A large, colorful grid of squares in various colors (blue, green, yellow, orange, red, purple, pink, grey) is positioned on the left side of the slide. The grid is partially obscured by the text.

Working *beyond* Borders

*Insights from the
Global Chief Human
Resource Officer Study*

2010 CHRO Study
12th National HR Summit
29th March 2011

The 2010 Global Chief Human Resource Officer (CHRO) Study builds on our insights and findings over the last five years

2005 The Capability Within

Key Themes

- The menace of maturity
- The quest for talent
- Retaining key people
- Measuring performance

320 HR executive interviews

2008 Adaptable Workforce

Key Themes

- Developing an adaptable workforce
- Closing the leadership gap
- Cracking the code for talent
- Driving growth through workforce analytics

404 HR executive interviews

2010 Working beyond Borders

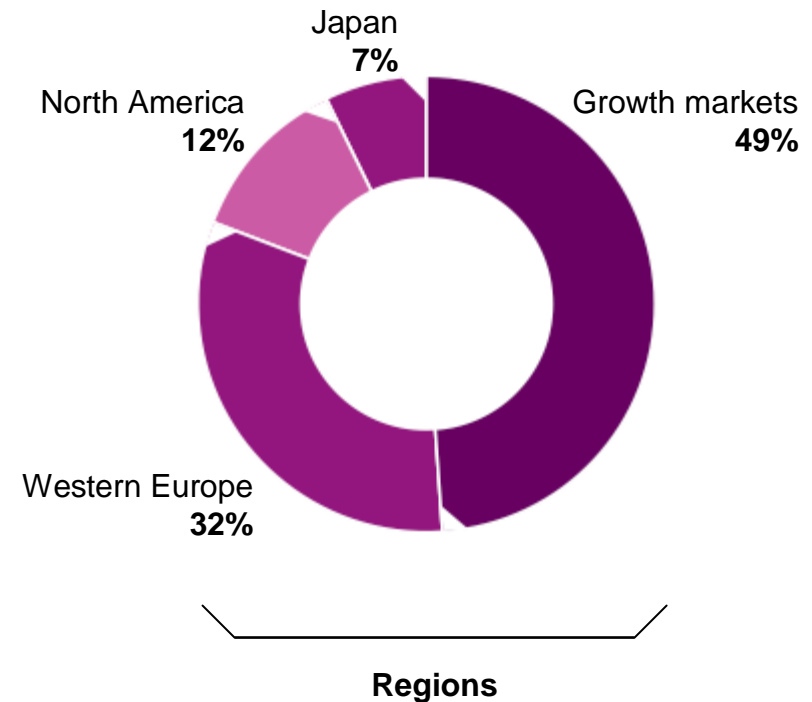
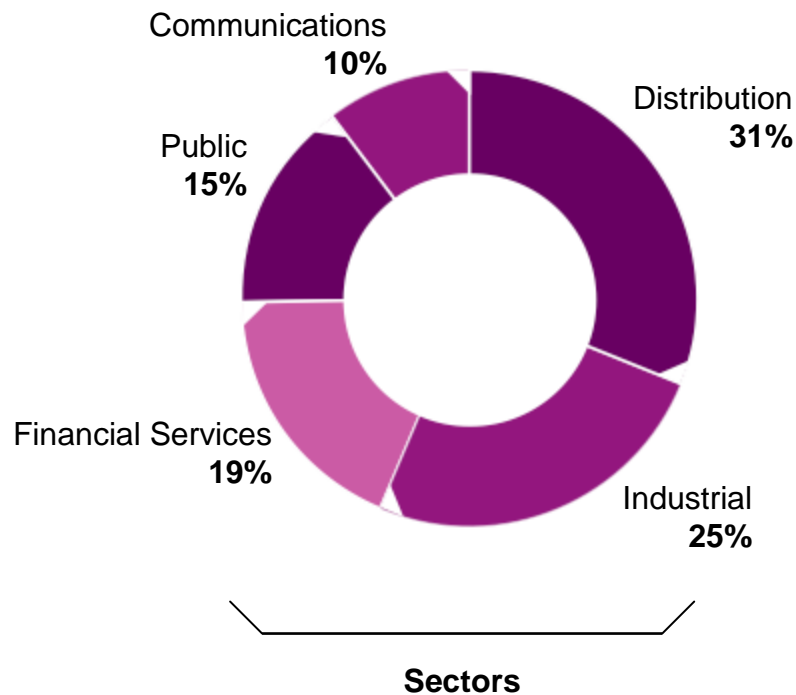
Key Themes

- Cultivating creative leaders
- Mobilizing for speed and flexibility
- Capitalizing on collective intelligence

707 HR executive interviews

The sample of 707 participants includes almost 600 face-to-face interviews with senior HR executives

The study represents organizations of all sizes from 61 countries and 31 industries



Note: Growth Markets include Latin America, Asia Pacific (excluding Japan), Central and Eastern Europe, Middle East and Africa

Agenda

Working beyond Borders

Three workforce opportunities

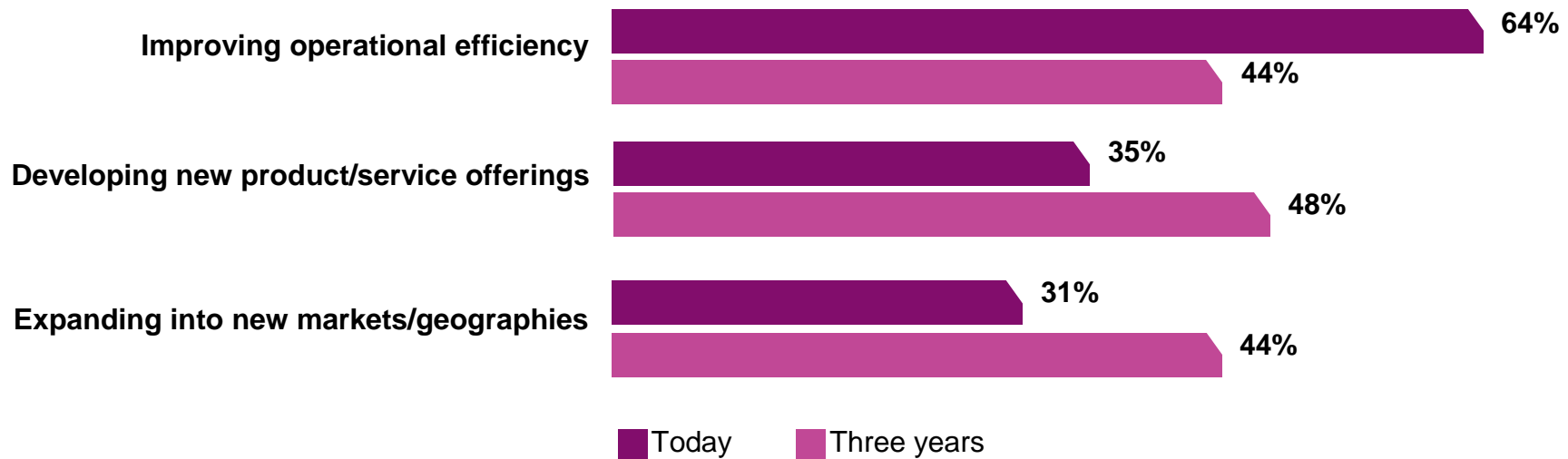
- Cultivating creative leaders
- Mobilizing for speed and flexibility
- Capitalizing on collective intelligence

Becoming borderless



HR leaders are focused on two equally important goals — the need to drive growth and maintain operational efficiency

