Response to NHS Chief Executive’s Open Call for Evidence and Ideas

Respondent ID: 74

Organisation name: IBM

Type of response: Email with multiple attachments
Please find below our response to the request for contributions. Due to the size of the attachments I am sending a separate email for each section. Please let me know if you require clarification or further information.

Contact details of you and your organisation
We would like to be able to follow up interesting comments and case studies and would be grateful if you can give your contact details below.
Organisation: IBM UK Ltd
Contact (completed by:) Andy Collett
(email) colleta@uk.ibm.com (telephone) 07739 874539
Do you want to be kept in touch with the next steps in this process? Yes
Do you want to be included in a wider community of interest? Yes

Information about your organisation
If you are responding on behalf of an organisation, please could you indicate which best describes the role of your organisation.
Name of your organisation: IBM UK Ltd
Please choose the description below that best fits your organisation’s main role:
Private sector (including life sciences sector)

Learning from elsewhere about adoption and spread
What can the NHS and NHS Commissioning Board learn from local, national and international best practice to accelerate the pace and scale of adoption of innovations in the NHS?

Why are some organizations consistently good at innovating and/or adapting while others seem to be blindsided by change? Is it because of their disciplined innovation process or the knowledge and skills of their people? Or is it their determination to build a culture where challenging assumptions is not only encouraged, but expected? Our IBM Creative Leadership Study found that leaders who embrace the dynamic tension between creative disruption and operational efficiency can create new models of extraordinary value.

What, specifically, enables leading-edge organizations to capitalise on the inherent complexity in today's environment and catalyse innovation within their business models, products and services? According to the IBM 2010 Global CEO Study, the ability to embody creative leadership is among the most important attributes for capitalising on complexity. And of the 700 CHROs throughout the world interviewed for the 2010 IBM Global Chief Human Resource Officer Study, 69 percent told us they are not effective in developing future leaders. What's more, 78 percent of HR executives said they are not effective in fostering collaboration and knowledge sharing.

Our IBM Creative Leadership Study found that to succeed in an increasingly interconnected world, creative leaders avoid choosing between unacceptable alternatives. Instead, they use the power inherent in these dualities to invent new assumptions and create new models geared to an ever-changing world.

Creative leadership in action enables a wide range of product, process and business model innovations. Organizations will need to act upon three imperatives to accelerate the development of creative capital:

- **Uncover the key capabilities of the creative organization** – Empower the organization's ability to understand how the world behaves. Expose those individuals who see opportunities where others do not and map out what is found. Connect ideas and people in novel ways. Try many and various ideas. Inspire belief that action is possible. Maintain the discipline to get things done.

- **Unlock and catalyse the creative capabilities of leaders** – Create high-impact, experiential learning tied to real business challenges. Develop inspirational role models who demonstrate accomplishment and empowered leadership. Unleash small, diverse teams to pursue bold ideas in response to challenges. Create work structures and incentives aligned with intrinsic motivation. Promote a culture of inspiring vision built on authenticity and powered by trust.

Regards,

Andy Collett
Client Executive, Healthcare

Actions at national level in the NHS
What specific actions do you think national NHS bodies, such as the NHS National Commissioning Board, need to take to encourage and stimulate the successful and rapid adoption and spread of innovations throughout the NHS?
Facilitating collaboration across the enterprise has speeded the adoption of innovation by engaging a wide community in their creation and connecting teams and individuals using familiar web tools such as social media.

Regards,

Andy Collett
Client Executive, Healthcare

Actions at local level in the NHS
What specific actions do you think local NHS bodies, such as providers and Clinical Commissioning Groups, need to take to encourage and stimulate the successful and rapid adoption and spread of innovations throughout the NHS?
At a local level NHS organisations can dramatically increase the success of change programmes by identifying and utilising the skills of their ‘change masters’, see ‘Making Change work’

Regards,

Andy Collett
Client Executive, Healthcare

Actions by NHS partners
What specific actions do you believe others, such as industry, academia, patient groups or local authorities, could take to accelerate adoption and spread, and what might encourage them to do so?

IBM has lead innovation in industry for many years, our own story is told in the document ‘How IBM Innovates’.

Regards,

Andy Collett
Client Executive, Healthcare
Working beyond Borders

Insights from the Global Chief Human Resource Officer Study
This study is based on conversations with more than 700 Chief Human Resource Officers worldwide.
J. Randall MacDonald
Senior Vice President, Human Resources
IBM Corporation
A note to fellow Chief Human Resource Officers (CHROs)

Since IBM’s last CHROs study nearly two years ago, the business world has been rocked by unprecedented challenges across nearly all markets and industries. Despite the tumult, the global HR leaders whose perspectives shaped our study this time displayed an unfailingly optimistic – yet sharply practical – outlook that is both insightful and aspirational.

I am pleased to provide you with this study, which reflects insight from more than 700 organisations across 61 countries. As part of this work, nearly 600 senior global HR leaders contributed in-depth interviews, further elevating our understanding of the issues that my fellow CHROs see ahead.

Consistently, these forward-looking HR leaders expect their businesses to remain focused on two equally important goals during the next three years – the need to drive growth yet, at the same time, maintain operational efficiency. My CHRO colleagues anticipate, though, that achieving these goals in the future will mean working quite differently than many businesses do today – engaging much more seamlessly across a wide range of geographic, functional and generational boundaries and borders.

Amid that backdrop, the study found three key workforce gaps CHROs cite as the biggest opportunities for HR:

- **Cultivating creative leaders** – who can more nimbly lead in complex, global environments
- **Mobilising for greater speed and flexibility** – producing significantly greater capability to adjust underlying costs and faster ways to allocate talent
- **Capitalising on collective intelligence** – through much more effective collaboration across increasingly global teams.
At IBM, we, too, have wrestled with these same challenges. Just this year, we launched an entirely new approach to leadership based on our own understanding of what it will take to lead business in the new global era. Similarly, we have for some time now focused on creating more flexible labour strategies and variable-cost programs, to help our own business succeed.

And as our world becomes increasingly instrumented and interconnected, we have invested heavily in new collaboration technologies, so IBMers can work differently with each other and with our clients. For example, I just finished hosting a highly interactive, three-day summit with IBM HR professionals from 170 countries and no one left their desks to participate. We joined together via interactive technology to share ideas, debate concepts and chart a course for future change.

As a result, the findings from this study resonate strongly with me. I believe the successful HR leaders in the future will be those professionals who best drive and sustain real change in these high-opportunity areas.

You can get started on that journey yourself, with the perspectives shared here. I want to thank my peers who gave their time and input to provide these insights into the future.

J. Randall MacDonald
Senior Vice President, Human Resources
IBM Corporation
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Executive summary

We live in an increasingly borderless world. The broad penetration of high-speed Internet has peeled away the barriers of time, distance and even language to create a global forum for the exchange of ideas and information. Instrumented, interconnected, intelligent systems seamlessly link organisations from every part of the world. Today, work can be easily performed across various cultures, geographies and time zones.

Yet, despite the steady falling away of many boundaries in society, government and commerce, the global workforce still finds itself encumbered by numerous impediments that inhibit the ability of organisations to quickly respond to emerging opportunity.

To better understand the boundaries that confine the workforce – and how to move beyond them – we conducted nearly 600 face-to-face interviews with HR executives and workforce strategists in diverse industries and institutions around the world. Additionally, we received input via survey from more than 100 executives.

Among our findings is that, while organisations continue to develop and deploy talent in diverse areas around the globe at an accelerated rate, the rationale behind workforce investment is changing. Unlike the traditional pattern of movement – in which companies in mature markets
Executive summary

seek operational efficiency through headcount growth in emerging economies – we are now seeing workforce investment moving both ways. Many CHROs in growth markets, such as China and India, told us their companies are planning to increase their workforce presence in North America, Western Europe and other mature markets.*

Opportunities to penetrate new markets and develop new offerings will drive future workforce investment, regardless of region. However, while businesses have traditionally managed their workforces with an eye toward operational efficiency, they have not necessarily done so with the creativity, flexibility and speed to capitalise on the growth opportunities that spring from an ever-more dynamic global marketplace. Nurturing these capabilities will require organisations to focus on cultivating creative leaders, mobilising their workforces for speed and flexibility and capitalising on collective intelligence – things they admittedly have not done well in the past.

*Growth markets include Latin America, Asia Pacific (excluding Japan), Central and Eastern Europe, Middle East and Africa.
**Cultivating creative leaders**
CHROs need to focus on facilitating the development of energised leaders with a flair for thinking about opportunities and challenges in completely different ways. These leaders must be able to provide direction to, as well as motivate, reward and drive results from an increasingly dispersed and diverse employee base.

**Mobilising for speed and flexibility**
Companies must be willing to simplify processes and provide fast, adaptive workforce solutions to meet the requirements of a quickly changing market-place. A responsive human capital supply chain and the ability to fluidly allocate resources are essential for competitive differentiation in today’s tumultuous environment.

**Capitalising on collective intelligence**
Tapping into a broad base of institutional knowledge is critical to developing and maintaining an innovative culture. Enterprises must adapt innovations, apply them across their organisations and find new ways to connect people to each other and to information, both internally and externally.
Working beyond borders requires...
Unleashing creativity, flexibility and speed

Coming out of the global downturn, organisations are turning their attention to growth. Yet, numerous boundaries constrain the ability of CHROs to optimally deploy their workforces. How can organisations move beyond these borders to align resources with opportunities and improve business performance?
To better support the next generation of products, we want to develop a workforce that is agile, able to quickly pick up on trends, gets leadership support and is disciplined in its execution of business strategy.”

Anne-Marie Leslie, Senior Vice President, Human Resources, Cochlear Limited

A workforce designed to seize opportunity

The agility to match critical talent with strategic opportunities is critical to outperforming in today’s dynamic and hypercompetitive global marketplace. Unharnessing this potential will require organisations to overcome the restricting boundaries that limit workforce dexterity and infuse their operations with creativity, flexibility and speed.

Lessons in workforce and organisational agility can be learned from observing those organisations whose missions depend on the ability to assess, deploy and adapt quickly. Take, for example, Doctors Without Borders/Médecins Sans Frontières (MSF), the international humanitarian medical organisation that must rapidly analyse developing situations, tap into a vast bank of institutional knowledge and promptly deploy teams of highly skilled, diversely talented individuals.¹ These international teams of doctors and support personnel, each with varied but specialised skills, must creatively adapt to quickly changing and often deteriorating conditions. In January 2010, for example, faced with a devastating natural disaster, a failing communications infrastructure and a nation in chaos, MSF was still able to co-ordinate the efforts of 700 physicians and support staff to render aid to many of the hundreds of thousands of Haitians injured in a magnitude 7.3 earthquake.²

Few businesses must contend with the same life or death decisions that MSF faces. However, the same capabilities are fundamental components of companies that differentiate themselves in an ever-more competitive global economy.

Embedding creativity, agility and speed, however, won’t be easy. A number of boundaries – functional, cultural, geographical, generational and informational – constrain workforce productivity and prevent enterprises from realising their full potential. Organisations must overcome these borders to address emerging opportunities, whenever, wherever and however they arise.
The new target: growth

For many companies, particularly in mature markets, the last two years have required a keen focus on stability and managing costs. Not surprisingly, operational efficiency tops the list of business issues facing today’s organisations, with 64 percent of CHROs identifying this as their overriding business challenge (see Figure 1).

However, emerging from varying degrees of economic shock, we are now seeing organisations turn their attention toward expansion, both in the markets they are entering and the products and services they are offering. 48 percent of those interviewed said new product and service introductions will be a primary focus for their organisations over the next three years, while 44 percent cited expansion into new markets and geographies. ‘Our current stance is defensive to protect our profits under difficult economic circumstances,’ a U.K. director of operations told us. ‘However, over the medium and long term, our agenda is geared toward global growth.’

Figure 1 Planning for growth
Although operating efficiency is still a top business priority, HR leaders are definitely preparing for expansion over the next three years.

- Improving operational efficiency: 64% today, 44% three years
- Developing new product/service offerings: 35% today, 48% three years
- Expanding into new markets/geographies: 31% today, 44% three years
This shift toward growth-driven strategies has profound implications for the workforce. Companies will need to redirect their workforce investments to areas that provide the greatest opportunities, not just the lowest costs. They will have to tap into new sources of talent and expertise, as well as move closer to emerging-market customers with increasing purchasing power.

**Workforce investments follow opportunity around the world**

Not surprisingly, China and India will continue to be the largest beneficiaries of increased workforce investment over the next three years (see Figure 2). 40 percent of CHROs told us they anticipate headcount growth in China and 29 percent in India. Other regions where CHROs expect to see significant growth include Latin America (26 percent), Asia Pacific, excluding Japan (25 percent) and Russia/Eastern Europe (23 percent).

But this is not just a one-way migration. Not only will enterprises in mature economies be investing headcount in growing economies, but companies in emerging markets will continue aggressively moving beyond their own borders and become fierce competitors on the world stage. For example, 34 percent of CHROs in growth markets say they anticipate increasing headcount in North America over the next three years, while 37 percent plan additional investment in Western Europe. This includes companies from India, where 45 percent of respondents indicated they plan to increase headcount in North America and 44 percent in Western Europe. In China, 33 percent of CHROs we interviewed said they plan to increase headcount in North America and 14 percent in Western Europe.

This worldwide focus on growth will require companies to fundamentally rethink how they manage the workforce and overcome borders. They will have to consider differences in how they attract and retain key talent (see sidebar, ‘Understanding and acting on geographic differences.’ page 16).
Organisations will need to identify new partnerships and relationships that will allow them to gain access to needed skills and capabilities. They will be forced to gather information and share insights from a diverse group of employees around the globe.

**Figure 2  Headcount investment mirroring growth**
Over the next three years, companies are increasing headcount most dramatically in growth markets.
Understanding and acting on geographic differences

As organisations expand their workforce investments into new geographies, they need to be cognisant of differences in attracting and retaining desired talent in these areas. Our study clearly highlights contrasts in attraction and retention drivers that, while perhaps understood by companies already operating in these regions, may represent a challenge for new entrants.

In different parts of the world, senior HR leaders expressed clear variances in the importance of sourcing and recruiting talent. While most CHROs are generally confident in their ability to go out and find the right employees (overall only 16 percent of organisations saw this as a top workforce challenge), those based in growth markets are almost twice as likely to identify sourcing and recruiting individuals outside their organisations as a critical issue.

Given the demand for talent in many growth markets, it’s not surprising that CHROs from those regions cite compensation and benefits as the most important factor for attracting talent. In mature markets, however, where employee movement is less pronounced, creating challenging opportunities, balancing work and life demands, and aligning corporate and personal values are most important (see Figure 3).

In contrast to bringing talent in from the outside, retaining valued talent is considered to be significantly more important, with over 45 percent of organisations in growth markets and 33 percent of companies in mature markets indicating this as an important workforce challenge. Clear growth opportunity is, by far, the most important factor in growth markets in employee retention, with over 60 percent of companies seeing this as a primary driver. In mature markets, the focus is on new or challenging responsibilities, followed by clear growth opportunities.

These differences have important implications for organisations considering workforce investments in regions where they previously have had little experience. Compensation design, performance management and workforce policies have to incorporate local perspectives while, at the same time, balancing the need to adhere to global guidelines and policies.

In addition, attracting and retaining talent across different geographies will require leaders who appreciate and understand how to drive performance and motivate individuals from different cultures and backgrounds.
Introduction

Key differences in attracting employees.

- Compensation and benefits equal to or better than the norm: 62%
- New or challenging responsibilities: 23%
- Company values are aligned with personal values: 16%
- Ability to balance work and life demands: 12%

Key differences in retaining employees.

- Clear career growth opportunities: 62%
- Compensation and benefits equal to or better than the norm: 47%
- New or challenging responsibilities: 30%
- Ability to balance work and life demands: 36%
- Company values are aligned with personal values: 33%

Figure 3  Know what matters to whom
Compared to their counterparts in mature markets, HR leaders in growth markets wrestle with a substantially different prioritisation of employee attraction and retention drivers.
Three workforce shortfalls

As we examined the capabilities CHROs said are most important to their organisations’ future success and how effectively they are implementing them, three key workforce gaps emerged (see Figure 4).

