

# STRATEGIC HR MANAGEMENT

## CASE STUDY-PART A



## IBM's Global Talent Management Strategy: The Vision of the Globally Integrated Enterprise

*By John W. Boudreau, Ph.D.*

## PROJECT TEAM

Author: John W. Boudreau, Ph.D.  
SHRM project contributor: Nancy A. Woolever, SPHR  
External contributors: Randy MacDonald  
Richard Calo  
Michelle Rzepnicki  
Copy editing: Katya Scanlan  
Design: Jihee Lombardi

© 2010 Society for Human Resource Management. John W. Boudreau, Ph.D.

Development of this case was made possible by a grant from the Society for Human Resource Management and the National Academy of Human Resources. Information presented was current as of the time the case was written. Any errors are solely the author's.

**Note to HR faculty and instructors:** SHRM cases and modules are intended for use in HR classrooms at universities. Teaching notes are included with each. *While our current intent is to make the materials available without charge, we reserve the right to impose charges should we deem it necessary to support the program.* However, currently, these resources are available free of charge to all. Please duplicate only the number of copies needed, one for each student in the class.

For more information, please contact:  
SHRM Academic Initiatives  
1800 Duke Street, Alexandria, VA 22314, USA  
Phone: (800) 283-7476 Fax: (703) 535-6432  
Web: [www.shrm.org/education/hreducation](http://www.shrm.org/education/hreducation)

# Case Study Part A

## INTRODUCTION

In early 2003, Randy MacDonald, the senior vice president of human resources for IBM corporation, was in the midst of a 10-city-in-two-weeks business trip that would take him from IBM's headquarters in Armonk, NY, to several cities in Central and Eastern Europe, Africa, India, China and several spots in Asia. His schedule was a fitting metaphor for IBM's strategic and human capital challenges.

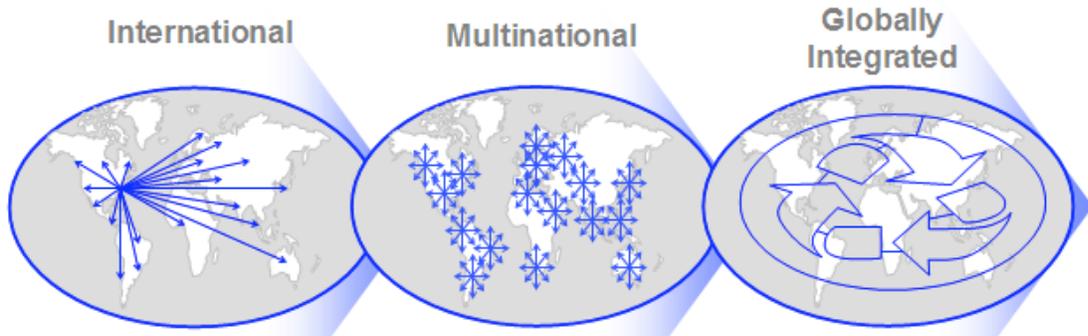
Randy was reviewing his recent meeting with Sam Palmisano, the CEO of IBM. Randy had been the chief HR executive at IBM since 2000, joining when Lou Gerstner was in the middle of his tenure as IBM's CEO. Lou had been an outsider to IBM, arriving at a time of great turmoil, when the corporation was near bankruptcy, and remaking the organization with an eye toward global consulting services. Sam Palmisano was an IBM insider, a 31-year veteran of the venerable company, who had helped bring Gerstner's vision to reality and now was building on that legacy of Gerstner.

In their meeting, Sam and Randy discussed IBM's strategic view of the evolution of global markets, IBM's strategic position as a leader in global transformation and the evolving needs of IBM's clients. These views later led to an article in *Foreign Affairs Magazine* in 2006.<sup>1</sup> In that article, Sam Palmisano described IBM's predictions about the evolution of new organizational forms, where the production of goods and services flowed globally to the places where the greatest benefit could be created at the most efficient cost. It was already apparent that supply chains were becoming much more global and transcending organizational boundaries. IBM's clients were increasingly seeing that same trend in other areas, such as marketing, R&D, sales and engineering. Future organizations (IBM's clients and those that hoped to serve them profitably) would evolve from the traditional "multinational" approach, which "organized production market by market, within the traditional boundaries of the nation-state."<sup>2</sup>

These ideas also recognized that trade and investment flows across national boundaries had liberalized, protectionism was reducing, and technological advances vastly lowered the cost of global communications and business computing, leading to shared business standards throughout much of the world. This changed the idea of what was possible through globalization. As Sam put it in the *Foreign Affairs* article, "Together, new perceptions of the permissible and the possible have deepened the process of corporate globalization by shifting its focus from products to production—from what things companies choose to make to how they choose to make them, from what services they offer to how they choose to deliver them. Simply put, the emerging globally integrated enterprise is a company that fashions its

strategy, its management and its operations in pursuit of a new goal: the integration of production and value delivery worldwide. State borders define less and less the boundaries of corporate thinking or practice.”<sup>3</sup>

Sam coined the phrase “Globally Integrated Enterprise” (GIE) to describe what he had in mind. He foresaw that IBM’s clients would increasingly be moving toward a GIE and that IBM needed to get ahead of that trend. This had implications for every aspect of IBM, including significant implications for IBM’s supply chain, IT systems, strategy, marketing and services development and deployment. Underlying all of these implications were significant challenges for IBM’s human capital and its approach to human resource management.