Current and future areas of focus



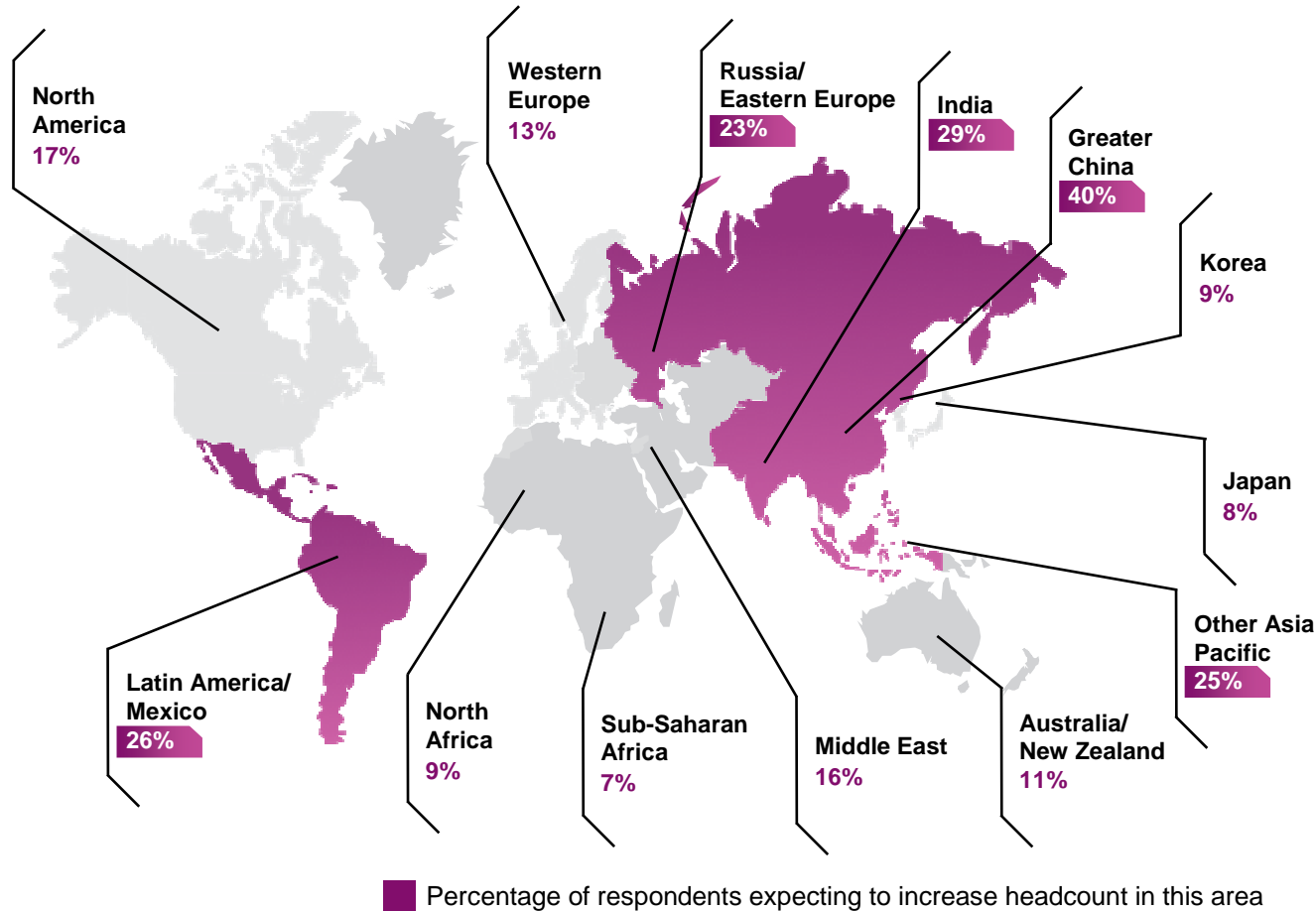
“Our current stance is defensive to protect our profits under difficult economic circumstances; however, over the medium and long term, our agenda is geared toward global growth.”

Director of Operations,
United Kingdom

Source: Q1 (Overall, what do you see as the primary business challenges affecting you organization today and in the next 3 years? Select THREE)

HR leaders anticipate headcount investment will mirror growth opportunities

Geographies where organizations are increasing headcount

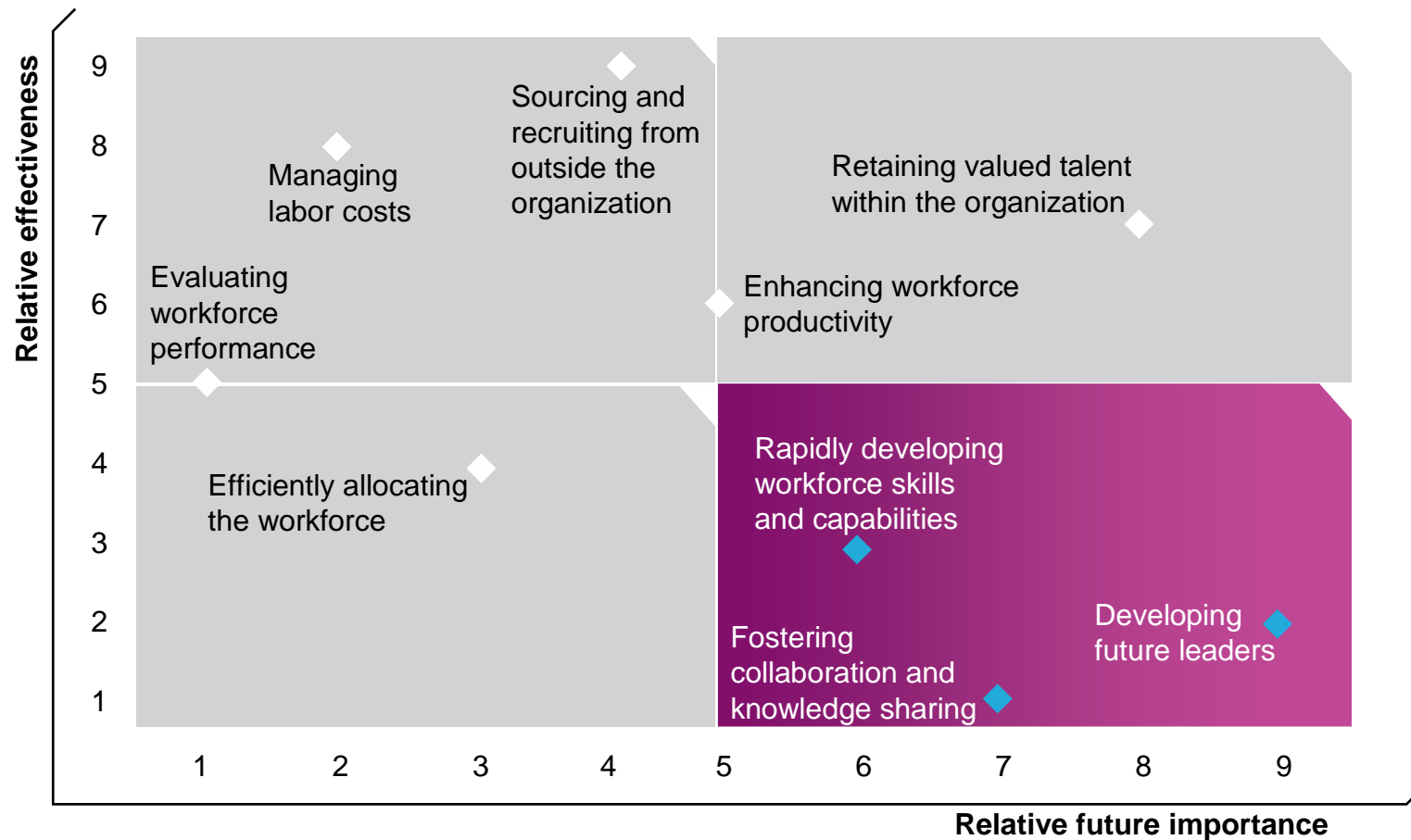


In addition

- **45%** of companies in India plan to increase their headcount in North America and **44%** in Western Europe
- **33%** of companies in China plan to increase their headcount in North America and **14%** in Western Europe

Source: Q6 (Where do you anticipate your organization's headcount to change over the next 3 years?)

CHROs highlight three key workforce areas as significant opportunities for improvement

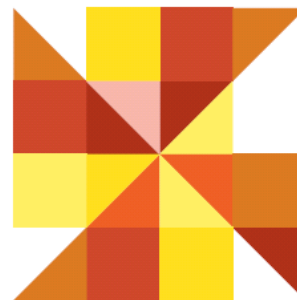


Source: Normalized results for Q2b (How important is it for your organization to address the following workforce challenges in the next 3 years?) and Q3 (How effective is your organization in addressing the following workforce challenges today?)

Three key capabilities enable organizations to work *beyond* borders

Cultivating creative leaders

Developing the next generation to lead a more global, flexible and diverse workforce



