Economist Intelligence Unit

The Economist

Global firms in 2020

The next decade of change for organisations and workers

A report from the Economist Intelligence Unit

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Preface

Global firms in 2020: The next decade of change for organisations and workers is an Economist Intelligence Unit report, sponsored by the Society for Human Resource Management (SHRM). The Economist Intelligence Unit conducted the survey and analysis and wrote the report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor.

The report's quantitative findings come from a survey of 479 senior executives, conducted in June and July 2010. The Economist Intelligence Unit's editorial team designed the survey. Laura Moustakerski was the author of the report and Gilda Stahl was the editor. Mike Kenny was responsible for the design.

To supplement the quantitative survey results, the Economist Intelligence Unit conducted in-depth interviews with relevant experts. We would like to thank all interviewees for their time and insights.

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Executive summary

Over the past decade, executives have witnessed a significant transformation of their companies. Firms have embraced the Internet for both commerce and communication. Globalisation, increasing economic interdependence between nations and a financial crisis have forced management to act—and workers to adapt—quickly. Considering the speed of change over the last ten years, what will the typical company look like in 2020? And what can corporate leaders do to prepare the workforce for change?

Over the next decade, changes in the way companies operate will not be revolutionary or disruptive; they will be an extension of the evolution already visible at many firms today. According to research conducted by the Economist Intelligence Unit, companies will become larger and more global in the next ten years, handling operations in more countries than they do today. Despite rapid expansion, they will also be more globally integrated, with better information flow and collaboration across borders. They will be less centralised, but will not be fully decentralised. Local operations will be free to move on opportunities that further the global organisation while headquarters will continue to play an important role in setting the tone and values of the company.

Companies will also be flatter. Employees will be given greater decision-making responsibility, often at an earlier stage in their careers. Companies will favour a more fluctuating workforce, to better match shifting talent needs across global operations. But this will have a cost: the average worker will feel reduced loyalty to the organisation, which may lead to greater employee churn.

The rise of emerging markets, the global financial crisis and demographic pressures are among the forces driving companies to expand overseas. As they do so, they will:

- **Take on more contingent workers**. The proportion of contingent to permanent workers will shift in favour of the former. The workforce will be larger and spread over more countries, making crossborder communication more important—and more challenging. Seventy-five percent of survey respondents expect their company to enter or compete in more foreign markets over the coming ten years (only 16% do not expect to; the remainder are unsure). Yet most survey respondents see significant cultural and linguistic barriers to hiring globally, and most do not believe their company excels at collaboration.

- **Localise management.** Companies will continue to localise the management of overseas operations to leverage native managers' keener cultural understanding of customers and employees. But in a world where cross-border interaction is expected to become more intense, a global outlook will be just as

important as local knowledge. Managers with high potential will still take on overseas assignments to broaden their experience. The difference, say interviewees for this report, will be that these moves will tend to be short-term, and managers will move from emerging markets to developed markets rather than merely the other way around.

Fifty-four percent of survey respondents expect management to be more international in composition; 39% expect managers to better represent the countries where the company does business; and 32% expect managers to travel more frequently among overseas offices. These expectations are much more striking among the interviewees, who place local knowledge and a global perspective as two of the most important qualities of a modern manager. They see localisation, coupled with short-term international movement, as critical to establishing an integrated global culture. Taken alone, neither localisation of overseas management nor the placement of expatriate managers from headquarters into overseas operations builds a common culture. And it is this unified culture that will define successful global companies.

Workers, who will increasingly be sourced from foreign markets, will be hired and trained to fit into the global organisation. Among the changes to the workforce that are expected to materialise:

- **Increasing workforce flux.** More roles will be automated or outsourced, and more workers will be contingent (contract-based), mobile or work flexible hours: 67% of respondents expect a growing proportion of roles to be automated (7% expect a growing proportion to be staffed); 62% expect a growing proportion of workers to be contract-based (12% expect a growing proportion to be permanent staff); and 61% expect a growing proportion of functions to be outsourced (13% expect a growing proportion to be brought in-house). This may allow companies to leverage global resources more efficiently, but it will also increase the complexity of management's role.

- **More diversity.** Workers will come from a greater range of backgrounds; those with local knowledge of an emerging market, a global outlook and an intuitive sense of the corporate culture will be particularly valued. Fifty-eight percent of respondents expect workers to have more diverse backgrounds and experience; 48% believe the workforce will become more international in composition; and 44% say it will become more ethnically diverse. To build on this, many companies will send employees overseas more frequently, often for short periods, on project-based assignments or to take part in training.

  Interviewees are more definitive in their belief that overseas assignments are critical for employee development and to entrench the corporate culture into the global organisation. They believe talented young people will more frequently choose their employer based, at least in part, on international opportunities.

- **Ascendance of soft skills.** Companies will focus on building communication skills, cultural awareness and corporate values through international assignments and by bringing together groups of workers from different countries and functions into training sessions. Technical skills, while mandatory, are seen by interviewees as less defining of the successful manager than the ability to work across cultures and build relationships with many different constituents. People who have local knowledge, a

global outlook and an intuitive sense of the corporate culture will have the best leadership potential. Survey takers rate problem-solving, project-management and interpersonal skills ahead of technical competence as the most important skills for their organisation’s success over the next decade, ahead of technical and function-specific skills.

Changes to the organisational structure and workforce will spell new challenges for managers. Among them are:

- **Understanding the worker**. While a majority of respondents expect job satisfaction to improve (39%) or remain the same (17%) over the next decade, the survey reveals a disconnect between what companies offer to employees and what respondents say their direct reports actually value. For example, 78% of respondents say decision-making responsibility would be a key factor in deciding to join a company, yet only 40% believe their own company encourages employees to make decisions. Respondents say that workers want opportunities for continued learning; performance-related bonuses; opportunities to work internationally; flexibility to work on different teams; and career planning. Yet these are all benefits that most feel their own company is negligent in providing. The benefits that companies are most likely to provide, such as home-working privileges and a casual dress code, are the benefits that survey respondents value least.
- **Tapping into the multi-cultural workforce**. Twenty-eight percent of survey respondents say their company will use IT and social networking tools to tap into the global talent pool over the coming decade, but it is likely they are underestimating how quickly HR will recognise collaborative technology as a key component of a global hiring strategy. Interviewee companies are already leveraging social networking sites, researching which sites are most effective in each market. Meanwhile, to broaden the talent pipeline and develop new skill sets, some companies are partnering with schools to develop curricula—both technical and managerial—that prepare students for work in a multinational, multicultural company.

Introduction

The pace of business change over the past decade has been breathtaking. The so-called BRIC countries (Brazil, Russia, India and China), indeed, a wide range of emerging markets, are seeing rising middle classes that are eager for new products and services. The Internet has upended traditional industry models and fuelled the ever-quickening pace of business. Third-generation (3G) and wireless technology have brought office work everywhere: the cafe, the commute, the dinner table. The phrase "work-life balance" has become, for its constant disequilibrium, commonplace.

What will the organisation look like in another ten years? The Economist Intelligence Unit surveyed 479 businesspeople around the world and interviewed 15 executives at successful global companies to find out what they expect.

The challenges they believe companies will face are perhaps paradoxical: workforces will be larger and more spread out, but they will also have to be more globally integrated; companies will localise management of operations, but will also need a consistent global brand to attract customers and talent; companies will try to move quickly on new opportunities around the world, but will also need to act carefully and mitigate risk; they will depend on worker loyalty and motivation, but will also try to have a more provisional and contingent workforce; there will be greater diversity in the workforce, but also a more uniform corporate culture.

It will be a difficult balancing act. Companies that are able to pull it off will be at a distinct advantage.

Who took the survey?

A total of 479 senior executives participated in the "Global firms in 2020" survey, which was conducted by the Economist Intelligence Unit in June and July 2010. Of those who responded, 210 were C-level executives and the remainder were senior vice-presidents, heads of business units and other senior managers. Eighty-nine respondents have human resources (HR) responsibilities at their organisation. Many of the firms for which they work are mid-sized to large: 265 respondents hailed from companies with annual revenue of at least US$500m. For more details on the survey sample and results, see the appendix of this study.

Key points

- **Seventy-one percent of survey respondents with less than US$1bn in annual revenue say they will enter and compete in more foreign markets over the coming decade**
- **Expat managers have proven to be too expensive and often fail to absorb sufficiently the local culture**
- **Companies should consider adopting an approach that balances local and central control**

The global organisation

As companies—both large and small—expand into new markets over the next decade, their organisational structures will evolve in kind. Managers will increasingly be hired locally, as qualified management talent in emerging markets is more plentiful now than when multinationals first set up shop there. In addition, expatriate managers have become too costly and have an insufficient grasp of the local culture. Decision-making, however, will be both localised and globalised. As Michael Beer, Professor Emeritus at Harvard Business School and chairman of TruePoint, a consulting firm, notes, "Companies will try to push as much decision-making to local units at the same time that they create global standards, global processes, global teams."

