

Automotive & Assembly Practice

Winning the race for talent: A road map for the automotive industry

A new survey provides insight about attracting and retaining top talent in the automotive industry.

by Reed Doucette, Russell Hensley, Hans-Werner Kaas, and Moritz Rittstiegl



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Talent management—attracting, developing, and retaining leadership, managerial, and technical talent—has become the ultimate priority for CEOs and their executive teams. While this challenge is not a new one for senior leaders, it has become more critical than ever, due to the technology, business-model, and consumer-preference disruptions affecting the automotive industry. These challenges will be particularly stark for automotive companies, OEMs, and suppliers, and how they respond to these challenges will play a large role in determining the winners and losers in the coming decade.

To better understand how this unprecedented change will affect automotive companies and their approach to talent, we partnered with the Original Equipment Suppliers Association (OESA), a trade association of automotive suppliers, to survey and interview 60 automotive companies across a range of business sizes and technology areas. The companies surveyed were headquartered in the United States or were the US division of companies headquartered outside of the United States, but the responses have global implications. The effort involved a committee of senior executives from 22 automotive suppliers that shaped the effort, provided deep insights, and pressure-tested the findings.

This report shares the findings from our study, focusing on best practices for talent management in the automotive-supply industry. The findings may be of interest more broadly, as this industry bears many similarities to the larger automotive and mobility ecosystem and to most industries being disrupted.

Unprecedented disruption in the automotive-supplier sector

The automotive sector is experiencing unprecedented disruption through changing technologies, business models, competitors, and buying behaviors. For instance, McKinsey's Center for Future Mobility predicts that over the next decade, vehicles will increasingly have the following characteristics:

- **Autonomous.** Today about 1 percent of vehicles sold are equipped with partial autonomous driving. In 2025, 60 percent of the top 20 OEMs plan to have a level 4 autonomous vehicle in their offering, though the applications may be constrained to certain geographical areas or use cases. Even though business models for autonomous people-and-goods transport are still under development, measurable progress is being made. Recently, for example, the increase of vehicle miles traveled between disengagements has risen from 5,000 to 12,000 miles for two leading autonomous-vehicle players.
- **Connected.** Today approximately 12 percent of new cars sold are equipped with embedded connectivity, generating revenues of \$1.5 billion globally. The percentage of consumers ready to switch to a car brand with better connectivity (and value-adding connectivity services) remains high, at around 40 percent.
- **Electric.** By 2021, more than 50 percent of the announced models will have xEV, or electrified, powertrains. For 2025, the estimated share of new-car sales ranges from 5 to 9 percent for battery electric vehicles (BEV) and from 5 to 8 percent for plug-in hybrid electric vehicles for the United States.
- **Shared.** Today shared mobility (that is, app-based transportation network companies comprising car sharing, ridesharing, and micro-mobility) accounts for 1 to 2 percent of passenger miles traveled in the United States. Two-thirds of US consumers expect to increase their shared-mobility usage over the next two years. While the terminology “shared” is still evolving in light of changing consumer preferences, the shift to technology-enabled and digitally managed transportation modes is evident.

The impacts of these trends are in their infancy and will have sweeping implications on talent in the sector for the coming years and decades.

The impact on automotive suppliers

At the automotive-supply companies we surveyed, only about 30 percent of the respondents are confident they have the right capabilities to respond to today's trends. An example illustrates this point: McKinsey's Center for Future Mobility predicts that by 2030, up to 30 percent of a vehicle's total costs are expected to be driven by software and electronics, but only 9 percent of the respondents surveyed say they prioritize recruiting for software-architect and -developer roles and for system-integrator roles.

To its credit, the sector realizes the importance of talent. Respondents at all the companies we surveyed state that to respond to these disruptive trends, having the right talent is equally important as or more important than capital. Yet thriving amid these trends will not be simple. Respondents cite significant difficulties in several key areas:

— Attracting talent

- finding compelling candidates
- creating company awareness (especially for smaller and less well-known companies)
- offering competitive salaries and benefits
- competing against technology companies and start-ups

— Developing talent

- providing exciting career paths and job-rotation opportunities
- developing effective leaders, especially those who can think strategically and thrive in uncertainty
- creating more nimble organizations

— Retaining talent

- competing for talent with automotive and, increasingly, non-automotive (primarily technology) companies
- adapting to changes in employee lifestyle and workplace preferences (e.g., desire for greater mobility, flexibility, amenities, and development opportunities)

A talent-management road map

Talent management in this context won't be easy, but based on our research and experience, we believe there is a path to solving these challenges. Our findings are supported by a study identifying best practices for talent management.¹ The study, documented in *Talent Wins: The New Playbook for Putting People First* (co-authored by our colleague and former McKinsey global managing partner Dominic Barton), defines best practices for effectively identifying, attracting, developing, and retaining the talent that organizations will need to thrive in the years ahead. The study demonstrated that these practices are correlated with higher-performance organizations. These are the six best practices:

1. **Create a group of 3 (G3)**—a close collaboration of the CEO, CFO, and chief human resources officer (CHRO)—to ensure the strategic, business, and talent plans are tightly linked to create a competitive advantage and an attractive value proposition for talent.
2. **Reinvent and elevate the HR function** to be a valued, strategic leader in the business.
3. **Identify the critical 2 percent** of roles that create outsized value, regardless of their level in the organization, and focus on developing the talent that fills these roles.
4. **Transition to an agile organization** to rapidly assemble small, cross-functional teams that

¹ "Winning with your talent-management strategy," August 2018, McKinsey.com.

bring the right mix of capabilities for a given task and that work in short cycles to quickly learn and respond to shifting strategic and operational priorities. Over time, such agile teams become the critical organizational construct for an organization, without diluting accountability and responsibility.

