THE ENTERPRISE OF THE FUTURE

IMPLIEDATIONS FOR THE WORKFORCE

IBM

GLOBAL CEO STUDY
EXECUTIVE SUMMARY

According to interviews with over 1,100 leaders from around the globe, the Enterprise of the Future will need to be hungry for change and disruptive by nature, innovative beyond customer imagination, global integrated, and genuine, not simply generous in their corporate social responsibility efforts. Each of these issues has clear implications for the workforce, and for the leaders of the Human Resources function who are working to enhance organizational effectiveness. In this report, we will identify the human capital challenges stemming from the IBM Global CEO Study and highlight areas where employees can play a key role in driving the Enterprise of the Future.1

BUILDING THE ENTERPRISE OF THE FUTURE: THE WORKFORCE DIMENSION

The IBM Global CEO Study provides a unique window into the ideas and concerns of senior leaders from 40 countries. Based on interviews with CEOs from a variety of industries, company sizes and geographies, the study offers important insights into the future of organizations and their keys to success. Overall, CEOs were consistent on their vision of the Enterprise of the Future. These organizations will be:

- Hungry for change and disruptive by nature
- Innovative beyond customer imagination
- Globally integrated
- Genuine, not just generous.
Each of these dimensions has clear implications for today’s workforce. Without addressing the employee implications of change, innovation, globalization and corporate social responsibility, organizations have little hope for executing the strategies that CEOs have deemed critical to future success. Based on our consulting experience and research in human capital management, we see unique opportunities for organizations to apply the lessons from the CEO Study in managing and developing a workforce that can drive the Enterprise of the Future.

Among the top priorities should be a workforce that can adapt to externally driven changes that will continue to buffet the organization – and the changes instigated by the organization itself. This includes developing the ability to predict future skills, identify and locate experts across the organization, and foster an environment where collaboration and knowledge sharing are recognized and valued.

Expertise location and collaboration also play a critical role in the second major theme of the study: the need for innovation. Organizations need not only the ability to listen and identify customer issues, but also tools and approaches that enable employees to act on these insights. Innovative organizations are able to increase the visibility of employee ideas, provide recognition for those who drive intelligent risk taking, incorporate diversity and creativity into the organization’s talent management approaches and partner with stakeholders inside and outside the organization.
According to the CEO Study, the Enterprise of the Future is globally integrated – leveraging the most appropriate talent and expertise regardless of its geographic location. To make the most of a global workforce, organizations need to develop an HR capability that can deliver cost-effective services to a global population, provide an infrastructure that enables individuals to work together regardless of their locations, and develop leadership competencies that can deliver results and provide guidance to a myriad of stakeholders.

Lastly, corporate social responsibility is playing a larger role in today’s enterprises. Engaging the workforce in these efforts can have a positive impact on both employee attraction and retention, yet many companies have not engaged the workforce around this topic. Greater employee involvement in environmental and workforce development issues can provide notable benefits to the organization, as well as a platform to grow future employee leaders.
Eight out of ten CEOs anticipate significant changes for their organizations over the next three years. How can the organization ready the workforce for an increasingly volatile future?

Senior business executives recognize that change has become an ongoing activity rather than a periodic event. Volatile market forces, rapidly shifting skills and newly emerging technology are all forcing organizations not just to tinker with, but to reinvent their businesses on an ongoing basis. Over two-thirds of the CEOs interviewed indicated that they are heavily focused on revamping their organization’s business models. However, they are less sanguine about their ability to manage the change process – compared to two years prior, the gap between the amount of change required of their organizations and their organizations’ ability to successfully implement change has tripled.

Rightfully so, CEOs should be concerned with the ability of their organizations to change. The IBM 2008 Global Human Capital Study, based on over 400 interviews with senior human resources executives from 40 countries, indicates that only 14 percent of companies

“We have seen more change in the last ten years than in the previous 90.”

Ad J. Scheepbouwer, CEO, KPN Telecom
believe that their workforces are “very capable” of adapting to changes in the business environment. As one executive from a Japanese transportation company indicated, “Businesses change every day, and the development of a workforce that can cope with change is not easy.”