Expanding into emerging markets

Companies cannot help but feel the impact of a globalised economy. Previously inaccessible markets are opening up for companies to tap new customers as well as new talent. New competitors are emerging from unexpected places. According to the Economist Intelligence Unit's survey respondents, the

Over the next ten years, my organisation will...

	Agree (companies over US$1bn revenue, %)	**Agree** (companies under US$1bn revenue, %)	**Agree** (all companies, %)
...enter/compete in more foreign markets	80	71	75
...source more goods and services from foreign markets than our home market	61	48	54
...encounter our strongest competitors in foreign markets	57	50	53
...receive more revenue from foreign markets than our home market	55	46	50
...hire more people in foreign markets than in our home market	67	35	49
...invest more in foreign markets than in our home market	59	40	48
...produce more goods and services in foreign markets than in our home market	59	38	47
...receive more financing from foreign investors than our home investors	38	37	38
...conduct more R&D in foreign markets than in our home market	35	28	31

Source: Economist Intelligence Unit survey, July 2010.

domestic market is shrinking in significance relative to foreign markets, as sources of revenue, talent and competition.

It's no surprise that the trend is especially strong among large organisations that have the resources to expand. What is striking is that small and medium-sized companies will find more growth opportunities abroad: 71% of respondents with less than US$1bn in annual revenue say they will enter and compete in more foreign markets over the coming decade, and 50% believe their strongest competitors will be overseas.

The big emerging markets have long been targets for foreign direct investment (FDI). They were places to manufacture for export or to build a "presence". Those investments are now paying off: China, India and others are evolving into fully functioning, complex economies with large middle-classes, talented workforces and sources of finance.

Companies are spreading investment over more emerging markets, instead of concentrating on one (traditionally China). This is to mitigate risk, but also because many emerging markets are seen as strong bets: 68% of respondents agree with the statement, "We must spread our portfolio of operations over more countries."

The benefits and pitfalls of size

There will be benefits to having a larger, more global organisation, such as the ability to trial new products and services in one market before rolling them out globally. The same applies to internal human resources (HR) processes. "We have all these little Petri dishes in which you can try new things," says Laszlo Bock, vice-president of people operations at Google, the California-based Internet search and advertising technologies corporation. "We can try managing the Paris office differently from the New York office. We

Forced conversation at Google

People tend to fall back on hierarchical modes of working, notes Laszlo Bock, vice-president of people operations at Google, the California-based Internet search and advertising technologies corporation. "As you get bigger as an organisation, you have to work harder and harder, and more deliberately, to unpack the biological and cultural trappings that people normally bring with them," he says. The company has a leadership training programme—the Advanced Leadership Lab—designed to create meaningful personal connections across its global operations.

The programme aims to have people "think like owners" rather than employees. Employees, Mr Bock explains, "assume other people will take care of things. They assume there's some infrastructure for them. They don't look at every activity in the company and think first, 'I'm responsible for everything, whether it's my job or not.'" As "owners", participants are expected to bring their own leadership challenges to the training. "By actually reinventing the course content, they have an immediate practical application of it," he says.

The programme assembles people across functions and geographies, each cohort a microcosm of the larger company. For many, this is their only experience working with people outside their function. The close relationships that result tend to last, even when participants return to their home offices.

Formal mentoring can feel contrived. "We find it's more helpful to create an environment where you allow people to discover that even though they do completely different jobs (one's in engineering, one's in sales and one's in finance), there is actually a lot they're experiencing in common and they form their own networks," says Mr Bock. "That also runs more efficiently from a company perspective because you don't need hundreds of coaches. You have your leaders becoming coaches for one another, which also has the virtue of letting them develop a new skill for themselves."

can roll out a new benefit in Europe and see how people react and if it's valued. If it works, great. You roll it out globally. If it doesn't, then it stays local or you stop doing it."

However, there are downsides. More people will work odd hours in order to connect with colleagues and clients worldwide. Companies will struggle to create and maintain a single brand experience—for customers and workers—over far-flung operations. They will need to integrate new people quickly while keeping a sense of community within a dispersed workforce.

"As you get bigger, you feel more removed from other people. You find that people are a little more anonymous, a little less likely to lend a helping hand, and innovation comes a little less naturally," says Mr Bock. "It becomes easier for people to join and say, 'I'm just going to worry about what's going on in the Hamburg office. I'm not going to worry about what's going on in Paris, let alone Hyderabad.'" To counteract this, the company advocates communication and transparency.

Localising management

Over the next decade, companies will continue to localise the management of overseas operations. Expat managers, traditionally sent to instil local operations with practices from the home market, have proven to be too expensive, and often fail to absorb sufficiently the local culture. Their presence can be demoralising for local talent, suggesting the lack of career path for those outside the home market.

> "I believe that you can't achieve a breakthrough without harnessing the powers of localness."
>
> *Jeff Joerres, CEO and chairman, Manpower*

For Manpower, a US-based employment agency that operates in 82 countries, speed is the issue. Expat management "ends up being more tacit knowledge transfer and that's not fast enough", says Jeff Joerres, Manpower's CEO and chairman. He finds it more efficient to train a local manager in corporate culture than an expat manager in local culture.

This is not to say that the expat manager will become extinct. But the reasoning behind international transfers will be different, as will be those chosen for such moves. There will be more short-term assignments, with reins handed over to local managers within a year. There will be movement of managers not only from headquarters to local markets, but the other way around, and between different local markets as well. "I think you're seeing a lot more people transferred from the developed world to the developing world, and vice versa," says Stephen Burnett, associate dean of executive education at Northwestern University. "It's the vice versa that has really changed."

Managers will be chosen for foreign assignments based on their ability to work across cultures and learn best practices that can be transferred to other markets. It will be a means of turning a high-potential manager into a global leader. At Manpower, the Vietnam country manager is spending one month at the office in Sweden; she previously toured operations in France and Japan. She will be bringing back best practices to Hanoi, which she will adapt to her market. Mr Joerres believes this method of "dipping" managers into different settings is the most efficient way to transfer corporate culture. It addresses what he sees as the company's primary HR challenge: training leaders fast enough to keep up with the growing sophistication of the markets where Manpower operates.

Because of their cultural connection, local managers are better able to assess competitors, recognise and recruit local talent, and identify potential partners, to interact with and appeal to local customers. Mr Joerres says that when a local manager talks with the government about changes in labour legislation or to

a client about productivity, "these are not off-the-shelf, pre-packaged and sterile recommendations. These are heartfelt, well-thought-out, insightful recommendations based on a true understanding of that market. I believe that you can't achieve a breakthrough without harnessing the powers of localness."

Local authority, central oversight

If managers will be hired locally, will more decision-making be localised as well? About one-half of respondents (47%) report there will be greater autonomy for local offices, while 31% expect greater centralisation around headquarters.

Some external factors support a shift towards local authority. If protectionist barriers rise and government regulation increases, as 66% of respondents expect, companies will have to work more closely with government agencies. In this scenario, a strong country manager is critical. Furthermore, since most cross-border trade is intra-company, an increase in trade barriers would hamper a globally integrated strategy; companies would be inclined to place more stock in individual geographic markets. This would also raise the profile of the local manager.

But other factors point to a need for greater central control. Rapid growth is fraught with risk. As companies expand, they must protect the global brand and present a clear image that appeals to customers and job seekers. Tony Voller, senior vice-president, EMEA HR and global talent, at Intercontinental Hotel Group, a UK-based global hotel company, says that ten years ago, IHG hotels were largely local units operating autonomously. "I would say that in some ways we're becoming a more centralised organisation," he explains. This is because customers—particularly in the travel and retail industries—increasingly expect consistent service globally. "Customers are becoming much more savvy and demanding about what they require. The challenge for every business is to make sure there is a high degree of consistency." Mr Voller says that at IHG, "The autonomy that local managers can exercise has to be tailored to specific requirements in that community."

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>
> *Michael Beer, Professor Emeritus, Harvard Business School*

Furthermore, many costs are duplicated in a country-based strategy. Most survey respondents see more frugal customers and leaner budgets as the most lasting legacies of the global financial crisis. Sixty-seven percent of respondents agree with the statement, "We will have to cut costs significantly to remain competitive" (26% disagree). Heightened competition also requires companies to hasten innovation, which entails cross-border collaboration; a strong centre is needed to mandate and facilitate such connections. Furthermore, stricter regulation in some industries demands more uniform processes and tighter oversight.

This tension is captured in the survey data. A majority of respondents agree with both of these contradictory statements:

- We must respond more rapidly to new opportunities, even at the risk of making the wrong decisions (68%; 26% disagree).
- We must strengthen our decision-making processes, even at the risk of slowing our reaction to new opportunities (61%; 34% disagree).

Engineers unite at GM

"Ten years ago, we were much more regionally based," says Mary Barra, vice-president of global HR at GM, a US-based automaker. Now the company is benefiting from a strong push towards global integration. The objectives are saving money, responding faster to the market, speeding up the innovation process and producing better cars. How does the company operate globally?

GM maintains six "engineering centres", in South Korea, China, India, Brazil, Germany and the US. These act as magnets for talent in their regions, cultivating relationships with top schools. But engineers are not restricted to regionally based projects. Teams are assembled from across the engineering centres to share in the development and design of new vehicles and sub-systems.

