

Automotive Suppliers and Digital Management of Human Resources



Staff recruitment and retention is a challenge for Tier 1 automotive suppliers (Tier 1s) and will become even more strategic with the increasing automation and digital transformation of the sector. Suppliers will have to attract resources with higher skill levels in the near future and win the “war for talent” in all geographies. Digital can transform the whole “talent value chain”, from identifying and recruiting the right people to developing and retaining them.

One of the most disruptive ways to engage in the war for talent is by applying predictive analytics to HR data – large amounts of which are already available in most organizations. Other techniques, such as gamification of the job search process and social learning can also help. The result will be a more productive organization and a more attractive workplace. There will be a direct impact on the company’s P&L.

This approach is not just about deploying new digital solutions – it’s also about considering strategic decisions: implementing a new managerial model and managing data protection and confidentiality.

Automotive suppliers and the war for talent

Automotive suppliers face special challenges in recruiting and retaining staff. This is true of all staff, including shop-floor workers: Some firms have an astonishingly high turnover of the latter. Here, we focus on professionals and managers because, even though they only represent around 15% of the workforce, they are critical to the success of the enterprise.

In general, it is hard for suppliers to recruit top engineers because they are more excited by the idea of working for OEMs, where they may have the opportunity to create new models.

The degree to which this is a problem varies according to region. In China, for example, recruitment of engineers is relatively easy because seven million engineers graduate each year. In the US, automotive suppliers generally struggle to recruit, and non-US suppliers have even more of a problem because people think they’ll be too far from the centers of power. A US supplier trying to recruit in France might face similar issues.

Despite these variations, recruitment and retention are a widespread challenge, and can put the brakes on efficiency, particularly where turnover reaches 20%.

Not only are engineers hard to recruit, but they are also hard to retain. This is partly because in recent years financial pressures have meant that automotive suppliers were reluctant to invest

in training, causing ambitious staff to leave in search of better opportunities. It may also reflect a mismatch between recruits and jobs – in some companies as many as 17% of new recruits leave within a year.

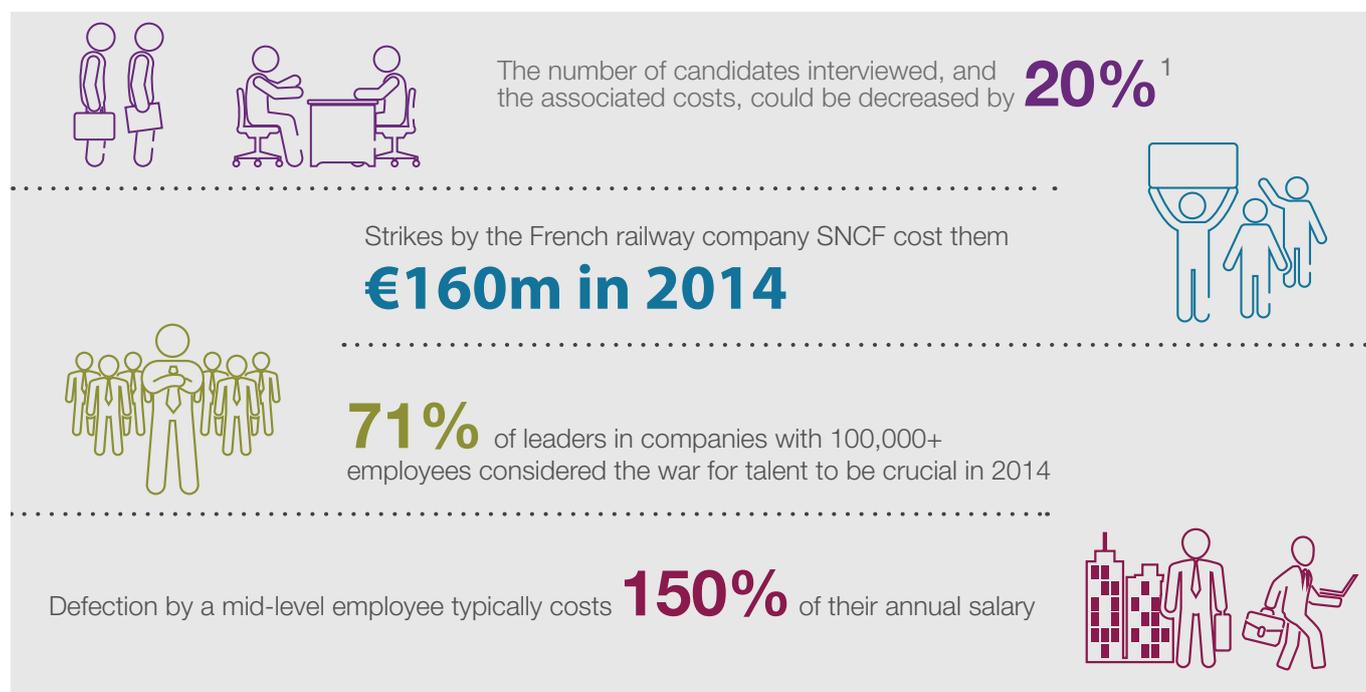
This is a serious issue because it makes it hard to maintain continuity of expertise. Recruiting replacements costs money, leaving an even smaller budget for training, and so a vicious circle arises.

Suppliers can now tackle these issues

In today’s more buoyant climate, forward-looking automotive suppliers are starting to tackle this problem. They know that to stay competitive in an increasingly technologically ambitious market, it’s strategically important to have the right people in the right place. They are therefore ready to invest in better human capital management.