The diagram consists of three overlapping ovals, each containing a world map. The first oval, labeled 'International', shows a central point with arrows radiating outwards to various regions. The second oval, labeled 'Multinational', shows multiple clusters of snowflake-like icons across different regions. The third oval, labeled 'Globally Integrated', shows a large circular arrow forming a loop around the world map.

“We no longer have to replicate IBM from floor to ceiling in every country. We are optimizing key operations in the right places in the world—eliminating redundancies and excess overhead—and integrating those operations horizontally and globally [...] This is about doing the right tasks, with the right skills, in the right places.”

*Sam Palmisano, May 20, 2005, Analyst Meeting*

## HUMAN CAPITAL AND THE GIE

Of course, talent and human capital were becoming increasingly vital to competitive success in all organizations, but they offered an even greater strategic pivot-point for IBM. IBM competed mostly on its ability to deliver unique know-how and practical solutions to clients, rather than a particular hardware or software product. The knowledge, motivation, skill and deployment of IBM’s workforce was even more vital than for many of its competitors. In 2003, IBM had approximately 350,000 employees. IBM employees were highly qualified and motivated, but the existing workforce could simply not provide the global flexibility that would be needed to serve the needs of IBM’s evolving clients.

The customer was saying, “know my business and provide value propositions that are unique to me.” Yet, IBM’s workforce systems and decisions tended to be focused on accurately projecting demand and creating sufficient supply of talent against a multinational model that often operated separately within countries or regions. IBM sales and service experts were highly skilled in IBM products and solutions, but it was their unique knowledge about the client’s industry and global implications that increasingly would become key differentiators.

The key would be to make the most effective tradeoffs between terms and conditions of employment across regions and be able to move talent quickly between them, whether physically or virtually. IBM needed to be able to quickly and accurately find the capabilities of its workforce, wherever those capabilities exist, and deploy them against clients' problems faster and at a lower cost point than the competition.

**In a 2007 paper published by the IBM Institute for Business Value, the authors Eric Lesser, Tim Ringo and Andrea Blumberg cite seven keys to succeed in a globally integrated world of business.<sup>4</sup> They are:**

1. Understanding the demographics and capabilities of the workforce.
2. Predicting future labor supply and demand.
3. Utilizing social networks to increase visibility and application of knowledge across the organization.
4. Enabling individuals to perform work regardless of location.
5. Facilitating collaboration across traditional organizational boundaries.
6. Driving the rapid development of skills and capabilities to meet changing business conditions.
7. Evaluating employee performance and providing appropriate feedback.

Key for any globally integrated organization is the critical capability to move human capital skill and expertise to business opportunity—to put it more simply: to get the right person, with the right skills, at the right time, place and cost.

Randy and his colleagues realized that this would mean a significant change in how IBM defined its workforce, the information systems that employees and leaders used to understand and make decisions about workforce capability, and the way the capabilities of IBM's employees, teams and units connected to client needs and IBM strategy. Some consulting firms had begun to implement systems that used the language of competencies, capabilities or skills to depict the "inventory" of workforce capability and then matched that inventory to the pattern of their clients' needs. Such organizations generally had fewer than 100,000 employees, with fairly focused professional service domains. IBM was considerably larger, operated in multiple product and service sectors and would increasingly need to tap human resources throughout the world. In addition, a realistic idea about the true availability of capabilities would potentially require integrating information on hundreds of thousands of IBM job applicants in many countries and more than 90,000 contractors. The scale of the task was many magnitudes greater than what had been attempted by others. The investment in IT systems would likely be upward

of US\$100 million, and the ongoing investment of IBM's business leaders, HR organization and employees to maintain and use the system would likely be even greater.

Other large organizations had focused their talent management systems on a subset of capabilities, such as leadership competencies, or on subsets of the workforce, such as high-potentials or certain particularly critical job groups. Yet, even in the most advanced organizations, the vast majority of workers were not part of development programs aimed at leaders or a few vital jobs. Indeed, one initiative that GE's new CEO, Jeff Immelt, had pioneered was to focus the power of Crotonville on what was regarded as emerging vital disciplines such as marketing and innovation.<sup>5</sup> IBM seemed to need something that went well beyond even current cutting-edge efforts.

## HISTORY OF IBM<sup>6</sup>

IBM was founded in 1911. Thomas J. Watson joined the company in 1914, and as CEO, he instituted many of the policies for which the company would become famous, including salespeople wearing suits, corporate pride and loyalty, implied lifetime employment and strong values and beliefs, such as the slogan "THINK" to embody a strong and intelligent work ethic. After 40 years of growth and success, Watson Sr. turned the company over to his son, Thomas Watson, Jr. in 1952.

