



Strategic Research on Human Capital Challenges

Final Report

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I. Background and Methodology

Background

In March, 2007, the Society for Human Resource Management (SHRM) Foundation engaged Hay Group to conduct research to identify the most pressing human capital challenges faced by CHROs and other C-suite executives. The SHRM Foundation will use this research to identify opportunities for commissioning research and developing of tools and practices to help address these challenges now and in the future. There are two key phases of this research:

- Phase I: Interviews with C-suite executives
- Phase II: Online survey of a larger sample of C-suite executives

This report summarizes findings from Phase II: Online survey of C-suite executives. The purpose of the survey was to collect quantitative data to determine the biggest human capital challenges faced by C-suite executives, as well as the types of tools, resources, and support that would help to address these challenges.

Results of Phase I are provided in the June 8 report entitled *Interviews with CHROs and other C-suite Executives to Identify Human Capital Challenges: Summary of Interview Findings*.

Methodology

Literature Review. The SHRM Foundation commissioned a comprehensive literature review to examine and categorize various literatures focusing on current and emerging human capital issues. The results of the literature review can be found in the report: *The Future of Human Resource Management: Emerging HRM Needs and Tools*.

The literature review included:

- A general Internet search to build a list of emerging human resource issues and needs;
- A review of academic and practitioner journals from the past three to five years to identify further topics and references; and
- Collection and review of a list of references and white papers gathered by the Society for Human Resource Management.

The literature review pointed to talent management as the top issue facing HR professionals. Talent management includes succession planning, development, recruitment, and retention. Other top HR issues were leadership development; culture transformation and change management; HR technology; work/personal life balance; diversity; health care management; globalization; and business ethics.

Information from the literature review was used to design the data collection instruments for the SHRM Foundation Human Capital Challenges study (e.g., identify the topics that

should be expanded on during the interviews; identify the areas to be rated in the web survey).

C-suite Interviews. Hay Group identified a list of 46 C-suite executives to invite to participate in the interviews. The list was primarily comprised of Hay Group clients. An effort was made to include a cross section of companies (e.g., different industries, company sizes, global and US-based companies). There were four company size groupings:

- Small companies (100 – 1000 employees)
- Medium companies (1001 – 10,000 employees)
- Large companies (10,001 – 75,000 employees)
- Jumbo companies (> 75,000 employees)

A standardized interview protocol was developed based on: 1) research conducted by Hay Group; 2) interviews with Hay Group senior consultants to identify the human capital issues that C-suite executives are discussing with them; 3) the literature review conducted by the SHRM Foundation (discussed above); and 4) input from the SHRM Foundation committee directing this research effort. Hay Group drafted the interview protocol which was reviewed and approved by the SHRM Foundation. The interview protocol included a short introductory paragraph to read to C-suite executives at the beginning of the interview (e.g., interview purpose, use of data, assurance of confidentiality) and interview questions.

Hay Group contacted potential interview participants to solicit their participation in the study. Interested C-suite executives were sent a “fact sheet” describing the research study and the interview process. A total of 36 C-suite executives (e.g., CHROs, SVPs of HR, CEOs) agreed to participate in the interviews. Interviews were primarily conducted via telephone and lasted 20 – 30 minutes. All interviews were conducted by Hay Group senior-level consultants using the approved interview protocol, and extensive notes were taken during the interviews. Interview participants were promised that their individual responses would be kept completely confidential, and that we would only report aggregate summaries of what was discussed across all the interviews.

The interviews covered the following areas:

1. Greatest human capital challenges faced by the company today and ways companies are addressing these challenges
2. Greatest human capital challenges for the future (next 2 – 5 years) and what companies are currently doing or planning to address these challenges
3. What C-suite executives are most proud of regarding how their company approaches human capital issues
4. Types of information, tools, and support C-suite executives would like to help address their most pressing human capital issues

Hay Group reviewed all interview data and conducted a content analysis to identify the common themes across the interviews. We analyzed interview data:

- For the sample as a whole
- By company size grouping (small, medium, large, and jumbo companies)
- By US versus global companies
- By role of the interviewee (HR versus non-HR C-suite executive)

Survey Design. Hay Group designed the Human Capital Challenges Survey based on: 1) research conducted by Hay Group and SHRM; 2) results of interviews with C-suite executives (Phase I); 3) input from the SHRM Foundation committee during this research effort; and 4) discussions with Hay Group consultants and SHRM subject matter experts.

The findings from the interviews were instrumental in designing the survey instrument. The biggest human capital challenges identified by C-suite executives during the interviews became the topics that were included in the survey. For example, interview participants identified succession planning and leadership development as one of the top human capital challenges (currently and for the future). As a result, we designed survey questions that asked C-suite executives to rate the extent to which succession planning and leadership development would be challenges for their company in the future, how confident they were that their company has a plan or solution to address challenges around succession planning and leadership development, and how helpful various tools, information, and support would be to address their challenges around succession planning and leadership development.

The draft survey was reviewed by the SHRM Foundation committee, which provided suggestions for improving the survey. The survey was then pilot tested with 12 C-suite executives. Pilot test participants were asked to complete the survey and provide feedback about the extent to which the survey's instructions, questions, and response options were clear and easy to understand, and whether the survey included the types of human capital challenges faced by C-suite executives. Very few changes were made to the survey based on the pilot test (the consensus of pilot test participants was that the survey was clear, easy to understand, and comprehensive).

Once approved, the survey was programmed for on-line administration.

Sampling Plan. Hay Group designed a survey sampling plan to meet the following objectives:

- Generalize survey results to the overall business population
- Provide statistically reliable survey data for the business population as a whole
- Provide statistically reliable survey data for the following segments:
 - Company size (small versus medium versus large companies)

- Global companies versus US-based companies
- Type of executive responding (HR versus Non-HR)

The survey was sent to C-suite executives from 6,024 companies. Only one C-suite executive was surveyed from each of the 6,024 companies. In an effort to maximize response rates, surveys were sent to four samples:

1. Random sample of C-suite executives – surveys were sent to a stratified (based on company size) random sample of C-suite executives. The sample included a mix of HR and non-HR (e.g., COO, CFO) C-suite executives in companies across industries. Hay Group purchased this list to be representative of the business population.
2. Sample of Hay Group contacts -- Hay Group obtained a list of our contacts and targets from our Marketing Group, and sent surveys to this group of C-suite executives.
3. Targeted Hay Group clients -- Hay Group Client Relationship Managers identified their own C-suite executive clients and contacts to participate in the survey. Hay Group utilized personal calls and e-mails to these clients and contacts to invite them to participate in the survey.
4. SHRM sample -- SHRM identified a number of individuals to participate in the survey (e.g., board members, thought leader participants, previous speakers) in an effort to increase the number of survey participants.

It should be noted that our original plan was to only survey a random sample of C-suite executives. However due to initial low response rates from this sample, we made the decision to broaden our sample to Hay Group and SHRM contacts/clients.

Survey Administration. The survey was administered to all C-suite executives via the web. Survey administration began on June 25 and ended on September 7.

Several strategies were used to enhance response rates throughout the survey administration window:

- Several reminder emails were sent to each sample group.
- Approximately 1,500 telephone calls were made to non-respondents (who were not Hay Group clients or contacts) asking them to participate in the survey (many indicated they were too busy or not interested in participating).
- Hay Group consultants sent personal emails and made personal calls to their own clients who were included in the random sample of C-suite executives to encourage them to participate in the survey.

- n Hay Group Client Relationship Managers identified their own clients/contacts to invite to participate in the survey, and personally contacted these C-suite executives (email, phone) to solicit their participation.
- n Several incentives were offered for participation in the survey:
 - Chance to win one of two \$500 American Express Gift cards
 - Opportunity to participate in an interactive session with other C-suite executives to discuss how they are addressing their biggest human capital challenges

II. Response Rates

A total of 526 C-suite executives (from 526 companies) participated in the survey. The overall response rate was 9%.

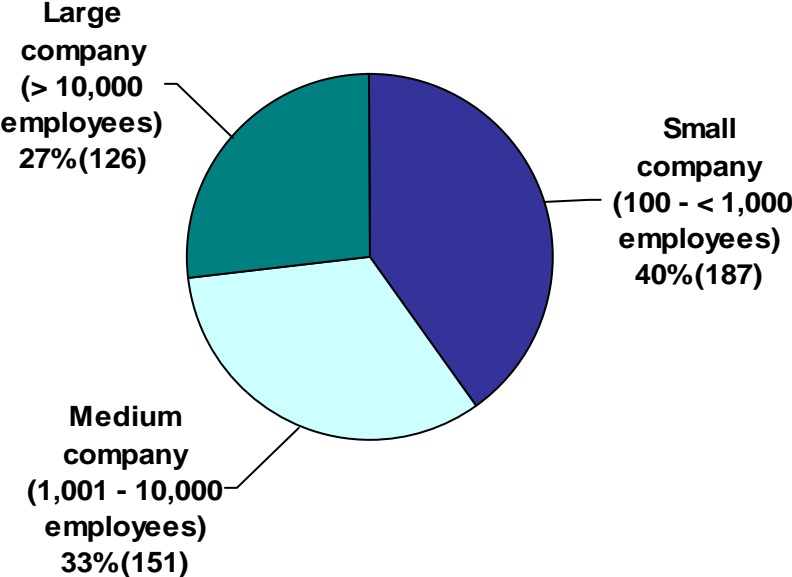
The table below shows the response rate for each of the four samples:

Sample Group	Number of Companies Surveyed	Number of Responses	Response Rate
Random Sample of C-suite Executives	4,890	317	6%
Sample of Hay Group Contacts*	931	127	14%
Targeted Hay Group Clients*	140	68	49%
SHRM Sample	63	14	22%
Total Sample	6,024	526	9%

The highest response rate came from Hay Group targeted clients. The lowest response rate was from the random sample of C-suite executives.

The pie chart below shows the breakdown of the survey sample by company size. The survey sample was relatively equally split between small, medium, and large companies (which is consistent with the population).

Company Size



The table below shows the industry breakdown of the survey sample. The sample represents C-suite executives from diverse industries.

Industry

Industry	% Responded	# of Respondents
Agriculture, Fishing, Forestry	1.9	10
Aerospace/Defense	2.1	11
Airline	0.4	2
Automotive	1.9	10
Chemical	2.3	12
Computers (Hardware, Software, Networking)	4.2	22
Construction	4.2	22
Education	6.5	34
Engineering	0.6	3
Entertainment	1.7	9
Financial Services	9.7	51
Food and Beverage	2.1	11
Healthcare	11.4	60
Hospitality	4.0	21
Insurance	4.9	26
Legal	1.5	8
Manufacturing	15.6	82
Mining	1.1	6
Oil and Gas	2.1	11
Outsourcing	0.4	2
Pharmaceutical	4.6	24
Professional Services	7.8	47
Publishing	3.8	20
Real Estate	2.7	14
Research & Development	0.6	3
Retail	7.8	42
Telecommunications	2.9	15
Transportation	3.4	18
Warehouse Distribution	0.8	4
Wholesale	1.1	6
Utilities	2.3	12
Other	10.6	56
Not Coded	11.8	62

***Note: The “Other” category includes unique industries that could not be categorized.**

HR vs. Non-HR

Fully 72% of the survey-sample respondents (380) were C-suite executives in the HR function and 28% were non-HR C-suite executives (e.g., CEO, COO, CAO, CFO) (146).

Global vs. US-based

There were an equal proportion of global and US-based companies in the survey (232 global companies versus 230 US-based companies).

Sample vs. Population

The sample of C-suite executives who responded to the survey were compared to the population to ensure a representative sample. The table below shows the company size breakdown of the survey sample (those who responded to the survey) and population (those who were sent a survey). For example, 27% of C-suite executives in the survey sample were from large companies compared to 25% in the population. In terms of company size, the survey sample appears to be representative of the population. Note: We were unable to compare the sample and population on other key variables (e.g., US-based versus global companies, HR versus non-HR C-suite executive) because these data were not available for the population of C-suite executives who received a survey.

Company Size	Sample	Population
Small Companies	40%	48%
Medium Companies	33%	28%
Large Companies	27%	25%

III. Survey Results

For each survey question, we first display survey results for the total survey sample (i.e., all C-suite executives who participated in the survey) and we then show results for three key demographic cuts:

- Company size (small versus medium versus large companies)
- HR versus non-HR C-suite executives

- US-based versus global companies

In the table below, we show the margins of error (for a 95% confidence level) for the total survey sample and each demographic group.

Group	Margin of Error
Total survey sample	+/- 4
Company size comparisons	
Small companies	+/-7
Medium companies	+/-8
Large companies	+/-8
HR versus non-HR C-suite executive comparisons	
HR	+/-5
Non-HR	+/-8
US-based versus global companies	
US-based	+/-6
Global	+6

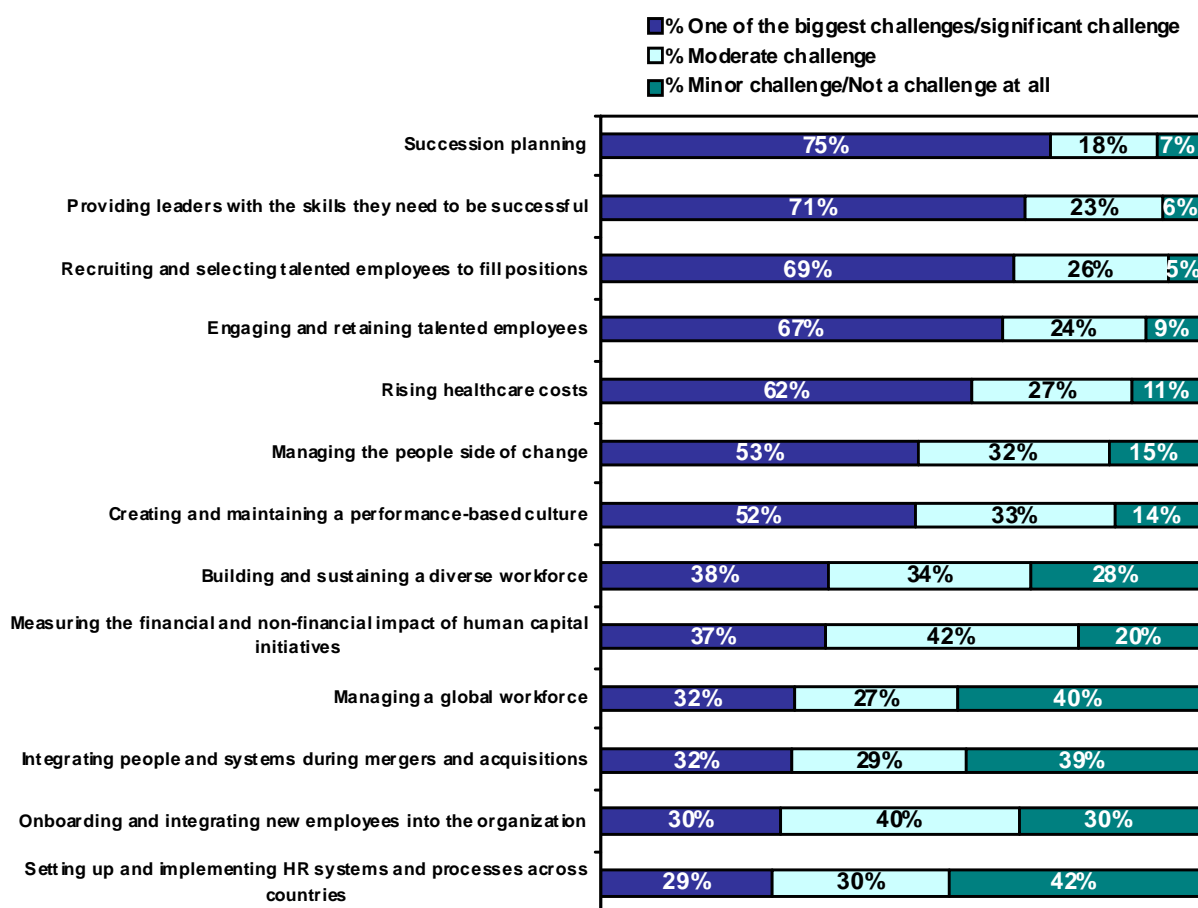
Please note that throughout the report we will highlight where there are statistically significant differences between demographic groups. Some notable differences between demographic groups are also discussed when there are interesting trends.

A. Biggest Human Capital Challenges for the Future

The survey included questions to identify what C-suite executives see as their company’s biggest human capital challenges for the future (over the next 2 – 5 years). The first set of questions (questions 1 – 14) asked C-suite executives to indicate (using a 5-point scale) how much of a challenge each of thirteen human capital issues will be for their company in the future (see Chart 1 below).

Chart 1: Rating of Human Capital Challenges – Overall Sample

Rate how much of a challenge you believe each human capital issue will be for your company in the future



The vast majority of survey respondents (75%) rated *succession planning* as “one of the biggest challenges” or “a significant challenge” for the future. This is consistent with the interview findings -- over 80% of C-suite executives interviewed identified succession planning as the biggest challenge currently faced by their company. One interview participant said “[we] need to develop a pipeline of leaders so the company can recruit from within. Constantly recruiting externally leads to knowledge loss and the message that the company does not have qualified people to fill leadership positions.”

Over two-thirds of C-suite executive rated *providing leaders with the skills they need to be successful*, *recruiting and selecting employees to fill positions*, and *engaging and retaining talented employees* as significant challenges for the future. Similarly, the interview participants identified *recruiting and selecting employees to fill positions* as the second biggest challenge currently facing their companies and *retaining talented employees* as the third biggest challenge currently facing their companies. Regarding recruiting talent, one C-suite executive interview participant remarked “it is increasingly

hard to find the right talent in the market place.” Regarding engaging and retaining talented employees another said “we need to provide employees with greater levels of challenge and rewards to show them they can meet their career goals better at our company than at other companies.”

Other human capital issues rated as “one of the biggest” or a “significant challenge” by a large percentage of C-suite executives were *rising healthcare costs*, *managing the people side of change*, and *creating a performance-based culture*. This is also consistent with what the interview participants said were some of the biggest human capital challenges their company is currently facing. However, creating a performance-based culture was not mentioned in the interviews as a big challenge

C-suite executives were less likely to view *setting up and implementing HR systems and processes across companies*, *onboarding and integrating new employees into the organization*, *integrating people and systems during mergers and acquisitions*, and *managing a global workforce* as significant challenges for the future. However, interview participants did feel that *operating as a global* was a challenge currently faced by their company (at least one-fourth of C-suite executives interviewed identified this as a challenge).

Demographic Cut: Company Size

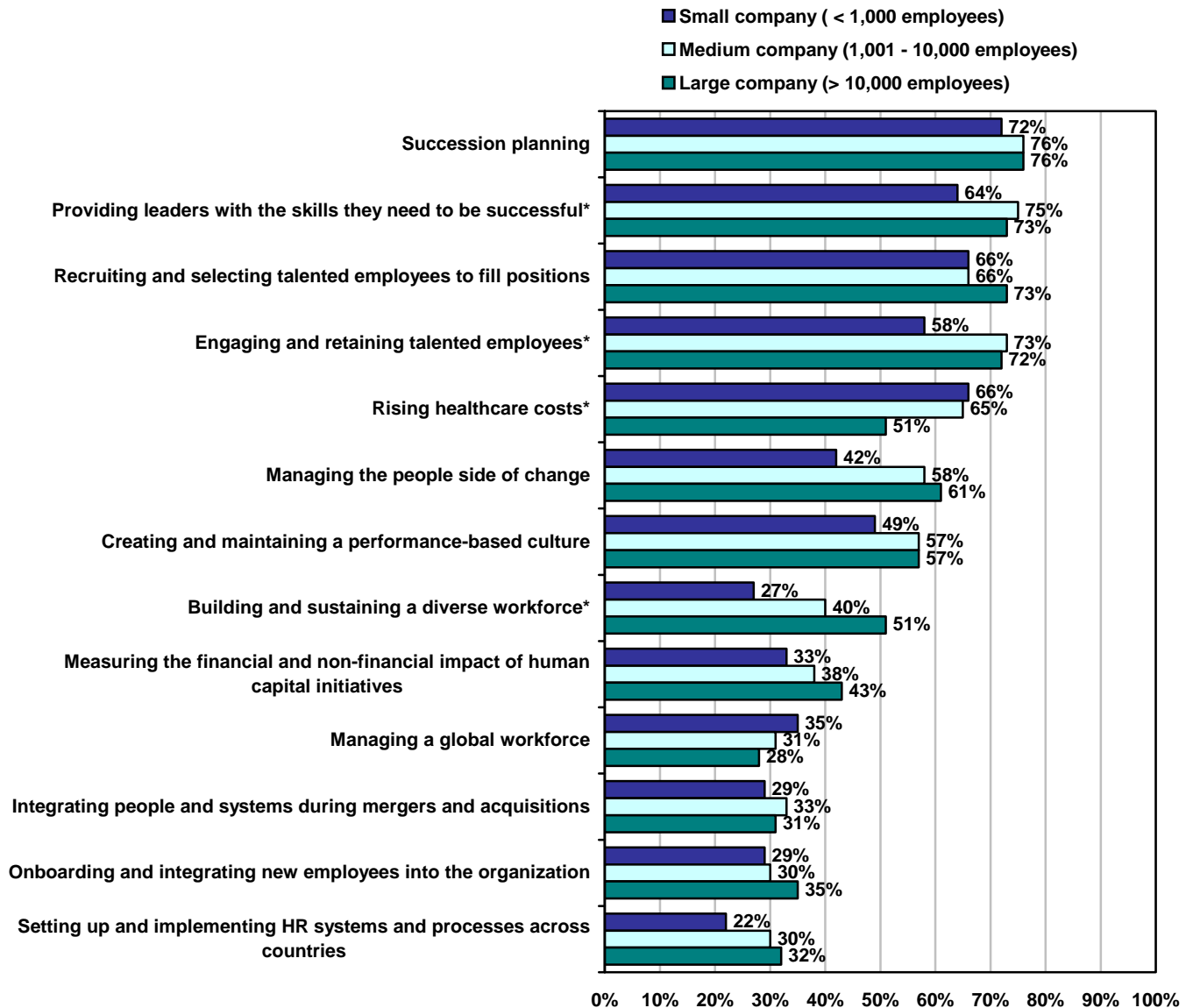
Chart 2 shows ratings of the human capital issues by company size. Succession planning was rated as a significant challenge by the largest percentage of C-suite executives, regardless of company size. This is also consistent with the interview findings. Additionally, providing leaders with skills to be successful, recruiting and retaining talented employees, and engaging and retaining talented employees, were viewed as significant human capital challenges regardless of company size.