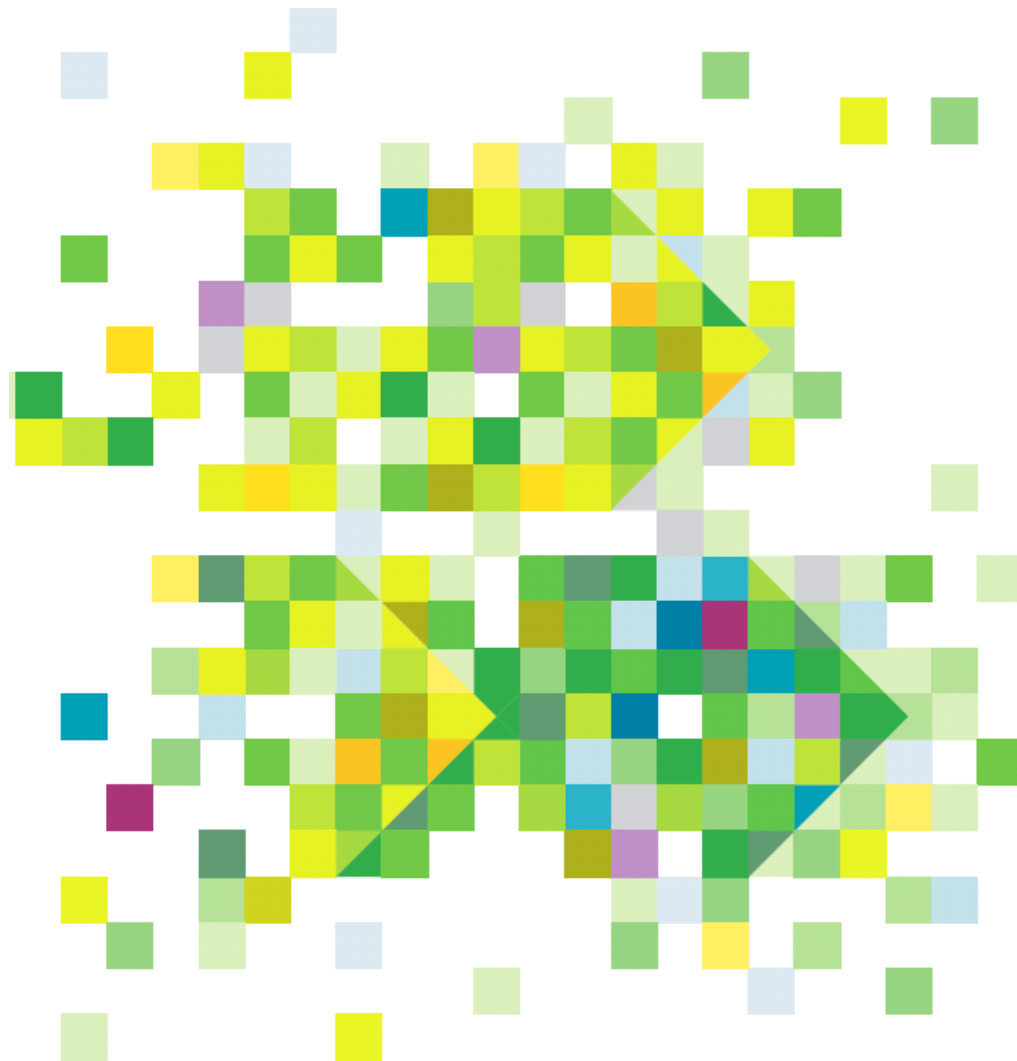
Mobilizing for speed and flexibility

Rapidly develop and deploy workforce skills and capabilities to match emerging opportunities



Capitalizing on collective intelligence

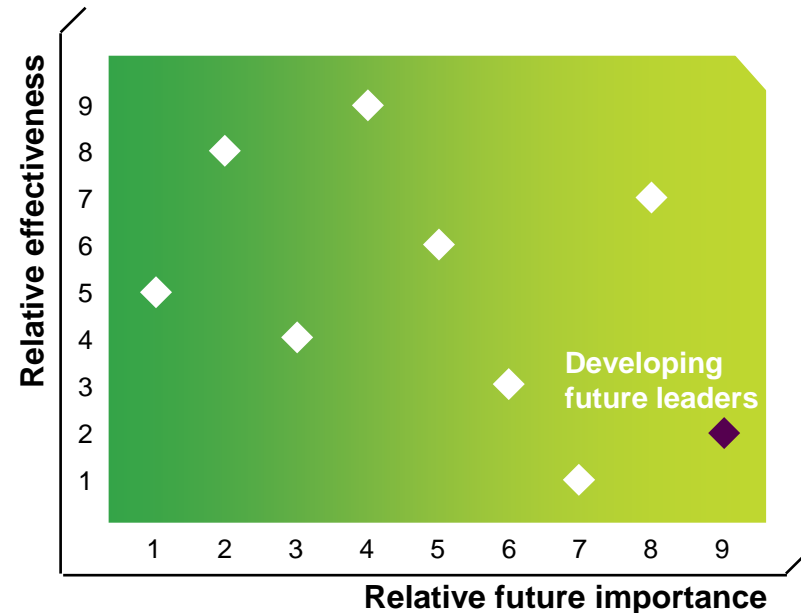
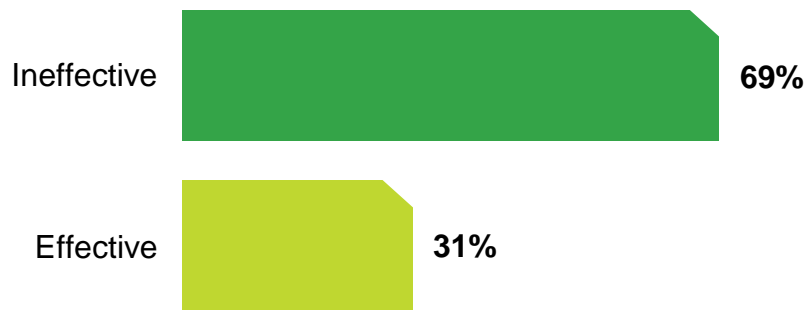
Fostering collaboration and knowledge sharing to drive efficiency and foster innovation



Cultivating creative leaders

Less than one-third of companies say they are effective at building the next generation of leadership capabilities

Effectiveness at developing future leaders



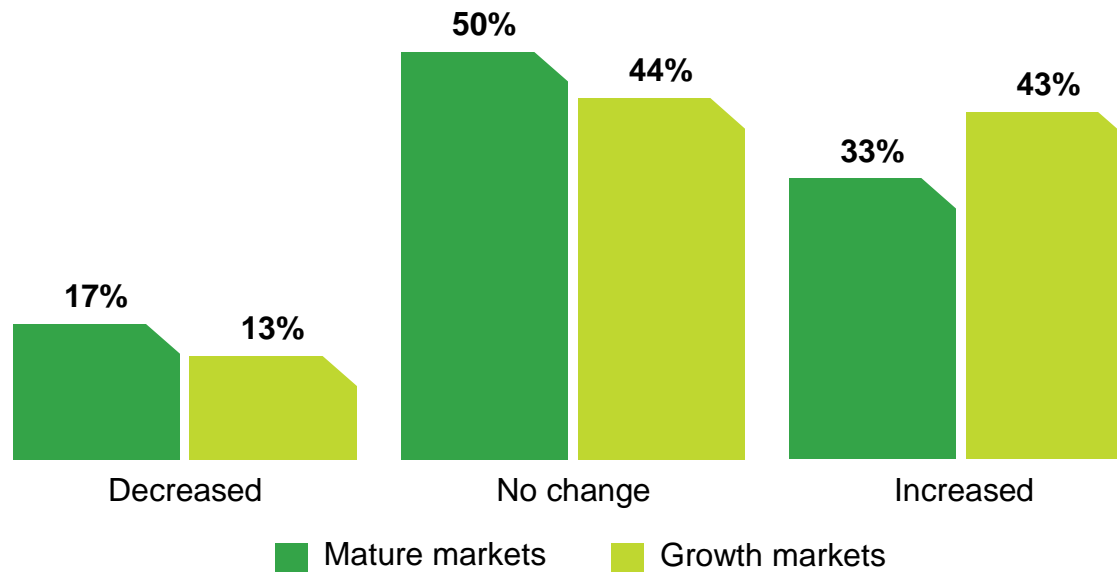
“We have hired and trained people to work in silos. We need to identify future leaders who can operate in a globally integrated company, and train them to think and work globally.”

Patti Stumpp,
SVP HR, Invacare Corporation

Source: Q2 (How important is it for your organization to address the following workforce challenges in the next 3 years? Select THREE)
Q3 (How effective is your organization in addressing the following workforce challenges today: Developing future leaders? Effective = 4 and 5)

Despite economic uncertainty, roughly four out of ten companies have increased investment in leadership development

Changes in leadership development investments



“We must focus on the development of future leaders, especially in light of deteriorating educational quality. New hires are less prepared today than they used to be several years ago.”

HR Director,
Insurance, Venezuela

Source: Q4 (How has the recent economic downturn affected your investments in the following areas: Leadership Development?)

