

Embracing New Challenges and Solutions in HR and Assessment

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“The Treasure of a Nation Is
the Talents of Its People”



What's On the CEO's Agenda?



2011 CEO Challenges Conference Board, 2011

- Top issue among European, Asian, and North American CEOs: **Fueling business growth**
- Key vehicles to do that:
 - **Talent management and innovation**
- Strategies to address talent challenges:
 - **Improve leadership development/grow talent internally**
 - **Enhance the effectiveness of the senior team**
 - **Provide employee training and development**
 - **Improve leadership succession**

World's Most Admired Companies

- Consider how the 3 most admired companies in each of 64 industries managed their people during the great recession
- Firms like Nestlé, , Royal Dutch Shell, and Procter & Gamble
- Compared to their less-admired peers (Hay Group, 2010)

Most Admired (cont.)

- Less likely to have had layoffs (10% v. 23 %)
- Less likely to have frozen hiring or pay
- By a giant margin (21 points) they invested \$ and effort to brand themselves as employers of choice, not just as marketers to customers
- They treat their people as assets, not expenses
- Key lesson: They did not launch their enlightened human capital philosophies when the recession hit
- They d followed them for years; Once a recession starts, it s too late
- “Champions know what their most valuable asset is, and they give it the investment it deserves – through good times and bad”

Some Trends

- Global Labor Markets
- Labor Mobility
- What Talent Wants
- Global firms in 2020

Global Labor Markets



- Knowledge, trade, technology, capital, goods, and services are more globally connected than ever
- Coupled with the rise of emerging markets, and focus on new revenue streams, these trends have created a swell in global worker mobility

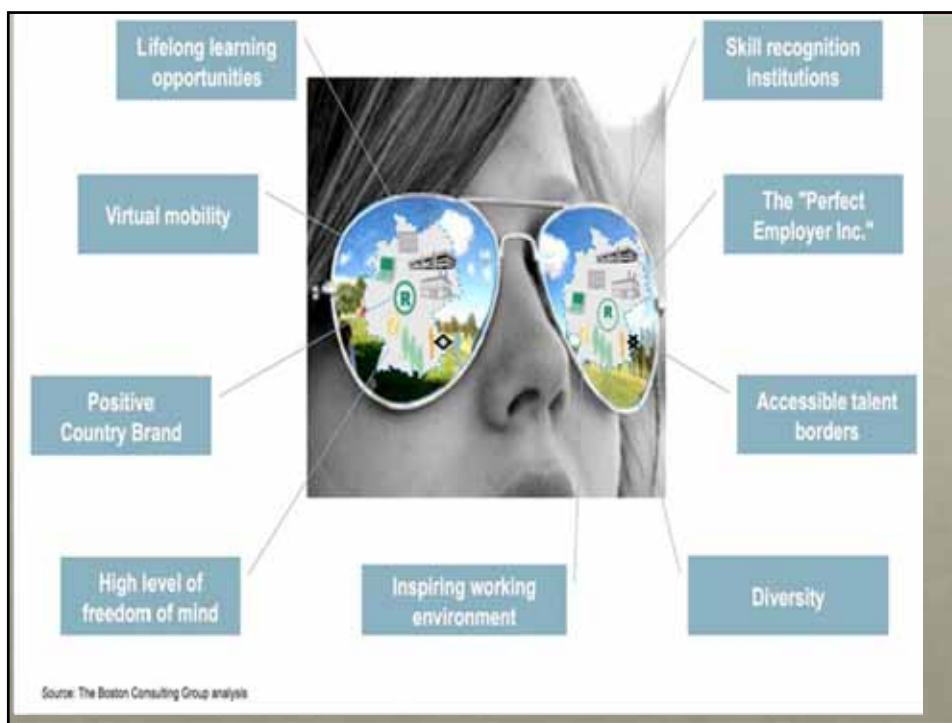
Labor Will Become More Mobile

- 500M people, double the number today, will legally work outside their home countries in the next 20 years; why?
- Conflict, natural disasters, climate change, economic opportunism
- Implication: Great need for cross-cultural skills, adaptability, and flexibility