The next era was to see IBM become dominant in one of the most notable growth industries of the century. For example, IBM developed the 360 computer, an innovation at its time because it was based on semiconductor chips and had interchangeable components. It was a significant and revolutionary departure from vacuum tubes that had been used before and rapidly became the dominant design. In addition, IBM innovated in areas such as computer languages (FORTRAN), disk storage and point-of-service machines for banks and supermarkets. Indeed, IBM became so dominant in the industry by the 1960s that the company became the target of a 13-year antitrust action by the U.S. Justice Department, which was unsuccessful.

In the 1980s, IBM successfully introduced the IBM PC, which was an immediate sales hit, exceeding all forecasts. By the mid-1980s, IBM was firmly established as a solid and safe source of business computing solutions. Yet, even as the computer industry was changing with the advent of the PC, IBM's main business was still built around the mainframe computer.

That changed in the 1990s. In 1990, IBM was the second most-profitable global company, posting a net income of US\$6 billion. This promising position in a growing industry changed quickly. In 1991, the company posted earnings of negative US\$2.8 billion, an unthinkable occurrence in a company known for many decades as a source of solid growth and reliable financial performance. Now, IBM was derided by critics as being behind the times, out of touch with its customers and internally focused. Many felt that IBM failed to recognize the move toward client-server computing, the growing importance of the network and the need to interconnect computing elements such as mainframes, midrange and personal

computers. The sale of mainframes declined with these new developments. More nimble competitors, such as Dell and Compaq, seemed to be the ones with innovative approaches to products, pricing and the supply chain, not IBM. IBM's vast network of business units and tens of thousands of hardware and software products became symbols of a bloated and overly complicated organization that had too many layers, too many necessary approvals to make key decisions and an internal data processing organization that was more costly than industry norms. This was a sad commentary for a company whose value proposition was to help others become efficient and focused in their own data systems. Perhaps the most telling symbol of the negative change was IBM's announcement of first-ever forced employee layoffs in 1991 and continuing layoffs in 1992 and 1993.

Lou Gerstner joined IBM as CEO in 1993, with many analysts and others expecting that this computing industry outsider would break up the company and sell off the pieces. However, Gerstner soon asserted that this was not the plan and that the value of IBM rested in its synergies, not in the separate value of the different businesses and units. A period of relentless cost-cutting and the growing chorus from customers that IBM needed to create solutions, not products, ensued. Units such as the PC division were streamlined around fewer products and more focused and effective marketing and product lines. The IT organization cut costs dramatically, reducing the number of CIOs from 128 in 1993 to only one in 1997. By 1994, IBM was again posting solid financial results, with profits of US\$5 billion on revenues of US\$64 billion. IBM was profiting from the growing Internet and business spending to prepare for the year 2000 and beyond.

In 1995, Gerstner announced that "e-business" would be at the heart of IBM's growth strategy, specifically asserting that business-to-business e-commerce would be a core element of how all companies did business. At the time, this was a radical idea, but Gerstner invested heavily in acquisitions designed to position IBM to deliver value across the entire chain of e-commerce connections, including Lotus Development Corporation and Tivoli Systems. Moreover, IBM embraced the role of a connection point, welcoming partnerships with those who were best at particular hardware, software and other elements and adding value as the integrator and solutions provider. Between 1995 and 2000, the service businesses in IBM became the dominant revenue producers and growth engines.

Sam Palmisano had run IBM's integrated global services group from 1996 to 1999. In 2000, Gerstner began the transition toward Palmisano's leadership of IBM by making him president and COO just as the industry went into free-fall with the dot-com bubble burst. In March 2002, Palmisano, a 31-year veteran of IBM, took the reins as CEO. By 2003, IBM was on solid footing and had acquired PWC Consulting from the Price Waterhouse Coopers organization to further support its ability to become "One IBM" worldwide and the global innovator in services that were integrated, available on demand, locally innovative and yet globally synergistic.

## IBM IN 2003

IBM had found that its most promising clients were enterprises. In the late 1990s and early 2000s, enterprise clients were becoming more demanding. Business computing was increasingly a service clients could get through many channels, and it was becoming a commodity. IBM clients were seeing their own businesses change as well and increasingly demand information technology services that understood, anticipated and responded to those specific changes. Clients were saying, “Know my business better, add value to me, and don’t just find ways to show why I should buy your existing products and services. IBM doesn’t give me what I need, as much as try to sell me your stuff. Increasingly, IBM has the wrong offer set, because you are not keeping up with changes in my business.”

Palmisano and the IBM leadership concluded that to be successful, IBM would need to derive as much as 70 percent of its revenues outside the Americas by the year 2009. In 2003, the percentage of revenues from outside the Americas was only about 57 percent, consisting of US\$34.8 million from the United States, US\$3.5 million from other countries in the Americas, US\$29 million from Europe/Middle East/Africa, US\$19 million from Asia Pacific and US\$2.6 million from others.

IBM was not distinctively knowledgeable or unique in hardware or software (like Intel or Microsoft). Rather, IBM differentiated itself on its practical know-how and the ability to deliver its services quickly, effectively and efficiently. That meant that while a client might have operations in one country, the client’s purchasers might be in another country, the IBM programmers might be in another, the IT architects in another, etc. The idea was that while sometimes the workforce delivering the services did need to be in the same country as the client’s operations or purchasing decision makers, in many cases the workforce did not need to be located there. Increasingly, it was becoming apparent that IBM’s competitive advantage would hinge on globally optimizing service delivery rather than on coordinating multiple operations across several nations.

