



# How Industrials Can Tap Into Talent Pools Off the Beaten Paths



Over the past few years and in the years to come, industrial & natural resources companies have undergone and will continue to undergo more fundamental changes than in previous decades combined. To adapt, these organizations need an updated talent strategy--but many don't feel prepared to create one.

At Russell Reynolds Associates, we believe industrial leaders need to think differently about talent strategy. Via data from our H1 2023 [Global Leadership Monitor](#), analysis of over 4,000 successful candidate placements in the Industrial & Natural Resources industries, surveys of over 50 of our and senior researchers, and individual case studies, we learned that:

- Availability of key talent/skills is not only a top threat leaders face—it's also the one that industrial leadership teams feel least prepared to address.
- To effectively transform, industrial companies must look for next generation talent also outside their home industries.
- Certain industries (industrial services, capital goods & equipment) are more progressive with regards to hiring from the outside than others (power & utilities, oil & gas, metals & mining).
- Hiring from outside the industrial & natural resources industry happens across functions, with demands for increased technology and commercial expertise--even at the CEO level.

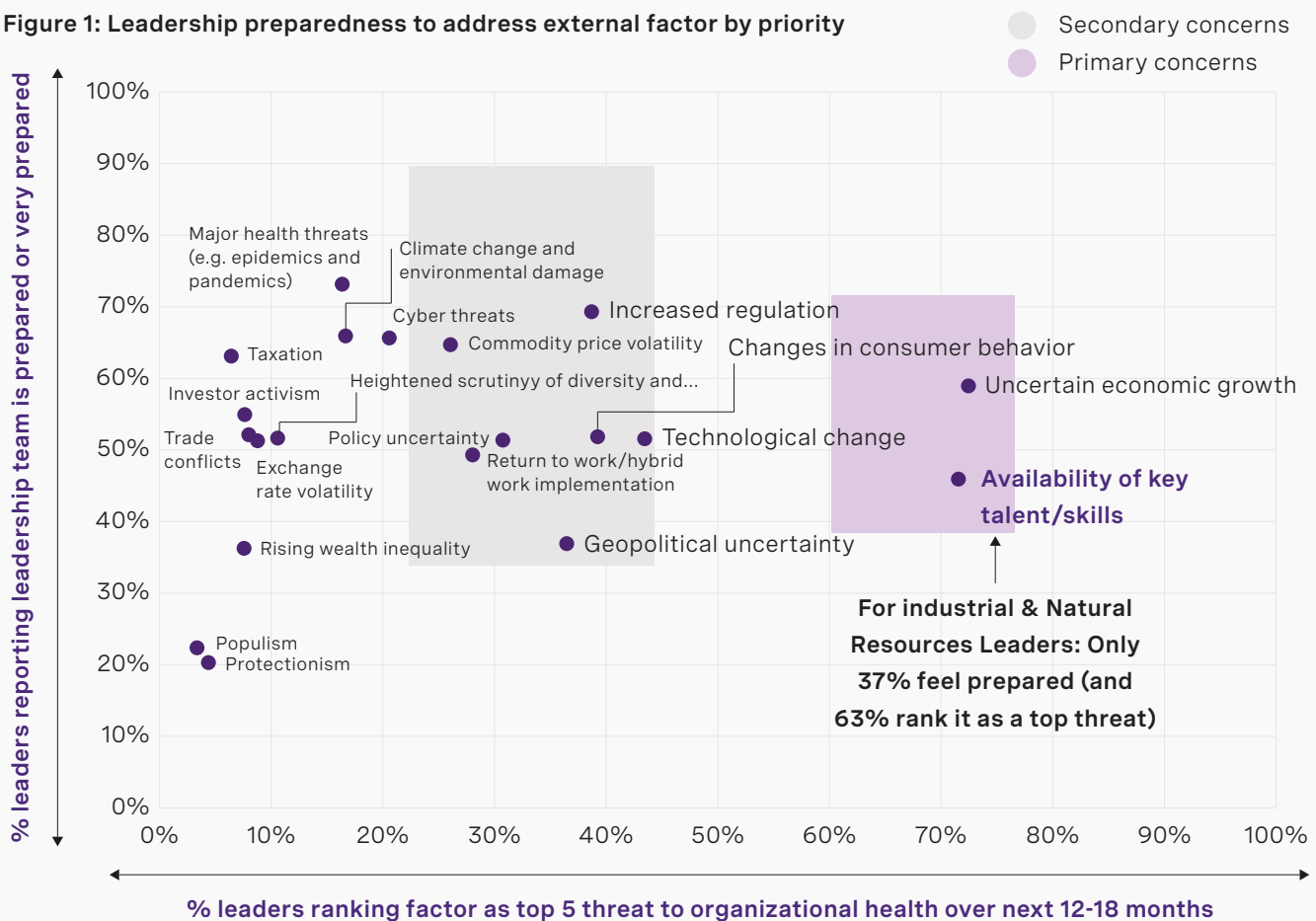
With these learning in mind, we identified common pitfalls—and key tips for success—for industrial organizations looking to retain talent outside their industry, as well as external talent themselves. By understanding the need for a broader candidate pool, the leadership capabilities that will add value, and how to best position new leaders for success, industrial organizations can tap into talent pools off the beaten path.

