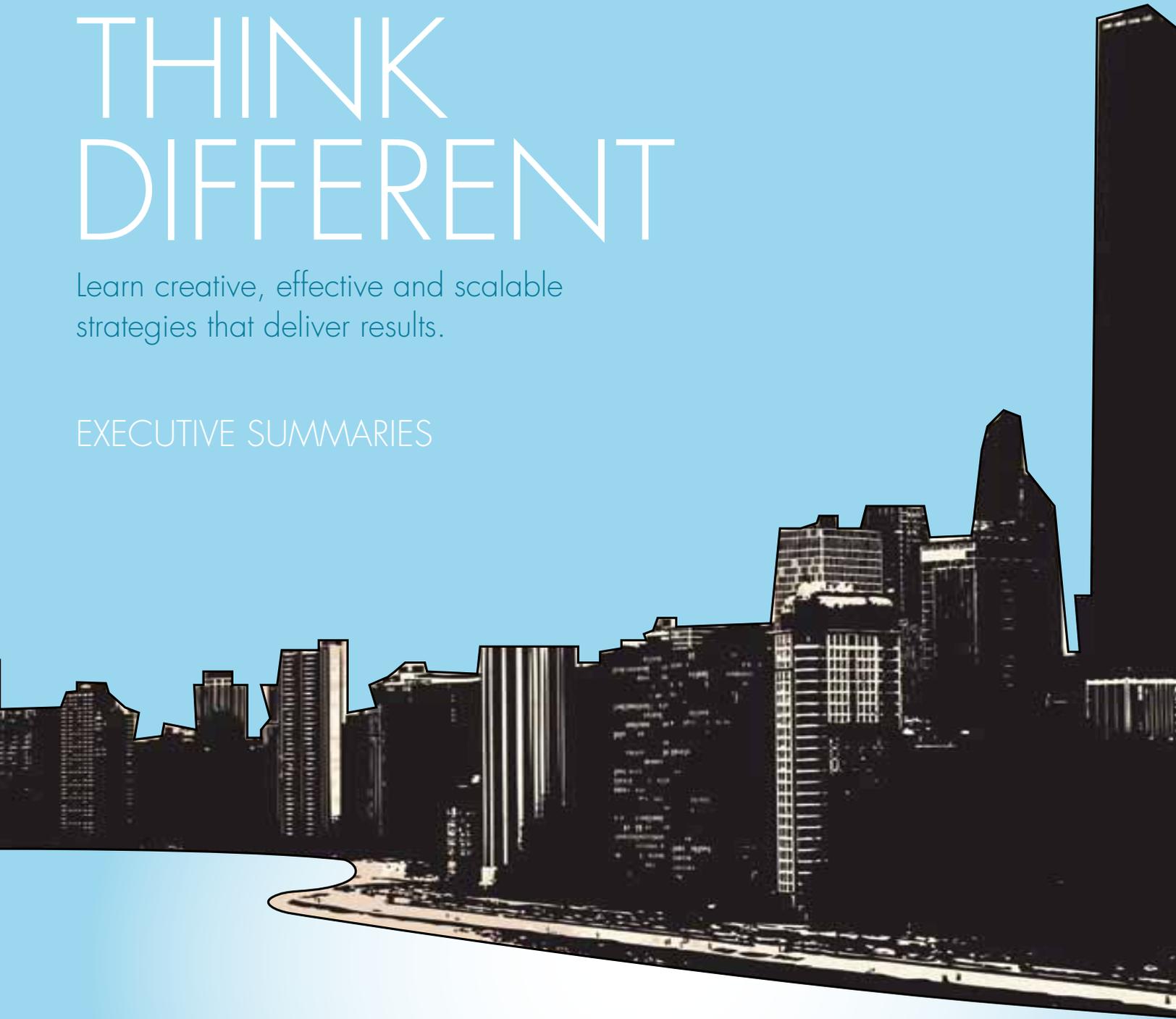


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Key Themes

Overview

The SHRM 2011 Strategy Conference highlighted the turbulent, uncertain environment in which all organizations are currently operating—an environment that will persist and possibly worsen, and where globalization will increase. But an uncertain and rapidly changing environment also presents significant opportunities, as is currently the situation.

An important element to capitalizing on today's opportunities is to see human capital strategically. This involves developing HR strategies that align with and support the overall business strategy. Implementing these strategies requires instilling values and a sense of purpose in the organization; focusing on execution; not just attracting talent, but investing to develop it; taking new approaches (like using analytics); and using new technologies (such as social media). It also requires that HR leaders strengthen their business acumen and develop improved leadership and communication skills.

Context

Senior HR professionals gathered in Chicago for the SHRM 2011 Strategy Conference, which focused on the theme of "Think Different."

Key Themes

- **The uncertain, turbulent environment is likely to become even more uncertain and turbulent.**

The past few years have been characterized by extreme turbulence, uncertainty, and volatility. Going forward, expect more of the same, as more shocks and crises are likely. Disruptions will occur in the workplace, driven by new technologies that fundamentally change how people live and work. Disruptions will also occur by changes in demographics—with technologically adept younger generations, having different skills and behaviors.

- **Globalization is just getting started. As it increases, significant macroeconomic changes will ensue.**

While globalization has been a major theme for the past several years, it is actually just getting started. The world is likely to become even more global and more interconnected. A shift in power is likely from the slow/no-growth developed countries to the rapidly growing emerging markets.

- **The business environment will be challenging but will present significant opportunities.**

Times of turbulence and volatility present enormous opportunities. There will be opportunities in new technologies and industries, in the emerging markets, and in doing things differently. In this environment, companies will

benefit by being proactive in seizing opportunities, as well as by being agile and resilient.

- **Human capital will be more important than ever in this business environment.**

Companies that win in this climate will see human capital as a critical business strategy and a key to creating competitive advantage. Viewing human resources more strategically means:

- Business leaders "get it" and see strategic value in human capital.
- HR leaders actively participate in developing the organization's overall business strategy.
- HR leaders develop human capital strategies that are aligned with and support the overall business strategy. They then focus on effective execution of both the business and the HR strategies.

