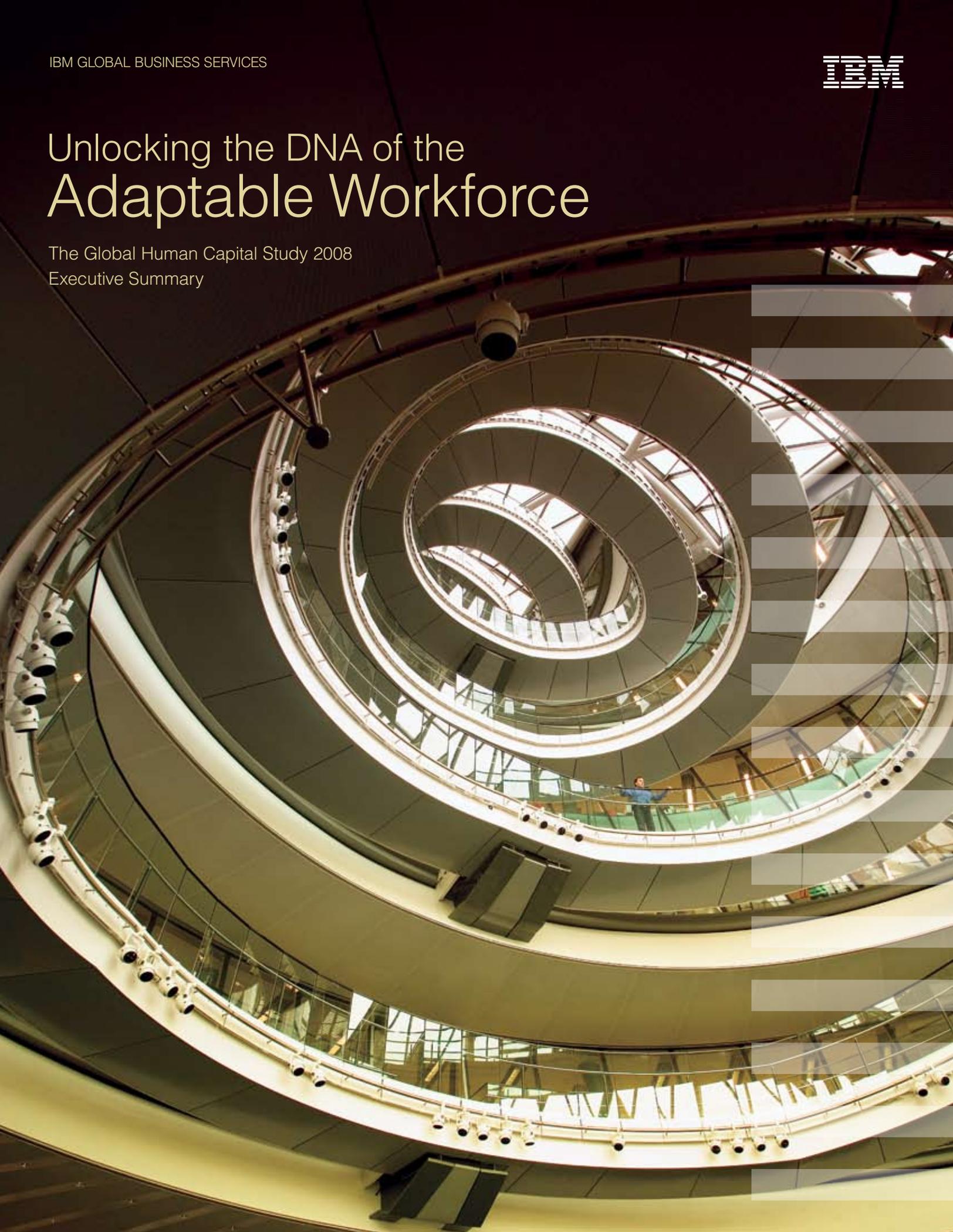


Unlocking the DNA of the Adaptable Workforce

The Global Human Capital Study 2008
Executive Summary





Unlocking the DNA of the Adaptable Workforce

The global economy is transforming into an integrated market, full of opportunity, competition and swirling change. Such change comes with its share of challenges. Indeed, the strain that global economic growth is placing on the supply of commodities and the environment has been well documented. Perhaps less well understood are the difficulties this expansion is causing today's organizations as they strive to make the best use of their most important assets: their workforces.