The global team meets face-to-face at the start of each project—usually in the country where the innovation or new car will be rolled out—and again at key milestones. Ms Barra believes that this initial meeting is critical. "It's building and establishing those relationships up front, making sure you've got the team that is working together and has the right common goals, then you leverage the different collaboration technologies effectively," she says. Using a global engineering platform, as well as common communication tools, the team collaborates remotely throughout the project. Meeting again at project milestones allows the team to see prototypes at work in the target environment.

By meeting initially in the country of rollout, the team can learn from local GM engineers the market's particular challenges, such as road quality. When complete, the newly engineered component or vehicle is tested in that market. "We can then reuse that engineering solution on other vehicles around the world," says Ms Barra. "It not only lowers our cost, but also gives us higher confidence. We've validated and tested, so we're going to have higher quality."

Cars are becoming more technically complex. There are constant advancements in electronics and alternative propulsion, and high demand for engineers who are expert in the field. Ms Barra believes global collaboration lets GM leverage scarce human resources and innovate more quickly, while its regional engineering centres allow it to leverage knowledge of markets.

The answer may be a new approach entirely. "In the world we're living in today, the words 'decentralisation' and 'centralisation' need to be thrown out completely," says Professor Beer of Harvard Business School. "These are opposites that can no longer exist as opposites. Companies will try to push as much decision-making to local units at the same time that they create global standards, global processes, global teams."

Companies should consider adopting an approach that allows for a balance between local and central control. This will vary by function and country, and will shift as opportunities—or crises—arise anywhere in the organisation. Direct collaboration and communication between local offices will become more natural, and the home office will be less of a bottleneck. Indeed, the home office may be transformed: some respondents expect their company to move headquarters from a slow-growing mature market to a fast-growing emerging market within the decade. It is more likely, however, that companies will evolve to have multiple regional headquarters.

In recent years, GM, a US-based automaker, has transformed itself from a regionally based company to a globally integrated organisation, where regional engineering centres co-ordinate with each other to design new cars and components. "If you go too far and everything is centralised, it's impossible for any group of people in one location to understand and know best how to meet the needs for the diverse markets around the world," says Mary Barra, vice-president of global HR at GM. "Yet if you have complete autonomy at every unit, you're not going to be as efficient, you're not going to share best practices."

Key points

- There will be greater leeway to work from home, make lateral moves and work modified schedules within the next ten years
- Organisations will seek employees that have a global mindset, people that are able to work across cultures and are motivated to bring the business to new markets
- Workers will do more project-based work, forming and re-forming into teams rather than having a static role

Effects of change on workers

Over the coming decade, survey respondents expect employees to work longer hours, retire at an older age, and experience greater personal and family stress due to work. Given that outlook, it is unsurprising that 57% of respondents expect there to be less loyalty to the organisation, while only 20% anticipate greater loyalty.

What other changes are in store in the next decade? There is likely to be greater workforce fluctuation and a cultural divide between core and contingent workers; more diversity in the workforce, especially geographic; increased attention paid to soft skills, personal attributes and experience; and people taking on more responsibility at an earlier stage in their careers.

Shifting demographics

In most developed countries, population growth has slowed or even reversed. The proportion of working-age people to the general population is shrinking even faster: Japan's population will contract by 4% between 2000 and 2020, while its labour force is forecast to shrink three times faster (12%), according

Demographic forecasts for select countries, 2000-20

	Total population, 2020 (m)	Population change, 2000-20 (%)	Total labour force, 2020 (m)	Change in labour force, 2000-20 (%)	Private consumption per capita, 2020 (US$)	Change in private consumption per capita, 2000-20 (%)	Real GDP per capita, 2020 (US$)	Change in real GDP per capita, 2000-20 (%)
Brazil	219	27.9	119	46.1	10,250	323	16,350	335
China	1,407	11.0	847	14.0	8,170	1,770	15,770	1,576
Germany	83	0.5	43	0.9	32,740	140	55,310	139
India	1,362	35.6	602	53.8	2,480	711	4,300	812
Indonesia	268	25.1	139	45.6	4,360	816	7,350	852
Japan	122	-4.0	60	-11.5	31,060	50	57,500	56
US	337	19.3	165	15.5	47,440	96	74,750	112

Source: Economist Intelligence Unit.

to Economist Intelligence Unit forecasts (see table). The US population will grow by 19% over the same period, thanks largely to immigration, but its labour force will increase by only 16%. These pressures are forcing companies to seek new labour sources in emerging markets: India's population will grow by 36% between 2000 and 2020, and its labour force will be up by 54%.

Multinational companies will have to tread carefully. They will need to integrate new workers into fast-growth markets and keep workers in slow-growth markets motivated despite the shift away from their turf. Bias towards either side will be keenly felt.

Age among workers is another factor executives must consider. Baby-boomers in developed countries are retiring at an older age than previous generations. Says Stephen Burnett, associate dean of executive education at Kellogg School of Management: "I've got all these people that I thought were going to retire; they're not. They're looking at another 10 or 15 years of work—and they're sitting on MBAs from 1975. [Companies] have to start paying attention to those people's development."

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>
> *Stephen Burnett, Associate Dean of Executive Education, Kellogg School of Management*

Meanwhile, the younger generation, because of its smaller ranks, is filling strategic roles at an earlier age, with less experience than the previous generation of managers. They must be given accelerated leadership training. In the last 20 years, the number of workers aged 55 or older in the US has doubled, while that of workers aged 35-39 has dropped slightly.

The fluctuating workforce

Intensified competition in low-cost markets and the financial crisis have encouraged a trend towards a leaner, more fluctuating workforce. Sixty-two percent of survey respondents expect a growing proportion of workers to be "contingent" (ie, contract-based rather than permanently employed). Employees will be more physically mobile, and better equipped to collaborate virtually over the next decade.

A flexible workforce will make it easier to scale up or down as business needs dictate—"just in time" resourcing. As Robert Orth, HR director for IBM in Australia and New Zealand, explains, it is not easy to forecast HR needs, especially in high-tech fields where skills have a short lifespan. The goal is to build a business model "that is flexible enough that even if you don't get the forecasting exact, you can find and move skills and capability at shorter notice." IBM has designed a system to help manage its increasingly mobile and flexible workforce (see sidebar).

There will be greater leeway to work from home, make lateral moves and work modified schedules within the next ten years. Some will choose to become free agents, working where and when they want. Nandita Gurjar, senior vice-president and group head of HR at Infosys, an Indian-based technology and consulting firm whose business is largely in the US, says that time-zone differences can take a toll on employees. Work-life balance is especially important to younger workers. She believes an increasing number will choose contract-based work that can be performed remotely. "Organisations will need to understand how to deal with this group of people whom they have probably never seen." But she warns: "If they don't, they'll miss out on a very large workforce. Organisations that adapt and are more flexible will have access to a very intelligent and growing workforce."

Ms Gurjar acknowledges that most workers will prefer to remain part of the organisation, opting for more human interaction. "Although there is a lot of social media, it really has not substituted for the

IBM: Watching workers

In 2004 IBM, a global technology and consulting organisation, introduced a workforce management system that allows the company to oversee its global resources while employees manage their own careers.

Two-hundred fifty distinct roles (eg, project manager, IT architect) were identified across the global organisation and given descriptions. The descriptions comprise skills, which are also defined uniformly across the organisation. Each role description is "owned" by a practitioner of that job, who updates it as necessary.

The company's 400,000 employees regularly assess their own skills, rating each on a scale of 1 to 5. Once approved by their manager, the ratings are integrated into an online tool. The tool collects other data, such as contact details, billing rates, home office and current project. For the 60,000 employees identified as "high potential", additional leadership-readiness data are incorporated.

The tool can be used by employees to identify and apply for job openings worldwide, compare their skills against those needed in other roles and determine what skills they need to develop to move up the ranks. The tool is used by managers to assemble optimal project teams. And the company uses the tool strategically, for predicting workforce needs. Each business unit provides a quarterly trend analysis: which skills are hot, which are on the wane. By comparing the existing supply of skills and leadership against current demand and future trends, IBM can plan its hiring and training needs.

"The whole concept was to translate supply chain management thinking into the HR space," says Frank Persico, vice-president of workforce learning and development at IBM. "It was a two-pronged impetus, both to better enable supply-demand matching, because you don't want people underutilised or worse, a situation where we do not have enough of them. But at the same time, from the employee-centric view, we wanted employees to understand what they needed to do to be successful in the roles that they were interested in."

face-to-face, the teamwork, which comes out of working in an organisation," she says. "So while there could be more money and more flexibility in working as a contractor, the fact is that we, as human beings, like interaction. So even if it moves to a 70:30 [split], you will still have a larger workforce which will be employee-based."

Whether workers choose a more flexible arrangement for their own personal reasons or companies hire more contingent workers for business reasons, there will be a cultural divide between those workers and core staff. Core talent will derive a disproportionate level of resources and opportunity as companies strive to earn their loyalty. They will undergo a more rigorous hiring process than previously, but be rewarded with interesting projects, accelerated leadership development, international assignments and regular promotions. Companies will be challenged to maintain morale and boost collaboration while they shift to a more contingent workforce.