- **HR leaders are working to transform their organizations and the HR function.**

Ways in which senior business executives and HR leaders are thinking differently about talent include:

- *Having values and purpose.* Articulating a clear set of values and aligning an organization around them can change behaviors, focus decision making, and create a values-driven culture. Increasingly, people want more than just compensation from their work; they want purpose and meaning. It is the role of HR leaders to participate in the process of creating and articulating values, living the values, and giving those in the organization a clear sense of purpose.
- *Viewing talent management as more than just "attraction."* Attracting the right people is just the starting point for talent management. Also necessary are continuous development and regular performance assessments. Investments in development and assessments lead to retention.
- *Implementing new technologies.* A new technology receiving much attention is social media, which HR leaders are beginning to use in a variety of ways, including both externally (recruiting) and internally (communication to get feedback and build an employee brand). Also, organizations are increasingly using talent analytics to learn more about areas like retention.
- *Developing key skills.* For HR leaders, thinking differently requires developing greater business acumen. This involves understanding the financials, understanding how an organization makes money, and understanding each functional area. Other key skills are the ability to collaborate, communication and persuasion capabilities, and leadership skills.

Lessons of Leadership

Speaker: **William J. Conaty**, *Former Senior Vice President, Corporate Human Resources, General Electric; Co-Author, The Talent Masters: Why Smart Leaders Put People Before Numbers*

Overview

While General Electric is gigantic, with businesses in multiple industries and operations across the globe, its talent management systems are uniform. GE views its competitive advantage as the quality of its people. That includes not just their ability to hit targeted numbers but their values.

While it is easy to attract top talent in a labor market with unemployment at 9%, many firms believe that talent management ends there, at attraction. Once they have hired great people, they don't follow through with assessment and development systems that allow individuals to realize their highest potential. For talent management mastery, companies need do four things well: 1) attract; 2) develop; 3) assess; and 4) retain. Without numbers 2 and 3, number 4 won't happen.

Context

Mr. Conaty shared lessons about talent mastery, the human resources function, and leadership. He illustrated his points with real-life examples from his tenure heading HR at GE under both former CEO Jack Welch and current CEO Jeff Immelt.

Background

Mr. Conaty's four-decade career at GE culminated in the top HR job there from 1993 until his retirement in 2007. Working with former CEO Jack Welch, he set up talent management systems for employees worldwide (numbering 320,000 today). These were refined under Welch's successor Jeff Immelt, whom Mr. Conaty helped choose. At GE, HR is viewed as a strategic function, which is as important to business success as operational or financial processes.

HR practitioners often think their role is to identify problems and bring them to CEOs' attention. But Mr. Conaty never identified a problem without also providing a solution and offering to spearhead it—becoming a welcome face at the CEO's door. His talent management strategies were highly integrated with the firm's overall business strategies, and designed to advance organizational priorities.

His years at GE and his post-retirement consulting experiences have provided many lessons about leadership, talent management, and HR. Together with renowned business strategy consultant and former Harvard Business School professor Ram Charan, Mr. Conaty wrote a book encapsulating these lessons, *The Talent Masters: Why Smart Leaders Put People Before Numbers*.

Key Takeaways

- **For talent management mastery, companies need to embrace a clear set of principles.**

Lessons on talent management include:

- *It is important to have an enlightened CEO and a leadership team that "gets it."* That is, they know that with robust talent development and succession planning, talent can be a competitive advantage. HR can make that happen; HR is viewed as a legitimate business driver.
- *Always strive toward a meritocracy.* Performance differentiation drives meritocracy; treating everyone the same drives mediocrity.

"Differentiation drives meritocracy; treating everyone the same drives mediocrity."
— William J. Conaty
- *Have working values.* The emphasis is on "working." "Values" refers to a set of behaviors and performance. The foundation is integrity. Values need to be ones people can believe in; there needs to be a fit between people's values and the company's.
- *Create a culture of candor and trust.* Managers need to be candid about employees' development needs and employees do as well, speaking up when they recognize a development need in themselves. There should be no fear of being put onto a layoff list as a result.
- *Conduct rigorous talent assessments.* GE's talent assessment processes are as rigorous as its operational processes. They are considered business processes, facilitated by HR but "owned" by the business.
- *Partner with the business.* HR as a discipline strives to be considered a legitimate business partner. To succeed, it has to model these principles of talent mastery.
- *Engage in continuous education and learning.* The status quo is never simply accepted; the company constantly moves forward acquiring knowledge.
- *Develop future leaders.* Developing leaders for the future is all about doing four things well: attract, assess, develop, retain. When a company not only attracts talent but assesses well and develops talent well, it will retain the people it wants to retain.
- *Lead a performance culture.* For real performance management, the CEO has to be the arbiter of standards. Some CEOs will overlook a bad values fit if a

person hits his performance numbers. Jack Welch decided that GE would not do so, firing people whose values were out of sync even if they were good producers.

- *Articulate well-understood company values.* Values should be clear, focused, consistent, and easily understandable.
- *Establish metrics, goals, and measurement.* You can't have performance management without performance measurement. Measures need to be easily understood and adhered to.
- *Face consequences, good and bad.* A true performance culture management system has consequences, with recognition and rewards at one end of the spectrum and less effective employees identified and given a game plan for improvement at the other end.
- *Continue to raise the performance bar.* The bar needs to be raised not once a year but regularly, even daily. This needs to occur with rigor, rhythm, and consistency. People need to understand that.
- *Have employee differentiation.* There should be a consistent appraisal/assessment process throughout the organization. It should differentiate among most and least effective employees; GE uses three categories: "top talent," "highly valued," and "less effective." This helps ensure that the company really is giving the best employees the most reward, versus spreading rewards "like peanut butter," which is the human tendency. The system needs to make sense within a company's culture; GE's employee ranking system can't be "air dropped" into another company with success.

▪ **For HR to become a value-added business partner, it is critical to convince CEOs of HR's potential.**

Often HR leaders create a vision or set of initiatives that sound terrific, but they exist in isolation. They are not integrated with the goals and strategic direction of the organization as a whole. For HR to be a legitimate business partner, the HR agenda must dovetail with the company's business agenda.

GE's umbrella vision was to become the most competitive and exciting enterprise in the world. Mr. Conaty worked to develop the HR function into a credible, highly visible, value-added business partner in executing that GE vision.

The discipline of HR has a long way to go to make HR/business partnerships commonplace. The biggest obstacle is CEOs' low expectations for HR. Without convincing them of HR's potential, there won't be any real change. That is the greatest challenge the discipline faces.