Yet, we find some commonalities among companies that believe their workforces are very capable of adapting to change: They are more likely to indicate that they can predict future skills, locate expertise within their organization and collaborate across the enterprise (see Figure 1).

Each one of these capabilities plays an important role in fostering enterprise adaptability. Being able to anticipate future skill needs can help an organization make more effective decisions about whether to build needed capabilities internally, buy them from the
outside market or develop partnerships that can provide the critical mass of skills that would be otherwise difficult for them to obtain. More effectively locating expertise can help organizations identify individuals who have specific knowledge, amplify weak signals coming from the marketplace and identify early trends and market shifts. Fostering collaboration can help bring together individuals across organizational boundaries to solve problems and develop new products and services that can address emerging market needs.

To improve their workforces’ ability to adapt to change, organizations should consider the following actions:

- Incorporate workforce planning activities into the overall business planning cycle.
- Develop a standardized employee profile that is flexible and simple enough to support broad operations.
  - Incorporate information from existing HR information systems (e.g., job titles, department codes).
  - Expand the profile to include information that is more performance-oriented (e.g., skills, certifications, competencies).
- Enable employees to provide and search on resumes and other sources of employee-generated content to locate experts.
- Embed collaborative tools (e.g., wikis, team rooms, instant messaging) into work processes that involve individuals distributed across multiple locations.
- Elevate collaboration to a core competency by incorporating into performance management, learning and recognition efforts.
Case study

SOCIAL NETWORKING AT NISSAN

Accelerating speed-to-market and bringing new innovations to the forefront are critical success factors in today’s competitive automotive industry. Nissan, recognizing that it needed to spark new ideas, foster collaboration among employees from different divisions around the globe, and reduce the time associated with making decisions, has begun to rollout an internal social networking site called N-Squared. Over the next several months, Nissan intends to connect 50,000 of its 180,000 employees worldwide through this platform.

The social networking site is designed to allow employees to create – and search on – individual profiles and blogs, form online communities and discussion groups and share documents and other files. Nissan believes these capabilities will allow individuals to more easily identify subject matter experts and bring them together to solve difficult problems and brainstorm new ideas.

The results of Nissan’s initial pilot site of 1,000 employees have already demonstrated improvements in how work is accomplished across the organization. As one engineer reported, a decision about stereo systems was made in three days – far less than the one month it would have taken without using N-Squared.
CEOs recognize the rise of a more informed and collaboratively minded customer. But how can leaders prepare employees to engage, learn from and innovate with this kind of customer?

Organizational leaders are seeing the rise of a more informed, vocal customer. With the increased availability and popularity of social networking technology, consumers can both obtain information from and provide feedback to tens of thousands of virtual peers. Over 75 percent of CEOs see this as a positive trend, as they are now able to tap into the hearts and minds of individuals in ways previously not possible.

However, for many organizations trying to learn from this empowered customer, the challenges are numerous. While it is certainly difficult to marshal the resources necessary to collect and analyze these customer insights, it is even more challenging to take this information and turn it into product or service innovations that address the myriad of customer expectations.

“The rise of the informed and knowing consumer will continue to have an impact regarding our go-to-market priorities. We must know how to leverage new media. We’ve been surprised by the impact that just a few consumers can have with their blog entries.”

Rob Hurlbut, CEO, Attune Foods
In our previous research on innovation and the workforce, we identified seven ways that organizations can foster the development of new products, services and process improvements through their employees (see Figure 2): 

- **Develop a clear vision and an imperative to innovate** – For many employees, the rationale for innovation does not exist, or it’s couched in such vague language that people find it difficult to link innovation to their day-to-day activities.

- **Stamp out risk aversion** – Individuals often believe that the risks associated with changing the status quo far outweigh the potential benefits of success.

- **Focus on diversity** – In many cases, the workforce does not have a sufficient mix of backgrounds and experiences to understand emerging customer segments and sense weak signals in the marketplace.