5. **Leverage new digital and analytical tools** across all elements of workforce planning, talent identification, selection, onboarding, learning, performance management, succession planning, and retention.
6. **Build the workforce of the future** informed by a deep understanding of the skills the organization will need to execute its strategy.

We asked the 60 automotive suppliers we surveyed about the degree to which they are already implementing each of these practices. Responses

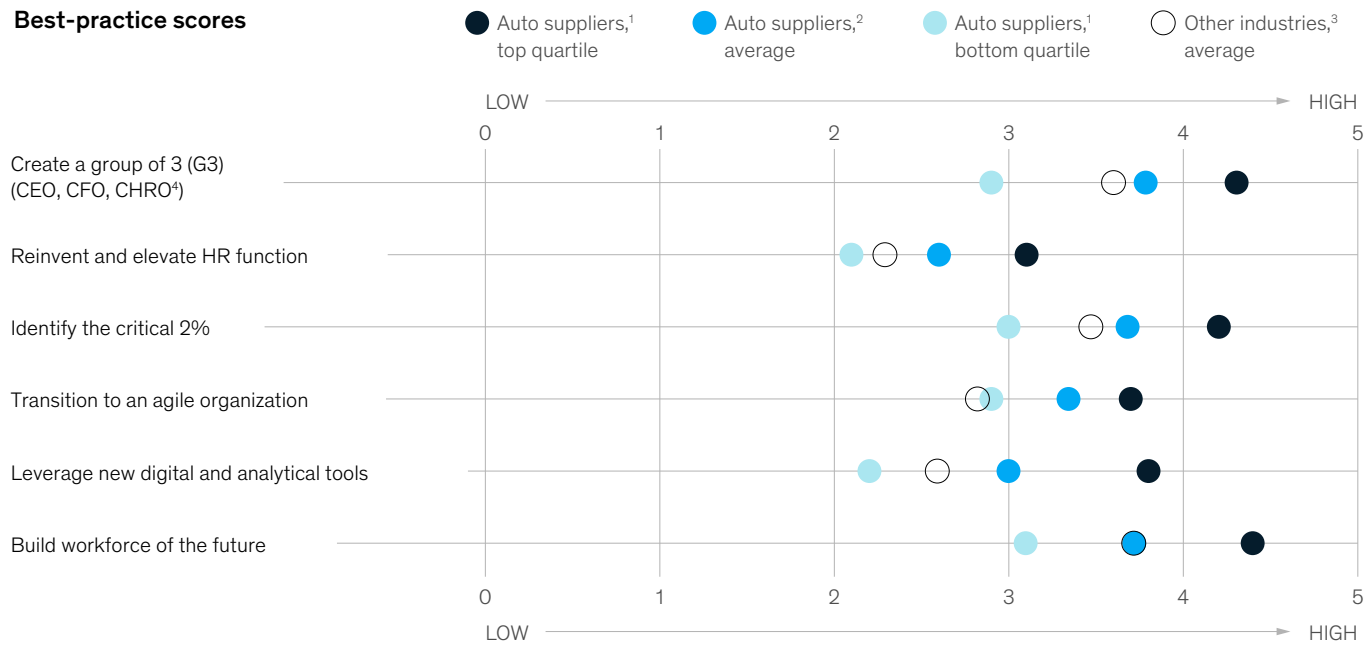
were scored from 0 (no implementation) to 5 (high implementation), based on a composite of questions about behaviors supporting each practice. Exhibit 1 presents the following statistics about the responses:

- The average score for each talent practice for all the automotive suppliers.
- The average score for each talent practice for the 15 companies that scored highest (top quartile).
- The average score for each talent practice for the 15 companies that scored lowest (bottom quartile).
- The average score for each talent practice for a set of other industries (pharmaceuticals, professional services, consumer packaged goods, energy, financial services, healthcare, technology, infrastructure, retail, and logistics).

Exhibit 1

On average, auto suppliers outperform other industries on these talent practices; however, the lowest scorers lag other industries.

Best-practice scores



¹n = 15. ²n = 60. ³n = 1,026. ⁴Chief human resources officer.

Source: Original Equipment Suppliers Association and McKinsey, 2019; Talent Wins Survey, McKinsey, 2017

These scores came from survey results in the study that identified the best practices.

On average, automotive suppliers outperform other industries on talent practices; however, the auto-supply companies with the lowest scores lag the average for other industries. This suggests many automotive suppliers have an opportunity to leverage best practices established in and outside of their industry, particularly regarding the role of the HR function and the use of digital and analytical tools.

In the subsequent sections, we explore the findings from our research on each of these best practices and how they can apply to the automotive sector.

1. Create a G3

The concept of creating a group of 3 (G3) is simple: the CEO, CFO, and CHRO should work closely together to ensure the strategic, business, and talent plan are

tightly linked. An effective G3 needs to have a CHRO who is a respected member of the organization's top team. Of the automotive suppliers we surveyed, more than 80 percent say they have a CHRO who reports directly to the CEO, a great first step.