There were some noteworthy differences by company size:

- Rising healthcare costs was rated as a *more significant challenge* by C-suite executives from *small and medium* sized companies (when compared to large companies). ***This difference was statistically significant.*** Whereas, in the interview findings, C-suite executives from jumbo companies (>75,000 employees) cited rising healthcare costs as the biggest human capital challenge currently faced by their company.
- Engaging and retaining employees was rated as more of a challenge by medium and large companies when compared to small companies. ***This difference was statistically significant.*** And this is very consistent with the interview findings, where retaining and engaging employees was a more significant challenge for medium and large companies than for small or jumbo companies.
- *Small* companies rated providing leaders with the skills needed to be successful as a less significant challenge than medium companies. ***This difference was statistically significant.***

- Building and sustaining a diverse workforce and managing the people side of change was rated as a *more significant* challenge by C-suite executives from *large* companies than those from small and medium companies. ***These differences were statistically significant.***

Chart 2: Rating of Human Capital Challenges – by Company Size



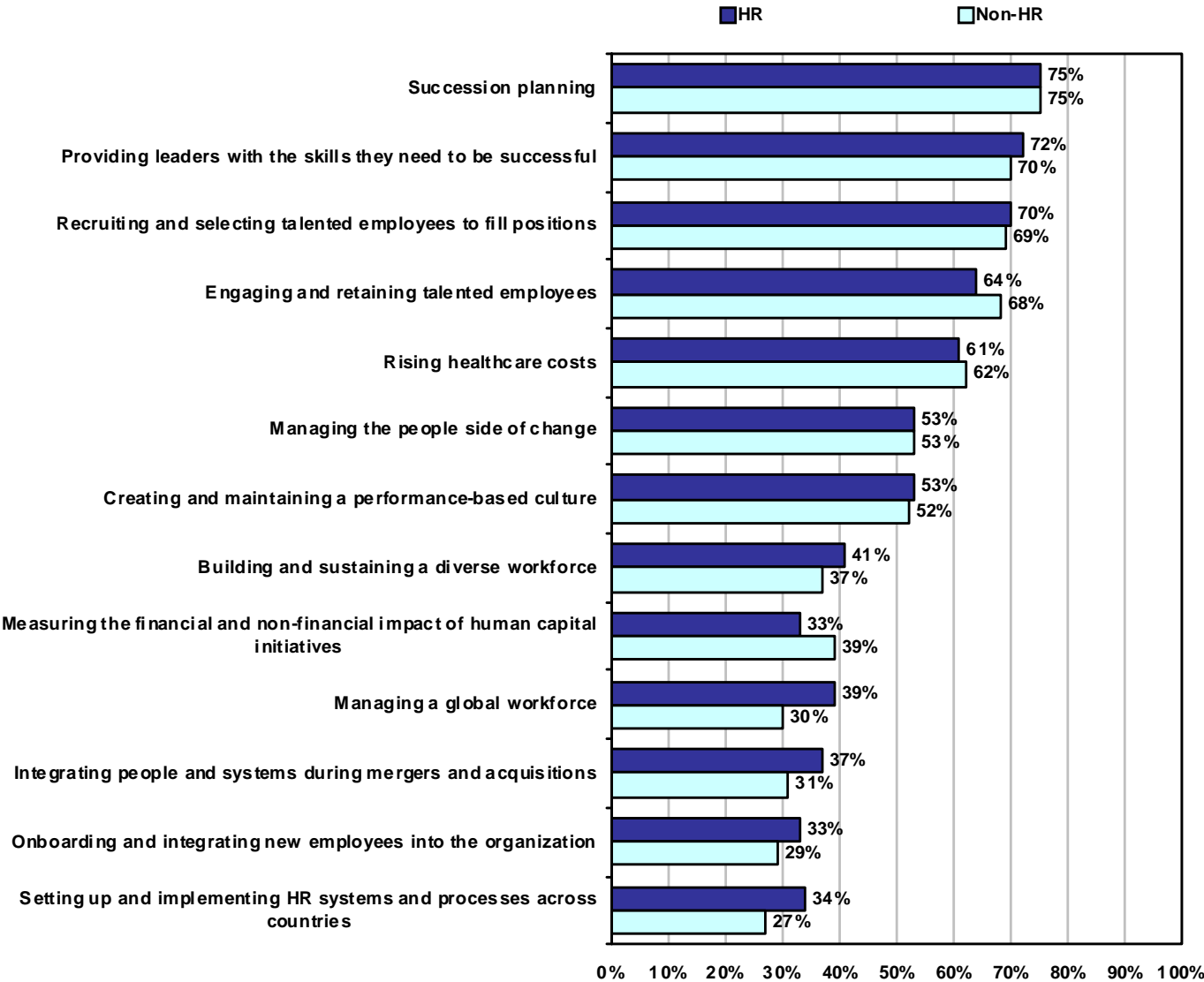
% of respondents who ranked the human capital issue as one of their company's top three challenges for the future

*Statistically significant difference

Demographic Cut: HR versus non-HR C-suite executives

Ratings of human capital issues by HR and non-HR C-suite executives are provided in Chart 3. There were no statistically significant differences between HR and non-HR C-suite executives in ratings of the extent to which human capital issues will be a challenge in the future.

Chart 3: Rating of Human Capital Challenges –HR Versus Non-HR C-suite Executives

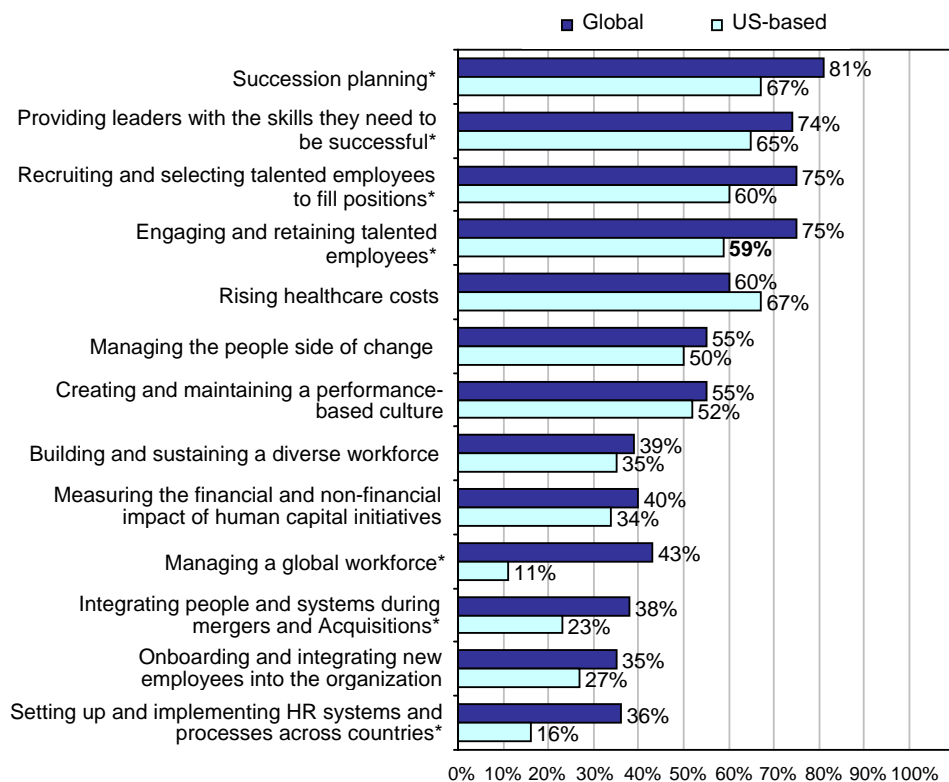


% of respondents who rated the human capital issue as “one of the biggest challenges” or “a significant challenge”

Demographic Cut: Global Versus US-based Companies

In chart 4, we show ratings of human capital challenges by C-suite executives from US-based and global companies. In most cases, C-suite executives from *global companies* see human capital issues as *bigger challenges* for the future than their counterparts in US-based companies. For example, C-suite executives from *global companies* were *significantly more likely* to rate succession planning, recruiting and selecting talented employees, engaging and retaining talented employees, and providing leaders with the skills they need to be successful as significant challenges for the future than were US-based C-suite executives (*all statistically significant differences*). Not surprisingly, managing a global workforce, setting up and implementing HR systems and processes across companies, and integrating people and systems during mergers and acquisitions were also viewed as *bigger human capital challenges* for *global companies* (*all statistically significant differences*).

Chart 4: Rating of Human Capital Challenges – Global Versus US-based Companies



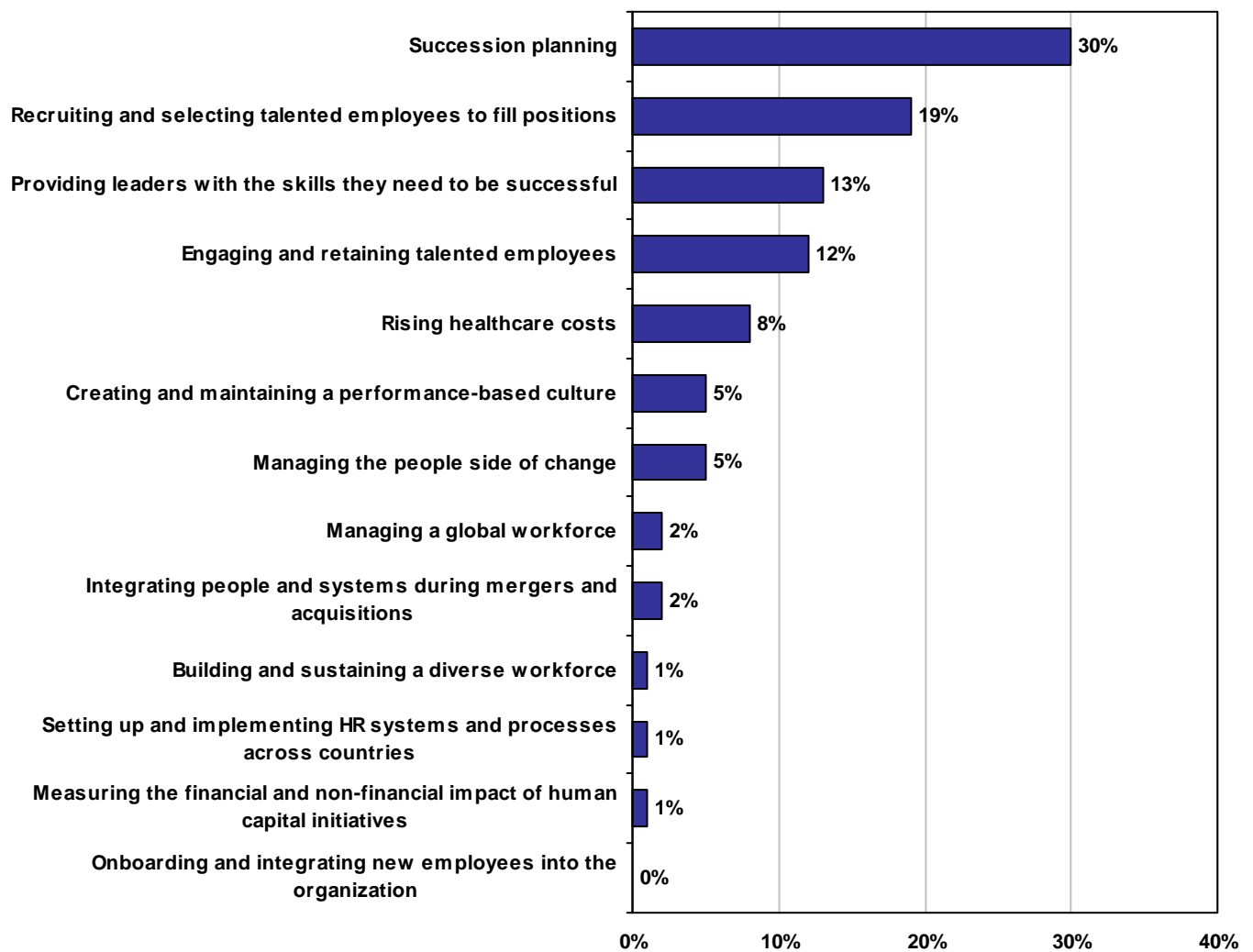
% of respondents who rated the human capital issue as “one of the biggest challenges” or “a significant challenge”

* Statistically significant difference

Next, C-suite executives were asked to rank their top three challenges from a list of human capital issues they rated as “one of the biggest” or “a significant” challenge in response to questions 1 – 14. Chart 5 shows the percent of C-suite executives who ranked each human capital issue as their #1 challenge for the future. Appendix A displays the percentage of C-suite executives who ranked each human capital issue as their #1 challenge, broken out by each of the three demographic cuts.

Succession planning was ranked as the #1 human capital challenge by the largest percentage of C-suite executives (nearly one-third). One-fifth of C-suite executives ranked *recruiting and selecting talented employees to fill positions* as their number one challenge for the future. *Providing leaders with the skills they need to be successful and engaging and retaining talented employees* were identified as the #1 challenge by approximately one in ten C-suite executives.

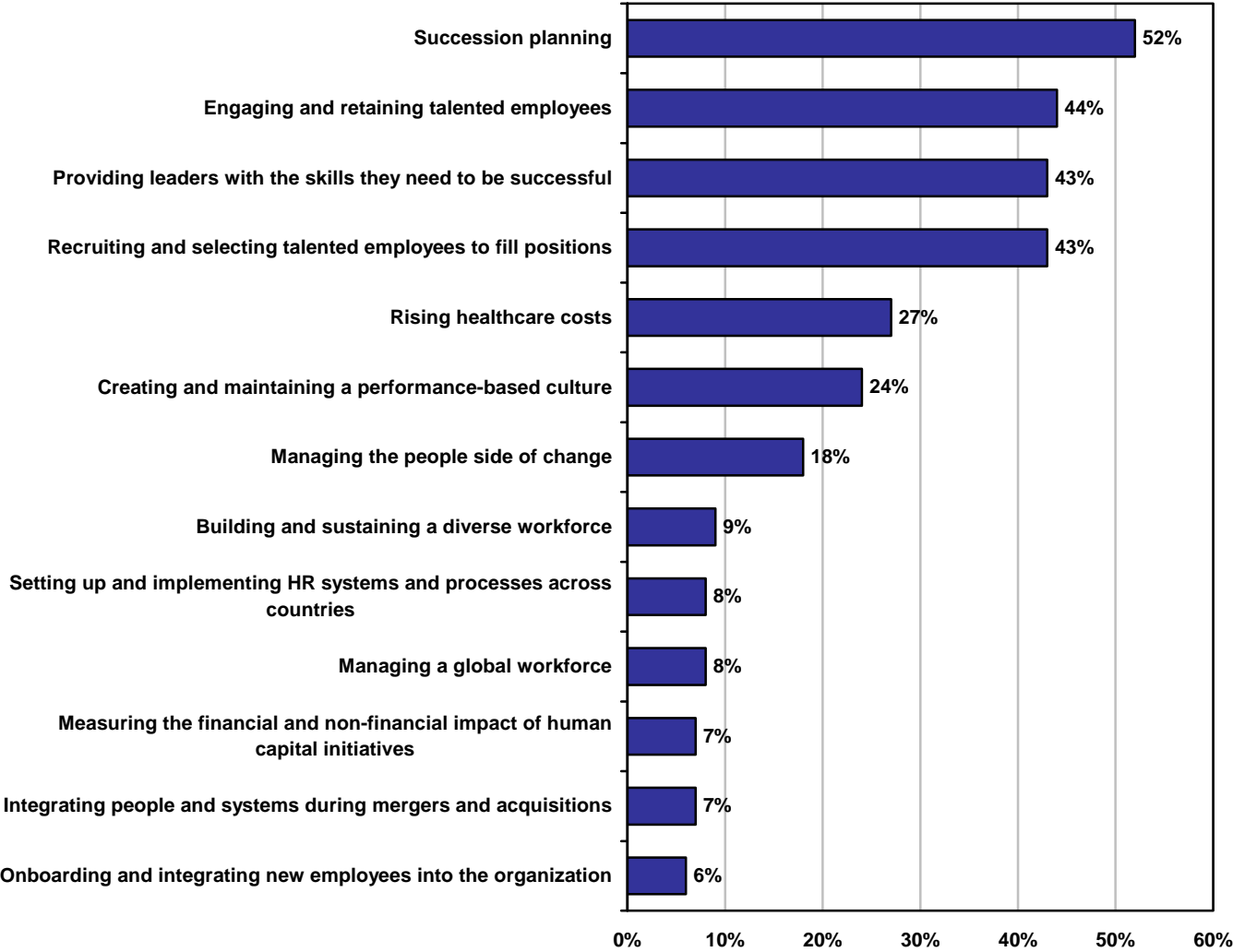
Chart 5: Human Capital Issues Ranked as #1 Challenge for the Future – Overall Sample



% of respondents who ranked the human capital issue as their #1 challenge for the future

Chart 6 shows the percent of C-suite executives who ranked each human capital issue as one of the *top three challenges* for the future. *Succession planning, engaging and retaining talented employees, providing leaders with skills they need for success, and recruiting and engaging talented employees to fill positions* were most frequently identified by C-suite executives as one of the top three challenges for the future.

Chart 6: Human Capital Issues Ranked as One of the Top Three Challenges for the Future – Overall Sample



% of respondents who ranked the human capital issue as one of their company's top three challenges for the future

Rising healthcare costs and creating and maintaining a performance-based culture were ranked among the top three human capital challenges by one-fourth of C-suite executives.

Only a small percentage of C-suite executives identified *onboarding/integrating new employees into the organization, integrating people and systems during mergers and acquisitions, measuring the impact of human capital issues, managing a global workforce, setting up and implementing HR systems/processes across countries, or building and maintaining a diverse workforce* as one of the three biggest challenges for the future.

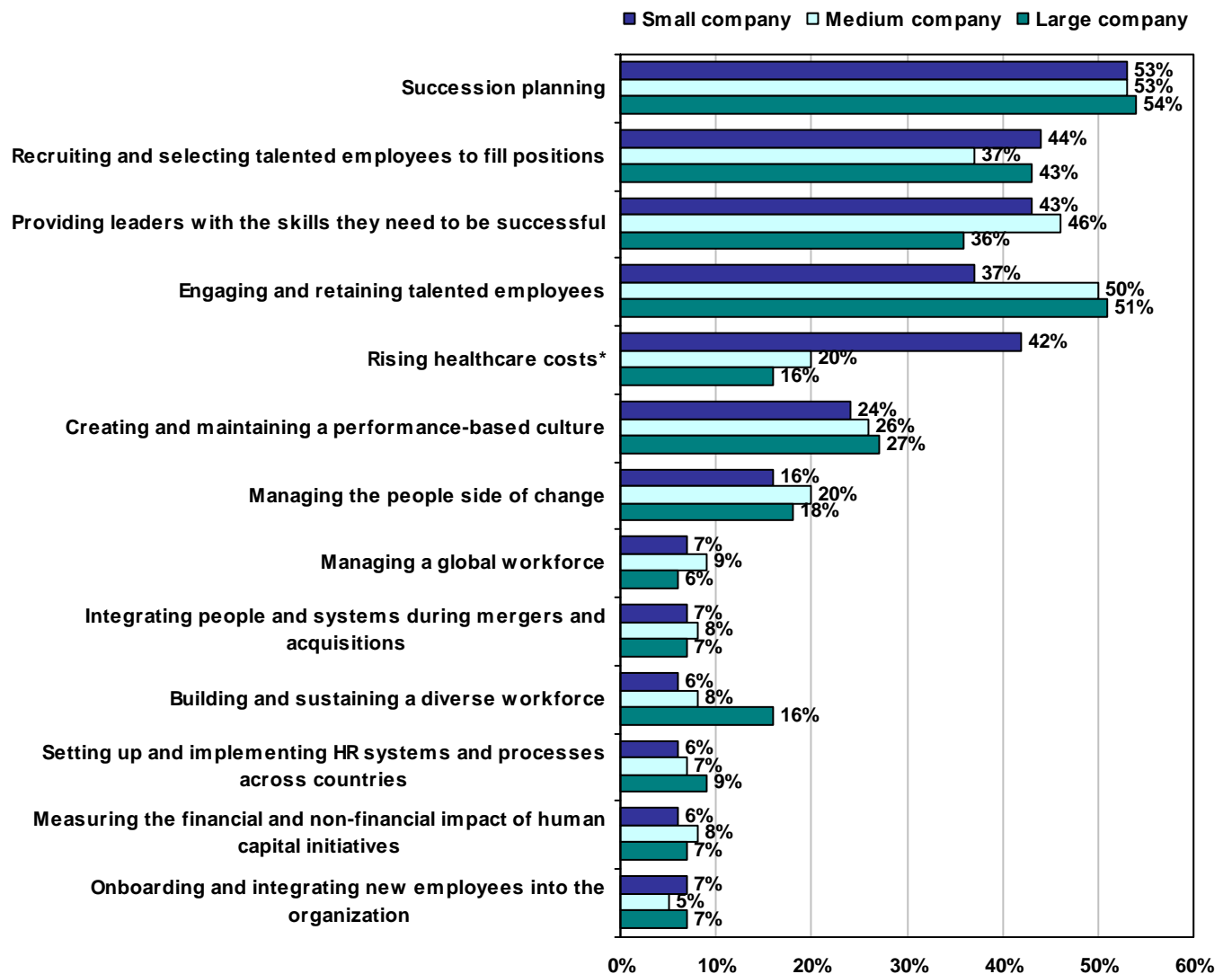
Demographic Cut: Company Size

Chart 7 shows, by company size, the percentage of C-suite executives who ranked each human capital issue as one of the top three challenges. Succession planning was identified as one of the top three human capital challenges by the largest percentage of C-suite executives, regardless of company size. Additionally, C-suite executives from all size companies frequently ranked the following human capital issues as one of the top three challenges for the future: Recruiting and selecting employees to fill positions, engaging and retaining employees, and providing leaders with skills for success

There were some noteworthy differences by company size:

- Rising healthcare costs was *more frequently* identified as one of the top three human capital challenges by C-suite executives from *small* companies than C-suite executives from *large and medium* companies. ***This difference was statistically significant.***
- Engaging and retaining employees was viewed as *more of a challenge* by C-suite executives from *large and medium* companies than by C-suite executives from *small* companies. ***This difference was statistically significant.***
- Providing leaders with skills for success was *more frequently* identified as one of the top three human capital challenges by C-suite executives from *small and medium* companies (noteworthy, but not statistically significant).