Source: SHRM, "At Work in 2020"

The Search for Talent

- **Having access to the best talent continues to challenge CEOs and business leaders**
 - 97% of CEOs in PriceWaterhouse Cooper's 2011 Global CEO Survey say that having the right talent is THE most critical factor for their business growth



Global Talent Gap

As many world populations age, birthrates in most mature economies are trending downward

- Many Western economies cite declining birth rates as a major problem in the war for talent
- China, India, Eastern Europe, and parts of South America are also grappling with critical talent shortages
- Russia alone faces an estimated reduction of approximately 20 million working-age people by 2030
- The UN anticipates that China's working-age population (those aged 15-59) will fall behind Vietnam's in 2020, and lag behind India and Brazil in 2025
- Result: Safeguarding the talent pipeline will be a key driving force in HR strategy over the next decade

Global Firms in 2020 Economist Intelligence Unit (10/10)

- **Increasing workforce flux**
 - More roles automated or outsourced
 - More contingent workers (contract-based)
 - More mobile workers with flexible hours
- **More diversity**
 - More international and ethnically diverse
- **Social-networking sites will enable more independent contractors, where people can promote their expertise and services**
 - Result: collaborative technology will be a key component of global hiring strategy

Some Facts About social Media

- **Social media accounts for one out of every six minutes spent online**
- **44% of Gen-Y'ers check Facebook 9am-5pm**
 - ...and in 3 years Gen-Y will make up 50% of the workforce

facebook

- 800 million monthly users
- 500 million come back daily
- 16% of all time spent on internet (vs. 10% for Google)
- Real relationships
- 20 million apps DL'ed daily
- Ave. user creates and shares 90 pieces of content monthly

• Source: Marini, R. (2011, Oct. 4). Social Media: Leveraging the Opportunities.

Influence of the Net Generation

- Born between 1977 and 1997
- Have advanced skills in 3 areas that are revolutionizing work – digital technology, interactive media, and collaboration
- Old models of employee development – train, supervise, retain – are outdated for this generation
- To engage them in their learning and in their work, use social media, virtual games, and other Web 2.0 tools

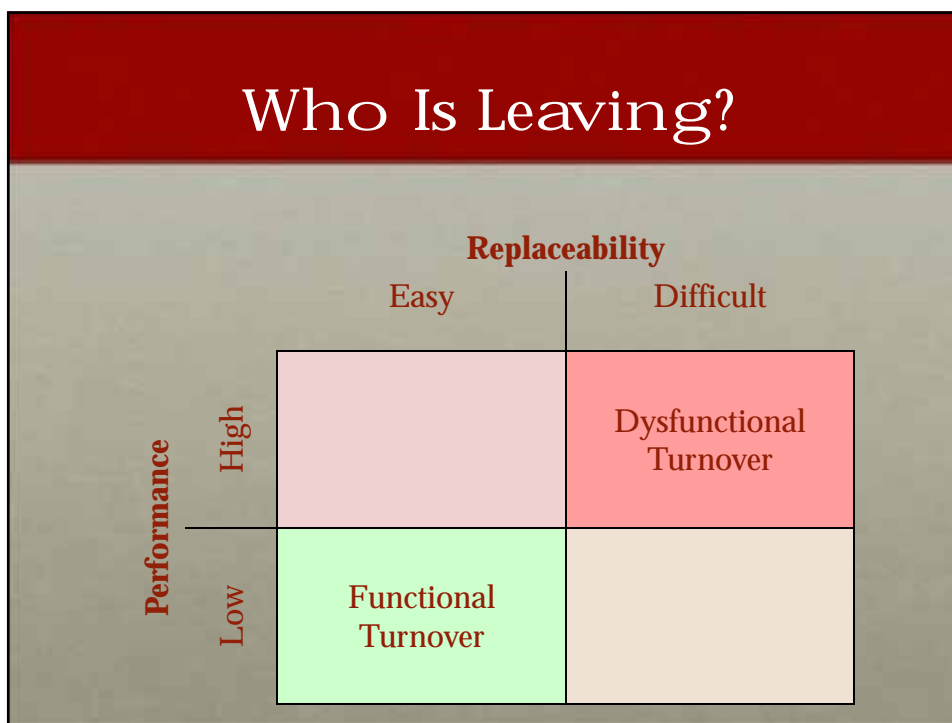
Employer -Employee Relationship

- Loyalty, engagement, retention – challenging even before the GFC
- May be eroded further by employers' actions such as withholding salary increases, laying off workers, and slowing career growth
- 50MM layoffs worldwide during the Great Recession