Recommendations for cultivating creative leaders

1. *Look beyond headquarters*

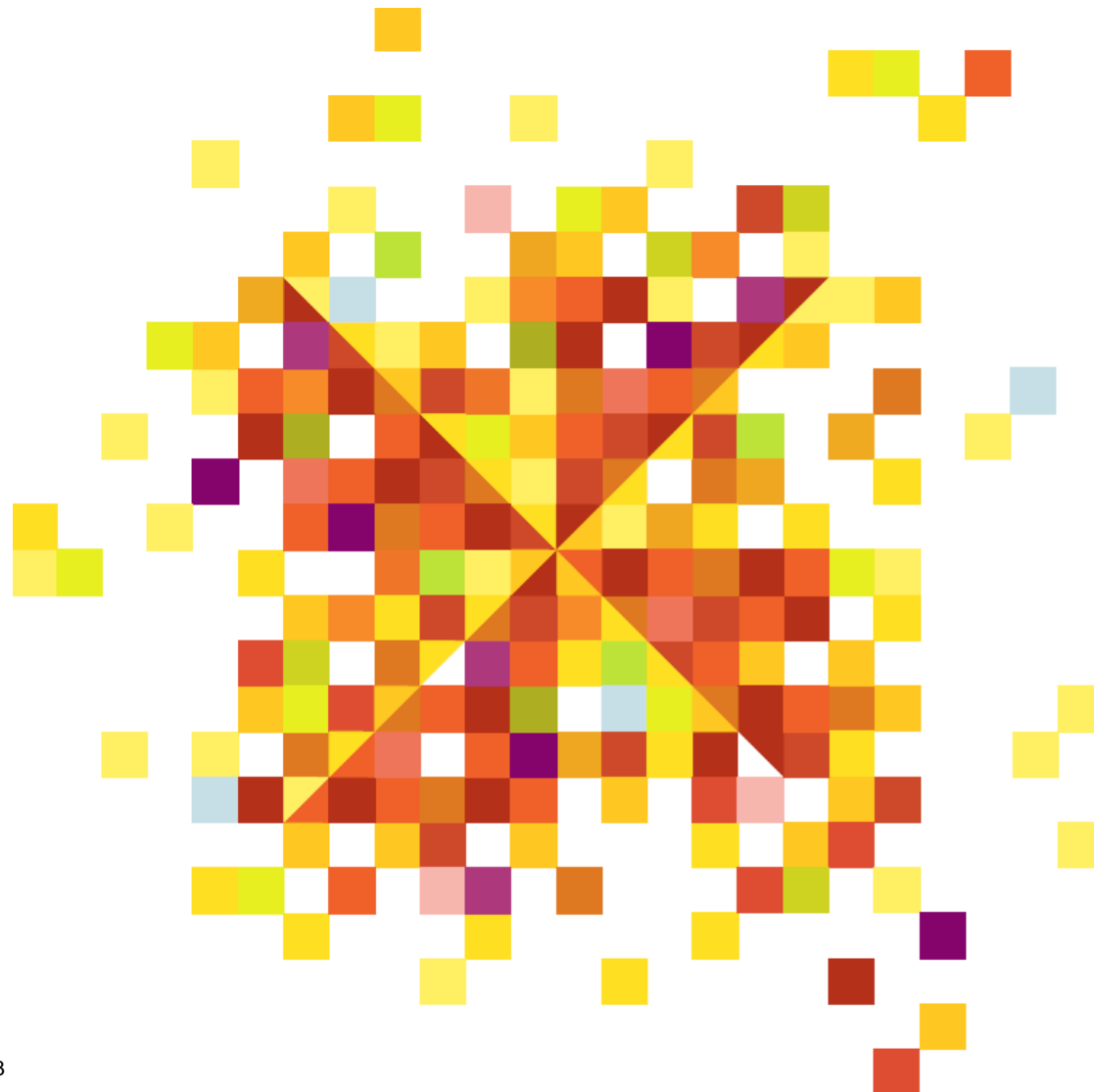
- Identify and cultivate **rising stars regardless of location**
- Use global issues facing the organization as the basis for real-life learning experiences
- Offer short-term, focused opportunities for individuals to work in new markets/geographies

2. *Nurture creative leaders*

- Provide opportunities for creative leaders to move beyond traditional leadership styles
- **Incorporate external perspectives** (e.g., suppliers, customers) into leadership development efforts

3. *Create rigor around leadership investments*

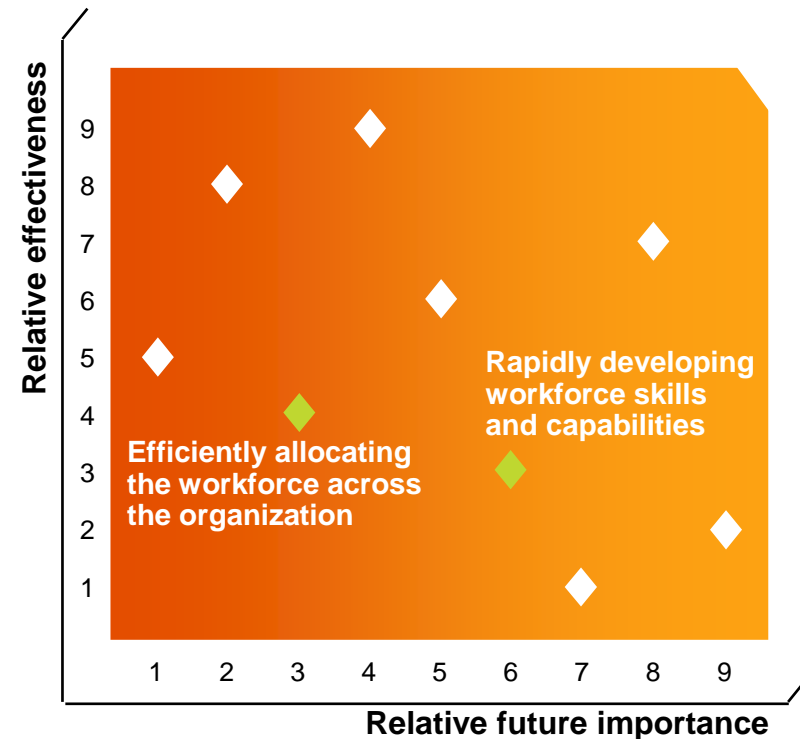
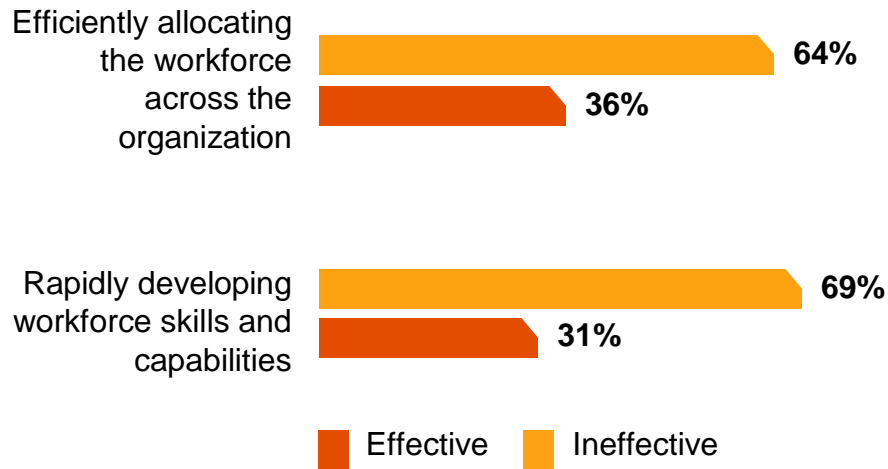
- Analyze future business trends to determine leadership requirements for emerging business opportunities/locations
- Create company-specific models, processes and capability assessment tools for leadership roles
- **Monitor job progression** of potential future leaders from around the globe



Mobilizing for speed and flexibility

While companies are looking to become more flexible, they are still challenged in building and allocating talent

Effectiveness ratings

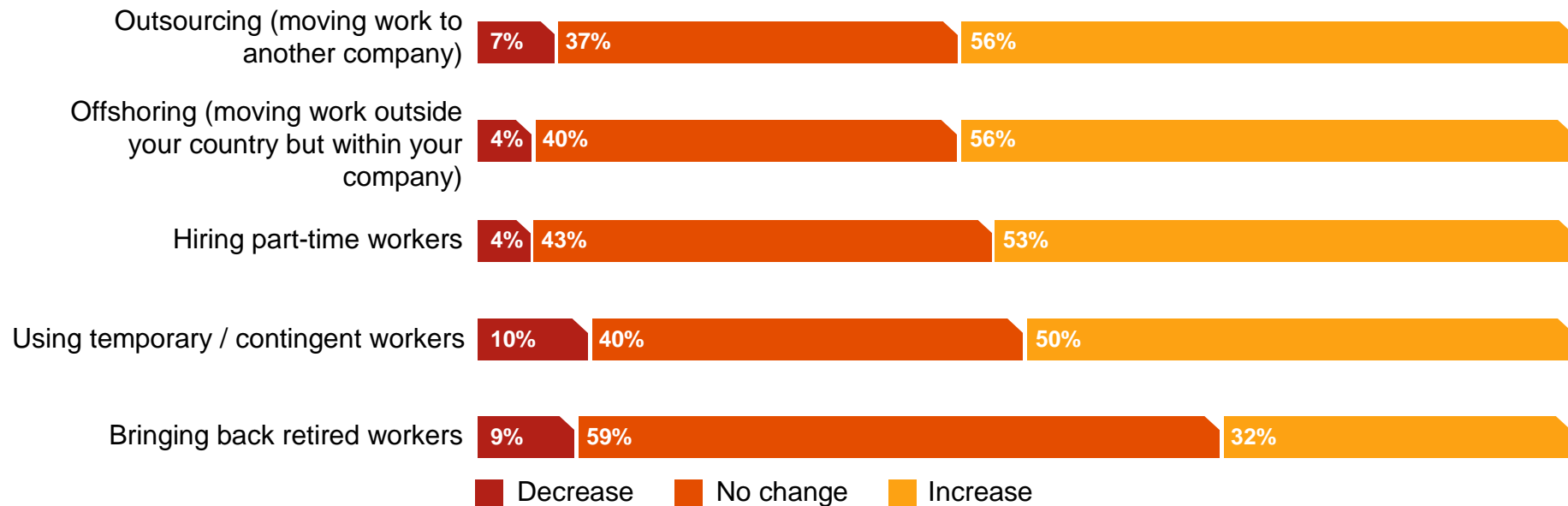


Source: Q2 (How important is it for your organization to address the following workforce challenges in the next 3 years? Select THREE)
 Q3 (How effective is your organization in addressing the following workforce challenges today: Rapidly developing needed workforce skills and capabilities? Efficiently allocating the workforce across the organization?) (Effective = 4 or 5)