## THE EVIDENCE THAT SOMETHING NEEDED TO CHANGE

Aside from the emergence of the GIE, there were a number of signals within IBM that suggested room for improvement in how the organization measured, tracked, deployed and developed the workforce. Taken together, they suggested the immense potential value that a more rigorous approach might create. The current system wasn’t broken, and most IBMers believed it was quite adequate and working well. They would need specific evidence of the potential payoff from overhauling the system because there would be understandable resistance to such a significant change.

### **Low Utilization Rates and Needless Talent Gaps and Surpluses**

Perhaps the most vivid quantitative indicator of the potential value of improved workforce management was utilization rates in the services population. At any single moment, IBM had open slots that needed to be filled to complete a project successfully. At the same time, at any moment, IBM had “frictional” unemployment of individuals who were “on the bench” awaiting assignments. They were essentially simply waiting for something to do.

An answer to the question of who was on the bench and who was unavailable was based on very antiquated methods, reflecting little consistency and coordination. There was a general feeling that IBM was plagued by the dual problem of having a lot of unneeded duplication in its talent, while at the same time suffering from business-stopping gaps due to a lack of the right talent. The Finance group had an indicator for at least part of the problem. IBM’s utilization rates were below the best in the industry. The Finance group had a monthly report that calculated how the utilization rates translated into lost consulting business opportunities.

### **Bottlenecks in Service Delivery**

IBM leaders saw these gaps in supply and demand as bottlenecks. They had begun to ask, “How can we sustain this? We can’t expect to survive long if we don’t make better and quicker matches between our talent and our needs.” They could also see the immense change in IBM’s cost structure and competitive agility if leaders could more quickly identify and deploy needed talent from among IBM’s vast and high-quality global workforce. A key metric was to reduce the “time to value,” meaning the time elapsed from a client request to when the business could respond. Several leaders suggested a metaphor of a talent supply chain and suggested that IBM’s talent deployment could be designed and evaluated using supply chain principles. The indicator was something like, “we sold a job, now we can’t get the people.” Not only were these bottlenecks annoying to IBM leaders, but there was evidence that they were contributing to an unacceptable level of unsatisfied clients and a lack of market penetration in key strategic regions.

### **Disconnected Talent Supply Sources**

If IBM’s talent pipeline was considered through a supply chain metaphor, then the “sources” of talent might be considered in three broad categories: (1) full-time employees, (2) applicants, (3) contractors. At IBM, and as is the case in most organizations, the three talent pools were managed largely independently of one another. Full-time employees were managed through the IBM human resources (HR) organization, consisting of full-time professionals at corporate headquarters, in the regions, supporting the businesses and residing in centers of expertise and information systems throughout the world. Randy MacDonald was the head of this organization, in the same way that the CFO oversaw the finance and accounting organizations. Applicants were also strongly supported by IBM’s HR organization, though the detailed information about applicants or those who might be attracted to become applicants often resided in the local regions, with the local HR organization or even the local recruiting organization. In contrast, contractor hiring was entirely

driven by the businesses. Even at the local levels, there was little visibility between contractor hiring decisions made by project teams or local business units and the status of full-time employees and applicants. There was even less visibility, and thus even less coordination, between the contractor hiring decisions in the businesses in one location and those being made elsewhere in IBM. This meant that you could quite easily have some businesses hiring contractors because they needed talent immediately while there was IBM full-time talent available but unknown to the business unit. Or, a business unit might fill a talent gap with long-term relationships with contractors, when it would be more cost-effective to bring on full-time employees through the applicant pool. However, because there was no visibility between the talent pools, such opportunities too often went unnoticed.

### **Missed Opportunities for Meaningful Workforce Development**

IBM's long tradition of treating its people well was a hallmark of IBM's culture and approach to people strategy and HR management. One 2009 internal IBM presentation stated, "IBM's most important innovation was the IBMer." IBM had traditionally been known as a place that was committed to its employees rather than treating them like simply costs of production. Yet, it was not simply a commitment to make employees "happy." IBM's commitment was based on the idea that a fundamental set of beliefs could "transcend economic cycles, geopolitical shifts, and generations of products, technologies, employees and leaders." In 2003, IBM had been named Company of the Year by the Society for Hispanic Professional Engineers, ranked in the top 10 by the National Association for Female Executives, named by *Working Mother* magazine as one of the best companies for multicultural women, and had been named among the top 10 companies for women for 15 years.

While the competitive markets of the 21<sup>st</sup> century made policies like "no layoffs" impossible to credibly pursue, the paradox was that the generation of workers coming of age seemed to increasingly value organizations that made significant and well-considered investments in their people. Particularly in emerging markets, IBM's global brand and vaunted reputation for enlightened human resource management made it a strong candidate for talented young people interested in developing cutting-edge capabilities and a global career.