CHROs say they are adept enough at certain aspects of assembling, managing and deploying the workforce, such as sourcing and recruiting outside the organisation, managing labour costs and evaluating workforce performance. They also rate themselves as relatively effective in the strategically important areas of enhancing workforce productivity and retaining valued talent.

Figure 4 Exposing the gaps

Based on respondents’ relative ranking of importance and effectiveness, their organisations fall short in three key capabilities.
However, CHROs are less confident in their ability to efficiently allocate the workforce. While HR leaders don’t consider this to be an essential element of future growth (only 18 percent see this as particularly important in the next three years), our data suggests otherwise. Examining our sample of financial outperformers, we found that they were 47 percent more likely than underperformers to rate themselves as effective in workforce allocation.3

Most problematic are those capabilities CHROs deem highly important but currently beyond their ability to achieve. These three gaps – developing future leaders, rapidly developing workforce skills and capabilities, and fostering knowledge sharing and collaboration – are critical areas that CHROs must address if they are to move beyond borders and unlock the potential of the workforce.

A shortage of creative leaders
The ability to identify, develop and empower effective, agile leaders is a critical imperative for CHROs over the next three years. ‘We have strong managers, not leaders – and we need strong leaders to achieve our strategic objectives,’ said a U.K. HR director. To instill the dexterity and flexibility necessary to seize elusive opportunity, companies must move beyond traditional leadership development methods and find ways to inject within their leadership candidates not only the empirical skills necessary for effective management, but also the cognitive skills to drive creative solutions. The learning initiatives that enable this objective must be at least as creative as the leaders they seek to foster.
Inability to rapidly develop workforce skills and capabilities

CHROs told us developing workforce skills and capabilities is highly important, but that they do not do a particularly good job of it. As one U.K. CHRO said, ‘We’ve previously taken a ‘sink or swim’ approach to putting talented people in new roles. We haven’t done a good job of front-end assessment.’

Closely related to skill development is how people with the necessary knowledge and skill sets are deployed. Despite garnering relatively little attention from CHROs as a critical capability, we believe this directly aligns with the creation of new growth opportunities.

Ineffective collaboration and knowledge sharing

Application of collective organisational knowledge and experience is essential to building an agile and responsive workforce. Yet many organisations lack the structure and resources to facilitate institutional knowledge sharing and collaboration.

Cultural and organisational silos often compromise the ability of companies to share information across functional boundaries. As one North American senior vice president of HR said: ‘We need to know our stuff and be self-reliant, to solve problems cross-functionally and to fully leverage our talent and our ideas.’
Attacking the gaps

The location, structure, makeup, skill set – and, critically, the agility – of the workforce and its leadership fuel efficient operations, energise entry into new markets and spur development of innovative products and services. But the gaps between organisational need and effectiveness are blocking the path to growth.

Based on insights from more than 700 senior HR leaders, we believe three essential capabilities will enable organisations to move beyond the remaining borders that constrain workforce effectiveness: cultivating creative leaders, mobilising for speed and flexibility and capitalising on collective intelligence.
Cultivating creative leaders

HR executives say the ability to develop future leaders has the greatest impact on their organisations’ future success. Yet, only one in three think they can do this effectively. What will it take to cultivate the kind of creative leaders demanded by today’s new environment?
“Developing future leaders is always a priority. One of the challenges with growth is to remain nimble. This is something that we recognise and continuously focus on with leadership.”

Marcelo Modica, Senior Vice President of Human Resources, Discover Financial Services

Leaders: high demand, hard to develop

Building an organisation with flexibility and dexterity requires leadership with the creativity to adapt to a constantly changing environment. These leaders must be able to negotiate through a maze of differing cultures, complex inter-generational dynamics and varied communication styles. Creative leadership, in fact, was identified in our most recent Global CEO Study as the top organisational need over the next five years (see Figure 5).4

Yet, companies struggle to both find and nurture effective future leaders. Less than one in three executives we interviewed rated their companies as adept at leadership development – a surprisingly low number given its relative importance.

Figure 5  Top executives’ priorities
The 2010 IBM Global CEO Study highlighted creative leadership as a critical capability for success.

Most important organisational capabilities over the next five years.

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<thead>
<tr>
<th>Capability</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Leadership</td>
<td>37%</td>
</tr>
<tr>
<td>Execution speed</td>
<td>34%</td>
</tr>
<tr>
<td>Client connectivity</td>
<td>33%</td>
</tr>
<tr>
<td>Innovation</td>
<td>31%</td>
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</table>

Most important leadership qualities over the next five years.

<table>
<thead>
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<th>Quality</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Creativity</td>
<td>60%</td>
</tr>
<tr>
<td>Integrity</td>
<td>52%</td>
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<tr>
<td>Ability to balance work and life demands</td>
<td>35%</td>
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</table>
The availability of leadership talent is an issue for many companies throughout the world. As competition increases, attracting, developing and retaining the employees with the potential to be molded into effective and dynamic leaders becomes more difficult. ‘We have leadership development programs in place,’ said a U.S. senior vice president, ’but in some cases, there is not enough ‘talent’ to fuel them.’ A CHRO in Venezuela told us, ‘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.’

As companies embark on growth strategies, the leadership challenge becomes even more pronounced. A senior vice president in Japan said, ‘Our leaders do not have the skills required as the business expands into various areas. We need to develop leaders who can perform globally to win against global competition.’ And a U.K. HR director said, ‘Our leaders currently rise to the top by chance, not design. We need to foster talent.’

**What it takes to be a creative leader**

Creative leaders share a set of common characteristics that help them innovatively lead their organisations. They challenge every element of the business model to realise untapped opportunities and improve operational efficiency. Leaders grow their businesses through the exploration, selection and execution of diverse, even unconventional, ideas about the potential of new markets. They leverage new communication styles to motivate talent and reinvent relationships, both internally and across the supply chain, to create collaborative productivity. They focus on the bigger picture – the global marketplace – and how to lithely optimise the collective skills of their organisations.

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“We are starting to measure leadership quality and connect it directly to the bonus system: you ‘get the behaviour you pay for.’”

**Axel Tripkewitz**, Senior Director
HR and Business Support,
Fujitsu Semiconductor Europe GmbH
Tomorrow’s leaders must be cultivated to think in terms of a virtually unrestricted global environment. They must create within their organisations integrated, cross-functional capabilities and tear down the institutional silos that inhibit creativity and speed. A senior vice president of HR in the United States said, ‘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.’

**Investing in the future**

The good news is that companies recognise the need for effective future leadership and are working to close the gap. Even during the height of the global recession, 33 percent of our respondents in mature markets and 43 percent in growth markets increased their investment in leadership development, heady numbers considering the cost containment initiatives many companies instigated at the time (see Figure 6).

**Figure 6**  
*Invest now or pay later*  
Despite economic uncertainty, some companies – particularly in growth markets – have actually increased investment in leadership development, placing their bets on the capability CHROs say is most important to future success.

- **Increased**
  - Mature markets: 43%
  - Growth markets: 33%
- **No change**
  - Mature markets: 50%
  - Growth markets: 44%
- **Decreased**
  - Mature markets: 17%
  - Growth markets: 13%
Enabling the workforce to work beyond borders requires leaders to be effective champions of the corporate growth and transformation agenda. Leaders must be flexible and adaptable and be imbued with the power, knowledge and skills to deal with an increasingly complex world. Traditional training and ‘osmosis’ are not enough. Companies must equip leaders to build the skills necessary to prosper in today’s virtual and distributed world. They must:

**Look beyond headquarters**
*Identify and cultivate rising stars regardless of location.* As organisations increase their global presence, rising stars can emerge from anywhere. Proactively select opportunities that allow them to gain needed experiences as well as provide mentors who can give them the right guidance and global perspective.

*Use global issues facing the organisation as the basis for real-life learning experiences.* Charter teams to solve real-world problems, such as evaluating new market opportunities and responding to changing customer/employee demographics, to bring together future leaders and generate unique insights from different parts of the business.

*Offer short-term, focused opportunities for individuals to work in new markets/geographies.* Identify assignments and projects of short duration that can help individuals gain exposure to new markets and experiences without the expense and commitment associated with long-term expatriate programs.
Nurture creative leaders

Provide opportunities for creative leaders to move beyond traditional leadership styles. Develop new ways of inviting, persuading and influencing employee participation in decision making through social media and other emerging communication channels.

Incorporate external perspectives (e.g., suppliers, customers) into leadership development efforts. Create assignments that require leaders to garner insights and develop relationships with others outside of their direct sphere of influence, such as key customers, suppliers, academics and trade associations.

Create rigour around leadership investments

Analyse future business trends to determine leadership requirements for emerging business opportunities/locations. Make sure that leadership roles reflect the geographical mix of future business locations, employees and customers.

Create company-specific models, processes and assessment tools for leadership roles. Identify those competencies that differentiate the business in the marketplace and build them into hiring, development and performance management processes.

Monitor job progression of potential future leaders from around the globe. Identify the types of roles that build necessary skills and continuously assess the progress of employees with leadership potential.
Case Study

LAN Airlines

*Spreading its wings with strong leaders*

When Chilean flagship carrier LAN Airlines established an Argentinian subsidiary in 2005, it already had thriving operations in Ecuador and Peru. But moving into Argentina was to prove a much bigger challenge.

The Argentinian airline industry was underdeveloped because of high tariffs, heavy regulation and a history of bankruptcies. LAN Argentina also needed to integrate 650 employees from Argentina’s state carrier, LAFSA, which it had agreed to acquire from the government. And the executive team, though enthusiastic, was relatively inexperienced. Even so, LAN Argentina set itself an ambitious goal: to capture 30 percent of the domestic market within 18 months.

However, it soon began to struggle and, in May 2007, LAN decided to launch a leadership development program. It began by asking all its Argentinian executives to define what they meant by leadership, given their personal beliefs and values, and identify role models within the organisation. Then it clarified what it wanted from everyone, including what they were to do and when and how they were to do it – right down to a list of weekly tasks.

This process ultimately produced a model of the competencies required of a ‘LAN leader.’ He or she must possess 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 capitalisation of USD6.2 billion. It has also transformed the ‘state’ culture it inherited from LAFSA into a service culture, and tripled employee satisfaction levels.
Case Study

Maxis Communications

Connecting for creativity

Maxis Communications is Malaysia’s leading mobile communications service provider. It has attracted over 12 million customers, thanks to a corporate ethos that combines simplicity, trustworthiness and creativity ‘in everything we do and everything we say’. But with the need to step up the game in the telecommunications industry, Maxis wanted to refresh its pioneering spirit.

In December 2009, Maxis sent 18 of its senior personnel on a business trip to San Francisco, Silicon Valley and Los Angeles. The team interacted with entrepreneurs to obtain in-depth clarity on the culture of start-ups, visited Paramount for first-hand exposure to the latest technologies for distributing multimedia content – a major interest for Maxis, which is already the top music distributor in Malaysia – and attended lectures by management gurus like Michael Tushman, author of the classicWinning through Innovation.

Maxis had another smart idea up its sleeve. To further broaden the team’s horizons on technological creativity, all 18 members used Twitter and Foursquare on their iPhones to share real-time experiences with their 8,300 colleagues in Malaysia and India. Employees could tweet back with questions, which the team then raised to the people they were meeting.

The result? At the end of the tour, the 18 personnel had not only bonded, but they were also brimming with ideas for reinvigorating the corporate culture – and their enthusiasm was shared by those who had participated virtually throughout their entire journey.

For Maxis, innovation has enabled collaboration and that, in turn, has triggered a new surge of creativity. The company’s innovative approach to nurturing human talent has now earned it wider recognition, with a gold award at the 2010 Malaysia Human Resource Awards.
Key questions for cultivating creative leaders

How are you fostering creativity and borderless thinking among your leadership team?

Are you radically rethinking leadership development to rapidly close the effectiveness gap?

Do you integrate leadership development with emerging business opportunities to better prepare leaders for the future?
Mobilising for speed and flexibility

CHROs rank rapidly developing workforce capabilities as one of their most important imperatives, but their effectiveness in this area sits among the bottom three. How can companies better match resources with opportunities?
**Synchronising people, time and opportunity**

The ability to mobilise the workforce for speed and flexibility, the second essential capability revealed by analysis of our CHRO interviews, is as vital as effective leadership in generating growth in today’s competitive global marketplace.

Even with today’s technology, which often allows anyone to work from almost anywhere at any time, it is still a huge challenge getting the right personnel in the right roles and places. Finding people with the skills to compete in an increasingly borderless marketplace and sustain innovation is difficult enough. Managing people from different cultures, across different locations and time zones, is, arguably, even harder.

Most respondents are acutely aware of the uphill struggle they face. ‘We need to be able to deploy global resources with excellent knowledge of skills and competencies in a fluid and consistent way,’ the vice president of HR at one U.S. consumer products company said. An HR executive at a professional services firm put things more bluntly, ‘Globalisation is our key corporate strategy and workforce deployment in the global marketplace is our biggest challenge.’

**Diligently developing flexibility**

As organisations work to balance the demands of efficiency and growth, many are working to build greater flexibility into their operational practices. For example, in our 2010 CEO Study, 62 percent of CEOs said they anticipate a shift toward the greater use of variable versus fixed costs within their operating models. From our study, we see CHROs are echoing this trend toward flexibility as it applies to the workforce. More than half the HR executives we interviewed expect the use of techniques such as outsourcing, offshoring and the use of temporary, contingent and part-time workers to grow over the next three years (see Figure 7). In contrast only 10 percent or fewer indicated that they are decreasing their use of these techniques over the same period.
Labour models undergoing radical change
Over the next three years, more than half of CHROs worldwide plan to inject a higher dose of flexibility into the composition of their workforces.

<table>
<thead>
<tr>
<th>Method</th>
<th>Decrease</th>
<th>No change</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourcing (moving work to another company)</td>
<td>7%</td>
<td>37%</td>
<td>56%</td>
</tr>
<tr>
<td>Offshoring (moving work outside your country but within your company)</td>
<td>4%</td>
<td>40%</td>
<td>56%</td>
</tr>
<tr>
<td>Hiring part-time workers</td>
<td>4%</td>
<td>43%</td>
<td>53%</td>
</tr>
<tr>
<td>Using temporary/contingent workers</td>
<td>10%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Bringing back retired workers</td>
<td>9%</td>
<td>59%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Where flexibility falters
Increasing organisational flexibility mandates a number of important capabilities. Organisations need to be able to predict fluctuations in demand for products and services and allocate resources to support those changes. They must establish strong relationships with suppliers and partners that allow them to manage non-core activities and supplement their existing workforce to handle peak loads and demands. They need to invest limited learning resources to quickly get individuals up to speed on new processes and technologies.

Unfortunately, companies are challenged across many of these dimensions. For example, only 35 percent believe they are able to allocate people efficiently and 31 percent think their company is effective at rapidly developing new skills.

From our study, we see that many organisations lack the infrastructure to make fact-based decisions regarding workforce allocation (see Figure 8). With a lack of insight into what skills and capabilities the organisation has at its disposal at any given time; models that help to evaluate potential

“Knowing what skills and capability you have in your workforce and employing a common skills taxonomy allows you to move people around and create flexibility and agility.”

Christian Archambeau,
Principal Director Human Resources,
European Patent Office
talent shortages; and resources that can monitor talent supply and demand. Many organisations are placing themselves at risk for making poor decisions and reacting to market changes after their competition.