Diversity becomes more diverse

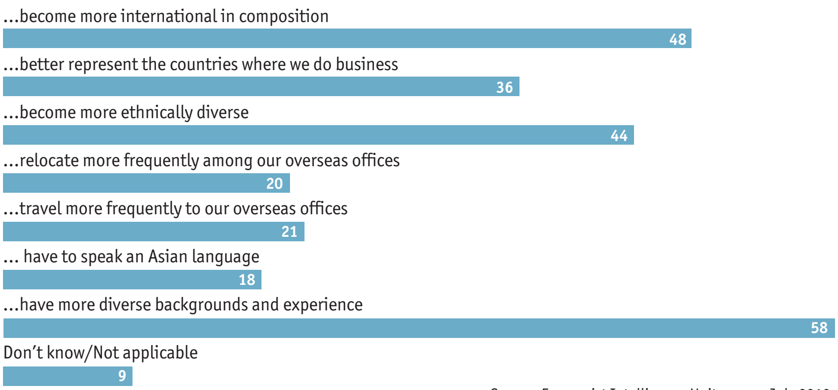
Traditionally, a diverse workforce was one that included multiple races and ethnicities. But as companies expand in a tighter job market, the definition has expanded. "We've got to diversify our sources of talent from almost every measure, whether that's gender, academic background, socioeconomic status or immigration status," says Jim Wall, global managing director of talent and chief diversity officer at Deloitte Touche Tohmatsu Limited, a professional services firm. "Our member firms will compete against other industries for talent and must stand out as employers of choice." He adds, "Increasingly, we're drawing people from the far reaches of the talent pool, places where we would not have traditionally considered people coming from: engineers, physicians, physicists, and not bean counters, not only

accountants."

A background in another industry, job function or country is valued. "When I say 'diversity and inclusiveness', I'm not talking about political correctness," says Mr Burnett of Northwestern University. "Say your client is Coca-Cola, and Coca-Cola operates all over the world. The team that you have to put together to serve Coca-Cola cannot be a bunch of Americans from Atlanta, Georgia. You have to have people from absolutely all over the world, and you're probably going to have to come from a lot of different practices." Survey-takers agree (see chart).

International experience (whether through work or school) will be highly regarded. Workers with a tacit understanding of local cultures will be integral to emerging-market operations. Employees at all levels of the organisation and in all regions will be given more opportunities to travel, often on a short-term or project basis, or for training.

How will your organisation's workers change over the coming ten years? Select all that apply. Our workers will...
(% respondents)



Source: Economist Intelligence Unit survey, July 2010.

More than international experience or knowledge, organisations will seek employees with a global mindset, people who are able to work across cultures and are motivated to bring the business to new markets. And even as local expertise is prized, a uniform corporate culture will prevail. Employees—wherever they are in the world—will be expected to conform to a common set of values and communicate in a common "language of business" (usually English). The most successful employees will be those who embody their local culture and the values of the global corporation.

"What you're looking for is somebody who is of the culture," says Mr Burnett. "I want somebody sitting in the Middle East who really understands that market," he says. "Yet, when I talk to them about our ethical standards or financial controls or the way we do things in this company, they don't look at me like I'm just insane. I can be confident that there might be all kinds of temptations to do things [in the Middle East] that this company wouldn't do, and that they're not going to do them."

Diversity will not be easy to manage. Asked about the greatest obstacles to hiring globally, survey respondents pointed primarily to cultural differences (44%), along with differing standards of quality and language barriers.

Training in soft skills

Corporate culture and soft skills will become a focus of training within the next decade. All engineers that join Infosys, whether from India, China or elsewhere, undergo a six-month residential training programme at the corporate university in Mysore. Ms Gurjar says this is "so that they are ready to handle our global plans". The original aim of the corporate university was to ensure a standardised level of technical proficiency. But the firm soon recognised that there was an opportunity to impart more. "We

could put in our value workshops," she says. "We could put in the soft skills. We could put in the cultural pieces, saying, 'Most of your clients will be in the US and these are the cultural differences', or 'If you're working with a European client, these are the cultural differences'. So it allowed us a very good window into getting them ready for business, not just in technology."

Workers will do more project-based work, forming and re-forming into teams rather than having a static role. Problem-solving and project-management skills will be critical, according to survey respondents. Successful managers will assemble and oversee cross-functional teams rather than an unchanging set of direct reports. Mr Orth of IBM believes that workers will be defined by their skills and experience rather than their job titles. "Everybody is looking at résumés to understand that you can work cross-culturally, that you can work in extended teams, and that you can work in a matrix," says Mr Orth. "I think the business world is going like that, and you call it a skill set or a capability that you really need because that's how these projects are going to work."

Bin Wolfe, Asia-Pacific people leader for Ernst & Young, a professional services firm, believes that China's economy is changing faster than its culture. A challenge for the country's relatively homogeneous workforce is to open up to other cultures. Future managers and leaders in her firm will need "the ability to work across borders, work multi-culturally, work with different clients, different people across the firm. I think that's going to be such an important skill set, whereas it was a lot less important probably ten years ago."

Ajay Dhir, group CIO at Jindal Steel, believes managers in India's manufacturing industry—which lags the IT industry in its level of globalisation—must learn to be more open-minded: "The world is one big community now. Indians will invest abroad. People from overseas will invest in India," he says. Managers must be ready to work with people from different communities, countries and religions. "In India, thinking like an Indian, speaking like an Indian is good," he says. "But it is not what is required. You can be an Indian, but think global and speak global." Mr Dhir says Indian managers, whether at home or abroad, must "be more flexible, adopt the local culture, the local way of working, the local way of thinking and speaking, and not be isolated in groups which are small, isolated communities." He believes this is the management training challenge for his company. "You have to be more participative and inclusive," he adds.

"Everybody is looking at résumés to understand that you can work cross-culturally, that you can work in extended teams, and that you can work in a matrix."

Robert Orth, Director HR, Australia, New Zealand, IBM

Key points

- **To strengthen the global culture, companies will avoid biases that favour the home market in hiring, promotions and compensation decisions.**
- **Companies will use technology to interconnect large workforces, but will rely on face-to-face encounters to foster lasting relationships.**
- **There is a significant gap between what survey respondents value in a job and what they believe their company provides.**

Implications for executives

Retaining and rewarding the best people has always been one of HR's main challenges; it will increase exponentially as the competition for top talent goes global. Yet as the survey reveals, most companies are ineffective in motivating workers and instilling loyalty:

- 45% of all respondents (and 58% of respondents at large companies) say their company does not understand what motivates employees.
- 41% of all respondents (and 47% of respondents at large companies) do not believe their company is a meritocracy.

Understanding the worker

There is a significant gap between what survey respondents value in a job and what they believe their company provides. Companies are more likely to offer perks that workers value only slightly (such as a casual dress code and home-working privileges) than those they regard highly (such as decision-making responsibility, opportunities to work internationally and career planning).

	Respondents who say this benefit would have a "strong" or "very strong" influence on their decision to join another company	Respondents who say their current company offers this benefit
Competitive compensation packages	84 %	51 %
Encouragement of employees to make decisions and take risks	78 %	40 %
Opportunities for continued learning	77 %	57 %
Performance-related bonuses	74 %	49 %
Opportunities to work internationally	69 %	37 %
Flexibility to work with different teams on a per-project basis	56 %	35 %
Career planning	53 %	17 %
360-degree feedback	45 %	25 %
Generous holiday allotment	44 %	38 %
Mentoring	42 %	27 %
Home working arrangements	41 %	41 %
Casual dress code	14 %	51 %

Source: Economist Intelligence Unit survey, July 2010.

Thierry Baril, executive vice-president of HR at Airbus, a leading aircraft manufacturer based in France, notes that the younger generation of workers is more impatient for exciting work and new opportunities, but also cares about work-life balance. “They are expecting a lot from the company, but I think it’s fair. We must know it and we must answer to that,” he says. “They want to be developed and they want to receive clear feedback about their performance and about their potential. They expect someone to really care about them.”

Successful companies will track employee aspirations and morale through satisfaction surveys, public forums, regular meetings between employees and their managers, career planning sessions and 360-degree feedback. In matrix organisations, where people often have two bosses, managers will meet together frequently to discuss work priorities and development goals for their shared resources.

“The way the workforce has changed, people aren’t necessarily looking for lifetime employment. They’re looking for opportunities to grow, develop and be challenged,” says Ms Barra of GM. “I think if you provide that as a company, you’ll retain your talent. If not, I think that more than in the past you’re likely to risk losing them if other companies can do it better.” She believes that HR will have to partner more with functional heads, business line leaders and local managers to ensure that they are “providing good developmental assignments, challenging opportunities and an environment where people feel that they are empowered and can be held accountable.”

“The way the workforce has changed, people aren’t necessarily looking for lifetime employment. They’re looking for opportunities to grow, develop and be challenged. I think if you provide that as a company, you’ll retain your talent.”