# Availability of key talent/skills is not only a top threat leaders face—it's also the one that industrial leadership teams are least prepared to address

Within the industrial & natural resources industry, entire value chains are being upended by sustainable transformation, geopolitical shifts, national/multilateral policies, and the digital/AI revolution, and leaders must deal with these intertwined issues. This is driving an enormous need for new leaders and talent. However, according to industry leaders, availability of key talent/skills is not only a major threat, but one for which leadership teams are the least prepared.

Our H1 2023 Global Leadership Monitor—which surveys over 1,500 CEOs, C-level leaders, next generation leaders, and non-executive board directors—shows that 72% of leaders rank availability of key talent/skills as a top five threat to organizational health. Yet only 46% of these leaders believe that their leadership team is prepared to respond.

**Figure 1: Leadership preparedness to address external factor by priority**



Source: Russell Reynolds Associates' H1 2023 Global Leadership Monitor, n = 1,523 CEOs, C-level leaders, next generation leaders, and non-executive board directors; n = 279 Industrial/natural resources leaders

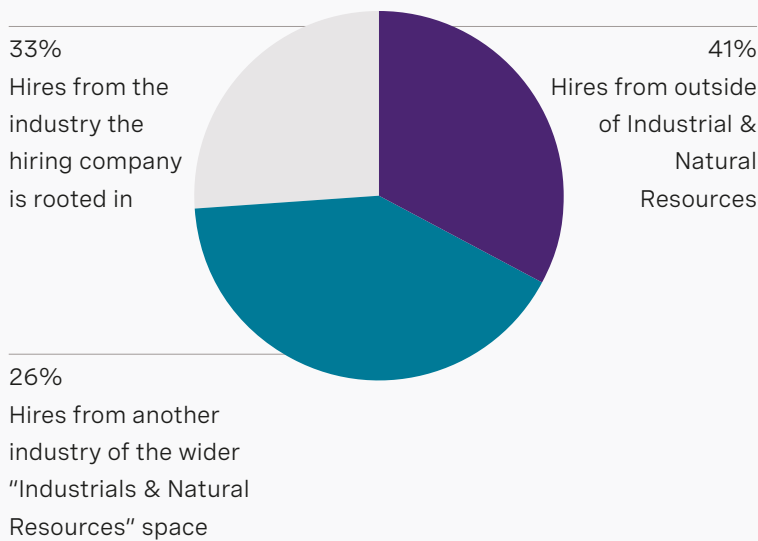
To effectively transform, industrial companies must look for next generation talent outside their own industries



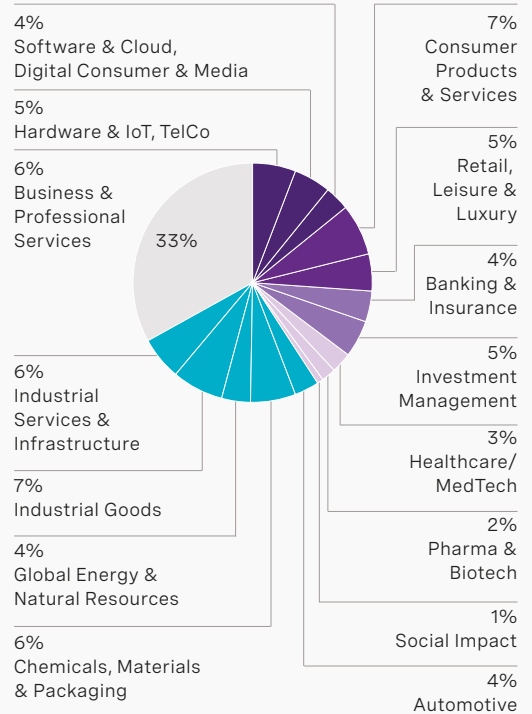
Since 2018, ~67% of the leaders Russell Reynolds Associates placed in key positions at industrial companies came from a different industry. We believe this trend is here to stay: over half of our consultants and senior researchers believe that hiring “from the outside” is increasingly important for industrials.

