THOUGHT LEADERS’ SUMMIT

SHAPING THE FUTURE OF HUMAN CAPITAL STRATEGIES:
PRIORITIES IN EDUCATION, RESEARCH AND LEARNING

SYNOPSIS

Organised in partnership:

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“We need a new mindset and a true revolution to adapt our educational systems to the education needed for the future workforce.”
- Klaus Schwab, Founder and Executive Chairman, World Economic Forum, 2017

Introduction and Context

Human capital remains the foremost strategic lever for enterprises to perform, grow, and deliver sustainable stakeholder outcomes. Almost all CEOs agree that human capital honed and harnessed well, significantly enhances firm performance. Yet, our readiness to develop and deploy human capital is woefully inadequate within as well as outside the country. India has ranked at a low 103 (among 130 nations) in the 2017 World Human Capital Index. There is an urgent need for our businesses to design and deploy human capital strategies that get our workforce future ready.

Even as the government, enterprises, and larger business community are engaged in addressing this dire need, academia and business schools have an equally important role. Business schools must leverage the rigour of research and education to anticipate, identify and re-imagine human capital strategies for the future.
Human Capital & Leadership Initiative at ISB

In this context, ISB has decided not only to invest in practice-focused teaching in human capital but also set up an exclusive Human Capital and Leadership Initiative (HC&LI) - with the objective of providing industry-relevant offerings in research, education and in-career learning. HC&LI at ISB seeks to collaborate with industry leaders and evolve appropriate, future-ready strategies to address emerging challenges in human capital. Our aim is to supply industry-ready students through relevant and timely offerings in education with a new age curriculum.

We plan to work with industry sponsors to undertake applied research and create evidence-based insights that predict target business outcomes. Research-based proven models in human capital would be made available to help managers make more informed decisions, thus mitigating the risk of frequent re-invention. HC&LI is also committed to prepare the next generation of people leaders and human capital experts, by creating relevant executive education programs. The heart of our strategy is to engage industry leaders to co-create actionable insights and learning programs.

True to this mission, a Thought Leaders’ Summit was hosted on February 16, 2018, at ISB in Hyderabad. A select group of CEOs, CHROs and other CXOs were invited to this exclusive (by invitation) event. D. Shivkumar, Group Executive President- Strategy and Business development at Aditya Birla group delivered the first keynote address followed by Richard R. Smith, Dy. Dean at Singapore Management University. ISB Dean, Rajendra K. Srivastava welcomed the delegates and Chandrasekhar Sripada, Practice Professor (OB & Strategic Human Capital) presented the program overview.

The following six themes were discussed, in concurrent roundtable discussions:
1. Human capital strategies for the digital era
2. Building global organizations: Managing across borders
3. Measuring return on human capital
4. Architecting leadership development for the future
5. Fostering workforce diversity and inclusion
6. Building organizational agility: Scaling and shrinking in parallel

Each of the roundtables was facilitated by a faculty member at ISB and the industry delegates were provided with specific thought starters on each topic. The roundtables saw intense deliberations and deep participation. Industry leaders brought in their experiences, shared their best practices, and made specific recommendations to ISB to take the lead in several areas.

In the afternoon, conclusions and recommendations from each of the Roundtable discussions were presented in a Plenary session. Further, a panel discussion was facilitated by Dean of ISB, Rajendra Srivastava, to deliberate on the recommendations made in the Plenary. Participants in the Panel included Rajeev Dubey, Group President (HR & Corporate Services) & CEO (After-Market Sector), Mahindra & Mahindra Ltd, Gaurav Lahiri, Partner, Deloitte Consulting & Leader of their Human Capital practice and Rajit Mehta, Managing Director & Chief Executive Officer of Max Healthcare.

