

The Globally Relevant Human Resources Team

A CTPartners Perspective

In an increasingly competitive global business environment, as corporate leaders seek a winning edge for their companies, human capital is playing an ever-more central role. Indeed, it is becoming increasingly evident that human capital may well be the biggest differentiator among companies, as well as the longest-lasting competitive asset. Technological advantages, while valuable, are too often short-lived in today's marketplace. Similarly, cost efficiencies and pricing advantages can quickly evaporate. But the ability to retain superior talent remains as a true and meaningful competitive edge, especially in knowledge-based businesses and positions.

Yet even as the focus on talent is sharpening, the challenge of how to access superior talent is becoming more difficult. The shifting global economic landscape, with the rise of some emerging markets and relative decline of other markets, virtually ensures some regional talent shortages. At the same time, demographic trends, including an aging world population, will create other human capital strains. And shortages of certain highly skilled professionals are already apparent in some regions and professions.

For businesses around the globe, the confluence of these two forces is putting human resources (HR) leadership squarely in the forefront. Never has the need for a strong, globally relevant human resources team been more apparent. Accordingly, talent management now garners greater attention from senior corporate leadership than has been the case in the past. As a result, CHROs are playing a larger role than ever in the C-Suite as strategic partners.

Today's world-class CHROs bring an ever-expanding resume of skills and experiences to the table. They offer experience working internationally as well as expertise in talent management, process redesign, analytical metrics, and much more, including well-honed communication skills that they are able to effectively put to use throughout the organization.

A Sharpened Focus on Human Capital

Corporate CEOs seem to clearly recognize the need for a greater focus on human capital, talent management, and talent development matters. According to the PricewaterhouseCoopers (PwC) 13th Annual Global CEO

Survey 2010, 79% of the companies surveyed intend to revise their strategies for managing talent. An equal number responded that they plan to increase their focus on, and investment in, managing people through a process of change. And 68% of those companies surveyed plan to increase investment in leadership and talent development.

This corporate focus on gaining and retaining top talent will become ever-more critical as labor shortages, and particularly shortages among highly trained and experienced professionals, become more commonplace in the years ahead. Despite the current employment issues in many developed economies, the long-term, global demographic trends that underlie this business imperative simply are undeniable.

According to the Geneva-based World Economic Forum's 2010 report, *Stimulating Economies through Fostering Talent Mobility*, "Human capital will soon rival—and may even surpass—financial capital as the critical economic engine of the future." According to data presented by the World Economic Forum in collaboration with The Boston Consulting Group, by 2050 the global population age 60 or older will exceed those age 15 or younger for the first time in world history. Barring significant advancement in productivity technology, by 2030 it is projected that the U.S. will need an additional 26 million workers to sustain its recent national growth rate, while Western Europe will need an additional 46 million workers.

Commenting on the report's findings, Rainer Strack, Senior Partner and Managing Director of The Boston Consulting Group, Germany, said, "In 10 years, the scarcest resource for a company will be people. Companies with the ability to foresee and sustainably manage their workforce needs—especially for high skills—will gain the decisive competitive advantage."

One projected outcome is a significant upsurge in global talent mobility. (see Talent Mobility sidebar) As professional and executives salaries gain more global parity, and a growing number of professionals come to expect and desire an international career, this scenario seems increasingly likely.



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For corporations and their human resources leadership teams, the opportunity and the stakes have never been higher.

Growing Responsibility and Stature

For much of the global business world, the historical context for these demographic developments is problematic at best. For too many years, too many corporations marginalized their HR departments. In those situations, boards and CEOs

simply failed to invest in or support the development of a strong HR team. HR leaders were not involved in key business activities or decisions. And human resources was not required to meet the same kind of results-oriented measurement standards that were applied to other corporate functions, such as finance or marketing. In effect, these companies failed to realize or acknowledge the potential contributions of great HR management.

Yet in recent years, premier global human resources leadership teams have taken on a broadening list of corporate responsibilities while gaining growing stature in the C-Suite and boardroom. Top HR leaders increasingly are viewed as strategic business partners, on par with other senior corporate leaders. And equally important is the growing regularity with which talent management matters appear on the executive committee meeting agenda. Even a decade ago, this simply would not have been the case.