Mary Barra, Vice-president, HR, GM

Mr Dhir notes that as more companies—particularly IT firms—enter India over the coming decade, they will be looking for people with both technical and soft skills. His employees will be attractive targets. “How do we persuade a person in my IT department not to join an IT company but to remain with me?” he asks. “It can’t be just because of compensation because the IT company can and will pay more.” He says Jindal Steel must compete by offering a better employee experience. His recipe: understand employees’ aspirations, create a roadmap for their growth, respect their work-life balance, and provide opportunities to learn and have new experiences at home and abroad. He says while younger workers may seek higher pay, mid-level managers are apt to consider the total package, including the relative security of working for an Indian firm.

Building a collaborative corporate culture

According to Robin Dunbar, a British anthropologist, the size of the human neocortex places a limit on the number of individuals with which interpersonal relationships can be maintained. “Dunbar’s number” is approximately 150—and that is assuming the group is physically close. How can a global company of thousands, or tens of thousands, of employees spread over dozens of countries create meaningful connections?

Successful global companies will use technology to interconnect large workforces smartly. Sixty-two percent of respondents expect virtual meetings to replace most face-to-face discussions. But in-person encounters will remain key to foster lasting relationships, say interviewees.

Defining the company’s culture and promoting it globally is another way companies will create a sense of community. Culture is usually described by a few core principles—excellent service to the client, support of colleagues, personal integrity and so on. When these are spelt out clearly by top management, workers worldwide develop a common sense of purpose and belonging. Behaving in accordance with

these principles will become intuitive, even for those in far-flung locations.

Employees should be brought into the process of defining the culture. At IHG, the CEO and global head of HR agreed that for the company to become a global leader, “We needed to be clear about what made us stand out from our competitors for our customers and employees,” says Mr Voller. Managers organised workshops and spoke with employees to learn from them what it would take for the company to become great. “We used their input to drive the discussion about what our culture was, what our values are and what our employee offer is,” including benefits, the recruitment process, the induction and training process. “We really shaped our culture and processes from that input and it’s served us very well,” he says.

Corporate culture will be used to counteract hindrances in local cultures. “Every national culture embodies norms that are consistent with effective as well as ineffective managerial behaviour,” says Professor Beer of Harvard Business School. For example, managers in one country may value rewarding individual performance and downplay the value of teamwork. In another country, managers may value teamwork, but be less demanding and tough on individuals to perform. A company with a strong global culture will mitigate these differences by creating expectations for people to perform both independently and collaboratively. These principles will be backed by corporate leaders and—just as importantly—be incorporated into compensation and promotion decisions.

“You have to find a way of thinking about them [local managers] that takes out of the mix any biases you have from your national origin.”

Michael Beer, Professor Emeritus, Harvard Business School.

To strengthen the global culture, companies will need to avoid biases that favour the home market in hiring, promotions and compensation decisions, and in business resourcing and investment. Sir Martin Sorrell, CEO of WPP, the world’s largest communications services group, says, “The distribution of resources is still far too oriented to those traditional countries. So you see a greater proportion of salary and bonus accruals or allocations, positions still oriented towards the mature markets.”

Sir Martin believes part of the problem is that the HR function is typically centralised in the home market. WPP is experimenting with a decentralised HR, moving senior HR executives outside the home market to high-growth regions. More importantly, local managers are taking on a larger role in identifying and recruiting talent. “It is hopeless to believe that centralised human resources departments can know what’s going on in every market of the world,” he says. “If we lose a creative person in Barcelona, it’s difficult to know who would be the best person to replace that person either internally or externally. We will have to rely increasingly on people in local markets, and it’s a core part of everybody’s job to think about talent. The human resources people cannot be a crutch.”

Professor Beer says companies should develop global standards by which to assess local managers. “You have to find a way of thinking about them that takes out of the mix any biases you have from your own national origin.” Local managers may express themselves differently because of language or cultural differences. “The challenge is to dig deep and identify the core elements of how you think about success and make sure those biases don’t come into the selection process,” he concludes.

Tapping into the global talent pool

The effective and efficient use of the global talent pool will be a hallmark of good HR practice in 2020. For a start, corporate leadership—the CEO and board of directors—must be globally minded themselves. “I think the days of a purely domestic leader are quickly coming to a close for us,” says Mr Wall of Deloitte. “A

Enterprise Rent-A-Car: Super recruiter

At Enterprise Rent-A-Car, the largest car rental company in North America, everyone begins as a management trainee, and all higher-level positions are filled through internal promotions. Recruitment is therefore critical. "If we're not getting the right people coming in the front door, we're not going to be able to grow and sustain our operations," says Donna Miller, HR director for Europe. "So, from our point of view that's always the biggest focus. It's not just a function that falls into the HR or the recruitment teams. Everyone is involved in recruiting." She estimates that the European managing director spends up to 30 days a year reviewing recruitment campaigns, meeting with students and promoting the company as a place to work.

The company's recruitment efforts are highly localised. Instead of basing efforts out of the home office or several large cities, recruiters are distributed across all of Enterprise Rent-A-Car's markets in North America and Europe. This allows the company to develop relationships with hundreds of colleges and universities, rather than focusing on the top ten or so, as many multinationals do. In the Los Angeles area, for example, about 15 recruiters will each cover two to five schools and "really get in and work with the department heads, faculty chairs, the different athletic departments, and the clubs and societies on campus to attract a variety of talent," she says.

Proximity to many schools allows recruiters to make appearances on short notice, adds Ms Miller. If a London-based employer cancels an event at a university in Leeds, for example, the local Enterprise recruiter will be able to fill in. "Being very close and having those close relationships is very similar to our branches," she explains. "So much of our business is built on relationships, and I think our recruitment business is no different from how we operate our rental business."

fundamental condition of effective leadership is international experience and an international mindset."

Mr Dhir of Jindal Steel believes HR managers need more exposure to global business and multicultural issues. "When they have to actually attract, hire people from diverse backgrounds who are more international in their thinking, I think their outlook needs to be more international. That's where we feel there is a gap sometimes."

Companies will partner with governments and universities to increase the pipeline of qualified candidates in emerging markets. In addition to having its own corporate university for new hires, Infosys works with colleges in India to design an engineering curriculum that gives students the technical skills required by today's multinational companies, and trains teachers in the material. "It's a very good investment for us ... because the students are taught before they join us," says Ms Gurjar. "And we get an understanding of what the education level is like in the different colleges." She is not concerned about training students who might join competitor firms. "We are okay with that," she says. "Instead of them taking them from us, we would rather they take them from the colleges."

Only 28% of survey respondents expect their companies to use social networking and collaboration tools to tap into the global talent pool over the next decade. But it is likely that most will catch on fast. They will have to. Technology will play a bigger role in global recruitment and companies that leverage it will be at an advantage. IHG, for example, draws people from local job boards and social networking sites to its own careers website. More than 300,000 CVs have come to the company in this way. The challenge is to uncover the best local sources with which to connect. "You need to understand what's going on in local markets," says Mr Voller. In China, IHG has sought to identify which job boards are most successful in different cities and for different positions.

Conclusion

Naturally, unforseen forces can significantly affect how companies operate over the next decade. Financial fluctuations, scientific breakthroughs and political events may greatly influence how executives plan their strategies and how workers approach their jobs. Yet it is clear that managing the complexities and paradoxes inherent in the evolving global organisation will be critical for corporate leaders.

Companies that make the transition effectively will do the following:

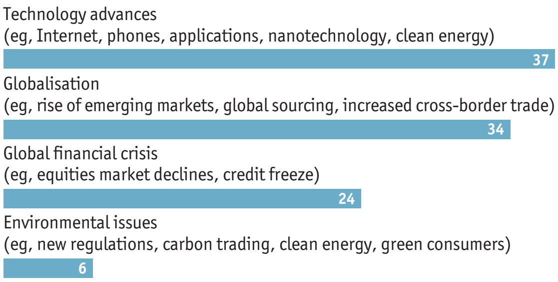
- **Training and diversification between regions**: In developed markets, accelerate leadership training among young workers while continuing to develop older managers. In emerging markets, focus on basic management practices and soft skills. Diversify talent on every measure, including nationality and experience in other industries or functions. Seek employees who have a combination of local knowledge, global outlook and intuitive sense of the corporate culture.
- **Decision-making**: Adopt an approach that allows for a dynamic balance of power between local operations and headquarters, and that fosters co-operation among local offices.
- **Flexibility**: Consider technology that facilitates communication across borders, rationalises the flow of information, interconnects local offices with each other (as well as with headquarters) and creates a feeling of community among the global workforce.
- **Workforce**: As the workforce becomes increasingly contract-based, consider how to resolve cultural friction between full-time and contingent workers. Track all workers' satisfaction levels, monitor their career progress, and try to meet their expectations for challenge and recognition.
- **Organisation**: HR will be an important link between corporate headquarters, where the global workforce strategy is devised, and overseas operations, where managers will face the most pressing recruitment and people management issues.