In this report, we present:
1) the summary of keynote speeches, 2) the highlights from each of the six roundtable discussions, 3) the summaries of the presentations and recommendations in the plenary and 4) an outline of the major next steps we propose to pursue over the next 12-18 months.
First Keynote Address

Mr. D. Shivkumar (Shiv) was the first keynote speaker and his presentation was on “Shaping Human Capital.” Shiv highlighted that CEOs have been expressing human capital as their major challenge for the past several years. Between attrition (e.g., 15% of workers in fast-growing firms leave) and employee disengagement (as high as 85%), firms are finding it hard to leverage their human capital. He emphasized that academia in India needs to focus on the quality of education over the quantity of MBA graduates. He pointed out that many business schools have mushroomed, but only 7% of their students are employable. “Business schools should be teaching people how to think and learn and where to look for knowledge,” said Mr. Shivkumar on the topic of education. Unfortunately, students are not taught how to learn and that the case study as a method of teaching has run its course and is not the best pedagogical tool anymore.

On a separate note he said: “With increased life expectancy leading to multiple careers and multi-generational workforces, managing this will be the new challenge.” Speaking on the topic of research he said, “Academics no longer monopolize new concepts. Professors need to start thinking differently. The past 25 years have yielded more significant concepts coming from business to academia as opposed to the reverse.” For industry-academia collaboration to happen, academia must work directly with businesses. They should take a secondment in industry and gain a tangible understanding of the real problems businesses face. The science of decision-making in a digital world is crucial for in-career learning. “People understand business concepts on an intellectual level, but have a difficult time translating the intellectual understanding to the day-to-day work.” One way for working professionals to bridge this gap and build their human capital is to be life-long learners. He said that working professionals should make it a point to “acquire new skills every other year” either through educational institutions or sabbaticals.

At the end, Mr. Shivkumar urged ISB to design and build a “Human Capital Index” for companies to benchmark against best practices and seek continuous improvement. Second Keynote

Richard Smith, Practice Professor of Strategic Management and Academic Director of the Human Capital Leadership program, shared his experience in industry and academia. He traced the origins of human capital research from economist Gary Becker, to the modern day transformation and challenges faced by organizations today. According to Prof. Smith, the number one issue listed by the CEOs in the Conference Board CEO Challenge Survey, since 2012, is human capital. Ironically only 27% of the CEOs considered themselves prepared to deal with this challenge. Prof. Smith emphasized that leaders must recognize their people capability as a major source of strategic competitive advantage.

This capability is valuable and cannot be imitated easily by the competitors. He alluded to other common theories focusing on gauging and adapting to the outside environment but often ignoring the internal capability of an organization. Prof. Smith highlighted the challenges of academia providing insights in narrow silos with a set of exclusive and discreet unit of analysis. While the industry is looking for more relevant focus on practice, academic inputs are not measuring up to this challenge, often. Prof. Smith called out specific examples of industry and academia collaborations, like INSEAD and ADECO or IBM and Hofstede, and pleaded for increased partnerships among the two.
Key Observations
We are now seeing many fast-paced radical disruptions. While the mainstream players are incrementally reinventing themselves, technology disruptors like Uber or Tesla come out of the blue and disrupt the mainstream. Most companies are finding it hard to cope with this change both internally and externally. On the one hand, this increases a need for compliance and on the other hand, it pushes things into the public space, thus making companies vulnerable. HR as a management function is equally impacted by the rise of AI and machine learning. Therefore HR function must first embrace the digital transformation for itself and set an example for others. Organizations and their top leaders are in a self-denial mode. They do not notice nor accept the rapid changes happening around them. It is important to create the required psychological safety to encourage companies and leaders to embrace the turbulent changes and effectively confront them. In this context, learning to learn is often more important than the specific subjects to be learned.

Another important challenge is to integrate digital natives with the company’s workforce at large. In traditional companies, we see the challenge of a small set of digitally-savvy employees working alongside a large number of employees with traditional skill sets. Integrating these two sets of old and new employee generations is the next big challenge.

