

Talent, Politics and Global Expansion: HR Predictions

An i4cp White Paper



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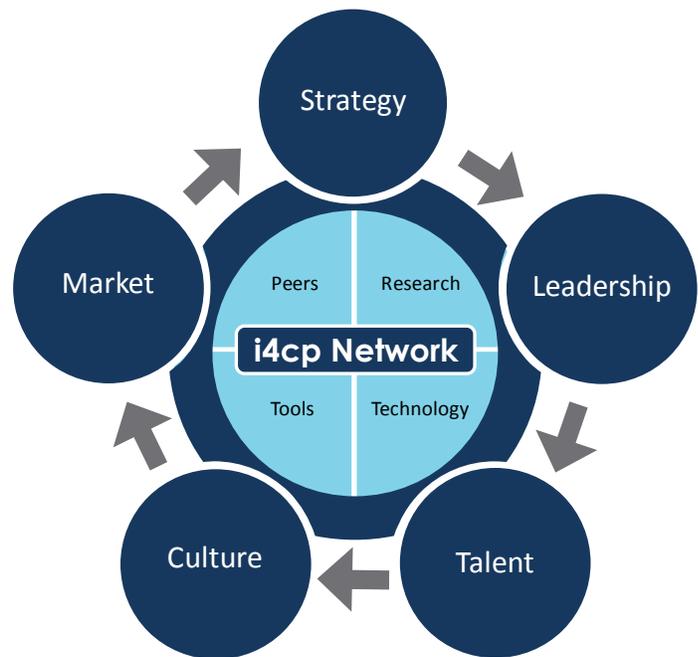
About i4cp

i4cp enables high performance in the world's top companies.

i4cp is the fastest-growing and largest corporate network focused on the practices of high-performance organizations. Through a combination of peer networking, human capital research, tools and technology, we enable high performance by:

- Revealing what high-performance organizations are doing differently
- Identifying best and next practices for all levels of management
- Providing the resources to show how workforce improvements have bottom-line impact

Over the past 40 years, i4cp research has revealed the five key human capital domains that companies leverage to drive performance. Our members – many of the largest and most respected companies in the world across a wide spectrum of industries – use this research, i4cp's expertise, tools, technology and vast peer network to improve productivity and drive business results.



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Contents

Talent, politics and global expansion: HR predictions	2
Organization level predictions: Bring on the skills	3
U.S. domestic level predictions: Politics over policy.....	4
Global predictions: Opportunities knocking.....	5
A path in the woods.....	6
About this report.....	7
About the Market Performance Index (MPI).....	7
Authors and Contributors	8

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Talent, politics and global expansion: HR predictions

Predictions are, at best, educated guesses that seek to anticipate events leading to probable outcomes. This means that the predictions made by the HR practitioner respondents discussed in this paper aren't so much a guide to what will happen, but more a guide to how those respondents will be channeling their energy and resources as they relate to the outcomes expected to occur in the next year. How accurate the predictions are remains to be seen, but by looking at these organizations through the filter of market performance – based on revenue growth, market share, profitability and customer satisfaction – we can see that the strategies being devised by high- and low-performing organizations based on what they anticipate will occur differ greatly.

The predictions are arranged in three sections with equally impactful potential outcomes:

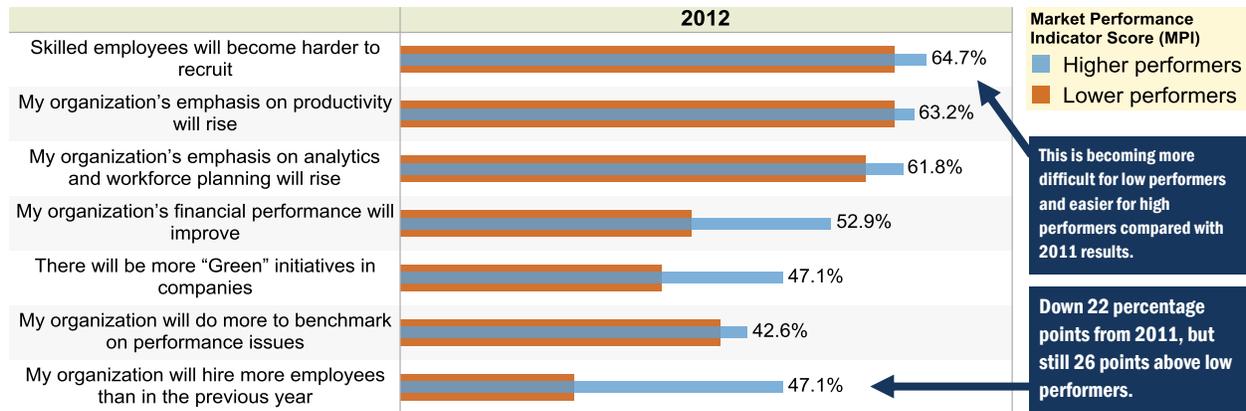
- **The organizational level** - High performers are more likely to sound the call for new hires in the coming year, while low performers are playing it safe or continuing to cut back. But high performers won't hire indiscriminately – they're seeking specific skills and will pull what they need from the quality pickings left behind by less successful organizations' layoffs.
- **The U.S. domestic level** – As a global business leader, what happens on the U.S. domestic front tends to ripple around the world. With a presidential election in 2012 and the current economic recovery still tenuous, high performers are making opportunistic plans based on conservative (pessimistic, not political) outlooks. It appears that few organizations are predicting a lot of policy movement or change until political leadership is firmly decided.
- **Global level** – No matter how the global economy and power structure fluctuates in the coming year, high-performing organizations will be looking to penetrate new markets and expand their influence where they already have a foothold. That's no surprise. What might be surprising is where companies are looking to make an impact, such as tumultuous regions in the Middle East, where expanding democracy may create inroads into a developing pool of human capital.

Whether the prediction being discussed is organizational-level, U.S. domestic or global in nature – and whether the outcome is considered positive or negative for the respondent – most of the workforce management professionals we surveyed from high-performing organizations tend to see any outcome as an opportunity to be exploited. Conversely, lower performers tend to be more concerned with how to deal with the outcomes operationally, being by definition less adaptive and proactive as their peers.

As a note, there's little to indicate that individuals from high-performing organizations are more accurate when it comes to making predictions ... but that's not really the point. High performers will seek to gain an advantage regardless of the outcomes of the issues discussed here and are agile and innovative enough to pull that off even when their predictions don't pan out. Rather than an accurate forewarning of things to come, the goal here is to show what is being predicted and how potential strategies are then devised and directed to create a market advantage.

Organization level predictions: Bring on the skills

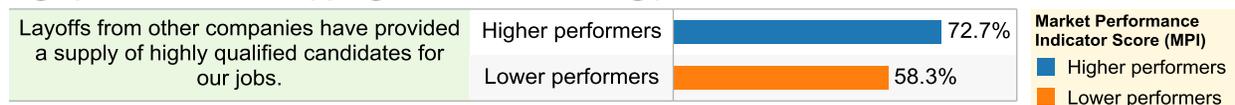
Most companies are looking for skilled new recruits, but it's high performers that are planning to do the bulk of the hiring in the coming year. This is in spite of the fact that expectations for hiring among that group are down 23 percentage points from last year – as well as a more pessimistic outlook regarding their organizational financials, which dropped 18 percentage points.



Perhaps it has something to do with limp productivity increase predictions and a need for new blood to help stimulate and support growth, but a follow-up survey asking a similar question regarding hiring shows that high performers are much more likely to increase headcount in the coming year, 51% compared to 15% of low performers, and much less likely to decrease it, 13% compared to 46%. In general, however, 41% overall are planning to maintain headcount at current levels.

But high- and low-performing organizations are both taking advantage of high unemployment rates to be more selective with the hiring they are doing. High performers in particular are snapping up the skills they need from less successful companies that have been forced into layoffs. This influx of available skills among high performers can only enhance their ability to compete going forward.

High performers are tapping into an overflowing pool of vital talent



It's not easy being green.

Organizations are less likely to kick-off green initiatives when compared to the previous two iterations of this survey. And though high performers have maintained a green focus better than low performers, they've still dropped 32 percentage points since 2010 when it comes to doing more. So are green initiatives going out of style or are organizations waiting to be regulated or incited into them? A partial driver for this trend may be found among the U.S. domestic predictions that indicate a period of policy paralysis during the election year.