- **Enable individuals to connect across the organization** – Silos often prevent ideas from crossing organizational boundaries, impeding the sharing of good practices and preventing individuals from building on others’ ideas.
• **Increase the visibility of ideas and develop mechanisms for bringing them to fruition** – It is difficult to recognize, prioritize and apply ideas from employees at different levels and from various parts of the organization.

• **Reach beyond the organization’s boundaries** – The insularity of many companies makes it difficult to tap into the skills and expertise of suppliers, partners and other stakeholders that can provide unique insight and improve performance.

• **Motivate individuals to innovate** – In many situations, the organization’s reward and recognition systems do not provide sufficient support to encourage potential innovators.

Overcoming these barriers requires more than a suggestion box and an “Innovator of the Year” award. Increasing the visibility and flow of ideas across the organization requires close coordination among HR, IT, Corporate Communications and line management. Further, it requires that innovation become an integral part of the organization’s talent management agenda.

Organizations that are serious about improving their ability to innovate should:

• Identify key customer/supplier relationships in which both sides would benefit from collaborative innovation.

• Build collaborative spaces that allow relevant stakeholders to have access to, post and comment on relevant materials, and provide resources to moderate these spaces and “jumpstart” conversation.
- Reinforce the importance of innovation within talent management models through:
  - Recruitment efforts (to increase diversity and identify individuals willing to challenge the status quo)
  - Performance management (to recognize both winners and those who produce “near misses”)
  - Employee communications (to highlight the need for innovation and provide recognition to those who are willing to think outside the box).

- Increase the visibility of new ideas and innovations across the organization through the use of:
  - Cross-functional teams
  - Ideation events
  - Communities of practice
  - Action learning programs
  - Social networking platforms and innovation spaces.
Case study

DIVERSITY FOSTERS INNOVATION AT BEST BUY

Four years ago, Best Buy, a large U.S.-based electronics retailer, recognized that women were playing an increasingly prominent role in making electronics purchases. It estimated that women spent US$68 billion on consumer electronics and influenced 89 percent of all spending decisions. However, many of its stores were perceived by both customers and potential employees as unfriendly to female shoppers.6

To address this issue, it founded the Women’s Leadership Forum (WOLF), forming teams at the company’s Minneapolis headquarters and establishing regional “Wolf Packs” around the country. More than simply providing support and career guidance, these groups took an active role in developing innovations designed to attract greater revenue from female consumers.7

These innovations included: increased recruitment of female managers and employees (particularly those with experience in retail categories that traditionally cater to women, such as lingerie or cosmetics), redesigned aisle and store displays to make it easier for women to negotiate, a revamped gift registry, and sales associate training on how to talk to customers about lifestyle issues. WOLF teams are also reaching out to groups such as the Girl Scouts, women’s colleges and other organizations to develop brand recognition among their future labor pool.8

These changes are making an impact at the store level. As one general manager indicated, “Women consumers are seeing a lot more women (employees) in our stores and that makes it less frightening and less intimidating.”9
CEOs have lofty global integration ambitions. But achieving those goals depends largely on how effectively their organizations manage talent and knowledge worldwide. How can leaders equip employees with the skills, tools and experiences they need?

CEOs are clearly focused on making significant changes to capitalize on global integration: 43 percent are planning to actively enter new markets, 40 percent are globalizing their brands and products and 39 percent are optimizing their operations globally. However, most prominent on the list is that 57 percent of CEOs intend to change their mix of skills, capabilities and knowledge assets around the globe.

Tapping into new talent pools and revamping skills are areas of concern for many senior HR executives as well. In the 2008 Global Human Capital Study, the top workforce concerns expressed by senior HR
leaders were the inability to rapidly develop skills to meet emerging needs, a lack of leadership capabilities, and employee skills that were not aligned with organizational goals. Clearly, many organizations, and the HR functions that support them, continue to wrestle with how to make the most of a global talent pool and develop the skills necessary to compete in today’s marketplace.

