

THE CHANGING DYNAMICS

AUTO MANUFACTURER TODAY,
HIGH TECH COMPANY TOMORROW





EXECUTIVE SUMMARY

As the automotive industry experiences a fundamental shift toward connectivity and technological advancements, auto manufacturers are becoming increasingly reliant on a high-tech workforce to innovate their products and remain competitive. The result is that they are somewhat morphing into organizations more akin to technology companies than traditional auto manufacturers. Unfortunately, while OEMs have now emerged as competitors for high-tech talent, many are struggling to make the necessary changes to compete for high-demand candidates.

Faced with an aging workforce, as well as the challenge of attracting and retaining top engineering and other STEM talent, manufacturers' abilities to meet their business objectives are being compromised. Therefore, it's imperative that OEMs are aware of the factors related to their short- and long-term talent challenges. These factors include a shrinking pipeline of top tech talent due to the relatively unfavorable reputation of the OEM industry in comparison to popular technology companies. Additionally they are experiencing a lack of well-developed, distinct employer brands that offer the professional opportunities, longevity, work environment, and perks that top millennial tech talent seeks.

Technology companies have a real advantage in the marketplace, with their experience, longevity, and entrenched brands. OEMs that want to be competitive and retain the talent assets required to create innovative products must rethink how they attract talent and implement critical adaptations to their employer brands to position themselves as a top choice.

*OEM talent acquisition executives should ask the question: **How do we translate the rigor surrounding product development innovation into the development of our employer brand?***

THE TIPPING POINT BETWEEN WINNERS AND LOSERS MAY INDEED REST SOLELY IN THE HANDS OF THE WORKFORCE

In less than three years, by 2020, the leading OEMs plan to bring their first fully autonomous vehicles to market. This will mark the culmination of the massive shift that's taking place in the automotive industry—one that leads away from traditional automotive manufacturing to a process that's driven by innovative high-tech design, creatively connecting tomorrow's vehicles to the internet and, finally, lean manufacturing.

In PwC's report, *Industry 4.0: How digitization makes the supply chain more efficient, agile, and customer-focused*, Industry 4.0 digitization is described as how companies orient themselves to the customer through e-commerce, digital marketing, social media, and the customer experience. And, that if companies are to shift to this type of digital supply chain or ecosystem, they can't just gather technologies and build capabilities—they must also find people with the right skills, and manage the shift to a culture that's willing to carry out the effort. In other words, they must transform their entire organization.

In addition, OEMs are forming alliances and consolidating to position themselves more strongly in the market.

To illustrate: in his UpStart article titled, "Made in California: How Silicon Valley is Putting the Auto Into Automobile," Cromwell Schubarth quoted Gill Pratt, head of Toyota's Silicon Valley R&D wing, as saying,

"It's important to remember that we don't have to work alone. Co-opetition accelerates progress."

Also, Toyota and Mazda recently announced a joint venture that involves the automakers collaborating on the development of technologies for electric vehicles, connected-cars, and advanced safety technologies. Mazda's President and CEO, Masamichi Kogai, commented that part of the motivation for the alliance was to lead to innovations and foster talent and leaders.

But can these co-opetition efforts, alliances, or partnerships figure out a way to leverage forces to tackle the strains of today's workforce? These advances have important workforce implications for OEMs in the developed markets, which are struggling to attract and retain the top engineering and other high-tech talent they need.

The challenges are twofold. First, how can they attract the talent required to develop the new technological assets needed to remain competitive in an unforgiving international market? And second, with all the technological and organizational upheaval occurring, what employer value are they offering that will motivate top talent to stay with their specific company for the long-term?



TALENT CHALLENGES FACING THE AUTOMOTIVE INDUSTRY IN DEVELOPED MARKETS

From a talent management perspective, the shift toward an automotive industry that relies on technological innovation couldn't come at a more inopportune time for the developed markets.