What are the implications of these developments? A 2009 PricewaterhouseCoopers survey of Fortune 100 CHROs quantifies some of the ongoing changes in the CHRO role. In 2009, Fortune 100 CHROs were slightly older and had spent more of their work-life in HR, as compared to their cohorts in 1999. Indeed, some 44% of the 2009 CHROs had spent their entire career in HR, as compared to only a third who had spent their careers in human resources among the 1999 Fortune 100 CHROs.

Changes like these speak volumes about the increasing acknowledgement by boards and senior management teams of the value of human resources experience and expertise. As a result, there appears to be a diminishing reliance upon the practice of sometimes drawing HR managers from legal backgrounds or other corporate functional areas. Indeed, at CTPartners, we have observed the reverse trend: A growing demand for CHROs with well-honed, cutting-edge talent management expertise.

That's also reflected in the PwC survey results. Among the skills and experiences that were deemed to be increasingly important by the 2009 Fortune 100 CHROs were talent management, human resource metrics, organizational culture, and communications expertise, along with international experience.

Fostering Talent Mobility

An impending global labor shortage was a central discussion topic at the 2010 Davos Talent Mobility session, sponsored by the Geneva-based World Economic Forum. Both demographic and regional economic trends are expected to contribute to labor shortages within the next decade, especially among highly skilled professionals. One expected result is an increase in global talent migration and mobility.

The World Economic Forum report, *Stimulating Economies through Fostering Talent Mobility*, taps the expertise of some 80 practitioners, offering numerous recommendations for addressing talent shortages and fostering talent mobility. Daniel A. Kaplan, Partner and Global Head of the Human Resources Practice at CTPartners, participated in the group's working committee. Among its conclusions, the report suggests that nations should commit to keeping tabs on current and future skills shortages citing, as an example, an Australian program that tracks workforce skill needs. Tax incentives for training programs, such as those in Germany, Austria, and the Netherlands, also are recommended. Additionally, to attract highly skilled expatriates, the report suggests the creation of a new category of short-term visas, as well as increasing portability for pensions and other social benefits.

Among the advice offered to companies is a suggestion to design talent mobility programs, such as temporary transfers or rotational programs, which would encourage cross-fertilization of ideas throughout a global business. The primary recommendation for corporations: "Develop global talent management processes; set talent planning and management as a priority of the CEO, and invest in global leadership talent and development. Talent planning should be inextricably linked with strategic planning and, as such, regularly addressed by top executives." That's sound advice for addressing the talent management challenges of today and tomorrow.

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Similarly, when questioned for a 2010 Society for Human Resources Management survey, US HR executives listed the top three competencies for their role, both now and in the future, as, in order of importance: Communications skills, strategic thinking, and HR-specific knowledge. Clearly, these HR professionals perceive their role as serving as strategic business partners as much as human resources experts.

Target: World-Class

So what is it that world-class human resources leaders bring to the table? One hallmark of superior HR management is global consistency: That is, applying and upholding the same high standards of professionalism in all of a company's operations around the globe.

This challenge can be particularly complex when balancing the needs of new or rapidly expanding offices or operations with those of well-established business units and locations. Making matters even more difficult, global corporations must also consider a plethora of differing local cultural requirements and talent dynamics. Yet maintaining global consistency in business standards and overall corporate culture is critical for sustainable global business growth.

And of course, a key attribute for any highly respected and effective human resources leader is credibility in the C-Suite, the boardroom, and throughout the organization. In order to be able to serve as an equal business partner in the C-Suite, to communicate effectively to employees and executives in all levels of the company, and to interface with the board on matters such as executive compensation and succession planning, a CHRO must have well-established credibility throughout the corporation. This challenging requirement is the underpinning of all successful leadership. (see Credibility sidebar)

Some of the other priorities and attributes of world-class human resources leadership today include:

- **Keeping talent matters ever present on the executive agenda.** Premier CHROs have won the interest and support of their CEOs in prioritizing human capital issues. In cases like these, C-Suite teams are best prepared to recruit, develop, and retain talent as a differentiating competitive asset.