"Human nature is such that you have a co-ordination problem even when you have two people," says Sir Martin. "When we started WPP, we had two people in one room. Now we have 140,000 people in 106, 107 countries. The key issue is getting people to work together to leverage our scale and tackle the opportunities and challenges."

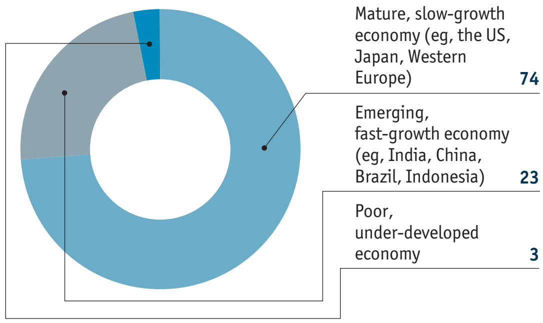
Appendix: Survey results

Percentages may not add to 100% owing to rounding or the ability of respondents to choose multiple responses.

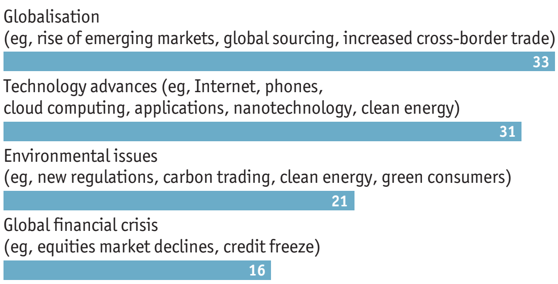
In the past ten years, which development had the biggest impact (positive or negative) on your organisation?
(% respondents)



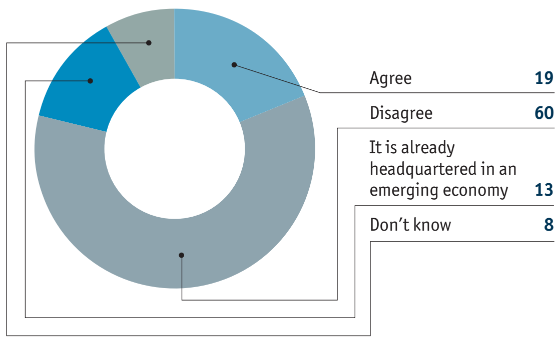
How would you describe the economy where your company is headquartered?
(% respondents)



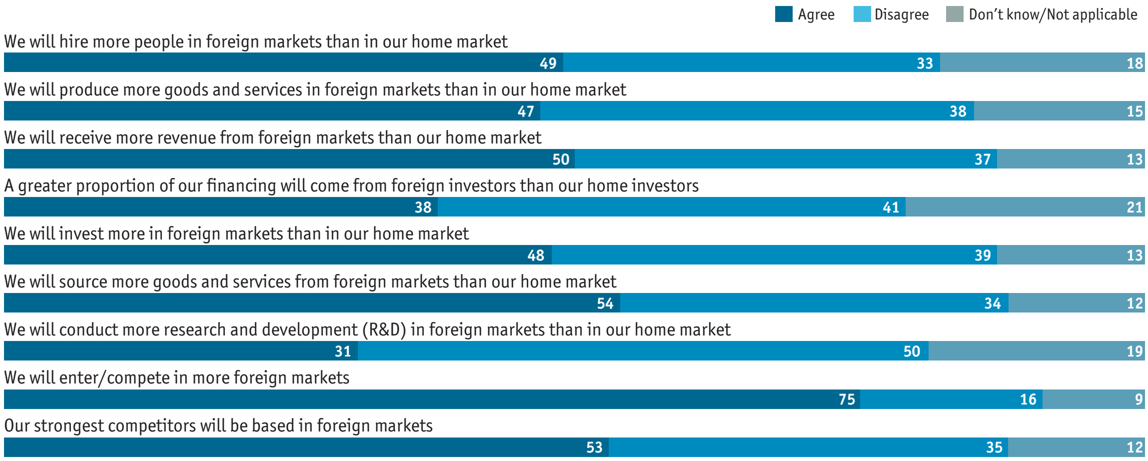
Over the next ten years, which do you expect will have the biggest impact (positive or negative) on your organisation?
(% respondents)



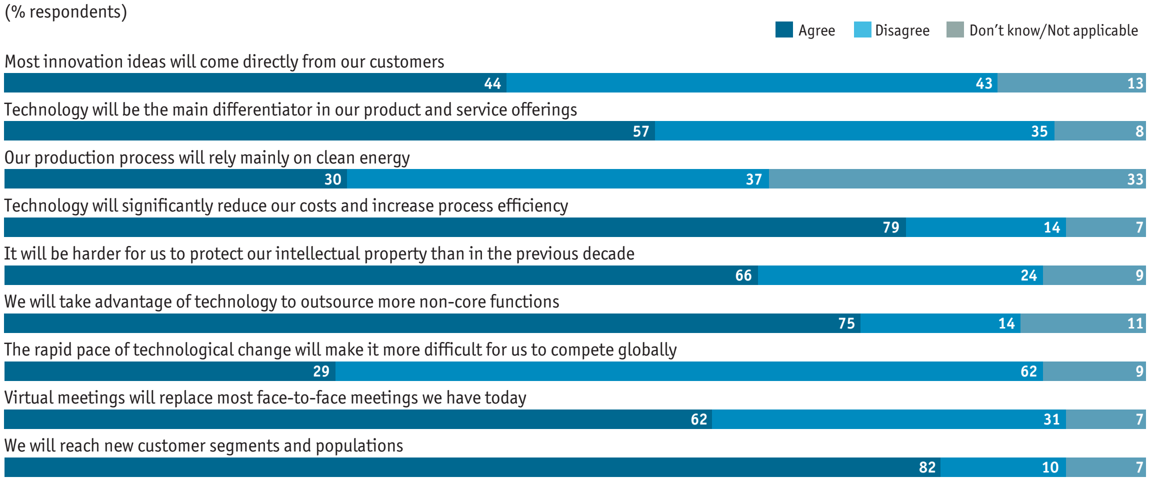
Please agree or disagree with the following statement: "By 2020, our headquarters will be in an emerging, fast-growth economy."
(% respondents)



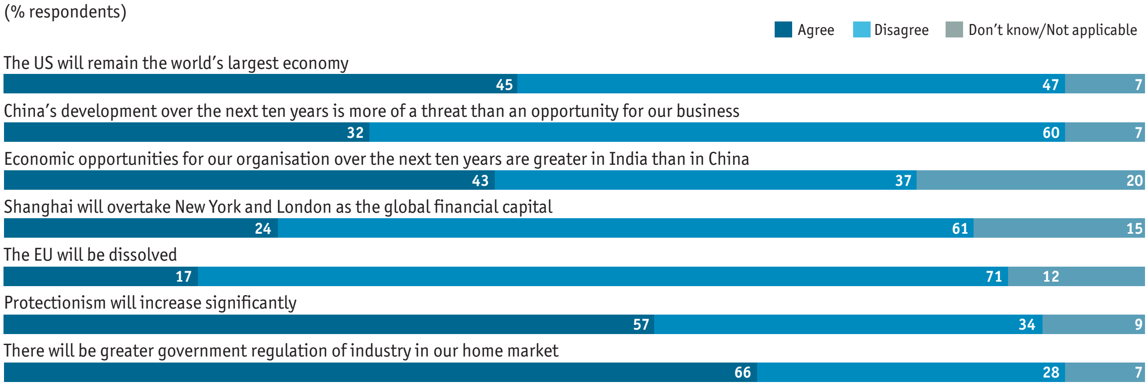
Do you agree or disagree with the following statements about your organisation over the next ten years?
(% respondents)



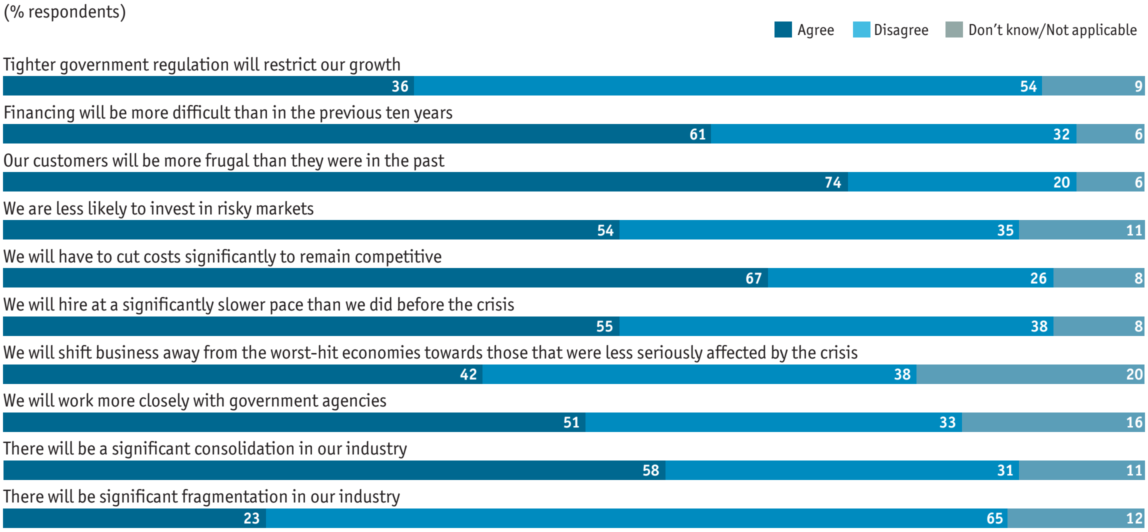
How will new technologies (including smart phones, social networking media, collaboration tools, etc) affect your company over the next ten years? State whether you agree or disagree with the following.
(% respondents)