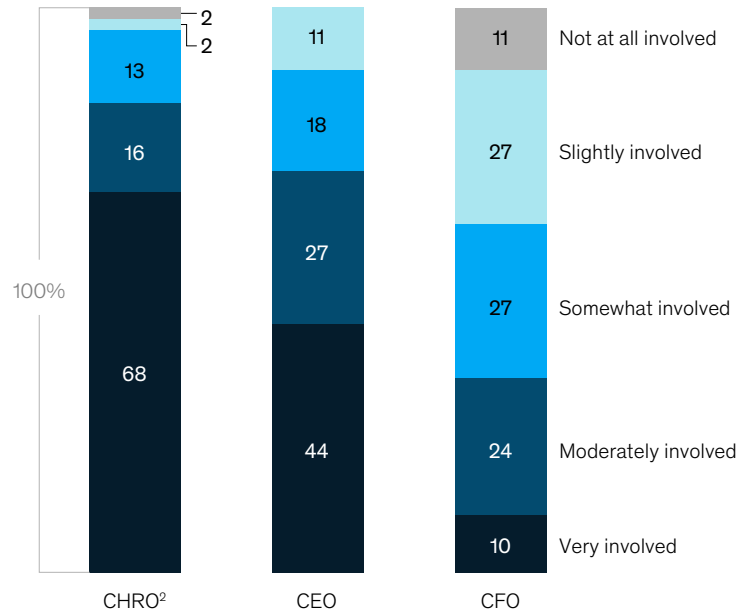
However, when we asked how involved the CEO, CFO, and CHRO are in talent management, a different picture emerges (Exhibit 2):

- 84 percent of respondents cite the CHRO as being very or moderately involved, which is good, though not surprising.
- 71 percent cite the CEO as being very or moderately involved, clearly reflecting that most CEOs take talent seriously.
- However, only 34 percent indicate that their CFOs are very or moderately involved.

Exhibit 2

CFOs are rarely involved in talent management.

Degree of involvement in leading talent management, by position, % of respondents¹



¹ n = 60. Numbers may not sum to 100%, because of rounding. ² Chief human resources officer.

Source: Original Equipment Suppliers Association and McKinsey, 2019; Talent Wins Survey, McKinsey, 2017

Is this a problem? Should managing talent even be in a CFO's job description? At least to some degree, it should be. Companies with a G3 that have a comprehensive understanding of the organization's strategy and priorities are more likely than other companies to have a higher total shareholder return (TSR) than their competitors.

The G3 doesn't have to stop at CEO, CFO, and CHRO. Top teams also include leaders of business units, functions, and various staff roles. The key is that the top team is heavily engaged in talent and works together to design and implement an exceptional talent plan, including a compelling value proposition for talent, which should become part of the company's strategic, business, and budget plans.

Our experience shows that the following best practices should be adopted:

- *Clear roles and shared goals.* One of the CEOs we interviewed said it best: "Everyone on the management team has to understand what the goals and expectations are. It may be different than roles they've played in the past. The key is to be clear."
- *Business-savvy CHRO.* If you are lucky enough to already have a CHRO who is a great business leader, then you are likely already seeing the benefits. However, most of the executives we interviewed did not feel their CHRO and HR organization had the skills to lead a line

organization. As one of the CEOs we interviewed advised, "You've got to hire a top-notch senior HR officer and make them a full and equal partner to the rest of the team."

- *People-savvy CFO.* It's not enough for a CFO to just get the numbers right. The CFO needs to work with the CHRO and other senior leaders to ensure the talent plan supports the business plan. CFOs with a knack for understanding people issues thrive in that environment. However, for CFOs who may feel out of their element in people matters, we saw several succeed by applying their CFO tool kit to talent—for example, leading analyses to identify talent needs, monitoring talent's performance, and measuring the effectiveness of talent-management efforts.

2. Reinvent and elevate the HR function

HR in many organizations has historically been viewed as a support function, not a peer in leading the business and thinking strategically. Our research shows that this view needs to change. Creating a G3 is a great first step, as it elevates the role of the CHRO. However, elevating the role of the CHRO is not enough; the role of the entire HR function needs to shift.

Why is this important? Today, HR is only marginally effective at performing some of its core duties. When we asked automotive suppliers how often

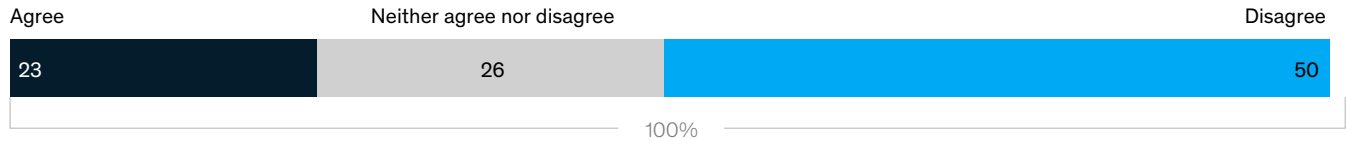
Many automotive suppliers have an opportunity to leverage best practices established in and outside of their industry, particularly regarding the role of the HR function and the use of digital and analytical tools.