**companies since 2018**

Percentage of RRA Successful Candidates placed into Industrial & Natural Resources companies...



...and where they are coming from



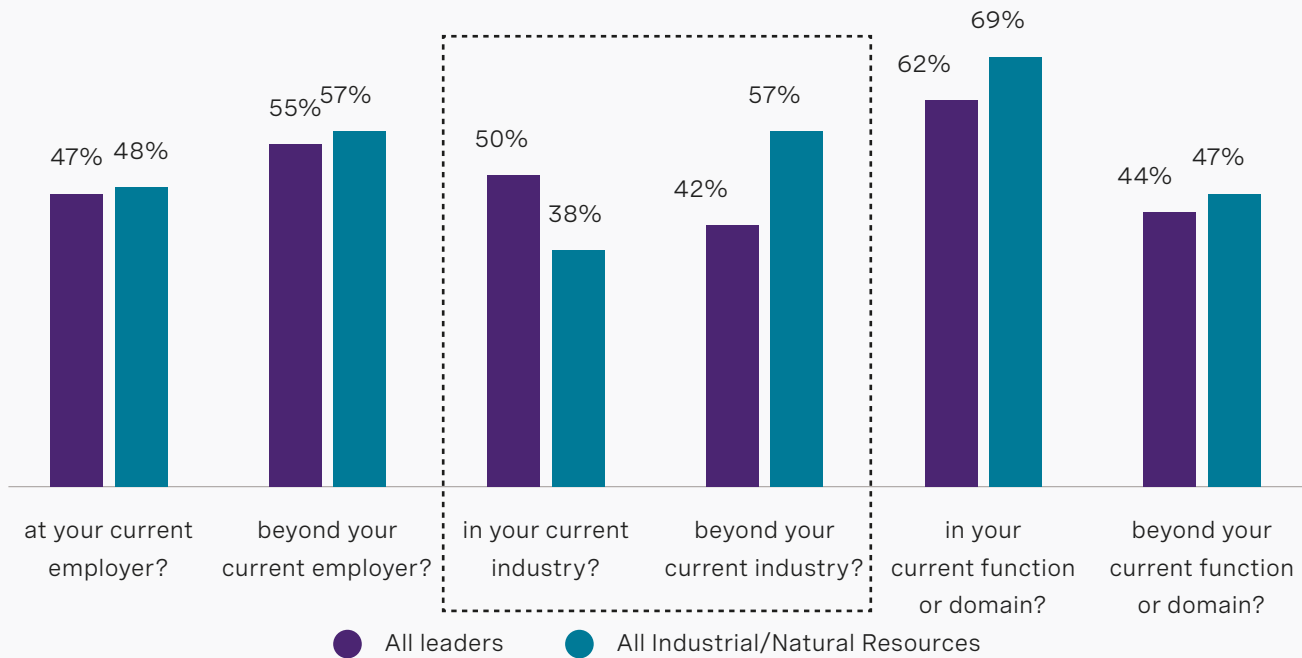
Source: RRA proprietary data from >4,000 placements in Industrial & Natural Resources companies since 2018; based on the last employer of the candidate prior to making the transition

Industrials on the hunt for new leaders and talent can also take advantage of the willingness of industrial leaders to transition within the broader sector. Not only is this important from a skillset perspective, but it's also necessary to keep industrial talent pipelines full. According to our H1 2023 Monitor, 57% of industrial leaders are likely/very likely to make a career move beyond their current industry today vs 42% of global leaders. If leaders are leaving the industry at a faster rate, openness to non-industrial talent will be crucial for avoiding a limited talent landscape in the future.

**Figure 3: Industrial & Natural Resource leaders openness to making a career move**

% of industrial/natural resources leaders selecting likely or very likely

“How open are you to making a job/career move today? How likely would you be to make a move...”