**Figure 8** What’s missing in managing the talent supply chain

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

<table>
<thead>
<tr>
<th>Activities related to talent supply/demand</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Move people across business units and divisions</td>
<td>87%</td>
</tr>
<tr>
<td>Move people across geographies</td>
<td>73%</td>
</tr>
<tr>
<td>Internal labour markets that increase the visibility of job opportunities</td>
<td>69%</td>
</tr>
<tr>
<td>Reskilling individuals based on business priorities</td>
<td>68%</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>Common skills taxonomy</td>
<td>51%</td>
</tr>
<tr>
<td>Analytics that highlight the quantity and availability of specific skills</td>
<td>50%</td>
</tr>
<tr>
<td>Analysts that evaluate talent supply/demand issues on an ongoing basis</td>
<td>43%</td>
</tr>
<tr>
<td>Forecasting models that link demand for products/services to labour requirements</td>
<td>39%</td>
</tr>
</tbody>
</table>

**Rapid skills development demands new ways of learning**

In addition to allocating resources more effectively, companies must be more innovative in how they reduce the learning curve and develop new capabilities. Our findings indicate that companies most effective at rapidly developing skills are more likely to use collaborative tools (43 percent versus 34 percent) and immersive learning techniques such as virtual worlds (19 percent versus 9 percent). They provide business simulations that reflect real-world issues and encourage creative adaptation, calculated risk taking and iterative improvement. Immersive learning allows people to practice new roles and rapidly develop new skills, as well as learn how to collaborate effectively across distance and make decisions quickly.6
Recommendations

Many companies spread responsibility for talent management across multiple functions, including recruitment, learning and development and purchasing. Business unit leaders may also have responsibility for some or all of these activities within their respective domains. But, as the competition for human capital heats up, no company will be able to rely on such a fragmented approach to build and deploy the talent it needs. Organisations will have to develop an integrated approach that crosses traditional functional silos. Companies should also revisit the workforce implications of their policies and processes on an ongoing basis and incorporate workforce planning into strategy development. Key activities companies can undertake to address these issues include:

**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 (e.g., full-time employees, part-time employees, contractors, outsourcing partners).* Ensure that HR, Operations and Purchasing actively work in concert to develop and revise the workforce strategy on a continual basis. Focus on outcome-based models when designing flexible workforce arrangements.

*Create a common expertise taxonomy that serves as a ‘currency’ of enterprise competencies.* Use this platform to evaluate talent shortages and surpluses across the organisation and drive more information-based human capital decisions.
Accelerate response to opportunity
Provide internal marketplaces where individuals and managers can gain visibility and access to new opportunities and needed skills. This allows managers and employees to take more control of their staffing and career management decisions, to enable more rapid decision making and provide access to candidates that might otherwise not be considered.

Develop more flexible organisational structures that can address rapidly emerging situations. Units such as centres of competence and rapid response teams can help to quickly size up situations, identify and mobilise key resources and quickly respond to customer needs while limiting disruption to the core business.

Dramatically lower time to competence
Allocate learning resources toward focal positions and roles. Scarce resources need to be directed to improve the performance of those functions that truly differentiate the organisation in the marketplace (or in the public sector, that are critical to achieving the mission).

Build social media features into learning platforms, events and activities. Tools that allow learners to more easily share insights with others and link to internal and external information sources can help increase knowledge retention and enable employees to more rapidly and effectively apply new skills to their jobs.

Position virtual worlds, gaming and business simulation as techniques to augment face-to-face learning. The next generation entering the workforce is already immersed in interactive, virtual experiences as part of their learning environment. Organisations can help motivate learners and reinforce desired behaviours through greater use of these techniques.
Case Study

CLP Holdings
Engineering its future

CLP Holdings (CLPH) is one of Asia Pacific’s leading energy providers. Although it operates internationally, it has to accommodate local variations, and the investments it makes must last up to 25 years. So CLPH’s perspective is different from that of many other companies; it must be nimble and flexible, while taking the long view.

This isn’t the only challenge CLPH faces. Generating and distributing power requires highly qualified engineers, but CLPH has an aging workforce – and good young engineers are in short supply. Add the fact that anyone who works in the field must be able to speak the local language and it’s easy to see why strategic workforce planning is critical to CLPH.

The company started by analysing all its 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 skills 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. Examining the demographic profiles of these two groups of people showed where the most important shortfalls would arise, and CLPH launched various initiatives to fill the gaps – e.g., fast-tracking high-fliers and optimising 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.

CLPH routinely monitors internal statistics such as staff turnover, but it now looks at the big picture, too. It tracks population changes and degree patterns in each of its markets – the sort of trends that count when a company’s in business for the long haul.
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.7

For many years, the company managed the HR functions required to support these employees internally. However, although American’s HR services centre 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 realise benefits and the best applications for its needs. It also refined many of its HR processes and developed a roadmap for managing the transition.

American is now realising its goals and utilising a robust suite of services, standards and technologies for administering processes such as Learning, Talent Management and Benefits. 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.8
Key questions for mobilising for speed and flexibility

Which alternative work structures provide greater opportunity for efficient and more flexible deployment?

How do you break down the organisational silos that prevent the best use of your talent?

How can you reduce time to competence in your most critical jobs?
Capitalising on collective intelligence

Across the workforce capabilities CHROs evaluated as part of this study, they rated their organisations as least effective in fostering collaboration and knowledge sharing. Can companies work—and innovate—effectively as diverse, dispersed teams without addressing this issue?
Collaboration impacts the bottom line

Innovation is the lifeblood of any enterprise, driving efficiency and facilitating new product and service development. But innovation is more than the creative application of acquired skills; it is the sum of an enterprise’s capabilities, experiences and institutional knowledge. And maintaining the innovative edge requires capitalising on this collective intelligence.

Collective intelligence allows companies to gain efficiency by sharing and applying relevant practices across the organisation. It enables companies to build on experience and avoid reinventing processes and procedures. Intelligence creates the ability to adapt and apply innovations across new markets and opportunities. And it facilitates the discovery of new avenues of improvement through communicating with customers and other external sources, evaluating feedback and leveraging what they learn.

While collaboration may be regarded by many as a ‘soft’ skill, our data suggests it can have bottom-line consequences. In our sample, financial outperformers are 57 percent more likely than underperformers to use collaborative and social networking tools to enable global teams to work more effectively together.

“The HR function should be taking a leadership role in identifying tools for collaboration. It should also set up and facilitate ‘communities of practice.’”

Kevin Mahoney, Chief Human Capital Officer, U.S. Small Business Administration
Three-quarters are poor collaborators

Despite the emerging importance of connecting and tapping into insights around the globe, the majority of executives struggle to effectively connect their workforce. For example, 78 percent of the HR leaders we interviewed do not think their organisations are effective at fostering collaboration and social networking. Yet only 21 percent have recently increased the amount they invest in the tools required to promote collaboration and networking. Even further, less than 20 percent are actively applying analytics to understand the impact of their efforts.

‘HR should play a greater role in encouraging innovation through finding and looking after the tools for collaboration and also by providing the incentive mechanisms to support collaboration’ said a senior vice president from Australia. An HR manager in Japan clearly feels the same way, ‘Collaboration and knowledge sharing are handled separately within each region and there are silos between different regions and countries. We need to remove those silos and promote global collaboration and knowledge sharing.’

Aiming too low with collaborative capabilities

Not only are companies not investing heavily in new collaboration and communication tools, many organisations fail to fully utilise the knowledge-sharing resources they already possess. Our respondents said they most frequently employ collaborative tactics to enhance the effectiveness of corporate communications and learning programs and to target and recruit external candidates. They are less commonly used for strategic purposes or to raise the visibility of ideas.

“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, Senior Vice President, Human Resources, Skanska
Only 19 percent of our respondents regularly use collaborative technologies to identify individuals with relevant knowledge and skills, 23 percent to preserve critical knowledge and 27 percent to spread innovation more widely (see Figure 9). As an HR manager of a Japanese industrial products company said, ‘We don’t share intellectual assets fully, even though we have the IT infrastructure to do so.’

Figure 9  **Are companies making the right connections?**
Less than one-third of companies are regularly applying collaborative tools and techniques to drive knowledge sharing and innovation.
Recommendations

Today’s CHROs can play a major role in developing the organisational culture and infrastructure required to stimulate innovation and enhance operational efficiency and effectiveness. They can help build a common context and encourage the creation of new connections and relationships among employees scattered around the world. And they can look for ways of making good ideas and practices more visible throughout the organisation. To accomplish these objectives, they must:

**Weave collaboration into the way employees work**

*Encourage formation and use of cross-organisation communities around strategic business topics.* Find issues that tap into the passion of employees while at the same time serve a critical need of the organisation. Provide the groups with sponsorship, collaborative tools and other resources to foster knowledge sharing and trust among individuals from different parts of the organisation.

*Build collaborative capabilities directly into business processes and project management activities.* Use tools such as instant messaging, blogs and wikis to facilitate real-time communication and keep far-flung project teams aware of new information and progress.

**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 prioritised by event participants.* Companies have found significant value in raising the visibility of new ideas at a global level, but at the same time, they need to be able to prioritise those initiatives and provide resources to execute them.
Solicit and recognise fresh insights and new thinking from internal and external sources. As the external environment becomes more complex, organisations need to make sure they incorporate all parts of their business network into the innovation process.

Use network visualisation techniques to highlight connections between individuals/work teams. Identify those individuals at the heart of conversations to see where new trends are coming from and how they are being disseminated across the organisation. Use dashboards and other tools to increase the visibility and understanding of collaboration patterns and help identify potential collaboration gaps.

**Create and share assets to drive productivity improvement**
Create value through the systematic capture and reuse of individual work outcomes. Build communities responsible for filtering and growing a shared catalogue of assets leveraged across the organisation. Develop talent management programs that recognise collaboration and the value it generates.
Gathering ideas from around the globe

Companies that can pull together the right resources to meet problems and opportunities with speed and efficiency have an edge in a fast-paced, competitive market. One such company is Pfizer, the world’s biggest biopharmaceutical firm. In 2006, Pfizer launched its ‘Idea Farm’ – a collaborative process for solving problems creatively in an analogous but 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 organisation, 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. Thereafter, all the suggestions are assessed through informal and formal reviews, the recommendations are collated and the final decision is made.

The Idea Farm has proved very fertile. Since it was introduced, Pfizer has identified USD100 million in pipeline net present value by discovering new markets – and avoided USD20 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, and a network of branches servicing key markets. It makes cotton shirts for some of the world’s best-known brands, including Tommy Hilfiger, Hugo Boss and Brooks Brothers, and for major retailers like Nordstrom. In fact, it not only makes the shirts, it grows and spins its own cotton and weaves and knits its own fabrics.10

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.

Esquel gives its farmers technical support to help them increase the quality and quantity of cotton they grow. Replacing flood irrigation with drip irrigation has, for example, enabled its farmers to increase the amount of land they can cultivate (by eliminating the need for ditches), improve cotton yields and boost their incomes by 30 percent.11

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.

“If you simply increase wages, you become uncompetitive and ultimately go out of business,” explains Calvin Tsang, Esquel’s Head of HR. “So we look for sustainable ways of increasing people’s income.”

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.
Key questions for capitalising on collective intelligence

What will you do to get multiple generations of employees to actively engage in online collaboration?

In what ways can you explore, reward and integrate diverse and unconventional points of view?

What novel techniques are you using to tap into the insights and ideas of employees around the world?
As organisations set their sights on growth, they will need a different and more dynamic set of workforce characteristics to achieve their goals. How can they infuse their workforces with enough creativity, agility and speed to render borders irrelevant and capitalise on emerging opportunities wherever they’re found?
Tearing down the borders

Addressing efficiency and promoting growth, the two primary challenges CHROs indicated they will be facing in the years ahead, will require overcoming numerous internal and external borders that affect workforce productivity. Physical and functional boundaries will need to be addressed to make the most of an increasingly dispersed and diverse workforce that will stretch across traditional institutional lines. Overcoming these hurdles will not be a trivial activity; rather, it will need to be at the core of an organisation’s transformation agenda.

In this new world, creative leaders will help to dissolve boundaries through the creation of innovative strategies, the development of a commonly shared vision and the ability to motivate individuals from across the globe. Developing this next generation of leaders will necessitate identifying candidates from all reaches of the organisation and providing them with the real-world training and experiences to lead in an increasingly complex and dynamic global marketplace.

Mobilising the workforce for speed and flexibility will also be critical as organisations look to match capabilities with emerging opportunities in a borderless world. Functional and institutional silos that stymie growth must be replaced with an integrated workforce perspective that links an organisation’s core and extended workforce to its business strategy and identifies, builds and deploys capabilities regardless of location or organisational affiliation.
Successfully operating across borders will require companies to capitalise on their collective intelligence – ensuring the best ideas are identified and disseminated regardless of where they originate. This sharing of cumulative institutional knowledge allows best practices to be tapped and duplicative efforts reduced. Soliciting new insights from both internal and external sources and fostering the development of connections and relationships will enable the transfer of critical knowledge necessary for organisations to take full advantage of their scale and reach.

**Workforce insight: A missing link?**

The ability to develop effective leadership, strategically build and deploy the workforce, and stimulate knowledge sharing and collaboration frequently hinges upon the information available to make evidence-based decisions regarding the workforce. However, for many organisations, this level of insight continues to be elusive. Only seven percent of respondents say they are very effective at using analytics to make workforce decisions. As one public sector CHRO in Australia said, ‘We have been ineffective at using analytics to date, as we don’t have the skills or senior management buy-in.’

Many companies have the capability to use analytics to look backward to identify historical trends and practices within their organisations. Yet few are adept at using information to develop scenarios and predict future outcomes. Only in developing future leaders and business strategy did more than a quarter of the CHROs we interviewed use analytics for forward-looking analysis (see Figure 10).

“What do we do well? Talent management and organisation development. What could we do better? Training delivery and workforce analytics.”

Shirley Gaufin, Chief HR Officer, Black & Veatch Corporation
Without workforce insight, companies place their ability to grow effectively at risk. They will have difficulty putting the right skills in the right places and will have trouble making intelligent decisions about locations suitable for expansion. They will be challenged in knowing where their top performers are located and will struggle to justify the need for future workforce investments.

However, some companies are stepping up the game and focusing on analytics as a core component of their workforce planning. For example, Shell (see page 57) has begun to add more analytic discipline to its leadership development process to better understand the traits of successful executives and make appropriate investments in its next generation of leaders.
Case Study

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 identifying those with the potential to become future leaders is difficult in an organisation 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 both to provide top management with a ‘talent book’ of robust leadership pipeline data and to explore several questions: Was the coverage and diversity right? Did people have the right performance profiles, leadership qualities and experience? How were they flowing through the pipeline? This involved analysing all the candidates by tenure and performance to identify which ones were still learning new roles, which were performing well, which were seasoned professionals and which were performing less strongly. The HR team also examined the routes these executives had taken to see whether they were acquiring the skills required to run Shell’s downstream business.

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 calibre 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.
Imperatives for working beyond borders

As we saw in our quick look at MSF, those organisations with the capability to rapidly assess developing situations, effectively apply their collective institutional knowledge and quickly deploy creative teams of highly skilled individuals often make a big impact in a short time. In the case of MSF, these attributes often determine the difference between life and death. For other organisations, they can dictate whether an organisation becomes an outperformer in the market or an also-ran.

Instilling creativity, flexibility and speed within both the organisation and the workforce will require creative leaders with the capabilities to solve old problems and capitalise on new possibilities. Rapid skill acquisition, on-target deployment of top talent and the ability to quickly scale up or down will become critical to mobilising the workforce for speed and flexibility. Collective intelligence, the sharing of an organisation’s sum of knowledge and experience, will be necessary to take advantage of cumulative organisational capabilities.
Key imperatives include:

<table>
<thead>
<tr>
<th>Improve operational efficiency</th>
<th>Expand into new markets/geographies</th>
<th>Develop new product/service offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Be comfortable with distributed and virtual leadership approaches; create leaders who leverage informal power</td>
<td>Accelerate the development of truly borderless leaders; be creative in combining global and local talent</td>
<td>Design leadership development programs to generate innovative emerging business opportunities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mobilising for speed and flexibility</th>
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<tbody>
<tr>
<td>Develop online marketplaces to efficiently match global talent supply with demand</td>
<td>Adapt a global approach to sourcing talent; eliminate the policy and process barriers to cross-border movement</td>
<td>Leverage flexible work structures to rapidly align talent with critical jobs in new business areas</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Capitalising on collective intelligence</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Improve productivity through best practices sharing and reducing duplicative efforts</td>
<td>Improve cross-functional effectiveness by providing an online platform for virtual team collaboration</td>
<td>Establish a culture of creativity and innovation where new product ideas get visibility and executive support</td>
</tr>
</tbody>
</table>

We look forward to continuing the discussion at ibm.com/workingbeyondborders
How our research was conducted

The 2010 IBM Global CHROs study is the third edition of our Global Human Capital Study series, led jointly by the IBM Institute for Business Value and IBM Strategy & Transformation. To understand the challenges, opportunities and goals of today’s Chief Human Resource Officers, we conducted the largest survey of human capital executives ever undertaken by IBM. Between November 2009 and April 2010, we surveyed 707 executives, almost 600 of whom we met face-to-face.

