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Transforming the workforce

Seven keys to succeeding in a globally integrated world

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Seven keys to succeeding in a globally integrated world

By Eric Lesser, Tim Ringo and Andrea Blumberg

As companies continue to face challenges to succeeding in a globally integrated world, they look to the workforce to help differentiate themselves from their competition. To do so, they must find ways of identifying, developing and connecting talent and expertise from around the globe. Based on our research and experience, we see that there are seven important capabilities that organizations need to have to effectively build a global workforce. In concert, these capabilities can help organizations increase productivity, improve responsiveness and develop resiliency to shifts in the marketplace.
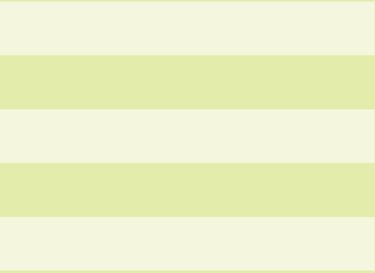
The globally integrated enterprise: A new form of organization

The spotlight is once again being thrust upon the workforce. Major business publications and conferences are now placing issues such as talent management and employee engagement at the forefront of the corporate agenda. We believe this attention is long overdue. However, we do not believe that this focus on employees is merely another on the long list of corporate trends with a predictable shelf life. Instead, we see fundamental shifts in the way that organizations will operate in the future. These changes will require organizations to think about their employees, and how they contribute to business results, in new and different ways.

In a recent article in *Foreign Affairs* magazine, Sam Palmisano, the Chairman and CEO of IBM, describes the migration of the traditional corporation toward a new form of organization.[1] The globally integrated enterprise is focused on connecting and leveraging various sources of production and value creation regardless of the physical location of these resources. It involves the close interaction among internal and external stakeholders, including employees, customers, partners, government agencies and other third parties with a stake in the outcome of a particular product or service. According to the article,

"The globally integrated enterprise will require fundamentally different approaches to production, distribution and workforce deployment…actively managing different operations, expertise and capabilities…allowing it to connect more intimately with partners, suppliers and customers."[2]

At the center of the globally integrated enterprise is the workforce itself. While global information systems and closely linked supply chains of physical goods are key components of this schema, ultimately, it is individuals who are responsible for coming up with and delivering the products and services for the organization.

However, in many organizations, the ability of the workforce to make the leap into global integration still remains in its infancy. For some organizations, simply identifying and locating their key skills and capabilities from around the world is a challenge; for others, the ability to collaborate across business units and organizational boundaries is hampered by both a lack of experience and tools that are not conducive to working in a virtual environment.

At the same time, many companies continue to wrestle with their ability to attract and retain the key talent necessary to compete in this integrated world. For companies operating in mature economies, changing workforce demographics are making it difficult to both retain critical knowledge from older workers and attract new employees from increasingly smaller labor pools. In emerging markets, we are seeing the combination of rapid corporate growth and a limited number of experienced workers resulting in wage escalation and higher turnover. Therefore, in both segments of the world economy, finding, developing and holding onto individuals with the right capabilities is becoming a critical capability.

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Building the globally integrated workforce: Seven key capabilities

To successfully operate in a globally integrated world, the enterprise must build a set of core workforce capabilities. While many companies we have worked with have started to focus their attention on one or two of these areas, few have looked at these as an integrated set of workforce imperatives. All too often, these efforts are driven by a particular department or function, rather than involving a unified set of corporate stakeholders. Responsibility for developing these capabilities lies not only in the HR organization, but also must include line operating units as well as supporting functions such as IT, Legal and Corporate Communications. These capabilities include:

- Understanding the demographics and capabilities of the workforce

- Predicting future labor supply and demand

- Utilizing social networks to increase the visibility and application of knowledge across the organization

- Enabling individuals to perform work regardless of location

- Facilitating collaboration across traditional organizational boundaries

- Driving the rapid development of skills and capabilities to meet changing business conditions

- Evaluating employee performance and providing appropriate feedback.

Understanding the demographics and capabilities of the workforce

At the heart of the globally integrated enterprise is the ability to make fact-based decisions regarding the workforce. Understanding both the internal and external supply and demand for labor is critical in effectively allocating resources across the globe, determining current and future sources of talent and expertise and identifying workforce trends that will have a direct impact on corporate strategy. For example, a company that recognizes it will lose certain skills due to the aging of its workforce may consider outsourcing that particular capability. Or, it may choose to dip into a secondary labor market for retirees who will work on a part-time basis, or tap into the expertise of a strategic partner, to obtain these limited skills. In each of these cases, clean, reliable and accessible data and information are required to make decisions and trade-offs.