Exhibit 3

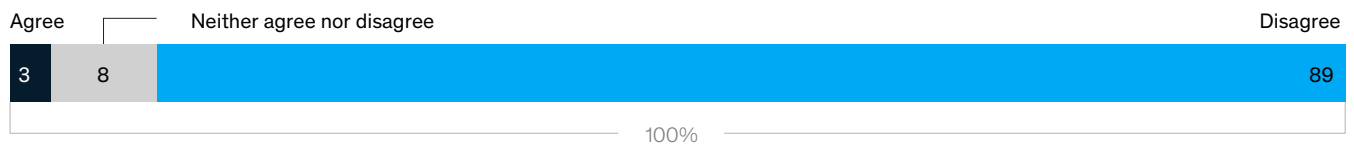
HR leaders rarely have line-management experience, and senior executives rarely have HR experience.

% of respondents¹

"HR business partners are considered in overall talent pool for line-manager roles"



"HR is a required rotation for our senior executives"



¹n = 60. Respondents who said "don't know" or "not applicable" are not shown.

Source: Original Equipment Suppliers Association and McKinsey, 2019; Talent Wins Survey, McKinsey, 2017

their HR functions ensure that the right talent is deployed to realize their company's strategy, half of the respondents say "rarely" or "never."

What we found holding most organizations back is a mind-set about HR and the role it should play. Most HR functions do not understand what it would take to succeed in the businesses they support. For instance, less than 25 percent of respondents say that their HR business partners are ever considered for line-manager roles (Exhibit 3). Further, most respondents say their senior executives have little to no experience in leading an HR organization.

HR should not bear the mantle alone to reinvent and elevate itself. This practice requires a shift in an organization's collective vision for HR's role. This has implications for the type of talent recruited into and developed in the HR function. Our experience shows that the following best practices should be adopted:

- **Consider HR business partners for line-management roles.** From our interviews, we found this is more likely to happen at smaller

companies where HR professionals more commonly wear multiple hats. As one of the CHROs we interviewed noted, "Your HR professionals will be much more effective at supporting their business if they understand how the business works. The best way to get that experience is by actually working in the business."

- **Make HR a required rotation for senior executives.** This may seem like a foreign concept, but in the companies that have implemented this practice, HR leaders are significantly more valued by the business, and HR is cited as being more effective at delivering results.
- **Prioritize talent with all senior executives.** HR cannot do this alone. Prioritizing talent requires that leaders across the organization (and at all levels) be proactive partners in recruiting, developing, and retaining the right talent. As one of the CEOs we interviewed said, "Executives should always be working on talent. Even if they're not in HR. It's their number-one job."

- **Free up HR capacity.** HR will struggle to make the shift to strategic partner if its bandwidth is consumed by routine tasks. Wherever possible, those tasks should be automated or outsourced. In a separate study conducted for internal use, McKinsey's Corporate and Business Functions Practice showed that for most organizations today, 30 percent of HR tasks are fully automatable, and an additional 40 percent are somewhat automatable.

3. Identify the critical 2 percent

Through our research and experience in working with clients across multiple industries, we have found that a small subset of roles (typically around 2 percent, and in some organizations, it may be as small as 25–50 roles) have the potential to create truly outsized impact on the organization. These roles are often not the most senior; they might be an engineer designing an innovative product or feature, an account manager serving a key customer, a product manager shepherding a critical product line, or a buyer leading a negotiation with an important set of suppliers.

Organizations need to identify which roles are most critical to creating value and define the specific knowledge, attributes, skills, and experience required for those roles. Then they need to ensure that the right talent is in those roles and that the infrastructure surrounding those roles supports their work and development. It is important to understand how these critical roles shift and change over time, especially given the technological and business disruptions under way.

We have observed an interesting disconnect on this topic at the companies we surveyed. About 73 percent claim they understand the qualities required to be successful in these critical roles. However, less than 65 percent feel they have placed the right individuals in those roles.

Many explanations for that disconnect are possible, but one that appears most striking is that 55 percent of companies do not use data and analytics to understand whether top talent has the right

qualities (for example, skills, knowledge, experience, and personality traits) to be successful in their respective roles.

At the companies that do use data and insight-generating algorithms, the data they draw upon, according to our survey and interviews, may appear familiar to many companies. Multiple respondents note their companies' shift toward using 360-degree feedback—gathering input on employees from their managers, direct reports, and others (Exhibit 4). They say this helps them make a significant step forward in identifying potential leaders. At one company, the CEO told us they started to use 360-degree feedback because “We needed a better way to see how good our managers were at leading people. It couldn't just be about promoting the best engineer and hoping they would figure it out.”