Our research was conducted with organisations of all sizes, in 61 different countries and was almost evenly split between executives in mature and growth markets.

Additionally, we compared the results of this study with our 2010 IBM Global CEO Study. Wherever possible, we conducted statistical analysis of financial outperformers to ascertain how and to what degree they differed from other organisations. We analysed the performance of those companies with publicly available financial information in our sample using the compound annual growth rate in earnings before interest, taxes, depreciation and amortisation (EBITDA) between 2003 and 2008. We also compared the results with the average for the industry each company represented to identify the organisations that delivered more than the median level of growth. Lastly, we looked for meaningful differences between the responses of HR executives working for these ‘financial outperformers’—as we called them—and those working for the ‘underperformers’ that delivered less than the median level of growth.
Organisations of various sizes contributed to this year's study
The 2010 study sample of 707 participants includes almost 600 face-to-face interviews with senior HR Executives.

Figure 11

Industry
- 10% Communications
- 31% Distribution
- 19% Financial services
- 25% Industrial
- 15% Public

Enterprise size
- 14% More than 50,000
- 17% Less than 1,000
- 27% 1,001 to 5,000
- 16% 5,001 to 10,000
- 14% 10,001 to 25,000
- 11% 25,001 to 50,000

Geography
- 49% Growth markets
- 12% North America
- 32% Western Europe
- 7% Japan
Acknowledgments

We would like to thank the 707 CHROs around the world who generously shared their time and insights with us. Special appreciation goes to those who allowed us to include quotes from their interviews to highlight major themes throughout this report.

We would also like to acknowledge the contributions of the IBM teams that worked on this Global CHRO Study:

Study Executive Directors: Denis Brousseau, Global Leader, Organisation and People and Eric Lesser, IBM Institute for Business Value.

Project team: Dan Roddy (Study Director), Marni Barrett, Steve Ballou, Carolyn Carlson, Angie Casey, Brian Comella, Sean House, Ellen Johnson, Keith Landis, Maria Isabel Loaldi de Tacchi, Barbara Lombardo, Kathleen Martin, Hemant K. Minocha, Kazuya Ohike, Jim Phillips, Mary Sue Rogers, Christian Slike and Rajrohit S. Teer.

And the numerous IBM leaders worldwide who conducted the in-person CHRO interviews.
The right partner for a changing world

At IBM, we collaborate with our clients, bringing together business insight, advanced research and technology to give them a distinct advantage in today’s rapidly changing environment. Through our integrated approach to business design and execution, we help turn strategies into action. And with expertise in 17 industries and global capabilities that span 170 countries, we can help clients anticipate change and profit from new opportunities.

About IBM Global Business Services Strategy & Transformation

IBM Global Business Services offers one of the largest Strategy & Transformation organisations in the world. IBM Strategy & Transformation practitioners help clients develop, align and implement their vision and business strategies to drive growth and innovation.

About the IBM Institute for Business Value

The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. This Global CHROs study is part of our ongoing C-Suite Study Series.
Notes and sources


3  We analysed the performance of those companies with publicly available financial information in our sample, using the compound annual growth rate in earnings before interest, taxes, depreciation and amortisation (EBITDA) between 2003 and 2008. We also compared the results with the average for the industry each company represented to identify the organisations that delivered more than the median level of growth.


9  “Pfizer at a glance.” Pfizer. http://www.pfizer.co.uk/sites/PfizerCoUK/AboutUs/Pages/Pfizerataglance.aspx


For further information

For more information about this study, please contact one of the IBM leaders below. Or visit ibm.com/workingbeyondborders or send an email to the IBM Institute for Business Value at iibv@us.ibm.com.

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Working beyond Borders: Insights from the Global Chief Human Resource Officer Study
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IBM Global Business Services offers one of the largest Strategy & Change practices in the world, with over 3,250 strategy professionals. Our Strategy & Change practice fuses business strategy with technology insight to help organizations develop, align and implement their business vision across four strategic dimensions – business strategy, operating strategy, organization change strategy and technology strategy – to drive innovation and growth.
EXECUTIVE SUMMARY

The IBM Global Making Change Work Study examines how organizations can manage change and identifies strategies for improving project outcomes. This report continues the conversation that began in the IBM Global CEO Study 2008 regarding forward-thinking companies that are “Hungry for Change.” For its very survival, the Enterprise of the Future must better prepare itself as the pace, variety and pervasiveness of change continue to increase.

Over a two-year period, the percentage of CEOs expecting substantial change climbed from 65 percent in 2006 to 83 percent in 2008 but those reporting they had successfully managed change in the past rose just 4 percentage points, up from 57 percent in 2006 to 61 percent in 2008. This disparity between expecting change and feeling able to manage it – the “Change Gap” – nearly tripled between 2006 and 2008.

Our Making Change Work Study focuses on how to close the Change Gap. Through surveys and face-to-face interviews with more than 1,500 practitioners worldwide – project leaders, sponsors, project managers and change managers – we gained practical knowledge about how to increase the likelihood of project success.

Most CEOs consider themselves and their organizations to be executing change poorly, but some practitioners have begun to learn how to improve their outcomes. From the practitioners themselves,
we found that, on average, 41 percent of projects were considered successful in meeting project objectives within planned time, budget and quality constraints, compared to the remaining 59 percent of projects which missed at least one objective or failed entirely.

Even though just 41 percent of projects were described as successful, those with the highest project success rate (the top 20 percent of our sample) – we call them Change Masters – reported an 80 percent project success rate, nearly double that average. In sharp contrast, the bottom 20 percent of our sample – the group we describe as Change Novices – reported a disappointing project success rate of 8 percent.

What accounts for these vastly different rates of project success? We found in our detailed analysis of study results that achieving project success does not hinge primarily on technology – instead, success depends largely on people. But what is more illuminating is the discovery that four common factors helped these practitioners address their greatest project challenges. When used in combination, these factors provided a synergistic benefit that was even greater than the sum of their individual impacts, resulting in higher rates of project success:
REAL INSIGHTS, REAL ACTIONS
Strive for a full, realistic awareness and understanding of the upcoming challenges and complexities, then follow with actions to address them.

SOLID METHODS, SOLID BENEFITS
Use a systematic approach to change that is focused on outcomes and closely aligned with formal project management methodology.

BETTER SKILLS, BETTER CHANGE
Leverage resources appropriately to demonstrate top management sponsorship, assign dedicated change managers and empower employees to enact change.

RIGHT INVESTMENT, RIGHT IMPACT
Allocate the right amount for change management by understanding which types of investments can offer the best returns, in terms of greater project success.

These four change-related focus areas are represented graphically as four facets of what we call the Change Diamond. Neglecting even one area can inhibit change excellence. Practical insights from the experience of Change Masters show that the most powerful approach is to take actions that address each of the diamond’s four facets and help guide the Enterprise of the Future in its quest to make change work.
HOW OUR RESEARCH WAS CONDUCTED

The IBM Global Making Change Work Study explored differences in how change was implemented by over 1,500 practitioners worldwide, starting with the awareness that very few organizations do it well. IBM conducted surveys and face-to-face interviews with project leaders, sponsors, project managers and change managers from many of the world’s leading organizations.

We investigated the real-world experiences of these project leaders responsible for a wide range of projects, including small- and large-scale efforts intended to execute strategic, organizational, operational and technology based change. This diverse range of projects had objectives that included: customer satisfaction improvement, sales and revenue growth, cost reduction, process innovation, technology implementation, new market entry and organizational change. The Center for Evaluation and Methods (ZEM) at the University of Bonn, Germany, aggregated the data and provided statistical support for analysis of the results.
FIGURE 1  DEMOGRAPHICS: GLOBAL MAKING CHANGE WORK STUDY
The Global Making Change Work 2008 Study covered organizations of all sizes, balanced around
the globe and across industries.
N = 1,532

Job roles

Organizational size

Geographic region

Breakdown by industry

<table>
<thead>
<tr>
<th>Job Role</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>INITIATOR/PROJECT SPONSOR</td>
<td>25%</td>
</tr>
<tr>
<td>CHANGE MANAGER</td>
<td>17%</td>
</tr>
<tr>
<td>PROJECT TEAM MEMBER</td>
<td>7%</td>
</tr>
<tr>
<td>SUBJECT MATTER EXPERT/REVIEWER</td>
<td>7%</td>
</tr>
<tr>
<td>OTHERS</td>
<td>6%</td>
</tr>
<tr>
<td>PROJECT MANAGER</td>
<td>38%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>UP TO 100</td>
<td>7%</td>
</tr>
<tr>
<td>100-1,000</td>
<td>14%</td>
</tr>
<tr>
<td>1,000-10,000</td>
<td>15%</td>
</tr>
<tr>
<td>10,000-100,000</td>
<td>32%</td>
</tr>
<tr>
<td>MORE THAN 100,000</td>
<td>32%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Geographic Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROPE</td>
<td>34%</td>
</tr>
<tr>
<td>ASIA PACIFIC</td>
<td>37%</td>
</tr>
<tr>
<td>AMERICAS</td>
<td>29%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Breakdown by Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDUSTRIAL</td>
<td>18%</td>
</tr>
<tr>
<td>FINANCIAL SERVICES</td>
<td>16%</td>
</tr>
<tr>
<td>DISTRIBUTION</td>
<td>13%</td>
</tr>
<tr>
<td>PROFESSIONAL SERVICES</td>
<td>8%</td>
</tr>
<tr>
<td>PUBLIC</td>
<td>21%</td>
</tr>
<tr>
<td>COMMUNICATIONS</td>
<td>17%</td>
</tr>
<tr>
<td>OTHERS</td>
<td>7%</td>
</tr>
</tbody>
</table>
Making change work

CHANGE IS THE NEW NORMAL

Today’s dynamic work environment is causing organizations to re-frame the traditional view of what “normal” is. We are witnessing the effects of globalization, technology advances, complex multinational organizations, more frequent partnering across national borders and company boundaries – just to mention a few of the enablers and accelerators of change.

No longer will companies have the luxury of expecting day-to-day operations to fall into a static or predictable pattern that is interrupted only occasionally by short bursts of change. To prosper, leaders will need to abandon such outdated notions of change. In reality, the new normal is continuous change – not the absence of change.

HOW THE ENTERPRISE OF THE FUTURE FACES CHANGE

The IBM CEO Study 2008 identified five core traits of the Enterprise of the Future and found that outperforming companies are “hungry for change.”

- HUNGRY FOR CHANGE
- INNOVATIVE BEYOND CUSTOMER IMAGINATION
- GLOBALLY INTEGRATED
- DISRUPTIVE BY NATURE
- GENUINE, NOT JUST GENEROUS
These organizations are capable of changing quickly and successfully. Instead of merely responding to trends, they shape and lead them. However, we also learned from the CEO Study that there is a change gap and it is growing.

The ability to manage change must be a core competence – and yet, as the level of expected change continues to rise, many are struggling to keep up. Eight out of ten CEOs anticipate substantial or very substantial change over the next three years, yet they rate their ability to manage change 22 percent lower than their expected need for it – a “change gap” that has nearly tripled since 2006.5

The growing change gap stems from change that is more complex and more uncertain, and happening at an accelerated pace. CEOs are wrestling with a broader set of challenges than in the past, which introduces even greater risk and uncertainty.

**FIGURE 2 THE CHANGE GAP**

The gap between the expectation of change and an organization’s history of managing it is growing.
Inability to close the change gap hurts the bottom line. Troubled projects typically create cost overruns while falling short of desired objectives related to time, budget and/or quality, and failing to deliver business value. The true cost of troubled projects is difficult to measure, but a European research study found that the low-end of such estimates cites an average cost amounting to 134 percent of the original plan – other estimates of the average cost of troubled projects were much higher.\(^5\)

Bombarded by change on virtually all fronts, financially outperforming companies had a much smaller change gap than their peers in financially underperforming companies.\(^7\) Notably, the outperformers did not face fewer challenges than others; they simply anticipated more change and were more effective at managing the change.

FIGURE 3  GAP IS SMALLER FOR OUTPERFORMERS
Because outperformers manage change well, they can get ahead of – and even be the drivers of – change.
HOW PRACTITIONERS DEAL WITH CHANGE

Most CEOs consider themselves and their organizations to be executing change poorly, yet a few outperformers do excel at delivering and benefiting from meaningful change. But how is this actually accomplished? What are the critical challenges and which key factors can lead to change that actually works?

Our Making Change Work Study continues the conversation from the CEO Study, describing based on new survey data the practical steps organizations must take to better prepare for the unrelenting barrage of change that seems to be everywhere. This report looks more closely at the enterprise trait, “Hungry for Change.” We engaged 1,532 key practitioners via surveys and face-to-face interviews, revealing many useful insights based on their real-world experiences with a wide range of projects.

This section of our report highlights some of the most compelling study findings, including a deeper dive into the impact of change on organizations and the keys to successful change. Later, we will explore specific, practical actions that helped practitioners to attain extraordinary results in change efforts.

MOST PROJECTS FALL SHORT OF OBJECTIVES

Project leaders confirmed that project success is indeed hard to come by. In our study, we learned that 41 percent of projects were considered successful in meeting project objectives within planned
time, budget and quality constraints. Conversely, nearly 60 percent of projects failed to fully meet their objectives: 44 percent missed at least one time, budget or quality goal, while a full 15 percent either missed all goals or were stopped by management.

FIGURE 4 PROJECT SUCCESS RATES: PROJECT LEADERS REPORTED THAT 41 PERCENT OF PROJECTS WERE CONSIDERED SUCCESSFUL

Forty-four percent of all projects failed to meet either time, budget or quality goals, while 15 percent either stop or fail to meet all objectives.

THE MOST SUCCESSFUL 20 PERCENT: CHANGE MASTERS

On average, practitioners rated only 41 percent of projects as successful, defined as meeting time, budget and quality goals. Yet, the top 20 percent – we call them Change Masters – reported an 80 percent project success rate, nearly double the average.

In sharp contrast, the bottom 20 percent of our sample is the group we describe as Change Novices – their reported project success rate was a dismal 8 percent. Their low success rate reflects the difficulty of getting all project factors to work as planned: just one broken link in the chain can lead to project failure.
The top 20 percent of organizations reported an average project success rate of 80 percent, nearly double the average.

Our respondents identified several of the key barriers to change. Although tangible tasks like change of IT systems or addressing technology barriers may be expected to present difficulties, our practitioners did not report them among their greatest challenges.

“Leaders are unrealistic about how change is going to happen. They move ahead anyway and get into problems.”

Change Manager, UK, Energy and Utilities company
The most significant challenges when implementing change projects are people-oriented – topping the list are changing mindsets and corporate culture.

Instead, the main obstacles they identified were changing mindsets and attitudes (58 percent), corporate culture (49 percent) and underestimating project complexity (35 percent). Project professionals – who typically request more time, more people and more money – reported that these soft challenges are actually more problematic than shortage of resources!

Surprisingly, it turns out the "soft stuff" is the hardest to get right. Changing mindsets, attitudes and culture in an organization typically require different techniques, applied consistently and over time – sometimes across a series of successive projects and
often continuing after the formal “project” has finished. Practitioners typically find such less concrete challenges tougher to manage and measure than challenges related to business processes or technology, which are more tangible and possibly capable of being changed permanently through a single intervention.

**FACTORS FOR SUCCESSFUL CHANGE**

The list of greatest project challenges was top-heavy with soft factors. When asked to identify key factors for successful change, practitioners reiterated the difficulty in dealing with less tangible aspects of a project.

“Culture isn’t just one aspect of the game, it is the game.”

Lou Gerstner, U.S., former IBM CEO

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**FIGURE 7 WHAT MAKES CHANGE SUCCESSFUL?**

Leadership, employee engagement and honest communication are prerequisites for successful change.