- **Cultivating local talent and building regional HR teams around the globe.** For corporations, the overarching goal is to be capable of acting locally to respond to challenges and opportunities around the globe. Integrating local talent into expanding business operations, and establishing regional human resources teams that can convey corporate policies and cultural standards is a key current initiative for many global companies. Local requirements must be understood and respected. For example, it may be ineffective to manage certain Eastern European offices from Russia, given a long-standing tradition of cultural distrust. First and foremost, top HR leaders should remember this is not a desk job; there is much to be learned on the ground.

The Credibility Gap

Many elements are required when building a globally relevant, world-class human resources team. Perhaps the preeminent element is credibility. No CHRO can effectively partner with C-Suite peers on critical strategic business decisions or advocate for expanded HR team responsibilities without first inspiring trust and cultivating credibility.

The ways that executives establish credibility was the doctoral dissertation subject of Paul Aldrich, a Hong Kong-based Partner with CTPartners. As his research revealed, credibility for human resources executives was highly influenced by their demonstrated knowledge of the external business environment, their ability to support business plans, and their delivery record regarding HR initiatives. Credibility also was enhanced when executives were proactive, and when they exhibited principled behavior, rather than modifying opinions with an eye to political expediency.

Those findings help explain why industry and regional knowledge are so critical for HR professionals. Human resources expertise alone won't create the credibility needed to win over operating managers and other corporate colleagues. But that expertise combined with an understanding of the business dynamics of the company and industry, as well as a grasp of the local cultural challenges, will make a lasting impression.

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– **Devoting disciplined attention to talent development and management.** At a time when few companies are adding seats on their professional teams, it becomes vital to carefully assess talent in the top several layers of the organization, establishing skill and career development plans for this group, while also identifying future company leaders. If and when talent gaps or changing needs become evident, this also can be an opportune time for talent upgrading. While many companies understandably are focused on cost-efficiency at the moment, they must keep a long-term focus on necessary talent that will spur future business growth.

– **Pursuing the cost-effective utilization of human capital.** HR is the business unit that is best able to look across all of the company’s functional silos to identify redundancies, hiring disparities, and other opportunities for more efficient human capital usage. Additionally, HR leaders increasingly are active in business-process redesign. They can, and should, be able to help answer questions such as, how can days and dollars be shaved off a product launch effort or a repeating administrative task? In the current economic environment, this area is drawing keen attention.

– **Appropriately utilizing human resources metrics and analytics.** The increasing use of HR metrics often works in tandem with business-process redesign by helping to measure program results and efficiency improvements. Meanwhile, the increasing use of metrics, as noted in the PwC survey of CHROs, also assists in gauging the return on investment for various HR initiatives, such as employee engagement programs. How does a more satisfied employee base impact a company’s productivity or market share? Such quantification of human resources programs and results can go a long way toward validating HR efforts, and ultimately, expanding the reach and responsibility of HR teams.

– **Boosting efforts in retention and employee engagement.** Retention will become a rising priority as national economies begin to rebound and some of the pent-up demand for job movement is released. While compensation can never be overlooked in retention matters, the most authentic and

effective retention strategy for most employees is professional opportunity and job satisfaction. Among the key questions companies should be considering: Does a position allow an employee to expand his or her skills while also adding value to the company? HR professionals must partner with operating managers to foster the employee development and engagement that leads to desirable retention rates.

– **Highlighting HR relevance by communicating in financial terms.** Maintaining equal footing in the C-Suite and boardroom requires CHROs to be comfortable reading and dissecting balance sheets and operating statements, and to be able to communicate business needs and outcomes in financial and operational terms.

– **Reevaluating executive compensation.** Amid heightened government and public scrutiny, as well as significant economic pressures, compensation matters in many cases require a fresh look and some recalibration of this key competitive and strategic tool.

– **Partnering with the board for succession planning.** Regardless of a corporation’s size, industry, or nation of origin, it’s undeniably the case that its CHRO should play an instrumental role in facilitating and maintaining a focus on succession planning for the CEO and other senior executives. This essential leadership role also could result in additional and important talent development strategies for identified rising executives.

Thanks to global economic and demographic forces, it has never been more imperative for corporations to build and empower superior human resources teams. This strong team will then work to safeguard the company’s longest-lasting competitive asset—its people. It’s a virtuous circle.

To learn more about CTPartners’ Human Resources Practice, please visit: <http://www.ctnet.com/CTNet/Practices/HumanResources.htm>