"HR is only going to be as impactful as the business leader or CEO wants it to be. So we have the challenge of convincing them we can do that."

— William J. Conaty

HR practitioners need to understand what happens in the business and leverage that knowledge. For the CHRO role, it is important to be an ally not just of the CEO but of subordinates and peers. CHROs also need to be clear thinkers and complex problem solvers who know how to strategize. They should have the decisive courage to make the tough calls.

When an HR leader derails, it is usually due to over-committing and under-delivering. Other career derailers are lack of a sense of humor, lack of the courage of one's convictions, lack of authenticity, unwillingness to learn and grow, and neglecting to develop one's own successor.

Six points of advice for practitioners:

1. Build your HR vision and strategies around the business model.
2. Become problem solvers, not just problem identifiers.
3. Have the independence and confidence to push back on the system when necessary, defending your view of what is right.
4. Take your work but not yourself seriously.
5. Never forget why HR is at the table; i.e., employee advocacy.
6. Never forget the "human" in "human resources."

▪ **Great leaders balance passion for the business with compassion for people.**

Mr. Conaty's experiences have yielded important lessons about leadership. Great leaders:

- Know that attracting, developing, and assessing world-class talent is a never-ending game.
- Know that treating everyone the same leads to mediocrity, and performance needs to have consequences.
- Know that candor and trust are hard to get but important to have.
- Deal with adversity by moving forward, not pointing fingers.
- Develop their own succession plans.
- Know that the larger the organization, the more simple, focused, and consistent communications need to be. (GE sent around messages like "Speed, simplicity, self-confidence.")
- Balance passion for the business with compassion for people.

A New Global Agenda for Business Leaders

Speaker: **Jeffrey E. Garten**, *Juan Trippe Professor in the Practice of International Trade, Finance, and Business, Yale School of Management; Former Undersecretary of Commerce for International Trade; Author, The Politics of Fortune: A New Agenda for Business Leaders*

Overview

All the uncertainty in the global economy aside, companies can count on several trends to alter the operating environment over the next decade. The center of gravity will shift to emerging markets, with huge multinationals arising from the developing world and much slower growth in developed economies. Globalization will skyrocket. The world economy will be more confrontational and rocked by shocks, owing to its unfathomable complexities. Enormous business opportunities will be created by the sheer interconnectivity of human ingenuity. The best companies will seize them.

Successful companies will have purposes that are broader than profit. They will have a global mindset, open to ideas from everywhere. They will be extremely resilient, and much savvier about public policy. All of these trends are about talent. There will be no more important job than to attract and develop the right talent, building the corporate capabilities demanded by the very different world ahead.

Context

Professor Garten shared predictions about the global business environment over the next decade, traits companies will need to thrive within it, and implications for HR.

Key Themes

- **We are on the precipice of another major global financial crisis.**

That is not a future prediction. Right now, we are on the precipice of a global financial catastrophe. Any day, something could happen (e.g., a bank failure) to precipitate a crisis greater than 2008's. The debate among experts is not whether this is true but when the catastrophe may come and how severe it will be.

The disaster scenario involves Europe's severe debt problems spreading to the United States; the global financial systems are linked in ways no one can comprehend. If European growth slows, so will U.S. exports, which have been a bright spot in an otherwise dismal U.S. economy.

America's debt and deficit crisis aren't as bad as Europe's; there is more time on our side. But a severe budget crunch will come when baby boomers start retiring. Moreover, the U.S. economic recovery is faltering. With slow growth, an inadequate job base, insufficient global competitiveness, erosion of skills, and growth in income inequality, the picture is dim. And our government is totally paralyzed. If

it doesn't act, the default policy will be deeper austerity. Conditions are bound to worsen. Since Europe and the United States together represent 50% of the global economy, the result will be a self-reinforcing downward spiral. This scenario is likely, but is not certain.

Professor Garten also gives about 10% odds to an alternate scenario involving policymakers in Europe and America getting their acts together and agreeing on solutions. Just the perception of movement in the right direction would reverse negative financial market psychology. This scenario is feasible because only a handful of people must agree, and viable ideas exist.

In Europe, the Central Bank could purchase the necessary debt to save every bank, and deal with inflationary consequences later. In the United States, a plan might involve offering a tax deal to U.S. companies to repatriate the hundreds of billions in earnings they hold offshore, with the money funneled to infrastructure investment, creating jobs. This alternate, better scenario is "eminently feasible." So while we are on a precipice, there is a chance that it is the precipice of a turnaround.

- **Six trends will alter companies' operating landscape over the next decade.**

Whatever happens to the global economy, six trends will shape the operating environment for companies over the next decade. Businesses can count on it. They are:

1. *A shift in the center of gravity from the West and Japan to emerging markets.* Emerging markets will bring two billion new entrants into the global middle class. To accommodate migration to cities, the equivalent of six New York cities will be built every year through 2045, triggering enormous demand for infrastructure. Out of emerging markets will come huge multinational companies that are ferocious competitors in Western markets. In 10 years, an estimated 30% of Fortune 500 companies will be from emerging markets. These trends equate to a new "super-cycle," like after the Industrial Revolution or WWII, marked by massive increases in demand, technology, and global trade.

"If I'm right that this is a super-cycle, by the end of this decade every company will have involvement with emerging markets."

— Jeffrey E. Garten

2. *Much slower growth in the developed world, including the United States.* Developed countries' economic growth will be far slower than they are used to. Government will withdraw from involvement in the

economy except to regulate. Social safety nets will be changed by budgetary pressures that we haven't yet begun to experience. Private-sector/government partnerships will increase, and there will be a greater need for innovations and efficiency to substitute for all of the money from public sources that had previously poured into the economy.

3. *A gigantic increase in globalization, the connectivity between all countries.* We are at just 15% to 20% of the level of globalization that we will eventually reach. Cross-border capital flows, communications, and collaboration will skyrocket. New trade corridors will open up that have nothing to do with the United States.

"We're at a very, very early stage of globalization, and it's going to increase at dizzying speed."