Global integration will require organizations to address a range of human capital issues. For one, workforce policies, procedures and systems in various parts of the world often resemble an antiquated tax code, with layers of exceptions and unique regulations that make it difficult to develop common practices and standards across business units. For many companies, processes such as performance management, competency management and recruitment are often developed and executed at a local level, with varying sets of guidelines, performance standards and expectations.

At the same time, the increasingly global nature of business requires greater day-to-day coordination among individuals who are separated by time zones and cultural differences. This is further hampered by the fact that, given the growth and turnover rates endemic in many emerging economies, a large percentage of employees are often new to the organization. Many of these individuals have not had the opportunity to establish relationships or develop an understanding of the organizational norms and values that are central to effective global collaboration.
Therefore, for organizations to be truly effective in the global theatre, they should focus on three important human capital areas:

- **Delivering cost-effective global HR services** – Successful organizations have found that by developing a global administrative infrastructure, they are able to deliver more-cost-effective HR services to their employees. Typically, these infrastructures involve the use of employee and managerial self-service, shared services that manage employee contact centers and HR transaction processing, business partners that provide strategic HR guidance and program support to business units, and centers of expertise with in-depth expertise on specific human capital issues. A global approach to HR administration can not only reduce costs and improve employee services, but also serve as a catalyst to focus the limited time and attention of the HR function on more strategic workforce and talent management issues.

- **Developing an integrated talent management approach** – Companies that make the most of their global workforces take a holistic approach to managing their talent (see Figure 3). They start with a comprehensive understanding of existing workforce demographics and capabilities, and develop the ability to evaluate the current and future supply and demand for critical
positions. Further, they are able to target their recruiting efforts to fill existing and potential future gaps for key job families, as well as create formal and informal development opportunities for employees that the organization would like to retain. Global organizations that focus on talent management also apply tools and processes to connect individuals and locate expertise worldwide. Surrounding all of these efforts is an overall performance management system that is designed to provide employees with clear direction and the feedback necessary to improve their performance.¹³

**FIGURE 3 SEVEN KEYS TO DEVELOPING A GLOBALLY INTEGRATED WORKFORCE**

<table>
<thead>
<tr>
<th>Predict future labor supply and demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilize social networks to increase the visibility of knowledge</td>
</tr>
<tr>
<td>Enable individuals to perform work regardless of locations</td>
</tr>
<tr>
<td>Facilitate collaboration across existing boundaries</td>
</tr>
<tr>
<td>Understand workforce demographics and capabilities</td>
</tr>
<tr>
<td>Evaluate employee performance and provide feedback</td>
</tr>
<tr>
<td>Drive the rapid development of skills and capabilities</td>
</tr>
</tbody>
</table>
• **Fostering appropriate leadership behaviors** – Today’s global environment requires a new and emerging set of leadership competencies. Individuals in leadership positions are being asked to provide direction and inspire performance from individuals who are located around the world. In many situations, leaders rarely see these individuals face-to-face, forcing them to rely on a range of virtual communication channels. These employees often come from a variety of backgrounds, cultures and experience levels, making clarity of communication and mutual understanding a high priority. They may not even “report to” the leader in a traditional sense, often residing in a sea of project and matrix relationships that makes it difficult to assign accountability and focus attention.

Traditional leadership models and development courses often have not kept pace with the changing demands on today’s leaders. Recent IBM research provides insight into the role of leaders in a globally integrated organization by examining lessons from non-traditional environments such as online gaming. It highlights how leaders will need to:

• Harness the strengths of “quasi-volunteer” armies around the world.

• Communicate a vision that individuals from different backgrounds can relate to and adopt.
• Become more collaborative in their leadership styles.
• Incorporate multiple sources of information about the workforce into their decision-making processes.
• Provide ongoing feedback and recognize high performance.

Achieving global integration is a significant effort, both within the HR organization and across the workforce as a whole. Yet, the potential payoffs, ranging from lower administrative costs to higher employee productivity, can be worth the investment in time, effort and resources. To get started, organizations should:

• Standardize HR processes around the globe, ensuring:
  - Support from a common HR information system platform
  - Worldwide governance that includes both HR and operating personnel
  - Exceptions only when there is a clear and compelling business case for doing so.