Chart 7: Human Capital Issues Ranked as One of the Top Three Challenges for the Future – by Company Size



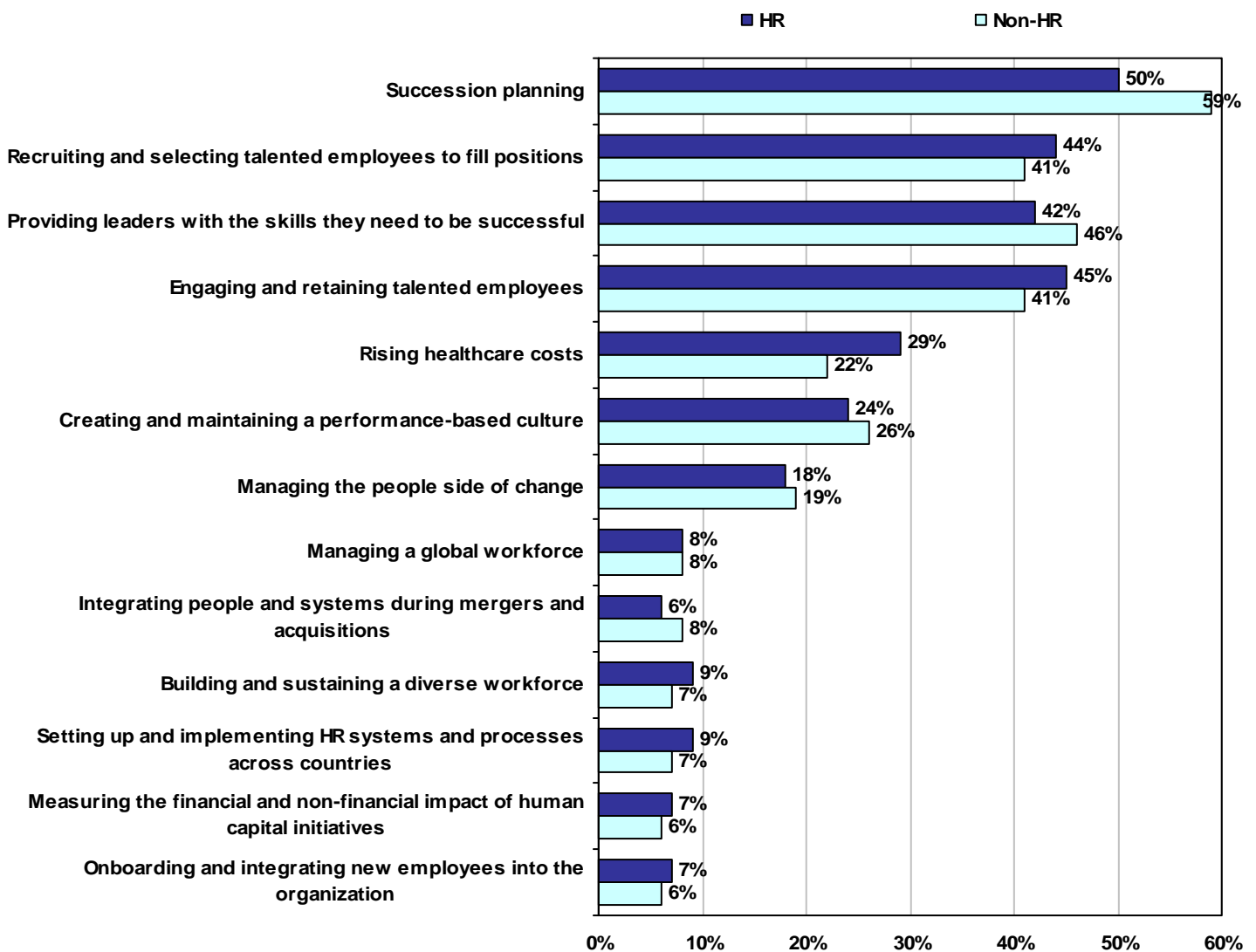
% of respondents who ranked the human capital issue as one of their company's top three challenges for the future

* Statistically significant difference

Demographic Cut: HR versus non-HR C-suite executives

Chart 8 shows that there were no statistically significant differences between HR and non-HR C-suite executives in rankings of the human capital issues. For example, 44% of HR C-suite executives ranked recruiting and selecting employees to fill positions as one of their top three challenges for the future compared to 41% of non-HR C-suite executives.

Chart 8: Human Capital Issues Ranked as One of the Top Three Challenges for the Future – HR Versus Non- HR C-suite Executives



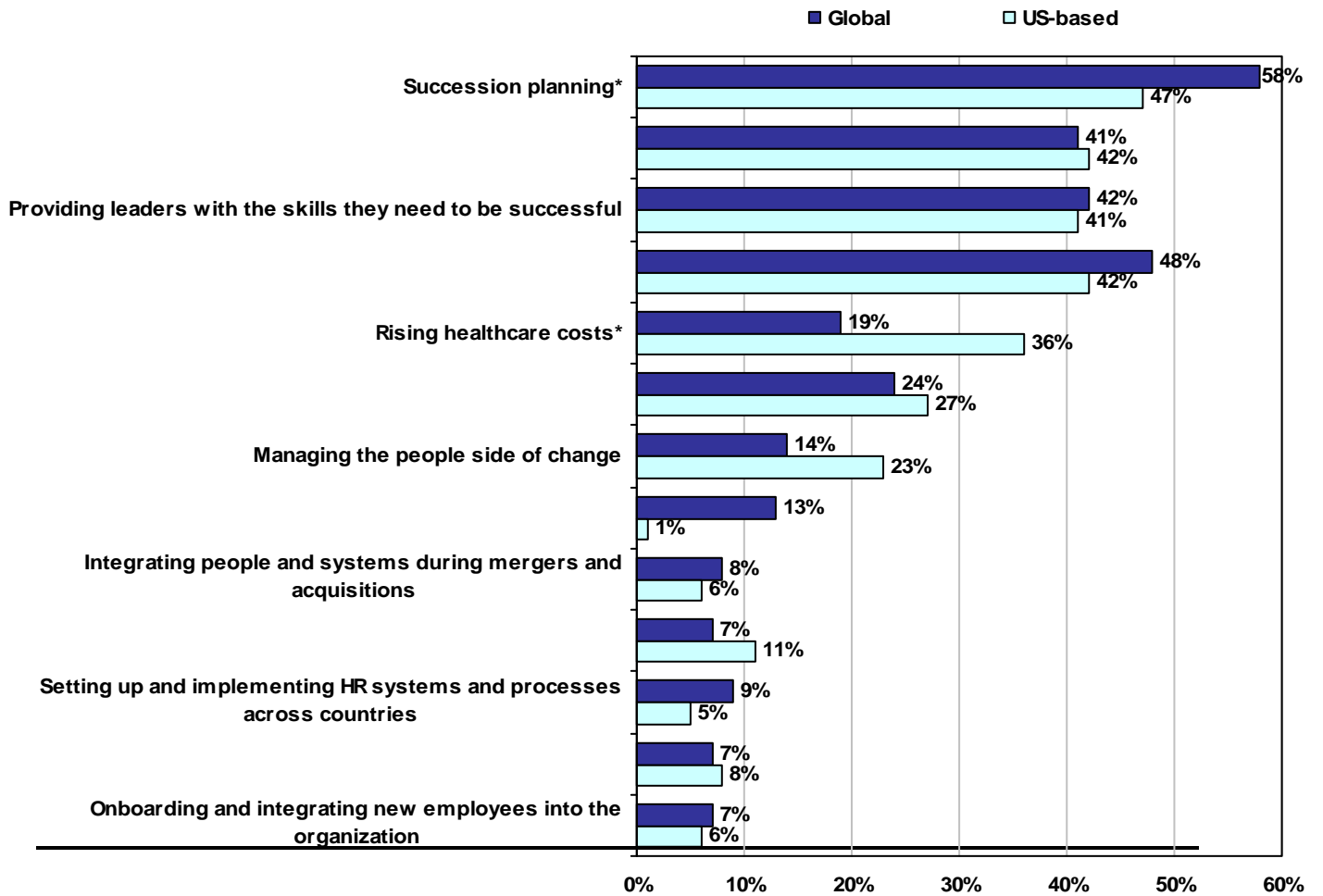
% of respondents who ranked the human capital issue as one of their company's top three challenges for the future

Demographic Cut: US-based Versus Global Companies

Chart 9 shows the percentage of C-suite executives from US-based and global companies who identified each human capital issue as one of their top three challenges for the future. In most cases, C-suite executives from US-based and global companies were in agreement as to the top human capital challenges for the future. For example, 41% of C-suite executives from global companies identified providing leaders with skills for success as one of their top three challenges for the future compared to 42% of C-suite executives from US-based companies. There were two notable exceptions:

- Succession planning and Managing a Global Workforce were *more frequently* identified as a top challenge by C-suite executives from *global companies* than by C-suite executives from *US-based companies*. ***These differences were statistically significant.***
- Rising healthcare costs and managing the people side of change were *more frequently* identified as top challenges by C-suite executives from *US-based companies* than by C-suite executives from *global companies*. ***This difference was statistically significant.***

Chart 9: Human Capital Issues Ranked as One of the Top Three Challenges for the Future – Global Versus US-based Companies



% of respondents who ranked the human capital issue as one of their company's top three challenges for the future

* Statistically significant difference

Summary – Top Human Capital Challenges

In sum, the table below shows what C-suite executives see as the top six human capital challenges for the future. This ranking is based on our analysis and interpretation of the responses to questions 1 – 15 (questions focused on determining the biggest human capital challenges for the future). We will be focusing on these six challenges in the remainder of the report.

Table 1: Summary – Biggest Human Capital Challenges for the Future

Biggest Human Capital Challenges for the Future	
Succession Planning	#1 Challenge
Recruiting and Selecting Talented Employees	#2 Challenge
Engaging and Retaining Talented Employees	Tied for #3 Challenge
Providing Leaders with Skills to be Successful	
Rising Healthcare Costs	#4 Challenge
Creating/Maintaining a Performance-based Culture	#5 Challenge

Overall, these six human capital issues were viewed as significant future challenges, regardless of company size or the C-suite executive’s title (HR versus non-HR). Additionally, the majority of these challenges were rated as significant by C-suite executives from global and US-based companies. The global companies saw these top challenges as even more significant than US-based companies, with the exception of rising healthcare costs. It should be noted that rising healthcare costs is viewed as more of a future human capital challenge by C-suite executives from small companies and from US-based companies.

Additionally, our survey findings are consistent with the findings from the interviews with C-suite executives to identify current and future human capital challenges (Phase I of the study). For example, both the survey and interviews identified succession planning and leadership development, recruiting and hiring talent, engaging and retaining employees, and managing rising healthcare costs as significant human capital challenges faced by C-suite executives.

B. Detailed Descriptions of the Biggest Human Capital Challenges Companies will Face

C-suite executives were asked to describe their biggest human capital challenges for the future (e.g., What is your biggest challenge around succession planning?).

Throughout this section, we provide a breakdown of the key themes and sample comments associated with the six most pressing human capital challenges for the future (as identified by the total survey sample, see Table 1).

Succession Planning

Key Themes and Supporting Comments:

1. Companies need to have a clear succession plan for identifying and preparing future leaders- there is sometimes a lack of strategic planning.

- “The topic says it all. Succession planning is always a tough challenge of keeping your prospective people fully engaged and informed. You are competing against an entire market for a small number of qualified applicants.”
- “The greatest challenge will focus on convincing Senior Executive Management to make the necessary investments in preparing tomorrow's senior leaders through rotational assignments, education and training and other developmental experiences.”
- “People feel nervous talking about who succeeds them. They fear upsetting those not chosen. Biggest challenge is where to start and resolving the fears.”
- “We need to identify and begin to grow the future leaders. This is a challenge we are beginning to work earnestly on over the next 2-3 years.”
- “Executing the plan and having top management buy into it. At times it is placed on the shelf without being refreshed and career timelines being updated.”
- “Today's environment requires leaders with the ability to manage a diverse population across diverse environments. Finding and developing talent to be ready as quickly as we need them is a huge challenge.”

2. The challenge for companies is finding and retaining people who have the aptitude to be senior leaders – individuals with the technical skills, leadership skills, strategic vision and who will fit into the corporate culture.

- “Trying to find people who are not only qualified, but that would fit in with the way the company is run and the people that are already here.”
- “Fast growth and strong desire for internal leaders is a constant drain. Culture fit especially with senior leadership is a big challenge.”
- “The pipeline of talent is weak. Need to hire more expertise as a feeder pool and focus on the development of the next two layers below the senior team.”
- “Implementing a process that identifies potential candidates, provides them with the necessary skills, and smoothly transitioning them into the appropriate role is a challenge.”

3. *Many companies have a mature workforce eligible for retirement in the next 5-10 years so there is a need to identify, and especially retain, those who will take on these leadership roles in the future.*

- “60% of our senior management is eligible for retirement in the next 5 years. We have a rather short window for preparing the pipeline.”
- “Keeping the successor challenged and motivated for the period of time it will be before they assume the role for which they are being prepared.”
- “The majority of our executive management is in the same age group. This presents a challenge in that not only one person needs to be replaced but almost the entire executive management team. A person needs to have many good characteristics which are difficult to find.”
- “It is unlikely that our senior management team will be here for a long period of time and we have no system in place to develop successors. The time lost to recruit outside replacements as well as the significant churn that it causes is also not helpful to driving results.”
- “With current workforce mobility, many employees opt out rather than up. The biggest challenge is keeping them motivated while they are being groomed for the next step.”
- “Opportunities for promotion to senior-level jobs are infrequent so people are less motivated to gain/develop leadership/management skills when the pay-off is so far down the road.”

4. *Small companies are faced with their own set of challenges because there is no natural pipeline within the organization.*

- “We are a small company with not a lot of upward mobility due to age of senior management, and fewer levels than some bigger companies.”
- “Our company is small with usually only one specially trained person in any job -- no natural ‘pipeline’ within the organization.”
- “Our company is a small manufacturing plant. Some employees are motivated and have decided to continue their education. The challenge is that we don't have many openings.”
- “As a small company, we have many small departments which make it difficult to succession plan. There are either too few to choose from within a department, or not enough opportunities to cross train due to time constraints.”

Recruiting and Selecting Talented Employees

Key Themes and Supporting Comments:

1. *There is a great deal of competition to get talented employees with the right skill sets.*

- “The biggest challenge is getting talented employees. There is very little unemployment, the talented employees have jobs. Therefore, you have to find a way to lure them from their present employer.”
- “Increasing competition for a limited pool of talented individuals.”
- “Identifying a sufficient number of the right skills, given the increasingly competitive demand for analytical talent and the continued shortage of potential employees with those skills.”
- “Difficult to find qualified candidates that are willing and able to do the work of the company.”
- “Availability of individuals with the skills and talents we need for positions in our key functional areas.”
- “With the expectation to do more with less, must ensure we are recruiting individuals with the right skill set to perform work and add value to the organization.”

2. *Small companies have particular challenges in competing for talent.*

- “We are a small and growing company. We have to compete with much larger organizations for the talent.”
- “Finding talented individuals at the director level and up, with appropriate experience, is a huge challenge. Add to that the compensation they could get at a large company (we are a small company) and this becomes our most difficult task.”
- “We are a small manufacturing company located in Southern New Hampshire. There is not a large supply of assembly workers that are available and if they are available they want top dollar.”
- “The industry segment is not profitable enough to pay salaries aligned with the people needed. Our company is very small relative to the big players, therefore there is a scarcity of funds to hire competent people.”

3. *Geography can be a hindrance to finding talent.*

- “We are in a somewhat isolated area and it can be difficult for two career couples to find employment in our city.”
- “We are located in a very small town in the Southwest Corner of Arizona and it's difficult to recruit people to come here. We don't grow journalism students here (no college courses in journalism offered) so we have to recruit from other states.”
- “Highly skilled positions are difficult for us to fill, particularly in some geographical regions like the Northwest.”

4. *Companies without a successful track record have particular issues attracting talent.*

- “Our company has had challenging results over the last several years and with a competitive labor market, candidates are pursuing opportunities with organizations with better results and/or growth.”
- “It’s a challenge competing for ‘top’ talent in an unattractive, financially ailing company.”
- “We are in a declining domestic industry. Many candidates view our industry as unstable and are therefore unwilling to assume the risk.”

Engaging and Retaining Talented Employees

Key Themes and Supporting Comments:

1. *Remaining competitive with pay and benefits is a crucial step in retaining employees.*

- “As a health care employer, developing/ maintaining a competitive wage structure within a volatile revenue stream continues to be a significant challenge particularly as it relates to competitive rates for nursing personnel.”
- “As an org with 55% Gen X and 16% Gen Y (71% total), how are we going to retain these people when we don't have the turnover of Baby Boomers most companies have? Where are the opportunities going to come? Why will they stay? We have to meet their needs - with flexibility, pay, benefits, learning & development, etc.”
- “We are in a non-commission sales environment with high expectations. Due to industry regulations, incentive pay is not possible; keeping sales staff motivated and high producing without incentives is an ongoing challenge.”

2. *Providing developmental opportunities is a challenge and a key step in engaging and retaining talent.*

- “Ensuring that the performance management process works (i.e., is attended to by managers) and is continually refreshed. Providing career paths/opportunities to high performers. Having managers understand the value of engagement and create the processes to engage the heads, hands and hearts of our people.”
- “Providing career growth opportunities in a flat organization.”
- “It’s hard to keep employees engaged in a flat organization with little prospect of hierarchical movement. There are only a limited number of projects/assignments to use for development purposes and/or to retain job interest.”
- “Creating real development actions and convincing high potential employees that the value proposition is greater at our company than others.”

- “As a smaller company, providing desired career/developmental opportunities and assignments to keep talented employees engaged and satisfied with their career growth.”
 - “Identifying career opportunities, and communicating the path accurately to high potential individuals.”
3. *The competition for talent means that employees have greater choices and therefore are more likely to leave for new opportunities.*
- “Employees will have more choices and increased pay opportunities because of so many jobs being available. The current ‘me first’ generation will move if not happy.”
 - “With the labor market growing more and more competitive, employees will have greater choice around the nature of their role, compensation, work environment factors (e.g., hours), and as a result, will have more flexibility to find other jobs, making it harder to keep top talent at our firm.”
 - “Low unemployment / high competitive demand for people with specific credentials.”
 - “Market demand is high and hence keeping employees engaged for years is difficult.”
 - “As more competition opens in our state, preventing our best talent from being successfully recruited away will be a primary concern.”

Leadership Assessment and Development

Key Themes and Supporting Comments:

1. *Finding the resources (money, time, etc.) to create successful leadership programs is a challenge.*
- “Building the business case necessary to secure commitment of resources (time, money, etc.) is a challenge. Some do not see this as a priority.”
 - “Training and development are large cost items for mid sized firms and it is often difficult to show the ROI to the executive team. However, without significant strides in this area all future leadership roles will have to be filled from outside of the organization.”
 - “There is no organizational time to engage leaders and aspiring leaders in training and development initiatives. Learning initiatives and employee development is not a valued strategy/function in our company as everyone is working such long hours just attempting to address the business imperatives.”
 - “In a small, very lean company, this task gets put behind operational issues. It is difficult to carve out the time and the money to give our leaders additional skills that could help them, and thus our company.”
2. *There is a need for better programs that help define the leadership skills needed, develop the training content, and identify those who should participate.*

- “Identifying and developing meaningful programs to address the deficiencies of current leaders and obtaining their commitment.”
- “Defining the skills required, developing the content and finding the time for leaders to participate in activities designed to improve their leadership skills.”
- “Identifying the desired leadership characteristics that the organization wants to embrace and support; and analyzing current status and gaps between desired competencies. Holding leaders accountable to manage to the desired competencies.”
- “How to assess and develop people of very different generational backgrounds, and other diverse characteristics in a changing environment.”
- “Developing and maintaining a leadership development curriculum that truly provides executives with key skills and opportunities to develop key competencies.”

3. *Many of today's leaders were promoted for their technical skills and their leadership skills were not developed.*

- “Leaders in our company have historically been measured and rewarded on their financial success; therefore, causing them to ignore their role as developers of leaders. Today that has changed, developing people is almost more important than delivering the numbers. Our leaders are resistant to this change.”
- “Because of company growth, some of the rank and file were promoted to supervisors and managers and do not possess the knowledge, skills, and abilities.”
- “Having the senior leadership accept responsibility for leadership development. Moving to a new ‘leader’ definition that is people focused, not task focused.”
- “This company has historically rewarded technical expertise without regard to the competency to be a leader or manager. Consequently we have very few good leaders in the organization which hampers our ability to drive results.”
- “We hire people from up within the ranks and most people just do not have managerial skills and it is difficult to go back and train and bring them up to managerial level.”

4. *Leadership development training needs to be followed up to ensure that managers are practicing what they have learned.*

- “Getting good leaders is challenge enough. Identifying their development needs can be difficult but the greatest challenge is ensuring that any training or development actually takes hold and that someone changes their behavior or management/leadership style in an appropriate fashion.”
- “We have a great leadership training program. Our biggest challenge is holding our leaders accountable for behavior changes. It's getting more

- difficult for managers to understand the power of changes to their own thoughts and actions and how they affect the performance of others.”
- “Combining measurement of current skills with a development program that ‘sticks’ and does not just fade away after the program is over.”
 - “Applying lessons learned in classroom situations to actual events on the shop floor.”
 - “We have access to some excellent training and development material. We deliver the material; however, I believe that (as with a lot of training), there is not a lot of follow-up to see whether there is actual transfer of training to the workplace. We could also use an overhaul in our performance assessment (evaluation) tool.”

Rising Healthcare Costs

Key Themes and Supporting Comments:

1. *The biggest challenge for employers is to continue to provide affordable healthcare for all employees.*
 - “Finding affordable health care without sacrificing major benefits, where the cost of medical coverage rises faster than wage increase.”
 - “Finding the right health provider and being able to offer our employees a health package that can take care of them but one that the company can afford.”
 - “Healthcare is a large financial issue for employees. We are lucky enough to be able to provide HMO coverage for our employees and their families at no cost. However if the cost of healthcare continues to rise we will no longer be able to do this.”
 - “The challenge is to continue to offer our employees reasonable health care coverage at affordable prices.”
2. *Employers need their healthcare plans to be competitive, in order to attract and retain talent.*
 - “We need to contain costs without losing employee loyalty.”
 - “The increase in healthcare costs may have a negative impact on recruiting and maintaining entry level employees.”
 - “Controlling bottom line impact and ensuring that health care offerings are not a disincentive to attracting and retaining high performers.”
 - “As our workforce ages, our cost of insurance rises and we must maintain a balance of cost sharing with employees as well as a recruiting and retention competitiveness.”
 - “Employees know more about the differences going in to a new job, and will negotiate for higher salary if they can't get decent healthcare.”

3. *With healthcare costs getting prohibitive, employers are concerned that employees will opt out of obtaining healthcare benefits.*
 - “There are many challenges in healthcare, but certainly one is education of employees toward preventive care and learning to be a wise health care consumer. Another challenge is employees choosing not to take coverage due to the rising cost of healthcare”
 - “The cost of health care today prohibits some of our employees from participating. In 5 years time, it will be even more prohibitive.”
 - “As costs rise and the population ages, fewer and fewer lower-wage employees will be able to afford to subscribe to health insurance. As costs rise, it becomes less and less likely that the company will be able to afford more than a 50/50 split of premium costs with the employees.”