In many companies, the ability to analyze human capital data and develop basic insights about corporate demographics, skills and capabilities, and employee performance is significantly hampered by a number of factors. Fragmented HR systems, a lack of analytic tools and limited resources all contribute to the inability of many global firms to make decisions about their in-house and external workforce. As a result, in many companies, it is virtually impossible for senior executives to make workforce decisions in the same way a Chief Financial Officer would make strategic choices based on the company's financial position.

Predicting future labor supply and demand

While many organizations are struggling to understand the current state of their workforces, even more are finding it difficult to make educated decisions about their future workforce needs. On the demand side, many organizations wrestle with the ability to take the organization's business strategy and transform it into a series of human capital requirements. Often, the disconnect between the organization's business direction and the associated workforce requirements can be significant. For example, at one recent HR conference, a senior HR executive exclaimed that accomplishing all of the tasks set out in the firm's three-year business strategy would have required hiring 50 percent more workers. To fully address the demand-side implications of a business strategy, three issues need to be carefully considered:[3]

- *Capacity* – Will the organization have enough employees to support the execution of a particular strategy?

- *Capability* – Does the organization have the right knowledge, skills and competencies to execute the strategy?

- *Culture* – Do the current organizational norms and values support the development and implementation of the strategy?

On the labor supply side, the tasks are similarly daunting. Globalization, changing workforce demographics and fluctuating business cycles require companies to understand the availability of labor across markets and constantly monitor both the availability of capabilities and their associated costs. Further, organizations not only have to consider their full-time workforce, but the availability of skills from third parties such as outsourcing partners and placement agencies.

Utilizing social networks to increase the visibility and application of knowledge across the organization

As highlighted in the previous section, it is important for the organization to understand its capabilities (and even those of its partners) at a macro level to improve its ability to locate, develop and allocate human capital. At the same time, however, the organization needs to increase the visibility of its knowledge and expertise so that individuals both inside and outside the firewall can identify who can provide needed answers to questions. By reducing the number of phone calls and e-mails required and the overall time spent looking for information, organizations can improve their responsiveness to inquiries and increase their effectiveness.

Mapping the informal networks within an organization can be a very powerful technique to help leaders understand where people find knowledge and how they accomplish their work. For example, Tom Allen at the Massachusetts Institute of Technology found, through a review of a decade of studies, that engineers and scientists are roughly five times more likely to turn to a person for information than to impersonal sources, such as a database or file cabinet.[4] Other studies have consistently shown the importance of informal relationships in obtaining information, solving problems and learning how to get work accomplished.[5] Using tools such as Social Network Analysis can help bring these informal networks to life and allow organizations to better understand and influence the development of these important knowledge conduits.

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Recent developments in social networking software, such as the emergence of blogs, wikis and tagging, help increase the visibility of knowledge within and across organizations. By making it easier for individuals to display their areas of expertise and receive feedback on their ideas, these tools help foster the development of connections, relationships and common context that are critical to the flow of knowledge across traditional boundaries. These tools provide a valuable augmentation to traditional skill management activities, as they allow the user to control the visibility and flow of their expertise to the rest of the organization.

Enabling individuals to perform work regardless of location

Given the need to work around the globe, the ability to access information and perform work-related tasks on a remote basis becomes paramount. In the future, companies will need to provide employees with the tools and skills to be productive regardless of whether they are working at a customer location, at a partner's site or in their own homes. Since global integration requires individuals to interact with others outside of traditional working hours, developing flexible working environments will no longer be a luxury, but a requirement for companies looking to retain critical staff and maintain their productivity.

Working in a virtual environment requires more than simply providing remote access connections and high-speed bandwidth. The organization will also need to provide tools that allow employees to manage their own personal transactions and gather information about themselves, their work unit and the organization in a simple and organized fashion. Employee and managerial self-service tools not only reduce the time and cost of many routine activities within the organization, but also allow individuals to get the information they need regardless of their time zone or location. When tailored to a person's particular business unit or role within the organization, these tools can reduce organizational "clutter" and time wasted trying to find valuable information.