• Evaluate the current strategic capabilities of the HR organization, including the roles of HR business partners and centers of excellence, and develop actions for closing the capability gap.

• Create a workforce analytic capability that enables the organization to have global visibility into demographics, skills, competencies and talent requirements.
• Develop a global employee mobility strategy that enables individuals to perform work wherever and whenever it needs to be accomplished.

• Establish learning platforms that can be used more effectively on a global basis (e.g., consolidation of learning vendors, use of distributed learning, use of a single learning management system).

• Incorporate new leadership capabilities into existing development programs.
Case study

DEVELOPING A GLOBALLY INTEGRATED HR FUNCTION

A major life sciences company recognized the need to transform its HR organization so that it could focus on more strategic human capital issues that contribute directly to business objectives. As part of this effort, it recognized the need to provide employee services that were faster, more cost effective and of higher quality.

To accomplish this, the organization is implementing a four-tiered HR service delivery operating model, which incorporates greater use of employee and managerial self-service and standardizes HR operating practices across the globe. Further, it is consolidating many of its administrative processing and HR contact centers into two shared services operations in Europe and the United States. Underlying these changes is a central, harmonized and standardized HR system with global data availability and reporting capability.

Overall, the company expects to cut administrative expenses, with notable savings coming from reduced headcount, lower IT operating costs and increased vendor consolidation. Most importantly, though, these changes will allow the organization to obtain the necessary data to focus on more strategic talent management issues that are currently affecting the organization.
Corporate social responsibility helps differentiate the organization not only in an increasingly competitive marketplace, but also in a tight labor market. How can leaders tap the creativity and passion of their workforces to attract the customers – and employees – they need for future growth?

Corporate social responsibility (CSR) has taken on renewed emphasis in today’s organizations. Almost 70 percent of CEOs believe that rising consumer expectations about CSR will have a positive impact on their organizations and are planning to increase spending by 25 percent in this area.

However, CSR efforts affect more than just consumer perception. From an employee perspective, they also make a difference in terms of competing for talent. According to a study by the Economist Intelligence Unit, approximately 40 percent of companies believe corporate social responsibility efforts can help an organization become more attractive to potential and existing employees.15

“The consumer’s concept of quality will no longer be measured by only the physical attributes of a product – it will extend to the process of how the product is made, including product safety, environmental compliance and social responsibility compliance.”

Victor Fung, Chairman, Li & Fung
Another study by Monster.com highlights that 80 percent of young professionals are interested in securing a job that has a positive impact on the environment.\textsuperscript{16}

Despite the significant interest in CSR among employees, relatively few organizations have actively engaged them in these efforts. An IBM study of over 250 companies highlights that only 31 percent of companies are involving their workforces in their CSR initiatives, and only 19 percent are involving employees’ families (see Figure 4).\textsuperscript{17} For many companies, this lack of involvement represents a missed opportunity to tap into a reservoir of ideas and energy that could lead to profitable new products and services – and have greater workforce returns in terms of employee engagement and development.

\textbf{FIGURE 4 COMPANY ENGAGEMENT IN CSR OBJECTIVES AND INITIATIVES.}
We see three primary areas where employees can be directly engaged in CSR efforts:

- **Environmental issues** – Companies have recognized that employees have a myriad of ideas about how they can cut energy consumption, conserve natural resources, and at the same time reduce costs and improve employee and customer satisfaction. Through the use of its voluntary Personal Sustainability Projects program, Wal-Mart facilitators bring employees together to share ideas for improving their work locations, communities and the external environment. Other organizations have also looked at how employees can reduce their overall carbon footprints through greater use of collaborative tools, teleworking, distance learning and other ways of reducing air and land travel.

