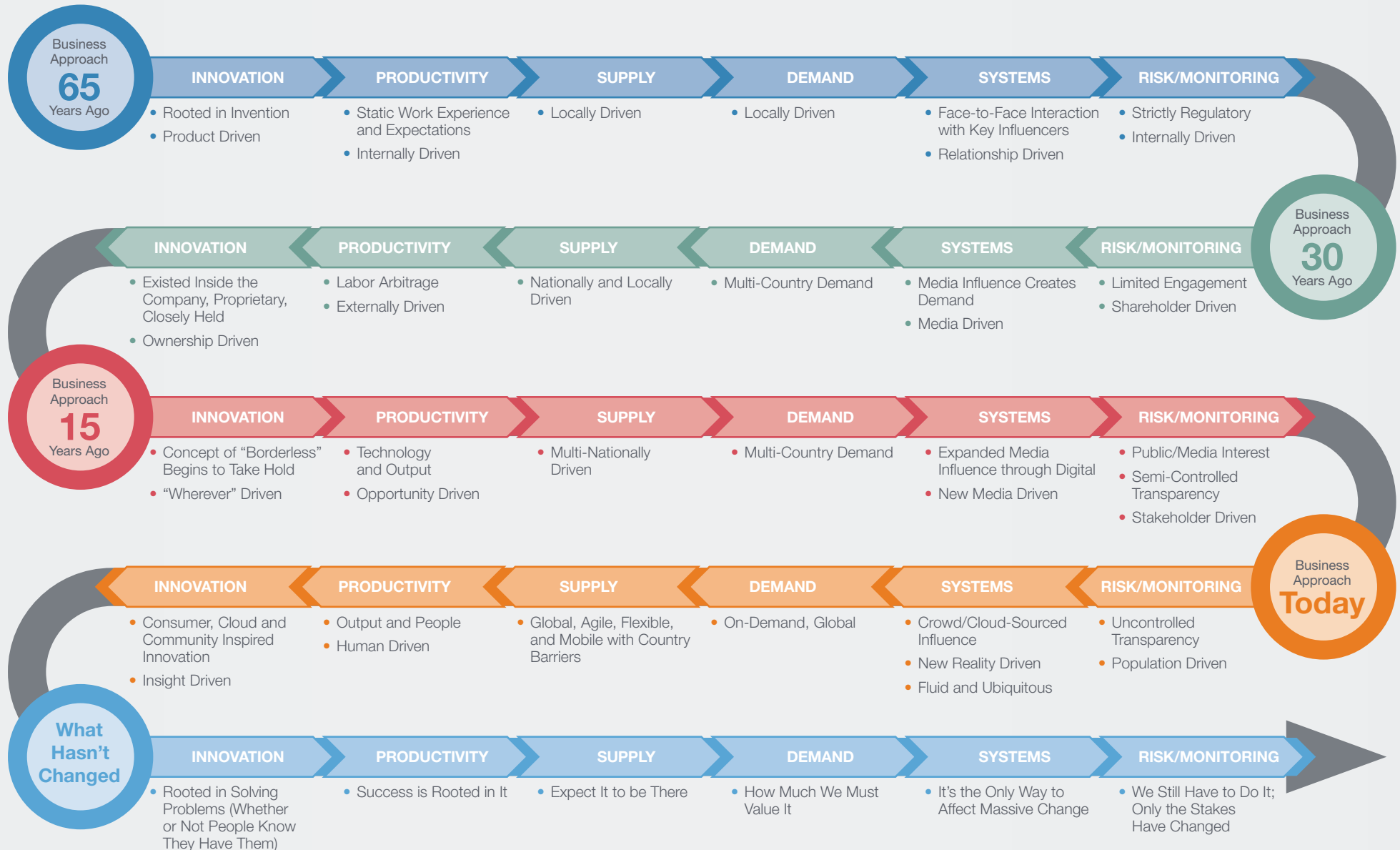


FIGURE 2

AGILITY AND FLEXIBILITY: THE ANSWER TO THE ACCELERATING SHIFTS IN THE HUMAN AGE

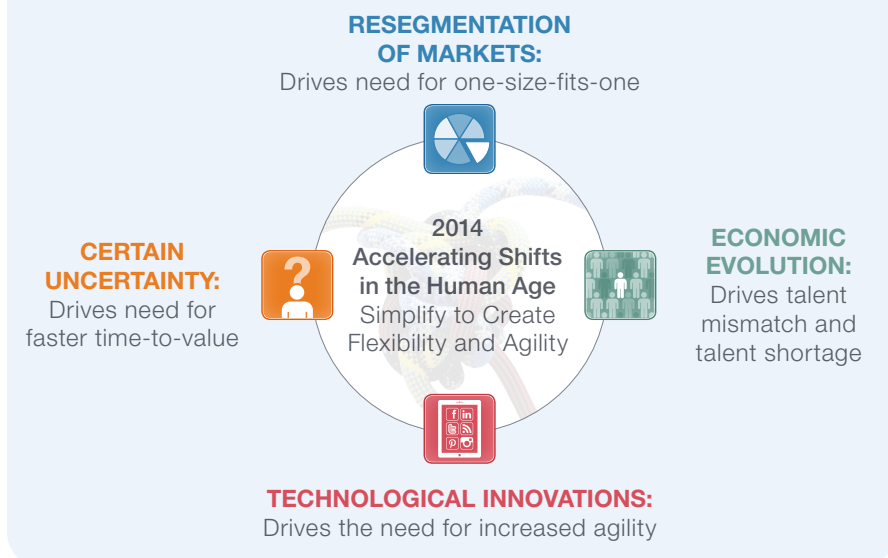


FIGURE 3

The world of work dynamics ManpowerGroup identified have intensified. Employers have awakened to the implications of these trends accelerating and converging. For example, ManpowerGroup’s 2012 Talent Shortage Survey found that employers experiencing talent shortages were becoming complacent — 56% indicated that unfilled positions were expected to have little or no impact on their businesses.¹ ManpowerGroup warned that this mindset risked putting employers at a serious disadvantage. The shift observed in 2013 is that the number of global employers who believed talent shortages would negatively impact their business had increased by a third from the prior year. In countries with particularly acute talent shortage problems, many employers

¹ <http://www.prnewswire.com/news-releases/break-the-crisis-and-complacency-cycle-and-build-the-right-workforce-manpowergroup-warns-employers-155300465.html>

expressed even greater levels of concern. For example, a large majority of employers facing a skills shortage in China (86%), Hong Kong (86%) and Japan (85%), believe such shortages have a medium or high impact on their ability to service clients.²

COMPANIES CHALLENGED TO LOOSEN THE GORDIAN KNOT

In 2014, there are encouraging indicators that economies are gathering momentum — stronger growth figures are cited as evidence that 2014 will be a “breakthrough year” for the U.S. economy.³ At the same time, troubled Eurozone economies, such as Ireland, are emerging from financial bailout programs.⁴ ManpowerGroup’s Q1 2014 Manpower Employment Outlook Survey research⁵ shows that employers across the globe expect a cautious yet positive approach to hiring for the first three months of the year.

The severity of the global recession and the frustratingly muted recovery that followed, coupled with constant economic, social and political shifts, have permanently altered the mindsets of business leaders. They are focused on keeping their organizations as tight as possible rather than expanding their workforces. They are intent on avoiding the next external shock that they fear is just around the corner, and believe there is no reward for taking big risks. No longer are employers expanding their workforces in anticipation of demand; they are only hiring once they are actually experiencing demand and are confident that demand is robust and sustainable. The recession may be in the rearview mirror, but in many respects the recession mentality still exists.