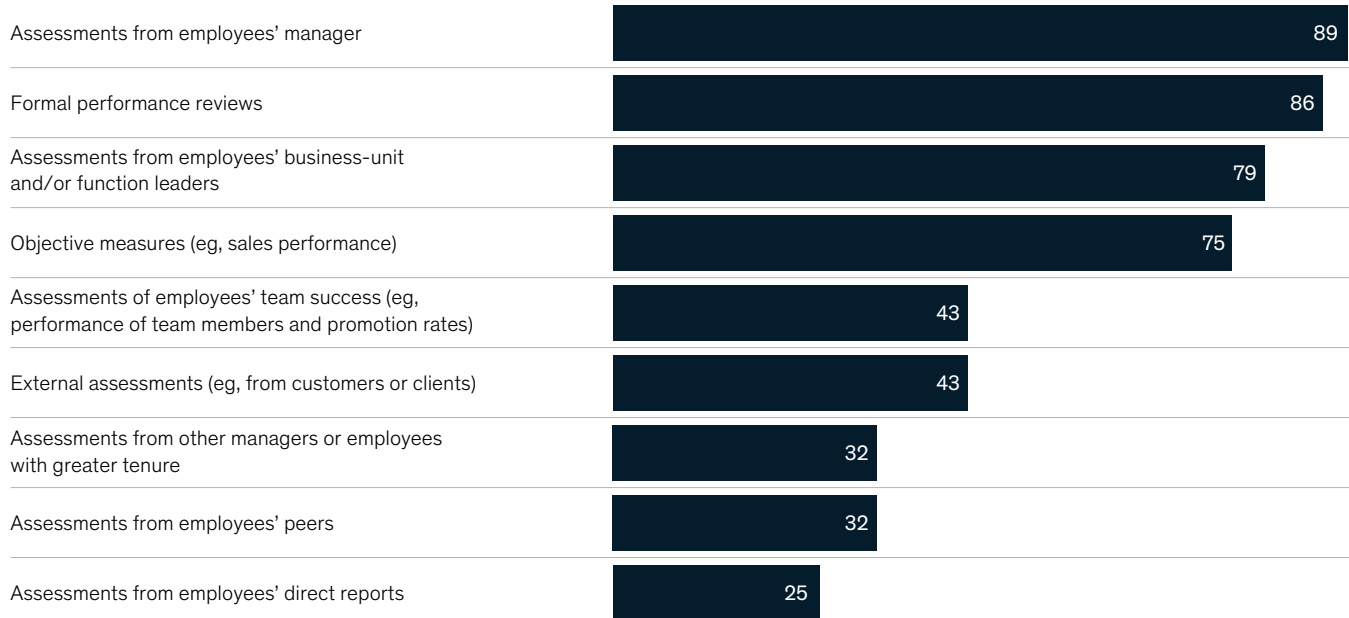
Our experience shows that the following best practices should be adopted:

- **Define the strategic agenda.** Align the executive team on the organization's three- to five-year aspiration and deconstruct it into the specific drivers that will deliver value. For most automotive companies, these value drivers will be a combination of running the current business and delivering on new disruptive imperatives.
- **Understand which roles create the most value.** The roles that create the most value can exist at any level in the organization—in fact, most of them will likely not be at the top of the organization chart. Critical roles are, for example, most closely linked with creating competitive product differentiation or building important capabilities.
- **Use data to identify and assess the top 2 percent.** Qualitative and quantitative data (for instance, a role's connection to creating future revenue or profit streams or building new products, services, or capabilities) can illuminate which roles create the most value and can help identify the qualities that lead to success in those roles.

Exhibit 4

To more effectively identify top talent, 360-degree input can be used.

% of respondents¹ reporting input source is used to identify top talent at their company



¹ n = 28; includes only respondents who answered "agree" or "strongly agree" on whether they use data and analytics to understand whether top talent has the right qualities (eg, skills, knowledge, experience, and personality traits) to be successful in their respective roles.

Source: Original Equipment Suppliers Association and McKinsey, 2019; Talent Wins Survey, McKinsey, 2017

- **Invest heavily in the top 2 percent.** For those critical roles, ensure you are diligent about the individuals placed in them. You should invest heavily in the development and retention of the individuals in those roles. They are the key to your organization creating value. These top 2 percent roles are also the best "development opportunities" for future leaders and should be part of any leadership-development plan.

4. Transition to an agile organization

"Agile" had its origins in software development, where small teams can rapidly build, test, and learn. We believe the same concept can be scaled across organizations through the following actions:

- Establish a clear "North Star" to which the entire organization is aligned. Navigating toward it

takes the form of specific, measurable goals cascaded throughout the organization and tailored for each part of the organization. This also serves to integrate agile teams with ones that may still exist in the traditional, non-agile organizational structure.

- Create networks of small, cross-functional, empowered teams that have clear missions, can be rapidly deployed, and are organized in as few layers as possible.
- Foster rapid decision and learning cycles, with work done in short iterations to minimize risk through testing and learning.
- Build a dynamic people model that ignites passion, overcomes bureaucracy, empowers decision making, and unleashes the potential of

the organization. Failures or partial successes are treated as “learning opportunities” for agile teams, reflecting the operating dynamics of entrepreneurial endeavors.

- Focus on attracting, retaining, and developing talent through empowerment, servant leadership, mentoring, and job satisfaction—hallmarks of the leadership DNA of an organization.
- Deploy next-generation technology in a simplified modular technology stack to support quick deployment and resiliency.

The automotive suppliers we surveyed already embody several of these agile principles. For example, 76 percent say people closest to the work have a role in making decisions that affect their day-to-day activities. Also, 66 percent say people work in small, cross-functional teams that arise and dissolve as strategic projects do.

However, we found room for improvement in how rapidly these teams are deployed to new strategic or operational priorities and the mix of leadership and technical capabilities they bring. Less than 10 percent of respondents say their companies review talent allocation more frequently than once per quarter (Exhibit 5). Only 40 percent say their companies are effective at deploying the right talent quickly.