That said, the reality did not always live up to the imagery. For someone to move from Argentina to New York, it often depended on whether that person or his or her manager knew the right person to call in New York to make the connection, identify the role that could be filled in New York and manage the process of making the move, rationalizing compensation and benefits, etc. In an interview with the *Harvard Business Review*, Sam Palmisano recalled the feedback from a unique 72-hour Internet discussion, called "jam," about IBM's future, initiated by Palmisano and his team in 2003, where 50,000 IBMers posted nearly 10,000 comments. One example the CEO cited was employees' descriptions of extremely frustrating situations. They'd say something like: "I'm in Tokyo, prototyping software for a client, and I need a software engineer based in Austin right now to help in a blade server configuration. But I can't just say, 'Please come to Tokyo and help.' I need to get a charge code first so I can pay his department for his time!"<sup>8</sup>

It wasn't that such things didn't happen quite regularly, and indeed IBM's managerial workforce was among the most devoted to working hard to make such opportunities happen. Still, within the current system, there was a feeling that too many opportunities were missed, or that IBM leaders simply did not have the information they needed to see all the possible opportunities for their eager young subordinates. For example, in Poland, IBM's pay levels were about at parity with organizations like Dell, HP and local employers. Yet, IBM enjoyed a stronger attraction among technically trained job applicants because of its reputation for global development. However, because the Poland market was growing so fast, IBM's leaders there had little time to spend, and even less information available, to create development opportunities that were vital not only for retaining that workforce but for preparing it for the future.

As one leader put it, "It was the transparent opportunity for learning that they wanted. They were not arguing for higher pay, but for us to give them the chance to take advantage of IBM's global workforce footprint, so they could develop themselves. Development had become the vital factor in the employment deal, and it offset pay, but we had to find a way to allow folks to use the system now that the opportunities were so visible. A big lesson is that in developing countries, people are here to learn." For example, the opportunity to become a certified IT architect in a specific number of years is a huge draw in developing countries. IBM was in danger of losing one of its most cherished and valuable distinctions precisely at a time when the future employees IBM needed most—and those who were the most sought-after—were making that distinction more valuable.

This was also the answer to a question that would be raised by investors or business leaders: "Why couldn't IBM cut costs and improve deployment simply by reducing the dilemma to a matter of labor arbitrage? Why couldn't IBM just reduce expensive and unneeded workforce elements and replace them by hiring workers in emerging countries that had cheaper labor?" The answer, of course, was that it was not always the case that the talent in emerging countries could do what the more expensive and more experienced talent in developed countries could do. Clients wanted the best of both worlds, a local workforce that could deliver like the best in the world. Thus, the dilemma was more subtle. How could IBM deploy its more experienced and expensive workforce located largely in developed countries to projects that increasingly were located in developing countries, while at the same time systematically upskill the developing-country workforce to offer IBM a long-term cost and effectiveness advantage? It seemed that somewhere in that equation there was actually a win-win whereby the existing IBM workforce was deployed not only to do the work but to be part of the talent development process. This seemed a much more humane and logical approach than perpetually chasing lower-cost labor around the world.

Sam Palmisano had summed it up. In the *Harvard Business Review* interview in 2004, he related his experience with the feedback he received in 2003 from 50,000 IBMers:

“We collected and collated it. Then I printed all of it out—the stack of paper was about three feet high—and took it home to read over one weekend. On Monday morning, I walked into our executive committee meeting and threw it on the table. I said, ‘You guys ought to read every one of these comments, because if you think we’ve got this place plumbed correctly, think again.’”<sup>9</sup>

### The Language of “Work” Was Insufficient

IBM faced a fundamental question. IBM’s current talent management systems were state of the art by any standard and yet, in many ways, seemed inadequate to the future challenges of the talent needs of the globally integrated enterprise. What was the fundamental limitation in the current systems? Of course, there was the question of greater integration and transparency, but as Randy and his team considered the implications, they realized that the very language of the work might be at fault. At first blush, you might think that the solution to the dilemma was not that difficult. You might think you could generate the talent development and movement you needed by just requiring managers to contact their counterparts when they had needs or surpluses. Leaders in France could ask leaders in the UK or Germany, or vice versa.

Yet, as the HR leadership team considered what would happen when such contacts occurred, they realized that the language used to describe the work in different countries, professions and even different projects was like comparing apples and oranges. This is one reason that employee movement so often hinged on making the right personal connections. Just like in most organizations, at IBM this was often the only practical way that two opportunities in different countries could be compared to each other. The managers would have to sit down and really hash out in detail what they meant by things like work tasks, qualifications, key success factors, etc. Many organizations had adopted skills inventories or competency-based systems to provide a kind of common language against which many aspects of the talent management system could be directed. Thus, it was not unusual for organizations to impose a competency or skill-based system that had been designed by HR and then require that the organization use that system to describe employee performance, employee capabilities, the outcomes of learning and career development experiences, the qualifications of applicants, and the bases on which employees were paid. Such systems had appeal, because if you had a common language, it allowed all of your talent systems to “talk to each other.” However, such systems were usually applied either in very technical areas, where skill sets were defined, or with leadership development, where broad competencies like “vision,” “flexibility” and “ability to execute” were used. If the language was too specific, it would provide very little additional integration than the myriad work descriptions IBM already had. On the other hand, if made too generic, it would fail to capture potentially important nuances.<sup>10</sup>

## THE VISION OF A WORKFORCE MANAGEMENT INITIATIVE (WMI) AT IBM

What would be the cornerstones of what might be called IBM's Workforce Management Initiative, or WMI? Randy consulted with several of his colleagues both within and outside of HR and solicited input from a number of outside experts. What they came up with is shown in the box below.