<table>
<thead>
<tr>
<th>Factor</th>
<th>% Soft Factors</th>
<th>% Hard Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management sponsorship</td>
<td>92%</td>
<td>0%</td>
</tr>
<tr>
<td>Employee involvement</td>
<td>72%</td>
<td>0%</td>
</tr>
<tr>
<td>Honest and timely communication</td>
<td>70%</td>
<td>0%</td>
</tr>
<tr>
<td>Corporate culture that motivates and promotes change</td>
<td>65%</td>
<td>0%</td>
</tr>
<tr>
<td>Change agents (pioneers of change)</td>
<td>55%</td>
<td>0%</td>
</tr>
<tr>
<td>Change supported by culture</td>
<td>48%</td>
<td>0%</td>
</tr>
<tr>
<td>Efficient training programs</td>
<td>38%</td>
<td>0%</td>
</tr>
<tr>
<td>Adjustment of performance measures</td>
<td>36%</td>
<td>0%</td>
</tr>
<tr>
<td>Efficient organization structure</td>
<td>33%</td>
<td>0%</td>
</tr>
<tr>
<td>Monetary and non-monetary incentives</td>
<td>19%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Practitioners firmly place key responsibility for the fate of change projects in the executive suite – an overwhelming 92 percent named top management sponsorship as the most important factor for successful change. Rounding out the top four success factors were employee involvement (72 percent), honest and timely communication (70 percent), and corporate culture that motivates and promotes change (65 percent).

In fact, the top six answers all referenced “soft” aspects of change, ranking them above efficient organization structure, and monetary and non-monetary incentives. Change Masters have realized that behavioral and cultural change are crucial to project success and are considerably tougher to address than the so-called “hard” factors, such as structure, performance measures and incentives.

WHY THE CHANGE MASTERS EXCEL

We have seen that organizations differ greatly in rates of project success, but why? Detailed analysis of our study results revealed a highly significant correlation between project success and four important areas of focus: real insights, solid methods, better skills and right investment.

These four change-related focus areas are represented graphically as four facets of what we call the Change Diamond. When combined effectively, taking actions to address each of the diamond’s four facets can help guide the Enterprise of the Future in its quest to make change work.
Real Insights, Real Actions. Strive for a full, realistic understanding of the upcoming challenges and complexities, then follow with actions to address them.

Solid Methods, Solid Benefits. Use a systematic approach to change that is focused on outcomes and closely aligned with formal project management methodology.

Better Skills, Better Change. Leverage resources appropriately to demonstrate top management sponsorship, assign dedicated change managers and empower employees to enact change.

Right Investment, Right Impact. Allocate the right amount for change management by understanding which types of investments can offer the best returns, in terms of greater project success.

FIGURE 8  THE CHANGE DIAMOND
By focusing on the four facets of the change diamond, practitioners achieved significantly higher rates of project success.
FACETS OF THE CHANGE DIAMOND:
CLOSING THE CHANGE GAP

Change Masters are clearly doing many things right, as evidenced by their high levels of project success. Those with average success rates, as well as the lagging Change Novices, could both benefit by adopting similar practices.
Successful projects require a full, realistic understanding of the upcoming challenges and complexities, followed by specific actions to address them. Lack of early insight leads to a high risk that complexity will be underestimated or even overlooked. In particular, the complexity of behavioral and cultural changes is often underestimated in the early project planning and scoping stages.

When asked if there was sufficient awareness of the challenges associated with implementing and sustaining change, practitioners replying *yes* reported a 52 percent project success rate within their organizations. Project success rates dropped as organizations’ awareness levels decreased, down to a low 25 percent success rate for those practitioners who answered *no* to the question.

**FIGURE 9** WE FOUND A STRONG CORRELATION BETWEEN SUCCESSFUL PROJECTS AND A REALISTIC AWARENESS OF THE CHANGE CHALLENGE

Responses to the question, “Within your organization, do you think there is sufficient awareness of the challenges associated with implementing and sustaining change?”

- **Percentage of successful projects**
  - *Yes*: 52%
  - Tending toward yes: 43%
  - Tending toward no: 35%
  - *No*: 25%
But awareness of complexity alone is not enough – action is the vital next step. Only 18 percent of project leaders in our study reported that their organizations had sufficient awareness of the challenges associated with implementing and sustaining change. But of that small group, 85 percent said that their awareness led to the introduction of specific measures to support change.

“I believe there is a strong awareness; however, the internal capabilities and ability to execute is a challenge.”

Initiator/Project sponsor, Canada, Consumer Products

FIGURE 10  BEING MERELY AWARE OF CHANGE COMPLEXITY IS INSUFFICIENT
Action as a result of awareness is critical to more successful change efforts.

Within your organization, do you think there is sufficient awareness of the challenges associated with implementing change?

Does this awareness of the challenges of implementing change normally lead to the introduction of specific measures to support the change?
GAINING REAL INSIGHTS AND TURNING THEM INTO ACTIONS

Early awareness and actions are critical to address the top organizational challenges inherent in change projects shown earlier: mindsets, attitudes, culture and complexity. Such changes do not happen automatically – Change Masters address them early, plan carefully and execute rigorously.

Changing an organization requires complex change simultaneously at many levels – and organizations tend to build a kind of “immune system” to fend off disruptive influences. Early awareness and consequent action help to address the natural response of an organization to resist attempts to change it. Some practical steps include:

HOOK INTO THE HISTORY

Provide change leaders with access to historical data, people surveys, culture assessments and “war stories,” as well as the people involved in previous projects, if possible. Learn from both good and bad experiences and be especially vigilant in seeking insights into the soft aspects of the organization undergoing change.

OPEN YOUR EYES...WIDE!

Examine the project’s scope, likely impacts and expected outcomes carefully. Assess the dimensions of the change – people, culture,
behavior and organizational aspects, as well as process and technology impacts. Be realistic in defining the necessary change and communicate that information widely within the organization.

**PLAN AND ADJUST**

With a thorough understanding of project complexities, build a change plan to address them. As the plan is communicated, tested and executed, be prepared to adapt it frequently as needed to handle the unexpected.

**TAKE A LONG VIEW**

Be prepared to build and execute plans to address the “soft stuff” well beyond the formal end date of the project to deliver business value. Changing these aspects takes time, patience, and consistent and continuous activity. Be prepared to continue these activities beyond project boundaries deeper into the organization.
For most organizations, classic project management, with its formal and structured elements, has been used for decades. But formal change management methods have not yet permeated business or project operations to a significant degree. Today’s change management, if explicitly performed at all, often occurs in the form of improvised solutions.

But a consistent and structured change management approach yielded tangible benefits for companies in our study. Practitioners who always follow specific and formal change management procedures had a 52 percent project success rate, compared to a 36 percent success rate for practitioners who improvise according to the situation. It is interesting to note that even those who had a formal method – but did not use it consistently – fared slightly better than those who improvised (39 percent, versus 38 and 36 percent).

**FIGURE 11**

**FORMAL CHANGE MANAGEMENT METHODS CAN ONLY IMPROVE PROJECT SUCCESS IF THEY ARE APPLIED**

Project success rates were best for organizations that consistently used structured change management methods – a variety of less formal approaches all resulted in success rates below average (41 percent).

- Informal change management approach
- Formal change management approach

<table>
<thead>
<tr>
<th>Approach</th>
<th>Success Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are specific and formal change management procedures which are always followed</td>
<td>52%</td>
</tr>
<tr>
<td>Although there are specific and formal change management procedures, they are often not followed</td>
<td>39%</td>
</tr>
<tr>
<td>I know someone I can ask</td>
<td>38%</td>
</tr>
<tr>
<td>Actions are improvised according to the situation</td>
<td>36%</td>
</tr>
</tbody>
</table>
Only 24 percent of practitioners in our study consistently used formal change management methods. Seventy-six percent said their approach to change management was usually informal (25 percent), ad hoc (8 percent) or improvised (43 percent). In contrast, just over half of our respondents applied formal project management procedures consistently.

**FIGURE 12 CHANGE MANAGEMENT METHODS ARE USUALLY INFORMAL, AD HOC OR IMPROVISED**

Seventy-six percent of organizations use a change management approach that is typically informal, ad hoc or improvised; by contrast, 49 percent of organizations failed to use formal project management methods consistently.

![Change Management Methods](image)

Overwhelmingly, the change management approaches of project leaders are quite immature. As organizations face increases in both the absolute volume of change and its level of complexity, widespread improvisation must yield to professional, formal change management methods – a priority most are beginning to recognize.

When asked whether standard change management approaches are necessary, 87 percent of practitioners answered either **yes** or **tending toward yes**. This contrast – between those seeing the value of standard methods and those actually using them – indicates that the need for change is outpacing organizations’ current capability to manage it systematically: in essence, it is a “Methods Gap.”
Putting solid methods into practice begins with allocating resources to enact a change method that is aligned with the organization’s project management approach. Then it must be used consistently throughout the organization. Developing a standard change methodology should include these practical steps:

**INTEGRATE, INTEGRATE, INTEGRATE**

Manage change as a formal workstream within each and every project, integrated closely with project management and managed with the same rigor.
KEEP ALL EYES ON “THE PRIZE”
Control the scope of the change effort to remain focused on activities that drive the realization of benefits defined by the original business case.

DRIVE CONSISTENCY
Develop and promote a standard change method that can be applied consistently from project to project within your organization. Communicate this widely and monitor its adoption.

EMBED IN THE CULTURE
Include the change method and associated competencies as part of the development program for future leaders.
Using more experienced and skilled change managers and project sponsors can mean reduced risk of troubled projects. Effective change leadership in the form of dedicated change managers and credible and experienced sponsors is critical. It is equally important to cascade leadership responsibility to all levels of the organization, creating empowered employees who support and enact change.

THE IMPACT OF DEDICATED CHANGE MANAGERS

Practitioners found that dedicating a change manager to a project increased the likelihood of project success. Yet 20 percent of change projects did not involve a change manager at all. Projects with a professional change manager had a 43 percent success rate, compared to a 36 percent success rate for projects without one.

FIGURE 14 SHARE OF SUCCESSFUL PROJECTS, INVOLVEMENT OF CHANGE MANAGERS
Success rates rose when a change manager was used on a project.

<table>
<thead>
<tr>
<th>No Professional Change Managers</th>
<th>36%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Change Managers</td>
<td>43%</td>
</tr>
</tbody>
</table>
TOP MANAGEMENT SPONSORSHIP

Our findings showed that practitioners consider top management sponsorship to be the most critical factor for making change successful. To improve strategy execution, leaders need to engage, enable and empower employees at all levels of the organization. Top sponsorship is equally vital in other areas like setting corporate culture and allocating resources, including the change managers themselves.

EMPLOYEE INVOLVEMENT MAKES SUCCESS MORE LIKELY

Our findings suggest the need for broader inclusion of people at different levels in the organization. Besides the familiar top-down hierarchy that formally cascades unit-specific information, Change Masters see the value in and make use of informal, more self-organized communications structures, such as social networks, “the grapevine,” and informal communities of interest that exist in all organizations.

Engaging employees through involvement and two-way communication is a powerful combination: 72 percent of practitioners believe employee involvement is crucial and 70 percent believe honest and timely communication is important. Better communications and employee involvement enable and empower people, then change happens through them – not just to them.

“Facilitate involvement of employees and allow them to exercise influence over the change process.”

Project Sponsor, Canada, Life Sciences and Pharmaceuticals
PARTICIPATIVE LEADERSHIP

Change leaders with participative leadership styles were more likely to have successful projects. A strong culture of empowerment and delegation of decision-making power distributes responsibility for change throughout the organization. Leaders who delegate the decision process to their subordinates had a 46 percent project success rate, compared to a 39 percent success rate for those who consult with subordinates, then make decisions on their own.

Leaves of successful projects, a comparison of leadership styles

Leadership styles had an important impact on project outcomes.

LEVERAGING SKILLS FOR BETTER CHANGE

For teams involved in change, enabling skills and engagement across the organization should be a key priority to help build the capabilities to support continuous change. Some practical suggestions include:

LEAD FROM THE TOP

Set vision and direction clearly, allocating resources and establishing corporate culture from the top. A change sponsor should be actively and visibly involved in setting overall direction, publicly communicating at all levels and using different techniques and media, and dedicating the right skilled resources to the change effort.
INVOKE THE PEOPLE
Emphasize employee involvement to ease resistance to change, at both individual and group levels, and set in place mechanisms to encourage this involvement.

COMMUNICATE OR FAIL
Enable honest and timely two-way communication to build trust and commitment to change programs and leaders, and reduce resistance. Use multiple channels and different media. Take time to understand the audience and how they like to communicate.

GET THE RIGHT SKILLS – EVERYWHERE
Enable rapid development of internal skills to keep pace with changes in the external environment. Consider the establishment of a sustainable change management capability within the organization.
The right budget for change management, spent effectively on the right things translated into a significantly higher likelihood of project success. However, depending upon the objectives of a particular project, the “right” level of investment in change management will vary. Reinforcing the anticipated value from such investments, a massive 72 percent of project leaders would like to invest more in change management for future projects.

In fact, top organizations invested only 18 percent more in change than others, but were rewarded with significantly higher project success. This incremental amount was typically used to focus on developing insights, methods and the right skills to be truly effective. Project success rates were 23 percent higher when the amount invested in change was greater than 11 percent of the project budget.
Making more effective investments in change is not about blindly diverting unlimited sums of money into projects. Rather, it is about cutting the diamond precisely, through focused investments in the right things for each specific situation.

INVESTING WISELY IN CHANGE MANAGEMENT

Organizations need the right budget to build strategic capabilities and integrate them into organizational processes and structures – investing just a little more than average per project can greatly improve results. Change Masters consider money spent on change management as an investment, rather than an expenditure. Some practical ideas include:

TACKLE COMPLEXITY BEFORE IT TACKLES YOU

Invest up front in gaining and acting upon insights that can help you avoid and overcome both expected and unexpected hurdles during the course of a project.

“The ability to demonstrate the benefits of a change program was key in the shift in thinking.”

Project Manager, Canada, Life Sciences and Pharmaceuticals
REMEMBER TO EMPHASIZE THE HUMAN TOUCH
Invest in skills by using well-trained change managers more consistently and enable widespread communications that engage employees across all organizational levels.

PUT SOME METHOD INTO YOUR MADNESS
Invest in establishing standardized methods to build more effective and long-term capabilities that support change efforts, and remain vigilant about project spending overall.
CHANGE MASTERS: THEIR SECRETS FOR SUCCESS

Our search for the key to greater project success brings us back to the Change Masters, who achieved success rates nearly double the average. We discovered that Change Masters did not limit their focus to just one facet of the Change Diamond.

Instead, this group took actions related to each of the four facets of the Change Diamond – and project success improved substantially as a result. Conversely, Change Novices underutilized every facet and had far inferior results, even when compared to just the average.

FIGURE 18  HOW CHANGE MASTERS AND CHANGE NOVICES UTILIZED OR UNDERUTILIZED EACH FACET
High concentration on all facets of the Change Diamond correlated to significantly higher project success rates.

<table>
<thead>
<tr>
<th>Facets</th>
<th>Bottom 20%</th>
<th>Average</th>
<th>Top 20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change Novices</td>
<td>46%</td>
<td>61%</td>
<td>79%</td>
</tr>
<tr>
<td>Change Masters</td>
<td>12%</td>
<td>24%</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td>73%</td>
<td>79%</td>
<td>84%</td>
</tr>
<tr>
<td></td>
<td>10%</td>
<td>11%</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Real Insights** - Percentage of organizations having a clear understanding of the change challenge

**Solid Methods** - Percentage of organizations using formal methods consistently

**Better Skills** - Percentage of organizations using change managers for change projects

**Right Investment** - Percentage of project budget invested in change management
THE WHOLE CHANGE DIAMOND: GREATER THAN THE SUM OF ITS PARTS

While each Change Diamond facet had a distinct benefit individually, when companies combined all four facets their overall project success increased dramatically – far more than the sum of the parts would indicate. Neglecting even one area can inhibit change excellence.

FIGURE 19  INDIVIDUAL VERSUS AGGREGATE EFFECT OF VARIOUS ACTIONS
Combining all four Change Diamond facets resulted in an outstanding increase in project success.
To truly shine in enacting change, organizations need to “polish” all four facets of their Change Diamond.

By combining all four facets, Change Masters attained an 80 percent success rate – an increase far beyond the sum of the individual effects. Together, Figures 18 and 19 demonstrate the potential rewards of devoting attention to:

- **REAL INSIGHTS, REAL ACTIONS**
- **BETTER SKILLS, BETTER CHANGE**
- **SOLID METHODS, SOLID BENEFITS**
- **RIGHT INVESTMENT, RIGHT IMPACT.**
ARE YOU READY?