Our experience shows that the following best practices should be adopted:

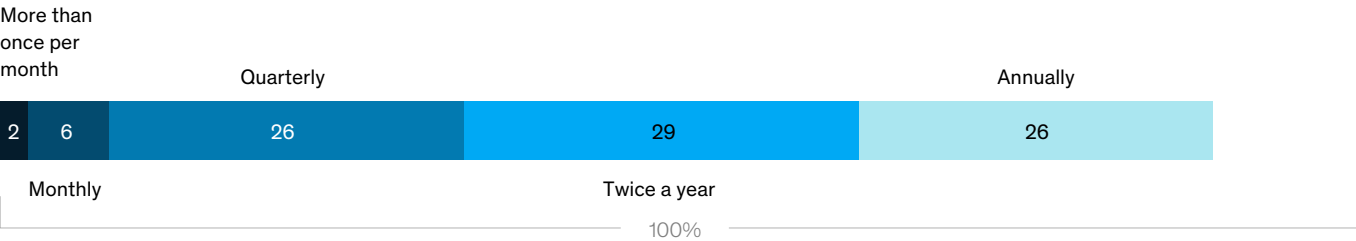
- *Set a clear vision that can be translated to individual teams.* To unlock agile teams, individuals need to know what they are trying to achieve, to avoid the friction associated with determining goals at the start of each new project. As one of the CEOs we interviewed stated, “You need key metrics in the business that can be cascaded so each team and

Exhibit 5

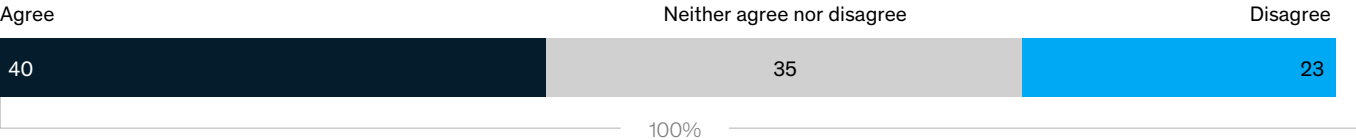
There is room to improve in how rapidly talent is reallocated.

% of respondents¹

“How often does your executive team meet to review talent allocation across the organization and make changes, if needed?”



“HR promptly assembles teams of experts to deliver on priorities quickly”



¹n = 28; includes only respondents who answered “agree” or “strongly agree” on whether they use data and analytics to understand whether top talent has the right qualities (eg, skills, knowledge, experience, and personality traits) to be successful in their respective roles. Respondents who said “don’t know” or “not applicable” are not shown.

Source: Original Equipment Suppliers Association and McKinsey, 2019; Talent Wins Survey, McKinsey, 2017

individual can set their priorities based on the overall goals.” This vision also provides the foundation for integration of agile teams with the traditional, non-agile parts of an organization.

- **Bring together the best of your company in small, cross-functional, empowered, and capability-driven teams.** If companies deploy a rapid “build, test, learn” operating model to get work done quickly, they can be more responsive when strategic and operational priorities are constantly shifting in response to rapidly emerging threats and opportunities.
- **Focus on capability building and culture change.** The agile way of working needs to be taught. While an agile approach changes processes and organizational structures, it also transforms culture and requires new capabilities—a fact that has implications for measuring impact, driving incentives, and developing talent.

- **Leverage design thinking.** Deeply understanding your (internal or external) customer and working to solve the customer’s problems are at the heart of agile. This effort fosters connections that organizations with traditional silos usually overlook, and in so doing, it often generates new, creative solutions.

5. Leverage new digital and analytical tools

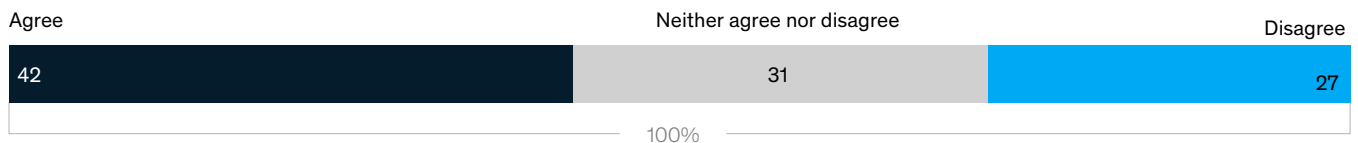
Innovations in data and analytics have created new opportunities for organizations to be significantly more effective at all aspects of managing talent (often known as “people analytics”). However, most of the companies we surveyed show significant room for improvement in how they use data and analytics to attract, develop, and retain talent. For example, only about 30 to 40 percent of companies surveyed say they use data in talent management (Exhibit 6).

Exhibit 6

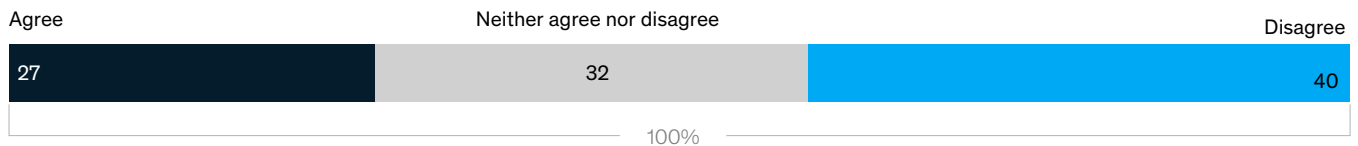
Most respondents rarely use data and analytics in talent decisions.