### Initial Vision of the IBM Workforce Management Initiative (WMI)

A cornerstone program that enables IBM's globally integrated enterprise is the Workforce Management Initiative, or WMI. As mentioned previously, moving the right skills to opportunities is a critical response for business success in today's global economy. WMI is IBM's response to this challenge.

By definition:

WMI addresses the labor-based business issue of managing resources effectively and seamlessly across business units and geographic borders. This is accomplished through an integrated set of processes and supporting tools designed and deployed to make IBM's workforce management effective, efficient and competitive.

At its core, WMI is a series of strategies, policies, processes and tools that enable optimal labor deployment, built on a foundation of learning.

What does WMI do?

WMI enables the optimal workforce strategy and integrated supply chain for human resource and talent management.

IBM's workforce management initiative acknowledges that workforce optimization requires linkages of key disciplines:

1. **Resource management** requires accurate inventory of skills and talent, demand forecast, capacity planning and workforce rebalancing.
2. **Talent and mobility** requires a common taxonomy, common profiles for all sources of labor, decision support.
3. **Learning** requires tight alignment to business objectives, accurate skill assessments, skills gap management and alignment with skills development systems and programs.
4. **Supplier or vendor management** requires supplier strategy aligned with resource management strategy.

## THORNY DILEMMAS: GETTING BEYOND THE CONCEPT TO THE REALITY

The vision of the WMI was well-received ... in concept. IBM leaders and the IBM HR team could see the value and the clear connection to IBM's strategic, business and talent dilemmas. If they could pull it off, a working version of such a system might be truly revolutionary. However, it was presently just a concept. Randy knew that the devil would be in the details. In particular, he pondered these dilemmas:

- How much was this really worth? What was the right level of investment, and how could they demonstrate the value of what would undoubtedly be a very significant investment? The HR team anticipated that the full investment might be more than US\$100 million over the course of five years.
- Change-management theory would suggest that one way to get traction on the larger goal of a fully comprehensive system, transparent to all, would be to start where the payoff is likely to be the greatest. Where was the largest and most tangible payoff likely to be? Would that be in the arena of full-time employees, contractors or applicants? Should the team concentrate on building a system focused on the area of the greatest return first and use that as a way to convince folks to go further? Or, should they create a system that was designed from the beginning to integrate all three talent arenas?
- How comprehensively should the system cover IBM's different business segments? For example, should it focus only on one business segment, such as consulting services, where there was arguably a much greater body of experience in defining billable skills, tracking billable hours, and a culture and employee group that readily accepted the requirement to move frequently and be ready to deploy when client needs dictated? Of course, the broad challenge was to address the talent-based equivalent of managing all types of resources effectively and seamlessly across all business units globally. The overall objective of WMI was to transform the manner in which IBM managed its most important asset—human resources—in support of a globally integrated enterprise. The Services business units were more focused on effective utilization of their resources, but other IBM business units could conceivably derive considerable benefits through consistently understanding their resource skills and needs, both current and future, for more effective business analysis, planning and productivity. For example, the Services business would certainly benefit from training investments driven by forecasted shortages based on one common Expertise Taxonomy worldwide, but so could other IBM businesses. Might the new system be deployed in modules, so that units might use some of the tools for capturing résumé or training information, even if they didn't use the full system to manage their internal talent? How quickly or slowly should the system be deployed to ensure that it achieved the benefits of a comprehensive look at the full workforce?

- How much organizational traction could be gained by expressing the initiative through a supply chain metaphor? Would the potential contribution of the new system be better understood using the same analytics and measures that were already well-accepted in the supply chain discipline? Certainly, one principle of change management is to tap into the thinking frameworks or “mental models” that are most familiar to your audience. Could a talent system really be described as a supply chain?<sup>11</sup> Or, was talent so different from goods and materials that the WMI would need an entirely different logic of cost and value? If it required a different logic, could IBM’s HR leaders really expect the organization to embrace what might be perceived as “just another new HR model that’s not related to our business models”? Should the team create a system that would focus mostly on getting the utilization rates down? Would that criterion be enough to guide the development of a sufficiently sophisticated talent system? If not, what other criteria should the team propose as their objectives and measures of success?
- Should the system be managed and maintained by HR or the line and employees? HR was expensive but had expertise in work analysis and was likely more reliable. Business leaders and employees were more expert on their particular work, would be more motivated if they owned the content and were held accountable for keeping information up to date. Certainly, the system could operate at a far lower cost if much of the ongoing work was being done in the field, outside of the HR function. The vision suggested that the system could be a natural and valuable part of the way employees and managers updated their capabilities, defined the work, related the work to client needs and business outcomes, and managed the employee development.
- Should the system be available and transparent to all IBMers and perhaps even to IBM’s contractors and applicants, or should it be a tool primarily used by IBM’s managers and leaders and their HR counterparts? Transparency would allow the system to become a true internal labor market, and it would embody IBM’s values of employee development. However, full availability and transparency carried risks. Managers might be faced with many more employee requests for a shot at open positions or development opportunities, requiring the managers to explain why employees were not deemed eligible. Transparency to IBM’s applicant pools and contractors might reveal patterns that gave clues to IBM’s future strategic direction (such as posting a large number of opportunities in certain regions or product areas). A fully available and transparent system might collapse of its own weight as hundreds of thousands of IBMers tried to modify it to fit what they considered to be essential exceptions or special cases.