Over the next three years, more than half of CHROs plan to inject a higher dose of flexibility into the composition of their workforces

Anticipated change in labor flexibility techniques over the next three years



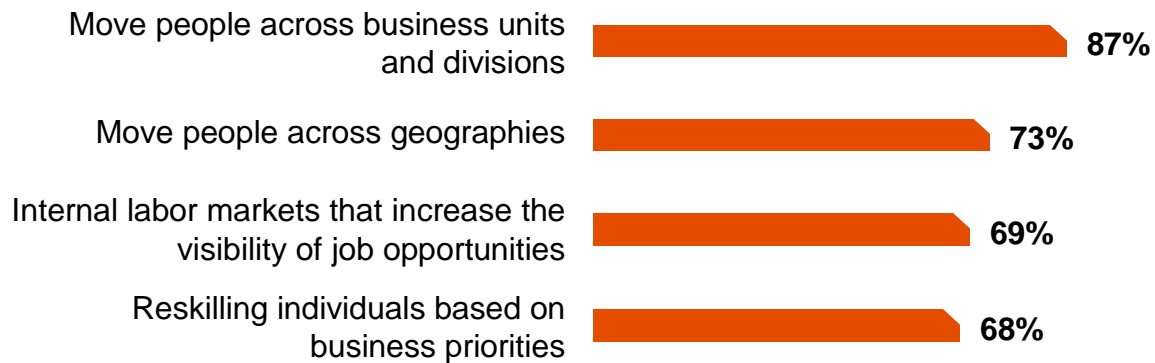
“Increased need for flexibility will dictate strategies that allow us to bring in employees to respond to peaks of work. Uneven recovery from recession will mean that our business will not be the same in all geographic locations – some programs will be in higher demand.”

Gina Rallis,
Assistant Deputy Minister, Human Resources and Skills Development Canada

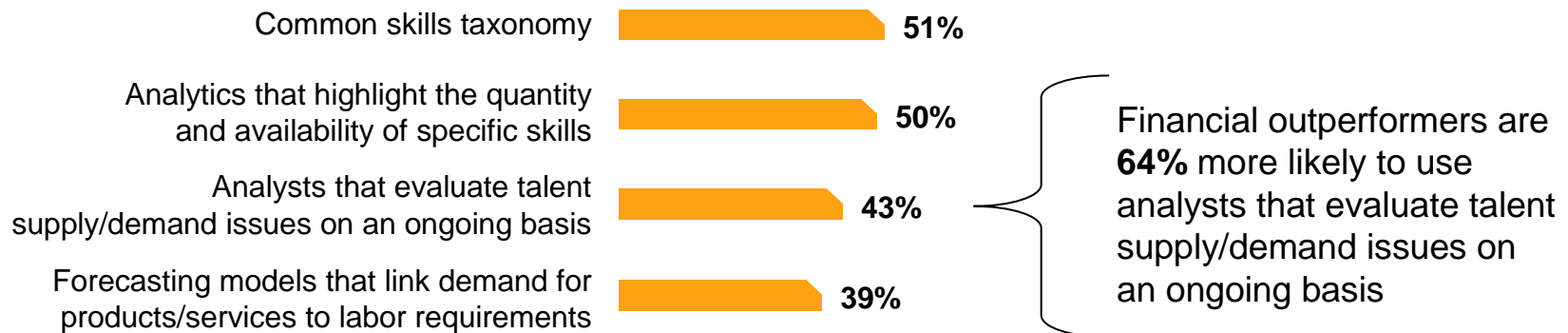


CHROs are struggling to establish the infrastructure they need to balance talent supply and demand

Activities used to balance talent supply and demand



Enabling infrastructure



Source: Q10 (Does your organization use the following to manage talent supply and demand?)

Recommendations for mobilizing for flexibility and speed

1. *Build a single, integrated workforce perspective*

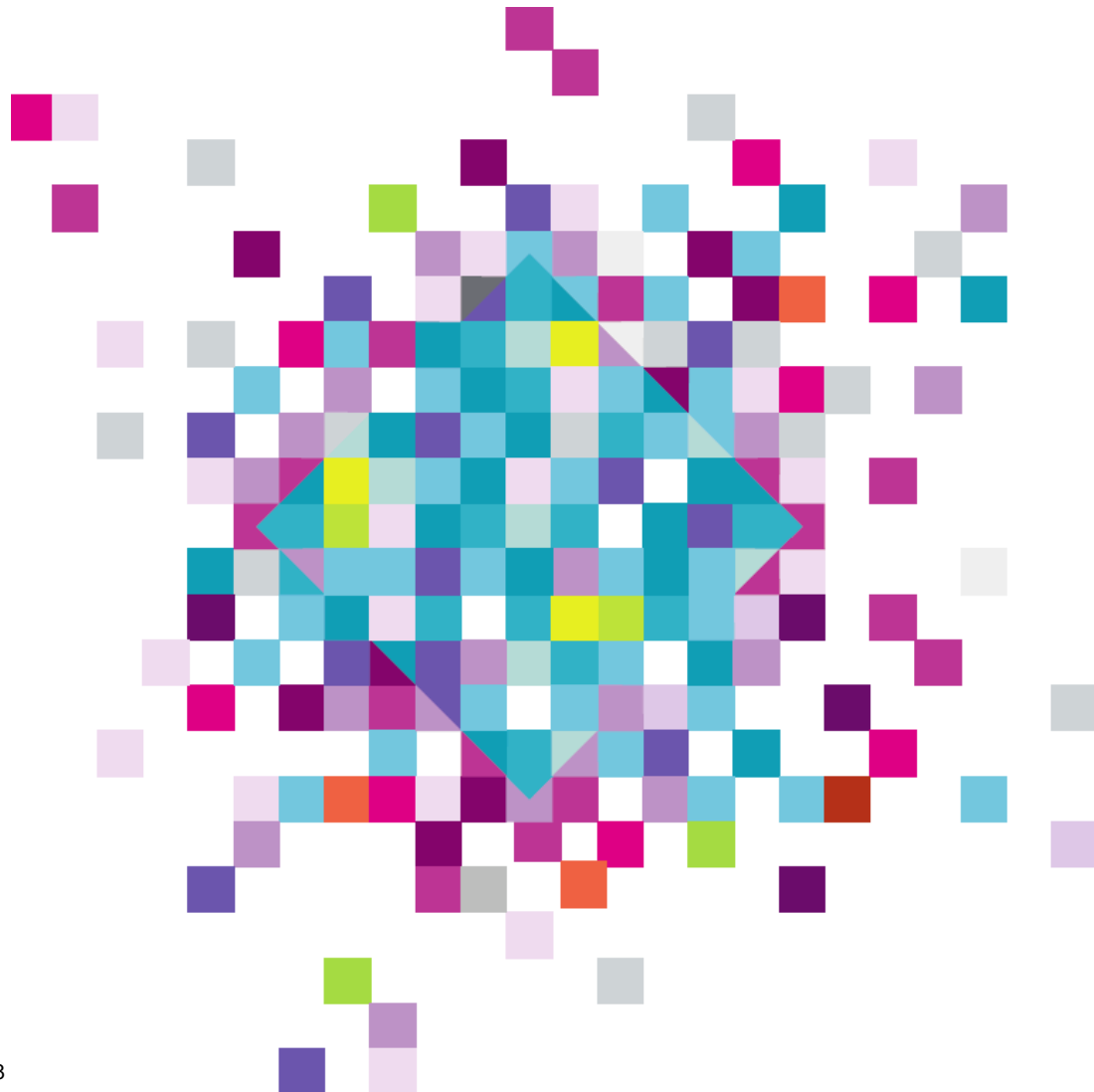
- Develop a unified workforce strategy that aggregates the needs of different business units and considers a variety of workforce options
- Focus on outcome-based models when designing flexible workforce arrangements
- Create a **common expertise taxonomy** that serves as the “currency” for enterprise competencies