Ask yourself the list of questions below, entering a checkmark in the applicable column. Your checkmarks can help you identify your current strengths and weaknesses regarding each of the four facets of the Change Diamond. The resulting pattern can help your organization pinpoint where to take actions now to learn how to better deal with change and reap the benefits of handling it well.

### FIGURE 20 HOW DO YOU RANK ON THE CHANGE DIAMOND FACETS

Look for patterns in your answers to see where your organization most needs to improve.

<table>
<thead>
<tr>
<th><strong>GAINING REAL INSIGHTS AND TURNING THEM INTO ACTIONS</strong></th>
<th>YES</th>
<th>TENDING TOWARD YES</th>
<th>TENDING TOWARD NO</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does your organization have a good common understanding of why projects have failed or succeeded in the past?</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Are the people and cultural aspects of the change plan given emphasis equal to that placed on process and technological changes?</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Is change viewed as a long-term transformation that's part of a strategy, as opposed being seen as a succession of individual separate projects?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>MAKING GOOD USE OF METHODS</strong></th>
<th>YES</th>
<th>TENDING TOWARD YES</th>
<th>TENDING TOWARD NO</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does your organization have a consistent, tried and accepted method for change management that is applied to every project?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do all projects have an approved business case, and a method for identifying and tracking benefits against that case?</td>
<td></td>
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<tr>
<td>Is change managed as a formal workstream in all significant projects?</td>
<td></td>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>LEVERAGING SKILLS FOR BETTER CHANGE</strong></th>
<th>YES</th>
<th>TENDING TOWARD YES</th>
<th>TENDING TOWARD NO</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does your organization invest in building change management skills which can be leveraged across projects?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the role of a project sponsor well-defined, and is that role held accountable for specific communication and direction setting tasks?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Are there processes and technologies in place to allow people to become involved in the change, get accurate information and provide feedback?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>INVESTING WISELY IN CHANGE MANAGEMENT</strong></th>
<th>YES</th>
<th>TENDING TOWARD YES</th>
<th>TENDING TOWARD NO</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does your organization include change as a line item when budgeting projects?</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Is your change management budget set relative to project complexity and risk, as opposed to a straight percentage?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Is the change budget focused largely on understanding and reacting to complexity, developing consistent methods and acquiring the best change skills?</td>
<td></td>
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</tr>
</tbody>
</table>
CONCLUSION

While the Enterprise of the Future is indeed hungry for change, our Making Change Work study shows that executing change well remains the exception, though certainly an achievable goal. Our research with practitioners revealed practical insights about closing the change gap – including the insight that soft, people-related factors typically present greater challenges than hard, technology-related factors that are typically easier to identify and measure.

Companies can no longer justify or afford an *ad hoc* approach to change management. We discovered that change management is at a turning point from an art to a professional discussion, from improvisation to a richer, more systematic approach, based on clear empirical perspectives on what works and what does not.

Improving project outcomes requires attention to a combination of acting on real insights, employing better skills, establishing solid methods and allocating the right investments. By focusing on all four facets of the Change Diamond, organizations can gain synergies that make change work in their favor: delivering more successful projects and building a change management capability that is vital to becoming an Enterprise of the Future.
THE IBM INSTITUTE FOR BUSINESS VALUE

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. This executive brief is based on an in-depth study by the Strategy & Change team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to iibv@us.ibm.com for more information. For the IBM 2008 Global CEO Study referenced in this study, go to: ibm.com/enterpriseofthefuture. For other relevant studies, you may also browse our Web site ibm.com/iibv.
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FOR FURTHER INFORMATION

To find out more about this study, please contact one of the Strategy & Change leaders below:

<table>
<thead>
<tr>
<th>Region</th>
<th>Name</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Global and Americas</td>
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</tr>
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</tr>
<tr>
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<td><a href="mailto:jpapathe@fr.ibm.com">jpapathe@fr.ibm.com</a></td>
</tr>
</tbody>
</table>
REFERENCES


2 Ibid.

3 Ibid.


5 Ibid.


How IBM innovates
- Anders Quitzau, innovationschef
What is innovation?
IBM’s definition of innovation

- Intersection of invention and insight
- Creates value
- Holistic view
  - Business model
  - Products & services
  - Operations
IBM has in a relatively short period re-innovated ourselves

**Business Model, Operating Model and Workforce Transformation**

**Remixed our portfolio toward services, software, and integrated solutions...**

- Exited commoditized businesses:
  - PCs
  - Hard disk drives
  - Printing Systems

- Strengthened position in:
  - Business Consulting
  - Service-Oriented Architecture
  - Information on demand
  - Virtualization
  - Open, modular systems

- Acquired over 60 companies in last 5 years
  - to complement and scale our portfolio of products and offerings

**Shift in geographic mix...**

- **2008 revenue:**
  - 21% Asia Pacific
  - 37% Europe, Middle East, Africa
  - 42% Americas

- 71% of employees outside US
  - 84K in India, 60K increase in 5 years
  - 16K in China, 10K increase in 5 years

**Record Performance in 2008...**

- $103.6B revenue, up 5%
- $16.7B pre-tax earnings, up 15%
- $8.93 Earnings Per Share, up 24%
- Strong performance in services, software and growth markets
IBM’s early days....
Collaborative Innovation

**Why?**

- Become our clients’ “innovation partner”
  - Address client priorities
  - Build deeper client relationships
- Respond to changing nature of innovation
- Organizations need each other to be successful
  - Pace of innovation outstrips an organization’s ability to “go it alone”
- Changing workforce dynamics
  - Globalization
  - “Millennials”

**What we’ve done**

- Established an innovation agenda that spans multiple dimensions:
  - Product
  - Services
  - Business process
  - Business model
  - Management and culture
  - Policy and society
- Enabled global collaboration
  - Culture of collaboration
  - Innovation ecosystem

“We opened up our labs, said to the world, ‘Here are our crown jewels, have at them’. The Jam -- and programs like it – are greatly accelerating our ability to innovate in meaningful ways for business and society.”  - Sam Palmisano, IBM CEO
Innovation is about people – Getting ideas on the table – and implementing the best

Stamp out fear by creating a culture that embraces risk and eliminates the stigma associated with failure.

"Connect the dots" within your organization by understanding and leveraging the informal networks that can improve innovation effectiveness.

Make ideas visible using a variety of practices designed to elevate ideas from all corners of the organization.

Paint a picture for your people that provides strategic context, both giving direction and setting boundaries for innovation.

Value and leverage the ideas residing within the diverse cadre of your employees.

Collaborate with external organizations, including partners and suppliers, and with customers to complement existing competitive advantages, speed up time to market, or spark new insights.

Provide incentives and recognize your people’s innovativeness through programs that carefully complement both the passions that drive employees and a well-crafted organizational vision.

Seven key steps to building an innovative environment:

1. Paint the picture
2. Stamp out fear
3. Connect the dots
4. Make ideas visible
5. Encourage diversity
6. Reach outside
7. Motivate for results

Source: IBM Institute for Business Value analysis.
IBM Strategy and Values

- Deliver integration and innovation to clients
- Focus on open technologies and high-value solutions
- Become the premier Globally Integrated Enterprise

... Building a Smarter Planet

- Our world is becoming INSTRUMENTED.
  - Smart traffic systems
  - Smart food systems
- Our world is becoming INTERCONNECTED.
  - Smart supply chains
  - Smart energy grids
- All things are becoming INTELLIGENT.
  - Smart retail
  - Smart healthcare

IBMers Value

Dedication to every client's success.
Innovation that matters—for our company and for the world.
Trust and personal responsibility in all relationships.

© 2010 IBM Corporation
We Innovate because We must

Smart energy

Smart traffic

Smart oil fields

Smarter water management

Smart food supply

We Innovate because We must

Smart disease prevention

Smart architecture

Smart healthcare
We work with venture companies to build our innovation eco-system - and to sense what is going on.

Grid Manager
Energy management system

About GridManager A/S

Denmark as a showcase clearly documents that integration and utilization of renewable energy resources can only be brought above 15-20% coverage if combined with an intelligent overlay for the basic power grid.

The objective with GridManager is to develop and demonstrate an integrated solution - GridManager - that by its deployments of both new and existing technologies is an intelligent communication overlay to the existing power grid. The GridManager product has been developed as a plug’n’play solution, deployed as a web portal system that delivers:

- Energy efficiency and management
- Support for price elasticity, load shifting, grid balancing
- Integration with Virtual Power Plants
IBM’s innovation portfolio reflects the tremendous creativity and contributions of many organizations – both within and outside IBM.
At IBM, ideas are generated from multiple sources within and outside …
Overview of main innovation programs at IBM

IBM’s key innovation programs

- **Research, Corporate**
  - Innovation Jam
  - ThinkPlace
- **IBM Lines of Business**
  - BizTech
  - Extreme Blue
- **GTO / GIO / IBV**
  - Communities of Practice
  - Emerging Business
- **Client (and IBM) Challenges**
  - Technology Adoption Program
  - Alpha Works
  - First of a Kind

Joint Innovation Partnerships

© 2010 IBM Corporation
IBM’s research and development

IBM is 17. year in a row leading the way in IT-research by having:

- a yearly R&D-budget of six billion dollars
- over 3,000 researchers, scientists and engineers
- five Nobel prize winners
- eight research laboratories in six countries
- 24 development laboratories worldwide

IBM has the most IT-patents in the world:

- In 2009 IBM beat its own record with 4,914 patents and can call itself world champion in "most granted patents."
- Over 40,000 active patents globally

IBM’s number of non-IT-related patents is growing:

- Patents regarding organisational development, solutions and business processes
IBM Research

~3,000 employees

IBM Research Lab

Almaden
Austin
Watson
Zurich
Haifa
India
China
Tokyo
IBM establishes collaborative ‘Centers of Excellence’ with governments, universities, cities and companies all over the World....
We engage in public/private partnership: EDISON - Electric vehicles in a distributed and integrated market using sustainable energy and open network.
Collaborative Innovation - connecting the dots in IBM

<table>
<thead>
<tr>
<th>How we did it</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide platforms to foster open dialog</td>
<td>IBM Research</td>
</tr>
<tr>
<td>- Single Portal: <em>On Demand Workplace</em></td>
<td>- #1 on the US patent list for 17 years</td>
</tr>
<tr>
<td>- Innovation incubator: <em>Technology Adoption Process</em></td>
<td>- Collaboration with clients on real-world challenges and solutions</td>
</tr>
<tr>
<td>- Information sharing: <em>Lotus Connections</em></td>
<td>On Demand Workplace</td>
</tr>
<tr>
<td>- Brainstorming, idea creation: <em>Jams</em></td>
<td>- One of the world's top 10 intranets</td>
</tr>
<tr>
<td>- Content creation: <em>BluePedia</em></td>
<td>JAMs</td>
</tr>
<tr>
<td>- Dynamic interaction: <em>Sametime</em></td>
<td>- $100M investment to bring 10 ideas to reality</td>
</tr>
<tr>
<td>Collaborate with everyone</td>
<td>35 Innovative solutions in 4 areas</td>
</tr>
<tr>
<td>- Collaboration with client</td>
<td>Global Innovation Outlook</td>
</tr>
<tr>
<td>- Societal Innovation</td>
<td>- Entire ecosystem to create new and unforeseen opportunities</td>
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<tr>
<td>- Social network participation</td>
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</tbody>
</table>

Collaborative Innovation - connecting the dots in IBM
The IBM Institute for Business Value creates fact based industry and business level thought leadership and tools that help IBM and clients realize business value.

### Our Objectives
- Content: Create extraordinary, fact based business insights
- Market Impact: Differentiate IBM in the marketplace
- Value Creation: Value-based approach to identify and deliver client results
- People Growth: Attract, retain and motivate top GBS talent

### Our Focus
- Distribution
- Financial Services
- Industrial
- Public
- Strategy & Change
- Innovation
- CRM
- Human Capital
- Supply Chain
- Financial Management
- Application Innovation
- Emerging Markets

### Our Research Types
- Future Agendas
  - 3 to 10 year industry and/or functional area outlook with action oriented next steps
- Value Realization Studies
  - In-depth assessment of today’s critical issues, opportunities, and value potential
- CXO Surveys
  - Chief officer studies

### Our Deliverables
- Executive Briefs
- Quick Read (Executive Summary)
- Event and Conference Presentations
- Blue Paper (What and How to Sell)
- Knowledge e-cards
- Pod/Webcasts
- Books
- By-lines and articles
Our philosophy of innovation is: Fail many, but fail cheap - A new paradigm in innovation enabled by Web 2.0:

Yesterday – as was:
- Limited community to foster new innovation
- Little user interaction and market feedback
- Service silos
- Limited reuse
- “Build it and they will come” approach

Today – As is:
- Use of exposed common capabilities to enable rapid service assembly
- Larger variety of compelling offerings to offer customers
- Ideation and Product Inception from the expanding source for innovation
- Use Collaborative tools to solicit interactive feedback.

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IBM Jams
Collaborative Innovation

What are Jams?
An introduction

- A massive online discussion using the Internet.
- A time-limited event that can elicit participation from thousands of individuals anywhere in the world.
- Subject-matter experts and moderators guide participants to build on each other’s ideas.
“Ideas” Jam

- **Actionable** ideas about a particular topic / challenge the business (enterprise) faces
- **Quantifiable** inputs from jammers collaborating to bring the ideas to life
- Establishing company (enterprise)-specific **best practices** and an **action plan**

Possible questions

Getting closer to our customers: How can we get better at delivering what our customers expect — and more?

Understanding ourselves: What do our strategies and values imply for each one of us?

Driving growth: How can we see and seize new growth opportunities?

Creating a better company: What will it take to make our company the envy of our industry?

Examples

**IBM WorldJam 2004:** Develop pragmatic ideas and solutions to drive company’s growth and innovation strategy

**Global Customer Electronics Manufacturer:** Develop ideas to realise the company’s new strategy with it’s new values as the framework

**Nato Security Jam:** AFGHANISTAN, CRISIS MANAGEMENT, CLIMATE CHANGE, DEVELOPMENT, HUMAN RIGHTS, COMPREHENSIVE APPROACH CAPABILITIES & TRAINING, RELATIONS WITH RUSSIA & CHINA, PIRACY

Example of topics/questions
Participation with Breadth and Depth

- During the 90-hour period of the Jam, Jammers:
  - Represented people in **80 countries** from over **1,000 companies** across **20 industries**
  - Generated nearly **90K logins**
  - Created over **32,000 posts**
  - Read roughly **1.5 million pages**, averaging **76 pages** per Jammer.

### Posts by Geographical Regions

- East Asia and the Pacific: 31%
- North America: 16%
- Europe and Central Asia: 9%
- South Asia: 23%
- Latin America and the Caribbean: 21%
- Sub-Saharan Africa: 0%

### Posts by Age Range

- 31-40: 18%
- 41-50: 22%
- 51-60: 16%
- 61+: 9%
- None: 0%
- 18-20: 0%
IBM and Ålborg University develops revolutionizing and intelligent EPJ interface sparkled by Innovation Jam in 2006
Collaborative Innovation with Thinkplace
Objectives of Thinkplace

- Demonstrate that every employee can be an innovator
- Provide a single, consistent global management system for innovation
- Create a culture in which collaboration and interaction across silos is possible
- Educate employees on approach to innovation
- Reward innovators and innovative ideas in tangible, visible ways
ThinkPlace

- The main employee innovation program
- Focus on collaboration
- No review board for ideas
- Innovation Catalysts
- Stimulating the community
- Executive innovation challenges
- Rewarding
How IBM Innovates

Local Innovation Task Forces / Innovation hubs

The Innovation Teams

With the Mount Innovation nomenclature, the GBS Innovation teams are defined as follows:

The Dream Team

The role of the Dream Team is to give birth to innovative ideas and submit them to Innovation GBS/Denmark/IBM.

The Dream Team is synonymous with all practitioners in GBS Denmark.

The King Team

The role of the King Team is to evaluate new-born ideas and bring them to life.

The King Team is the receiver of ideas submitted to Innovation GBS/Denmark/IBM.

The Business Team

The role of the Business Team is to approve and sponsor bringing ideas to life.