A transparent system that could forecast and depict both IBM’s future talent demand and also individual capabilities would encourage IBMers to see where the system forecasted future demand and then make personal investments to prepare themselves for those opportunities. Yet, the world was fast-changing. It seemed quite likely that the system could not predict the future with perfect accuracy. So, one result would be that the game might change, even after the talent system predicted that certain development paths would hold true for years and were worth

a multi-year investment. What could IBM tell employees who made significant personal investments in development opportunities lasting several years, only to discover after a year or two that the role they were preparing for was no longer relevant or had changed substantially?

Indeed, “be careful what you wish for” was on the minds of the HR team, for if IBM could create a system that was so compelling and transparent and engage its entire talent pool to use that system as a clear indicator of the ebb and flow of opportunities, the resulting volume of transactions, administration and user support might easily swamp any reasonable-sized HR support organization, dooming the system to failure before it began.

- Perhaps the most vexing and fundamental dilemma facing the new system was whether and how it could become a truly global talent management system. Even if IBM’s HR leaders could solve the dilemmas above, they would still face some daunting challenges in trying to make the system work across the many countries and regions in which IBM operated. Different countries had very different privacy standards with regard to allowing information about employees to cross national borders. If Austria decided that it was not going to allow data about IBM employees in the country to be shared outside the European Union, then how could the system hope to give managers outside the EU a complete picture of talent trends and availability? Should the system operate in one language or many?
- Would IBMers be willing enough to move across national borders? The issues of inter-country mobility, expatriation or localization, tax treatment, remuneration, portability of benefits, etc. were legendary challenges in making global workforce movement work. For example, when IBM employees move from one country to another, both countries expect IBM to withhold appropriate personal income taxes. They expect IBM to figure out a system to do that. IBM had a long history of managing through these challenges, but a truly global workforce management initiative would multiply the volume and complexity of these decisions significantly.

## THE PARADOX

Like so many great opportunities, this one carried significant risks and potential payoffs. The HR leadership and many of IBM’s top business leaders believed there were potentially billions of dollars in untapped shareholder value, immense opportunities for current and future IBM employees, and a unique opportunity to advance the practice of talent management and human resources if the WMI could be successfully implemented. On the other hand, the history of such large-scale talent management endeavors was rife with examples of systems that were never really embraced by leaders and employees, failed to capture enough nuances about the work to be very useful or collapsed of their own weight through administrative complexity and high cost. Was the prudent decision to move ahead with a historical innovation, or to avoid starting down a path that had proven so difficult for others? On what basis should they make this historic decision?

# References and Endnotes

Boudreau, J. W., Ramstad, P. M. (2007). *Beyond HR (chapters 6-9)*. Boston: Harvard Business School Press.

Cascio, W. F., & Boudreau, J. W. (2008). *Investing in people*. London, UK: Pearson.

Lawler, E. E., III, & Boudreau, J. W. (2009). *Achieving excellence in human resources management*. Palo Alto: Stanford University Press.

Ready, D., & Conger, J. (2007, June 1). Make your company a talent factory. *Harvard Business Review*.