— Jeffrey E. Garten

4. *The world economy will become much more confrontational.* We haven't begun to see the fights between nations that will take place—over domestic policies, currencies, trade subsidies, natural resources, and energy policies. The scenario of countries competing in a slower-growth environment, where Asia is growing fast and the West is not, is a recipe for big disputes, which will be exacerbated because no one is in charge. "It's a real free-for-all," as international institutions, like the World Trade Organization, have lost their way.
5. *The global economy will experience more big shocks; complexity makes it vulnerable.* The financial crisis, the Japanese radiation leak: Every unforeseen crisis that comes along is called "once in a lifetime." But more rare, out-of-the-blue crises are to be expected because the systems of today's world are so complex that nobody really understands them. No one knows where the connections are, so no one knows when tipping points will be reached or cascading effects begin.
6. *Business opportunities will be enormous.* It sounds counterintuitive, but the next decade will be an era of enormous opportunity. Whenever the business world's plates shift, many companies just hunker down. They don't know what to do or which risks to take. Their strategy is to cut rather than invest. Yet the sheer connectivity of human ingenuity over the next decade will bring forth myriad new products and industries. We don't know what the opportunities will be, but we can be certain that the best companies will seize them.

▪ **It will be an "excruciating challenge" for businesses to thrive.**

The environment described will make new types of demands on companies. The successful company will:

- *Understand its purpose, defining its mission in inspiring ways.* The purpose must be broader than financial success. It must come out of a company's soul.

- *Have a global mindset.* Companies should take this to an extreme, with mechanisms to move people all around the world, including within emerging markets.
- *Be open to ideas from everywhere.* The best ideas will no longer all emerge from the West. How can they, with 80% of the world's population living outside of developed nations? Everyone now has access to the same information; capitalism is overflowing in emerging markets; and education in developing markets is improving exponentially. Create networks of ideas and talent, internal and external (IBM's word: "collaboratories").

"The best ideas definitely will not come only from the West. In fact, with every passing year, it will be a decreasing percentage."

— Jeffrey E. Garten

- *Be agile.* Companies should experiment with many ideas, engage, and then strategize after the lessons are in. Think like a venture capitalist, figuring out when to get in and out of opportunities.
- *Be resilient.* Every company will be taking risks and making bad decisions. Build resiliency into the organization, which will mean having costly redundancies. Diversify suppliers, keep extra inventory even if costly, and build up financial reserves to be prepared for unforeseen problems.
- *Understand public policy implications.* Businesses tend to compartmentalize public policy. But governance will critically shape the future operating environment. To chart a course, companies need to understand regulatory trends, pressures on regulators, and the ramifications of different countries' policy trends.

▪ **Winning companies will be talent machines that attract and develop people with needed strengths.**

None of the changes occurring are about physical assets; all are about talent. Winning companies will be talent machines that find the right people, develop them, engage them, and retain them. Future leaders will need to:

- *Know more,* a "quantum leap" more than they traditionally have, particularly about the global economy.
- *Have experience living in another culture,* to understand the extent of what they don't understand.
- *Understand public policy much more deeply,* and not delegate it to government affairs divisions.
- *Consider leadership development to be as important as strategy creation.*

It will be HR's job to find, develop, and retain these leaders. There isn't a more relevant or important role for the turbulent years ahead.

IBM's Transformation: From Survival to Success

Speaker: **Bridget van Kralingen**, General Manager, IBM North America

Overview

IBM's historical experiences have taught it much about the importance of environmental changes, values, innovation, and human capital. Having once missed massive industry shifts which almost killed the company, over the past decade IBM has anticipated the future and has transformed itself into a global integrated solutions provider.

It restructured its business mix, reinvented its organizational processes, revamped its culture, and reimagined the role of leadership, all to optimally deliver what clients require of an innovative, service-oriented, solutions provider. HR was instrumental in this transformation; in the process, HR has transformed itself. Many lessons were learned along the way.

Context

Ms. van Kralingen discussed lessons from IBM's transformation to a globally integrated enterprise focused on client solutions.

Key Themes

- **Lesson: An organization's beliefs are its only constant.**

IBM's founder, T.J. Watson, Sr., was a strong, charismatic leader. He invested a great deal in human capital: in training, and in compensation and benefits that were far above what competitors offered. IBM had America's first diversity policy, 10 years before civil rights legislation, and T.J. Watson, Sr. built an extremely dedicated workforce. But there was no organizational structure beyond a tier of 60 managers, all reporting to him.

When his son T.J. Watson, Jr. took the helm, his first big challenge was to convert the strength of the company's charismatic founder into an asset that would outlast any individual leader and any change in business mix, organizational structure, markets, or anything else.

Values were the solution. He said you can change everything about a company except its beliefs. He created a set of values centered around:

- Solving clients' problems, putting them first. Business opportunities would emerge from doing that.
- Innovation and research.
- Accountability and trust.

These values have served the company well over the years, particularly over the past decade's dramatic transformation.

- **Lesson: Move to the future before it moves to you.**

Those values led T.J. Watson, Jr. to make the biggest bet made in the private sector at that time, a \$5 billion investment to invent the IBM 360, the world's first general purpose business computer, which for a time made IBM one of the best stocks ever bought.

But the company became wedded to that technology and when the market shifted, IBM completely missed it. Company leaders told the salesforce: "You're wrong. Clients are wrong. Our products are the best." Revenues and profits plummeted. At the low point, the company couldn't make payroll and had to cut 100,000 jobs to survive.

When Sam Palmisano became CEO in 2002, IBM was no longer a dinosaur and was profitable. But 50% of profits still came from hardware. While IBM viewed itself as a "solutions company," a client-services-focused firm, its primary focus was still on selling products.

To align the sales mix with IBM's vision, Mr. Palmisano surprised Wall Street by selling off profitable hardware businesses. "Move when it's lonely," was his strategy; not when everybody else is moving. Having missed seeing the future once, IBM didn't want to make that mistake again.

The company became completely focused on building complex business solutions. That meant very different behaviors on the part of its people than ever before. There is no rulebook to building solutions. It means bringing teams together with diverse perspectives. Clients demanded to be served globally. Suddenly, the complexity of selling and delivering became global, multi-disciplinary, more consultative—all across the organization. "How do you build that?" was the next big challenge.

- **Transforming to a global solutions provider meant addressing operations, culture, and leadership challenges, which yielded more lessons.**

IBM's transformation to a globally integrated solutions provider involved dramatic changes, with important lessons, in three areas: operations, culture and leadership.

Operations

Lesson: Seize the opportunity in the world around us.