Employee Retention: A Key Concern



Who Is Leaving?



How Layoffs Turn on Turnover

Average turnover rate for companies with no layoffs: 10.4 percent

Percentage of Workforce Laid Off	Expected Turnover Rate
0.5%	13%
2%	14.1%
5%	14.9%
10%	15.5%

Source: "Keeping Your Headcount When All About You Are Losing Theirs: Downsizing, Voluntary Turnover Rates, and the Moderating Role of HR Practices," April/May 2008 Academy of Management Journal



Challenges Ahead: Develop Skills...

- That promote innovation and that enable employees to adapt to change
- That facilitate international engagement (e.g. 2nd language; cultural awareness)
- Embed foundation creative skills in all areas of the workforce
 - entrepreneurship and innovation; negotiation; communication; problem solving

3 Key Competencies

- **Emotional intelligence**
- **Adaptability**
- **Personal initiative**



Emotional Intelligence (EI)

- EI = the ability to perceive, appraise, and express emotion
- 4 more specific aspects:
 - **Self-awareness** (emotional self-awareness, accurate self-assessment, and self-confidence)
 - **Self-management** (emotional self-control, transparency, adaptability, achievement, initiative, and optimism)
 - **Social awareness** (empathy, organizational awareness, and service)
 - **Relationship management** (inspirational leadership, influence, developing others, change catalyst, conflict management, teamwork and collaboration)

EI (Cont.)

- A recent review of 20 predictive studies: EI was related to some important personal and work outcomes:
 - High EIs perceived more positively by others
 - Better family and intimate relationships
 - Better social relations at work and in negotiations
 - Better psychological well-being (greater life satisfaction, higher self-esteem, lower ratings of depression)

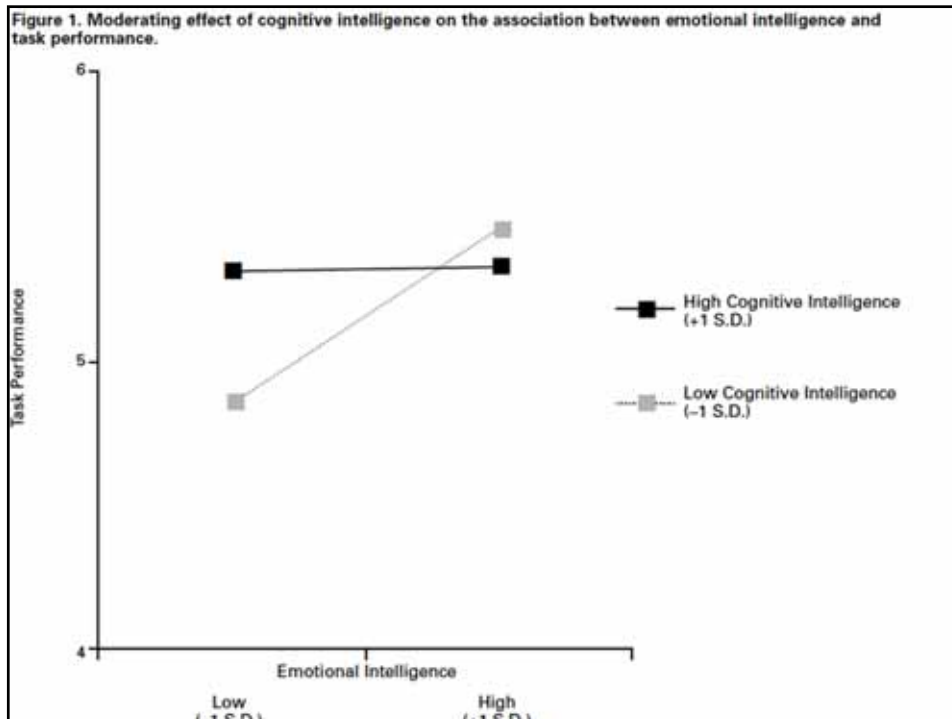
Source: Mayer, J. D., Roberts, R. D., & Barsade, S. G. (2008). Human abilities: Emotional intelligence. *Annual Review of Psychology*, 59, 507–536.