2. *Accelerate response to opportunity*

- Provide internal marketplaces where individuals and managers can gain visibility and access to new opportunities and needed skills
- Develop more **flexible organizational structures** that can address rapidly emerging situations

3. *Dramatically lower time to competence*

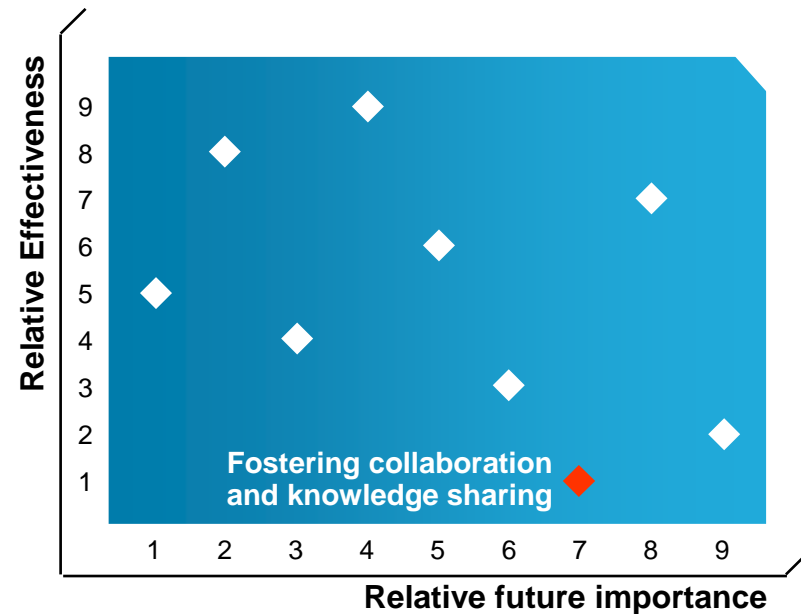
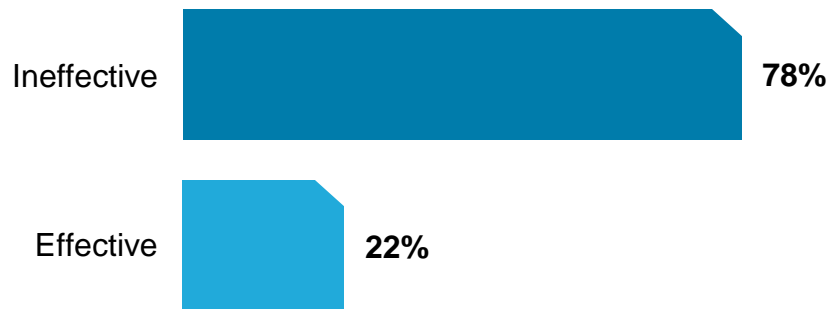
- Allocate learning resources toward focal positions and roles
- Build social media features into learning platforms, events and activities
- Position **virtual worlds, gaming and business simulation** as techniques to augment face-to-face learning



Capitalizing on collective intelligence

Organizations struggle to connect their workforces

Effectiveness at fostering collaboration and knowledge sharing



“We don’t share intellectual assets fully, even though we have the IT infrastructure to do so.”

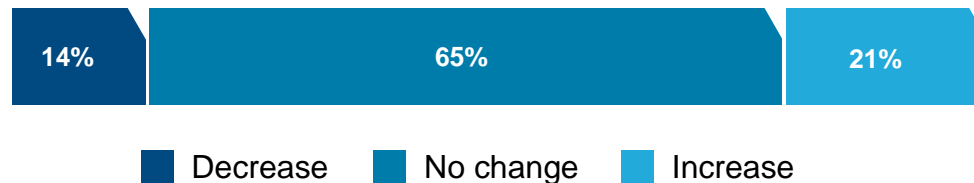
HR Executive, Industrial Sector,
Japan

Source: Q2 (How important is it for your organization to address the following workforce challenges in the next 3 years? Select THREE)

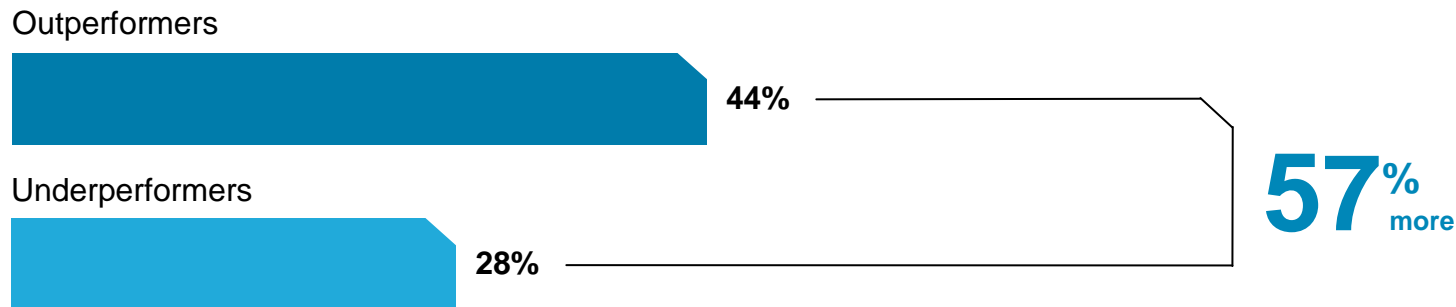
Q3 (How effective is your organization in addressing the following workforce challenges today: Fostering collaboration and social networking? Effective = 4 or 5)

While few organizations have recently increased their investments in collaboration, outperformers are using it to foster borderless teaming

Recent investments in collaboration and social networking



Use of collaboration/social networking to enable global teams to work more effectively



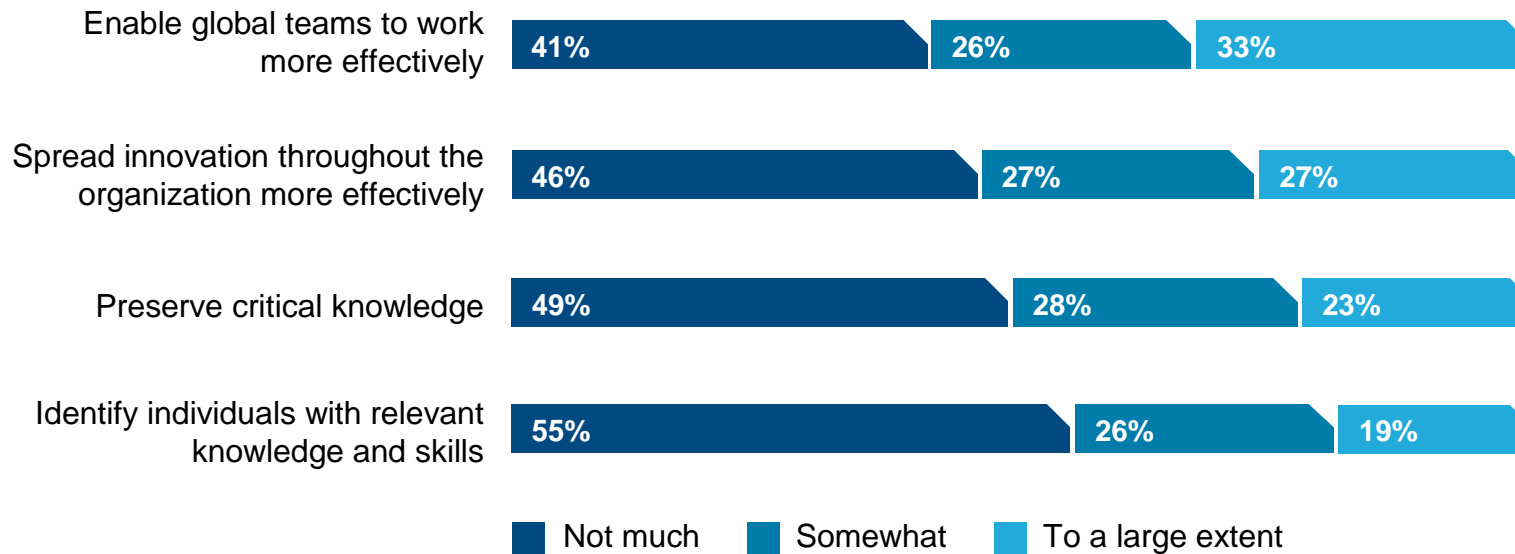
Source: Q14 (To what extent are on-line collaboration and social networking approaches used in your organization to?)
Q4 (How has the recent economic downturn affected your investments in the following areas? Collaboration and social networking)

Note: Outperformers are derived from an analysis of the compound annual growth rate (CAGR) for 2003-2008 EBITDA within industries. Outperformers represent companies above the median; n=203.



Less than a third of companies are regularly applying collaborative approaches to drive knowledge sharing and innovation

Uses for collaboration and social networking tools



“We are not as good at innovation as efficiency. The HR function should help to build an innovative culture, create forums, develop leaders and find ways to measure and reward innovation.”