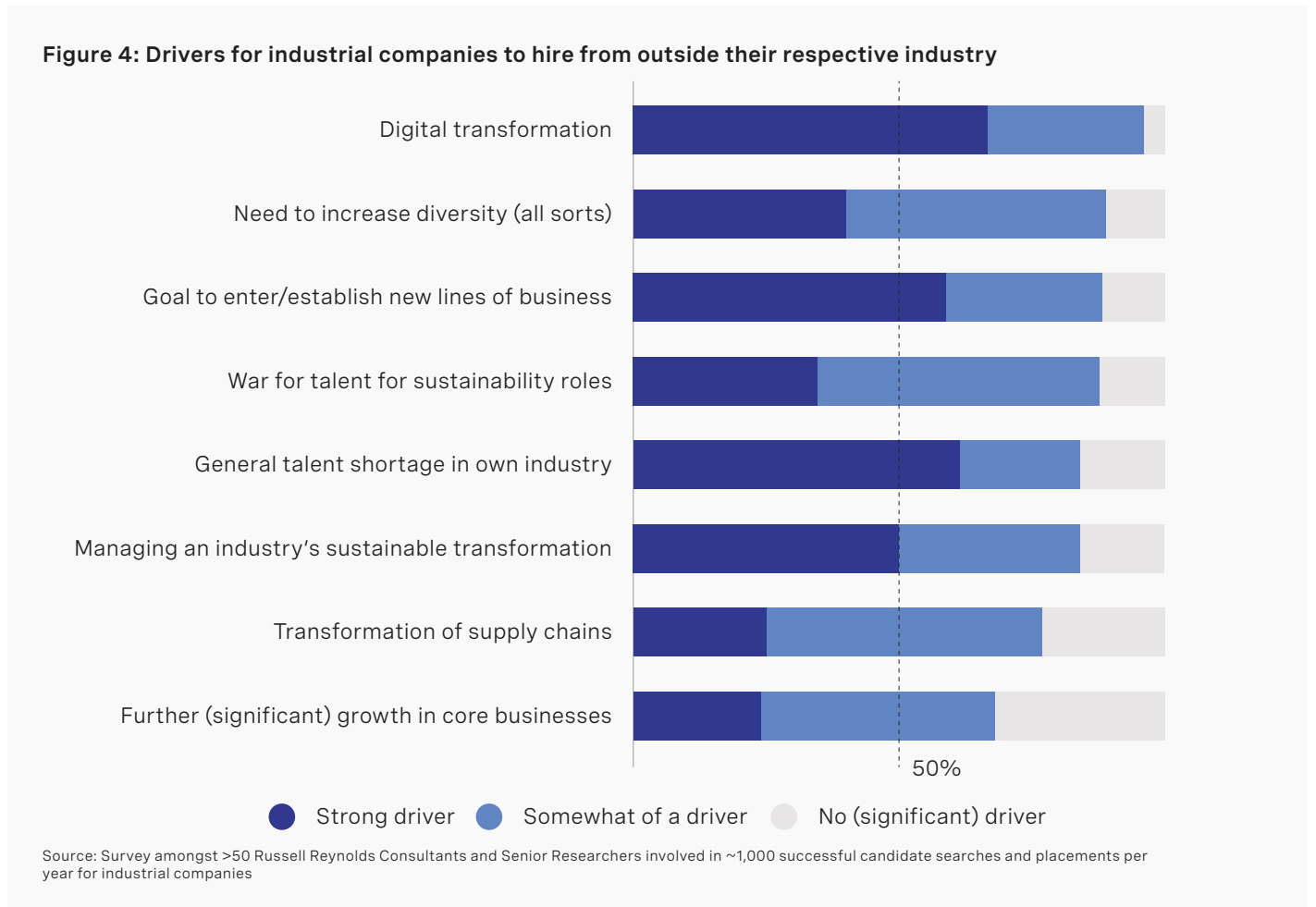
Source: Russell Reynolds Associates H1 2023 Global Leadership Monitor, n = 872 global C-suite leaders, and next gen leaders; n = 135 Industrial/natural resources leaders



When organizations look for talent outside their native industries, it's typically to:

1. Digitally & sustainably transform
2. Enter new businesses
3. Cope with a general talent shortage, particularly in regards to diverse leaders

Figure 4: Drivers for industrial companies to hire from outside their respective industry

