Building a Competitive Workforce:  
- Keys to Growth in an Uncertain World

Erik Berggren  
Director of Customer Results & Global Research

Eric Lesser  
Associate Partner

IBM

SuccessFactors RESEARCH

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Building a Competitive Workforce: - Keys to Growth in an Uncertain World

- This presentation is based on insights from IBM’s Global Business Services Human Capital Management practice’s 2008 Global Human Capital Study
- Over 400 HR executives in 40 countries around the globe
- Focus on workforce effectiveness
How much of your value can be found on your balance sheet?

S&P 500, 1980-2005, percent of market value

- **1980**: 80% Balance Sheet Assets, 20% Non Balance Sheet Assets
- **1990**: 55% Balance Sheet Assets, 45% Non Balance Sheet Assets
- **2000**: 15% Balance Sheet Assets, 85% Non Balance Sheet Assets
- **2005**: 20% Balance Sheet Assets, 80% Non Balance Sheet Assets

Source: SF Research
Performance and talent management are pivotal to drive financial performance.

EXECUTION = PERFORMANCE

Company Strategy and Market Position

Alignment

EXECUTION = PERFORMANCE

Motivation

Skills/Capabilities

Organizational Ability

Recruiting (Buy)

Learning (Build)

Growth
Profit
Shareholder Return

Explains 15%

Explains 85%
In many industries, 70% of the operating cost is labor... and growing.

This does not mean the end of unemployment but rather that TALENT will be the remaining competitive differentiator.

Technology/IP flows much more freely than in the past.

Product lifecycles are shorter and innovation is quickly copied.

Anytime anywhere - job location becomes irrelevant.
Enhancing workforce performance in today’s turbulent business environment requires four key components:

1. **An adaptable workforce** that can rapidly respond to changes in the outside market.
2. **Effective leadership** to guide individuals through change and deliver results.
3. **An integrated talent management model** that addresses the entire employee lifecycle.
4. **Workforce analytics** that can deliver strategic insight and measure success.

Developing an Adaptable Workforce – A Critical Capability
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?

- Very capable of adapting to change: 14%
- Generally capable of adapting to change: 53%
- Somewhat capable of adapting to change: 30%
- Not capable of adapting to change: 3%
- Don't know: 0%

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% (Very adaptable to change) vs 56% (All other companies)
- Effective in locating experts: 74% vs 55%
- Effective in collaboration: 72% vs 49%

The primary barriers to collaboration appear to be organizational, as opposed to technical.

How significant are the following barriers to collaboration across your organization?

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Level 4</th>
<th>Level 5</th>
<th>Level 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational silos inhibit collaboration</td>
<td>15%</td>
<td>27%</td>
<td>29%</td>
<td>20%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Individuals are too busy to assist others across the organization</td>
<td>9%</td>
<td>31%</td>
<td>34%</td>
<td>15%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Performance measures not aligned to reward individuals for collaboration</td>
<td>12%</td>
<td>25%</td>
<td>24%</td>
<td>19%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Technological tools do not effectively support collaboration</td>
<td>8%</td>
<td>20%</td>
<td>28%</td>
<td>22%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Collaboration not viewed as important</td>
<td>9%</td>
<td>12%</td>
<td>20%</td>
<td>21%</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>Concerns about intellectual property limit effective collaboration</td>
<td>3%</td>
<td>9%</td>
<td>14%</td>
<td>22%</td>
<td>51%</td>
<td></td>
</tr>
</tbody>
</table>


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.

*Source: IBM Global Human Capital Study 2008.*
Change and collaboration are ongoing

“Virtual teaming” is key to tapping organizational knowledge...

I need Sarah’s input ASAP. What’s her mobile number?

Who has the right skills to team on this initiative?

Does someone at HQ speak Japanese and have interest in relocating?

Who is the “Tim” that made that great comment on the call and how do I follow up?

Is there a product expert in our Boston office?

...but employee data is hard-to-access, stale, and dispersed
Leverage technology to make casual and strategic collaboration easy and more effective
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.”

