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Unlocking the DNA of the Adaptable Workforce.

The Global Human Capital Study 2008

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Study Background

- Focus on how organizations are transforming their workforces to compete more effectively in business environment

- Interviews with 404 Chief Human Resources officers and senior HR executives (over 75% conducted face-to-face) between February and July 2007

- Mix of industries and organization sizes

- 40 countries representing Asia Pacific, Europe, Latin America and North America

Study key conclusions:

Improving Workforce Effectiveness…

- Is the responsibility of the **entire C-suite**, not just HR

  – To ensure commitment of time, resources, energy and focus

- Needs to be based on **human capital data and information**

  – To justify actions and build the case for change

- Requires an **integrated, architected** approach

  – To avoid conflicting priorities and misaligned resources

Enhancing workforce performance in today's turbulent business environment requires four key components

An **adaptable workforce** that can rapidly respond to changes in the outside market

Effective leadership to guide individuals through change and deliver results

An **integrated talent management model** that addresses the entire employee lifecycle
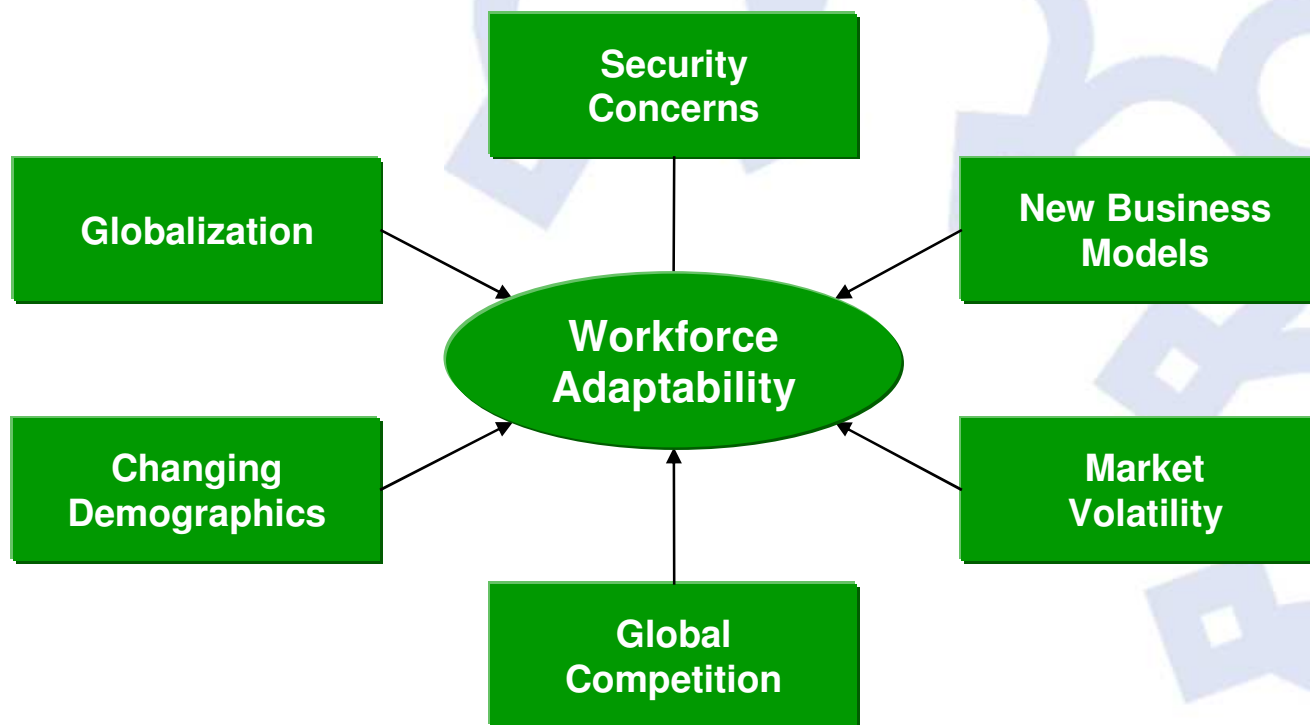
Workforce analytics that can deliver strategic insight and measure success

Developing an Adaptable Workforce – A Critical Capability

# Multiple forces drive the need to develop a workforce that is able to adapt to changing business conditions

Security Concerns

Globalization

New Business Models

Workforce Adaptability

Changing Demographics

Market Volatility

Global Competition

"Businesses change every day, and the development of a workforce who can cope with change is not easy."