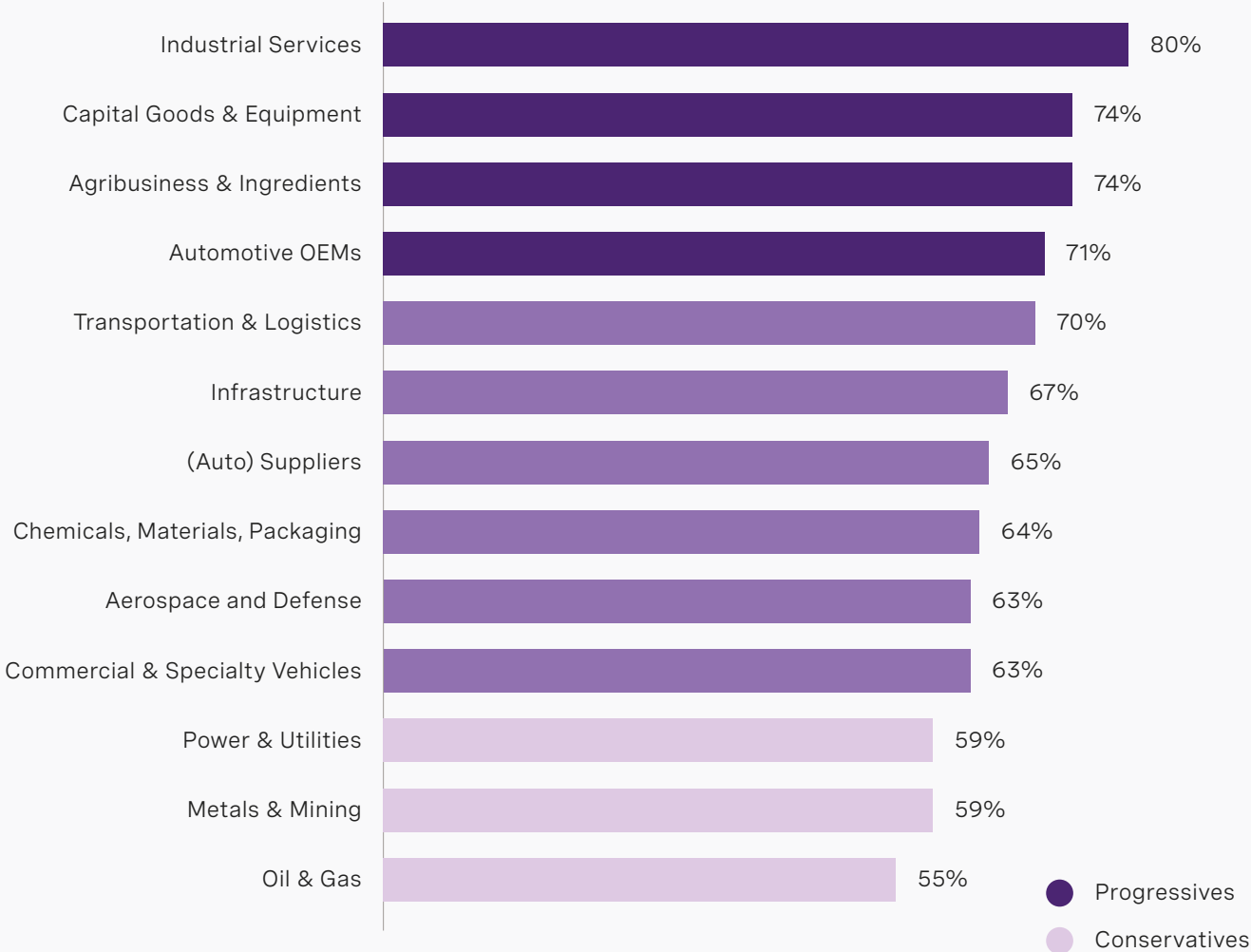


# Certain industries are more progressive with regards to hiring from outside the industrial and natural resources industry than others.

Some industries were more progressive with regards to hiring from the outside than others in the past. Automotive OEMs, agriculture & ingredients, capital goods & equipment, and industrial services & infrastructure companies most often hired "from the outside." Alternatively, oil & gas, metals & mining, power & utilities are the most "conservative" in this respect.

Since these "conservative" industries are undergoing transformation and require leaders to drive it, they especially may want to increasingly consider nontraditional talent pools, too. In fact, many success stories exist in these industries, too, e.g., with new leaders for commercially-oriented and digital roles bringing in fresh perspectives for both, traditional as well as new business areas.