SKILLS SHORTAGES

According to a joint report by Deloitte and the Manufacturing Institute titled “The skills gap in U.S. manufacturing: 2015-2025 outlook,” in the U.S. alone, an estimated 3.5 million jobs will need to be filled between 2015 and 2025—many of them in auto manufacturing. This is partially due to thousands of skilled baby boomers leaving the workforce every day, but it's also a result of industry growth. However, not enough millennials are entering the manufacturing sector to fill the jobs, and experts predict that by 2025, approximately two million jobs will go unfilled.

To exacerbate the situation, the U.S. Department of Education found that only 16 percent of high school seniors are proficient in math and interested in a STEM career; and of those who pursue a STEM college major, only half choose to work in a related job. Typically, top high-tech talent isn't interested in auto manufacturing as a career. Instead, most aim to work for well-known, high-tech companies like Apple, Tesla, and Google, or one of the many exciting high-profile startups in Silicon Valley, where some OEMs are starting

to set up offices to be closer to their talent market. And depending on the employer, tech talent who do opt to work in the auto industry face the challenge of their skills becoming outdated. In short, the lack of skilled talent poses a very real threat to auto manufacturers' ability to meet their operational objectives.

In contrast, emerging markets like China and India have much larger numbers of young, skilled STEM workers. According to Chris Brandt in his University Herald article, “Top 7 Countries with the Most STEM Graduates,” in China, there were 4.7 million STEM graduates last year, and 2.6 million people graduated in STEM fields in India in 2016. This bodes well for the long-term competitive positioning of China and India—the growth leaders among the emerging markets, with a domestic sales growth in 2016 of 15 percent and 8 percent respectively, according to Christoph Stürmer in his PwC article titled, “Growth Markets: Opportunities and Challenges for the Automotive Industry.”



EMPLOYER VALUE

In addition to the lack of skilled talent, incumbent OEMs are faced with an intrinsic challenge: What distinct employer value can they offer top talent? The reason skilled engineers and other high-tech workers choose to work for the well-known tech companies is that they know precisely what they're getting: A company's specific employer brand that offers innovation, excitement, high-profile projects, collaboration with top industry names, and a competitive salary. But that's not all, many of these employers also provide clear career paths, flexible work arrangements, parental leave, paid sabbaticals, and opportunities for socially meaningful work—all features that millennials value. 63 percent of millennials seek flexible work arrangements (e.g., remote/telecommute work options, flexible schedules/hours) as a factor that positively impacts work-life design, according to Kelly's Global Workforce Index (KGWI) 2015.

An example of an OEM rethinking their culture is Nissan. According to Anish Bajjal, Vice President of Human Resources and General Affairs at Nissan,

"Our legacy as an industrial organization forced us to act in a very paternalistic, top-down way. With the changing demographics and need to reinvent ourselves as an innovator and brand champion, we are positioning ourselves in the mind of our current and future employees as a company focused on innovation. This provides interesting work, where we create something new and where employees can be part of something special: A global brand which enables employees to work in different fields and different countries. A company where their working style matches their lifestyle – working flexibility with the support they need to thrive. A place where high performers are recognized and rewarded."

These are but a few examples of steps needed to begin the journey of creating an employer brand that offers up more than hype. Organizations that actively put potential workers in the driver seat of their careers—and allow them to brand themselves as key innovators—will change the way the world will travel on the ground.

Nevertheless, OEMs are just beginning to compete in the high-tech space, and don't have a large contingent senior tech staff in-house. While they might very well be able to promise exciting work and high salaries for the immediate future, when it comes to long-term commitments, matters aren't so transparent. Since employers don't know what's coming up on the horizon in this time of technological turmoil, they can't yet say with certainty what types of career paths they can offer new talent. Also, most are out of their comfort zone when it comes to flexible work arrangements and other work-life balance features.

Considering these factors, combined with the ongoing trend of OEMs forming alliances and consolidating, top talent might see a certain amount of professional and organizational uncertainty without a reasonable payoff. In short, without the long-term prospect of exciting work in an attractive work environment with well-defined career paths, most highly-skilled STEM workers may not be very interested in a career in the auto industry. That is unless automakers can successfully reinvent themselves as the technology companies of tomorrow.