- Japanese transportation company

Source: IBM Global Human Capital Study 2008.

Only a small number of companies believe their workforce is "very capable" of adapting to change
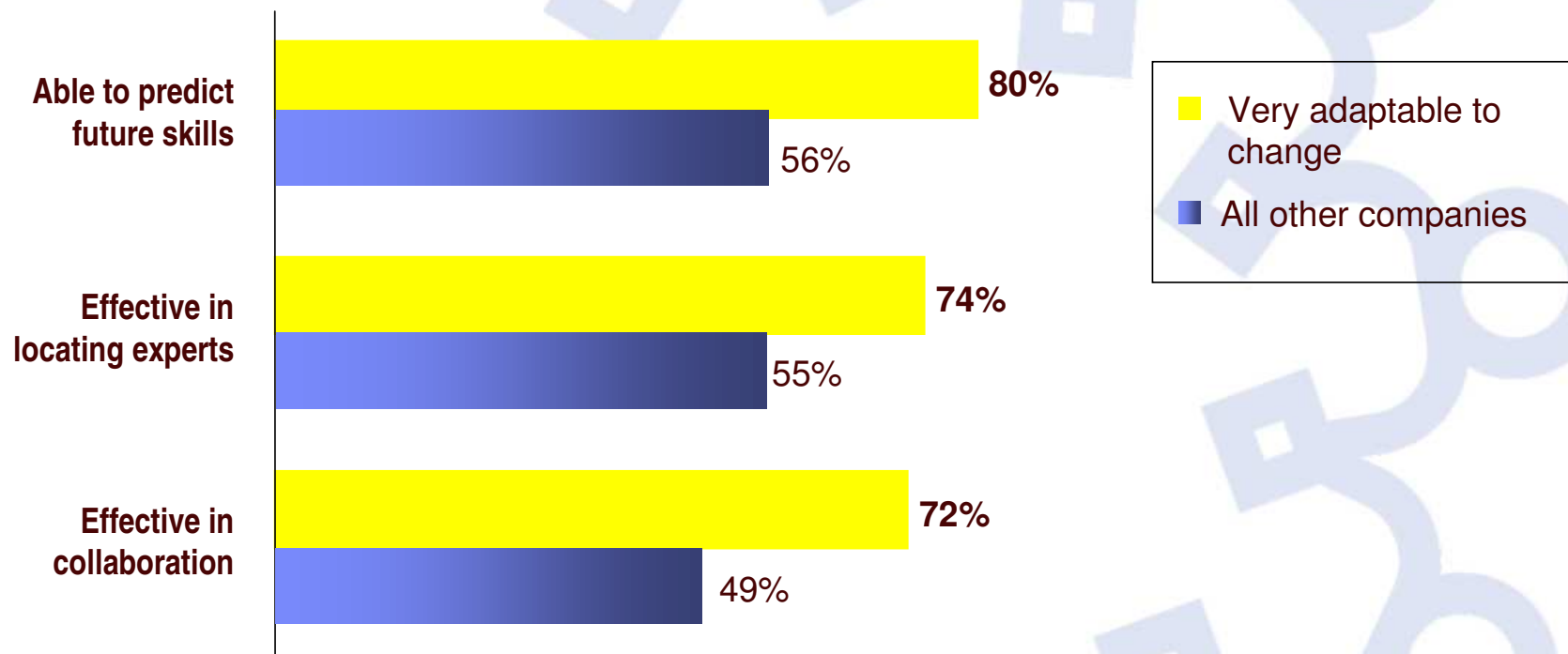
How would you rate your workforce's ability to adapt to potential changes in the business environment?