The Business team consist of the GBS Partner groups.

© 2010 IBM Corporation
ThinkPlace: BizTech prototypes deliver proof points

- Top talent from across the company gain opportunity to work on innovative projects one day per week for 6-8 months
- Senior business and technical leaders serve as project mentors
- Projects sponsored by business unit managers and executives
- Staffing and project support provided by ThinkPlace corporate innovation team
- Measurable results presented at Showcase event twice annually

“[ThinkPlace Prototyping] provides a stage for people who have an innovative idea and want that idea to be transformed into valuable business for IBM.”
- Participant
Technology Adoption Program (TAP)
The rise of the enterprise mashups

- “Good enough”
- Free enterprise data and build data feeds (consumables)
- Mashup editors
- IT supporting the business for them to solve their business problems
- Agility, cost savings and an ecosystem for new innovations
Collaboration in 1000’s of communities ~ Innovation
Innovation culture – Top down and bottom up
Innovation collaboration partnership with our industry-leading customers
First of a Kind Program (FOAK): IBM jointly invests with clients on cutting edge innovations

- A Collaboration among Research, Sales & Distribution, Clients and Partners
- Experimental technology-based solutions engagements
- Testing tomorrow’s innovations on real business problems and new growth opportunities
- Yielding prototype solutions across a range of industries
- Clarifies client requirements and tests market readiness
- Established in 1995
  - 20 – 25 projects funded each year
  - 70% successfully transfer assets for reuse
  - 75% drive or influence additional business
- Some Danish / Nordic FOAK projects:
  - Intelligent Oil Fields for Statoil, Aker a.o
  - ASME – medical information hub – with Aarhus University
  - Intelligent Trade Lane – Maersk

BPI for Core Insurance
- 50%-60% reduction in work effort
- 55%-65% reduction in project duration

Smart Surveillance for Intelligent Oil Fields
- Breakthrough in discovery of anomalous patterns
- Accurately demonstrated sand production prediction 23 days in advance during trial

Customer Lifetime Equity
- Reduced marketing costs by 20%
- Improved response rates by 10%
- Improved customer sat by 10%
Extreme Blue

- Summer intern project for IBM. The brightest and best students globally
- Extreme Blue teams in client projects
- Mix of business and technology students per team
- Mentored by IBMers - business and technology
Innovation Discovery Client movement through the program

Clients who need an introduction to Innovation at IBM

- Innovation Discovery
  - Explore
  - Curriculum

Clients that are ready to focus on specific problems and look for innovative opportunities

- Innovation Discovery
  - Focus
  - Customize

- Innovation Discovery
  - Define
  - Incubate
  - Academy Studies for Clients
  - Virtual Collaboratories
  - Project Definition Workshops
  - + others

- Extreme Blue for Clients
- FOAK
- Strategic Value Creation
- 360/Collaborative Innov
- Software Business Dev
  - Channels for Development of Cross-Brand Solutions

New IBM Offerings & Major transformation partnerships

Existing IBM Offerings

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Ongoing Innovation collaboration with major, strategic customers: Strategic Value Creation Center Approach

- **Ideas**
- **Discussions**
- **Themes**
- **Initiatives**
- **Delivery**

**Key:**
- Core VCC Initiative Development Activity
- Delivery Project Output from VCC
- Ideas Not Input into the VCC

The VCC reviews the ideas input into it – filtering selected ideas into themes
Ideas to be progressed are developed into themes with overlapping ideas interlocked
Themes are qualified into sized and scoped initiatives with positive business cases
Initiatives are developed into delivery projects to ensure business value delivered

Employees
Customers
Partners

Ideas are generated from various sources such as employees, customers and partners and input into the VCC
IBM develops the future of shopping with one of the world’s largest retailers.
How IBM Innovates

AlphaWorks
- Speeding IBM Emerging Technologies to the outside early-adopter community

- Promising software programs in research not yet commercialized.
- Outside companies and developers contribute valuable ideas about bringing them to market.
- First-cut versions of research technology available for free trial attracting thousands of early adopters, innovators, and entrepreneurs to site.
- 40% of technologies on the site graduate into IBM products or industry standards.
How IBM Innovates

alphaworks is connected

- IBM Research
- IBM Dev Labs
- IBM
- developerWorks
- Academic Initiative
- SWG
- Line of Business
- Legal & Naming
- Lab Tours
- Technology Prototype
- Product
- Information
- Coordination

Internal to IBM

External to IBM

Not all nodes are represented, e.g. Developers are not in the diagram

IBM Open/Source Software

End-user evaluation

End-user

DevelopersWorks Support

IBM Software

IBM Open/Source Software

Product

Brand

Information

Coordination

Tangible transfer

Intangible transfer

Conferences

GR Efforts

PR Efforts

IBM Infos

AWS Software

AWS Infos

User feedback

Alphaworks feedback?

Alphaworks Software

Coordination
alphaworks and the enterprise...

Did you know?

92%

of the Fortune 100 downloaded technologies from alphaworks in ’06.

15,000

Companies downloaded techs

250,000+

Total number of technologies downloaded

© 2010 IBM Corporation
Links:

IBM Innovation: http://www.ibm.com/innovation

IBM Research: http://www.research.ibm.com/


IBM Jams: https://www.collaborationjam.com/

Alphaworks: http://www.alphaworks.ibm.com/
Spørgsmål?
Cultivating organizational creativity in an age of complexity

A companion study to the IBM 2010 Global Chief Human Resource Officer Study
IBM Institute for Business Value
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Introduction

Why are some organizations consistently good at innovating and adapting while others seem to be blindsided by change? Is it because of their disciplined innovation process or the knowledge and skills of their people? Or is it their determination to build a culture where challenging assumptions is not only encouraged, but expected? Our IBM Creative Leadership Study found that leaders who embrace the dynamic tension between creative disruption and operational efficiency can create new models of extraordinary value.

In today’s volatile and complex environment, rapid adaptability is fundamental to success. Yesterday’s market-leading “best practices” can all too often turn into tomorrow’s recipe for disaster. History is full of examples of organizations that became so enamored with, or paralyzed by, the status quo that they failed to anticipate the fickle winds of customer demand and faded into oblivion.

Forward-thinking leaders, however, learn to harness this complexity to their advantage. They take processes with many distinctive parts and integrate each element into a smoothly functioning whole. They are at their best when anticipating the evolving needs of the marketplace and presenting differentiated products and services that cater to today’s highly empowered, knowledgeable and technologically enabled consumers.

What, specifically, enables leading-edge organizations to capitalize on the inherent complexity in today’s environment and catalyze innovation within their business models, products and services? According to the IBM 2010 Global CEO Study, the ability to embody creative leadership is among the most important attributes for capitalizing on complexity (see Figure 1). “Creative leaders invite disruptive innovation, encourage others to drop outdated approaches and take balanced risk. They’re open-minded and inventive in expanding their management and communication styles, particularly to engage with a new generation of employees, partners and customers.”

By Barbara J. Lombardo and Daniel John Roddy

**Figure 1:** The 2010 IBM Global CEO Study highlighted creative leadership as a critical capability for success.
And of the 700 CHROs throughout the world interviewed for the 2010 IBM Global Chief Human Resource Officer (CHRO) Study, 69 percent told us they are not effective in developing future leaders. What’s more, 78 percent of HR executives said they are not effective in fostering collaboration and knowledge sharing. The IBM Creative Leadership Study seeks to better understand how to nurture creativity across organizations.

Creativity is the raw material of innovation. Put another way, innovation is creativity implemented. Yet for all of its recognized value, a stigma surrounds creativity that often inhibits its organizational development in even the most progressive of companies. Creativity is often seen as a risk management liability and an impediment to process and operational control.

Richard Branson, well-known founder of The Virgin Group said, “Entrepreneurs have the dynamism to get something started. They view the world differently from other people. They create opportunity that others don’t necessarily see and have the guts to give it a go. Yet an entrepreneur is not necessarily good at the nuts and bolts of running a business.”

Our IBM Creative Leadership Study found that to succeed in an increasingly interconnected world, creative leaders avoid choosing between unacceptable alternatives. Instead, they use the power inherent in these dualities to invent new assumptions and create new models geared to an ever-changing world (see Figure 2).

Figure 2: By harnessing the energy of opposites, creative leaders and their organizations can benefit from new assumptions that replace less effective “either/or” approaches.
At a 2010 forum on social innovation, Roger Martin, author and Dean of the Rotman School of Management at the University of Toronto, elaborated on the concept of pushing through to new models rather than making a choice between conflicting ideas. Creative leaders are inherently unsatisfied with today’s trade-offs, and instead, embark on transforming tomorrow into what was once never thought possible.

Additionally, as social business dramatically transforms the way the world works, organizations must balance driving innovation from the top down with that which originates from the bottom up. Our CHRO Study placed capitalizing on collective intelligence as the “sweet spot” for innovation. Bottom-up innovation is better harnessed through influence rather than power, a challenge to the more prevalent organizational mindset that views leadership through the lens of control. An organization that fails to fully embrace these modern dualities may miss the opportunity to generate a rich and critical source of creative energy and may, ultimately, risk irrelevance.

The journey to organizational creativity
The journey to organizational creativity is along a path that fuels innovation and adaptation. Creative leadership in action enables a wide range of product, process and business model innovations. Organizations will need to act upon three imperatives to accelerate the development of creative capital:

**Uncover the key capabilities of the creative organization** – Empower the organization's ability to understand how the world behaves. Expose those individuals who see opportunities where others do not and map out what is found. Connect ideas and people in novel ways. Try many and various ideas. Inspire belief that action is possible. Maintain the discipline to get things done.

**Unlock and catalyze the creative capabilities of leaders** – Create high-impact, experiential learning tied to real business challenges. Develop inspirational role models who demonstrate accomplishment and empowered leadership. Unleash small, diverse teams to pursue bold ideas in response to challenges. Create work structures and incentives aligned with intrinsic motivation. Promote a culture of inspiring vision built on authenticity and powered by trust.

**Unleash and scale organizational creativity** – Share information for collective vision. Tap into global expertise networks. Expand management and communication style repertoires. Build *ad hoc* constituencies of those sharing common goals. Influence collective behavior through real-time analytics.

By pursuing these imperatives, leaders can reap the rewards of organizational creativity – adaptability and innovation – while maintaining the necessary mechanisms of risk management and strategy alignment.
Study methodology

To gather the data for the IBM Creative Leadership Study, we conducted open-ended interviews with 40 leaders from around the world. Five of our participants are acknowledged experts in the area of creativity and innovation, five are senior HR officers from companies of various sizes, and the remaining 30 are creative leaders as defined by their peers. Individuals in this last group represented a range of business and creative disciplines and were selected without regard to their formal leadership role in the organization. Our interviews sought to answer three basic questions:

- What are the key capabilities of a creative organization?
- What are the catalysts of these capabilities in leaders?
- How can these capabilities be scaled across the organization?

Next we analyzed the transcripts of our conversations to find relationships in the data. This self-organizing analysis technique led to our focus on the dynamic tension inherent in the driving forces for creativity. Additionally, we maintained an active dialogue on global social media with creative leaders and worked with a team conducting research on IBM’s own history of innovation for the company’s 2011 Centennial celebration.

Uncover

What are the key capabilities of a creative organization?

By protecting and perpetuating the status quo, many organizations believe they can maintain a reasonable amount of success with a minimum amount of stretch. But for those that truly differentiate, this process is balanced by a desire to explore all options, to see all of the possibilities that might be remotely feasible. Professor Pierre Casse, Leadership Chair at IEDC said, “The essence of creative leadership is assumption – the ability to be aware of the kind of assumptions that you have, to challenge your assumptions, and to invent new assumptions.”

But challenging assumptions – and inventing new ones – can be a struggle for those who have not yet tapped into their creative capabilities.

For many companies, creativity and adaptability are latent capabilities just waiting on the catalysts to energize them. Creative leadership requires harnessing the dynamic tensions between the dualities that define today's complex business environment – to drive toward both creative disruption and operational efficiency at the same time.

In researching innovation milestones throughout IBM’s first century of operation, in preparation for the company's 2011 Centennial celebration, five key capabilities were found to be common to the development of many breakthrough products and services. A focused path to progress – seeing, mapping, understanding, believing and acting (SMUBA) – is key to uncovering the dormant creative capabilities embedded within organizations and mastering complex systems (see Figure 3).
Seeing how the world behaves

“What differentiates companies – and enables them to outperform others – is how they look at the problem, finding different ways to go after solving the problem and generating options and ideas that others are not aware of. This is the heart of creative leadership.”

Keith Yamashita, CEO, SYPartners

Most people believe creativity is initiated by ideation or brainstorming. But it actually begins much earlier. The path to differentiation starts by seeing what others do not – connecting the dots among what, at first glance, might appear to be unrelated activities or data.

Making this connection requires organizations to examine each element of an opportunity or challenge in minute detail. Is any one element of a program viable? How does it stand on its own? What are the differentiating elements that make the activity or information compelling, interesting and marketable? Then, the organization must zoom out and see how each piece will fit into an interconnected whole. Does is add value to the overall project or mission? Is it synergistic?

Keith Yamashita, study participant and founder of strategy firm SYPartners, relates how a large specialty clothing retailer asked him to come up with a new store design by challenging the assumptions behind everything they had been doing. Using a combination of design and systems thinking to re-imagine the concept from the ground up, SYPartners recommended a complete re-configuration of 12 test stores in the Denver area as a way to prototype the new ideas. Those stores ended up outperforming other company stores by a wide margin, a success that Yamashita credits to the retailer’s willingness to look at its customer value proposition from an entirely new and different perspective.
Even the most comprehensive data collection tools and techniques will be of little avail if leadership does not “give permission” to the organization to use its collective imagination to create fresh perspectives.

**Mapping what is found**

“Because things are changing so fast and in a non-logical and irrational way, you need to use more abductive kinds of thinking patterns where you can put extraneous things together and make new possibilities out of them.”

*Jeneanne Rae, CEO, Motiv Strategies*

Organizational creativity provides context to what is seen, connecting ideas and people in novel ways, building maps to the future from many different perspectives. This mapping requires seeking patterns that span boundaries and challenge assumptions. It entails making unexpected associations between previously unrelated ideas. Mapping requires the ability to present complex information in a way that tells a compelling story.

When Jeneanne Rae was with an internationally known design firm in the late 1990s, she looked out at the growth of the service economy and realized that the firm’s unique approach to product design could be applied to services as well. But the other members of the leadership team, having come mostly from engineering backgrounds, could only see the differences between the two types of challenges, and did not initially get behind the idea. Rae put together an argument that specifically mapped the design thinking methodologies to service design challenges and won over the firm’s leadership team. Today, service design engagements make up approximately 75 percent of her former firm’s project portfolio and Jeneanne has gone on to found her own firm, Motiv Strategies, which specializes in using design thinking for innovative service design.

**Understand causes and effects**

“You have to put certain milestones around that creative process so that people feel that they are making progress. If we start with a clear sense of purpose and a sense of belonging, I think that gives people some level of focus as well as confidence in making it happen.”

*Siti Aishah Md. Lassim, previously the Chief Human Resource Officer, Malaysia’s Stock Exchange*

Creative leadership finds ways to test as many ideas as possible to better understand those that afford the best opportunity. This requires an understanding of causes and effects – which come from experimentation – to find out which levers affect which outcomes. Evaluating new ideas may require building prototypes to experience results, or simulations to virtually test hypotheses.

To elaborate on the above quote about starting with a sense of purpose: Siti Aishah Lassim, encouraged her team to rethink the company’s role in the current and future time frames. Because of the many impending exchange mergers and consolidations occurring in both the Asia market and around the world, Lassim believed that the company’s needs would be well served by re-imagining its prime role as a value creator or value catalyst. Upon clarifying this as the sense of purpose, the company would be better able to align its services and other business objectives aimed at creating value for the industry and stakeholders.
Believing in the possibility of new outcomes

“Creative leadership is about bringing others along on your journey. There need to be periods of calm between the bursts of creative enthusiasm and new ideas.”