4. *Some companies are challenged by the age and lifestyles of their employees.*
 - “The average age of our workforce is 47 and we already know that many of our employees will be facing serious illnesses in the future, if they do not make changes now. Our biggest challenge is to educate our employees and create the proper level of incentives to help change some of their lifestyle habits, and shift their focus on preventative rather than reactive care.”
 - “Unhealthy work force causing health care costs to become unaffordable.”
 - “Wellness and fitness programs are essential.”
 - “We have an aging workforce with an average age of approximately 60. There are many health issues which impact greatly our insurance rates.”

Creating and Maintaining a Performance-based Culture

Key Themes and Supporting Comments:

1. *The challenge for many companies is how to come up with objective, measurable performance goals.*
 - “Each of our properties is very different from each other and it is difficult to find true measures to tie performance to.”
 - “Devising the appropriate performance measures and creating the organizational will to meet them is our biggest challenge.”
 - “It’s a challenge to make goals measurable, create position specific appraisals, and make people accountable for their goals by tying pay/bonus to performance.”

2. *Building commitment to performance management throughout leadership can be challenging.*

- “Higher Education is a collegial environment, with many conflict averse managers. In the attempt to be ‘nice’ to people, managers often do not clarify or uphold expectations.”
- “Inconsistency among leadership on these topics makes it difficult to maintain a performance-based culture. Some leaders are better than others.”
- “Educating and training existing managers and supervisors to use and embrace a performance management system.”
- “Getting the current senior management team to buy-in to, commit to, and behave in a consistent fashion that will lead to a performance-based culture.”

3. *It is challenging to build a culture of accountability.*

- “Inconsistent application of rules and accountability and communicating expectations have been a problem for us.”
- “Right now the company is making this a priority in holding employees accountable for what they do.”
- “Accountability and dealing with poor performance are threatening, therefore strongly resisted.”
- “Having administration buy-in to the fact that accountability needs to apply to all levels of the organization, not just the front-line and supervisor level.”
- “Managers fail to hold employees accountable for their actions because they are afraid of losing employees during peak seasons.”

4. *Dealing with poor performance can also be a challenge for some.*

- “The biggest challenge is how to deal with poor performance, as most people in position to evaluate others tend to go ‘soft.’”
- “Giving managers the tools to hold employees accountable and ensuring they use those tools to deal promptly with poor performance.”
- “The merit increase budgets do not allow adequate differentiation of levels of performance. Poor performance requires a great deal of documentation due to legal concerns and/or requirements.”

C. Confidence in Addressing Human Capital Challenges

In the next section of the survey, C-suite executives were asked how confident they are that their company has a solution or plan to address future human capital challenges (see Chart 10). C-suite executives were only asked to provide ratings on confidence for the three human capital issues they identified as their company’s top challenges for the future (in response to question 15).

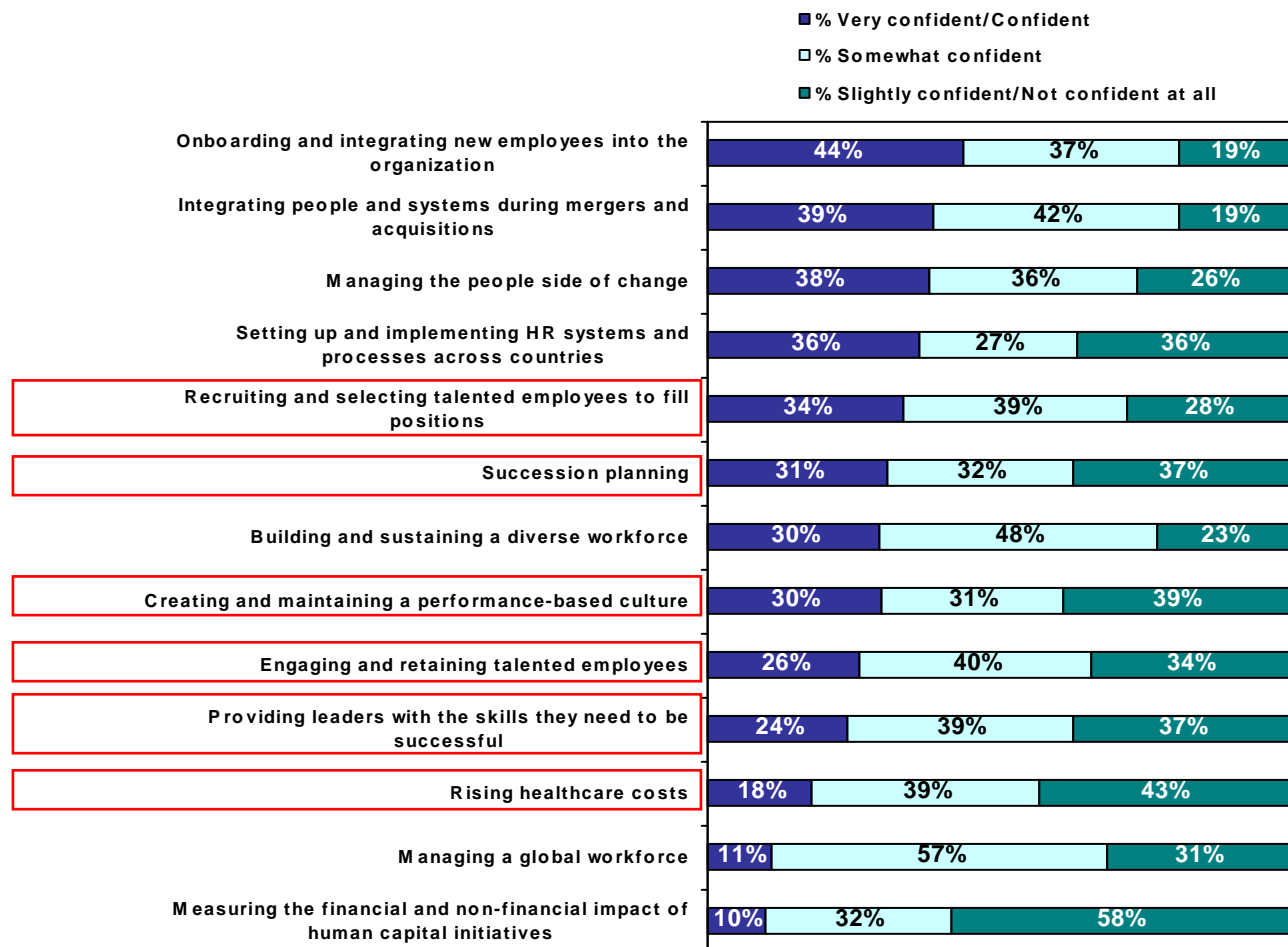
The survey results show that C-suite executives have little confidence that their company has a plan or solution to address future human capital challenges (particularly when looking at the six biggest human capital challenges for the future, which are identified by a red box on Chart 10). Roughly one-third of C-suite executives indicated that they are “very confident” or “confident” that their company has a plan or solution to

address challenges around *recruiting and selecting talented employees to fill positions, succession planning; and creating and maintaining a performance based culture*. A smaller percentage of C-suite executives believe their company has a plan or solution to address human capital challenges around *engaging and retaining talented employees* (26%), *providing leaders with the skills they need to be successful* (24%), and *rising healthcare costs* (18%).

C-suite executives expressed the most confidence that their company has a plan or solution to address challenges around *onboarding and integrating new employees into the organization, integrating people and systems during mergers and acquisitions, and managing the people side of change*.

Finally, only 1 in 10 C-suite executives are confident that their company has a plan or solution to address challenges around *managing a global workforce* and *measuring the financial and non-financial impact of human capital initiatives* (however, these human capital issues are not among the top challenges identified by C-suite executives for the future).

Chart 10: Confidence Company has a Plan or Solution to Address Human Capital Challenges – Overall Sample



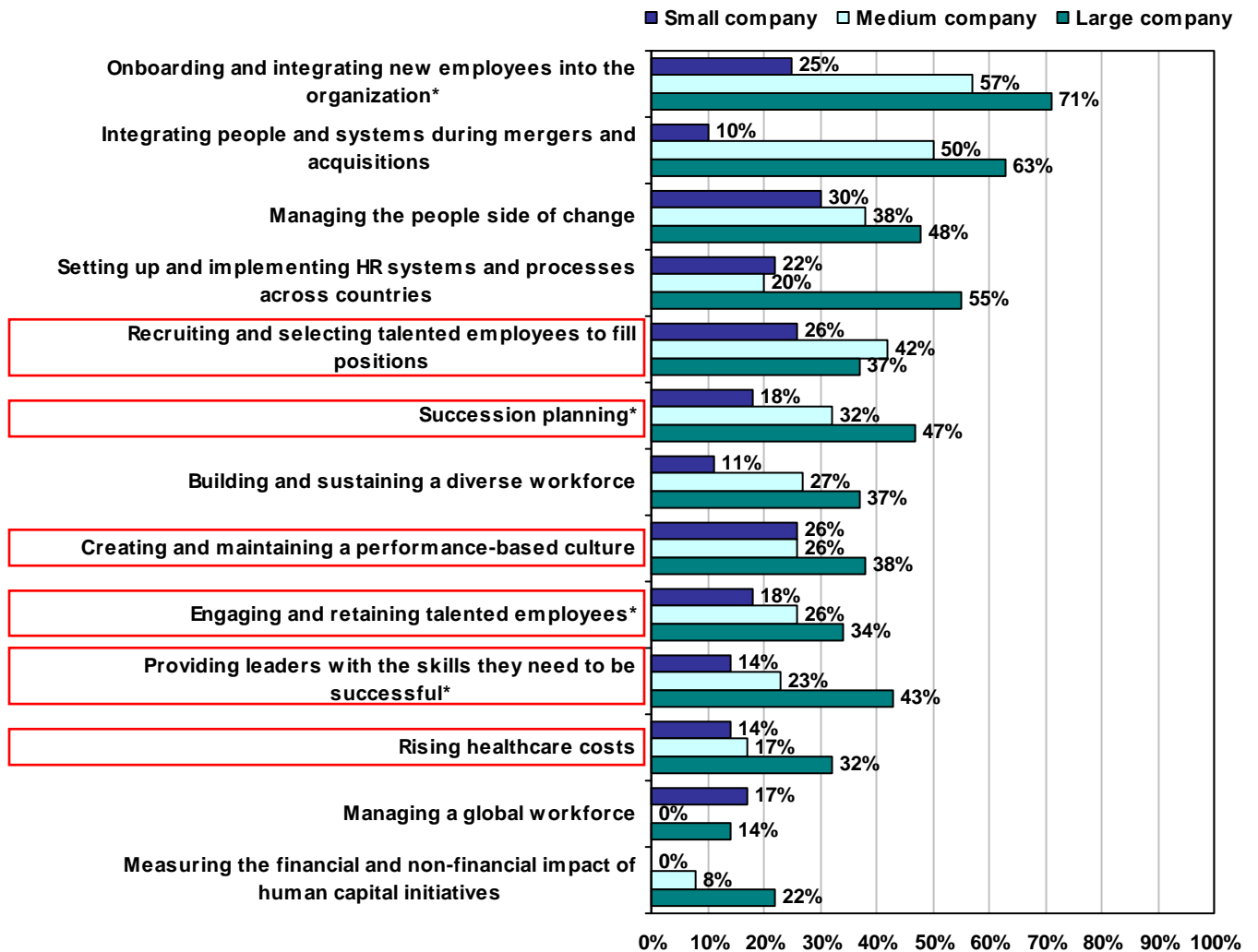
Demographic Cut: Company Size

Chart 11 shows company size differences in C-suite executive confidence that there is a plan or solution to address future human capital challenges. In general, C-suite executives from small companies are less confident that their company has a plan or solution to address human capital challenges when compared to C-suite executives from medium and large companies. C-suite executives from large companies are the most confident that their company has a plan to address human capital challenges.

Statistically significant differences are as follows:

- C-suite executives from small companies are less confident than those in large companies that their company has a plan or solution to address challenges around succession planning, engaging and retaining employees, providing leaders with skills for success, and onboarding and integrating new employees into the organization
- C-suite executives from small companies are less confident than those from medium and large companies that their company has a plan or solution to address the challenge of integrating people and systems during mergers and acquisitions

Chart 11: Confidence Company has a Plan or Solution to Address Human Capital Challenges – by Company Size



% of respondents "very confident" or "confident"

* Statistically significant difference

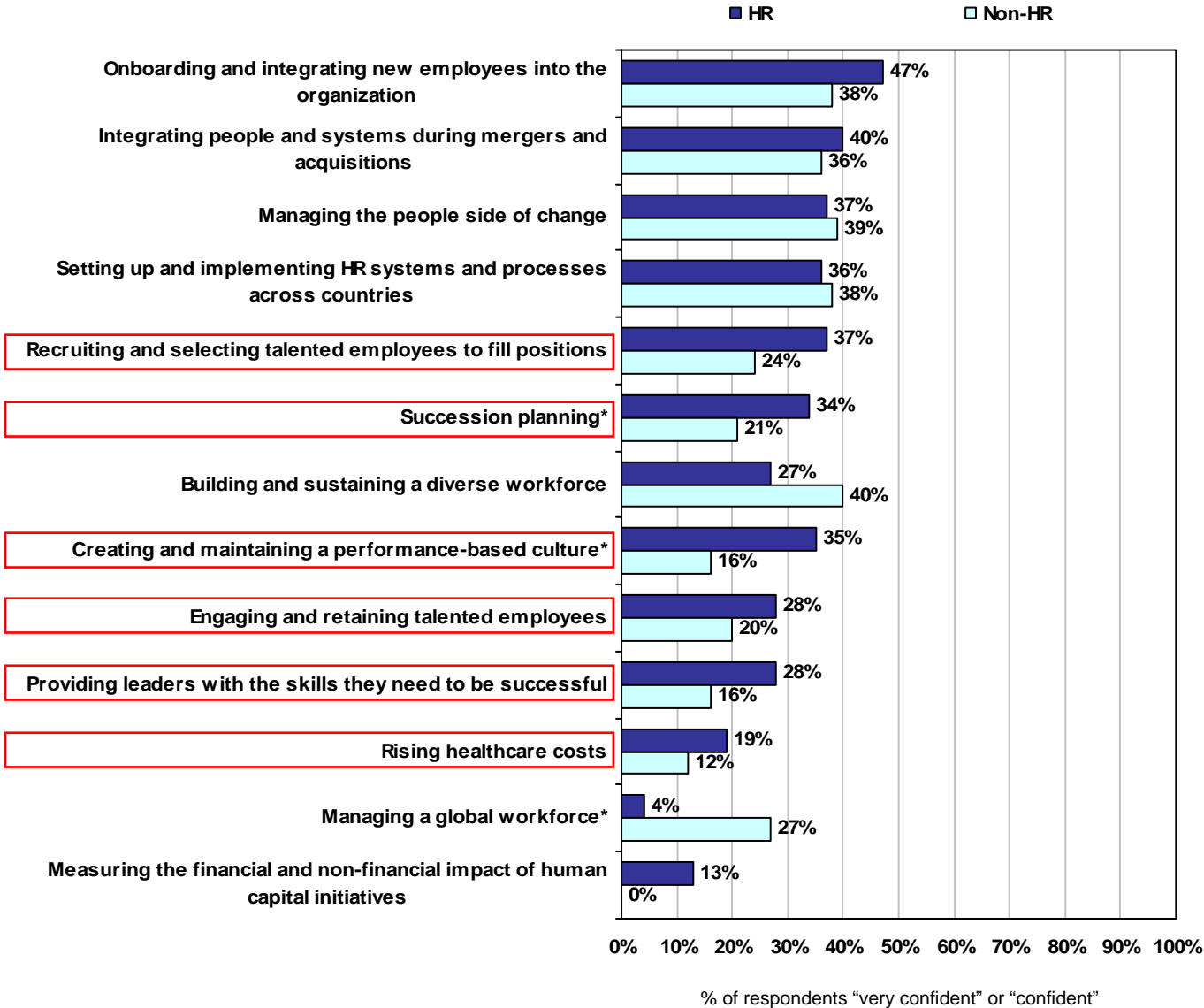
Demographic Cut: HR versus non-HR C-suite executives

Chart 12 shows how confident HR and non-HR C-suite executives are that their company has a solution or plan to address future human capital challenges. The chart shows that only a small percentage of C-suite executives (regardless of whether they have an HR or non-HR function) are confident that their company has a plan or solution to address the six biggest human capital challenges for the future (as identified by a red box in Chart 9).

There are some notable differences between HR and non-HR C-suite executive confidence ratings:

- *HR C-suite executives are more confident* than their non-HR counterparts that their company has a plan or solution to address challenges around succession planning (***statistically significant***), creating and maintaining a performance-based culture (***statistically significant***), recruiting and selecting employees (noteworthy, but not statistically significant), and providing leaders with the skills for success (noteworthy, but not statistically significant) (four of the six biggest human capital challenges for the future).
- *Non-HR C-suite executives are significantly more confident* that their company has a plan or solution to address challenges around managing a global workforce (***a statistically significant difference***).

Chart 12: Confidence Company has a Plan or Solution to Address Human Capital Challenges – HR Versus Non- HR C-suite Executives



* Statistically significant difference

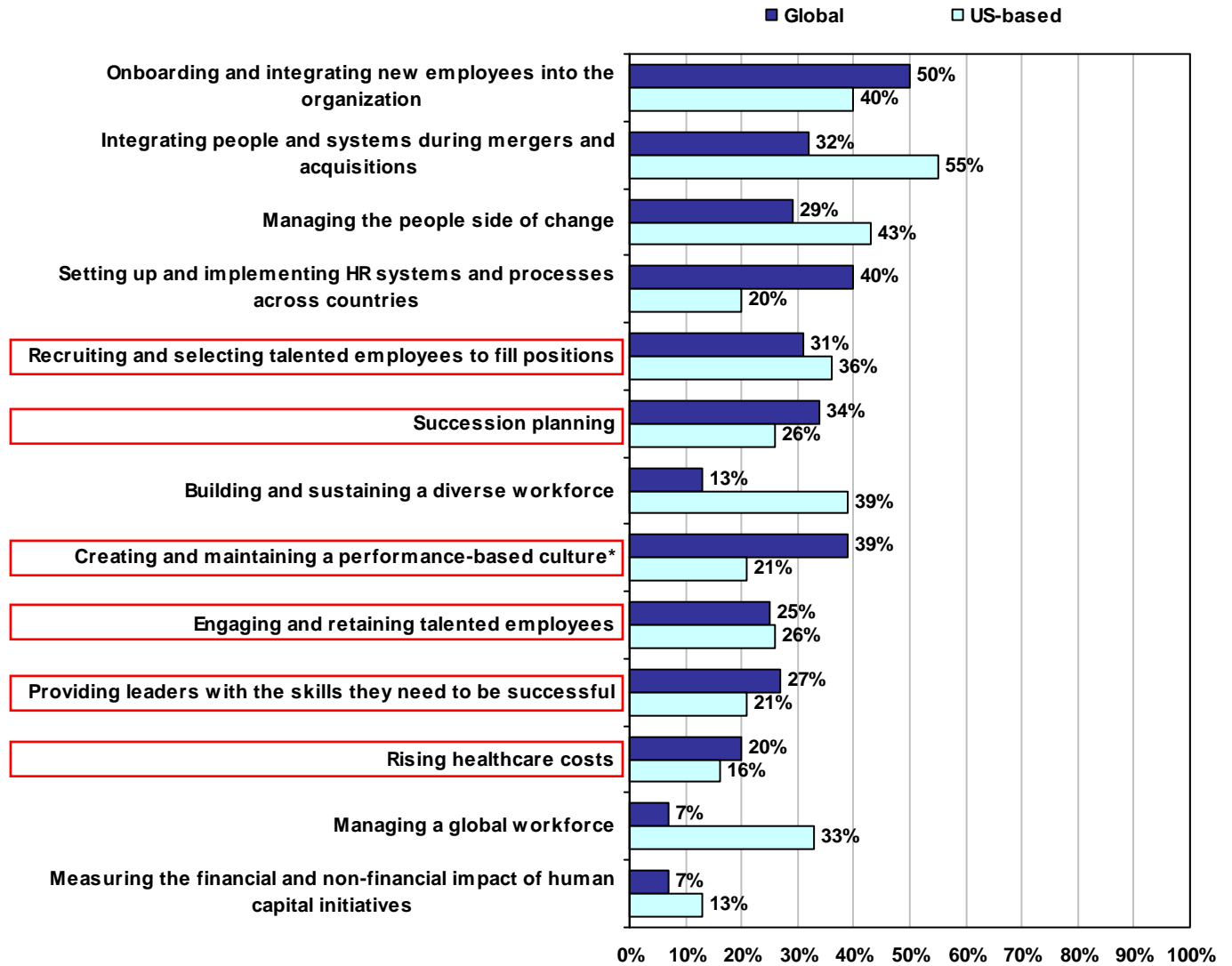
Demographic Cut: US-based versus Global Companies

Chart 13 shows confidence ratings of C-suite executives from global and US-based companies. There were no meaningful differences between C-suite executives from global and US-based companies in their confidence that their company has a plan or solution to address the top human capital challenges for the future (recruiting and selecting employees to fill positions, succession planning, engaging and retaining talented employees, providing leaders with the skills for success, and rising healthcare costs). However, C-suite executives from *US-based companies* were significantly *less confident* than those from global companies (***a statistically significant difference***) that their company has a plan to address the challenge of creating and maintaining a performance-based culture (one of the six biggest human capital challenges for the future).

There were a few more notable differences (but not statistically significant) between C-suite executives from US-based and global companies:

- C-suite executives from *global companies* were *more confident* that their company has a plan or solution to address challenges around onboarding and integrating new employees into the organization, and setting up and implementing HR systems and processes across countries.
- C-suite executives from *global companies* were *less confident* that their company has a plan or solution to address challenges around integrating people and systems during mergers and acquisitions, managing the people side of change, building a diverse workforce, and managing a global workforce.

Chart 13- Confidence Company has a Plan or Solution to Address Human Capital Challenges – by Global versus US-based companies



% of respondents "very confident" or "confident"

* Statistically significant difference

Summary

In sum, C-suite executives do not have a great deal of confidence that their companies have a plan or solution to address the top six human capital challenges for the future: Succession planning, recruiting and selecting employees to fill positions, providing leaders with skills for success, engaging and retaining talented employees, rising healthcare costs, and creating and maintaining a performance-based culture.

There is less confidence that small companies have a plan or solution to address critical human capital challenges (when compared to medium and large companies). HR C-suite executives were more likely than their non-HR counterparts to express confidence that there is a plan or solution to address human capital challenges around succession planning, recruiting and selecting employees, creating and maintaining a performance-based culture, and providing leaders with skills for success (four out of six of the top human capital challenges for the future). However, the majority of both HR and non-HR C-suite executives did not express confidence in their company's ability to handle the top six human capital challenges. Finally, there were no meaningful differences between C-suite executives from US-based and global companies in terms of their confidence that the company has a plan to address the top human capital challenges for the future (with the exception of creating and maintaining a performance culture).