Key Conclusions
• Winners will be those who see the change coming, anticipate and embrace it
• Change management - particularly enabling leaders to cope with the change - will be critical
• Organizations must re-skill employees at all levels to understand, adapt, and leverage the new age digital skills
• For traditional companies, integrating digital-savvy, new-age employees into the mainstream business needs to be addressed on priority
• HR as a function must lead these changes by example

Best Practices
• Reverse mentoring
• Immersive digital learning centers
• Closer collaboration between academia and in-house R&D centers of companies

Industry-ISB Collaboration
• ISB to take the lead in accelerating industry collaboration through initiatives like “take the lab to the people”
• Learning delivery in business schools like ISB should be more inter-disciplinary and cross-functional, moving away from the current ‘siloed’ approach
• Business schools must develop a process and eventually a metric to assess students for their learning skills (ability to learn) in addition to subject matter expertise
• ISB to create a center for digital transformation that would allow business leaders to explore the world

Human Capital Strategies in Digital Era

Faculty Facilitator
Deepa Mani (ISB)
Chandan Chowdhury (ISB)

Members
R Rangarajan (Nomura)
Raja Radhakrishnan (ABB)
Savitha Shivankur (Novartis)
SV Nathan (Deloitte)
Yash Mahadik (Sun Pharma)
Building Global Organisations: Managing Across Borders

Key Observations
Increasingly talented Indian workers are taking jobs globally. Current efforts at preparing them for such jobs are inadequate. A different mindset and skillset are required to succeed with cross-border assignments. A majority of Indians have deep domain expertise and excellent technical knowledge, but more needs be done to improve their emotional intelligence, social skills and cross-cultural awareness.

Many Indian companies have gone global. But unlike Korean and Chinese firms, they are not as successful. While Indian companies try to expand in an “Indian way,” they also adopt a mix of strategies. Some adopt a rather short-term strategy, while others take a long-term view of overseas assets. We need to study what predicts greater success.

Another common struggle for many Indian companies going global is the need to understand the tradeoffs between the costs of global people development and return on that investment.

Key Conclusions
- India must develop its own signature toolkit to go global much like China and Korea
- Indian talent going global needs to cultivate a global mindset and cross-cultural intelligence
- The economic costs of making global adjustments must be carefully evaluated and factored

Best Practices
- Training people for cross-cultural intelligence
- Practicing cross-border team management
- Hiring local leaders in the country and integrating them into the mainstream
- Creating a global culture or a universal language in the firm

Faculty Facilitator
Richard Smith (SMU)

Members
Anuranjita Kumar (RBS)
Kris Shankar (Infosys)
N Balachandar (Café Coffee Day)
Raj Raghavan (Amazon)
Sonny Iqbal (Egon Zehnder)

Industry-ISB Collaboration
- Education institutions should teach more social skills and EQ
- ISB should propose new frameworks and models of governance that promote sustainable expansion into global organizations
- Research should investigate why Indian organizations do not aggressively integrate overseas entities into the mainstream—especially in case of acquisitions— as most western companies do
- For in-career learning, ISB should adopt a more collaborative approach, design and steer on-the-job projects that require a lot more exchange of ideas on the ground

• Slowing down integration to evolve a unified DNA, globally
• Institutionalizing decision-making and governance systems
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• ISB should propose new frameworks and models of governance that promote sustainable expansion into global organizations
• Research should investigate why Indian organizations do not aggressively integrate overseas entities into the mainstream—especially in case of acquisitions—as most western companies do
• For in-career learning, ISB should adopt a more collaborative approach, design and steer on-the-job projects that require a lot more exchange of ideas on the ground
Key Conclusions

- Evolve a set of metrics to measure the ‘multiples’ on human capital
- ROI in people and leadership development should be created and measured
- We need HR specific certifications. In-career executive education should deepen strategic HR competencies and hone business acumen among HR professionals.

Key Observations

It’s important to identify different ways to measure the multiplier created or caused by people in organizations - usually described as the value-added per person in terms of productivity and/or profit. We must learn from finance two interesting measures and apply them in human capital.

- **Product ‘innovation rate’**: The ‘innovation rate’ is commonly understood as how quickly new products are introduced into the market. In case of human capital, this would be equivalent to how quickly new workers are producing value for the organization? In this measure many factors like organizational agility, churn, diversity, and the quality of the talent pool will have to be accounted for.

- **Product ‘fade rate’**: which products last viably for how long in the market and how long it will be before customers stop using them. The parallel in human capital could be “how long workers stay in the job and under what circumstances they will be less useful.”

