

PART

I

☆☆ The Talent Crisis ☆☆  
Could Bankrupt  
Your Business

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# 1

## ☆☆ The Global ☆☆ Talent Market

### ***Why Our Nation's Graduates Will Work for Wipro in India and Why It Matters to Everyone***

*The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, and establish connections everywhere. The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. . . . It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, that is, to become bourgeois themselves. In one word, it creates a world after its own image.*

—Marx and Engels, *The Communist Manifesto*



**S**top! Go back and read the Introduction or you won't understand what I mean when I use the term *South Poler*. Personally, I rarely read the Introduction of a book. I've never been that patient. I always want to get right to the good stuff. In this book, the Introduction has some of the good stuff. If you have already read it—congratulations, you're a better person than I am. If you have not, go back and read it.

Exactly what day was it when the world changed? When did we go from Mayberry to a Brave New World? I know it happened in my lifetime, but I'm not sure exactly when. I remember when there were barbershops that thrived and family-run clothing stores that were just fine when we needed a suit. I remember that the phrase *online* was used when you were waiting to check out at the grocery store. I know that there was a time when people worked for the same corporation for their entire careers. There was even a time when a corporate executive still had time to join a bowling league, volunteer at the firehouse, or have three martinis at lunch. They had the time and could afford to be unproductive for half the day. Today, people productivity has changed radically. The most precious commodity businesses seek now is talent, and it is being optimized in ways never seen before.

However, there is still an underutilized, secret pool of talent that has never been actively sought or cultivated—*South Polers*—the select few, exceptional individuals found among the masses of students ranked in the bottom half of their academic classes. That’s right; in the bottom half of every class are some of the most brilliant, driven, innovative people on the planet. They can take your business to the next level, but the catch is they’re hard to find. In the coming chapters, I tell you more about the need to invest in both the talent and the opportunity that these South Polers offer us as we seek to remain competitive.

## GLOBALIZATION IS ABOUT MORE THAN OUTSOURCING AND THE INTERNET

Not since the Industrial Revolution have we faced greater change in the operating environment of business. Our talent issues truly span the world. The boundless labor market has made the *Fortune* 500 more profitable and more nimble. Today, even a small business can contemplate outsourcing its routine activities to third parties. A real estate agency with only a few agents can now have its phone lines answered by a virtual assistant in India at a fraction of the cost of a local service. The opportunities for the use of talent are endless and talent is no longer constricted by traditional boundaries. None of this should be a surprise; in many ways, Marx predicted this sort of market forces-driven expansion a century ago—he saw that the world would “flatten” and he was not happy about it.

The term *globalization* has been beaten to death in countless business books, but very few authors have talked about how globalization impacts talent—how talent must be mined, cultivated, reinvented, fine-tuned, and otherwise optimized. All the previous discussions of talent and globalization have focused on out-

sourcing jobs to lower-cost labor markets. Actually, talent is now a key form of business capital, perhaps more important than financial capital. Will talent be the ultimate advantage? Will talent be the resource that makes the difference when all the demographics and statistical analyses predict otherwise? Will it once again and finally be all about the people?

## KARL, WE HARDLY KNEW YE

You've really got to hand it to Karl Marx—few writers in history have messed up quite as badly. He was an intelligent guy and wrote a brilliant analysis of the capitalist system of his time, but his projections for the future were almost completely wrong. Karl Marx is a classic example of the genius who just didn't have the savvy. Being smart was not enough. He was too caught up in his own negative emotional response to the capitalism he saw around him to be able to see the good in it. He also was naive about human beings. James Madison said that if men were angels, the world would not need government. To work, socialism requires a race of entirely selfless people. When the early Communist leaders realized that their citizens were all too human, they didn't scrap their ideology. They thought that they could indoctrinate children to *become* perfect citizens who really would be happy under the Communist system.

Although you may have seen the last of Karl Marx, the contest for global economic supremacy is alive and well. A century ago, Marx and the other neophyte Communists thought the battle would be between the workers and the industrialists. This probably made some sense at the time. The Industrial Revolution was finally in full swing and fat cats during the Gilded Age were raking in fortunes by hiring workers for pennies and working those workers long hours. At one point in Chicago, under intense market pressure, the Pullman railroad car company was paying some of its full-time workers 12 cents a week. In a sense,

Marx was right. This model couldn't last, and the enlightened capitalist countries instituted a few reforms (a few too many for some employers, but that's another discussion).

Marx envisioned a worldwide battle with the workers ultimately defeating the capitalists, leading to a universal worker's utopia. Something more or less the opposite is now happening. The capitalists are themselves engaged in a worldwide battle for economic supremacy—not because corporations are out to get the other guy, but simply as a result of Darwinian forces. The world's corporations are going through a process similar to what finches and turtles went through (and, I suppose, are still going through) on the Galapagos Islands. There are only so many resources in the world and the fitter contestant is going to grab them and survive.

Evolutionwise, the United States and U.S. business have enjoyed about a half-century head start in the new global economy. Europe and Asia essentially committed economic suicide during World War II, leaving North America, and in particular the United States, as the only global player without crushing war debt or a demolished infrastructure. The Russians and the Chinese, on top of this, adopted a hopelessly naive economic model. Europe has now recovered physically from the war, and Russia and China are throwing off their outdated economic theories. Now is when the real battle begins. Now is when we will see if Europe and America really do have the right stuff, as they engage on a more level playing field.