Larry Alan Smith, Professor of Music Composition at The Hartt School and Artistic and Executive Director of Wintergreen Performing Arts

Organizational creativity draws on clarity of vision to inspire belief that action is possible. Despite trial and error, virtualization and other safeguards, it is never truly known whether an idea will work in the marketplace until it is actually introduced. Believing in the veracity of all that’s come before requires organizations and individuals to trust their analysis and tap into the intrinsic motivation of stakeholders. Ultimately, leaders must be able to marshal the organizational will to overcome the status quo.

When Larry Alan Smith was appointed dean of The Hartt School, an internationally acclaimed music conservatory in Hartford, Connecticut, he was confronted with a difficult challenge. School administrators, influenced by budget constraints, had one agenda for the school; and the faculty, with its interest in preserving current programs, had another. After winning key stakeholders over to his vision for a comprehensive performing arts conservatory, Smith began work to transform the school from music only, to an arts school with programs in music, dance and theater. This new positioning resulted in a large increase in enrollment, delighting both the administrators and faculty, and enabling Smith and The Hartt School leadership to take a much more expansive view of the kind of arts program they wanted to build.

Acting to design, build and improve systems

“Within our own company, certainly we do what we can to make sure creativity is rewarded. We even go to the extent of creating entire companies, and the individual who had the idea leads the creation of this new company.”

Parsa Rohani, CEO, Neudesic

Acting to design, build and improve systems requires initiating change at the point of greatest leverage. Creating a culture with a bias for action requires having rewards aligned with the taking of considered risks in an environment where failure is a necessary and mutually defining opposite of success. Confident of the foundations laid in the seeing, mapping, understanding and believing stages of new endeavors, creative leaders anticipate competitor reactions and are prepared to adjust tactics as required, maintaining their core values and primary strategic intent until the vision is realized.

Parsa Rohani, the CEO of Neudesic, a technology integration firm with offices across the United States, as well as Hyderabad, India, started his company in the midst of the dot-com recession. He was cautioned by family and friends not to start such a risky venture during a downturn. However, Rohani and his team, assured in their analysis of the market opportunity and their own capabilities, decided to push ahead. Today Neudesic is one of the fastest growing technology integration firms in the United States and has been recognized as a leader by Inc. Magazine for four consecutive years.
Ultimately, to have the courage to act with boldness, leaders draw strength from an awareness of their own journeys—tapping into their potential for creativity based on their own unique experiences.

First steps: Uncovering the key capabilities of the creative organization
As evidenced by these creative leaders, those who challenge assumptions and embrace mutually defining opposites are often the richest source of new insight into a problem. How aware is your organization of the dualities in its business environment, and to what extent are they viewed as learning opportunities to be appreciated, welcomed and understood?

1. Assess the readiness for challenging assumptions in your organization
   - Evaluate your culture, structures and organizational climate for creativity
   - Identify the environmental factors that have contributed to past innovations
   - Make results available to all and solicit input for improvement initiatives.

2. Use social network analysis to uncover creative leadership
   - Search the relationship networks in your organization to find future creative leaders
   - Identify the social structure, including critical roles, of your creative leadership community
   - Determine how these relationship networks have contributed to specific creative accomplishments in the past.

3. Write the history of your organization’s most compelling innovations
   - Focus on significant breakthroughs that created real value
   - Plot out the path your organization followed in order to: see, map, understand, believe and act on past opportunities
   - Write a “history” from the future envisioning how the organization’s three-year goals will be achieved using this same approach.

Unlock
What are the catalysts of these capabilities in leaders?
The next step along the path to enabling the creative organization is to unlock these capabilities that are uncovered. Achieving this requires five essential actions:

- Design high-impact, experiential learning tied to real business challenges
- Grow role models of inspirational accomplishment and empowering leadership
- Build small, diverse teams that can be unleashed to pursue bold ideas in response to grand challenges
- Create incentives aligned with intrinsic motivations
- Promote a culture of inspiring vision built on trust and authenticity.

Design high-impact, experiential learning that is tied to real business challenges

“A creative leader is someone who is as much interested in the process of discovery as in the answers.”

Nancy McGaw, Deputy Director, Business and Society Program at the Aspen Institute

Learning catalyzes creative leadership by pushing the organization to the edge of the comfort zone. It requires shifts in thinking to find novel solutions and aligns experiences with goals that matter. Certainly, most companies employ formal training programs to foster a culture of learning. But few of our study participants attributed their development as creative leaders to these programs. Clearly, traditional leadership development initiatives are not working.
One program that received high marks was the Aspen Institute’s First Mover program under Nancy McGaw’s direction. It is designed for mid-career business professionals who are doing work at the intersection between financial results, and positive social and environmental impacts. The fact that the program is built around the dynamic relationship between business and society helps participants to understand that they don’t need to “leave business” and start the next social enterprise in order to make a positive impact on the world.

**Grow role models of inspirational accomplishment and empowering leadership**

“What my cello instructor believed about me implicitly was that I was capable of aspiring for greatness.”

_**Wesley Baldwin, Professor of Cello, University of Tennessee**_

Role model contributions to creative leadership range from inspiration to empowerment. Most often, we attribute to our role models the lessons we learned about how to do things. But from the perspective of creativity, the lesson may be more about expressing belief in the potential of others.

Wesley Baldwin, an educator as well as a soloist and chamber musician, describes the profound impact his own assumptions have on the performance of his students. He had noticed that when he had modest aspirations for his students, who were sometimes as young as 14 or 15, they performed according to his minimal expectations. But when he changed his own mindset and related to his students as true artists, and expected them to dig inside of themselves and express through their music that which makes them feel truly alive, the change in results was astounding.

**Role models catalyze creative leadership by believing in themselves and their work, expressing confidence in the abilities of others and empowering teams to reach beyond their normal capabilities. This is true at all levels of the organization. A culture that seeks out and celebrates its inspirational role models is well on the way to unlocking the creative capabilities of its leaders.**

**Build small, diverse teams that can be unleashed to pursue bold ideas in response to grand challenges**

“Creative leadership involves not only leaders generating their own ideas, but also creating an environment in which other people’s ideas come to the fore.”

_**David Magellan Horth, Center for Creative Leadership**_

Small, diverse teams encourage creative leadership through blending linear and creative thinking styles, as well as alternating between “tight” and “loose” configurations. The use of small teams also allows organizations to try out multiple approaches through prototyping and simulations.

Collectively, our study participants agreed that the ideal team size is the smallest number of people (four or five was cited most often) that can be assembled to represent the maximum diversity required for the right outcome. Who gets on the team should be based on the need for both divergent and convergent thinking – perhaps combining a systems thinker, a creative thinker, someone who promotes the flow of tasks and ideas, and someone who is good at seeing details (see sidebar, “Creative archetypes: Explorers, Artists, Warriors and Saints”).
Cultivating organizational creativity in an age of complexity

Create incentives aligned with intrinsic motivations

“I am inspired by connecting with and helping others; making the world a better place.”

“I am inspired by exposure to new and different worlds; imagining something that has never been.”

“I am inspired by self-expression; making meaning through art, music, acting, writing, etc.”

“I am inspired by challenge, individually and/or with a team, it is all about winning.”

Creative archetypes: Explorers, Artists, Warriors and Saints

Sources of creative energy for the leaders we interviewed, while varied, tended to fall into four distinct categories, which we have labeled Explorer, Artist, Warrior and Saint (see Figure 4).

Those leaders who identified Explorer as their primary source of creative energy were more likely to place Warrior in last place, indicating Explorers tend to feel unappreciated in cultures more focused on execution and measurable performance. We also found strong correlations between creative energy sources and preferences for different types of experiential learning. Programs that register on several fronts (for example, addressing the Explorer and Saint simultaneously) appear to have the best chance of tapping into participants’ intrinsic motivations.

Breakthrough results are often rendered by a tightly integrated team, co-located to promote maximum connectivity on multiple levels (in work and non-work situations), and yet augmented by extended relationships. When asked about the kinds of people they would choose for a small “mission-critical” creative team, our study participants prioritized diversity in perspectives and sources of creative energy above all. They agreed that team differentiation – having many distinctive parts – is more likely to lead to an original and valuable solution.

For example, they recognized the need for a Warrior to keep the team focused on its goal, a Saint to look after team member well-being and intra-relationships, an Artist to create and communicate stories about team purpose, and an Explorer to lead the invention of new assumptions. But our creative leaders also believed that team integration – the parts working smoothly together – is just as critical.

Incentives aligned with intrinsic motivations also serve to catalyze creative leadership. Incentives enable individuals to own outcomes and be rewarded for accomplishment. Incentives allow people who generate ideas to benefit from them. They enable the funding of promising new ideas.

Ralph Kerle, referencing research he has done in his role with The Creative Leadership Forum, considers the four most important attributes of creative leaders to be empowerment, enjoyment, enlightenment and courage. It is the first attribute,
First steps: Unlock and catalyze the creative capabilities of leaders

Each of the examples above describes creative leadership that leverages opposing models to generate creative energy and arrive at new solutions. How will your organization harness the mutually defining opposites in your business environment to unlock the creative potential of your leadership?

1. Create experiences that require your leaders to explore the future
   - Define the factors likely to determine your future operating landscape
   - Design experiences that both mirror that future landscape and require the challenge of assumptions for a successful outcome
   - Recruit role models to support the participants through the learning experience.

2. Assign key strategic challenges to small empowered teams
   - Build out small teams using a blend of linear and creative thinking styles
   - Equip the teams with your path-to-progress method and assign a senior-level mentor
   - Give a strategic challenge to each team and empower them for success.

3. Initiate a creative leadership community of interest (CCLI)
   - Invite role models to sponsor and lead a CCLI
   - Task the CCLI with identifying ways to cultivate creative leadership in your organization
   - Communicate the critical importance of creative leadership by acting on CCLI recommendations.

Promote a culture of inspiring vision built on trust and authenticity

“The culture defines how individuals are treasured, and must be balanced with how success is defined; you don’t want to put either the organization or the people at risk.”

Susan Cramm, CEO, Valuedance

Culture serves as a catalyst for creative leadership by including others within the organization and the creative process. Culture demands authenticity within both the organization and its processes. And it encourages and models participation.

Susan Cramm, a well-regarded leadership coach, talks about the organizational culture of one of her clients, a successful U.S. specialty grocery chain. She describes the boundaries of the culture as being much larger than the typical organization. There, they encourage employees to be authentic and there is appreciation for individual diversity. As such, piercings, tattoos and other forms of self-expression are welcome. To ensure that diverse employees work as one, the company promotes shared values that at first glance appear paradoxical (for example, teamwork and competition), but serve to balance and center the organization.
How can these capabilities be scaled across the organization?

Uncovering and unlocking the latent creative capabilities within an organization are admirable goals in and of themselves in seeking the keys to innovation, adaptation and differentiation. But recognizing and developing these capabilities is pointless unless they can be unleashed throughout the organization to enable collaborative and cohesive effort.

Through our research, we have identified five strategic techniques that enable creative capabilities – particularly from the bottom-up – to be scaled across organizations:

- Publish business intelligence for collective visualization
- Tap into global expertise networks
- Encourage participative leadership styles
- Drive ad hoc constituency building with those who share common goals
- Measure and incent creative collaboration through social analytics.

Publish business intelligence for collective visualization

“The best design firms are brilliant at taking unstructured, chaotic information and structuring it so that you can make it actionable.”

Jeneanne Rae, CEO, Motiv Strategies

Data visualization offers a new lens through which to look at the systems surrounding us, and reveals opportunities to make them work better. Publishing business intelligence for collective visualization entails designing complex data for visual appeal. It requires calling out patterns and connections that matter. Collective “sense-making” can be achieved by publishing data online and engaging the entire organization.

“Having the data is not enough. I have to show it in ways people will both enjoy and understand,” said Professor Hans Rosling, a data visualization pioneer who uses the technique to educate and build constituencies around the relationship between global health and poverty.”

Tap into global expertise networks

“We need to get better at using social networking across organizations to find people in the moment that have the passion, the skill and the time to contribute.”

Steve Bartomioli, Director, Leadership Development at IBM

The creative organization is characterized by massive interconnectivity, both internally and externally. The ability to tap into global expertise networks enables the organization to leverage social networks of constituents and target searches for divergent backgrounds and skills. As well, global expertise networks open the opportunity for facilitating and participating in professional discussion forums.

A small, diverse team challenged to finding a creative solution to a key strategic problem will alternate between divergent “loose” modes in which the team’s ability to “see” is enhanced by perspectives from the very best talent from around the world. In the process of conducting this research, for example, our core team of five members tapped into the collective intelligence of a social media discussion group that included 3,000 participants from more than 30 countries. Over 300 comments contributed by group members helped our team to both formulate and test our hypotheses.
Encourage participative leadership styles

“Along with the big, bold, innovative ideas, we need organizations of creatively entrepreneurial employees who bring their talents to the inches and minutes of organizational life, creating dozens of victories each day.”

Carl Nordgren, Adjunct Professor at Duke University and founder of Creativepopulist.com

Leadership behavior either promotes or undermines organizational creativity. The fundamentals of participative leadership are important. Participative leaders are committed to transparency. They are willing to share their own ideas. And they’re not hesitant to ask for team member ideas and opinions.

As business come to terms with the need to work more closely with a broad range of constituents to create shared value, leadership will need to develop the ability to collaborate across profit/nonprofit, local/global, and real-world/virtual-world boundaries. This will often require leadership styles characterized by influence rather than power.

Drive ad hoc constituency building with those who share common goals

“Go to the local kindergarten and watch the children play. They are masters at rapidly building coalitions – before they get ‘educated,’ that is.”

David Kayrouz, Painter and CEO of Creative Pathways

The new extended enterprise includes anyone who shares beliefs, values and goals. These individuals can be recruited for co-creation. Unleashing creative leadership requires ad hoc constituency building that reaches across countries, industries and generations. It finds those who, regardless of location, have important commonalities. Organizations should inspire such action among their constituents in both the physical and virtual worlds.

Measure and incent creative collaboration through social analytics

“One of the things that is going to absolutely enable diverse constituencies to discover their creative power is a different and more open communication paradigm.”

Parsa Rohani, CEO, Neudesic

Social analytics, including the use of game dynamics, are powerful new tools for both understanding and influencing constituent behavior. The most forward-looking organizations measure and incent creative collaboration by awarding status indicators for desired behavior and coordinated action in both time and place. The social gaming industry is pointing the way in this area. Industry leaders are already using real-time analytics and game dynamics to monitor, test and influence the behavior of their large and growing user bases.
First steps: Unleash and scale organizational creativity

Collective visualization of data leads to a more divergent and robust analysis of the possibilities. Small teams enhanced by the networks of open innovation are best at generating creative solutions. Simple yet authentic acts of participative leadership give “permission” for the organization to think differently. Self-organizing individuals motivated by shared values and goals represent a new and compelling source of value creation. Social analytics provides methods for measuring and improving organizational creativity. What will you do tomorrow to unleash your organization’s creative potential?

1. **Improve transparency by sharing data for collective visualization**
   - Challenge your analytical and creative talents to design data so that it tells a story
   - Publish data in a visual way that gains the benefit of collective sense-making
   - Extend data visualization to scenario simulations that can be manipulated collectively.

2. **Establish a platform for creative collaboration**
   - Recruit global experts to engage with the members of your business ecosystem
   - Enable ad hoc self-organization around value creation opportunities
   - Encourage participation with a “leaders first” approach to the sharing of ideas.

3. **Use social analytics to understand and influence constituent behavior**
   - Create a real-time analytics engine that provides instant visibility to online actions
   - Use experimentation and simulation to predict behavior under various scenarios
   - Leverage game dynamics to influence behavior in both the virtual and physical worlds.

Follow the creative path to innovation and adaptability

In a world where best processes and practices are standardized across industries and regions, innovation and adaptation – the building blocks of differentiation – are often all that separates outperformers from the irrelevant. Managing the increasing complexity inherent in today’s environment requires leaders who will work to unlock, uncover and unleash the collective creative capabilities of their organizations.

These leaders will muster the will to challenge assumptions and encourage the disruption of the *status quo*. They will find a way to harness the dynamic tension between the opposing forces of integration and differentiation and let loose the drivers of innovation that, ultimately, can position their organizations to surprise and delight customers, employees and shareholders alike.

To learn more about this IBM Institute for Business Value study, please contact us at iibv@us.ibm.com. For a full catalog of our research, visit: [ibm.com/iibv](http://ibm.com/iibv)

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