14%	53%	30%	3%	0%
Very capable of adapting to change	Generally capable of adapting to change	Somewhat capable of adapting to change	Not capable of adapting to change	Don't know
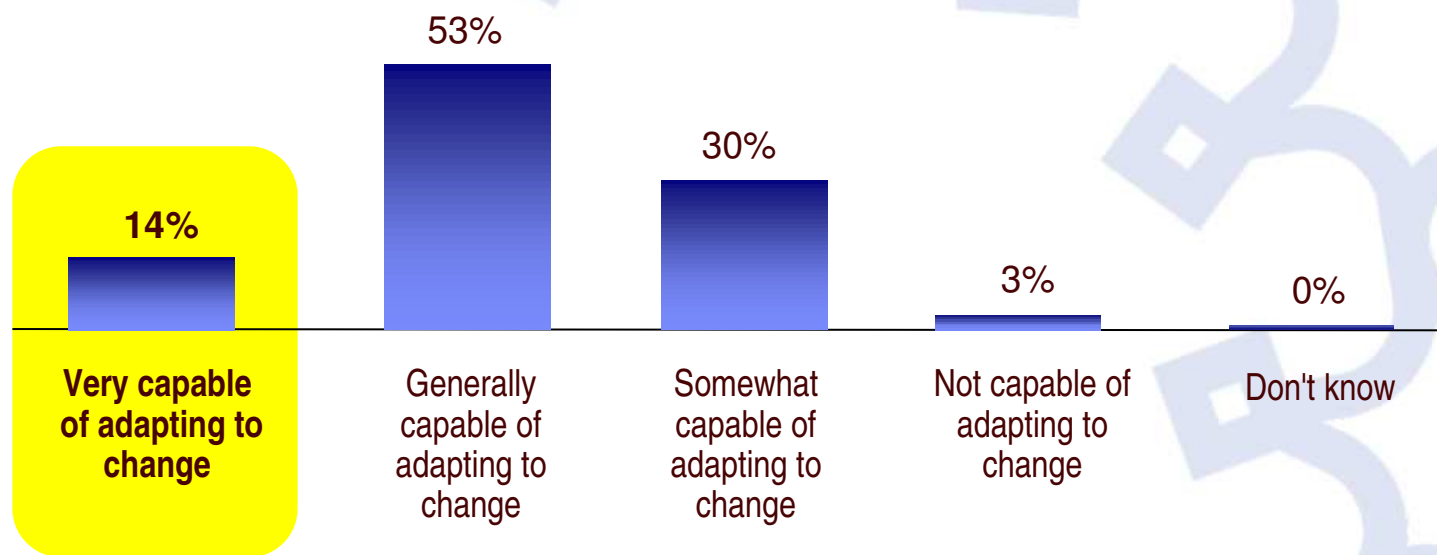
Developing the ability to predict future skills, identify expertise, and foster collaboration can help build an adaptable workforce

Characteristics of companies indicating their workforce
"Very capable of adapting to changing business conditions"

Able to predict future skills
- 80%
- 56%

Effective in locating experts
- 74%
- 55%

Effective in collaboration
- 72%
- 49%

Legend:
- Very adaptable to change
- All other companies

Organizations looking to improve their workforce adaptability should focus on three areas

Predict future skills

- Create a formal process to **anticipate the projected demand for skills** needed to deliver on the business strategy

Locate expertise

- Develop an expertise location capability that combines **formal skills management** efforts with **employee profiles and other social networking** technologies

Collaborate

- Foster collaboration through **communities, performance measures** and **embedding collaborative technologies** into day-to-day processes

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The Leadership Gap –
Placing Future Growth
at Risk

Organizations are finding themselves with a shortage of individuals who can provide leadership and drive business results

Global Expansion

"We are…expanding geographically to become more international and we need leadership in these new areas. Basically, we are trying to develop bench strength to position ourselves for growth."