However, as any firm that has attempted to transform its workforce to meet changing conditions will attest, the journey is difficult and littered with obstacles. Understanding key workforce performance challenges and identifying the leading practices companies are using to overcome them have become central focus areas for our research and consulting.

This study is based upon primary research recently conducted by the IBM Global Business Services Human Capital Management practice and the IBM Institute for Business Value, with assistance from The Economist Intelligence Unit. More than 400 human resource executives from 40 countries participated in a structured interview designed to capture insights on the subject of workforce transformation. To provide additional insights, we also drew from a range of sources, including: secondary research, financial analysis, previous IBM studies, our extensive experience working with clients and IBM's own internal transformation story.

Cover image: In conventional terms, London City Hall has no front or back: its shape is derived from a geometrically modified sphere. The energy strategy for the building enables it to run on a quarter of the energy consumed by a typical high specification office building. A distinctive characteristic is that it leans back toward the south, providing natural shading from the most intense direct sunlight.

Image left: Shanghai Pudong International Airport is a major international gateway into China, handling over 17 million passengers a year. Built in 1999, it replaced the Hongqiao Airport as Shanghai's international transportation hub. It is connected to Shanghai by one of the first commercial high-speed maglev railways in the world.

Our analysis identified four important themes that require the attention and focus of senior executives across the organization, including those responsible for the HR function. These are:

- Developing an adaptable workforce – A critical capability
- Revealing the leadership gap – Future growth at risk
- Cracking the code for talent
- Driving growth through workforce analytics.

Developing an adaptable workforce – A critical capability

There can be no doubt that winning in competitive and quickly shifting global markets requires responsive organizations. However, for many companies, workforce adaptability has been elusive. Among our study participants, we found that only 14 percent of respondents believe their workforces are *very capable* of adapting to change (see Figure 1). What do these leading-edge adapters do that others don't?

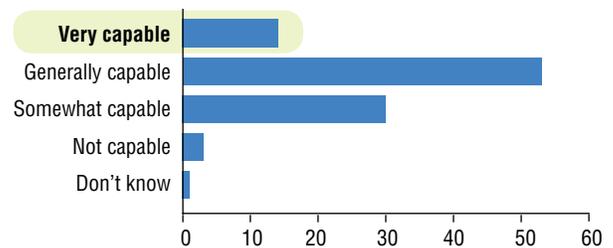
Our findings suggest that three key capabilities influence the workforce's ability to adapt to change. First, organizations must be capable of predicting their future skill requirements. Second, they need to effectively identify and locate experts. And lastly, they must be able to collaborate across their organizations, connecting individuals and groups that are separated by organizational boundaries, time zones and cultures.

“Businesses change every day, and the development of a workforce that can cope with change is not easy.”

*– General Manager, Human Resources Group,
Japanese transportation company*

Many organizations are currently developing these capabilities as independent initiatives, rather than as part of a more comprehensive approach to workforce management. For example, the job of predicting future skills is often left in the hands of the learning and development function, while collaboration projects might be nestled within a newly founded Innovation team, or even the IT function. Yet, all of these capabilities require the joint attention and effort of multiple stakeholders, including the line organization, to truly contribute to bottom-line results. While emerging technologies such as automatic expertise locators and Web 2.0 social networking tools are slowly being adopted to better identify and connect experts around the globe, they need to be woven into the fabric of day-to-day work.

Figure 1. How would you rate your workforce's ability to adapt to potential changes in the business environment?
(Percent)



Source: IBM Global Human Capital Study 2008.

Revealing the leadership gap – Future growth at risk

No complex organization can transform itself without great leaders – those who can deliver today’s business results while guiding the organization through ongoing turbulence and uncertainty. As organizations face new challenges associated with globalization and innovation, new leadership skills are required. We believe successful future leaders will need to work more effectively with outside partners; serve as role models and mentors to individuals who are increasingly dispersed across countries, regions and geographies; and provide guidance and structure to employees who come from a variety of generations, experience levels and cultures.