Veronica Rörsgård,
SVP HR, Skanska

Source: Q14 (To what extent are on-line collaboration and social networking approaches used in your organization?)

Recommendations for capitalizing on collective intelligence

1. Weave collaboration into the way employees work

- Encourage formation and **use of cross-organization communities** around strategic business topics
- Build collaborative capabilities directly into business processes and project management activities

2. Raise the visibility of ideas and insights

- **Sponsor online collaborative events** to source and refine ideas and put funding and focus behind the best ideas prioritized by event participants
- Solicit and recognize fresh insights and new thinking from internal and external sources
- Use network visualization techniques to highlight connections between individuals/ work teams

3. Create and share assets to drive productivity improvement

- Create value through the **systematic capture and reuse** of individual work outcomes

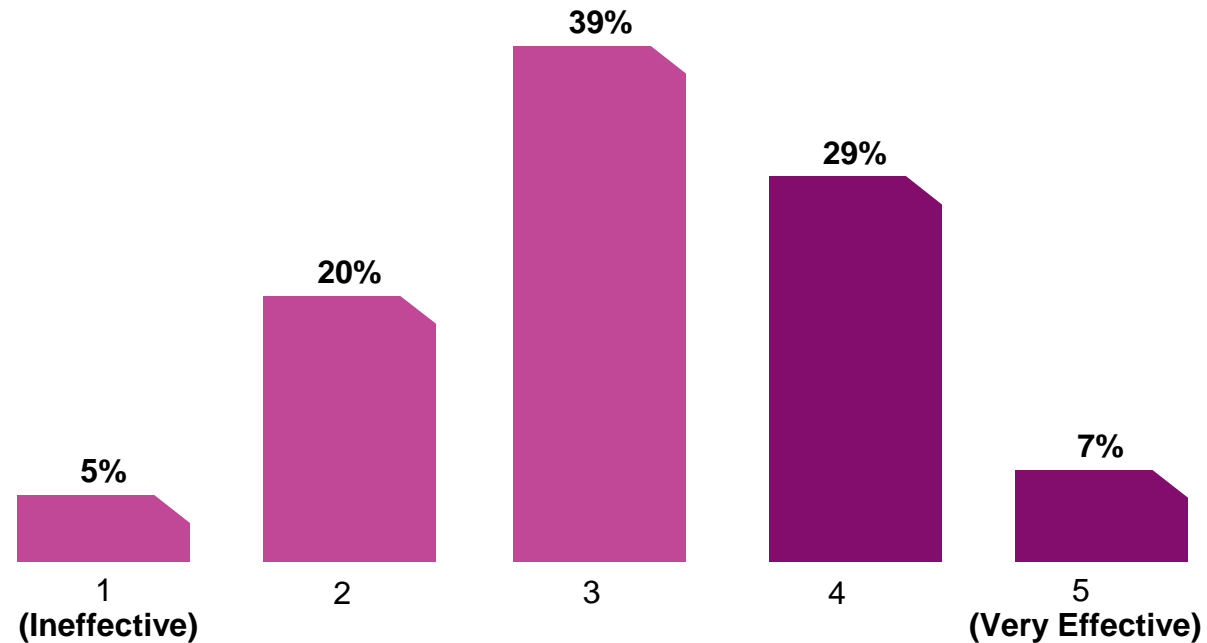


Becoming borderless



Most companies still find themselves challenged in making evidence-based workforce decisions

Effective in using analytics to make workforce decisions



“We have been ineffective at using analytics to date, as we don’t have the skills or senior management buy-in.”

CHRO,
Public Sector, Australia

Source: Q18 (Overall, how effective is your organization at using analytics to make workforce decisions?)

Less than one-quarter of CHROs are using analytics to make future workforce decisions

Application of workforce analytics

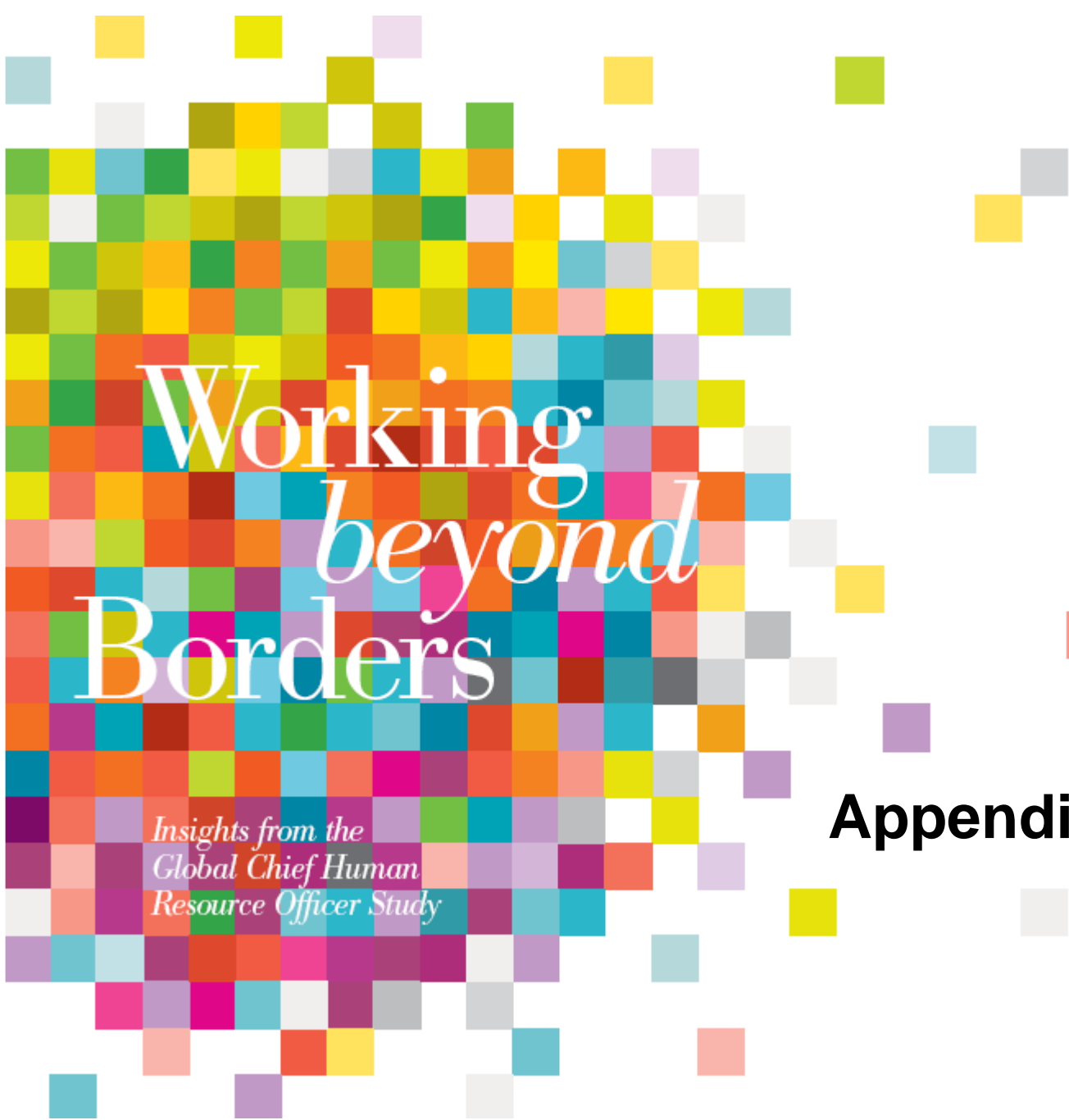


Source: Q19 (Which statement best describes your organization's use of workforce analytics within each of these human capital areas? Please select)



Imperatives for the new borderless workforce

	Improve operational efficiency	Expand into new markets/geographies	Develop new product/service offerings
Cultivating creative leaders	Be comfortable with distributed and virtual leadership approaches; create leaders who leverage informal power	Accelerate the development of truly borderless leaders; be creative in combining global and local talent	Design leadership development programs to generate innovative emerging business opportunities
Mobilizing for speed and flexibility	Develop online marketplaces to efficiently match global talent supply with demand	Adapt a global approach to sourcing talent; eliminate policy and process barriers to cross-border movement	Leverage flexible work structures to rapidly align talent with critical jobs in new business areas
Capitalizing on collective intelligence	Improve productivity through best practices sharing and reducing duplicative efforts	Improve cross-functional effectiveness by providing an online platform for virtual team collaboration	Establish a culture of creativity and innovation where new product ideas get visibility and executive support



Working *beyond* Borders

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Appendix: Case Studies

LAN Airlines: Spreading its wings with strong leaders



- When Chilean flagship carrier LAN Airlines established a subsidiary in Argentina in 2005, it set itself an ambitious goal – to capture 30 percent of the domestic market within 18 months. But it faced several major challenges, including the underdevelopment of the Argentinian airline industry as a result of high tariffs and heavy regulation; the need to integrate 650 employees from Argentina’s state carrier into its own organization; and a relatively inexperienced executive team.
- LAN Argentina soon began to struggle. So, in May 2007, the parent company decided to launch a leadership development program. It asked all the executives in LAN Argentina to define what they meant by leadership, given their personal beliefs and values, and to identify role models within the organization. LAN then used the information to clarify what it wanted from everyone, including what they were to do, and when and how they were to do it.
- This process produced a model of the five competencies required of a “LAN leader:” integrity; aptitude (i.e., technical proficiency and emotional intelligence); a results-oriented perspective, with the ability to set demanding targets and take the initiative; strong communication skills; and the expertise to spearhead change.
- Cultivating a new generation of leaders has paid off. Today, LAN is the world’s eighth largest airline, with a market capitalization of US\$6.2 billion. It has also transformed the “state” culture it inherited from Argentina’s national carrier into a service culture and tripled employee satisfaction levels.