**Figure 5: Percentage of candidate placements from outside the respective industry**



Source: RRA proprietary data from >4,000 placements in Industrial & Natural Resources companies since 2018



## Hiring from outside the industry happens across functions, with demands for increased technology and commercial expertise—even at the CEO level.

We have observed demand for external talent across all functions. Unsurprisingly, the need to digitize has driven demand for technical expertise from outside the industrial space. Additionally, industrial board members come from a variety of industries in order to cover the various board functions. Similarly, for more industry-agnostic roles where functional expertise is key—HR, finance—talent comes from a variety of sectors.

Perhaps more surprisingly, industrial companies are also very often seeking experience outside their industry for commercial roles; for example, when transforming from a product to a solution-based organization. For technology / commercial roles, over 80% / 70% of RRA consultants and researchers believe that outside of industry hiring will continue to play a (somewhat or very significant) role.

When it comes to CEOs and operations & supply chain officers, companies typically value extensive industry experience. Still, half of the CEOs RRA placed since 2018 came from another industry.

Diverse talent from different backgrounds is not only important in industry-agnostic functions. Eventually, every function can benefit from complementary skills and experiences, and companies should not miss out on this opportunity to differentiate.

**Figure 6: Percentage of candidate placements from outside the industrial industry by function/role**



Source: RRA proprietary data from >4,000 placements in Industrial & Natural Resources companies since 2018



# Setting the unconventional candidate up for success in the industrial & natural resources industry

When looking for a transition candidate, Russell Reynolds looks for:

1. **Successful transition track record** - Demonstrated ability to perform in different industries and settings, ideally, successfully transitioned before, demonstrated adaptability. That said, we would not recommend to change too many dimensions (industry, role, scope of responsibility, ...) at once.
2. **Wide Leadership Span** - A candidate's ability to pivot and adapt based on the specific context in which they're operating generally allow them to better perform in ambiguous or challenging settings.
3. **Intelligence & curiosity** - While we assume a certain higher level of intelligence and curiosity in all successful (future) leaders, those that are especially "fast on their feet," are more likely to hit a new ground running too. They will be less likely to simply just copy and paste what has worked before in their "home-turf," but adapt and optimize successful practices to a new setting.
4. **Strong stakeholder management skills** - Building credibility can be challenging without past industry successes to rely on. Therefore, it is even more important to "connect & click" with all stakeholders. Failure to understand industry specificities—like working with associations, labor unions, specific shareholder groups—can cause unprepared candidates to stumble.

But even the most adaptable, curious candidate will struggle if the hiring company does not create an environment in which they can thrive. This starts when designing the search process and continues through interviews and onboarding. From our experience, the following four actions are especially important for hiring companies:

1. **Clear strategy articulation** - A vague plan to "hire for fresh perspectives" is not enough. There needs to be a clear strategy and articulation as to why the new leader's external skillset is needed. If not, the "unconventional candidate" may feel undervalued.
2. **Top of the house support & communication** - Demonstrate support to create an environment where unconventional leaders can thrive. Communicate industry differences; e.g., clarify that different industries work at different speeds (in decision-making, product development/innovation cycles, etc.) Ignorance will lead to friction.
3. **Effective & tailored onboarding** - Connect the new leader to key people early, including "industry" mentors that will ease their transition into this new space.
4. **Think "complementary"** - Rather than expecting the new hire to do it all, create an effective team that together will tick all the boxes.

# Where next?

- **Understand which key (new) skills and talent are required to deliver your strategy.** Ensure that your strategy not only is translated into mid-term/longer-term financial plans, but also into an HR strategy reflective of future needed profiles.
- **Expand your target universe.** When it is possible to prioritize skills over years of industry experience, be creative regarding where to look for the leaders/ talent with these skills—even beyond your own and adjacent industries.
- **Create an environment for unconventional talent to thrive.** Be outspoken and communicate why you are bringing in unconventional talent/leaders. Do not expect for things to work out without the proper supporting structures.

## Methodology

We analyzed over 4,000 RRA candidate placements across all functions (board, CEO, C-suite, and next generation leaders) in industrial and natural resources industries since 2018 to understand how often cross-industry transitions take place when companies look for external candidates. Industries analyzed include auto OEMs, suppliers, commercial and specialty vehicles manufacturers, agriculture, chemicals/materials/ packaging, metals & mining, oil & gas, power & utilities, aerospace & defense, capital goods & equipment, industrial services, infrastructure, transportation & logistics.