Nine years ago, IBM had operations in 170 countries, each a "mini-IBM enterprise" with its own supply chain, HR department, finance group, and other business departments. Looking at the world around it, IBM saw national borders dropping, skills becoming more global, and the digital age allowing for better communication. All this spelled opportunity for time- and money-saving operational efficiencies. *The challenge: how to realize that opportunity.*

In a massive restructuring, all of the disparate, locally focused functional units were centralized to support IBM operations globally. The company began by centralizing back-office functions, then R&D, software development, delivery, and infrastructure. Creating this global "backbone" cut expenses by \$6 billion. Guiding the processes was the thought: Do the minimum you have to locally in a market and the maximum you can in a global hub.

In keeping with its global focus, the new centralized units were scattered throughout the world. For example, the global supply chain is run by a Scot out of Shanghai.

But the process side of globally integrating was relatively easy compared with the people side.

Culture

Lesson: Have a bottom-up approach to values and strategy.

Building a sense of oneness in a geographically dispersed workforce is tough. You can't prescribe culture or values. Compliance thinking won't make people solutions providers. *The challenge was not getting people to comply but to innovate. There had to be a way to inspire them.*

"One of the things about trying to build a sense of oneness in a culture is that it's much easier if people are physically in the same location, and we had to do without that. [So] we've pursued a bottom-up approach to our values and strategy."

— Bridget van Kralingen

Approaching values in a bottom-up fashion provided that way. Everyone in the company was asked, "What values will hold us all together?" IBM held a worldwide "values jam" over four days, using technology for talking in real time and building on ideas with vast numbers of people.

Three values emerged: innovation, dedication to each client's success, and trust/accountability. While they weren't much different from the values of the founder's son, they were derived bottom-up, from the company's people. They became the cultural glue. A "strategy jam" followed, addressing the question, "How can IBM contribute to a better world?" Seven world-changing ideas bubbled up, and \$100 million was invested in them, including IBM's "Smarter Planet" strategy. The CEO is highly committed to this bottom-up collaborative approach.

Leadership

Lesson: Equip everyone to be a leader.

In a world of intellectual capital, IBM realized that everyone in the company must be a leader. Everyone needs to think like a leader, because everyone contributes to solutions for clients. Everyone has the capacity to lead, given the right developmental experiences. *The challenge: How to help everyone harness the leadership in themselves.*

Individuals' competencies were thought of as a "T," with each person's narrow field of expertise the vertical part and the leadership skills of selling, consulting, delivering, leading, and advising across the top, to be developed by each person. In building solutions, IBM needs people who can "think in both worlds," or along both parts of the "T." "We are constantly trying to train to that 'T' shape."

Everyone has to think of themselves not as performing a job or leading in a narrow area of the company, but as a leader of the entire enterprise. Everyone is expected to behave on behalf of the company's overall interests in every situation. So instead of remaining in one division, people get broader perspectives by rotating among product/service areas. "Uncomfortable" assignments develop areas that are not their strong suits.

One initiative: a "Corporate Service Corps." About 1,200 non-managers each year are sent into emerging growth markets to work in groups of six for three weeks, on service projects like helping small local businesses succeed. Mastering the different culture and contributing to society is often a life-changing experience. It gives people confidence that they can act in unstructured situations; i.e., that they can lead.

■ HR drove the human capital transformation and in so doing transformed itself.

HR's contributions to IBM's transformation included:

- *Providing behavioral guideposts, showing the organization what leadership behaviors are valued;* e.g., the ability to lead systemic change, choosing and taking risks, collaborating and building communities.
- *Extending diversity.* Teams are now assessed on broad-based cultural diversity.
- *Transitioning HR to an advisory service.* Now HR doesn't deliver services as much as consults and advises on issues related to leadership, teams, succession, and culture.
- *Broadening HR.* Each HR leader at the top of IBM wears two hats, assigned to oversee HR in a particular business unit (e.g., sales) as well as a particular HR function for the global enterprise (e.g., compensation).
- *Creating a talent marketplace.* A "Marketplace" tool lists the talent requirements of all projects happening around the world, allowing employees to pursue opportunities that match their skills and interests. The tool also tells employees what skills are projected to be in demand by IBM in the future. If they want to develop their own competencies accordingly, they may.

A few challenges IBM has not yet "nailed systematically": promoting a culture of risk-taking and collaborating virtually with trust, productivity, and speed. Getting people to relocate globally is another challenge.

How the Age of Transparency Will Revolutionize Business

Speaker: **Don Tapscott**, Thought Leader; Author, *Macrowikinomics: Rebooting Business and the World*

Overview

This is a time of great turmoil, peril, and opportunity. Change is shaking up life globally, politically, economically, socially, and in the world of business. The corporation is undergoing the biggest change in its short history. Corporate architecture is changing, the boundaries becoming more porous. Every corporation will “reboot” in the years to come.

Among the trends driving these shifts is the Technology Revolution. The Internet has become a tool not just for communication and information, but for production. Another driving force is the Net Generation, which regards the Internet like air and intuitively understands its capabilities and potentialities to create value. As a result, how we practice HR, talent management, and management in general will fundamentally change in the years ahead.

Context

Mr. Tapscott explained why he believes the corporation is undergoing huge transformation, and why that will fundamentally change much of what we know about HR.

Key Themes

- **This is a turning point in history, as revolutionary trends are transforming the corporation.**

We live in perilous times. Many traditional institutions are stalled, atrophying, or failing. The Industrial Age corporation, for example, has run its course. Taking its place are companies run on new principles. While General Motors went bankrupt, a new kind of automaker, Local Motors, is thriving by allowing customers to design their own cars. The financial system is failing; Occupy Wall Street is evidence of that. Newspapers have been usurped by interactive online media. International climate change summits make nowhere near the difference that 20 million environmentally concerned people around the world, organized via wikis, are doing.

Tumultuous change brings not just peril but opportunity. In *Wikinomics: How Mass Collaboration Changes Everything* and *Macrowikinomics: Rebooting Business and the World*, Mr. Tapscott argues that today’s collaborative technologies, and the generation of young adults who grew up with them, are transforming every sphere of life. Consider:

The Technology Revolution

The Internet is fundamentally changing how society orchestrates activities, how people innovate, how companies produce goods and services, and how governments create

public value. The Internet is revolutionizing the world as dramatically as the printing press did. This is a turning point in human history. To call this an “Information Age” misses the point. It is a new age of human intelligence interconnectivity and collaboration.