In addition to changing related tools and processes, companies must also remove the residual biases that often accompany remote work. In many firms, remote workers often feel disenfranchised and find it difficult to remain involved in key decisions.[6] They struggle with staying connected to the informal channels that often signal new career opportunities or serve as a source for tips on how to improve their performance. To be successful, organizations need to find ways of evaluating remote workers by their contribution, not simply by their presence. They need to find ways to ensure remote workers stay connected to their networks and are recognized for their accomplishments in terms of rewards and promotions.

Facilitating collaboration across traditional organizational boundaries

In a global environment, boundaries such as time, distance, organization and culture can hinder the ability to accomplish work. Many organizations find themselves in tenuous positions because of their inability to coordinate specialized resources working around the globe. Often, organizational silos and conflicting performance measures make it difficult for individuals from different areas to reach out and work in concert. Further, the fragmentation of multiple units working on the same or similar problems can quickly drain the organization of limited resources and
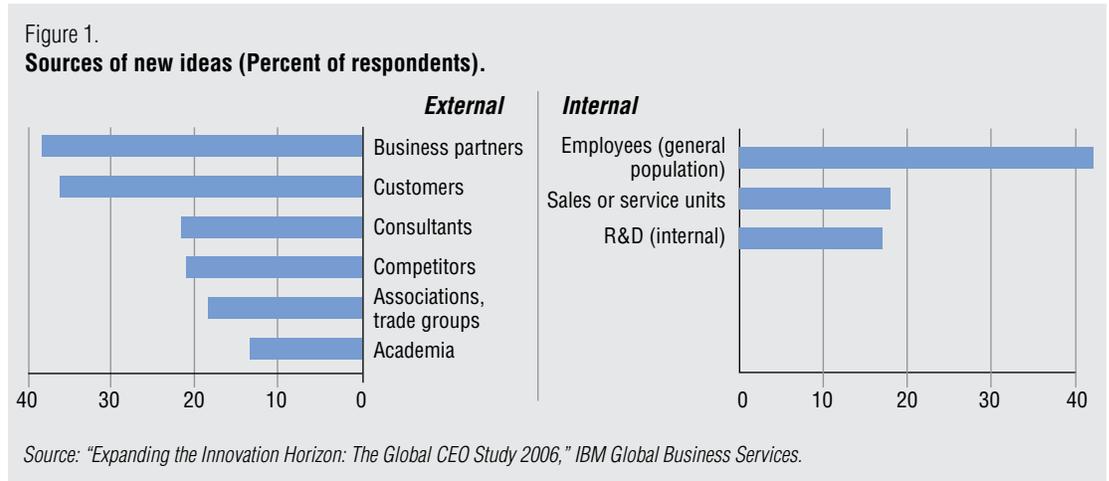
expertise. Therefore, in a globally integrated environment, it is important for companies to provide tools and resources associated with the development and maintenance of virtual groups of employees.

In many cases, we find organizations fostering the development of informal groups that meet regularly on topics of common interest to share knowledge and expertise. Such communities, which can range from as few as 15-20 to several hundred individuals, play a critical role in maintaining the flow of knowledge across the organization and serve as a vehicle for preserving organizational memory. A number of research studies have highlighted the importance of communities in decreasing the learning curve of new employees, responding more rapidly to customer needs and inquiries, reducing rework, preventing "reinvention of the wheel" and spawning new ideas for products and services.[7] Further, communities can be valuable tools to offset the isolation and potential disenfranchisement that can occur among remote workers who may have little regular contact with their corporate peers.

Collaboration tools can also be leveraged to bring the workforce together for dialogue about new ideas and methods for improving the organization. In an IBM study of over 750 CEOs, the importance of involving employees, customers and partners in the innovation process was clearly illustrated (see Figure 1).[8] Being able to tap into, and build upon, the collective experience of widespread individuals can help global companies leverage their diversity to stay ahead of the competition.

Figure 1.
Sources of new ideas (Percent of respondents).

Source: "Expanding the Innovation Horizon: The Global CEO Study 2006," IBM Global Business Services.

As an example, IBM has used its Intranet environment to host a series of company-wide idea-generation sessions. These "Jam" sessions are two- to four-day, round-the-clock events that have attracted up to 50,000 employees worldwide to share insights and connect with other employees around a pre-defined set of discussion topics. Moderators and brokers are employed to monitor the activities, suggest connections among discussion threads, poll the audience about specific issues and ensure the insights from one part of the world are addressed globally. The insights garnered from these sessions are then analyzed to identify areas of further intervention and improvement and shared with the rest of the organization.