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.”

Organizations are clearly concerned with their current and future leadership capability.

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

- **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

Leadership development requires more than “dipping” people in executive education courses.

- Manage potential leadership pools on a global basis
- Enable future leaders to guide virtual teams of employees who come from a diverse set of backgrounds and cultures
- Incorporate action learning, mentoring and job rotation into leadership development programs
- Avoid losing future leaders to the outside market by providing them with opportunities to apply their new-found skills

Help your current talent grow into new positions

SuccessFactors
People Performance
Blossom Your Career

Jeff Wright
Engineering Manager

- C++ 20 years
- Management 5 years
- Networking 4 years
- Solaris/Linux 5 years
- MySQL 3 years
- Python 20 years
- Perl 5 years
- PHP 11 years
- TCL 4 years
- Unix Shells 5 years

Learn More
Cracking the Code for Talent
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: 14%
- Somewhat higher than in previous years: 33%
- About the same as previous years: 36%
- Somewhat lower than in previous years: 13%
- Significantly lower than in previous years: 3%
- Don't know: 1%

"Staff turnover is increasing – largely driven by an aging workforce (retirements) and increasing skill scarcity in the market."

- HR leader, Government agency

While managing skills are top of mind for HR executives in our study, surprisingly, employee attraction and retention take a lower priority.

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

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inability to rapidly develop skills to address current/future business needs</td>
<td>52%</td>
</tr>
<tr>
<td>Lack of leadership capability</td>
<td>36%</td>
</tr>
<tr>
<td>Employee skills not aligned with current organizational priorities</td>
<td>36%</td>
</tr>
<tr>
<td>Inability to collaborate/share knowledge across the organization</td>
<td>31%</td>
</tr>
<tr>
<td>Inability to attract qualified candidates</td>
<td>27%</td>
</tr>
<tr>
<td>Inability to build an engaged/motivated workforce</td>
<td>24%</td>
</tr>
<tr>
<td>Unable to redeploy/realign resources against new opportunities</td>
<td>22%</td>
</tr>
<tr>
<td>Inability to retain key employees</td>
<td>18%</td>
</tr>
<tr>
<td>Labour costs higher than competitors</td>
<td>15%</td>
</tr>
<tr>
<td>Difficulty in modifying staffing levels due to local labour regulations</td>
<td>11%</td>
</tr>
</tbody>
</table>

How can Dora figure out where she would fit based on roles that will be important to the organization?
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?

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

“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

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?

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

“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

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?

- Very effective: 6%
- Generally effective: 39%
- Somewhat effective: 36%
- Not effective: 18%
- Don't know: 1%

“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

Integration issues, as well as an inability to define metrics and extract data, make it difficult to analyze human capital data and information.

Which barriers are most likely to prevent your organization from using data and information to make workforce decisions?

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human capital systems are poorly integrated</td>
<td>41%</td>
</tr>
<tr>
<td>Human capital systems are not well integrated with other organizational systems (e.g., financial, sales)</td>
<td>41%</td>
</tr>
<tr>
<td>Metrics not well defined</td>
<td>28%</td>
</tr>
<tr>
<td>Inability to extract information from our HR systems</td>
<td>28%</td>
</tr>
<tr>
<td>HR personnel have lack of experience analyzing data in order to make decisions</td>
<td>24%</td>
</tr>
<tr>
<td>Quality level of human capital data is suspect</td>
<td>21%</td>
</tr>
<tr>
<td>Managers unwilling to access information</td>
<td>19%</td>
</tr>
<tr>
<td>HR personnel not oriented towards using data in decision making</td>
<td>17%</td>
</tr>
<tr>
<td>Lack of executive level support</td>
<td>12%</td>
</tr>
</tbody>
</table>

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.

Strategic transactions give you the strategic data.
The transaction system must be easy, rewarding and fun to use...
...And, of course, provide meaningful information to the right people at the right time.
Conclusion
Developing an adaptive workforce...

- 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

- 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

Thank You!