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The Spotlight

Spotlight, our regular Q&A with clients and colleagues, highlights leading viewpoints on trending topics in the world of human resources.

Photos from top left

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How U.S. and European Firms are Approaching Location Strategy

The rise of remote work as a result of the COVID-19 pandemic is both a catalyst and a disruptor to traditional location strategy. It also ensures HR is a part of key strategic discussions. Firms who get their location strategy right will drive growth, enhance productivity and deliver efficient savings while improving their access to talent.

To explore this topic further, we spoke with leaders in our human capital practice across Europe and North America to learn more about how regional differences are dictating new approaches to location strategy.

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Questions and Answers

What trends are you seeing in talent availability and cost?

Considering the growing pressure from investors and governments to disclose climate approaches and strategies, we are starting to see companies of all sizes across industries and regions picking up the pace to take action. That said, there are still some pockets that are outpacing the rest. Multinationals and conglomerates seem to be acting faster than most national and middle-market firms. Further, industries pivoting away from certain operations seem to be more prepared for the transition than others, likely in-part due to the pressure from institutional investors like BlackRock. As we see increasing numbers of investors stepping in to support these disclosures and more governments mandating them, we expect there will be a wave of companies focused on quickly adding language to their earnings reports to show that they are adopting frameworks, such as the Task Force on Climate-related Financial Disclosures (TCFD). When this type of action is commenced, investors and other stakeholders will closely monitor the adoption and hold companies accountable to their word. We anticipate that these disclosures will become the norm in annual reporting for the immediate future. – *Jeff Lee*

That's right, Jeff. And what makes this a complex process is the outlook of skills needed for the future of work. Coding languages come and go. What allows us to do our job today may be different tomorrow. Like the U.S., this has sparked European firms to search beyond their city limits and rethink their talent pool locations. When we look at trends in venture capital investment in tech firms, places like Estonia, Poland and Finland are gaining traction due to strong government support of startups. Having such support translates into higher trends of core future skills in these countries. – *John McLaughlin*

Once a firm decides on a new location, how difficult is it to set up a successful recruitment capability?

Your firm picks a location, rents an office or builds a facility and everything is set, right? Not quite. That's only one part of the equation. The other part is staffing that location with talent that is going to deliver results in that environment. You want to hire people with the right skillsets, mindset and overall fit for your organization. It's important to find people that will perform and stay with you. Using online assessments is one way to tackle this. It allows you to deal with high volumes of applicants efficiently and fairly, while ensuring you make the right hiring decisions. – *Mina Morris*

One of the first things that comes to my mind is Tesla picking Germany for its new European Giga Factory. They are building the site now and will employ up to 7,000 staff right outside of Berlin. Tesla chose this location due to its solid talent pool. It's not always about tax breaks. Hiring people with the right skillsets, mindset and the right fit for your organization is key. – *John McLaughlin*

What factors should firms consider when determining where and how their people work?

This past year has led many employers to re-evaluate the need for people to be in the office full-time – and whether an expansion of remote or hybrid working models may change the calculus on where to maintain physical office space. Virtual work also enables firms to source talent more nationally or even globally. We are seeing many firms use labor market data in fresh and interesting ways, such as identifying new talent catchment areas or monitoring competitive rates of pay in real-time and then using that data to refine recruitment strategies accordingly. Firms are also increasingly using their location strategy as a tool to help drive diversity and inclusion efforts. – *Jeff Lee*

As in the U.S., there are also government factors at play in Europe. One example is Brexit – the recent deal was pretty threadbare on financial services, so we anticipate more to come on that. However, so far we have seen some jobs shift to Paris, Dublin and Frankfurt. JP Morgan CEO Jamie Dimon recently indicated that there could be further role moves to the EU.¹ Outside of financial services, firms such as Nissan and Ford have committed to the UK. I believe the full impact of Brexit will become clearer in the coming months as we continue to open our economy. There is also protectionism. We've all witnessed friction between the UK and EU, most recently over the COVID-19 vaccine. As a result, Astra Zeneca ramped up its production facility in the UK resulting in more national hires. – *Nick Yazdani*

Do you see the strategy around where people work as HR led or business led?

It's usually most effective when both parties are deeply invested. Deciding whether to have your workforce remote or hybrid cannot be made by HR in isolation, although we are finding that HR can play a key role in structuring the organization's decision-making process. We've supported our HR clients to help them engage the broader business, including providing data assets to build a realistic perspective on which roles can function in a remote or hybrid environment. We can then use this perspective to drive structured and productive conversations with HR and business stakeholders. Finally, it's essential to evaluate how people feel about flexible working and whether they have the skills and resources needed to succeed in a virtual environment. – *Kate Cramer*

To learn more about the rise of remote working and its impact on location strategy and the future of work, please download our white paper, *Defining How and Where People Should Work*.

¹ Source: <https://www.thelondoneconomic.com/business-economics/jpmorgan-considering-moving-all-european-business-out-of-london-263558/>

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About Human Capital Solutions

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