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It’s All About People

The Battle for Talent in the Aerospace and Defence Industry

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Winston Churchill said in 1943: “The empires of the future will be empires of mind.” He was right. Today, there are battles for talent across all industry sectors that are dependent on innovation and creative thinking. And the Aerospace and Defence (A&D) industry is no different. The industry-wide shortage of talent is putting volume ramp-up and new programmes at risk. To remain competitive, companies must rethink their recruitment strategy and be more creative to attract and retain top talent.

WHERE TO BEGIN

The A&D sector is characterised by strong volume growth, with an estimated production of 20,000 aircraft in the next 20 years. To keep up with this growth, the industry must attract top engineers as well as skilled direct and indirect labour. In the next decade alone, the European A&D industry is expected to require at least 12,500 highly qualified engineers per year. However, the industry has difficulty attracting and retaining the top talents. Consider these figures:

- Every year, around 120,000 engineers graduate from the technical universities in Europe, but only 10,000 engineers decide to work within the A&D industry.
- Based on research of Verein Deutscher Ingenieure (VDI) from August 2011, there were 76,400 open positions for engineers and only 20,400 unemployed engineers in Germany.
- In February 2011, 117,000 jobs for specialists couldn’t be staffed
- Airbus says that out of 12,000 jobs available in the sector in Europe last year, only 9,000 were filled1.
- In the U.S., 72,000 - 74,000 engineers graduate per year but there are not enough students completing engineering degrees to match the need2.

Even when the biggest companies and OEMs manage to bring talent into their own organisation, they worry about the talent their sub-contractors and suppliers can source. A shortage of talent can make these companies weak links in the production chain when major OEMs increase their output.

Moreover, significant regional differences in attracting talents persist:

- So far, Western European and U.S. companies have been able to absorb a lot of international engineers from India and Russia. Going forward, China and India may compete more strongly for international talent.

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2 http://www.industryweek.com/recruiting-retention/boeing-and-airbus-fight-hell-aerospace-engineers
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• In Germany, the Top 5 employers for graduated engineers comprise four automotive companies and Siemens. EADS ranks at #8, followed by Lufthansa Technik at #9.
• In France, EADS is the clear #1 with 15% of graduates choosing to work at EADS; Thales is #2 and Dassault #6.
• The Aerospace Industries Association estimates that, of the 70,000 engineers that graduate in the U.S. each year, only 44,000 are qualified to work in the aerospace sector. Boeing in the U.S. now has to compete with the likes of Amazon, Google, Starbucks, AT&T and has to pay much higher wages to do so. In Germany, 48% of all engineers work in the A&D industry compared to 36% in Spain, 33% in Italy and 33% in the U.K.

WHAT TO WATCH

Several trends are underway that may challenge A&D companies looking to recruit top talent in the coming years:

Competition: It is not only a question of the number of graduated engineers available but also of attracting the people with the right skills. There is fierce competition for resources, within the A&D industry, with adjacent industries (e.g. automotive), with other industries (e.g. investment banking, consulting), and with other regions. Entry salaries in A&D tend to be lower than in other industries (e.g. automotive) and modern work and compensation models seem to be missing. The industry also lacks the marketing and PR needed to boost interest in the industry and create an enticing picture of a career in A&D.

Demographics: Demographic developments, such as the ageing population, will further constrict the supply of talent as companies lose large numbers of experienced workers. Based on research of the Institut der deutschen Wirtschaft (IW), there are 77 young academics per every 100 older workers, and the number of jobs is growing. In the U.S. about 50% of experienced engineers will retire in the next five years. Because of the defence cutbacks in the 1990s, many companies hired less in that period. In consequence, an entire generation (now between 40 and 50), which ideally should be now coming into its prime leadership years, is missing.

Demand: The demand for highly skilled people is expected to increase dramatically.

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3 It. Institut der deutschen Wirtschaft 2009

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For example, the number of U.S. jobs that require complex interactions involving a high level of judgement has grown three times as fast as employment in general. The shortage applies not only to engineers but also to skilled workers.

With strong order books, the biggest challenge is to have the resources to fulfil all this demand and consequently exploit the growth and profit opportunities. This challenge is critical. A lack of talent could lead to lost knowledge and elevated risk levels, which could result in programme delays and failures.

WHAT TO DO

In the context of a higher and more complex workload going forward, a potentially smaller pool of resources, and higher competition, three main levers will be key to attract and retain top talent and associated know-how.

1. Recruiting more creatively
Best practice companies have improved recruiting by institutionalising a close cooperation between industry and science in order to attract top talents:
• Airbus is using Twitter accounts to talk to potential recruits and is holding international recruitment days where candidates are quickly down-selected from several hundred applicants.
• Rolls-Royce is currently supporting approximately 400 PhD students, 25% of the graduates are recruited, and many more remain in the network.

2. Acting globally
Best practice companies globalise their activities to attract the largest pool of talent while similarly benefitting from lower cost and international work-sharing:
• Airbus is planning an innovation unit in India to benefit from the local pool of top talents.

3. Improving the working environment
Best practice companies focus on improving the working environment and ensuring that starting packages for graduates are competitive:
• EADS started a flexible working time model to better balance career and private life (e.g. one year sabbatical with 2/3 remunerated).
• BAE Systems has created an “Assignment Panel”, a clearing-house of openings in the company, so employees do not need to

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4 ASD Europe Convention – Oct 2012 – Workshop 3 - PhDs fishing in the deep end of the talent pool
7 Economist Intelligence Unit - Talent strategies and the competitiveness of the US aerospace and defence industry
leave in order to find new challenges. • Northrop Grumman has implemented a highly structured rotation system where top talents spend their first two years on four rotations, supported by a mentor.

4. Improving knowledge transfer from experienced to young employees
Best practice companies actively pursue opportunities to improve the knowledge transfer from older to younger employees. They use rotation programs as a lever to transfer knowledge and systematically offer part time work for older people. For example, BAE Systems has established a very aggressive mentoring programme to ensure that knowledge is being passed down from one generation to another.

CONCLUSION

In 2001, in his bestseller Good to Great, Jim Collins wrote of successful companies that “they first got the right people on the bus (and the wrong people off the bus) then figured out where to drive.” Similarly, the A&D industry in the next decade needs to focus on ensuring that they are able to secure, retain and develop the right talent to fulfil the opportunities in the market and continue to grow.

To do this they must focus on understanding clearly what talent they need, what the total pool of potential candidates’ looks like, whom they are competing against for talent and what factors are most important to these potential recruits.

And the challenge doesn’t stop there. Once they have recruited the needed talent they must ensure that they provide opportunities for development to keep their people motivated, engaged and committed to the organisation.

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8 Economist Intelligence Unit - Talent strategies and the competitiveness of the US aerospace and defence industry
9 http://careers.northropgrumman.com/developmental_programs.html
10 http://www.baesystems.com - In action: Mentors meet their perfect match
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