² <http://www.manpowergroup.com/wps/wcm/connect/manpowergroup-en/home/thought-leadership/research-insights/talent-sources/2013-talent-shortage#.UsW-xPRDu6M>

³ <http://www.bbc.co.uk/news/business-25461164>

⁴ http://www.npr.org/2013/12/16/251410113/ireland-exits-bailout-program-but-economy-still-on-the-mend?ft=1&f=1001&utm_content=socialflow&utm_campaign=nprnews&utm_source=npr&utm_medium=twitter

⁵ <http://www.manpowergroup.com/wps/wcm/connect/manpowergroup-en/home/newsroom/news-releases/promising+signs+for+global+hiring+heading+into+2014+according+to+manpower+employment+outlook+survey#.UsXHZPRDu6M>

The challenge for 2014 is how to adapt and evolve in the face of the many interrelated forces that shape today's business:

Globally, Economic Growth has Stalled

The world's economic output is growing. Yet, the vast majority of that growth is derived from emerging economies, while the pace of growth in the largest advanced economies is slowing down. Even China, which continues to grow, is flattening out. [FIGURE 4]

GLOBALLY, ECONOMIC GROWTH HAS STALLED

ECONOMY	Year over Year			
	2011	2012	Projections	
			2013	2014
World Output	3.9	3.2	2.9	3.6
Advanced Economies	1.7	1.5	1.2	2.0
Emerging Market and Developing Economies	6.2	4.9	4.5	5.1

SOURCE: IMF World Economic Outlook, October 2013.

FIGURE 4

This is especially important given the level of investment in China and the fact that many see the country as a source of labor, imports, exports and consumers. China's workforce is aging rapidly — partly a legacy of the country's decades-old one-child policy. By 2050, China's median age will be 48.7, compared with 34.5 in 2010.⁶ Acknowledging these economic and demographic shifts now will give employers time to work out how to increase their agility to respond effectively.

Oversupply of Labor, Undersupply of Talent

ManpowerGroup has studied the impact of converging demographic trends and their relationship to the global talent shortage for years. The 2013 ManpowerGroup annual Talent Shortage Survey confirmed the talent mismatch is here to stay with an oversupply of labor and an undersupply of talent. However, as previously mentioned, many hiring

managers did not seem concerned about this problem. "Sweep it under the rug, and let my successor worry about it," best described their response. And they behaved accordingly. The hiring managers of 2014 are those "successors," who are now kept awake at night by this talent conundrum. Notable shifts in the working age populations (shrinking in North American, European and East Asian countries, ballooning in sub-Saharan Africa and India), the rise of urbanization, increased migration, pervasive youth unemployment and a swelling middle-class are drastically impacting workforce needs. The World Economic Forum predicts an influx of an additional one billion middle-class consumers in East Asia, ultimately meaning that growth will shift from being export-led to being more consumer-driven.⁷ This reflects an important change in the goods and services demanded, and will have a significant impact on talent needed to satisfy that demand.

Business is now global, talent is mobile and government is local — causing inherent conflicts and friction. Most global employers want to find the right talent, at the right time and at the right place. Their drive for talent sources is hampered by locally focused labor market legislation and protectionism. Individuals expect and demand more freedom to migrate for better opportunities. As a result, while some employers and countries may experience an influx of talent, others can be negatively impacted by talent outflow. Businesses must be able to deal with these frictions and navigate the changing environment as the issue of geographic mobility will impact many countries in the coming years. In the Human Age, defined by the shift from capitalism to talentism, the factor determining companies' and countries' competitiveness will be their ability to unleash the potential of this mobile talent while leveraging local labor regulations. [FIGURE 5]

Unemployment Rates Among Young People Remain Unacceptable

High levels of youth unemployment remain one of the most serious challenges facing the global economic recovery as the world's young people are hardest hit by the social bifurcation of labor markets. Youth unemployment averages 12.6% worldwide, 2.8 times higher than the rate

⁶ <http://www.economist.com/node/21553056>

⁷ <http://www.weforum.org/news/asian-middle-class-drive-growth>

DEMOGRAPHIC FACTORS CONTRIBUTING TO THE TALENT MISMATCH:

THE DEMOGRAPHIC DEFICIT

Many East Asian, North American and European countries are experiencing rapidly aging populations. Latin American countries will follow fast.

GROWING MIDDLE CLASS

The influx of an additional 1 billion middle-class consumers in East Asia ultimately means that growth will shift from being export-led to being more consumer-driven.