It’s important to see whether we are building human capital in such a way that the ‘multiple’ they generate is far in excess of what they cost. This will be true even more at the top leadership roles - for they can potentially have much more of a multiplier effect on firm performance.

Organizations need to fundamentally reset their HR function and emphasize “expertise” among HR personnel. Individuals in finance, legal, marketing, and sales have got specific competencies and ordinarily, their master’s or certification courses reflect them. However, similar certification of competency in the HR function is lacking, and it comes across as though anybody can do HR.

Best Practices

- Computing the Human Capital multiplier
- Approaches like “Fail fast, fail quickly, but just continue to experiment”
- Competency-based interviews and certification

Industry-ISB Collaboration

- ISB needs to lead executive education and provide leading edge programs in human capital
- Research should be undertaken to understand how we can ascribe a monetary value to key jobs in companies
- Create a human capital index or framework across various industries and for specific jobs in an industry.
Architecting Leadership
Development for the Future

Key Observations
There are multiple challenges to architecting the development of future leadership. First, it is important to identify traits and competencies that leaders should possess for the future. Second, we need to study the impediments to the development of future leaders, such as the leader’s reluctance to move away from hierarchical approaches. Third, there needs to be an assessment on the lack of collaboration in an organization and how it hinders leadership development. Fourth, how do you create safe spaces inside the enterprise so that people express their vulnerability, and seek collaboration? We need to identify pragmatic solutions to address these impediments to leadership development.

Another major problem to leadership development is employee disengagement. In the future, disengagement can come in from many angles; it’s not just because “I’m uninspired”. In a digital world, people are aspiring for many different things. Each of us is, at a minimum, engaged with 20 or 30 different things at the same time. There is a huge distraction and attention deficit. This is no longer a 9 to 5 world. Now we wall work or stay engaged 24/7. This provides a new context to what we know as engagement.

There are benefits to encouraging employees to utilize learnings from life and deploying them on the job. For example, it’s important to understand how to unpack learnings from life outside work and bring it in to solve complex workplace problems.

Key Conclusions
• Current challenges are exacerbated due to leaders’ inability moving away from legacy mindsets
• Purpose-driven and inspirational leadership is the need of the hour
• Collaboration can be fostered only through heightened self-discovery, self-awareness and empathy.
• The implications of ‘digital distraction’ on employee engagement should be studied

Best Practices
• Creating safe spaces for enabling employees to express their vulnerabilities
• Micro incentives and nudging

Industry-ISB Collaboration
• Undertake research on: How different people in different geographies get inspired by different purposes? Are there a set of people who get more inspired by a larger purpose? How to align enterprise objectives to that larger purpose?
• In-career leadership learning provided by ISB should focus on themes like:
  • Learning from real-world problems and action learning projects
  • Real-time learning and peer learning leading to greater collaboration
  • Experiential programs teaching risk-taking and learning from failures
Fostering Workforce Diversity and Inclusion

Key Observations
Diversity should not be limited to the number of women in a workplace. It should include other constituencies like LGBT, differently-abled, race, ethnicity, multiple generations, rural/small town folks and the underprivileged from lower economic strata. Given the demographics of India, more and more millennials will join the workforce and will constitute an important segment of diversity.

Company level programs and solutions alone are not adequate to address the challenges of gender diversity. There are multiple challenges facing Indian society. First, there is an unconscious bias among male managers regarding the hiring of women. For example, many managers/organizations do not want to bear the economic costs that arise due to women going on leave during pregnancy. Second, working women in India depend heavily on their families and the larger social ecosystem to remain employed. Organizations need to have thoughtful programs and processes to support these women as they seek to balance family responsibility with work.

While sometimes societies accept working women, they don’t fully support unconventional jobs and tend to stereotype such women into a few “comfort zone” jobs. As a result, we often do not see enough women in factories and shop floors. Also, the inability to create workplaces that ensure both physical and psychological safety for women is further deterring active enrollment of women into workplaces. Therefore, campaigns must go beyond companies and address mindset issues in the larger society.