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DESIGNING EFFECTIVE SOLUTIONS

Automakers that want to remain competitive need robust talent management strategies that not only attract talent, but also retain skilled workers for the long-term.

UNSUSTAINABLE STRATEGIES

One solution that might seem viable—especially in this time of consolidation—is obtaining top tech talent by acquiring tech startups that design applications for the auto industry. Unfortunately, this tactic can easily backfire if the acquired tech workers aren't comfortable with the development. Since these workers are in high demand, they can simply leave to work elsewhere.

Bringing in skilled workers from emerging markets might also seem like a good option. However, while these countries have a larger number of STEM graduates, only a small percentage qualify as highly skilled—and they're likely to be hired by companies in their home countries even before they graduate.

EFFECTIVE SOLUTIONS FOR THE LONG-TERM

The most effective way to create a long-term talent pipeline is to position the automotive industry as one in which skilled high-tech talent wants to work. To do this, automakers need to make a cultural change.

OUR RECOMMENDATIONS:

ONE This change begins with the realization that an OEMs' competitors aren't just other OEMs; they're also tech companies like Google, Intel, and Microsoft.

Automakers must study these companies to find out exactly what enables them to attract and retain top talent. They then need to integrate these features into a new employer brand that combines the best of their established reputations with new attributes fitting of an innovative tech employer.

TWO The next step is for automakers to adapt their work environments and employment offerings to be competitive within the industry's new lineup. This can include establishing company policies that facilitate remote work while still protecting IP—a move that would open an entirely new talent pool. It may also mean establishing apprenticeship programs in which lean talent is paired with mature talent so young workers can learn on the job. It can involve tweaking employment perks to include more paid time off and upskilling. And it should always include some form of career path guidance.

THREE Lastly, to communicate these cultural changes involves marketing employer brands to the right talent—whether that's in talent communities, via the media and social media, by partnering with educational institutions to reach young talent or all of the above.





CONCLUSION

Automakers face significant challenges today due to the shift to a technology-driven industry. Stop-gap solutions to skills shortages are ineffective in the long-term, and are likely to leave companies unable to meet their objectives—something that could have devastating consequences in the long-term. Forward-thinking employers must redefine who their new competitors are in this war for talent—and intrinsically rethink their own employment brand and employer value so they become more attractive to highly-skilled talent.

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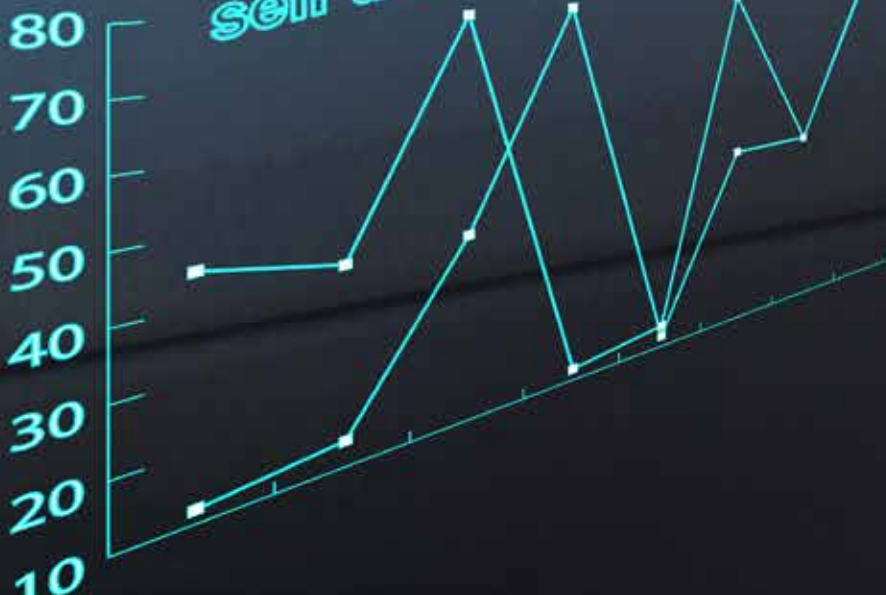
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self driving Autopilot mode







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