- Manufacturing company

Maturing Workforce

"Fifty percent of our leadership positions across the organization could be vacated in the next five years, so the need to build leaders and pass knowledge on is consistent across the organization."

- Government agency

Organizations are clearly concerned with their current and future leadership capability

What do you see as the primary capability challenges facing your organization?

Challenge	Percentage
Building leadership talent	**76%**
Fostering a culture that supports learning and development	39%
Rotating leadership talent across business units/geographies	**36%**
Passing on knowledge from older to younger employees	28%
Forecasting needed skills in the near future	26%
Cross-training individuals needed in other parts of the organization	25%
Rapidly getting new employees up to speed	24%
Developing basic skills across the employee base	17%
Measuring the effectiveness of learning and development activities	15%

"The magic ingredient of any organization is leadership."

- CHRO, consumer products company

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Leadership development requires more than "dipping" people in executive education courses

Think global

- Manage potential leadership pools on a **global basis**

Recognize the need for new skills

- Enable future leaders to guide **virtual teams of employees** who come from a **diverse set of backgrounds and cultures**

Go beyond the classroom

- Incorporate **action learning, mentoring and job rotation** into leadership development programs

Provide future opportunities

- Avoid losing future leaders to the outside market by providing them with **opportunities to apply their new-found skills**

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Cracking the Code for **Talent**

The business press and analysts have flagged talent management as a potential risk area for many organizations

The Economist

China, Japan and North Korea's nukes
The great Airbus crisis
Misery for the Republicans
Can you really stop online gambling?
Angela's ashes: Merkel in trouble

The search for talent

Why it's getting harder to find

A 15-PAGE SPECIAL REPORT

"The typical organization does not have a handle on the effect that talent shortages and the graying workforce may have on the firm's ability to execute on its future strategy.

It is imperative that HR lead the way in conducting a risk assessment now. Once the risk is understood, HR can then help alleviate these risks by putting the right talent strategies in place -- strategies for identifying top performers, increasing retention, and positioning for future talent acquisition."

- IDC

Source: The Economist, October 7, 2006; IBM Global Business Services; IDC, *Worldwide and U.S HR Management Services 2007–2011 Forecast*, Doc#206320, April 2007

