Unlocking the DNA of the Adaptable Workforce

Moderator: Penny Koppinger
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Penny Koppinger: Good day everyone and welcome to our podcast entitled “Unlocking the DNA of the Adaptable Workforce,” the IBM Global Human Capital Study for 2008 for Chemicals and Petroleum Industries. My name is Penny Koppinger and I’m the industry lead for chemicals and petroleum within IBM’s Institute for Business Value.

Today with me to discuss this study is Nikos Kourtis, IBM’s Workforce Transformation Leader. Nikos, welcome and thanks for taking the time to talk about the study.

Nikos Kourtis: Thank you very much Penny. I’m delighted to be here.

Penny Koppinger: Nikos, can you tell us why IBM decided to undertake the Global Human Capital Study?

Nikos Kourtis: Yes, of course. Well no one can fail to notice what’s going on in the market at the moment so the economic environments challenging to say the least. Some of the key indicators in this industry - crude prices have dropped from around $150 a barrel to below $50 a barrel in the span of about six months. The chemical commodity index is down over 40% during 2008 and not only that but the customer industries - automotive and construction - are also experiencing severe deterioration and therefore the demand for the chemical and petroleum industries is having an affect there as well.

So with this in mind all these companies are under increasing pressure to control their costs and this highlights the need more than ever to hone the skills of today’s global organizations and help them maintain adaptable workforces always making sure they’ve got the right resource levels at the right time and place. So the need to identify and develop and connect their talent is critical more than ever.

As these companies in the chemical and petroleum sector are extending their global footprint, the focus on building and retaining valuable skills and knowledge becomes more difficult - partly because of the industry’s image because of the large number of retiring workers and also an increasing move to unfamiliar or even undesirable locations.

So with this in mind, we engaged in an exercise to meet with a number of senior HR executives from the chemical and petroleum sector and across other industries as well to understand what their core challenges are. And as they work more effectively to try and attract, allocate and invest in their human capital, to try and understand how they were hoping to address this challenge.

Penny Koppinger: Nikos, how did IBM go about conducting the study?

Nikos Kourtis: OK. So the study is based upon primary research which was recently conducted by IBM’s Global Business Services Human Capital Management Practice in
conjunction with the IBM Institute for Business Value and we also engaged the Economist Intelligence Unit for assistance with this exercise. In total, we worked with more than 400 human resource executives spread across 40 countries who participated in the series of structured interviews designed to capture their insights on this subject.

Penny Koppinger: Nikos, the study identifies four issues that corporations need to closely examine in order to improve workforce effectiveness. Can you provide us an overview of these?

Nikos Kourtis: Yes, of course Penny. So our analysis has identified four key themes that require the attention and focus of senior executives across an organization and in particular those responsible for the HR function.

The first one is about developing an adaptable workforce as a critical capability within the organization.

The second theme revealed that there were significant leadership gaps in these companies that could place their future growth at risk.

The third theme was about cracking the code for talent and finally the ability to drive growth through workforce measurement and analytics.

Penny Koppinger: Looking at the first theme how can an organization develop a more adaptable workforce?

Nikos Kourtis: Well, there can be no doubt that winning in a competitive and quickly shifting global market requires responsive organizations. However for many companies, most companies in fact, workforce adaptability has been very, very illusive. In our study, only 13% of the participants from chemical and petroleum industries believe that their workforces were very capable adapting to change. Now the interesting thing was that these leading organizations do do some things differently that others don’t.

Our findings suggest that there are three key capabilities that influence a workforce’s ability to adapt to change:

•First of all, organizations have to be able to predict their future skill requirements accurately so they can make more strategic decisions regarding developing, hiring, or sourcing these skills. In fact today, only 20% of the C&P executives in our study believe their company had a very good understanding of the resources they’re going to need over the next three to five years.

•Secondly, they need to effectively identify and locate experts in their business. We believe companies should attack this on two fronts. In the first instance, they need to develop a formal skills management process so they can easily track the quantity and location of individuals with important capabilities. And, they also need to be able to implement expertise location techniques including innovative new techniques based on social networking and other Web 2.0 technologies.
So thirdly, companies must be able to collaborate across the organization and connect individuals who may be separated by physical or organizational boundaries. Initiatives that we’ve seen to jump start collaboration include the use of communities of practice and incorporate collaborative performance measures and tools in day-to-day work activities.

Penny Koppinger: Nikos, the second issue in the study focused on leadership development which is a topic that’s been around for quite a while now. Why is this such an important issue for organizations going forward?