Driving the rapid development of skills and capabilities to meet changing business conditions

There is mounting evidence that employee education makes a difference to the bottom line. According to a 2000 study conducted by the American Society for Training and Development, "training has been shown to produce significant benefit to a firm's total shareholder return. Firms in the top quartile in training dollars per employee have significantly higher profit margins, return on equity and stock performance."[9] A Conference Board study on a similar topic involving a review of U.S. workplace education programs found that 98 percent of surveyed employers reported increases in employee skills and economic output from training.[10] Other benefits identified in the report are: higher employee morale, improved capacity to deal with workplace change and to use new technology, better team performance, reduced time per task, lower error rates and waste, better health and safety, and improved retention of employees and customers.

So how can companies make the best of their learning investment? One way is to move beyond the paradigm of sending people to classes, hoping they remember what they have learned when they return to their cubicles. Instead, how can the corporation deliver the necessary training to employees when they need it and in a format they can easily digest and apply to their work environment? Technology can provide some of the answers. As a recent study from the RAND Corporation suggests,

"…technology has great potential to support the education and training of the workforce prior to labor market entry and as a part of lifelong learning. Technology-mediated learning – the use of computers and other information technologies as an integral part of the learning process – is gaining ground through such applications as computer-based instruction, Internet-based instruction and other methods for customized learning. Information technologies potentially allow access to instructional materials any time, any place." [11]

Delivering content through technology, though, is only one piece of the picture. Even the best learning systems can deliver only a small percentage of what individuals need to know to perform their jobs effectively. While enabling the distribution of large amounts of content, formal learning only accounts for approximately 30 percent of the total learning done by individuals in the workplace.[12] The remaining 70 percent (informal learning) occurs on-the-job and must be supported not only by performance support tools, but also through mentoring, participation in informal communities of practice and other opportunities for individuals to discuss problems and learn from others who have faced similar circumstances.

Evaluating employee performance and providing appropriate feedback

In a world where employees have multiple reporting relationships, participate on a variety of project teams and serve various internal and external customers, one constant remains clear: the need to have one's performance evaluated and have feedback delivered in a timely, clear and consistent manner. This capability is more than simply a goodwill gesture toward employees – it has a direct impact on how individuals view their relationship with the organization and their overall productivity. For example, in an IBM study of over 300 organizations, companies that had higher numbers of individuals receiving formal performance reviews also demonstrated higher profitability.[13]

To enable this capability, the organization must develop a consistent framework for setting goals and evaluating progress at regularly defined intervals. These goals and expectations will obviously differ by job and role, but the consistency of the process should be equivalent for all. In addition to performance feedback, individuals should also have the

opportunity to evaluate their current skills and capabilities and discuss opportunities for career development and advancement. This not only provides individuals a path toward personal development, but also allows the organization to make better decisions about the current and future state of its workforce.

Implementing workforce transformation in the globally integrated enterprise

It is not enough to focus on these seven key workforce capabilities individually. In fact, because these levers are complementary, they must be connected and aligned with the broader human capital agenda. For example, providing tools and resources that support global collaboration while paying and measuring people on their local contribution will not help the organization achieve a globally integrated workforce. Each organization must begin with a unifying strategy that addresses corporate goals and the supporting behaviors necessary to achieve those goals, and focus on how to manage the change process required to get there.

One of the most compelling findings from the IBM CEO Study in 2004 was the level of frustration voiced by CEOs regarding their organization's capability to manage change. The majority of respondents indicated they were dissatisfied with their own company's track record in managing change and over 40 percent ranked their organization as being unsuccessful in the past.[14] What appears to concern the study's participants is not only their inconsistent track record for managing change, but the fact that change can no longer be viewed as an occasional event associated with a major merger, acquisition or similar milestone. Rather, it is the smaller, more rapid changes that occur within the business

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on a continual basis. No longer can firms think about managing change as a set of ancillary activities; it now must be built into the "normal" fabric of the way individuals execute on a day-to-day basis.