We see higher turnover affecting a significant amount of companies in our sample

In the past two years, what changes have there been to the level of turnover within your organization?
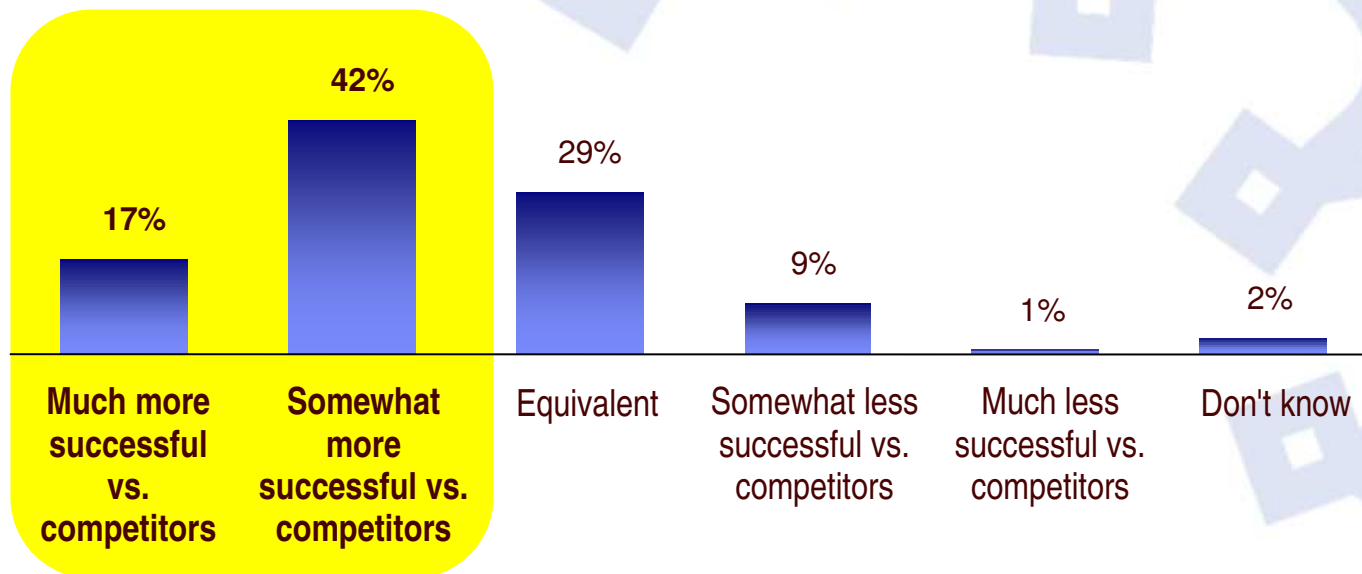
Significantly higher than in previous years	Somewhat higher than in previous years	About the same as previous years	Somewhat lower than in previous years	Significantly lower than in previous years	Don't know
14%	33%	36%	13%	3%	1%
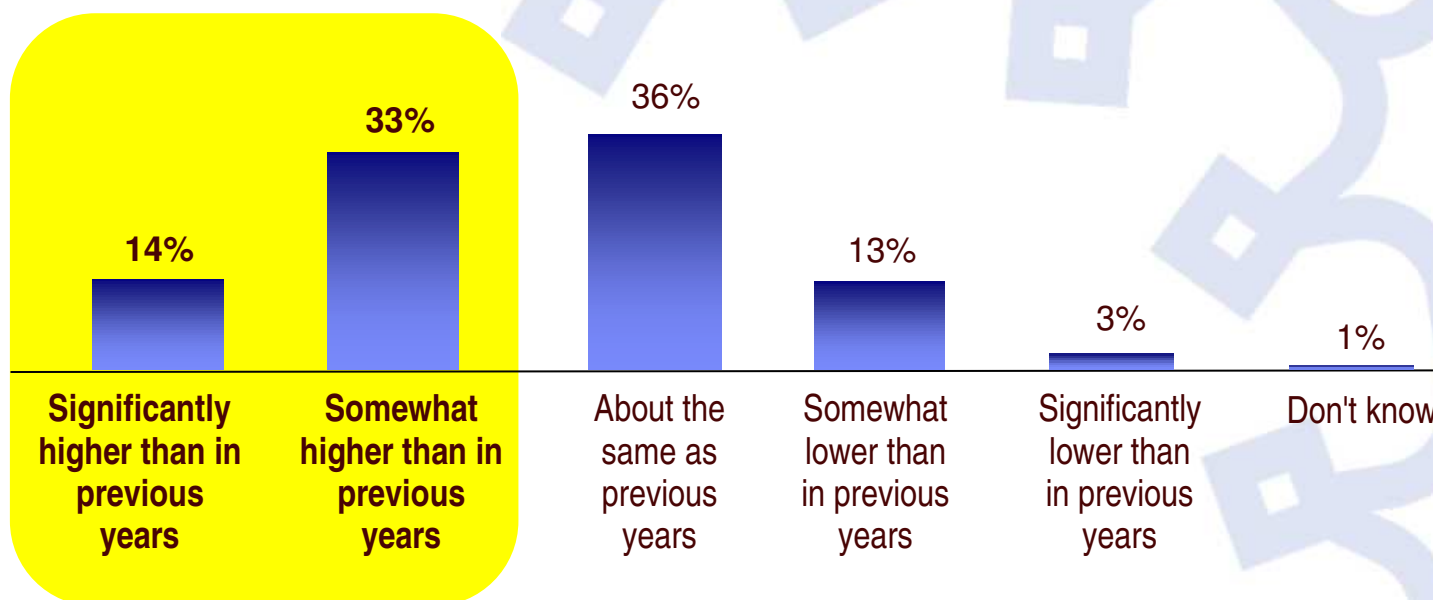
"Staff turnover is increasing – largely driven by an aging workforce (retirements) and increasing skill scarcity in the market."