Do you agree or disagree with the following predictions about the next ten years?
(% respondents)



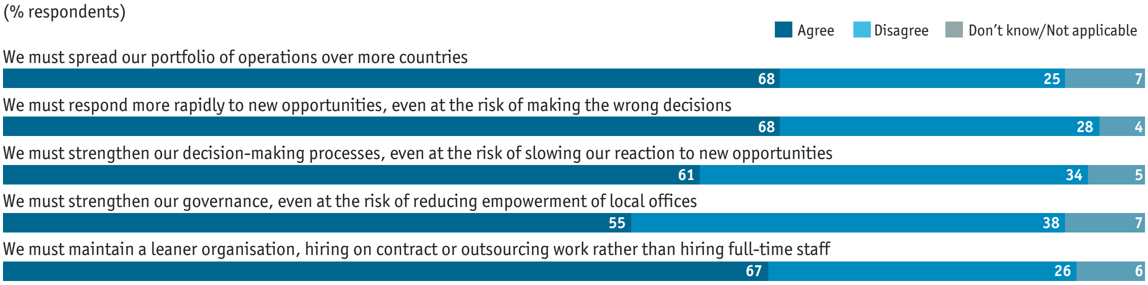
Will the financial crisis of 2008/9 have a lasting impact on your organisation? Indicate whether you agree or disagree with the following statements about your organisation over the next ten years.
(% respondents)



How will your organisation's board of directors change over the coming ten years? Select all that apply. Our board will...
(% respondents)

How will your organisation's managers change over the coming ten years? Select all that apply. Our managers will...
(% respondents)

Do you agree or disagree with the following statements about your organisation over the next ten years?
(% respondents)



How will the employee experience at your organisation change over the next ten years?
(% respondents)

Overall structure

Flatter	50
More hierarchical	18
No change	29
Don't know	3

Size of workforce

Smaller workforce	36
Larger workforce	47
No change	15
Don't know	2

Location of workforce

Growing proportion of workers in emerging markets	62
Growing proportion of workers in developed markets	8
No change	25
Don't know	4

Operations

Growing autonomy for local offices	47
Greater centralisation around headquarters	31
No change	18
Don't know	4

Contract workers

Growing proportion of contract-based workers	62
Growing proportion of permanent workers	12
No change	21
Don't know	5

Automation

Growing proportion of roles automated	67
Growing proportion of roles staffed	7
No change	21
Don't know	5

Administration

More flexible	47
More rule-governed	38
No change	14
Don't know	2

Employment status

Growing proportion of part-time workers	47
Growing proportion of full-time workers	18
No change	29
Don't know	6

Job functions

Growing proportion of functions outsourced	61
Growing proportion of functions in-sourced	13
No change	22
Don't know	4

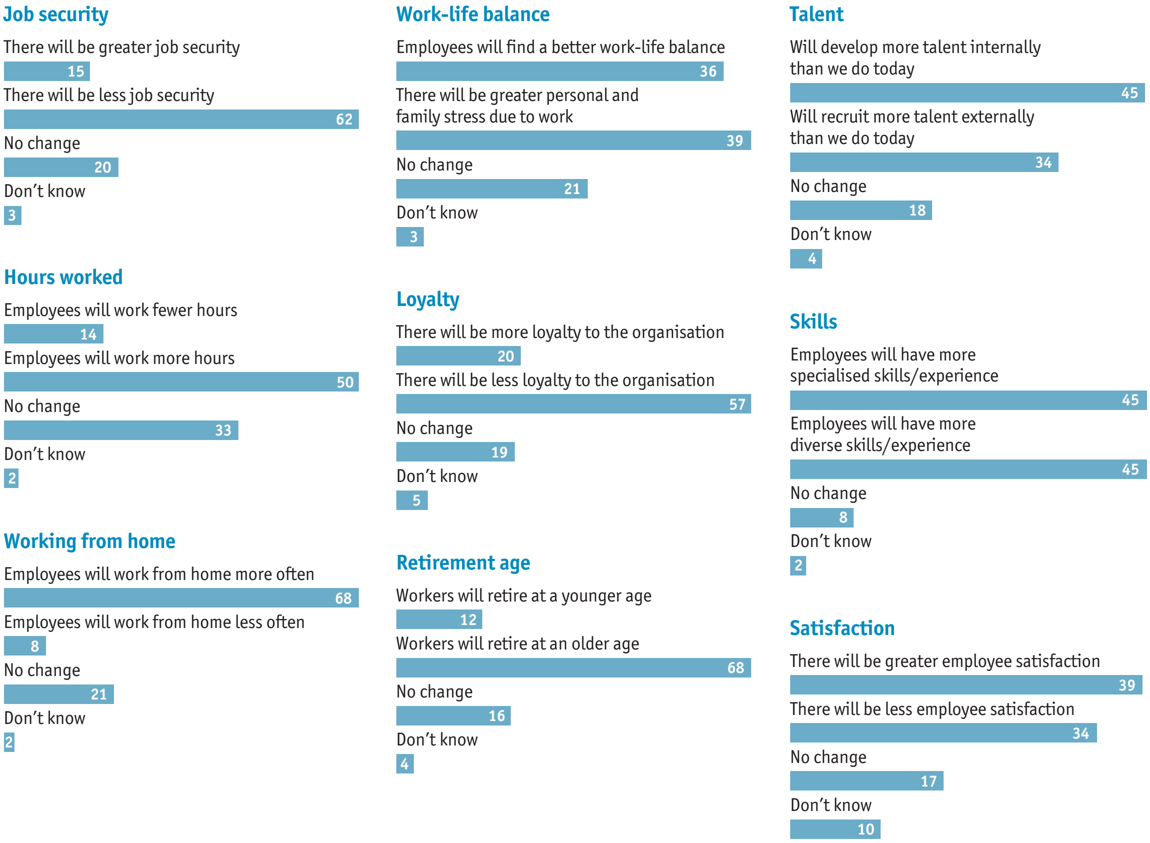
Which skills will be most important to your organisation's success over the next ten years?
Select up to three.
(% respondents)

Problem-solving skills	42
Project-management skills	38
General management skills	37
Interpersonal skills	34
Risk management skills	33
Communication and presentation skills	23
Information technology (IT) skills	23
Function-specific skills (eg, design, research)	23
Financial skills	18
Negotiating skills	16

How will your organisation's workers change over the coming ten years? Select all that apply. Our workers will...
(% respondents)

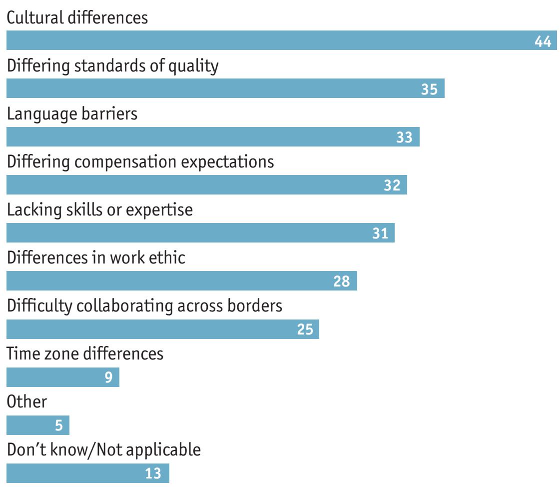
...become more international in composition	48
...better represent the countries where we do business	36
...become more ethnically diverse	44
...relocate more frequently among our overseas offices	20
...travel more frequently to our overseas offices	21
... have to speak an Asian language	18
...have more diverse backgrounds and experience	58
Don't know/Not applicable	9

How will the employee experience at your organisation change over the next ten years?
(% respondents)



How will your organisation tap into the global talent pool over the next ten years?
Select all that apply.
(% respondents)

What are the greatest obstacles to your organisation hiring globally?
Select all that apply.
(% respondents)



What do you think will be the biggest challenges facing HR executives at your organisation over the coming ten years?
Select up to three.
(% respondents)

Retaining and rewarding the best people	49
Creating a corporate culture that attracts the best people to our organisation	43
Finding people with the increasingly specialised skills we need	39
Finding the right people in the right markets where we do business around the world	32
Developing the next generation of corporate leaders	28
Breaking down cultural barriers that make it difficult to create a truly global company	23
Remaining competitive in the talent marketplace	20
Creating smooth and efficient HR processes that ensure a good employee experience	16
Creating an employee-centric, service-oriented HR organisation	12
Other	1
Don't know	3