“This is nothing less than a new age, and it is not an Information Age. That’s not what’s important. It is an age about human intelligence being connected and about collaboration.”

— Don Tapscott

The Net Generation

The “Net Generation,” which grew up with the Internet and view it “like air,” understands the new world more than their elders can hope to. This is the first time in history that children have been the authorities on something really important. Kids in school know more about the biggest learning innovation ever than their teachers. Kids in families know more about the household’s technology. The young adults entering the workforce know more about the changing nature of human relations and have their finger on better tools for productivity, collaboration, and innovation than exist in our most sophisticated companies.

The Net Generation is neurologically adapted to succeed in this new world. They grew up with the Internet and their brains are wired to succeed in this world. The screen time that kids spend on social media and interactive games isn’t taking the place of homework; it’s taking the place of the 24 hours a week of passive television time that shaped Baby Boomers’ brains growing up. The Net Generation is much better at multitasking, with better memories and switching abilities. SAT scores are at an all-time high. So is volunteerism among young people. Substance abuse and youth crime have been dropping for 15 years.

“The 11-year-old at the breakfast table is an authority on this digital revolution that is changing business, commerce, talent, HR management, and publishing in every institution in society. . . . Who does the systems administration at your house?”

— Don Tapscott

The Net Generation is bringing new competencies, tools, and values into the world of work. They expect freedom, choice, and customization in a job. They have a culture of integrity. They bring uncommon scrutiny to what they examine. They know how to collaborate and innovate. They expect speed and efficiency. Mr. Tapscott’s daughter can’t understand why she can check into a hotel in 30

seconds while the government takes 30 days to do a task of equal complexity. They also expect to have fun at work.

The Social Revolution

Today's social networking platforms are new tools for collaboration and organization that young people understand how to leverage. The Net Generation has industrial-strength social networks on the Internet—the new operating platform for business—yet some myopic companies still ban Facebook. Social networking is becoming social production, or “peer production.”

The Economic Revolution

“Peer production” is changing the architecture of the corporation. In the vertically integrated corporation of the 20th century, it was less expensive to accomplish work within the boundaries of the corporation. Today's technologies that permit open-source collaboration and virtual workers mean that it is less expensive to have porous boundaries. The cost of collaboration has dropped.

An example of peer production is Procter & Gamble's “Ideagora,” an idea market that the company uses to harvest innovation for new products. Peer production allows people to come together to create value, then disband and form other groups, all virtually. Open-source markets and wikis allow for leadership without leaders. The human resource can reside outside a company. It's no longer a shame that talent walks out the door at night; it may have never come in!

“This is a time of danger, but fundamentally I have never been more excited about the opportunities for the transformation of work and of all our institutions.”

— Don Tapscott

▪ These shifts will fundamentally change much of what we know about HR and talent management.

For HR, these shifts mean that old models of employee management will be replaced by new models focused on relationship management. The old ways of attracting, developing, supervising, compensating, managing performance, and retaining talent will fundamentally change. They will be all wrong for the new environment. In the future, HR will:

- *Not recruit, but initiate relationships.* Companies will start initiating relationships with 13-year-olds. The goal: By the time kids are ready for jobs, they will see companies as cool places to work. That will require firms to embrace norms such as freedom of mobility, job customization, collaboration, innovation, speed, enjoyable work, and a fun workplace. Internships will be a way to build long-term relationships. Hiring will simply be a boundary decision.

- *Not train, but build learning systems into work.* The younger generation sees little division between learning, working, socializing, collaborating, and enjoying themselves. Rather than sending people off somewhere for training, boost the learning component of work. Also, “reverse mentoring” is beneficial for teaching older workers what the younger generation knows about creating value through platforms like Twitter, for example.
- *Not manage and definitely not supervise, but build collaborative systems.* Implement a new collaborative operating platform in your company, incorporating nine elements (shown below).

3. Management and Supervision – Collaboration A New Operating Platform to Power the Collaborative Enterprise

1. Personal Profiles (based on people)
2. Industrial Strength Social Networking
3. Blogging and Microblogging
4. Wikis and Document Co-creation
5. Ideastorms
6. Team Project Tools
7. Deliberation-Decision Making
8. New Generation Knowledge Management
9. IT Integration and Administration



moxie
insight

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SHRM

- *Not focus on money as much as meaning.* More effective motivators than financial incentives are praise, attention from leaders, and leadership opportunities. Daniel Pink's book *Drive* supports these ideas.
- *Not manage performance, but provide real-time feedback.* Frequent requests for feedback from those in the Net Generation are often interpreted by Boomers as a psychological need for reinforcement. That's not what it's about. Young workers want frequent feedback because of a strong desire to improve. Provide real-time performance systems (like Rypple) that meet that need. Studies show that loyalty is strengthened when these individuals receive regular feedback, helping them gauge whether they are on track for success. Conversely, loyalty suffers if feedback requests are not promptly acknowledged.
- *Not focus on retaining as much as engaging.* Don't just retain; evolve the relationship. Don Tapscott has hired one individual four times; he quit again, but Mr. Tapscott expects to hire him again. “I'm hardly retaining talent like that; I'm building an alumni network,” he quipped. In organizations of the future, retention will be less important, since much of an organization's talent will be outside the company anyway.

Participants' Key Insights

Overview

HR leaders are focused on being part of the strategy-development process in their organizations, and linking the HR strategy to the business strategy. They are intent on effectively executing the business strategy and the HR strategy that supports the business strategy.

In creating and executing talent strategies, HR leaders are interested in new approaches, such as using talent analytics, leveraging social media, and creating greater workforce flexibility.

Participants also are interested in the skills and competencies that are important for effective strategy execution. These include leadership skills, communication skills, and overall business acumen.

Context

The SHRM 2011 Strategy Conference featured more than one dozen breakout sessions that focused on developing and executing strategy, reinventing your talent management strategy, and the role of culture in business success.

After each of the concurrent sessions, attendees were asked to jot down their key takeaways from that session. In total, more than 100 insights were shared from attendees, in a broad range of areas. These takeaways have been reviewed and distilled and are summarized below.