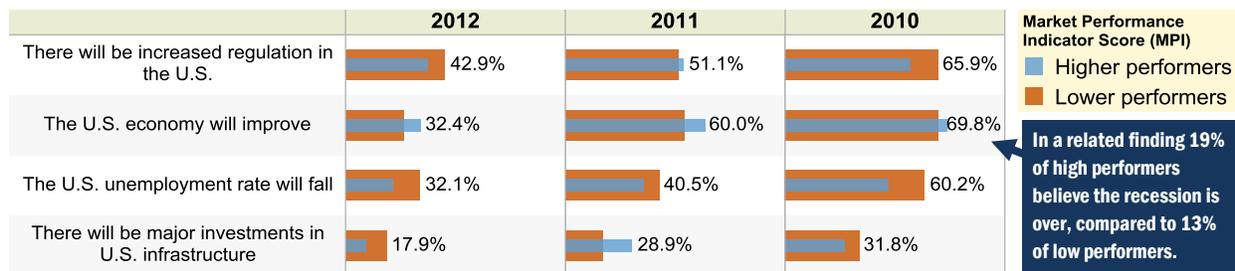


U.S. domestic level predictions: Politics over policy

Indications of how the 2012 U.S. presidential election will play out can change rapidly, with predictions dependent on a confluence of both known and unknown factors, not the least of which is the respondent's political leanings.

In the interval between the close of data collection and the publication of this report, unexpected shifts have occurred that could easily alter responses to the questions below were they to be asked today. Employment numbers have improved in the first months of 2012, the economy and confidence levels have shown positive movement and, as a result, President Obama has received a bump to his approval ratings. While outlooks for potential outcomes could change again tomorrow, it illustrates how fluid the background intelligence that guides prediction decisions can be.

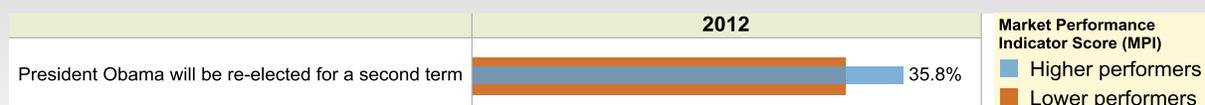
The longitudinal data for several of the U.S.-centric questions i4cp queried show a progressive shift over the last three years, and there's a link to these issues with political action that is unlikely to occur effectively during an election year. In other words, we can assume that election year politics effects on these predictions – as well as how the media reports on them during a highly charged battle for political power – transcend correlation and are at least partially causal.



Issues of regulation and investments in infrastructure are definitely dependent on the amount of political will that can be brought to bear at a time when politicians are more likely to posture than to advance policy, but the economy and unemployment rate are acted on in equal measure by factors such as corporate investments in growth, consumer spending, energy prices, global economic and political trends, etc. Even considering these myriad factors, however, it's easy to see the influence of an election cycle that usurps policy advancement with debate every four years.

Fine. But who's going to win the election?

Thirty-seven percent of all respondents predict that Obama will be re-elected in 2012. Mid-range performers were the most likely to favor that response, followed by high, then low performers.



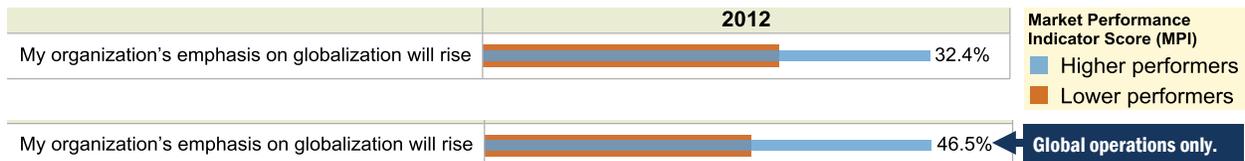
Incidentally, low performers are three times more likely to say that the Occupy Wall Street movement will influence economic policy. If this is any indication, no matter whose predictions play out, we may now have a better idea of who comprises the 1%.

Global predictions: Opportunities knocking

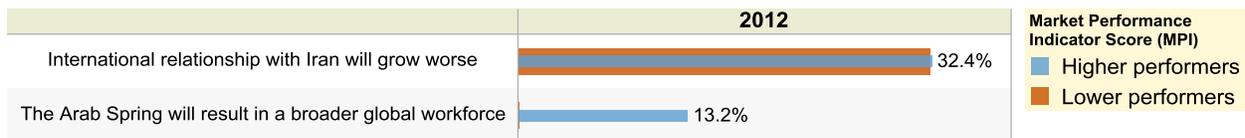
According to our respondents, growth in China and India is less certain in the coming year. And while outlooks for these two big guns are still relatively positive, only 19% of high performers in particular see an upturn for the global economy as a whole. It sounds like a pretty pessimistic outlook, but as stated previously, for high performers, challenging times create grounds that are fertile with new opportunities.