Companies in our study expressed their deep concern over the current and projected shortage of such individuals, with over 75 percent citing their inability to develop future leaders as a critical issue (see Figure 2). Given the explosive growth in emerging markets,

“The magic ingredient of any organization is leadership.”

– CHRO, consumer products company

and the retirement of experienced personnel in more-mature economies, our data suggests companies are placing their futures at risk if they cannot identify, develop and empower the next generation of leaders.

Together with participants from our study, we see leading companies developing a systematic approach to identifying future leaders from around the globe, providing individuals with a broad range of job opportunities across their organizations and matching potential leaders with mentors who can share valuable knowledge and provide access to networks. Leadership development is a process that needs to reach far down into the organization, tap high-potential individuals early in their careers and provide them with the core skills they need to identify new opportunities, develop innovative solutions and deliver results.

Figure 2. Which are the most significant capability-building challenges facing your organization today?

(Percent)



Source: IBM Global Human Capital Study 2008.

Perhaps most important to the success of developing future leaders, however, is the willingness of the entire organization to take responsibility for selecting individuals and providing them with the appropriate guidance and experiences. While the Human Resources function can play a major role in developing critical and creative pathways that allow individuals to advance their careers, only the organization as a whole can commit the resources and provide the supportive culture needed to make leadership development truly successful.

Cracking the code for talent

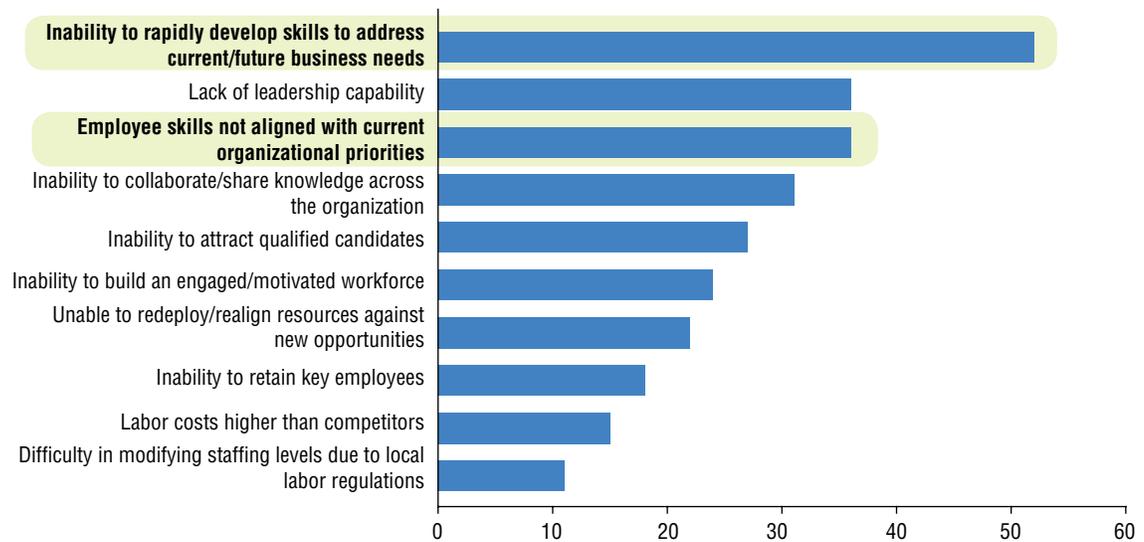
Much has been written in the popular business press about the ongoing “war for talent.” Companies we have worked with, across a range of sectors and regions, have echoed this concern and have begun

to attack this problem on a number of fronts. These include upgrading the skills of current employees, understanding and tackling issues related to employee engagement and turning their attention to attracting talent from the outside.

Respondents from our study are clearly focused on overcoming their inability to rapidly develop employee skills and align those skills to future business needs (see Figure 3). However, what is surprising is their relative lack of focus on attracting individuals from the outside and retaining existing employees, both of which rank low on the priority scale. Even more interesting is that almost 60 percent of companies in the study believe they do a better job of attracting and retaining talent than their competitors. Given these findings, is it safe to assume that companies have cracked the code for managing talent?