- HR leader, Government agency

Source: IBM Global Human Capital Study 2008.

Many organizations in our study believe they are effective in attracting/retaining employees compared to their competitors

How do you think your ability to attract/retain talent compares to your competitors?

Much more successful vs. competitors	Somewhat more successful vs. competitors	Equivalent	Somewhat less successful vs. competitors	Much less successful vs. competitors	Don't know
17%	42%	29%	9%	1%	2%

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

- HR Director, Professional services firm

Companies looking to stay ahead of their competitors need to focus on the entire employee lifecycle

Avoid complacency

- Realize that **changing demographics, growth, and increased employee mobility** can rapidly change the dynamics of the recruiting market and make it difficult to attract and retain talent

Apply blended learning

- Combine the most effective aspects of **face-to-face** and **distributed learning** capabilities

Focus on key employee segments

- Leverage **relationship management tools and processes** to attract potential employees and retain current ones

Look beyond traditional employees

- Consider tapping into **alternative labor pools** (e.g., retirees, women with children, individuals with disabilities) to obtain needed skills
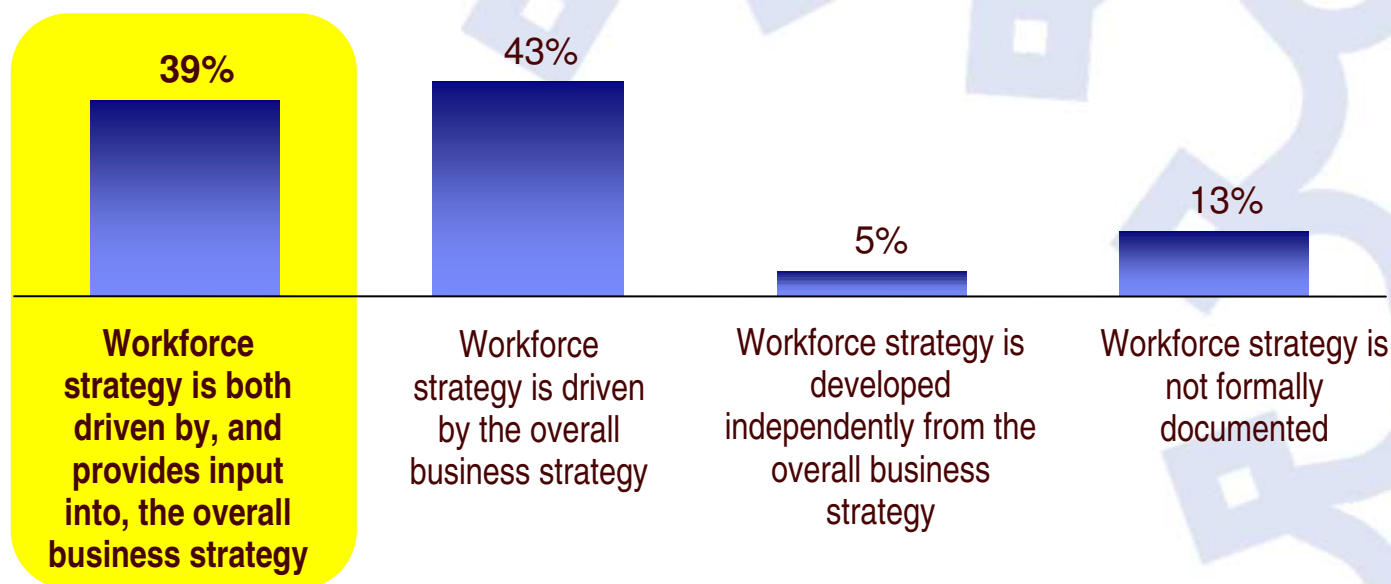
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Driving Growth Through
Workforce Analytics

While HR has made advances in contributing to business strategy, it does not provide input into strategic issues in many firms

What is the relationship between your organization's business strategy and workforce strategy ?