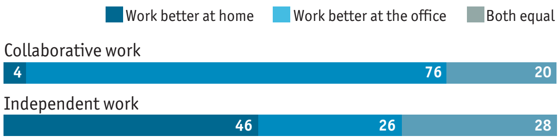
Which of the following does your company provide today?
Select all that apply.
(% respondents)

Competitive compensation packages	51
Generous holiday allotment	38
Opportunities for continued learning	57
Home working arrangements	41
Casual dress code	51
Mentoring	27
Encouragement of employees to make decisions and take risks	40
Performance-related bonuses	49
Flexibility to work with different teams on a per-project basis	35
Opportunities to work internationally	37
360-degree feedback	25
Career planning	17

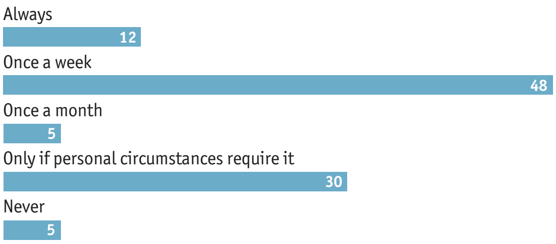
If you were considering taking a new job, how much would the following factors influence your decision?
Rate each on a scale of 1 to 5, where 1=Very strong influence and 5=No influence.
(% respondents)

	1 Very strong influence	2. Strong influence	3. Moderate influence	4. Weak influence	5. No influence
Competitive compensation packages	44	40	14	1	1
Generous holiday allotment	13	30	40	14	3
Opportunities for continued learning	36	41	18	4	1
Home working arrangements	17	24	34	18	7
Casual dress code	4	10	30	28	28
Mentoring	12	31	33	18	6
Encouragement of employees to make decisions and take risks	33	45	16	4	1
Performance-related bonuses	32	42	19	5	2
Flexibility to work with different teams on a per-project basis	19	38	30	10	3
Opportunities to work internationally	38	31	20	9	3
360-degree feedback	18	27	29	16	10
Career planning	23	30	29	13	6

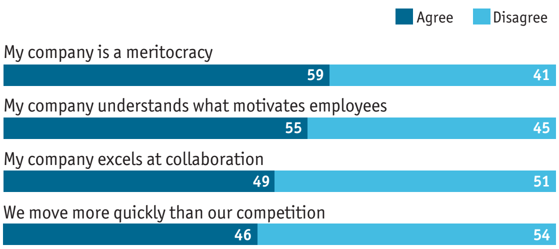
Where do you do better work?
(% respondents)



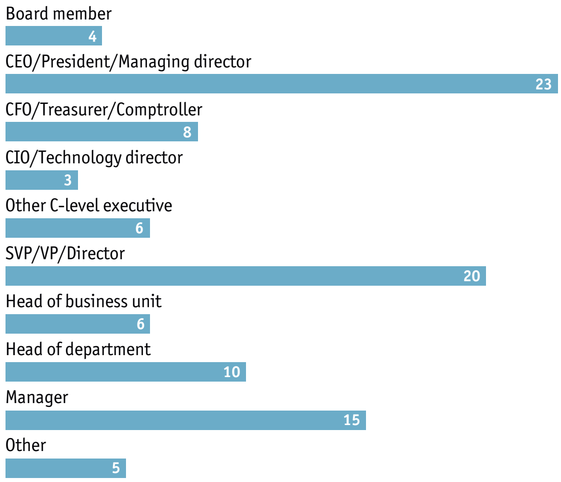
Ideally, how often would you prefer to work from home?
(% respondents)



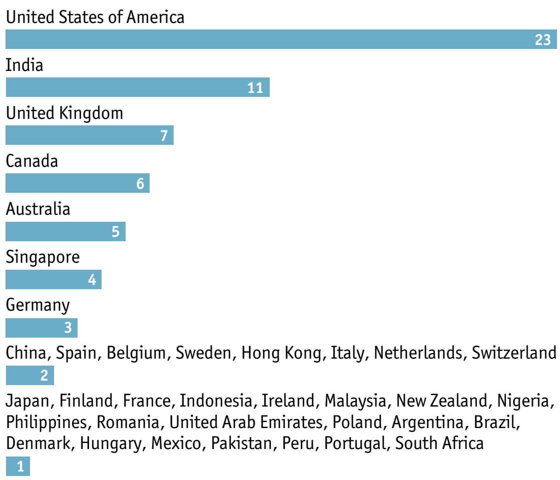
Do you agree or disagree with the following statements?
(% respondents)



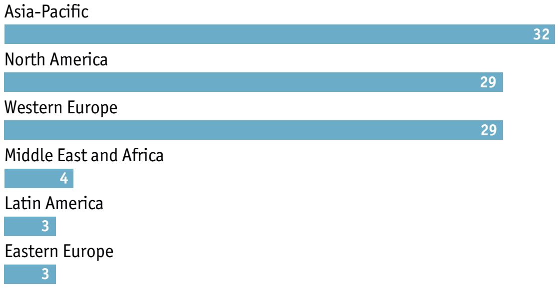
Which of the following best describes your title?
(% respondents)



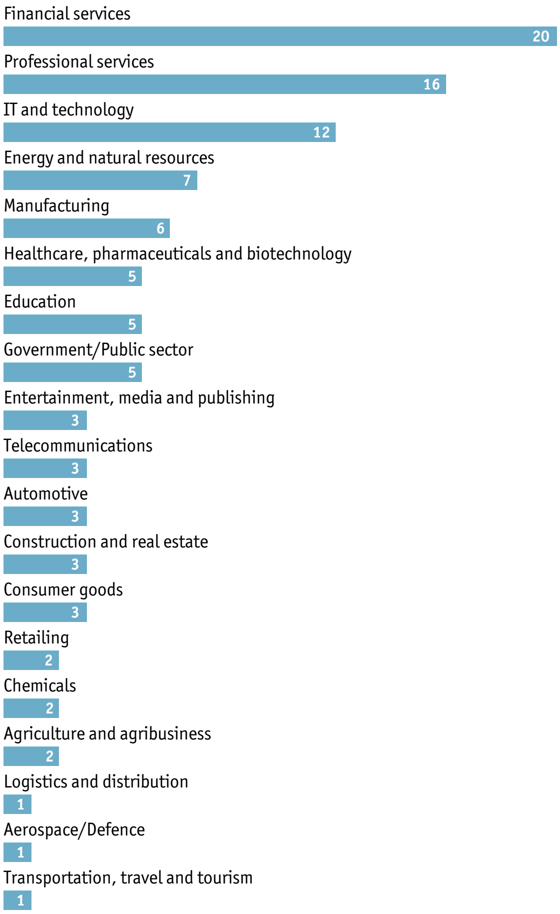
In which country are you personally located?
(% respondents)



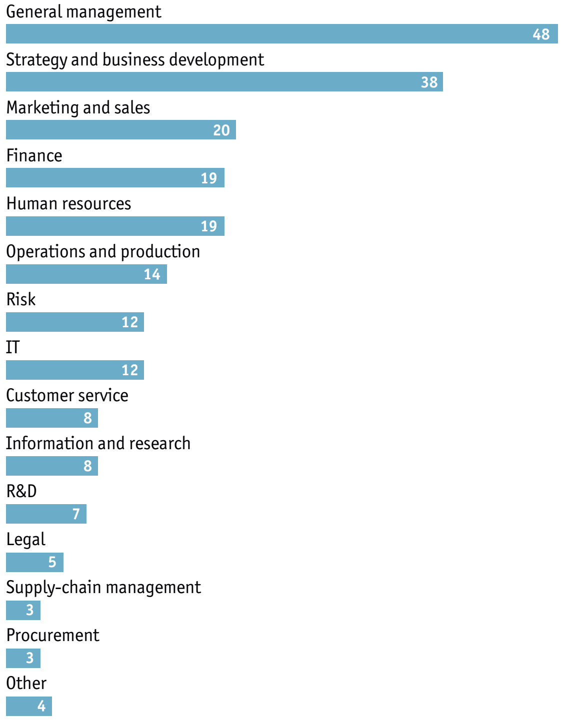
In which region are you personally based?
(% respondents)



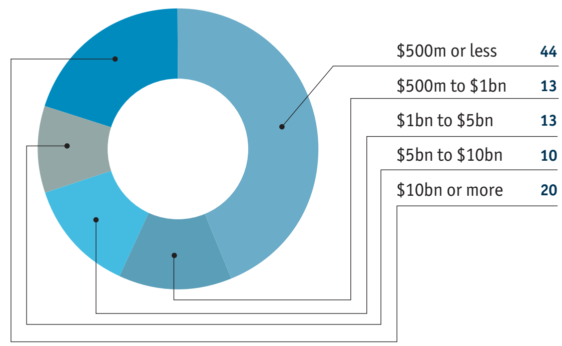
What is your primary industry?
(% respondents)



What are your main functional roles?
Choose up to three.
(% respondents)



What are your company's annual global revenues in US dollars?
(% respondents)



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