URBANIZATION

Arguably one of the lesser talked-about impacts of urbanization relates to the lack of available workers in remote areas.

MIGRATION

The issue of geographic mobility will present a major need for services, both within countries and across countries with a larger number of emigrants within the China/India/Africa triad.

THE SO-CALLED DEMOGRAPHIC DIVIDEND

The youth bulge in some countries may not be capitalized on (e.g., those in sub-Saharan Africa and possibly even India) due to inadequate infrastructure and an inability to create an environment for productive jobs.

FIGURE 5

“Labor markets now are like raging river rapids. Scrambling to the bank to escape it is not an option because it will flow on without you. You have to follow the river and master it, constantly paddling and navigating. There is no calm blue ocean at the end; the process never ends.”

— Jeffrey Joerres, ManpowerGroup Chairman and CEO.

for adults. In the Middle East, rates average 28.1%⁸ and in Greece and Spain, more than 55% of young people are out of work.⁹ We are witnessing an entire generation consigned to the sidelines of work, their career and earnings prospects lowered and their competitiveness diminished. Unacceptably high levels of youth unemployment negatively impact the global economy long-term as the pipeline of talent, vital for delivering time-to-value, shrinks.

Governments, educators, employers and young people themselves have yet to find a solution. A major contributing factor to youth unemployment is the troubling reality that today's youth is not ready for the world of work. (While 72% of educational institutions believe their new graduates to be job-ready, only 42% and 45% of employers and graduates respectively believe they have been adequately prepared¹⁰.) In other words, while exploding youth populations have created a surplus of workers in certain parts of the world, many of them lack the proper education and training to find productive work. Not coincidentally, employers say that a lack of technical skills and experience are two of the top three reasons they cannot fill open positions.

⁸ International Labour Organization, Key Indicators of the Labour Market (KILM), 7th Edition.

⁹ <http://money.cnn.com/2013/07/31/news/economy/eurozone-unemployment/index.html>

¹⁰ <http://careercenterstrategy.com/mckinsey-and-company-report-confirms-grads-not-ready-for-the-marketplace/>

WHY SIMPLIFICATION IS A MUST: ENHANCE SPEED AND FLEXIBILITY BY ALIGNING WORKFORCE AND BUSINESS STRATEGY

The Human Age puts unprecedented value on talent as the main determinant of business success, forcing leaders to re-examine how they leverage human potential. Market volatility, compressed economic cycles, greater pressure for faster time-to-value, increased competition and higher consumer expectations are the new reality. While it is difficult for business leaders to forecast and avoid all uncertainty, they need to focus on factors they CAN control — being flexible and agile to respond to certain uncertainty.

When business leaders cannot predict the future, they must have an agile organization to respond rapidly to changes — and the only way to drive this is to think and act differently, to simplify their organization. Simplification allows business leaders to make faster decisions and with a more nimble, agile organization, they can quickly adapt to an uncertain environment and deliver faster on business objectives. The key to business relevance in today's economy is strategic simplification. It fosters the flexibility and agility companies need to be successful and sustainable.

Most business leaders, incidentally, understand that agility is important to achieving business goals. According to ManpowerGroup's 2014 Organizational Agility Survey of more than 18,000 employers in 42 countries and territories, most agree that to some extent their organizations have demonstrated a commitment to becoming more agile over the past 12 months. The barriers to achieving organizational agility most frequently cited by employers are: speed of decision making, employee commitment, leadership focus, technological capabilities and workforce capabilities. To overcome these barriers, they need to commit to simplification.

Simplification drives business success.

Simplification streamlines organizational structure. It promotes more efficient processes, reduced costs, faster decisions and improved technology. Successful simplification can enhance productivity and efficiency and allow business leaders to achieve strategic goals faster, even in an uncertain environment.