D. Tools, Support, Information to Address Human Capital Challenges

C-suite executives were asked to identify the types of information, tools, and support that would most help to prepare for their company's biggest human capital challenges for the future. Respondents were able to select up to three choices from a pre-determined list provided for each challenge.

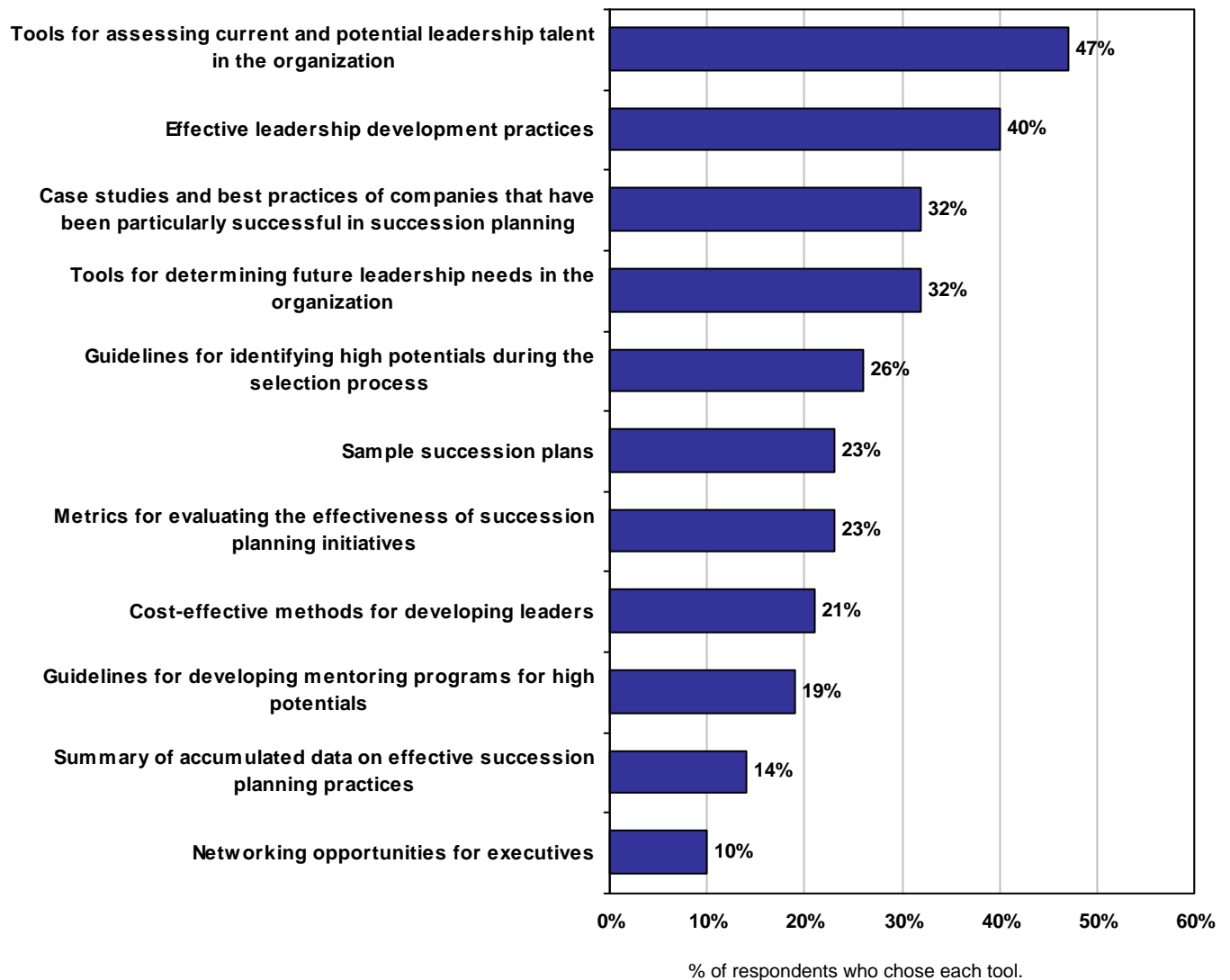
In this section, we present results for the six top human capital challenges that we have discussed throughout this report. Results for the other human capital challenges are presented in Appendix B.

We only display and discuss results for the total survey sample because the sample sizes for demographic groups (e.g., small, medium, large companies) for each human capital challenge are too small to draw meaningful conclusions. For example, only the C-suite executives that identified Rising Healthcare Costs as one of their top three challenges for the future answered the question about the tools, support, and information that would help them address their challenges around rising healthcare costs.

Tools, Support and Information to Address Challenges around Succession Planning

Chart 14 shows the percentage of C-suite executives who identified each type of information, tool, and support as most helpful in preparing for future challenges around succession planning (respondents could select up to three responses). The largest percentage of C-suite executives (nearly one-half) identified tools for assessing current and potential leadership talent in the organization as most helpful to address succession planning challenges. One-third or more C-suite executives indicated that effective leadership development practices, succession planning case studies and best practices, and tools for determining future leadership needs in the organization would be most helpful in preparing for future challenges around succession planning.

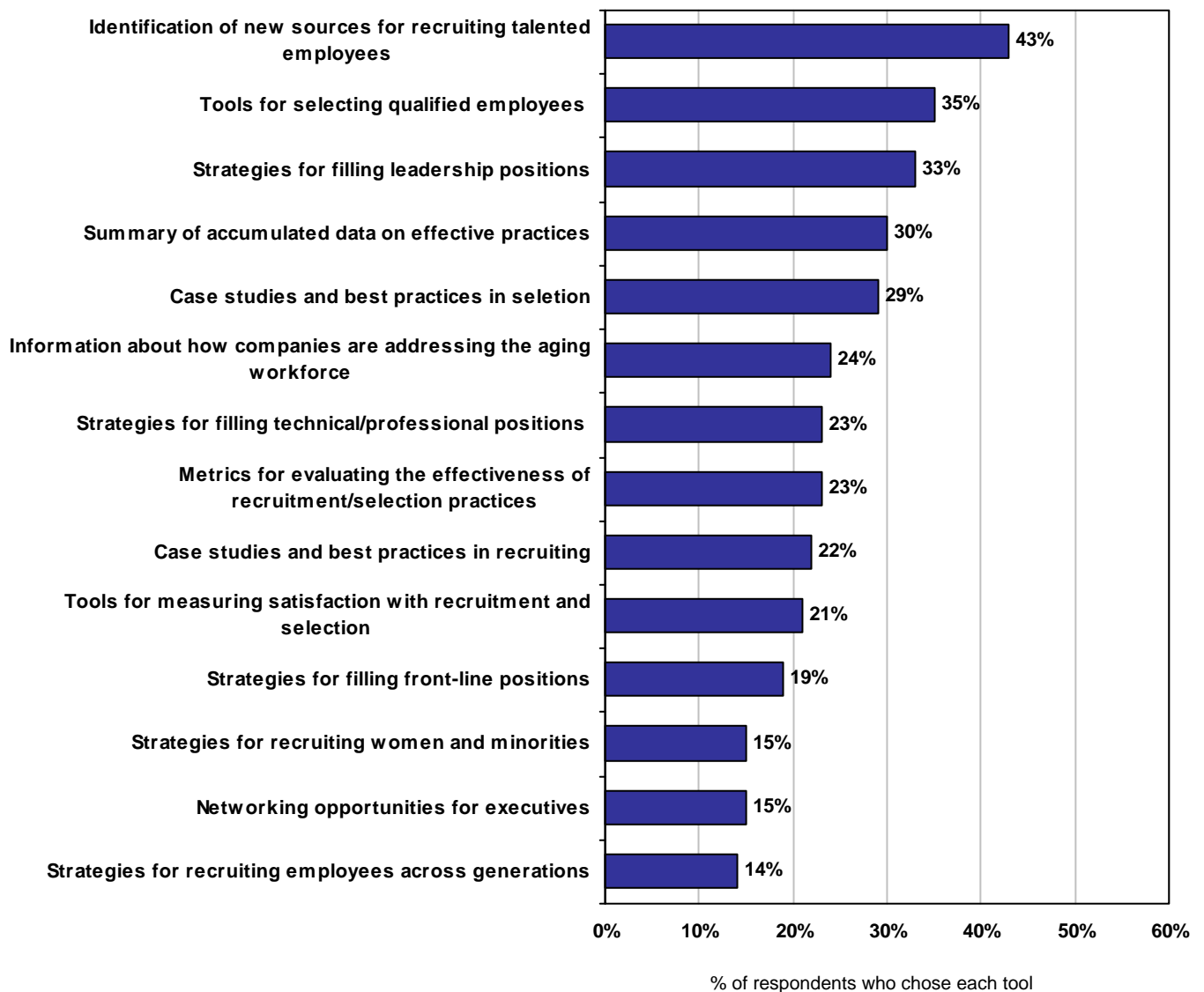
Chart 14: Tools for Succession Planning - Overall Sample



Tools, Support and Information to Address Challenges around Recruiting and Selecting Talented Employees to Fill Positions

Chart 15 shows that the largest percentage of C-suite executives (43%) believe that identification of new sources for recruiting talented employees would be most helpful in addressing challenges around recruiting and selecting employees. One-third of C-suite executives also identified tools for selecting qualified employees and strategies for filling leadership positions as most helpful in addressing their future challenges around recruiting and selecting talented employees to fill positions.

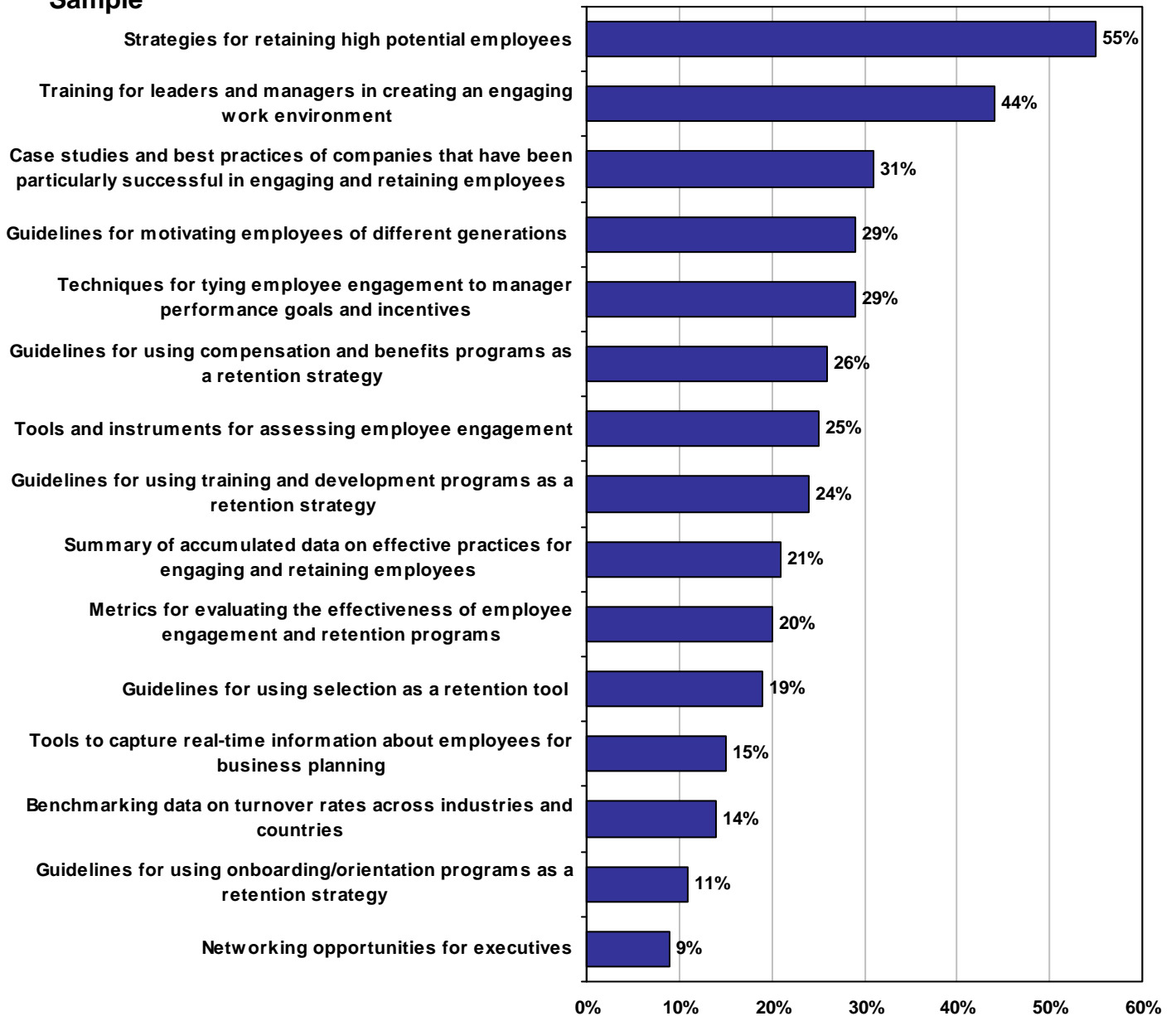
Chart 15: Tools for Recruiting and Selecting Talented Employees to Fill Positions – Overall Sample



Tools, Support and Information to Address Challenges around Engaging and Retaining Employees

Over one-half of C-suite executives indicated that strategies for retaining high potential employees would be most helpful in addressing challenges around engaging and retaining talented employees (see Chart 16). A large percentage of C-suite executives (44%) also identified training for leaders and managers in creating an engaging work environment as helpful in addressing this human capital challenge.

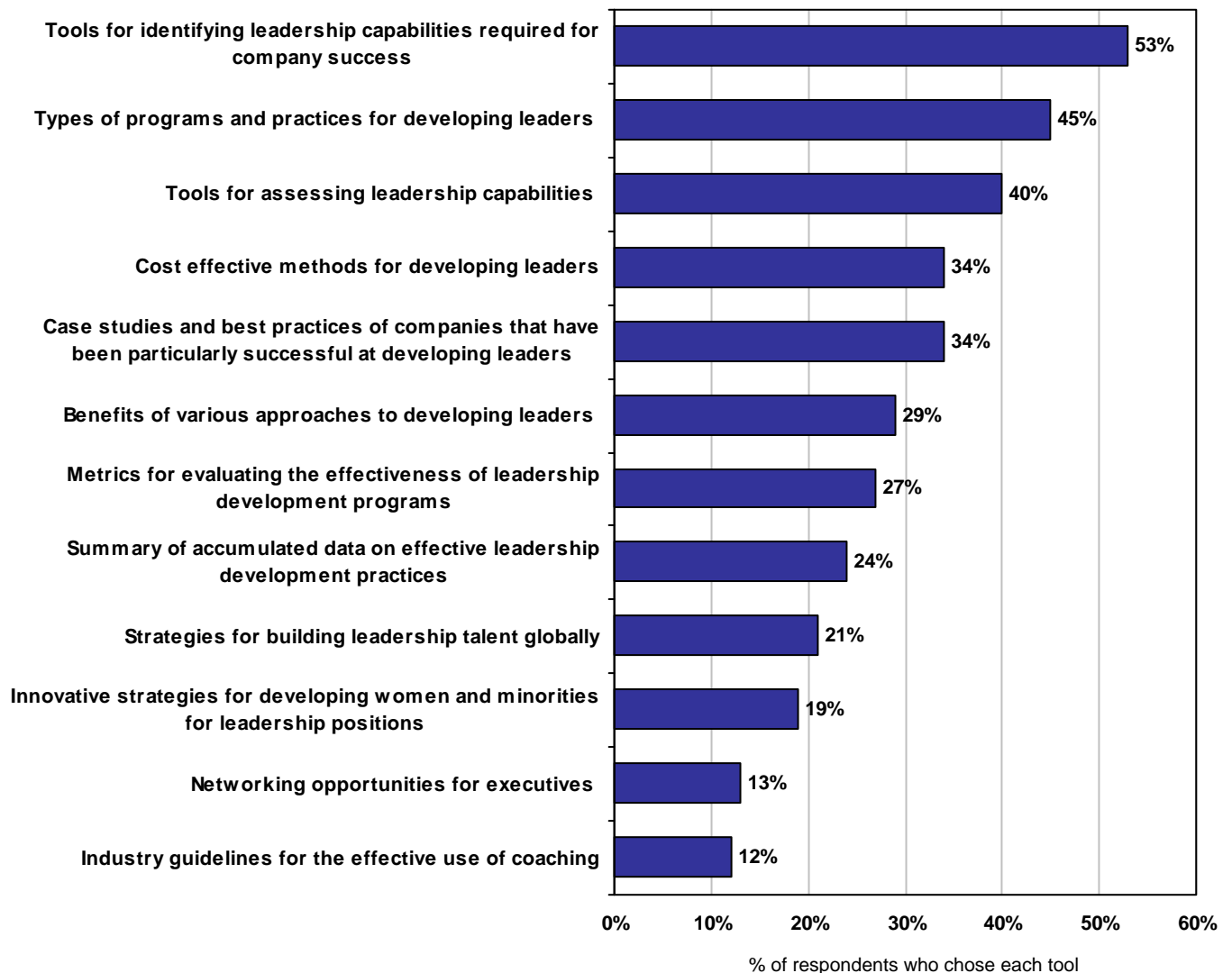
Chart 16: Tools for Engaging and Retaining Talented Employees – Overall Sample



Tools, Support and Information to Address Challenges around Providing Leaders with the Skills they Need to be Successful

Chart 17 shows that over one-half of C-suite executives would find tools for identifying leadership capabilities required for success helpful in addressing their leadership development challenges. A large percentage also identified types of programs and practices for developing leaders (e.g., providing cross-functional experience and assignments, coaching for high potentials) and tools for assessing leadership capabilities required for company success (e.g., 360 degree feedback, behavioral event interviews) as tools that would be helpful to address their future challenges around providing leaders with skills for success.

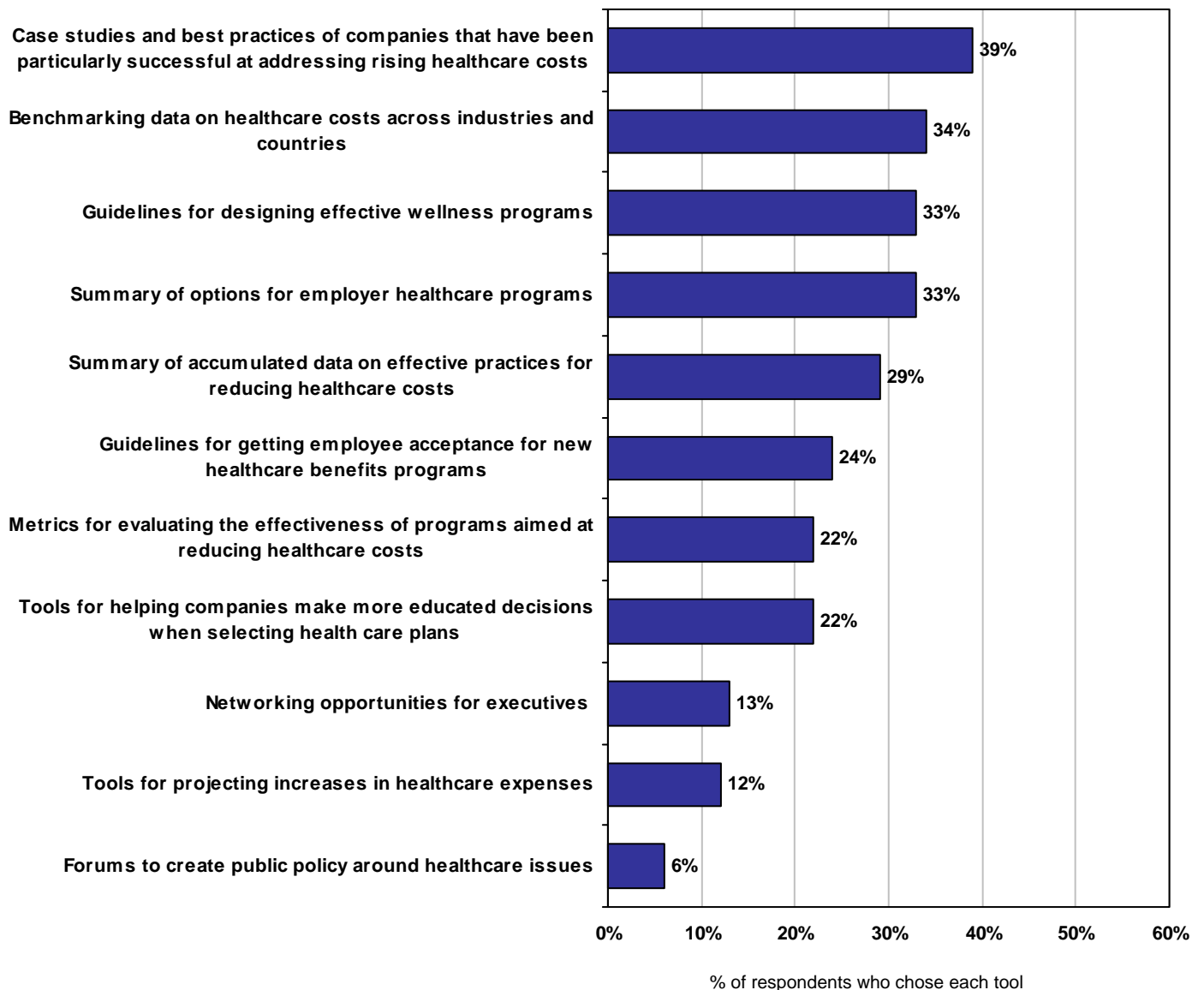
Chart 17: Tools for Providing Leaders with the Skills they need to be Successful – Overall Sample



Tools, Support and Information to Address Challenges around Rising Healthcare Costs

Chart 18 shows that the largest percentage of C-suite executives (39%) selected case studies and best practices of companies that have been successful at addressing rising healthcare costs as the kind of support that would most help them address this human capital challenge. One-third of C-suite executives also believe benchmarking data on healthcare costs across industries and countries, guidelines for designing effective wellness programs, and a summary of options for employee healthcare programs would help them address the challenge of rising healthcare costs.