Maxis Communications: Connecting for creativity



- Maxis Communications is Malaysia's leading mobile communications service provider, with over 10 million customers. But, faced with increasingly fierce competition, the board recently realized the company needed to refresh its pioneering spirit.
- So, in December, 2009, CEO Sandip Das sent 18 senior executives on a whirlwind tour of San Francisco, Silicon Valley and Hollywood to rediscover their innovative edge. They talked to Silicon Valley entrepreneurs to get a better understanding of the culture of start-ups, visited Hollywood studios to see the latest technologies for distributing multimedia content and participated in a course designed by famed Harvard professor and author Michael Tushman.
- In addition, as an experiment in social media-based collaboration, all 18 executives agreed to carry iPhones equipped with the latest social media applications, and to share their experiences in real-time with their 8,300 colleagues in Malaysia and India. Employees could tweet back with questions, which the executives then put to the entrepreneurs they were meeting.
- At the end of the tour, the executives returned to Southeast Asia brimming with ideas for reinvigorating the corporate culture – and their enthusiasm was shared by those who had participated virtually. Maxis Communications' innovative approach to nurturing creativity has also earned it widespread recognition, with a gold award at the 2010 Malaysia Human Resource Awards.

CLP Holdings: Engineering its future



- CLP Holdings (CLPH) is one of Asia Pacific's leading energy providers but its workforce is aging – and good young engineers with the technical skills it requires are in short supply. Anyone who works in the field must also be able to speak the local language. Given these needs, strategic workforce planning is critical to the company's future.
- The HR team started the planning process by analyzing all CLPH's employees and subdividing them into two categories: those with core skills and those with non-core skills. It defined core skills as a combination of the capabilities required to manage critical business or operational processes and activities in the generation, transmission and distribution of electricity, *and* company-specific expertise that could only be developed in-house over a substantial period of time.
- Thereafter, the HR team examined the demographic profiles of these two groups of people to identify where the most important shortfalls would arise. Armed with this information, CLPH finally launched a number of initiatives to fill the gaps, including fast-tracking high-fliers and optimizing the ratio of engineers to technicians on each team. It also established scholarships and internships to attract the best engineering graduates, and apprenticeship schemes for the less academically inclined.

American Airlines: Carrying flexibility to new heights



- American Airlines is a leading global passenger carrier, serving 250 cities in over 40 countries with more than 3,400 daily flights. It takes a large workforce to perform such a task – and American employs almost 82,000 people worldwide.
- For many years, the company managed the HR functions required to support these employees internally. However, although American’s HR services center and technology were outstanding, the technology was becoming increasingly dated and expensive to maintain and upgrade. More importantly, doing everything in-house gave American little flexibility to scale up and down in line with the economy, with minimal disruption.
- Therefore, in 2007 the company decided to outsource many of its HR functions, while retaining the more strategic elements in-house. Working closely with its HR outsourcing partner, American identified the functions it wanted to outsource, the areas where it could realize benefits and the best applications for its needs. It also refined many of its HR processes and developed a roadmap for managing the transition.
- In addition to meeting its functional requirements, American’s new HR business model has positioned the airline to respond dynamically to changing economic conditions, with a variable pricing structure that lets it scale up or down and a technology base that can be expanded or modified as business needs dictate. American now has the flexibility to deal with all eventualities.

U.S. Defense Intelligence Agency: Saving lives with clear insights



- The U.S. Defense Intelligence Agency (DIA) provides authoritative assessments of foreign military intentions and capabilities to national security and defense policymakers and to combatant commanders worldwide. It analyzes and synthesizes information from multiple sources, including satellite and airborne surveillance, intercepted signals and human intelligence; and produces oral or written reports.
- But when the DIA assessed the Combatant Command intelligence workforce, it discovered that the analysts' abilities in communication were well below targets set by the Combatant Commands. Supervisors had to spend a lot of time editing the reports they produced. This meant the soldiers on the ground might have to wait longer for the intelligence they needed to execute operations – and time is critical in combat.
- So the DIA and Combatant Command learning team devised a short communications course that combined online learning with classroom teaching. It tested the program on 25-30 analysts and then measured their performance, using quality analytic tradecraft standards developed by the Office of the Director of National Intelligence. The result was impressive: an average 29 percent improvement in the quality of the reports the analysts wrote.
- Leveraging “evidence-based” management techniques to identify the crucial capacity gaps in its workforce, and delivering a laser-sharp program to fill the gaps, has enabled the DIA to add measurable value to its “business.” It now plans to provide customized versions of the program to other Combatant Commands, recognizing that the ability to communicate effectively is vital for producing quality intelligence.

Pfizer: Gathering ideas from around the globe



- Pfizer is the world's biggest biopharmaceutical firm and an expert in capitalizing on collective intelligence. In 2006, the company launched its "Idea Farm" – a collaborative process for solving problems creatively in a far more flexible, scalable and cost-effective manner than the traditional method involving meetings, presentations and flipcharts.
- The process begins with the selection of suitable problems. They can emanate from anywhere in the organization, but they must be large and complex. They must also be backed by a business sponsor. If a problem is chosen, the next step is to formulate it clearly in a way that immediately conveys the issue and what sort of help is wanted. The "Challenge," as Pfizer calls it, is then released to everybody the company has singled out to participate – which may be anywhere from 200 to 20,000 people.
- When participants enter suggestions in the system, a preconfigured electronic form streamlines the process of capturing ideas and automatically issues a warning if an idea is duplicated. Everyone in the group can also see the suggestions that have been submitted, so people with different areas of expertise can comment and ask questions to provoke further thought.
- The Idea Farm has proved very fertile. Since it was introduced, Pfizer has identified US\$100 million in pipeline net present value by discovering new markets – and avoided US\$20 million in costs.

Esquel Group: Teaming up with its talent



- Esquel is a global apparel manufacturer with production facilities in China, Malaysia, Vietnam, Mauritius and Sri Lanka. It makes cotton shirts for some of the world's best-known brands, including Tommy Hilfiger, Hugo Boss and Brooks Brothers. In fact, it not only makes the shirts, it grows and spins its own cotton and weaves and knits its own fabrics.
- But apparel manufacturing is an intensively competitive business. So how does Esquel stay ahead of the game? It does so by collaborating with its employees to capture and share good practices that will help them enhance their productivity, and by promoting a culture of continuous innovation.
- For example, Esquel gives its farmers technical support to help them increase the quality and quantity of cotton they grow. Similarly, Esquel gives its cotton spinners and cloth weavers guidance on enhancing their operating efficiency. And it trains its garment workers to perform their own quality checks (which eliminates rework and thus cuts down on waste), as well as equipping its factories with improvements such as hanger systems that reduce the amount of handling required.
- Esquel's collaborative business model has helped it to become a state-of-the-art garment manufacturer. It has also proved that an apparel company can be both profitable and ethical.



Shell: Illuminating the leadership pipeline



- Heading the downstream (manufacturing and marketing) operations of Shell, one of the world's largest petrochemicals companies, requires enormous expertise. But it's a complex task identifying those with the potential to become future leaders in an organization that employs 40,000 people. So, in 2009, Shell decided to tackle the task more systematically.
- The HR team began by collating the information it held on the 450 most senior executives. It wanted to provide top management with a "talent book" of robust leadership pipeline data. This involved analyzing all the candidates by tenure and performance to establish which ones were still learning new roles, which were performing well, which were seasoned professionals and which were performing less strongly.
- Then the HR team studied the detailed histories of those who seemed to be advancing more slowly. It provided "stretch roles" for some executives, reviewed the potential of others and ascertained any "blockers" preventing people from rising up the ladder. It also identified "destination roles" for the executives with the greatest promise and created development paths to prepare them.
- Shell's downstream leaders now have a clear picture of the caliber and coverage of the leadership pipeline, and how best to improve coverage in the future. They also have robust short- and medium-term succession plans which are helping to ensure business continuity for critical leadership roles. Meanwhile, the HR function is much better equipped to evaluate the most talented executives on an ongoing basis.