Key Takeaways

HR must make sure that human capital is considered when business strategies are developed.

Insights from attendees related to strategy development include:

- *HR must partner with the business to be included in the strategy development process.*
- *HR must convey to business leaders that long-term growth requires leadership development.*
- *Competitive advantage as a business relies on diversity and inclusiveness.* It is HR's responsibility to make sure that business leaders understand this.

Because of high health care costs, HR leaders are crafting strategies to try to reduce these costs.

One session focused specifically on strategies being developed to attempt to reduce health care costs. They include:

- *Changing the health benefits that are offered.* Because of high costs, all companies are being forced to do this.
- *Changing employees' incentives* through programs that reward healthy behaviors.
- *Reducing drug costs.* Strategies include more use of mail order, better involvement of pharmacy benefit managers (PBMs), and changes to benefits.
- *Adopting the "medical home" model.* The model elicited several comments and much interest from attendees. Attendees see it as a move back to comprehensive primary care, which was seen as a positive.
- *Looking into disease management programs.* This might help lower the costs of chronic diseases, and is an item that some participants believe merits further review.
- *Analyzing high-cost areas.* This entails diving into claims to understand the highest-cost items and to then explore lower-cost alternatives.

Execution of strategy requires understanding the strategy, communicating it, and aligning the organization to it.

Several of the breakout sessions focused on strategy execution, yielding simple and important insights.

- *Understand the strategy in detail, top to bottom.* Spend time on the strategy before, during, and after implementation.
- *Cascade the vision and the strategy throughout the organization.*
- *Communicate the strategy broadly, frequently, and effectively.* Communication should speak to the head, heart, and hands. It should be concise, with a simple, clear message. Leaders should communicate repeatedly. Also, it can be helpful to turn the strategy into a picture, making it easy to understand/visualize.
- *Define the priorities and initiatives that best support the strategy.* For focus, choose just a few priorities and a few initiatives.
- *Determine goals and measures.* It is essential to set goals for strategy execution with clear measures.
- *Create a performance management system.* This system aligns the strategy with individual and organizational performance.
- *Foster collaboration and coordination.* Execution requires coordination. An important step is to meet and develop relationships with the other functional heads.

- *Create a culture of strategy execution.* This culture must focus on execution, coordination, and the ability to change.

HR leaders are using a variety of new approaches to reinvent their talent management strategy.

Among the ideas and insights related to reinventing the talent management strategy were:

- *Using data/analytics to enhance the credibility of HR.* Make discussions of HR based on data. Use data to prove or disprove assumptions and hypotheses. Start by using data/analytics in small ways to build credibility, then expand its use over time.
- *Using social media.* Social media can be used to provide intelligence by understanding what people are saying about your company's reputation. It can also be used to recruit.
- *Having internships,* and giving interns challenging assignments and important assignments. Get feedback from them on their experience and observations.
- *Having a culture where diversity and inclusiveness are valued.* This includes a diversity of perspectives.
- *Creating flexible work arrangements.* Managers can strive to create a "workforce of one" where each person is treated uniquely. The entire work experience can be customized to accommodate each person.

Executing strategy requires that HR leaders develop several important skills.

Among the skills and competencies mentioned that HR leaders need to develop were:

- *Business acumen.* To execute the business strategy, HR leaders must understand the financials of a business, which includes learning an organization's balance sheet. HR leaders must understand a company's profit drivers and exactly how a company makes money.
- *Communication skills.* Communication is anything that conveys information or creates meaning. HR leaders must be able to engage in "strategic messaging" and engage different people in different ways through different techniques. HR leaders must be able to communicate both formally and informally.

Other important ideas about communication include: employees may hear a different message than was sent; it is important to understand what they hear. Also, it is important to deliver just three or four core messages.

- *Persuasion skills.* Communication occurs in stages and has the following goals: 1) awareness; 2) understanding; 3) acceptance; and 4) commitment.
- *The ability to inspire and create engagement.* People work hard for a paycheck, harder for a person, and hardest for a purpose. Inspirational leaders provide people with a sense of purpose.

Biographies

Summary 1

Lessons of Leadership

William J. Conaty

Former Senior Vice President, Corporate Human Resources, General Electric; Co-Author, The Talent Masters: Why Smart Leaders Put People Before Numbers

After 40 years with GE, the company Bill Conaty left behind owes much of its global success to the top-notch human resources organization that he developed and led for over 14 years. As senior vice president for Human Resources at GE from 1993 to 2007, he has long been recognized as a world leader in his field. One of the most significant achievements was successfully managing the CEO succession and transition process from the legendary Jack Welch to Jeff Immelt, the current Chairman and CEO of GE.

Bill Conaty spent his entire career at General Electric. A native of Binghamton, New York, he earned his bachelor's degree from Bryant University in Rhode Island. After graduating from a three-year management program at GE and military service, he held management positions in a number of GE operations including Aerospace, Rail, and Aircraft Engines. In 1990, he was elected a company officer and became vice president for Human Resources at GE Aircraft Engines. Just three years later, he was selected by Jack Welch to the senior vice presidency of Corporate Human Resources with responsibility for over 320,000 employees worldwide. He served Welch for eight years and Jeff Immelt for six years before retiring in 2007.

GE is not only one of the largest and most diversified industrial companies in the world, it is one of the most highly respected as well. GE was named by *Fortune* magazine as the "World's Most Respected Company" for seven of the last 10 years on Bill's watch. Additionally, *Fortune* ranked GE #1 in developing world-class leaders. In 2004, *Human Resource Magazine* named him HR Executive of the Year.

Largely due to the management development and training programs Bill engineered, *BusinessWeek* declared that GE had "the most talent-rich management bench in the world." A profile in the same magazine praised him for taking "a department that's often treated as a support function" and turning it "into a high-level business partner." Jack Welch called him "spectacular," explaining that "he has earned enormous trust at every level. The union guys respect him as much as the senior managers." Jeff Immelt referred to him as the Company's "first friend." In 2007, Bill's final act was to conclude his fifth successful round of National Labor negotiations with GE's unions, and handing over the top HR job to a long-time GE HR colleague.