Key Conclusions
• The definition of diversity should be expanded to include more constituencies
• Unconscious biases among men are a major threat to fostering diversity and inclusion
• Changing mindsets in the larger social and family systems are necessary to advance the agenda of gender diversity

Best Practices
• Return to work programs (after maternity)
• Gender sensitivity training programs for managers
• Affirmative action programs
• Special support and training programs for women returning to work

Industry-ISB Collaboration
• Undertake studies and identify board and C-suite executive attitudes towards career women, especially their own spouses
• Mid-managers training to reduce unconscious biases
• Leadership education in inclusion and diversity
• Train managers to understand and leverage the value of inclusion and diversity in businesses
Building Organisational Agility: Scaling and Shrinking in Parallel

Key Observations
One of the key challenges in organizations is to ensure growth with productivity. We can’t have a mere linear relationship between growth and headcount. The level of productivity is vital and it includes the departments of R&D, manufacturing and sales. Various factors like competition, customer consolidation, and government regulation dynamically influence and/or disrupt initial estimates of profits and productivity. At such time, organizations need to be agile to grow and shrink as required.

Hiring and firing practices have a major impact on the lives of many people.

Many difficult social issues are linked with employment or the lack of it. Organizations must take a responsible position regarding these practices and think of the families beyond the employees. We need to handle seasonality and contingency when certain businesses go bust. The solution may not always be to get rid of people. Employers will do well to remember that it’s always a challenge to recruit, train and develop workers.

Shrinking and scaling impacts the entire value chain. In manufacturing, many supplier firms maintain flexible workforce for the principal employer. Employers must be concerned about contract workforce too.

Key Conclusions
- Competing in a global market depends on being the world’s best in terms of productivity
- Constant right-sizing and re-skilling through capability building are imperatives
- Firms need to be responsible for the well-being of their ex-workers and ex-contractors
- Organizations must learn the agility of shrinking and expanding in real time

Best Practices
- Re-skill employees and those in the entire value chain of workforce
- Form strong relationships with outsourced vendors or outsourced manpower
- Collaborate on course curriculum with academia
- Cross-functional project teams and flexible deployment of people across functions

Industry-ISB Collaboration
- Undertake interdisciplinary research to propose effective models of decision-making in uncertain times
- Design and train leaders in agile program management skills to quickly re-skill and redeploy workers at the speed of business

Faculty Facilitator
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Members:
Gajendra Chandel (Tata Motors)
Naveen Mohan (Siemens)
Ramesh Menon (Murugappa Group)
Saumen Chakraborty (Dr. Reddy’s)
IMMEDIATE NEXT STEPS:
To execute on these priorities, we will take the following next steps at ISB and solicit industry sponsorship and partnership.

PRIORITIES AND NEXT STEPS
The thought leaders’ summit threw up many great ideas and provided several next steps. We have taken the liberty of prioritizing them below, factoring in resources, feasibility and immediate relevance. We have made a note of all other ideas and will act on them, over time.

TOP PRIORITIES
Drive education & research initiatives jointly with industry across the following priorities:

- Design human capital strategies for the digital era
- Build global organizations (in and from India)
- Train business leaders and HR professionals to be future-ready
- Measure return on human capital
- Build human capital index for enterprises

IMMEDIATE NEXT STEPS:
To execute on these priorities, we will take the following next steps at ISB and solicit industry sponsorship and partnership.

- Design and set up 5 sector-specific Advisory Boards at HC&LI, ISB and invite CEOs and CHROs from major companies in each of the chosen sectors for bi-annual meetings
- Design and offer specific short-term in career education programs for business leaders and HR experts to understand cope with, and address the digital disruption for enterprise success
- Undertake joint research on:
  - Designing human capital strategies for the digital era
  - Building global organizations (in and from India)
- Publish a white paper on a key Human Capital topic and influence creation and adoption of standard practices across firms in that area
- Design, initiate and pilot ‘immersion type’ learning opportunities for professors and practitioners in business and academia respectively in ISB and select companies
- Appoint experts and build capacity at ISB’s HC&LI to execute on all the above next steps
- Plan and host the next annual Human Capital thought leader’s summit in February 2019
# Indian School of Business

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