39%	43%	5%	13%
Workforce strategy is both driven by, and provides input into, the overall business strategy	Workforce strategy is driven by the overall business strategy	Workforce strategy is developed independently from the overall business strategy	Workforce strategy is not formally documented

"Clearly being a partner with, and influencing business strategy, is the goal of HR. However…achieving this role depends on what HR can deliver and demonstrate, both in their ability to provide business value and ability to execute"

- SVP HR, Chemicals company

Source: IBM Global Human Capital Study 2008.

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An inability to use human capital data and information makes it difficult for HR to engage in strategic workforce discussions

How effectively does your organization use human capital data and information to make decisions about the workforce?

6%	39%	36%	18%	1%
Very effective	Generally effective	Somewhat effective	Not effective	Don't know
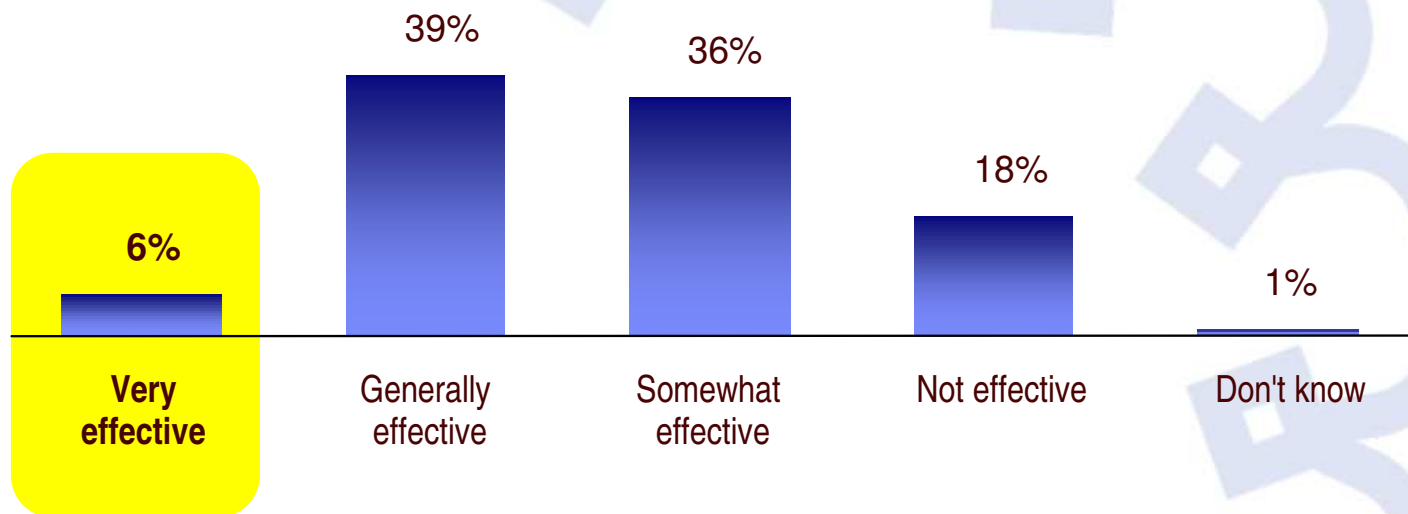
"Until recently – and perhaps even now – 90 percent of HR personnel's job has just been about obtaining the data rather than analyzing it!"

– VP HR operations, European industrial company

Applying human capital data and information requires a combination of technical and non-technical solutions

Address data integration and integrity issues

- Ensure that human capital data is of the same level of **timeliness, quality and accuracy** as would be expected of financial or operational information

Ensure accessibility

- Implement tools that make it easier for both HR personnel and line management to **access and apply** human capital data

Enable HR personnel can use data to improve decision making

- Provide **training, mentoring and other support** to existing HR personnel in using analytic tools and approaches
- Incorporate **analytic skills** into the hiring, development and rotational plans for the HR organization

Source: IBM Global Human Capital Study 2008.

Conclusion

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To take the *Global Human Capital Study assessment*:

http://www-935.ibm.com/services/us/gbs/bus/html/2008ghcs.html