Nikos Kourtis: Well as you say, this has been around for a long time. The reality is no complex organization can transform itself without good leaders. Those who are able to deliver today’s business results while guiding the organization through ongoing turbulence and uncertainty are absolutely critical to their business. So the companies in our study expressed deep concern over the current and projected shortage of individuals with this type of capability with over 75% of respondents citing their inability to develop future leaders is a critical issue. So as we move to emerging markets and have an increased lack of experienced personnel, our data suggests that companies need to be able to identify, develop and empower the next generation of leaders to ensure their growth.

Many companies do invest in leadership development and planning but we often see these efforts conducted regionally. On the other hand, the global view of leadership portfolio enables companies to make more educated decisions on the type of leadership development programs, their urgency and also associated business risks of their gaps in leadership.

The changing nature of work is also impacting the skills that leaders need to be successful. Today’s managers are being asked to provide guidance and direction to teams working around the world. And effective leadership development programs must take into consideration these realities and build in experience that help develop the new competencies needed to succeed in a globally integrated environment.

Many of our participants highlighted that action learning programs, mentoring and job rotation are all valuable tools to provide individuals with new experiences and create effective networks and pass along experiential learning.

The third theme, Nikos, talks about cracking the codes of talent or talent management.

Penny Koppinger: What are some of the challenges that companies are facing and how can they address them?

Nikos Kourtis: A number of respondents in our study that are clearly focused on overcoming their inability to rapidly develop employee skills and align their skills to the future volatile business needs. So given the increasing pace of change this is not surprising. However, we did find it surprising that there’s a relative lack of focus on attracting individuals from outside and retaining existing employees, both of which seem to rank low on the priority scale. Even so, almost 60% of the respondents believe that they do a better job of attracting and retaining talent than their competitors which obviously doesn’t quite add up.

Our experience suggests that companies have not yet cracked the code for talent. We’ve got changes in employee demographics, the ease of switching employers and of changing
expectations means that we believe companies are going to have to become more innovative in the way they attract, motivate and develop employees.

If companies rely on resource intensive learning strategies such as classroom instruction, they may find that they’re going to struggle to keep up with demand. Distributed learning technologies blended with opportunities for face-to-face engagement increasingly play an important role in building the workforce of the future. When it comes to attracting employees, the participants in the research placed having a positive corporate reputation at the top of their list. In the chemical and petroleum industry, only 11% of the respondents considered their companies to be very effective in their ability to recruit desired employees in a timely and consistent manner.

From our experience with our clients and within IBM, we’re seeing some leading practices in attracting candidates. In particular, new operating models are emerging and lessons are being sought from other aspects of business. If we take a look, for example, of the world of customer relationship management, this typically includes a number of activities such as developing a detailed understanding of the wants and needs of various segments of market. In this case, if you apply it to attracting new candidates developing a detailed understanding of the wants and needs of the labor pool. This can only be achieved by capturing information about potential candidates and focusing recruitment efforts on high value segments for your business. In addition, this needs to involve a high degree of tracking and measuring results.

Other trends that we’re seeing include trying to attract individuals from non-traditional labor pools such as retired workers or even corporate alumni.

Penny Koppinger: Nikos, jumping to the final theme why should organizations be concerned about their ability to use workforce analytics?

Nikos Kourtis: Well Penny, today HR plays an increasingly fundamental part in the overall business strategy and it’s being placed on a level with corporate financial and operational functions. Our study confirmed that the leading HR organizations understand that HR must make a clear contribution in charting the direction of the business and they view actionable employee information as a corporate asset.

In our study, 56% of chemical and petroleum industry organizations admitted to being significantly hampered in their ability to have strategic conversations around the workforce. This was mainly because they were unable to develop insights and formulate business cases for investment.

Our research highlights a lack of information integration within and outside of HR and limited use of clearly defined metrics. Without this consolidated information, executives increasingly find themselves unable to identify their rising stars, identify who are the solid performers that need to be rewarded well and who the desired employees are to retain. So until the HR organization has access to workforce data and information with the same level of timeliness, consistency and accuracy as that available to financial or operational parts of the business, the insights are not going to hold the same sort of weight.

Penny Koppinger: Thanks Nikos and if anyone is interested in learning more about the study, a copy of the C&P DNA of the Adaptable Workforce Study can be downloaded from ibm.com/gbs
the IBM website. The address is www.ibm.com/libv. At that website, you can select studies by industry so if you select chemicals and petroleum you can get a copy of the DNA study for chemicals and petroleum or by business function. If you select Human Capital Management you’ll be able to retrieve the main study for all industries. Thanks for attending this podcast.