Chart 18: Tools for Rising Healthcare Costs – Overall Sample

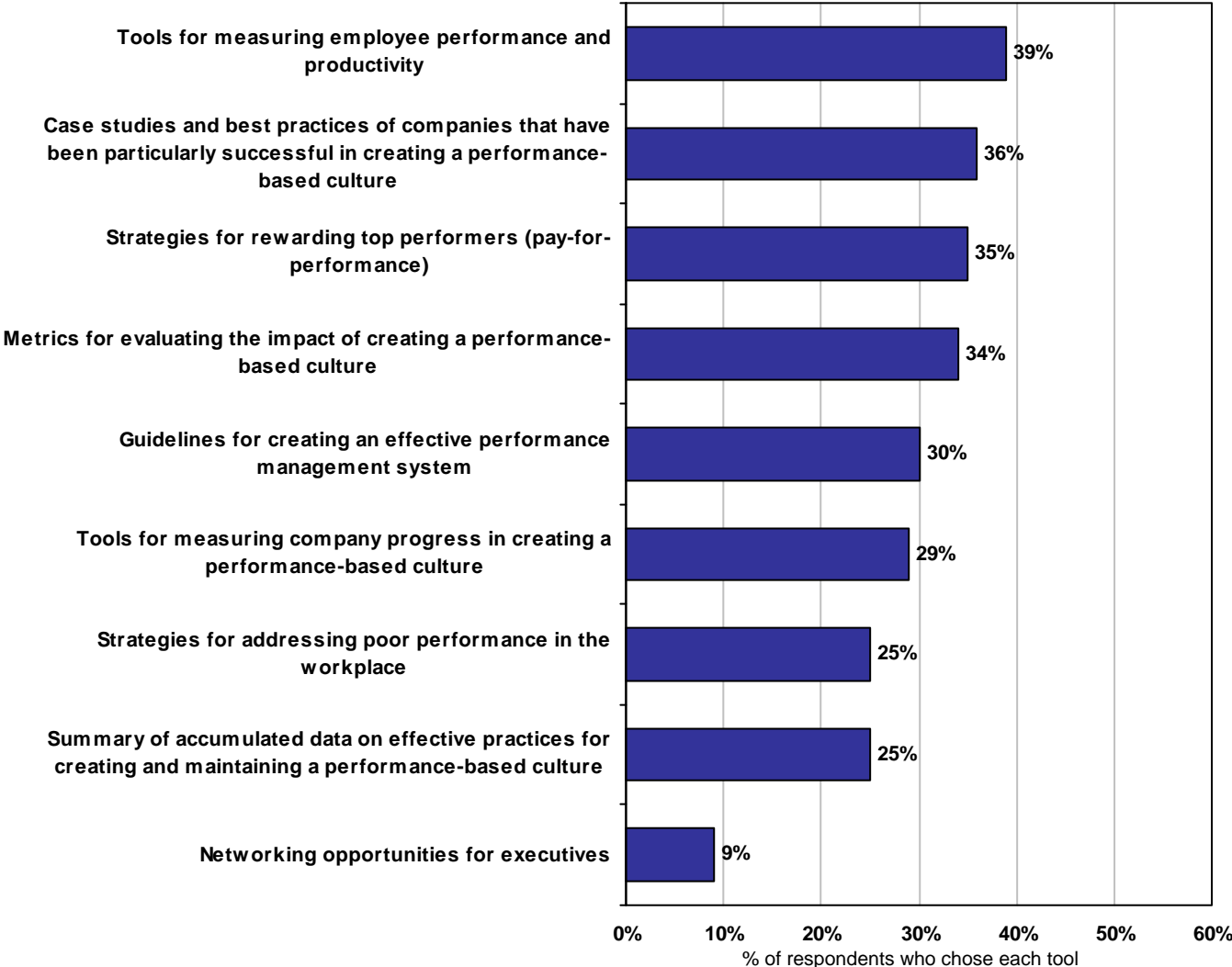


Tools, Support and Information to Address Challenges around Creating and Maintaining a Performance-based Culture

Chart 19 shows that several types of support, tools, and information would be helpful to C-suite executives in addressing their human capital challenges around creating and maintaining a performance-based culture:

- Tools for measuring employee performance and productivity
- Case studies and best practices of companies that have been successful at creating a performance-based culture
- Strategies for rewarding top performers
- Metrics for evaluating the impact of creating a performance-based culture

Chart 19: Tools for Creating and Maintaining a Performance-Based Culture—Overall Sample



After analyzing the five types of information, tools, and support that would be most helpful across the top six human capital challenges in helping a company prepare, we found that:

- 50% of C-suite executives indicated (within the top six human capital challenges) that **tools** would be most helpful in preparing their company to address human capital challenges (e.g., tools for assessing current and potential leadership talent in the organization; tools for identifying leadership capabilities; tools for measuring employee performance and productivity)
- 100% of C-suite executives indicated (within the top six human capital challenges) that **case studies and best practices** would be helpful. However, it varied among the top six human capital challenges how helpful case studies and best practices were and they were ranked 1, 2, 3, 3, and 5 in terms of importance.
- 66% of C-suite executives indicated (within the top six human capital challenges) that **guidelines** would be helpful and ranked them 3, 4, 5, and 5 among the top six human capital challenges (e.g., guidelines for identifying high potentials during the selection process; guidelines for motivating employees of different generation; guidelines for designing effective wellness programs; guidelines for creating an effective performance management system).
- 50% of C-suite executives indicated (within the top six human capital challenges) that **strategies** would be helpful (e.g., strategies for filling leadership positions; strategies for retaining high potentials employees; strategies for rewarding top performers).

Across all thirteen human capital challenges, C-suite executives ranked **tools** as having the most potential to help them prepare for their future human capital challenges. The rankings for what would be the most helpful across all human capital challenges were:

- 38% chose tools
- 15% chose case studies
- 15% chose strategies
- 31% chose other

E. Source of Information

Respondents were asked where they currently go to find solutions to their human capital challenges and were given the option to mark all of the potential sources of information that they use. Chart 20 shows where C-suite executives currently look for or go to find solutions to their human capital challenges.

The top five sources C-suite executives go to for information are: conferences/seminars, professionals in other companies, consulting firms, SHRM online and HR magazines. Less utilized sources are university centers, Workforce Magazine, Wall Street Journal, Conference Board, and the Corporate Leadership Council.

Chart 20: Sources of Information to Address Human Capital Challenges

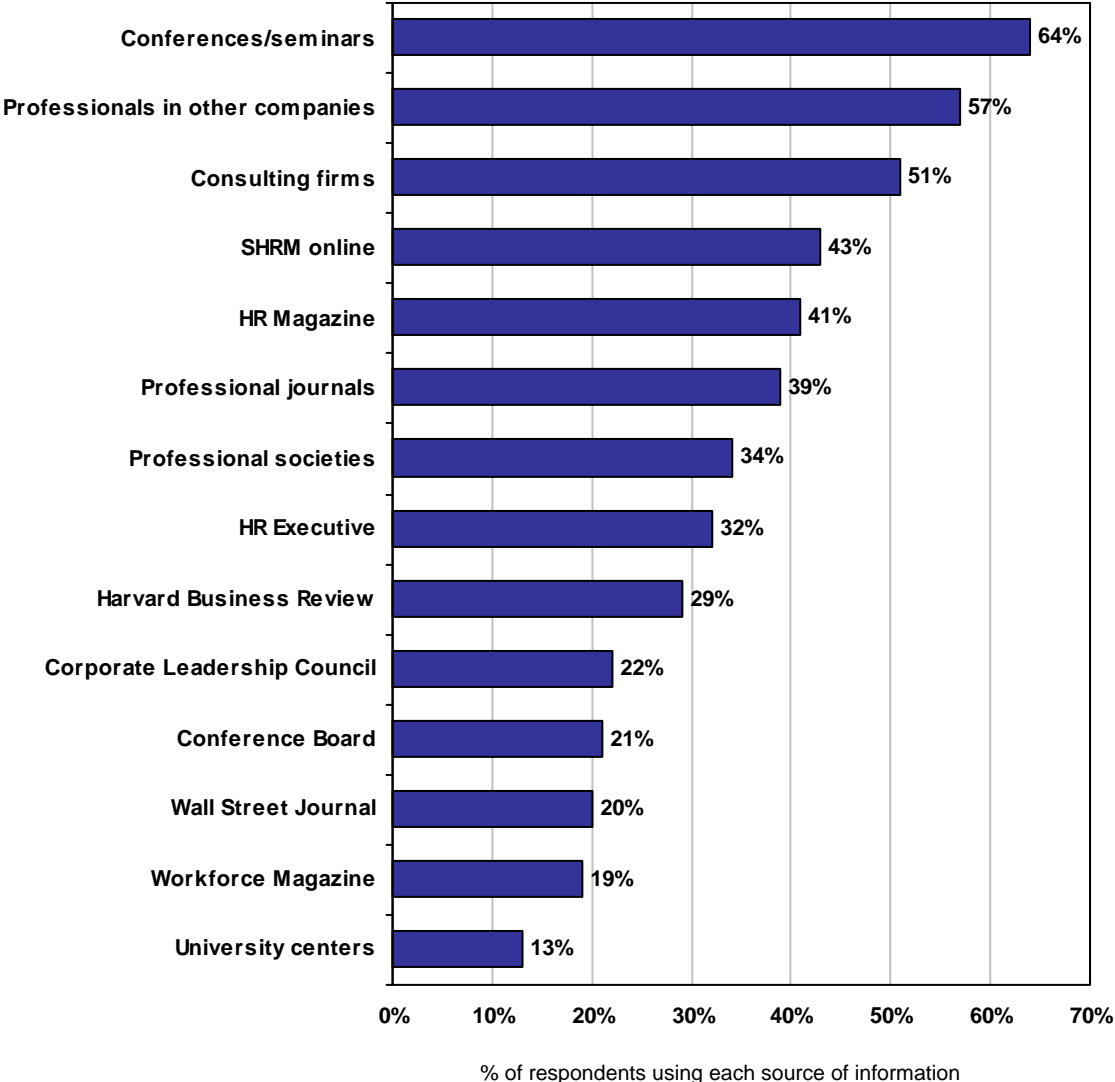
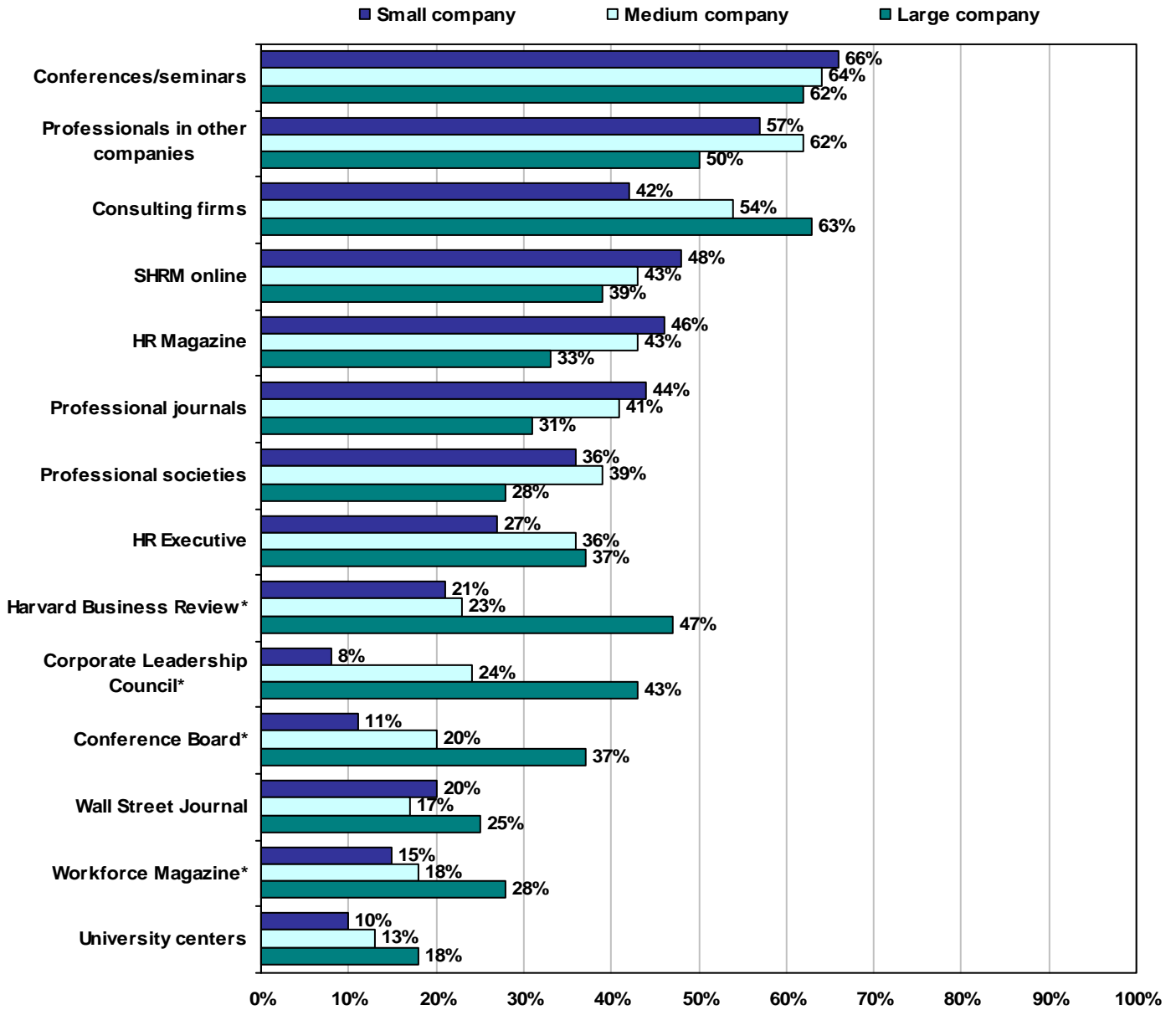


Chart 21 shows where C-suite executives currently look for or go to find solutions to the human capital challenges they identified by company size.

Regardless of company size, *conferences/seminars*, *professionals in other companies*, and *SHRM online* were the top sources of HR-related information. All sized companies rated *conferences/seminars* as the primary source they go to for information. Small and medium companies both rated *conferences/seminars* as their number one source. Whereas, large companies rated *consulting firms* as their number one source and *conferences/seminars* as their second source for information. Small and medium companies rated professionals in other companies as their number two source for information.

In addition, large companies use the following sources significantly more than both small and medium companies: *Harvard Business Review*, *Corporate Leadership Council*, *Conference Board*, and *Workforce Magazine*. ***These differences were statistically significant.***

Chart 21: Sources of Information to Address Human Capital Challenges – by Company Size



% of respondents using each source of information

* Statistically significant difference

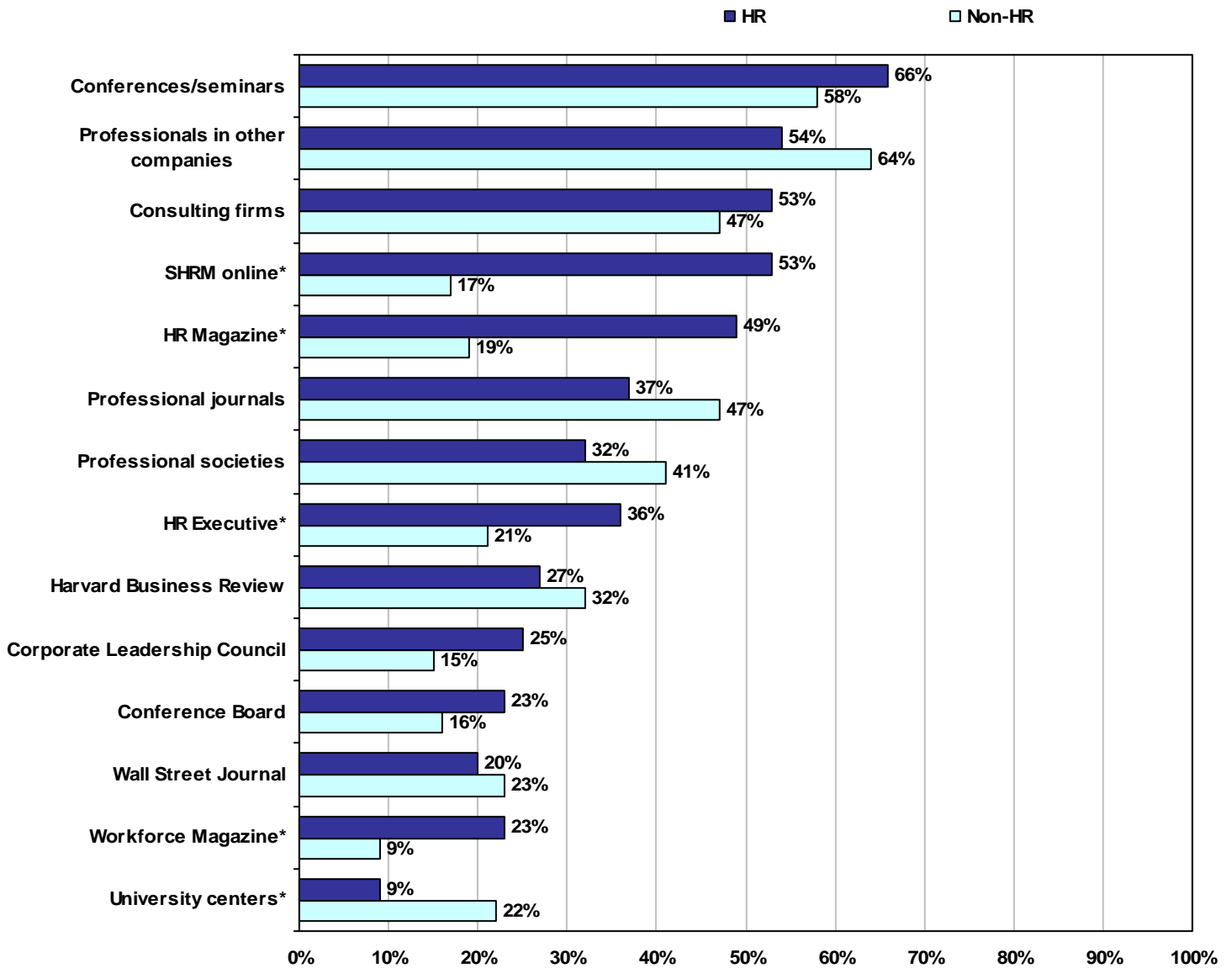
Chart 22 shows where HR and non-HR C-suite executives currently look for or go to find solutions to their human capital challenges.

HR and Non-HR C-suite executives alike primarily go to conferences/seminars, professionals in other companies, and consulting firms to find solutions to their human capital challenges. They also both use professional journals as a source of HR-related information.

There were a few more notable differences between HR and non-HR C-suite executives in sources of information:

- HR C-suite executives go to *SHRM online*, *HR Magazine*, *Workforce Magazine* and *HR Executive* significantly more than Non-HR C-suite executives ***These differences were statistically significant.***
- Non-HR C-suite executives use *University Centers* significantly more than HR C-Suite executives (***this difference was statistically significant.***)

Chart 22: Sources of Information to Address Human Capital Challenges – by HR versus Non- HR C-suite Executives



% of respondents using each source of information

* Statistically significant difference

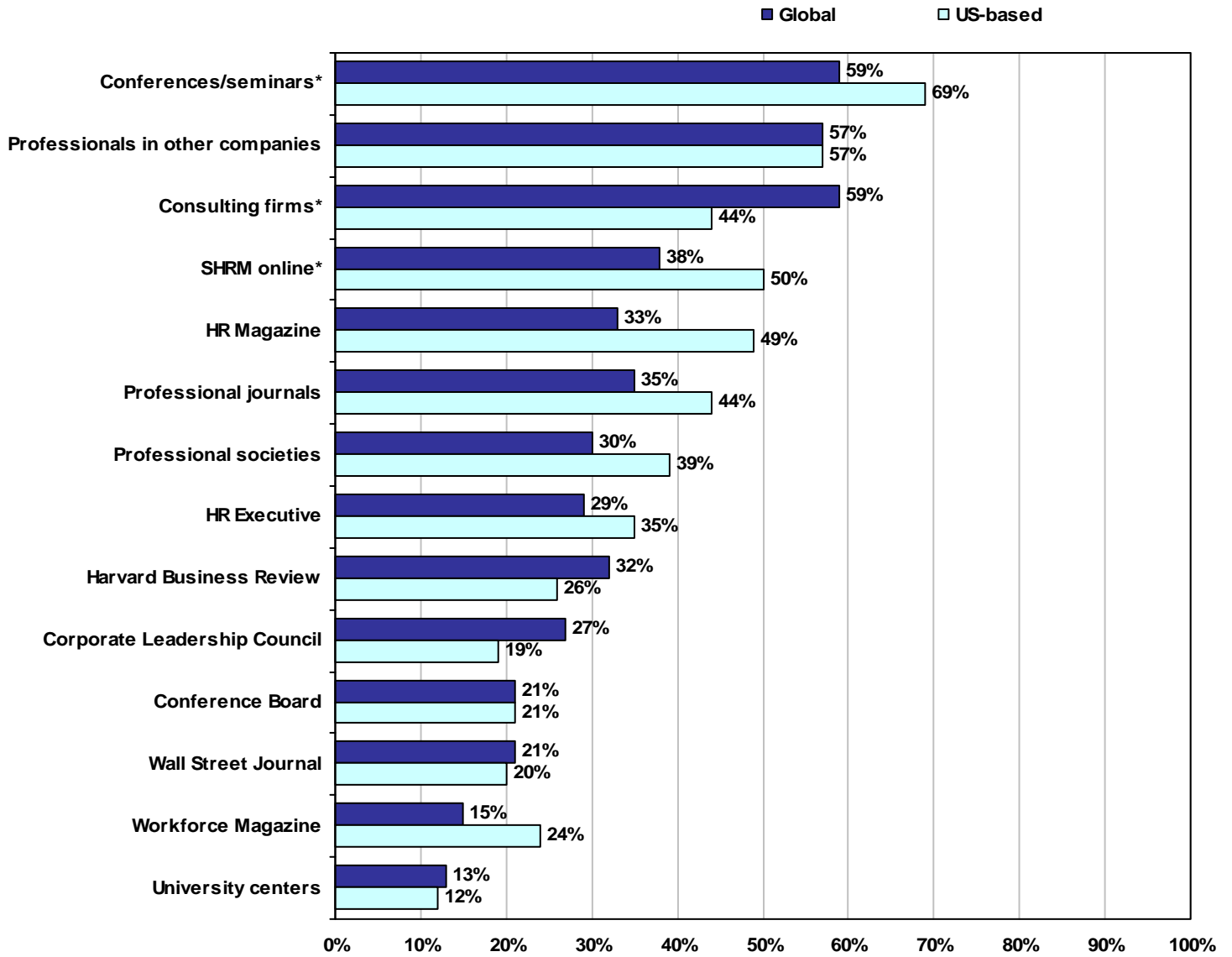
Chart 23 shows where C-suite executives currently look for or go to find solutions to human capital challenges by global versus US-based companies.

C-suite executives from both Global and US-based companies go to *conferences/seminars, professionals in other companies, consulting firms, SHRM online, HR Magazine* and *professional journals*. However, global companies use conferences/seminars and consulting firms as the first place they look for solutions, whereas, US-based companies go to conferences/seminars first.