Figure 3. What do you see as the primary workforce-related issues facing the organization?

(Percent)



Source: IBM Global Human Capital Study 2008.

Our experience suggests otherwise. Given the changes in employee demographics, the ease and speed of switching employers and the differing expectations of the Generation Y workforce, we believe that companies will have to become more, rather than less, innovative in the ways they attract, motivate and develop employees. Organizations will need to seek out new and innovative approaches to managing talent by broadening their focus to include the entire employee lifecycle. This will involve greater emphasis on segmenting and targeting talent, reaching out to alternative labor pools such as older workers and corporate alumni, and even developing a presence in virtual worlds and social networking sites to cater to a more tech-savvy population. Managing this kind of talent market requires a structured, analytic approach to attracting, developing and retaining key personnel.

“Our market leadership and our international reputation are both key in attracting and retaining employees.”

– HR Director, professional services firm

Driving growth through workforce analytics

Companies in our study point to two strategic imperatives: improving operational excellence and increasing top-line growth. Each of these strategies creates a different set of workforce implications. To prioritize these issues and provide input into the broader organization's business direction, we would expect HR and the business units to engage in an ongoing dialogue about strategic workforce investments and transformation programs. Is this happening today?

The good news is that after years of effort, HR sees itself slowly moving beyond its traditional transactional role and migrating toward a more strategic relationship with the business. The bad news is that just 39 percent of companies in our study are actually conducting these strategic two-way discussions on a regular basis.

Missing from these strategic conversations are the analytics needed to develop insights and formulate business cases for investment. Our research clearly highlights a lack of systems integration, an inability to extract data and a dearth of clearly defined metrics (see Figure 4). Not only are organizations finding it difficult to link human capital information with data from Sales, Finance and other related departments, they are often unable to share information across applications used within HR itself. Without consolidated information, executives find themselves unable to identify their rising stars, reward solid performers for their contributions and retain desired employees.

Figure 4. Which barriers are most likely to prevent your organization from using human capital data and information to make workforce decisions?

(Percent)



Source: IBM Global Human Capital Study 2008.

Challenges surrounding integration and data quality are currently taking precedence over the need to improve the analytic capabilities of HR personnel. However, previous research and leading practices suggest that companies that successfully leverage human capital information do more than just focus on developing data standards and connecting systems. Not only do they provide key metrics that can improve workforce productivity and performance, they also enable their HR personnel to translate human capital data into executable strategy.

“Until recently – and perhaps even now – 90 percent of HR personnel’s job has just been about obtaining the data rather than analyzing it!”
 – VP of HR Operations, European industrial company