- 1 Palmisano, S. J. The globally integrated enterprise. *Foreign Affairs*, 85(3), 127-136.
- 2 Ibid.
- 3 Ibid. p. 129.
- 4 Lesser, Ringo & Blumberg. (2007). *Transforming the workforce: Seven keys to succeeding in a globally integrated world* (p. 3). Armonk, NY: IBM Institute for Business Value Executive Brief.
- 5 Bartlett, C., & McClean, A. (2006). *GE's Jeff Immelt: The voyage from MBA to CEO*. Boston, MA: Harvard Business Publishing.
- 6 An excellent background reading for this case is: Applegate, L. M., Austin, R., & Collins, E. (2009). *IBM's decade of transformation: Turnaround to growth*. Boston, MA: Harvard Business School. Other sources include: Austin, R., & Nolan R. (2000, Mar 14). *IBM Corp. turnaround*. Boston, MA: Harvard Business Publishing. Maney, K. (2003). *The maverick and his machine: Thomas Watson, Sr. and the making of IBM*. Hoboken, NJ: John Wiley & Sons, Inc. Garr, D. (1999). *IBM Redux: Lou Gerstner and the business turnaround of the decade*. New York: HarperBusiness.
- 7 IBM Corporation. (2009). *Working at IBM*. Internal company presentation.
- 8 Hemp, P., & Stewart, T. (2004, December). Leading change when business is good. *Harvard Business Review*, p. 61.
- 9 Ibid. p. 68.
- 10 Daniel, T. (2009). Managing employee performance. *SHRM Online*. Retrieved September 17, 2009, from [www.shrm.org/Research/Articles/Articles/Pages/ManagingEmployeePerformance.aspx](http://www.shrm.org/Research/Articles/Articles/Pages/ManagingEmployeePerformance.aspx).
- 11 Boudreau, J. W. (2010). *Retooling HR*. Boston, MA: Harvard Business Publishing. Cascio, W. F., & Boudreau, J. W. (2010). Utility of selection systems: Supply chain analysis applied to staffing decisions. In S. Zedeck (ed.), *Handbook of industrial and organizational psychology*. Washington, D.C.: American Psychological Association.
- 12 Dowling, P.T., & Schuler, R. S. (2005). *International human resource management*. Excel Books. Schuler, R., Briscoe, D., & Claus, L. (2008). *International human resource management (Routledge Global Human Resource Management)*. Routledge. Robson, F. (2009). International HRM case study—international assignments. *SHRM Online*. Retrieved June 10, 2010, from [www.shrm.org/Education/hreducation/Pages/InternationalHRMCaseStudyInternationalAssignments.aspx](http://www.shrm.org/Education/hreducation/Pages/InternationalHRMCaseStudyInternationalAssignments.aspx). Wright, G. (2009, May 19). American companies seeking to go global can face big HR hurdles. *SHRM Online*. Retrieved June 20, 2010, from [www.shrm.org/hrdisciplines/global/Articles/Pages/BigGlobalHRHurdles.aspx](http://www.shrm.org/hrdisciplines/global/Articles/Pages/BigGlobalHRHurdles.aspx). Smith, J. J. (2008, Oct. 1). Most multinational firms not tracking expats' ROI. *SHRM Online*. Retrieved June 20, 2010, from [www.shrm.org/hrdisciplines/global/Articles/Pages/Expats%E2%80%99ROI.aspx](http://www.shrm.org/hrdisciplines/global/Articles/Pages/Expats%E2%80%99ROI.aspx). Smith, J. J. (2008, June 24). Employers need to improve long-term management of global talent. *SHRM Online*. Retrieved from [www.shrm.org/Publications/HRNews/Pages/EmployersNeedImprove.aspx](http://www.shrm.org/Publications/HRNews/Pages/EmployersNeedImprove.aspx).
- 13 Boudreau, J. W. (2010). *Retooling HR*. Boston, MA: Harvard Business Publishing. Cascio, W. F., & Boudreau, J. W. (2010). Utility of selection systems: Supply chain analysis applied to staffing decisions. In S. Zedeck (ed.), *Handbook of industrial and organizational psychology*. Washington, D.C.: American Psychological Association.
- 14 Cappelli, P. (2008). *Talent on demand*. Boston, MA: Harvard Business Publishing.
- 15 The present case, Part B, deals primarily with the first of these goals – system design and data capture, while Part C addresses implications for the design of the HR organization.
- 16 Boudreau, J. W. (2010). *Retooling HR*. Boston, MA: Harvard Business Publishing.
- 17 Weatherly, L. (2005). Competency models series part I: Competency models—an overview. *SHRM Briefly Stated*. Retrieved September 21, 2009, from [www.shrm.org/Research/Articles/Articles/Pages/Competency\\_20Models\\_20Series\\_20Part\\_20I\\_20Competency\\_20Models\\_20\\_20An\\_20Overview.aspx](http://www.shrm.org/Research/Articles/Articles/Pages/Competency_20Models_20Series_20Part_20I_20Competency_20Models_20_20An_20Overview.aspx).
- 18 Weatherly, L. (2005). Competency models series part II: Competency methods and uses. *SHRM Briefly Stated*. Retrieved September 21, 2009, from [www.shrm.org/Research/Articles/Articles/Pages/Competency\\_20Models\\_20Series\\_20Part\\_20II\\_20Competency\\_20Methods\\_20and\\_20Uses.aspx](http://www.shrm.org/Research/Articles/Articles/Pages/Competency_20Models_20Series_20Part_20II_20Competency_20Methods_20and_20Uses.aspx).
- 19 Weatherly, L. (2005). Competency models series part III: Competency-based performance management. *SHRM Briefly Stated*. Retrieved September 21, 2009, from [www.shrm.org/Research/Articles/Articles/Pages/Competency\\_20Models\\_20Series\\_20Part\\_20III\\_20Competency-Based\\_20Performance\\_20Management.aspx](http://www.shrm.org/Research/Articles/Articles/Pages/Competency_20Models_20Series_20Part_20III_20Competency-Based_20Performance_20Management.aspx).
- 20 Boudreau, J. W., & Ramstad, P. M. (2007). *Beyond HR*. Boston: Harvard Business Press.
- 21 Boudreau, J. W. (2010). *Retooling HR*. Boston, MA: Harvard Business Publishing.
- 22 For several examples connecting the talent pipeline to concepts from supply chain management, see chapter 5 in Boudreau, J. W. (2010). *Retooling HR*. Boston, MA: Harvard Business Publishing.



SOCIETY FOR HUMAN  
RESOURCE MANAGEMENT

1800 Duke Street  
Alexandria, VA 22314-3499