Additionally, we surveyed over 50 RRA consultants and senior researchers involved in these searches to understand more qualitatively, why and for what industries were looking beyond industry borders. As a part of this survey, we investigated approximately 50 cases more closely, to understand in detail pitfalls and success factors of industry transitions.

# Authors

**Saya L. Fryer** is a member of Russell Reynolds Associates' Industrial and Natural Resources Sector. She is based in Calgary.

**Markus Knopf** is the Global Knowledge Leader of Russell Reynolds Associates' Industrial & Natural Resources Sector. He is based in Munich.

**Jina Abells Morissette** is a member of Russell Reynolds Associates' Industrial and Natural Resources Sector. She is based in Calgary.

**Marnie Smith** is a member of Russell Reynolds Associates' Board & CEO Advisory Partners, Industrial and Natural Resources and Financial Services Sectors. She is based in Calgary.

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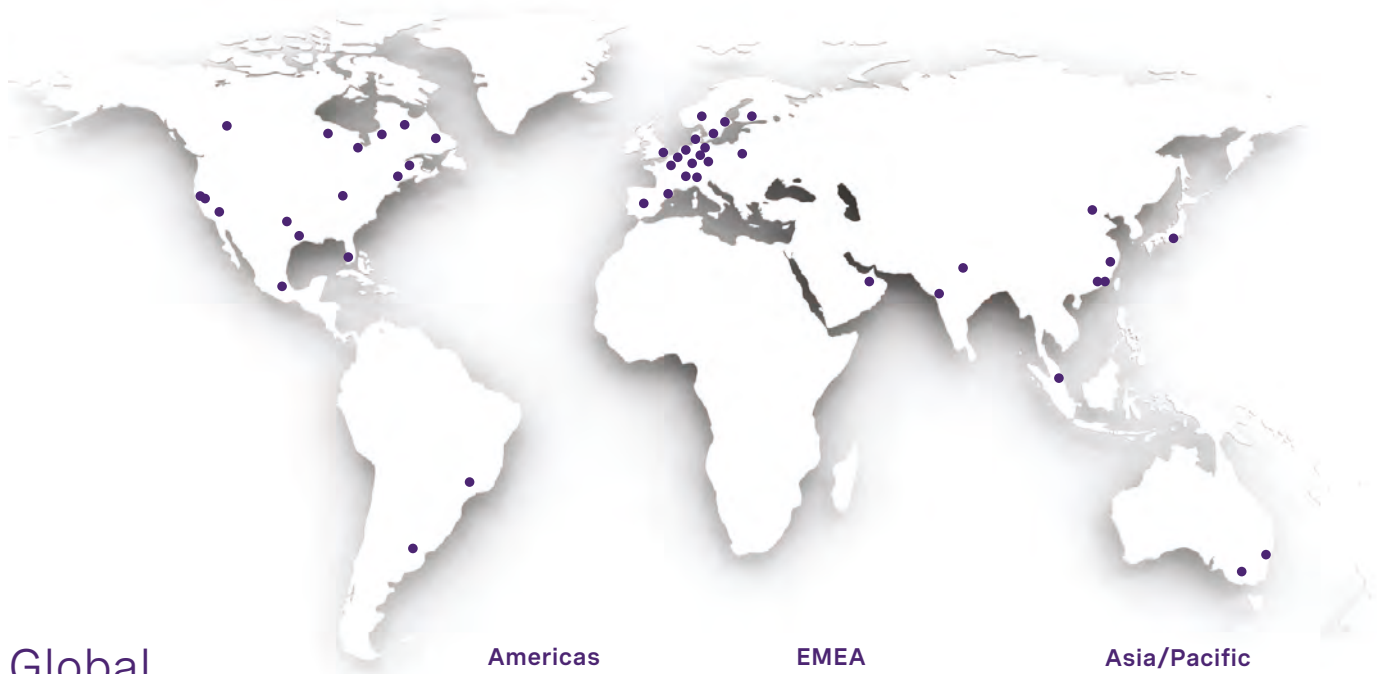
## References

1. H1 2023 [Global Leadership Monitor](#)
2. [Indispensable Tensions: Leadership Span and the science of C-suite success](#)

# About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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