## IT'S A FLAT WORLD AFTER ALL

Up until *New York Times* columnist Thomas Friedman wrote his recent book, *The World Is Flat*, on how the competitive business world is flattening out, flat worlders were generally known as people who genuinely believed that the earth is not a sphere and that the Apollo trips to the moon were staged on a Holly-

wood back lot.<sup>1</sup> Unfortunately, those of us still living in the real world are unable to retreat into reassuring fantasy. And the world really is “flat” now, as Friedman describes, at least economically. What Friedman essentially means is that there’s no place left to hide in the world, least of all North America. Everybody’s playing in the same pool now. The United States can no longer indulge in economic xenophobia, producing and consuming primarily for itself. Whatever the big guys do now directly affects all of the little guys. The ripples are felt throughout the entire global pond. There may be some aboriginal tribes left lurking in the Amazon jungle someplace, but the last ones I heard about just got cell phones.

The United States and its European Union (EU) business partners are no longer writing the economic rules, at least not completely. For the time being, we are still the 800-pound global economic gorilla, but the possibility now looms that if we don’t play our cards right, we could be left out of the new loop. In the new global economy, the United States, if it doesn’t find the right way to compete with the right human capital, could become an economic backwater. That is impossible you say? I bet the Romans felt the same way—until those elephants came rumbling over the Alps.

## **AMERICA’S PLIGHT IS REFLECTIVE OF MOST OTHER MATURE ECONOMIES**

So what are America’s chances in the new global economy? American business has become very efficient. Corporate America is doing more with less; but that, in and of itself, won’t be enough. What do I mean? The executive today and the management layers below the executive team are being asked to do much more with much less management infrastructure than in years gone by. Corporate America has flattened. Gone are the layers and layers of hierarchy found in the IBMs and the GEs of

the 1950s, 1960s, 1970s, and 1980s. The *company man* of once-popular business school teachings in organizational psychology is gone. That double-speaking bureaucrat has been replaced by air—not hot air, but *dead* air—on the organization chart. His job is gone and there is nothing in its place. In the 1960s, 1970s, 1980s, and even the 1990s, corporate America was a world cloistered from global competition. We saw the world as a source of resources (gold, copper, cheap labor, oil), and also a place to sell our finished goods and services. We had huge economic world dominance—or at least parity with other major economic powers. We *talked* about global competition in graduate school; it was really just theory. But in the past six years or so, global competition has truly surfaced. No more *theory*.

Why is this important? Well, for one very practical reason—American business is about to face a level of competition that exceeds the imagination. It will shake us to the very core of our business ethos and for the first time we will truly face a talent shortage at the management level.

If you think that Japan's meteoric rise in the auto industry over just three decades is scary, you haven't seen anything yet. Japan, roughly  $\frac{1}{100}$  the size of the United States in geographic area, with a fraction of the resources of India and China, handed the U.S. auto industry a major blow. Just imagine what two competitors—who combined are about 33 times *larger* than Japan—are going to be able to do. They will not only be chasing our customers but also our management talent. On the topic of leadership talent in his China operations, Tom Johnson, former CEO of Chesapeake Corp, was quoted in *Fortune* magazine as saying, "They are constantly getting stolen away . . . labor is abundant, but management is scarce."<sup>2</sup> So remember the basics of supply and demand and ask what will happen as these markets mature and look to our shores for a critical resource, TALENT.

While growing their own talent (India and China produce a combined 4.4 million college graduates each year to our 1.3 million), they will also be recruiting away our talent to join their multinational-global companies. This is something few college graduates in the 1950s, 1960s, 1970s, and 1980s even contemplated. Do you know any who said that when they graduated in 1970 they really wanted to join Wipro, the information technology (IT) company from India? No, they wanted to join AT&T—you know, the giant of the telephone industry—which has long since been hammered from every competitive direction. Others joined Chrysler—you remember that U.S. company—which is now part of a German conglomerate. The modern world has come full circle. In the early years of the market economy, tradespeople and artisans drove the market based on their skill to produce appealing products. Machinery then supplanted the individual, and a business's machinery and automation became more important than the person behind the machine. Again, technology (IT) made this machinery and people even more effective, and it was the IT investment that made or broke the business. All that may have finally run its course directly back to the one thing people cannot mass produce—talent. Because of the efficiency of our capital markets, most businesses can buy all the machinery and IT they need. So what will make the difference? Talent will make the difference, but there is one thing we need to realize: Talent is in drastically short supply. We have created very complex jobs that call for exceptional people.

Isn't it a good idea to leave no stone unturned when developing or recruiting management talent? Isn't it a good idea to reform some bad habits and make sure we optimize our threatened pool of human capital? This holds true for our friends in Europe as well. Maybe even more so if you subscribe to Pete Cappelli's views from his book *The New Deal at Work*. Yes, that's

right—the United States and Europe will be challenged beyond belief. Managers and senior executives will need to understand this sea change, or sink.

But, understand it or not, our graduates will have options a lot farther away than our coasts—they'll be sought by the Wipros in India and others not yet known in China and Eastern Europe. This is important to ALL of us.