There were a few more notable differences between sources of information used by global and US-based companies:

- Global companies go to *consulting firms* significantly more than US-based companies (***this difference was statistically significant***).
- US-based companies use *SHRM Online, conferences/seminars, and HR Magazine* significantly more than global companies. ***These differences were statistically significant.***

Chart 23: Sources of Information to Address Human Capital Challenges – by Global versus US-based Companies



% of respondents using each source of information

* Statistically significant difference

IV. Finding from Interactive Sessions

We conducted three interactive sessions (via webinar) with C-suite executives to gain further insight into the survey results and identify areas of research that would help address future human capital challenges. Approximately 12 C-suite executives participated in the interactive sessions.

During the interactive sessions, we provided a summary of the results of the Human Capital Challenges Survey, and held a discussion with C-suite executives around the following:

- What their companies are doing to address human capital challenges
- Types of tools, support, and information that would help address these human capital challenges
- Types of research that the SHRM Foundation should commission

Below is a summary of the findings from the interactive sessions:

1. ***Overall, participants felt that research on best practices would be very helpful in addressing their future human capital challenges, such as succession planning, engaging and retaining employees, and so forth. Instead of “reinventing the wheel”, participants would like to adapt practices that have been successful in other companies to address their own human capital challenges.***
 - Participants are interested in learning what successful companies are doing to address their human capital challenges and the impact of these practices on organizational performance (i.e., ROI).
 - Research should focus on determining a suite of options that companies can pull from to address their human capital challenges.
 - Participants commented that best practices vary depending on business cycle, size of company, type of business (e.g., manufacturing versus retail), global versus US-based companies, and so forth. As a result, research should focus on identifying best practices that are successful in different types of companies, and summaries of this research should explicitly state under what conditions each best practice would be most effective.
 - Webinars, conferences, and seminars were viewed as effective mechanisms for disseminating and discussing best practices research
2. ***Participants indicated that the following types of research and tools would help address the top six human capital challenges identified by the survey:***

Succession Planning

- Participants agreed that succession planning should be higher on the SHRM Foundation’s research agenda than other human capital challenges, such as engaging and retaining employees. They believe that the SHRM Foundation

could make a large contribution by helping companies address their challenges around succession planning.

- Participants would like information about the best practices of companies that have been particularly successful at succession planning and identifying the key competencies required for future success as a leader.
- Sample succession planning templates would be helpful.
- Participants are also interested in information about how to develop career paths for employees who are targeted for future leadership positions.
- There is a particular need to provide smaller companies with succession planning best practices and tools. Many of these companies are not aware of or do not have access to information/tools to help them address challenges around succession planning.

Recruiting and Selecting Talented Employees

- Participants would like to learn about creative new sources for identifying and recruiting qualified employees to fill positions (e.g., academic institutions, retirees, military). All agreed that there is a need to expand the current work force population from which they are recruiting candidates to fill positions. This will become even more challenging as the future work force population, as predicted, begins to significantly decrease in size (and companies continue to compete for the same talent).
- There are specific challenges around finding qualified candidates for highly technical positions. Information on what sources are most effective for recruiting people to fill highly technical positions would be valuable.
- In the hospitality industry, it is very difficult to find enough people to fill the large number of open positions (e.g., professional societies, universities).

Engaging and Retaining Employees

- Effective ways to engage and retain employees across generations was identified by several participants as a valuable area for research. Current research on generational issues is viewed as too general and confusing. Participants would like information on the expectations of different generations and what is most effective in motivating, engaging, and retaining each generational group.
- There were specific concerns about engaging and retaining large hourly populations of employees, particularly in retail companies. In the financial industry, the challenge of engaging and retaining employees is at both ends of the spectrum, where there are large hourly and experienced executive populations.
- Another focus of the discussion was on the challenge of providing training and development opportunities to a distributed work force. It would be interesting to have information on the types of training delivery methods (e.g.,

classroom, web) that are most effective for different types of roles and training content (e.g., manager training versus technical training).

- It was pointed out that the term “turnover” has many definitions. It is important that research provide an operational definition of turnover that can be used to compare turnover rates across companies and industries.

Providing Leaders with the Skills for Success

- Participants are interested in information about what types of leadership development programs are available and which ones have the biggest payoff.
- One research area of interest is to identify best practices of companies that have been particularly successful at developing leaders with cross-functional experience.
- Research is needed to help companies determine the best way to prepare the next generation of leaders to lead the company once the current leadership moves on. There is a lot of information and research available on leadership development best practices for the current generation. It is important to determine whether these leadership development approaches will be effective for developing the next generation of leaders, and if not, what practices will be effective.
- Participants would like an approach for translating theoretical knowledge about the leadership skills/competencies required for success into practical applications for leadership development in their own companies.
- Tools for assessing “character” attributes that make leaders successful in particular company environments would be valuable.

Rising Healthcare Costs

- Rising healthcare costs is a big issue for companies with large part-time employee populations.
- Companies are competing for the same talent across industries. Thus, benchmarking data about how companies in different industries are addressing rising healthcare costs would be useful.
- There was a lot of discussion about using wellness programs to reduce healthcare costs. Participants are interested in information about the most successful types of wellness programs, and the ROI of these programs (e.g., impact on lowering healthcare costs, increasing employee engagement and retention).

Creating and Maintaining a Performance-based Culture

- Participants would like benchmarking data on metrics used by companies in different industries to measure individual and organizational performance.

- Metrics and tools for assessing more difficult to measure performance attributes (e.g., core values) would also be valuable.
- Participants are also interested in best practices research on organizations that have been particularly successful in aligning individual and organizational goals to create employee and individual success and enhanced organization performance.

V. Conclusions and Recommendations

Conclusions

Based on the results of the study (C-suite executive interviews, survey, and interactive sessions), we believe that succession planning is the biggest human capital challenge that will be faced by companies in the future (regardless of company size). Related to succession planning is providing leaders with the skills to be successful, which was also identified by C-suite executives as a significant challenge for the future.

C-suite executives also feel that their companies will face significant challenges around recruiting, selecting, engaging, and retaining talented employees. This is primarily due to the work force shortage that is causing companies to compete for talent not only in their own industry but across industries. It is more critical than ever for companies to engage their most talented employees and keep them from leaving the company for a more attractive offer.

Many companies are also concerned about their ability to manage rising healthcare costs. Finally, companies are challenged with creating and maintaining a performance-based culture, although this does not appear to be as concerning as the human capital challenges discussed previously.

In general, C-suite executives do not feel confident that their companies have a plan or solution to address the top six human capital challenges, particularly executives from small companies. Thus, the SHRM Foundation has several opportunities to assist companies in addressing their biggest human capital challenges.

Specific Recommendations

Based on the C-suite executive interviews, the survey, and interactive sessions, we recommend that the SHRM Foundations focus its future research efforts on the areas discussed below. Because we know that the SHRM Foundation would like to focus its research on the highest priority human capital issues, we have made our recommendations accordingly.

1. Succession Planning and Leadership Development

Succession planning is clearly the biggest human capital challenge companies will face in the future regardless of company size. Although succession planning is viewed as one of the biggest future challenges for US-based companies, it is viewed as an even

more significant challenge for global companies. Furthermore, C-suite executives have little confidence that their company has a plan or solution to address this challenge in the future, particularly for small and medium-sized companies.

Providing leaders with the skills needed for success was also identified as one of the biggest human capital challenges for the future. Because there is a strong connection between leadership development and succession planning, as evidenced by C-suite executive feedback from the interviews, survey, and interactive sessions, we recommend that the SHRM Foundation pursue integrated research to identify best practices for addressing these critical challenges.

We recommend that the SHRM Foundation consider pursuing the following areas of research around succession planning and leadership development:

- Best practices of companies that have been particularly successful at succession planning and leadership development. This research may include collecting information about how successful companies determine the competencies, skills, and character traits required for leadership success, identify and assess potential candidates for leadership positions, provide high potentials with the developmental opportunities required for future success, and ensure knowledge transfer by those who are leaving leadership positions.
- Tools for determining future leadership positions and requirements for success and for assessing individual leadership capability.

2. Recruiting and Selecting Talented Employees to Fill Positions

Recruiting and selecting employees to fill positions was also identified as one of the biggest human capital challenges for the future. Global companies view this as an even more pressing challenge than US-based companies. Many C-suite executives expressed concern that the shrinking work force will make the war for talent even more pronounced in the future.

We recommend that the SHRM Foundation consider pursuing the following areas of research around recruiting and selecting talented employees:

- Identification of new sources for recruiting qualified candidates across industries
- Ways to onboard, develop, and use non-traditional employees effectively in the organization. Non-traditional employees may include older retirees, employees with English as a second language, employees from different industries, and so forth.

3. Engaging and Retaining Talented Employees

A large percentage of C-suite executives are also concerned that it will become even more difficult to engage and retain their employees in the future due to the shrinking

work force and resulting war for talent. This was a bigger challenge for large- and medium-sized companies than for smaller companies.

We recommend that the SHRM Foundation consider pursuing the following areas of research around engaging and retaining talented employees:

- Ways successful companies are engaging and retaining their employees, with a specific emphasis on generational differences.
- Strategies for retaining high potential employees (C-suite executives identified this as the most helpful information for addressing engagement and retention issues)
- While conducting research on retention, it is critical to establish the operational definitions of turnover so that comparisons of retention rates across industries and companies can be made.

4. Rising Healthcare Costs

Rising healthcare costs was identified by C-suite executives as a significant challenge for the future, particularly for small- and medium-sized companies. US-based companies are significantly more likely to view rising healthcare costs as a significant challenge than their global counterparts. Furthermore, only a very small percentage of C-suite executives (18%) indicated that they are confident that their company has a plan or solution to address challenges around rising healthcare costs (and small- and medium-sized companies are less likely to have a plan or solution than larger companies).

We recommend that the SHRM Foundation consider pursuing research in the following areas:

- Best practices in developing and implementing wellness programs and the ROI of different types of wellness programs
- Types of benefits offered by different types of companies (e.g., by industry, company size, global versus US-based)

In summary, C-suite executives indicated that the following would be most helpful in addressing their top human capital challenges:

Best practices and case studies – There is a strong interest in learning from other companies how they are successfully addressing their biggest human capital challenges, and the impact these practices have on organizational performance (i.e., ROI). Research should focus on identifying the practices that are effective in different types of companies (e.g., based on company size, industry, global versus US-based companies, business cycle).

Tools – C-suite executives identified several tools that would be helpful to address their challenges around succession planning and leadership development. They are looking

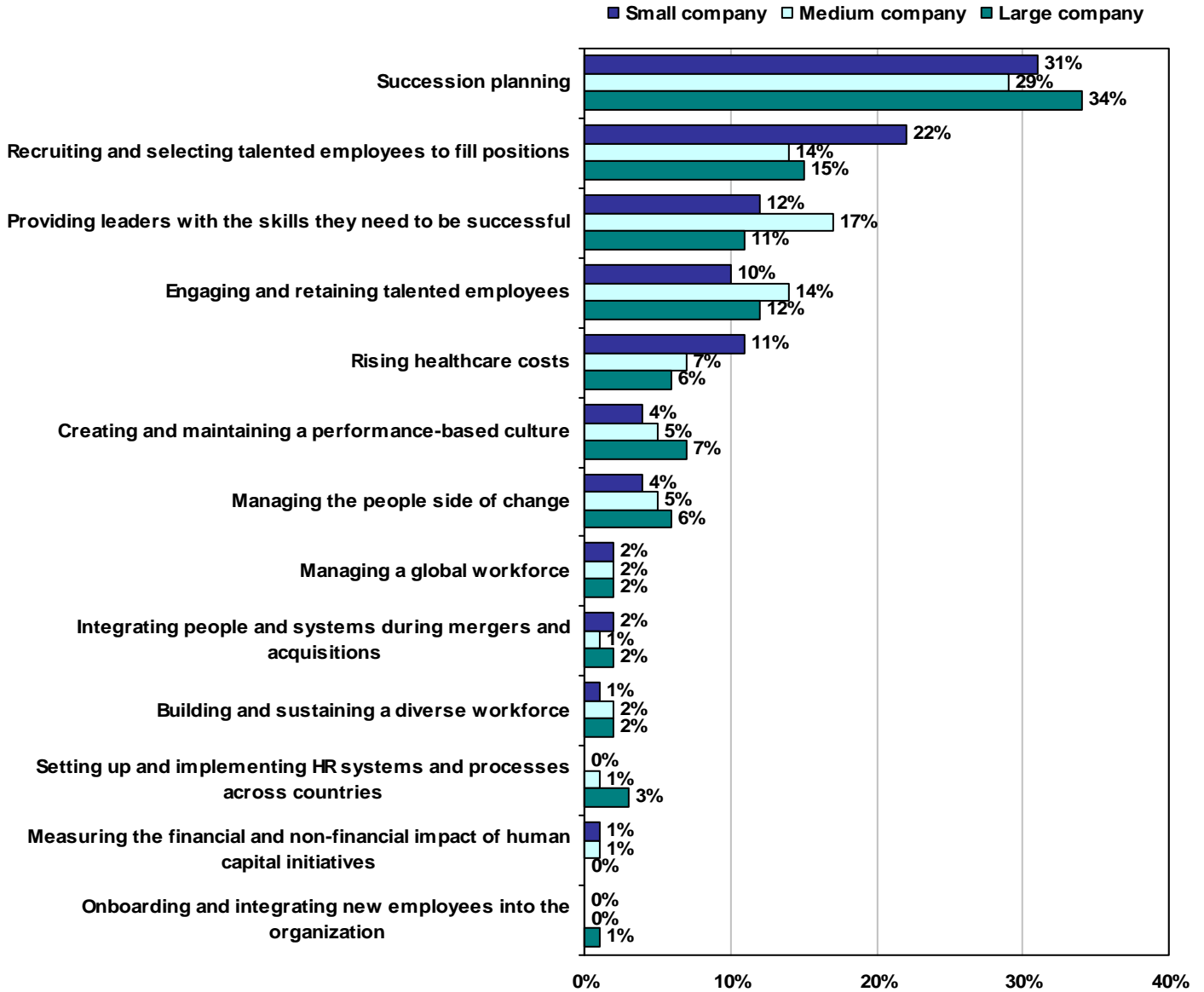
for tools for determining the future leadership needs in the organization and the specific leadership capabilities that are required for company success. Additionally, companies would like tools for assessing current and potential leadership talent in the organization.

Based on the results of this study, we recommend using multiple methods for disseminating information about best practices and tools, including seminars and conferences (which were rated by C-suite executives as the #1 source for human resource information), and webinars which will allow SHRM to reach a large audience. The third approach is to disseminate information via written materials, such as HR Magazine, white papers, and other reports.

Appendix A:

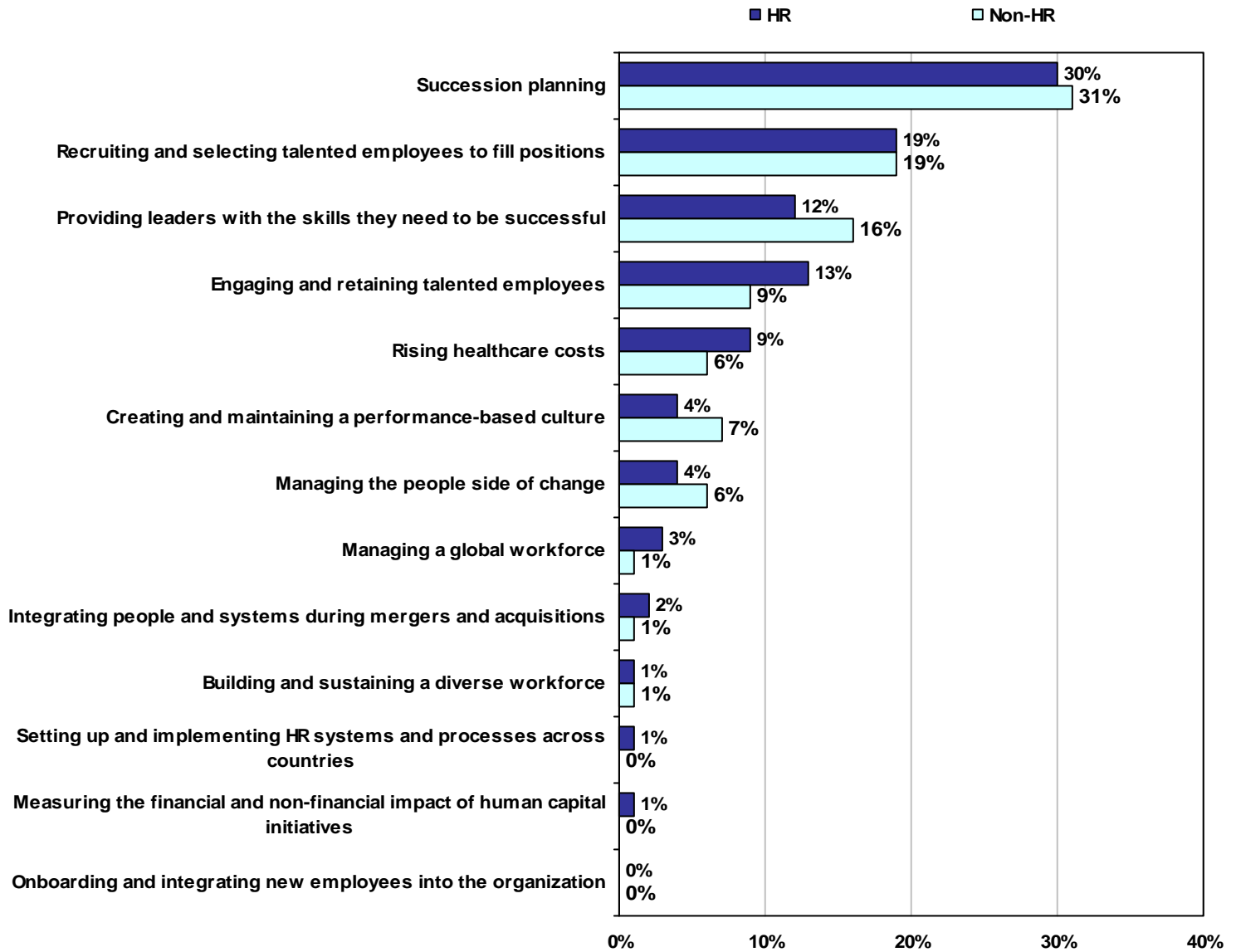
Human Capital Issues Ranked as #1 Challenge for the Future

Human Capital Issues Ranked as #1 Challenge for the Future – by Company Size



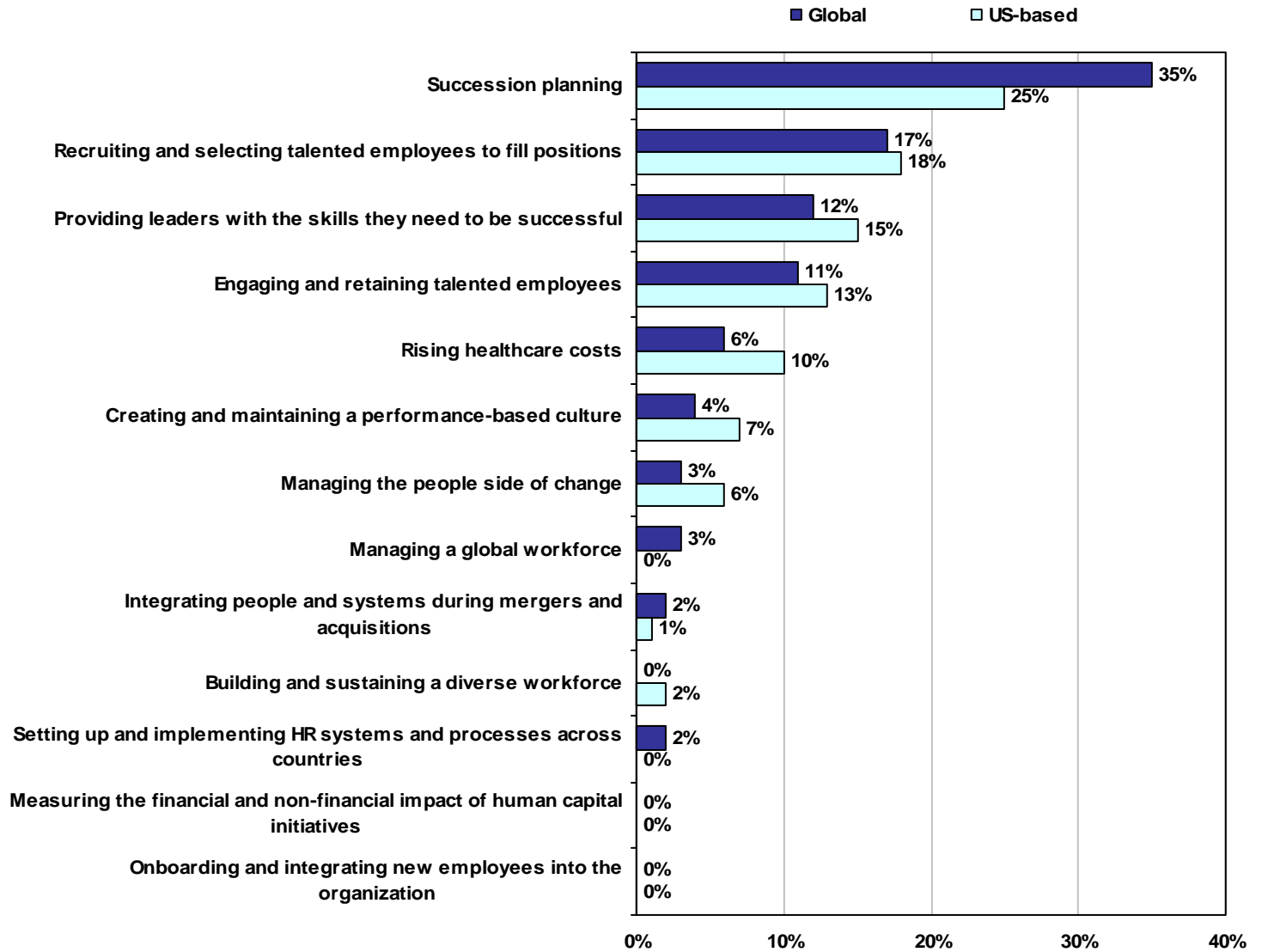
% of respondents who ranked the human capital issue as their company's #1 challenge for the future

Human Capital Issues Ranked as #1 Challenge for the Future – HR Versus Non-HR C-Suite Executives



% of respondents who ranked the human capital issue as their company's #1 challenge for the future

Human Capital Issues Ranked as #1 Challenge for the Future – Global Versus US-based Companies