% of respondents¹

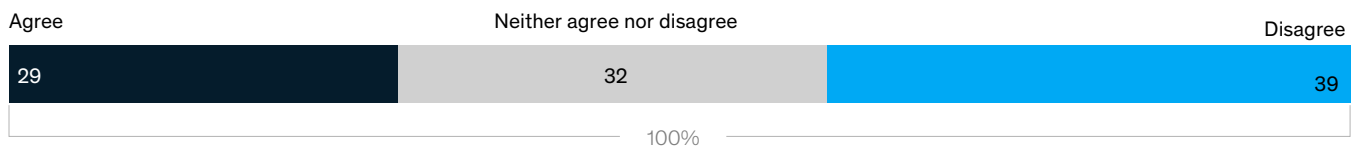
“We use data and analytics when making talent decisions”



“We use data and analytics, not word of mouth or intuition, to identify the right talent for a job”



“Our day-to-day talent decisions are based on data on what drives individual and business performance”



¹ n = 60. Figures may not sum to 100%, because of rounding.

Source: Original Equipment Suppliers Association and McKinsey, 2019; Talent Wins Survey, McKinsey, 2017

Data and analytics can be used across the spectrum of activities in talent management:

- **Workforce planning.** Data and analytics are useful to maintain a granular understanding of the skills and capabilities in the organization mapped against strategic needs, so that decision makers can clearly understand the gaps in the depth and scale of their capabilities and devise a plan to close them.
- **Talent sourcing.** Data and analytics can identify pockets of skills across geographies and what would be required to attract them. One company we surveyed actively uses social-media and talent-sourcing websites to identify the precise cities and counties across the country with the exact talent they are looking for, so it can target its recruiting efforts. Another company uses a strong—and closely monitored—social-media presence to attract and communicate with new candidates.
- **Selection.** Advanced analytical techniques can be used to identify who creates value and how to hire similar people (for instance, automating résumé screening to drive yield). One company we surveyed built an online app to reduce by more than 90 percent the time it takes for candidates to apply for jobs and for the business to review their applications.
- **Onboarding.** Data and analytics can be applied to identify measures to make employees productive faster. One company we surveyed realized that a poor onboarding experience led to a negative employee perception of their company and contributed to high turnover in employees' first year. The concerns employees cited were unattractive onboarding facilities, minimal training, and little introduction to the company's leadership or vision. The company examined this problem by first diving into the data to see which employees were leaving—by site, by start date, by manager, and so on. They then took an end-to-end view of an employee's first year on the job, identifying the pain points that new employees experience and linking that knowledge back to the personnel data to size the magnitude of the pain points. This helped the company focus on solving specific issues in the onboarding process with tailored solutions in a way that brought retention in an employee's first year up to historical highs.
- **Learning and development.** Applying data and analytics can help companies understand needed skills, assess learning retention, and determine the return on investment of their efforts. One company in our study built a capability-assessment engine, leveraging feedback from employee performance, manager reviews, an interactive quiz, and employee short-term assignments and long-term career goals. The engine created a tailored learning journey using a mix of in-person, digital, and on-the-job training. The engine got smarter over time as more content was developed and as employees provided feedback on how to improve the journey.
- **Performance management.** Companies are using data and analytics to define the right measures of performance and identify what drives them, at all levels in the organization. Analytics can also be applied to learn over time which attributes are associated with the highest-performing individuals and teams such that incentives and employee-development programs can be better tailored.
- **Succession planning.** Data and analytics support succession planning when used to uncover high-potential employees and identify roles for which they are well suited. This builds upon a more data-driven approach to performance management. One company in our study is identifying higher-performing managers in its factories by linking the manager with data: quantifiable team performance (for example, quality and on-time performance), 360-degree feedback, absenteeism, and retention of team members.

- **Retention.** Gathering and analyzing data can help a company to identify individuals likely to leave and to determine the underlying drivers of attrition. One of the companies in our survey dove deep into retention data for its various sites. It discovered that the root cause behind retention issues at several of its plants stemmed from poor working conditions—something it was able to fix without resorting to expensive (and misdirected) retention bonuses.

Our experience shows that the following best practices should be adopted:

- **Get started.** Respondents at many of the companies we surveyed express concerns that their data is not robust enough to use in talent decisions. However, we consistently find that the quality of most companies' internal data is good enough to get started. Increasingly, internal data can be augmented with external data. A common example is leveraging demographic data from social media that can provide insights into which geographies, companies, and so on have the highest concentration of specific types of talent your company may need.
- **Develop a data and analytics strategy and execution plan for talent.** Such a plan helps management understand and assess the impact of talent decisions over time. It requires an underlying data and analytics infrastructure, as well as a long-term commitment to studying a company's workforce—as a sociologist or economist might—to understand it deeply and identify how it can improve.
- **Collaborate with the business.** As organizations start using data to guide talent decisions, it is important that HR and talent-data analysts work closely with the business to understand challenges and how data can best address them. As one of the CEOs we spoke to said, "Working with the business creates a virtuous cycle. It helps the business see how analytics on its people can add value and gives HR new ideas to test."