To develop a workforce that can adjust to the constant flow of change, our experience points us to three focus areas critical to effective change management strategy. First is employee engagement – finding ways of getting key stakeholders actively involved in the change process itself. Second, organizational incentives need to be aligned so that employees see a positive tangible outcome as the result of the change. Finally, companies must establish communication channels that build trust and credibility among employees, engage key stakeholders who can amplify and reinforce key messages through their own personal spheres of influence, and solicit feedback on an ongoing basis. Without appropriate time, energy and attention paid to engaging, motivating and communicating with the workforce, organizations will place their ability to transform themselves at significant risk.

Managing human capital in a globally integrated world: Two examples

Fostering collaboration among engineers at an oil services company

Sharing knowledge across locations can be a particularly vexing problem for globally integrated organizations. In one instance, an oil services company found there was little communication among petroleum engineers working in different geographies. Working isolated in the field, few remote employees felt comfortable about making decisions

independently and were frequently over-loading limited support resources at the corporate headquarters. Further, many of the fastest growing locations were among the more isolated, limiting the knowledge and experience that could have helped these areas grow more rapidly.

To address this challenge, the organization invested in fostering an ongoing community of engineers focused on sharing knowledge related to engineering issues. Based on understanding the needs and knowledge-sharing patterns of these individuals, the company provided this community with money, resources and technology to set up face-to-face and virtual events to build awareness of peers' knowledge and capabilities and to foster trust among group members. This included the development of a community portal and content management software, which provided access to member bios, drilling documentation, frequently asked questions and other critical forms of content.

While many of the community members had little experience working with one another, the community served as a vehicle to build connections, relationships and the common context needed to pass along tips and good practices. Within a year of establishing the community, the organization found that it had eased the burden of the support resources at headquarters and that decision making had significantly improved in the field. As a result of better decisions and improved quality, the community was able to demonstrate over US$1.5 million dollars in savings, providing a return on the company's investment within the first year.

Managing the IT workforce in a global insurance company

The need to more effectively manage a workforce of knowledge-intensive professionals on a global scale represented a significant challenge for one insurance company. The IT function, which consisted of 850 full-time employees, 250 contractors and over 600 global sourcing resources, found itself having difficulty delivering key services and maintaining a high-performance culture. Closer examination revealed a lack of consistency in workforce management practices, with little emphasis on skill development and career progression. There was a general sense that, collectively, the group was not maximizing the use of its resources or providing an environment where highly skilled professionals could thrive.

Tackling this issue required a new workforce operating model – one that was built upon a vision that stressed capability development as well as the delivery of client service. The new operating model introduced a number of important enablement roles:

- Task managers – primarily responsible for project delivery and execution

- Practice managers – responsible for identifying and sharing best practices among practitioners within their disciplines

- Resource deployment managers – responsible for matching the supply and demand for internal projects and skills

- Professional development managers – responsible for the skill development and competency management of IT professionals.

As part of this new operating model, all professionals have written objectives and development plans, which allows performance to be evaluated more accurately. Furthermore, employees see opportunities to advance along a more clearly defined career path, and are better connected to their disciplines through the use of the "practices." In addition, the combination of improved resource management coupled with higher staff morale is helping the IT organization reach its overall goals of a 33 percent cost reduction within 12 months, with a related 50 percent increase in productivity within 2.5 years.

Key questions to address

For organizations looking to develop a workforce that can succeed in the globally integrated economy, the following questions can serve as a useful catalyst:

- To what extent does your workforce strategy align with your business goals?

- Does your workforce strategy address the seven key capabilities in a complementary and mutually reinforcing way?

- How well do these capabilities address the day-to-day issues facing your employees, as well as your longer-term strategic goals?

- Does your organization have the internal resources to further reinforce or augment these seven key capabilities?

- How can you develop a business case that links these capabilities to the present and future challenges of the organization?

- What are the key workforce metrics that gauge your ability to deliver these seven capabilities and tie them to organizational performance?

Written objectives and development plans allow performance to be evaluated more accurately.

Although the task of workforce transformation appears daunting, it does not have to be addressed across the entire organization at once. As the cases above highlight, targeting key segments of your workforce can focus time and resources on areas that have the greatest impact on your bottom line. Further, successful change in one part of the organization can also serve as a catalyst for motivating additional areas to the next step.

Overall, competing in a globally integrated environment will require companies to rethink where, and how, the workforce adds value to the bottom line. By further developing the seven capabilities highlighted above, we believe that organizations will be better equipped to react more rapidly and more effectively to changes in the global environment and to exploit new opportunities. However, these capabilities need to be considered not as separate ventures, but as part of an integrated effort to increase workforce effectiveness.

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