Bill served as a Trustee at Sacred Heart University for over a decade, and received an Honorary Doctorate degree in May

2010. He currently serves as a Trustee of the Board of his alma mater, Bryant University. He also serves on the Advisory Board of Cornell University's Center for Advanced HR Studies, where his legacy will continue with the recent endowment of the William J. Conaty Chair in Human Resources. In November 1996, he was inducted as a Fellow to the National Academy of Human Resources, elected Chairman in February 2001, and named Distinguished Fellow, the highest honor, in November 2007. Bill is also a member of the HR Policy Association, where he served as Chairman from 2001 to 2007.

Following his retirement, Bill formed his own consulting company, Conaty Consulting, LLC. His client base includes Clayton, Dubilier & Rice, and a host of Fortune 100 companies. He served on the Board of Directors of Hewitt Associates. Bill is active on the speaking circuit as a world leader in HR, and has been a featured guest on CNBC's Squawk Box. He co-authored a book with Ram Charan titled "*The Talent Masters ... Why Smart Leaders Put People Before Numbers.*"

Summary 2

A New Global Agenda for Business Leaders

Jeffrey E. Garten

Juan Trippe Professor in the Practice of International Trade, Finance, and Business, Yale School of Management; Former Undersecretary of Commerce for International Trade; Author, The Politics of Fortune: A New Agenda for Business Leaders

At the complex intersection of global politics, economics, investment, and financial markets sits Jeffrey S. Garten. Few business experts can boast high-level experience in both government and business as well as deep knowledge in every aspect of the global economic picture. Over the past four decades, Jeffrey has earned just such an unparalleled reputation. His wealth of experience, from the emerging markets of China, Brazil, and India to the dean's office at the Yale School of Management, has made him a hot commodity for organizations whose survival depends on a clear picture of the state of the global economy and the underlying implications of America's policies. Without a full picture of the interconnectedness of politics and economics, business leaders cannot truly make informed decisions about the future of their enterprises. In each uniquely customized presentation, Jeffrey Garten is able to look at the global economic order from any point of view and paint a picture that delivers the most important and relevant insights for his audiences.

As Jeffrey notes with great eloquence in his book, *The Big Ten: Emerging Markets and How They Will Change Our Lives*, economics and foreign policy form the crossroads where businesses will thrive or perish in the new millennium.

His latest work, *The Politics of Fortune: A New Agenda for Business Leaders*, was called "a bold book that every CEO in America should read" by the *Washington Post Book World*. And according to *Publishers Weekly*, his 2001 book *The Mind of the CEO* "provides an excellent, pertinent summary of significant business issues by people in the know." In addition, his commentary and analysis has appeared in the *New York Times*, *Wall Street Journal*, *Financial Times*, *Newsweek*, *Harvard Business Review*, and *Foreign Affairs*. From 1997 to 2005, he authored a monthly column in *Business Week* which dealt with the challenges faced by global business leaders, forming the basis of his book, *World View: Global Strategies for the New Economy*.

The former dean of the Yale School of Management and William S. Beinecke Professor in the Practice of International Trade and Finance, Jeffrey brings a wide range of top-level experience in the private and public sectors, and a global perspective to the leadership of Yale's School of Management. He also served as U.S. undersecretary of commerce for international trade in the Clinton administration, where he helped U.S. companies gain access to foreign markets, especially the emerging markets of China, India, and Brazil. Jeffrey spent 13 years on Wall Street as a managing director of Lehman Brothers and the Blackstone Group. During this time, he specialized in debt restructuring in Latin America, and restructured some of the world's largest shipping companies in Hong Kong.

Summary 3

IBM's Transformation: From Survival to Success

Bridget van Kralingen

General Manager, IBM North America

Bridget van Kralingen is the General Manager of IBM North America. Named to that role in January 2010, she is responsible for strategy, execution, business results and client satisfaction for the full range of IBM's business in the United States and Canada. Bridget is accountable for IBM's portfolios in consulting, technology services, software, hardware and financing for clients which together generate about \$40 billion in revenue each year. In addition to her North America responsibilities, Bridget is the Executive Sponsor of IBM's innovation initiatives in Microfinance and Mobile Banking. She also serves on IBM's Performance Team of senior executive leaders.

For three years, prior to her current role, Bridget was the General Manager of IBM Global Business Services, Northeast Europe, Middle East and Africa. She was responsible for strategy, execution and business results of the consulting, systems integration and application services businesses across more than 50 countries. While posted in Europe, Bridget also served on the IBM Chairman's Strategy Team, which sets strategy for IBM.

Previously, Bridget was Global Managing Partner of the Financial Services Sector for IBM's Business Consulting Services, based in New York. She led a practice consisting of business and technology advisory work, systems integration, application development and business process outsourcing across the Insurance, Financial Markets and Banking industries.

Bridget has over 20 years of consulting experience, and has worked with clients that include JP Morgan, Merrill Lynch, Credit Suisse and Morgan Stanley. In 2005, Bridget was named by *Euromoney* as one of the one hundred most influential people in Finance. She was named one of *Consulting Magazine's* Top 25 Consultants for 2006.

Bridget joined IBM in April 2004 from Deloitte Consulting, where she was Managing Partner of Deloitte Consulting Financial Services Sector for North America. Bridget was a Deloitte Partner for 10 years, and also built and ran the firm's Strategy and Organization Development practice in South Africa, executing strategy, organizational change, leadership development and cost reduction projects for CEOs across multiple industries.

Bridget holds a Masters degree in Business from the University of South Africa and Bachelors and Honours degrees in Commerce from the University of Witwatersrand.

Summary 4

How the Age of Transparency Will Revolutionize Business

Don Tapscott

Thought Leader; Author, Macrowikinomics: Rebooting Business and the World

Don Tapscott is an internationally renowned authority on the strategic impact of information technology on innovation, marketing and talent. Don consistently identifies and explains the next business imperatives and defines the business models and strategies required for success.

Don has authored or coauthored 14 widely read books on technology, business and the Net Generation, including his newest book, *Macrowikinomics: Rebooting Business and the World*, co-authored with Anthony D. Williams. His other books include *Grown Up Digital: How the Net Generation is Changing Your World* and *Wikinomics: How Mass Collaboration Changes Everything*—an international bestseller, appearing on the *New York Times* and *BusinessWeek* bestseller lists. *Wikinomics* has been translated into 20 languages.

Don is Chairman of the innovation think tank Moxie Insight and an Adjunct Professor of Management at the Joseph L. Rotman School of Management, University of Toronto.