Figure 1: Potential impact of Human Capital Analytics



Source: Capgemini Consulting

Importantly, it has recently become possible to tackle the problem more easily and cost-effectively thanks to technological advances. With the advent of digitalization, and specifically of affordable technology to support big data analytics, suppliers can manage talent in a more intelligent way based on more complete information. These digital approaches offer the opportunity to transform every step of the talent value chain.

By applying predictive analytics to HR data that probably already exists in-house, all sorts of possibilities are created for improving both recruitment and retention. For example, if you're recruiting a plant manager, you can profile existing plant managers to identify the type of person that usually succeeds in the role – their background, training and experience – and use the profile to help target the right candidates. When it

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comes to retention, it's possible to predict turnover and take steps to retain key staff.

Creating a human capital strategy enabled by digital

It is important to apply digital techniques in the context of a coherent strategy for human capital. As you develop your strategy, think about where digital will deliver most benefits, and prioritize initiatives accordingly.

Human Capital Analytics is probably the single most powerful tool available for improving recruitment and retention, but there are others. For example:

- **Gamification:** Create a game to explain the job you're recruiting for. This can be a good way to recruit talented people because it shows that you're an innovative employer – and because it's fun.
- **Digital and social learning:** This is a cost-effective way to help enrich the working environment and reduce the cost of onboarding and developing staff (workers as well as managers and engineers).
- **Collaboration:** Promoting global collaboration via enterprise social networks increases productivity and makes the most of resources. It also enables individuals to learn from one another, which makes jobs more rewarding.

Lay the foundations for predictive analytics now

In any digital HR strategy, predictive analytics is likely to receive high priority. Implementing it requires the following steps:

1. Put in place Human Capital Analytics. Apply predictive analytics to internal data about your own people and also to external data about the talent market. You can generally get maximum value by aggregating different types of data for analysis.
2. Develop analytics applications, for example:
 - During recruitment: Build profiles of people who have already succeeded in similar career paths to identify individuals to target (for example, you can match incoming CVs against profiles of the people that are already succeeding in the company). Profiling should be done from the point of view of skills and experience, but also of cultural fit.
 - When managing talent: Plan career trajectories and provide appropriate training and development paths to keep individuals on track.
 - To prevent staff turnover: Analyze staff data to discover warning signs that someone is at risk of burning out or resigning, and put in place measures to avoid losing valuable individuals – e.g. job moves, training, pay rises.

3. Integrate the predictive analytics into your HR processes to make sure the insights discovered drive appropriate HR actions – for example, if someone needs training to keep them happy and productive, then there should be a process to ensure that they get that training.

Benefits of predictive analytics

Applying analytics in this way will make it possible to:

- Get the most out of your recruitment and training budgets, because you can:
 - Identify and recruit the right person for each job, avoiding the costs of recruiting the wrong person.
 - Reduce staff turnover and resultant headhunting costs.
 - Optimize career development paths.
- Make HR more cost-effective, because with significant amounts of work automated, effort can be better targeted. For example you can:
 - Improve HR forecasting.
 - Reduce time taken for onboarding.
- Make your company more productive, and a more appealing place to work. You can, for instance:
 - Design career paths that keep people effective.
 - Make sure individuals get the right training at the right time to enable them to do their jobs as well as possible.
 - Increase internal mobility.

Figure 2: Human Capital Analytics addresses a wide range of people-related concerns

 Enable strategic decisions	<ul style="list-style-type: none"> • Alignment of human capital strategy to support company's business goals 	
 Recruit right	 Maximize people value	 Anticipate defections
<ul style="list-style-type: none"> • Reduction of recruitment costs • Higher chances of acceptance • Increased size and quality of talent pool • First-year turnover reduction 	<ul style="list-style-type: none"> • Adaptation of upskilling program • Tailoring of performance assessment • Efficiency of internal mobility program • Career path management optimization • Identification and mapping of skills and performance 	<ul style="list-style-type: none"> • Prevention of employee defections • Development of engagement and motivation • Turnover and associated costs reduction • Social climate assessment
 Reinvent performance measurement	<ul style="list-style-type: none"> • People retention • Accuracy of performance assessment to cope with new business challenges in a digital environment • Development of employee engagement and motivation 	

Source: Capgemini Consulting

- Make the business more effective from the customers' perspective. You could produce KPIs for customers about employees' skills and HR evolution (to demonstrate that you are taking steps to ensure continuous quality improvement).

These results add up to significant tangible benefits.

Experience shows predictive analytics can reduce staff turnover by 30% or more, that recruitment typically costs at least 30% of the individual's annual salary, and that an automotive supplier can lose 17% of new recruits through resignation in the first year.

Strategic considerations

A new managerial model

As we have argued, all these approaches should be part of a carefully planned global human capital strategy making full use of today's digital opportunities. It is important to appreciate that this type of digital transformation needs to be accompanied by deep changes in the company culture. Automotive suppliers tend to have a top-down or "command and control" approach to management, which will need aligning with the new digitally enabled ways of working.

While cultural change is progressive and takes time, your company can reinvent its management in a shorter period by creating a new managerial model and launching a transformation program to implement it.

Data protection and confidentiality

Launching a Human Capital Analytics project internally will require heavy anonymization processes; relying on external partners will probably be easier for this aspect. However, the latter option will require internal validation, because internal HR data will probably be stored in the cloud, which is seen as a risk by some companies.

Applying digital human capital concepts to the wider workforce

Although our discussion has focused on professionals and managers, there is a lot that can be done to improve retention of shop-floor workers. In particular, new ways of training people, such as digital and social learning, can be highly beneficial, both in onboarding new staff and in updating the skills of existing ones.



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