WHAT CEOs NEED FROM CHROs TO DRIVE AGILITY

Human Age CEOs set the tone for their organizations. Their leadership style is adopted and championed by their executive team and reflected in the organization's culture. As CEOs focus on delivering business results, they will rely on other company leaders to help drive and execute the business strategy throughout the organization. The successful execution of that business strategy will depend, in great part, on how closely it aligns with the talent strategy and how closely chief human resources officers (CHROs), who drive the talent strategy, work with their CEOs. Yet, companies are still struggling to link their talent strategy to their business strategy.¹¹ To be fully effective in their roles and help CEOs drive optimum business results, CHROs need to shift from being internally focused and program-driven to become more externally focused, and data- and business insight-driven. In many ways, CHROs need to be their organizations' "economists" providing market intelligence on talent supply and demand, backed by internal and external data.

CHROs are tasked with implementing a one-size-fits-one talent strategy that aligns with and supports an organization's unique business strategy and evolving needs. They must analyze those needs, identify disparities and ensure that the gap between what talent can do and what the business needs it to do is closed. In addition to focusing on their organization's unique talent strategy needs, CHROs must also apply a one-size-fits-one approach to addressing the needs and aspirations of individual employees. Simplification should encompass people practices, work models and talent sources.

With simplified people practices, hierarchies are flattened, leaders are assigned broader roles, collaboration is promoted, partnerships are embraced and individual talent is leveraged better, enabling faster flow of new ideas. Horizontal frameworks and collaborative work models erase barriers between functional and geographic silos. Such frameworks facilitate freer sharing of ideas, information, and innovation across different functions, divisions, organizational "levels," cultures and geographies, leading to faster strategy execution.

Organizations that optimize and leverage wider and more diversified talent sources, including un- and under-employed youth, women, under-served and hard-to-serve populations, migrants and older workers, gain access to a broader range of perspectives, experiences and competencies. As ManpowerGroup Chairman and CEO Jeffrey Joerres said "When you get diversity right, you get diversity of thought and better results." A well-executed talent strategy improves accountability, increases and streamlines collaboration, and leverages the skills and engagement of all employees. It also fosters talent sustainability and its alignment with business strategy.

¹¹ <http://www.manpowergroup.com/wps/wcm/connect/04389dcc-fdc5-4c4e-a61d-0b5ce951af49/Workforce+Strategy+Survey+-+Global+Key+Findings.pdf?MOD=AJPERES>

In the Human Age, human potential has taken center stage as the barometer for success of companies and countries. While access to capital and resources continues to be relevant, (though its significance is declining) the access to job-ready talent is a much more accurate predictor of the ability to deliver on business strategy and achieve goals. Having the right talent in place with the skills, attitude and mindset to enable organizations to succeed, and being able to retain and develop that talent is the main charge of CHROs in the Human Age. Unleashing the full potential of talent is how CHROs drive faster time-to-value.

CONCLUSION: ORGANIZATIONS CAN LOOSEN THE GORDIAN KNOT WITH FLEXIBLE AND AGILE TALENT

The urgency with which companies respond to ongoing shifts that lead to confusion and uncertainty may vary based on geography or industry, but regardless of these factors, faster time-to-value is on the mind of every CEO. All organizations in the Human Age also share one common dilemma:

“How do I remain competitive and execute my business strategy in the face of talent shortage, value/margin compression and economic uncertainty?” The solution is accessing, mobilizing, optimizing and unleashing human potential to increase speed and agility.

Simplification is the answer. The Human Age is defined by constant change and continuous pressure to do more and to do better with less. In order to succeed in an uncertain environment, companies must deliver on business objectives. Data can help business leaders prepare for the future, but it won't always predict changes. Business leaders must ensure their

organizations are agile and flexible to be able to respond quickly to these constant and pervasive shifts in the ecosystem. Companies must challenge themselves to ensure their processes are malleable and nimble enough to allow for rapid recalibration or change of strategy to improve performance, and increase productivity and efficiency in the face of changing market demands.

Executed correctly, organizational simplification results in streamlined processes, aligned business and talent strategies, improved collaboration, more effective communication in silo-free organizations and clearer line of sight to companies' goals and objectives. Simplification helps employers loosen the Gordian Knot by giving them the flexibility they need to adapt to ongoing change, ensuring their long-term sustainability and relevance — whatever the future may bring.