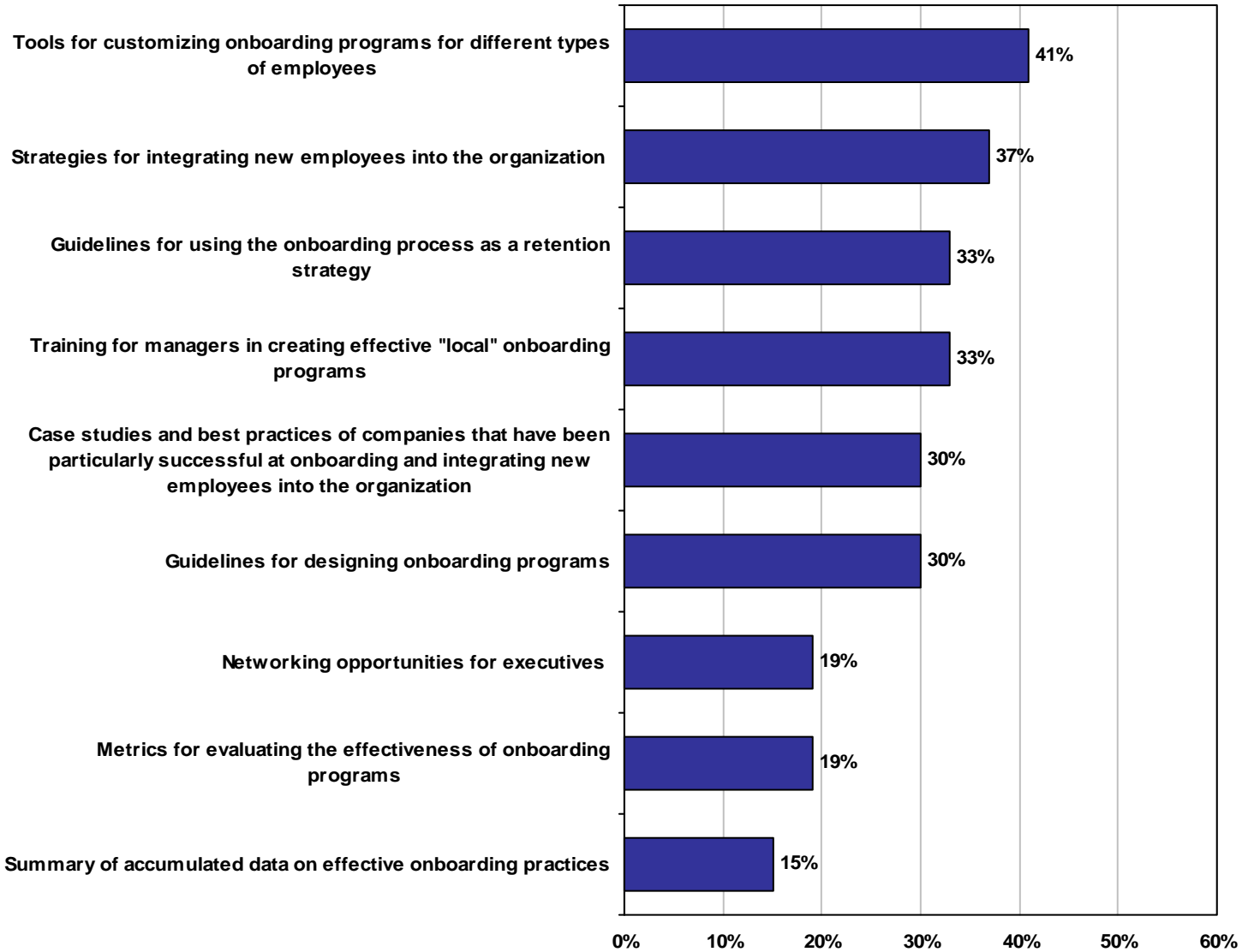


% of respondents who ranked the human capital issue as their company's #1 challenge for the future

Appendix B:

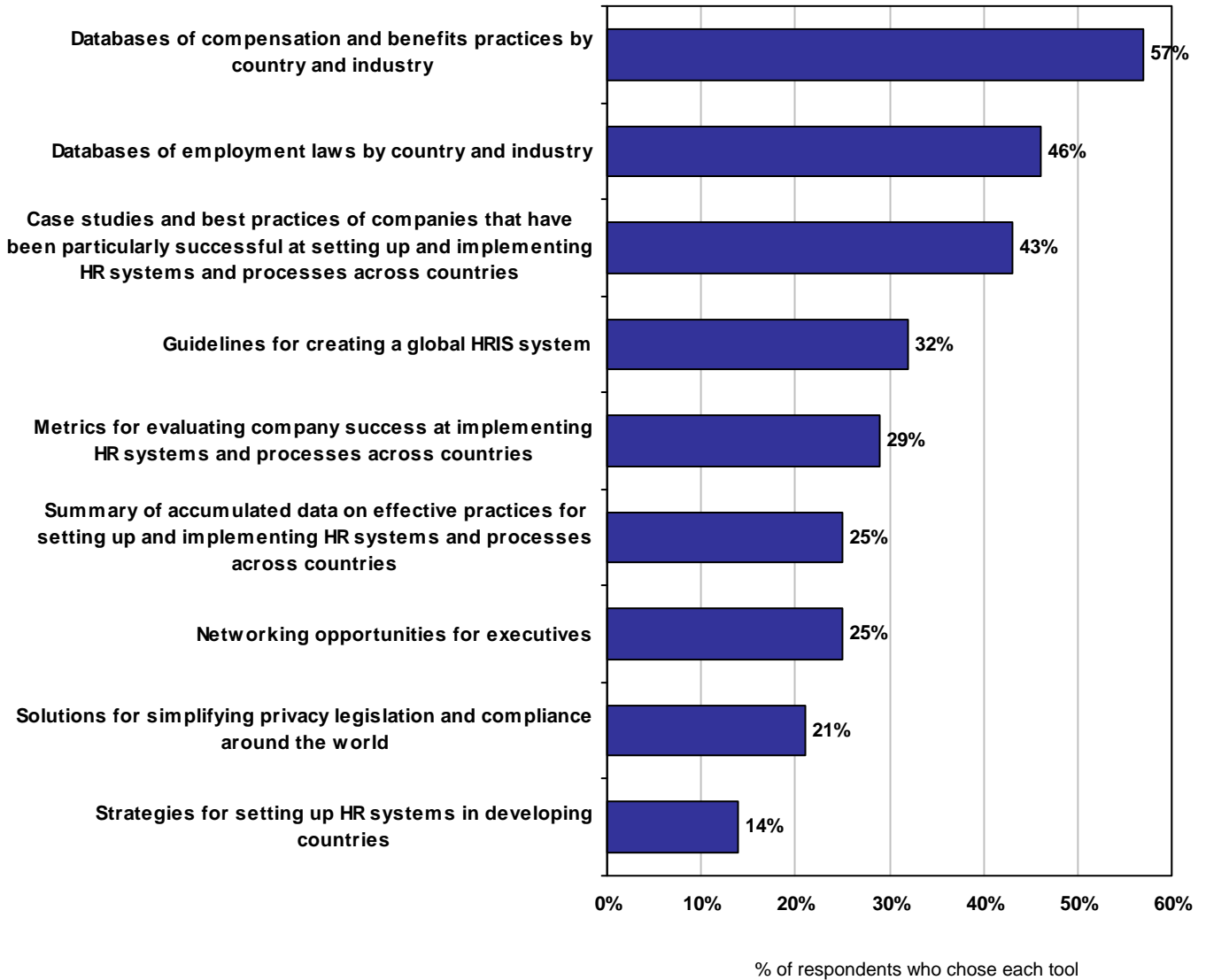
Tools, Support and Information to Address Other Human Capital Challenges

Tools for Onboarding and Integrating New Employees into the Organization

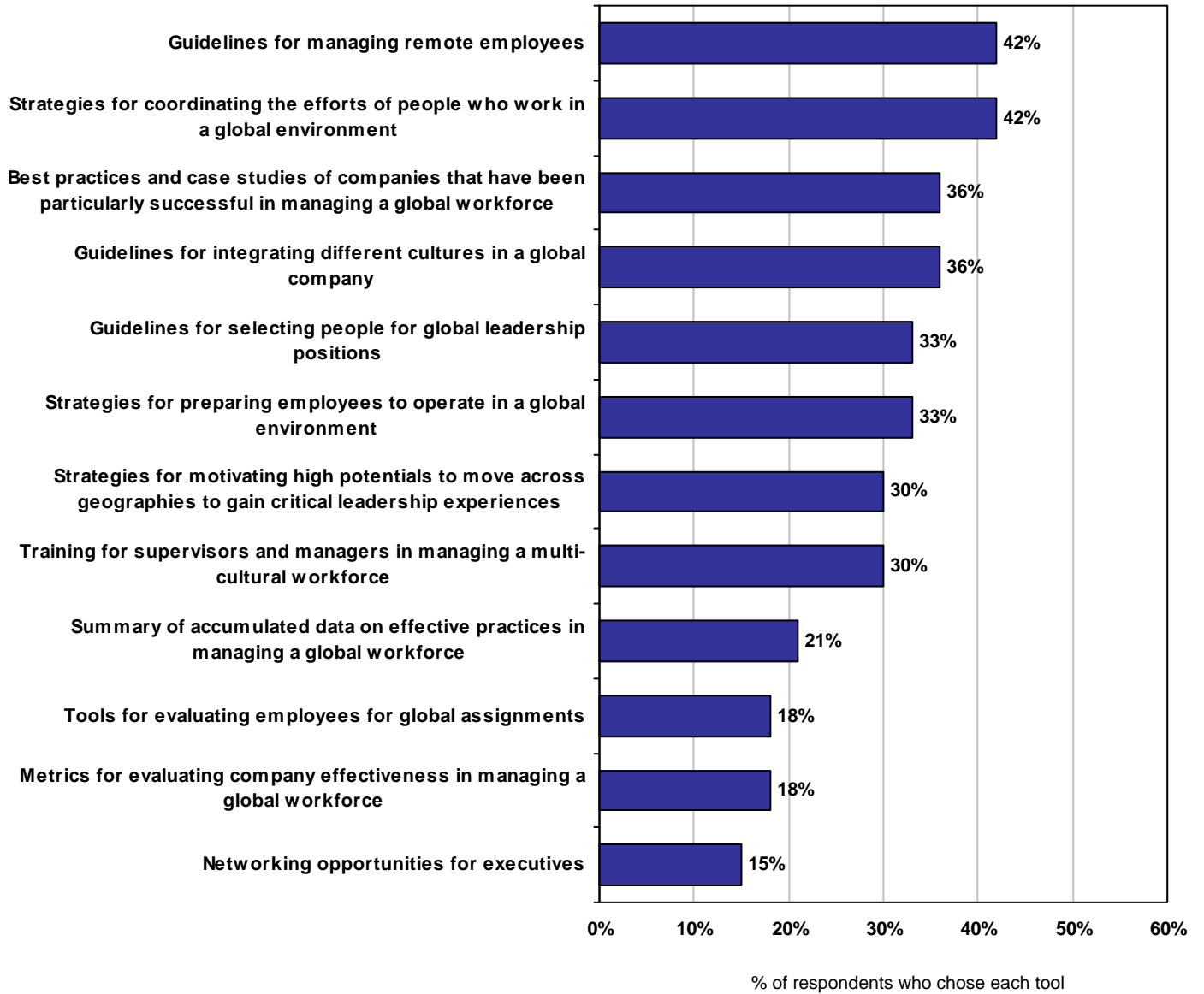


% of respondents who chose each tool

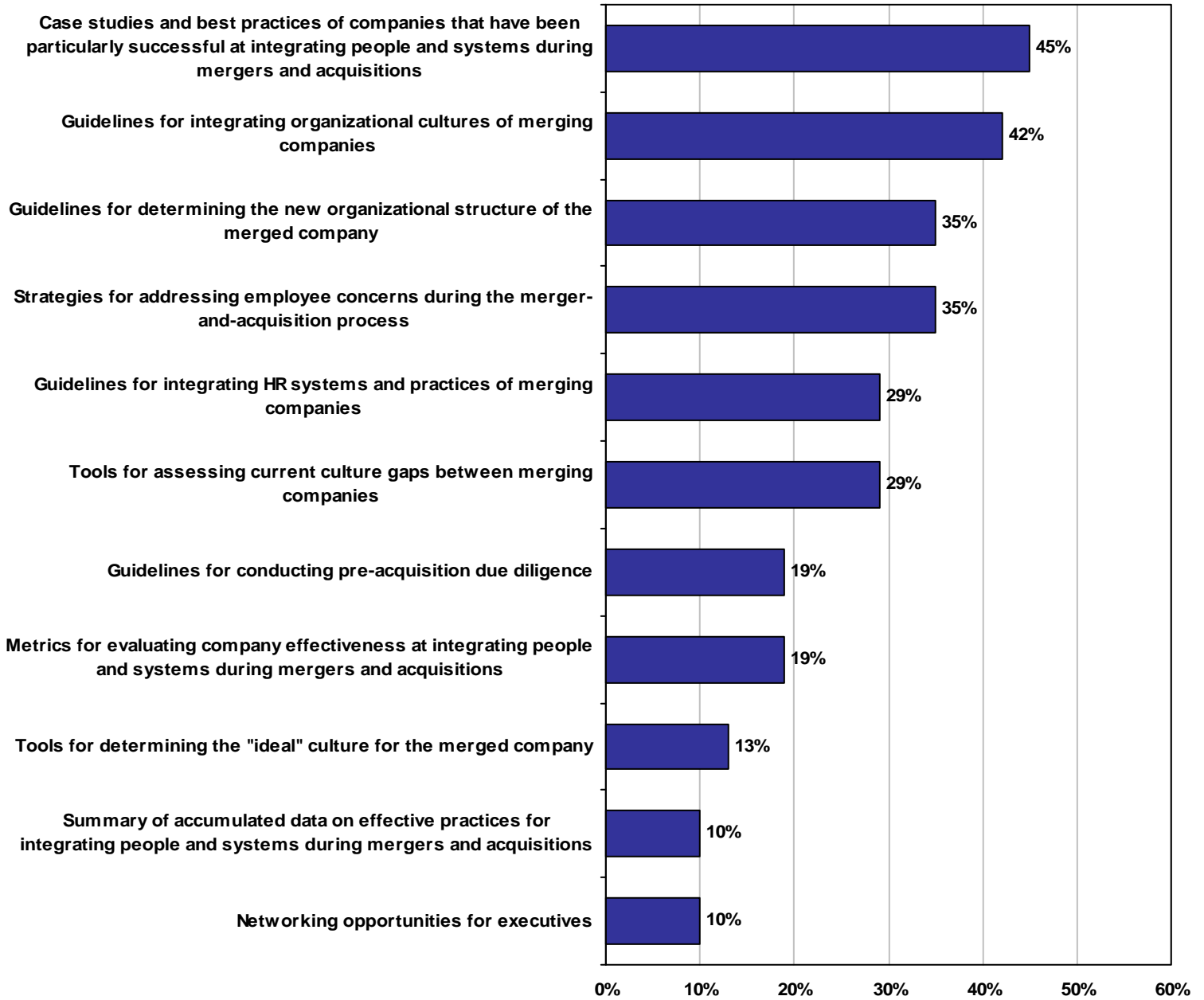
Tool for Setting up and implementing HR Systems and Processes across Countries



Tool for Managing a Global Workforce

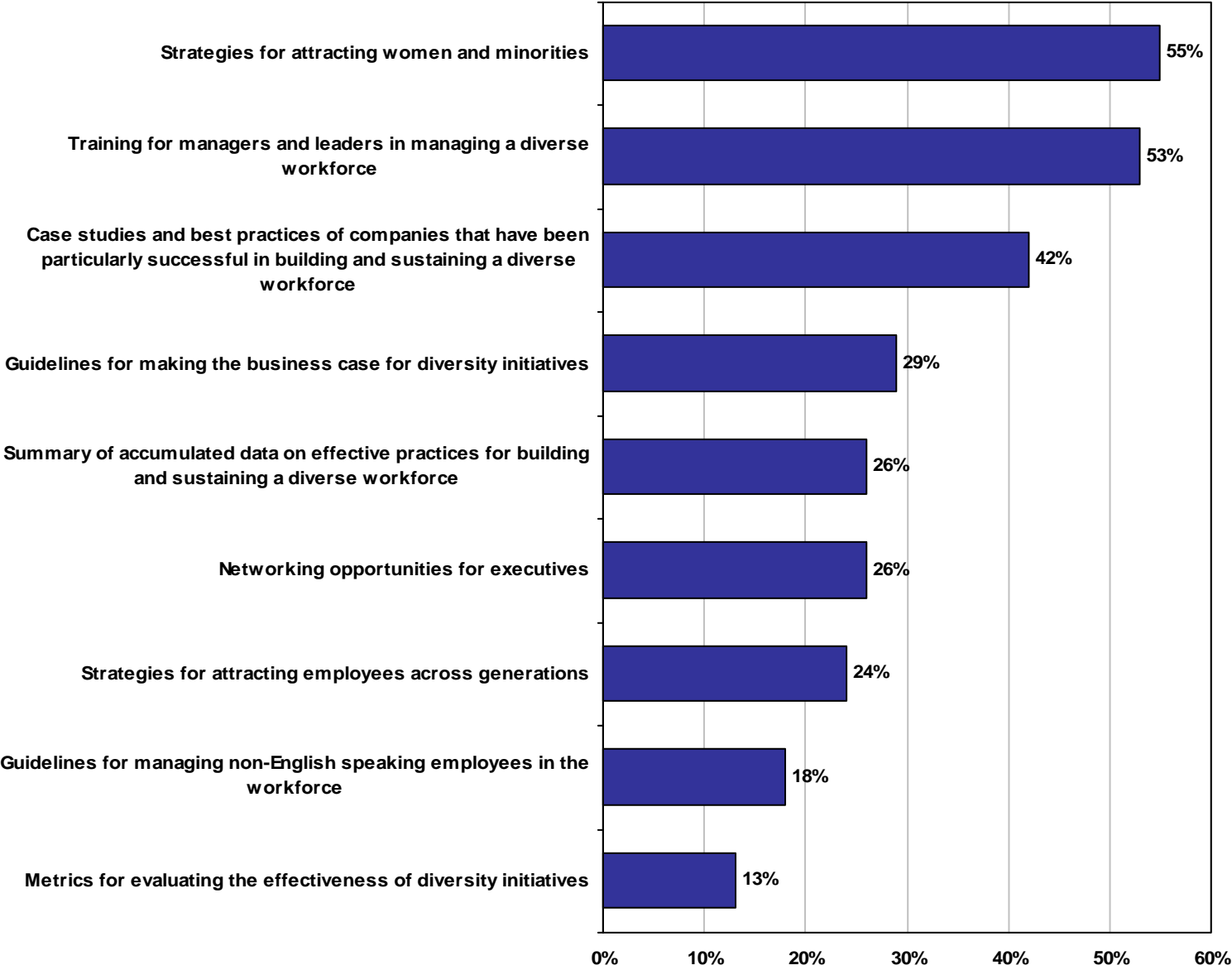


Tools for Integrating People and Systems during Mergers and Acquisitions



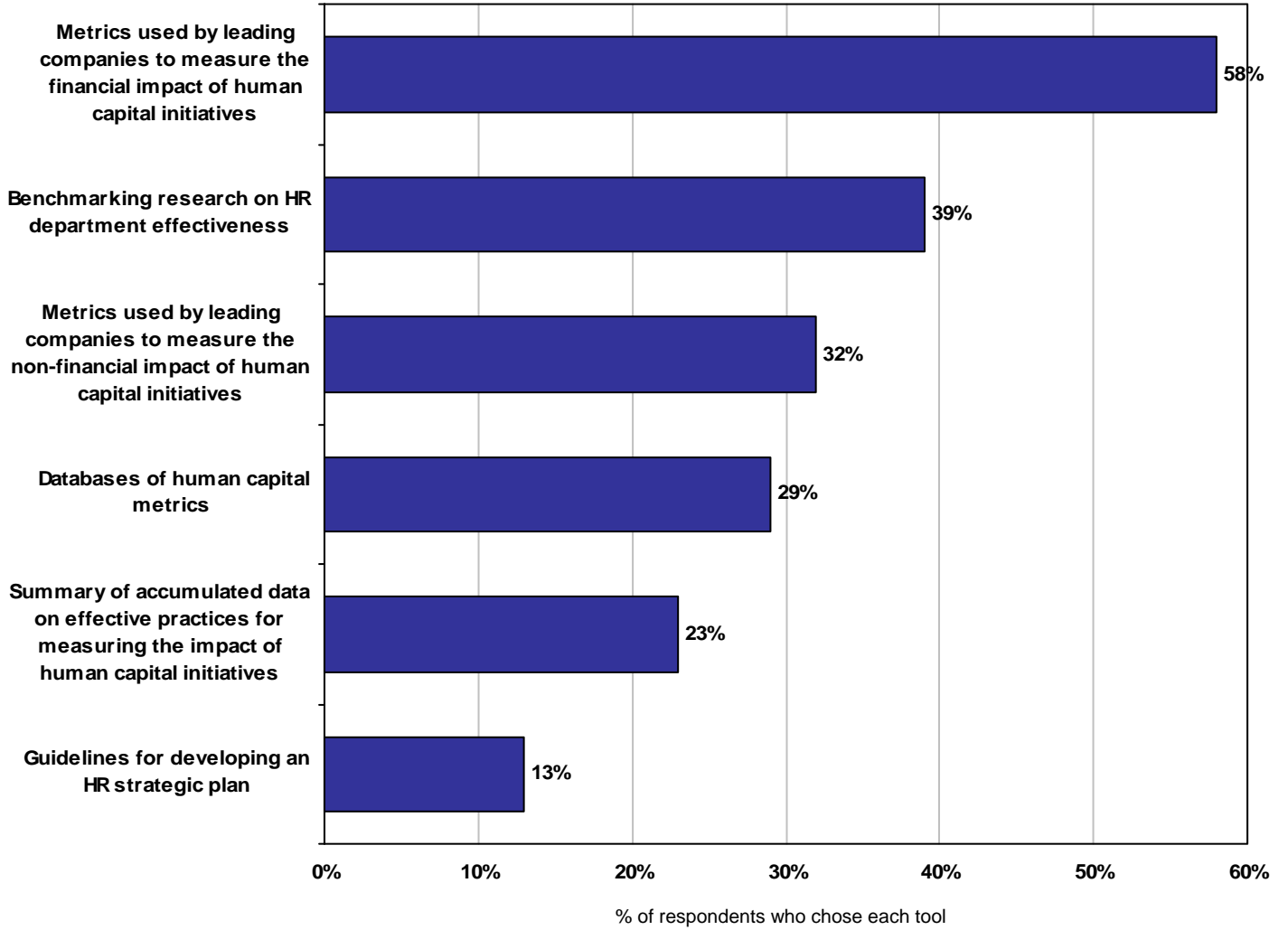
% of respondents who chose each tool

Tools for Building and Sustaining a Diverse Workforce



% of respondents who chose each tool

Tools for Measuring the Financial and Non-financial Impact of Human Capital Initiatives



Tools for Managing the People Side of Change

