



[Home](#) | [Contact Us](#) | [SHRM Foundation](#) | [SHRM India](#) | [HR Certification Institute](#) |

Welcome Guest Guest12 ▾



**Leading People.
Leading Organizations.**

Guest, [It's Time to Renew!](#)

[Ask an Advisor](#) | [HR Jobs](#) | [HR Talk](#) | [SHRM Connect](#) | [SHRM Store](#) | [HR Standards](#)

[SEARCH](#)

MEMBER TOOLS

Select... ▾

> [Find a Chapter](#)
> [Member Directory](#)

[Logout](#)

Innovation and Human Capital Are Top of Mind for Global CEOs

5/25/2012

By Pam Babcock

CEOs around the world rank innovation and human capital as top challenges for 2012, a recent survey found. Leaders in China and India rank those issues higher than U.S. and European CEOs, who are more worried about government regulation and global political and economic risk, respectively.

The 2012 edition of The Conference Board CEO Challenge survey, released in March 2012, revealed these and other CEO concerns. From September to December 2011, the study's 776 respondents were asked to rank the top challenges they'll face in the next 12 months. Among them: innovation, human capital, global political and economic risk, government regulation, global expansion, cost optimization, customer relationships, sustainability, corporate brand and reputation, and investor relations.

Rebecca L. Ray, Ph.D., senior vice president of human capital for The Conference Board and a report co-author, said talented people are making the difference in growing countries. "Innovative talent drives business growth," Ray said. "It's interesting to note that in China and India--two of the fastest growing markets--human capital is ranked No. 1 by those CEOs. Nowhere else in the world does it show up [as No. 1]."

Patti Johnson, CEO and founder of PeopleResults, a Dallas-based organizational development firm, said she's not surprised that talent and human capital ranked so high.

"CEOs are focused on differentiation and staying ahead of the market," Johnson said. "Technology and innovation are at the top of the list, but it's clear that talent and human capital strategies underpin that differentiation.

"There is more demand for innovation and complex changes on a global scale, which comes down to talent," Johnson added. "This study certainly acknowledges that CEOs recognize that it comes down to having the right people--not only for today, but tomorrow."

Innovation and Human Capital Linked

CEOs were next asked to rank strategies they had used to address their top three challenges. While technology was the top strategy to address innovation, the study found that innovation is heavily dependent upon human capital issues. When CEOs were asked for their strategies for driving innovation, three of the top five dealt with people.

Among them were:

- Create a culture of innovation by promoting and rewarding entrepreneurship and risk-taking.
- Engage in strategic alliances with customers, suppliers and/or other business partners.
- Find, engage and incentivize key talent for innovation.

"There is a recognition that it is innovate or perish," said Julian D. Kaufmann, a senior fellow in The Conference Board's human capital practice and president and CEO of The JDK Group, a Basking Ridge, N.J.-based executive and organizational development consulting firm. "And whether that is product and technology innovation or process innovation or business model innovation, you have to be engaged in it in order to continue to maintain your market position, let alone advance it."

The three top-ranked strategies to meet human capital challenges were to grow talent internally, improve leadership development programs, and provide employee training and development.

"Human capital is not just talent acquisition," Kaufmann added. "It's also development, engagement [and] organization design, and it's about measurement and reward systems. All those levers can greatly accelerate or support innovation. Human resources actually has much more power to affect and sustain innovation than we sometimes recognize."

Strategies to Meet Innovation Challenges

Organizations need to understand their innovation strategy, where opportunities are, and what might be holding them back. The report recommends asking these questions:

- Do we have the right people and skills needed to grow? How does our organization engage employees for greater productivity?
- Do we have the global leaders we need today, and are we preparing the leaders we'll need for tomorrow?
- Which growth strategies can deliver the best results and yield comparative, if not competitive, advantage? This could include things such as lower cost, new markets, product differentiation, customer service and engagement, branding and marketing.
- Which barriers to growth must we overcome? This could include things such as hostile regulation, competitive barriers, corporate culture, lack of vital skills and access to shared services.

Differences Emerge Among Countries

The challenge of innovation was ranked third in the U.S. and second in Europe. Meanwhile, human capital challenges ranked fourth in the U.S. and seventh in Europe.

CEOs Around the World Rank Their 2012 Challenges

	Global	United States	Europe	Asia	China	India
1	Innovation	Government regulation	Global political/economic risk	Innovation	Human capital	Human capital
2	Human capital	Global political/economic risk	Innovation	Human capital	Innovation	Global political/economic risk
3	Global political/economic risk	Human capital	Government regulation	Global expansion and Sustainability (tied for No. 3 and 4)	Sustainability	Innovation
4	Government regulation	Human capital	Global expansion and Cost optimization (tied for No. 4 and 5)		Corporate brand and reputation	Cost optimization
5	Global expansion	Cost optimization		Global political/economic risk	Global political/economic risk	Government regulations

Source: *The Conference Board.*

Asian CEOs were the only regional group to rank innovation and human capital within their top three challenges. That's perhaps not surprising, given the explosion of research and development in the region, a relatively shallow talent pool and "desire to expand beyond regional boundaries," the report said.

"To a certain extent, human capital is the most competitive differentiator," Vineet Nayar, vice chairman and CEO of HCL Technologies, a global IT company based in India, said in the report. "Once you work it in as a differentiator, people start viewing it as importantly as supply chain or other differentiators. CEOs should connect the dots between human capital and business results."

Holistic View Is Key

In the end, the report said, it's important to take a holistic view of the business that cuts across geography, industry and functions.

Johnson said that lays out "a huge agenda for HR leaders. A strategic workforce strategy that wrestles these strategies into a plan that can be acted upon is the magic that makes the HR leader the trusted partner that everyone aims to be."

Pamela Babcock is a freelance writer based in the New York City area.

Like 0

Society for Human Resource Management

1800 Duke Street
Alexandria, Virginia 22314 USA

Phone US Only: (800) 283-SHRM (7476)
Phone International: +1 (703) 548-3440

TTY/TDD (703) 548-6999
Fax (703) 535-6490

Questions? [Contact SHRM](#)
Careers [Careers @ SHRM](#)

©2012 SHRM. All rights reserved.