EI Unanswered Questions

- Do emotionally intelligent employees produce greater profits for an organization?
- Are the effects of training in EI likely to result in increases in job performance or work satisfaction?

Compensatory Relationship: GMA and EI

- Côté & Miners (2006 ASQ): A Field Study
- The association between EI and task performance becomes more positive as cognitive intelligence decreases



Adaptability (Pulakos et al., 2000)

- **8 different dimensions:**
 - handling emergencies or crisis situations;
 - handling work stress;
 - solving problems creatively;
 - dealing with uncertain/unpredictable work situations;
 - learning work tasks, technologies, and procedures;
 - demonstrating interpersonal adaptability;
 - demonstrating cultural adaptability; and
 - demonstrating physically oriented adaptability

Adaptability – Crucial X-Culturally

- Can be developed: e.g., cultural- assimilator training
- 35-100 critical incidents that focus on cultural differences; trainees presented with behavioral options; choose one; then read why it is correct or incorrect
- Meta-analyses of CCT and expat performance ($r = .23$) and adjustment ($r = .12$)

Personal Initiative (PI)

- Self-starting and proactive work behavior that is persistent in overcoming barriers to achieve a goal
- Relevant to important outcomes such as innovation, entrepreneurship, and work performance
- Measuring PI – situational interview
 - “Tell me about a time in the past two years where you had to investigate a work problem and suggest solutions”

Measuring PI (Cont.)

- **Overcoming barriers:** present problems, ask the respondent to overcome them, e.g.,:
 - “What would you do if a colleague continually produced shoddy work that caused additional work for you?”

Consequences of PI

- It's related to cognitive ability and creativity
- Unemployed persons with high levels of PI found jobs faster than those with low levels
- PI is related to small-business owners' profitability
- It's most functional when environments are highly volatile, unstable, and unpredictable

What About Competencies for Senior HR Leaders?

- Strategic thinking and value creation
- Project-management skills for collaborative, multi-disciplinary projects
- International talent development
 - Identify and grow it, while infusing company culture and values around the world
- Ability to manage HR risks
 - Risk = potential for failure
- Source: SHRM Leadership Roundtable, Wharton School, 11/10

9 Areas of HR risk

- **Org structure** – e.g., unclear lines of authority
- **Corporate culture** – e.g., poor execution of change
- **HR policies** – e.g., lack of performance standards
- **Implications of key events** – uncertainty causes recruitment/retention challenges
- **Talent pipeline** – e.g., lack of succession planning
- **Training/Development** – e.g., not aligned with business plans

HR Risks (Cont.)

- **Performance management** – e.g., incentives not linked to performance
- **Compensation** – e.g., inadequate oversight of executive comp
- **Labor relations** – e.g., poor dispute-resolution process, strikes
- Source: Funston & Wagner, *Surviving and thriving in uncertainty: Creating the risk-intelligent enterprise* (2010)

Prioritizing Risks

With respect to each potential risk:

- Is it relevant to your organization?
- Might it have a material impact on your organization?
- If relevant and material, is it an enduring risk?
- If relevant, material, and enduring, is it addressable?
- Lesson: Focus where it matters most!

Conclusion

HR should be every company's "killer app."

What could possibly be more important than who gets hired, developed, promoted, or moved out the door? Business is a game, and as with all games, the team that puts the best people on the field and gets them playing together wins. It's that simple."

Jack Welch, 2006