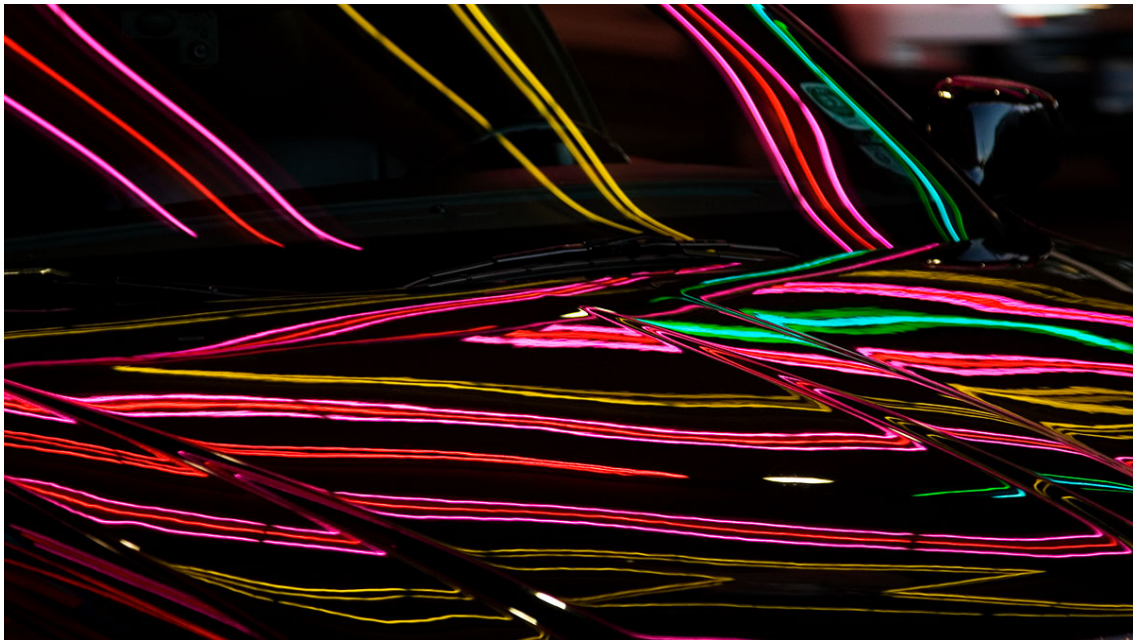


Change Management

How Volvo Reinvented Itself Through Hiring

by Ram Charan, Dominic Barton, and Dennis Carey

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Summary. Volvo's actions offer a textbook case in how to go outside the company to retool your workforce for a transformational initiative. CEOs must have a strategy for “talent M&A” — that is, how they will aggressively target pools of external talent to keep ahead of new... [**more**](#)

Many legacy companies would like to transform themselves into agile, talent-first organizations. But when some CEOs in this position look at the people they employ, they discover a problem: a swath of their

existing team doesn't have the necessary skills or metabolism for change to meet the new challenges.

Developing what we call an "M&A strategy for talent" is one way to overcome this. Volvo's turnaround over the last decade offers a great example. For years, Volvo was a brand stuck between a rock and a hard place. Its cars didn't match up well with those of top luxury brands like Mercedes, BMW, and Audi, yet the company lacked the capacity to compete with mass-market leaders like Toyota and GM. Under new ownership (Volvo was sold to China's Geely by Ford in 2010), the Swedish automaker decided to transform its product line by becoming a premium player. CEO Stefan Jacoby and CHRO Björn Sällström rigorously examined Volvo's existing workforce. The result was clear: to move into the premium-brand tier, Volvo needed new people with different skills. "Technically, cars today are very different from ten years ago," says Sällström, whom we interviewed for our book, *Talent Wins*. "Once, you needed mechanical engineers. Today, there's a greater need for software engineers because cars are computers more than anything else." Sallstrom had a second reason for looking outside the company: He and Jacoby believed that only an infusion of fresh talent could transform Volvo's culture into an entrepreneurial one.

Volvo took three critical steps to ensure that its outside-in transformation would work. The first was to put Sällström at the heart of the initiative. The CHRO needs to be at the center of any acquisition of talent from the outside. This is true for pure acquisitions of talent, like the acquihires that are so popular in Silicon Valley. But it's also true for more traditional M&A, where CHROs are too often sidelined, rather than being central to driving strategy. Today's talent-driven companies know that talent is what drives outsized value. That's why they deploy financial and human capital together, aligning the two for maximum impact. At these companies, the CHRO plays a central role in any kind of acquisition. While Volvo didn't acquire companies as it went looking for outside talent, CEO

Jacoby, and his successor, Håkan Samuelsson, counted on Sällström to find what the company needed in places it had never explored before.

That brings us to the second step: expanding the company's peripheral vision. To get the skills and change agents it needed, Volvo looked outside the automotive industry. Sällström mapped outside industries, looking for people with pertinent skills. He was creative and, in some cases, counterintuitive. He hired salespeople and marketers from Google, who transformed Volvo's use of technology and social media in those disciplines. He hired Nokia engineers, who were accustomed to thinking about what digital forms appeal to consumers, to redesign radio and navigation systems. He and Samuelsson looked to the fashion industry, hired craftsmen, and shook up the managerial ranks by hiring executives who had conceived and executed significant strategic shifts at bigger companies. Between 2011 and 2015, the company added 3,000 new people in engineering and development.

Third, the company developed a strong system for integrating that new talent. Communication was vital: Jacoby first described the strategy shift to Volvo's key 300 employees, while Samuelsson, following his predecessor's lead, holds regular live chats with employees. Training was also essential: Jacoby and Sällström implemented a range of initiatives designed to shift the staff into a more entrepreneurial mindset, and each of the 300 key leaders was given a personal coach. Implementing change through the company's networks also helped. Jacoby created a thirty-person "catalyst group," mostly of younger employees, and charged it with showing others in the organization that work could be done differently. For example, its members asked why every design change in a car required a dozen signatures and managed to cut that number in half. "The small things in a transformation," says Sällström, "can send a signal." After two years of getting the company to think more entrepreneurially, the catalyst group disbanded — further proof of the company's new aversion to unnecessary overhead.

It's still too early to say that Volvo has definitely turned itself around. Says Sällström: "Even with all this outside DNA, it's a long journey to change the mindset of an organization. It's still a work in progress." Financial signs are certainly pointed in the right direction. Net revenue hit an all-time high in 2017, and profits rose for the third consecutive year. The company sold 571,000 cars last year, up from 373,000 in 2010. Volvo has carved out a spot in the competition to introduce autonomous cars. And its cars are winning rave reviews: According to Edmunds, the XC90 SUV "puts Volvo right back in the game."

Volvo's actions offer a textbook case in how to go outside the company to retool your workforce for a transformational initiative. CEOs must have a strategy for "talent M&A" — that is, how they will aggressively target pools of external talent to keep ahead of new strategic opportunities. This means expanding their talent horizon, especially when the biggest threats and opportunities may come from out their traditional industry. And it means implementing the transition with care to avoid "organ rejection" of externally sourced talent. Reaching outside to transform your company is sometimes necessary, but it's always complicated. Volvo offers a road map of how to pull it off.

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