Conclusion

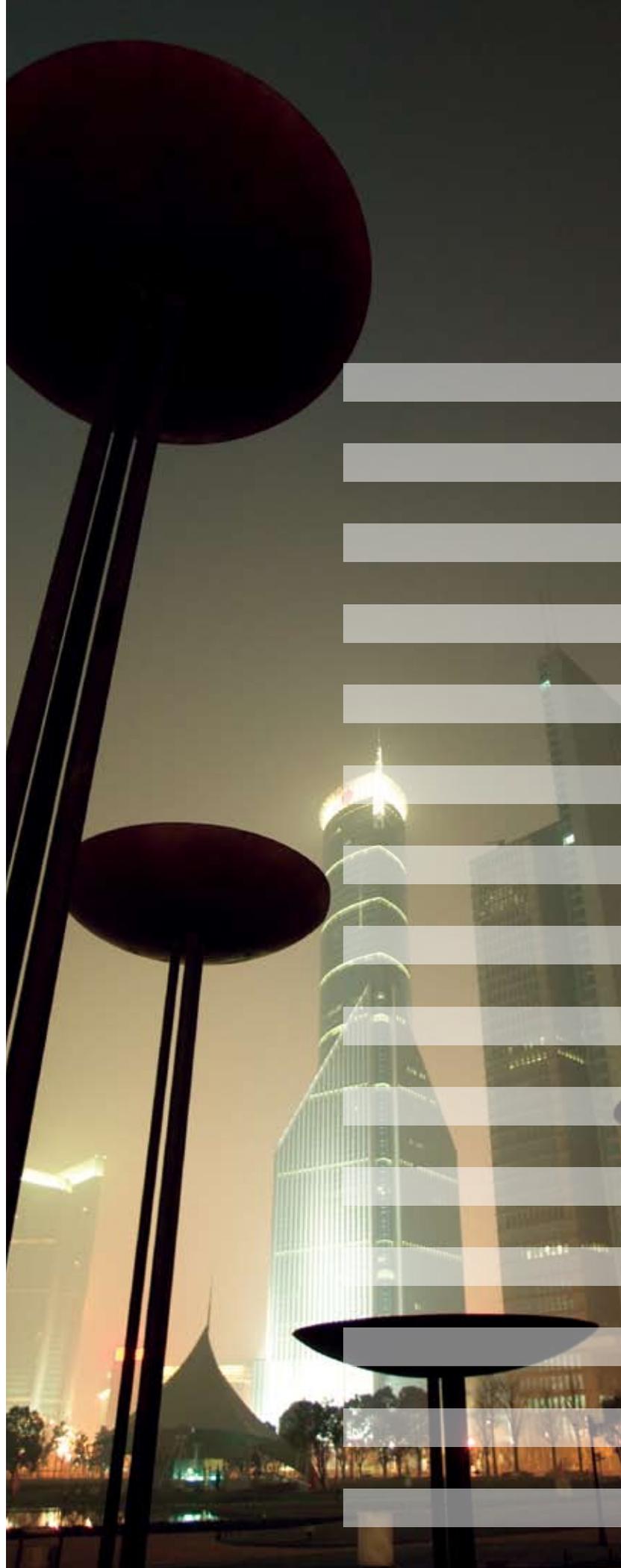
From our study and many experiences working with clients in the human capital arena over the last several years, we distill the following conclusions about these mission-critical issues:

Creating an adaptable workforce requires more than a series of HR programs. It starts with leadership – having the right people who have the skills and capabilities to develop and communicate a vision, provide structure and guidance and ultimately deliver business results. It requires the ability to identify experts and foster an environment where knowledge and experience travel beyond traditional organizational boundaries. It calls for a talent model that can help companies recruit, develop and retain valued segments of the employee population. It depends on an underlying backbone of data and information about the current and projected state of workforce performance, and the ability to apply that information to develop strategic insights and recommendations.

The human resources organization, by itself, cannot be expected to shoulder this entire effort. True, the HR function needs to take a lead role in providing strategic guidance on workforce issues and designing human capital programs that can enhance workforce effectiveness. However, the entire executive suite needs to play a role in improving workforce performance. This may involve providing functional expertise, taking joint responsibility for executing human capital programs or simply setting a positive example for employees within their organizations. Without this unified commitment, all bets are off.

The adaptable workforce is a precursor for future organizational success. The key to building that kind of workforce lies with the leadership of the organization, facilitated in large part by HR. If there was ever a time for the HR function to prove its strategic value and contribute to organizational performance and growth, it has arrived.

Image right: Since 1990, when Shanghai's Pudong district was designated a Special Economic Zone, it has been transformed from marshy fields and warehouses to ultramodern towers housing the city's economic and trading centers. These sculptures in Lujiazhu Green are symbols of this transformation.



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With business experts in more than 160 countries, IBM Global Business Services provides clients with deep business process and industry expertise across 17 industries, using innovation to identify, create and deliver value faster. We draw on the full breadth of IBM capabilities, standing behind our advice to help clients implement solutions designed to deliver business outcomes with far-reaching impact and sustainable results.

The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues.

About IBM Human Capital Management

IBM Global Business Services Human Capital Management (HCM) focuses on enabling enterprise innovation and performance through improved workforce effectiveness. With more than 2,000 practitioners, Human Capital Management has a full suite of end-to-end capabilities to address clients' challenges. Our capabilities include workforce transformation, learning solutions, knowledge and collaboration, HR strategy and transformation and outsourcing.

Further information

To find out more about this study or to speak to an HCM leader, please send an e-mail to one of the contacts listed or to global.benchmarking@us.ibm.com, or visit ibm.com/bcs/humancapital

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