- **Workforce development** – Many CSR efforts are focusing on improving the education and living standards of the current and prospective workforce and the communities in which these individuals reside. Some firms are working with governmental agencies and educational institutions to provide curriculum and resources for students and workers who want to be retrained in new skills. Others have focused on health and wellness issues that impact their employee populations and the communities in which these individuals live. Organizations have also been targeting underutilized populations in their recruiting efforts, to reach labor pools that have been previously untapped.
implications for the workforce

• **Leadership development** – Corporate social responsibility efforts can offer valuable opportunities to develop future leaders. They expose high-potential individuals to new environments, allowing them to participate in action learning efforts and solve real-world problems. For example, IBM recently selected 100 high-performing employees to work on short-term projects with non-governmental organizations in countries such as Romania, Turkey, Vietnam and Tanzania as part of its Corporate Service Corps program. These projects include strategic planning and business process improvement efforts, systems development projects and educational programs. IBM has committed that 600 of its emerging leaders will participate over the next three years.

To involve their employees more directly in corporate social responsibility efforts, organizations should:

• Use ideation activities to identify new opportunities for employees to contribute to the corporate social responsibility agenda and develop innovations based on these ideas.

• Use collaborative and distributed learning applications where appropriate to reduce the amount of travel associated with in-person meetings.

• Identify opportunities to apply existing learning materials and intellectual capital to enable corporate social responsibility efforts.

• Bolster leadership development programs through corporate social responsibility activities.
Case study

ATTACKING THE HIV/AIDS CRISIS AT ANGLO AMERICAN

HIV/AIDS is an issue that impacts millions around the globe, but is particularly felt in Africa. Anglo American, a diversified mining and industrial products conglomerate, has approximately two-thirds of its employees based in South Africa. At the end of 2006, it estimated that approximately 21 percent of its workforce (26,000 employees) in eastern and southern Africa was infected with HIV. Without a treatment program, HIV/AIDS would cost the company an estimated 5 percent of its total payroll.20

Recognizing the magnitude of this issue, the company implemented a broad program to address this disease. It includes free, voluntary HIV testing and counseling for all employees around the globe and free anti-retroviral therapy for employees and their families.21 Anglo American is also partnering with local agencies to provide youth counseling and support health clinics throughout South Africa. Further, the organization committed to monitor and evaluate progress against defined metrics on an ongoing basis.22

Overall, the program has achieved notable success in reducing the number of employees falling sick or dying from AIDS and tuberculosis. Anglo American’s investments in this area have paid for themselves in terms of improved healthcare utilization, reduced absenteeism and improved productivity.23
THE CATALYST PROPELLING THE ENTERPRISE OF THE FUTURE

Chief Executive Officers are very clear about the direction of the Enterprise of the Future. They also recognize the critical role of the workforce in terms of making this vision come to fruition. To successfully meet the demands associated with ongoing change, innovation, globalization, and corporate social responsibility, organizations will need to make strategic investments in talent and the associated human capital infrastructure that supports it. The Enterprise of the Future will not simply be enabled by its employees; its success or failure will be driven by its ability to unleash the collaborative creativity of this untapped asset.
FOR MORE INFORMATION

To learn more about the IBM Human Capital Management Practice, please visit ibm.com/gbs/humancapital

For additional information about the IBM Global CEO Study, please visit ibm.com/enterpriseofthefuture

To discuss the implications of this study for your workforce and the HR organization that supports it, we invite you to e-mail one of the following contacts:

Global and Americas            Tim Ringo            tim.ringo@uk.ibm.com
Asia Pacific (excluding Japan)  Wayne Peat            waynep@sg.ibm.com
Japan                           Yukiko Mitsumaki     MTMK@jp.ibm.com
Northeast Europe                Tom McCabe           tom.mccabe@uk.ibm.com
Southwest Europe                Brian Comella        brian.comella@us.ibm.com
IBM Institute for Business Value Eric Lesser          elesser@us.ibm.com
ABOUT IBM GLOBAL BUSINESS SERVICES

With business experts in more than 170 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. It offers one of the largest Human Capital Management practices in the world, with over 2,500 professionals. 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.
NOTES AND SOURCES


3 Ibid.


7 Ibid.


9 Ibid.


Ibid.