6. Build the workforce of the future

Disruption is a fact of life in many industries—especially in automotive, where technologies, business models, competitors, and consumers are all changing rapidly. In this environment, companies need to focus not just on the workforce they need today, but also on the workforce they will need in the future.

This starts with a robust strategy linked to a clear talent plan. An organization with a robust talent plan understands where it has the right capabilities in the right amounts and where it has gaps it needs to address. Our research shows that the auto sector can dramatically improve in this area. At only about 40 percent of the companies we surveyed did respondents say they feel they have a good understanding of their talent gaps and how to close them.

So, how can organizations improve their understanding of the talent they need? The answer, at least in part, can come from data and analytics. While most of the organizations we surveyed are not using data and analytics to recruit and develop talent (Exhibit 7), those that do so cite a material benefit in their organization's performance.

Where automotive suppliers have known talent gaps, they are trying to address them through various means. In each case, data and analytics can improve decisions on talent:

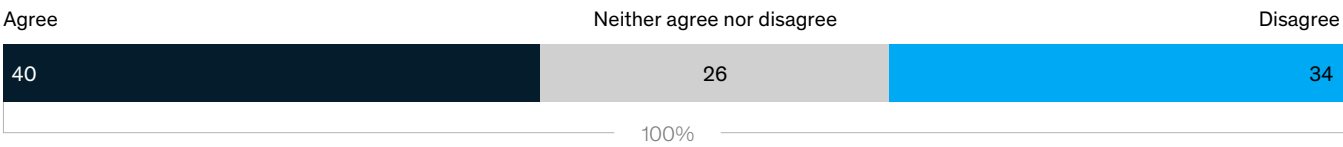
- **External hiring.** Data and analytics (including multiple social-media platforms and job-hosting sites) can help companies identify and attract talent with precision and speed that were once impossible. Companies are also increasingly applying analytics to deeply understand the precise attributes they are looking for in prospective candidates—including soft skills, such as resilience and communication ability.
- **Upskilling.** At most of the companies we surveyed, respondents highlight a strong return on investment from the upskilling efforts they have implemented. These can include on-the-

Exhibit 7

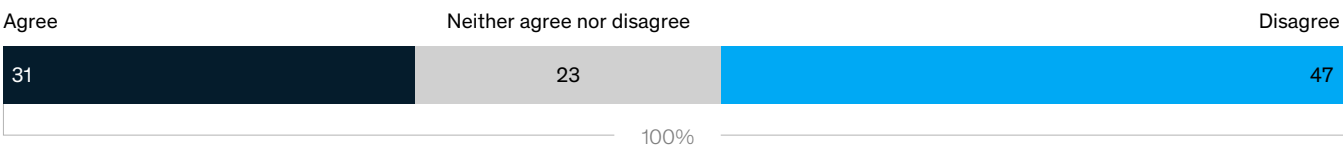
Data and analytics may improve how talent is recruited and developed.

% of respondents¹

"We use data and analytics to recruit top talent"



"We use data and analytics to inform the development and training of top talent"



¹n = 60. Figures may not sum to 100%, because of rounding.
Source: Original Equipment Suppliers Association and McKinsey, 2019; Talent Wins Survey, McKinsey, 2017

- job training, classroom learning, and mentorship programs. The most sophisticated companies in our study track the return on their upskilling investments so that they can understand what programs are most effective and how their efforts could be improved over time.
- **Acqui-hiring.** Using business acquisitions or partnerships to obtain talent has previously been a practice mainly in the tech sector. Now, however, auto companies are increasingly acquiring or partnering with companies to gain access to their talent. Examples include auto OEMs negotiating acquisitions and partner-ships in the autonomous-vehicle or connectivity arenas.

Our experience shows that the following best practices should be adopted:

- **Link strategy to talent.** Clearly define the talent needed to execute the strategy. This is where having a closely integrated CHRO and strategically minded HR function becomes critical, so that the talent plan can be built with

rigor equal to that of the strategic plan and business plan, and eventually the talent plan becomes an integral part of the strategic plan and business plan.

- **Leverage data and analytics.** Use data and analytics to develop a deep understanding of the capabilities of the organization, today and in the future, and to identify and address any gaps that could stand in the way of successfully implementing the strategy. For many companies, this takes the form of a heat map evaluating its workforce of the future and associated capabilities, as well as a related road map to address gaps and needs.
- **Build the workforce of the future.** Given the magnitude of disruption under way, it is not feasible to import all the needed skills from outside the auto industry. Thus, upskilling and reskilling the existing workforce will be crucial parts of how the industry adapts to the changes it will undergo.

- **Acqui-hire for critical skills.** In specific areas where companies lack key skills, they may find it pragmatic to bring in the talent via an acqui-hire. Once the acquisition takes place, the paramount objective becomes addressing new challenges on how to develop and retain talented individuals in what may be a very different company culture.
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The increasing pace of disruption across technologies, business models, and customers has elevated hiring, development, and retention of talent into a strategic imperative. In our view, talent management is tightly linked to the overarching company strategy and its financial plans, and it is critical for an organization's future success. The best practices outlined here can provide a road map for setting an organization on a path to win, even amid disruption.

Reed Doucette is a partner in McKinsey's San Francisco office; **Russell Hensley** is a partner in the Detroit office; **Hans-Werner Kaas** is a senior partner in the Detroit office; and **Moritz Rittstieg** is an associate partner in the Chicago office.

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