High performers appear to be pessimists where global outlook is concerned, but they also see opportunity in the challenges. When asked if they would be expanding globally, in spite of their gloomy outlook for the global economy, high performers were 11 percentage points more likely to say yes than were their lower-performing peers – with a 19 percentage point difference when only global and multinational companies were considered.



Take the Middle East for example. About a third of respondents predict that Iran is a growing concern and the increasingly less aptly named “Arab Spring” of grass roots rebellions for democracy continues to fuel violence and overturn core regimes in the region. Yet, in spite of potential dangers and barriers, high performers *exclusively* are seeing that area as a potential pool for workers.



Small world, big problems ... and big opportunities.

When the eyes of the world aren't focused on turmoil in the Middle East, they turn warily back to the dept crisis in Europe. But while high performers are more pessimistic about that situation growing worse, 50% compared to 32% of low performers – they are still more optimistic than they were in 2011, when predictions were at 60% and 43% respectively.

As for the effect this will have on business, about 60% of respondents overall say that a deepening credit crisis in Europe would not adversely affect their company's financial performance. That goes up to 75% among strictly U.S. national organizations and down to 52% among global and multinationals. Variances in response to this question based on market performance were minor.

A path in the woods

There may be no better musing on the “what if’s” of our decisions than the poem “The Road Not Taken” by Robert Frost. It’s about standing at a point where the decision is made to follow one path or another: a place where anticipation, probability and prediction rule. Like Frost, a traveler may take a road less traveled, but it doesn’t really dictate the story of the journey to come as much as it reveals the mind and predilections of the one who chooses.

High-performance organizations are going boldly into the coming year with confidence in their ability to adapt, overcome and find advantages in whatever situations occur. In general, predictions for 2012 are fairly conservative, but the actions being taken based on them have the potential to alter the workforce planning and talent acquisition playing fields for years to come. On both the U.S. domestic and global levels, post-recession unemployment – with many entering or reentering the workforce with updated skills – has increased the overall availability of talents for those looking to expand and refresh currently sluggish productivity gains.

But beyond just the ability and desire to invest in growth and the workforce, some are holding back due to uncertainty as to the direction of critical government and economic factors. Will credit with stable interest rates be available? Will a possible change in U.S. policy be triggered by a change in administration? Will a populist movement in a previously closed region of the world provide access to previously untappable work pools, consumers and natural resources?

Whether you can predict these outcomes well or not, the key to thriving in uncertainty is to consider contingency plans based on at least four probable outcomes for each uncertainty that could derail a potential decision. At i4cp, we’ve endorsed this type of scenario planning for years to help keep members plugged into their environment and adaptable to unexpected shifts in applicable trends. It’s a means of keeping one eye on the horizon while maintaining focus on the task at hand, knowing with confidence that you have contingencies for any unlike but likely twist of fate.

Because when you’re choosing a path in the woods knowing what will happen would be nice, but being prepared for the journey no matter what happens makes all the difference.

About this report

This report provides analysis of the prediction questions from i4cp's 2012 *Critical Human Capital Issues Survey*, which was conducted in December 2010. Previous iterations of this publication – formerly titled the *Major Issues Survey* – have been conducted by i4cp over the past three decades and provide rich longitudinal perspective that informs our research and, in turn, aids our members in setting organizational priorities. For this survey, the 2011 and 2010 iterations are referenced to provide context and to show movement over time. A total of 506 respondents participated in 2012, 417 in 2011 and 632 in 2010.

Several other questions referenced in this survey come from i4cp's otherwise unpublished 2012 *Q1 Spot Survey*. That survey was conducted in January 2012 and had 591 respondents.

Most questions examined in this study have been filtered for organizations with 1,000 or more employees. Breakouts by organization size, industry and other demographic factors are available in the interactive data workbooks for these studies, which are available to member organizations through the i4cp website.

About the Market Performance Index (MPI)

i4cp's Market Performance Index, or MPI, is based on self-reported ratings encompassing an organization's performance in four key areas: market share, revenue growth, profitability and customer satisfaction as compared to the levels achieved five years previously. The average of the four ratings determines MPI score. Scores are then separated into thirds to assign categories of higher-, mid-range, and lower-performers.

The following is a breakdown of respondents by MPI score for the *Critical Issues Survey* iterations referenced in this report:

	2012	2011	2010
Higher performers	25.1%	24.0%	19.1%
Mid-range performers	62.6%	57.8%	50.2%
Lower performers	12.3%	18.2%	30.7%

And for the i4cp 2012 *Q1 Spot Survey*:

Higher performers	22.7%
Mid-range performers	59.2%
Lower performers	18.1%

Authors and Contributors

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