



The Future of HR

October 2011 | Whitepaper

Transformational Thinking for a New Era in Business

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Fast Future Research

Fast Future Research is a global foresight research and consulting firm that works with clients around the world to help them understand, anticipate and respond to the trends, forces and ideas that could shape the competitive landscape over the next 5-20 years. Fast Future's work draws on a range of proven foresight, strategy and creative processes to help clients develop deep insight into a changing world. These insights are used to help clients define innovative strategies and practical actions to implement them. Clients include 3M, Astra Zeneca, E&Y, GSK, Hyland Software, IBM, Intel, KPMG, Nokia, Novartis, O2, Orange, PwC, SAP, Sara Lee, twofour54 and the OECD. Fast Future also works with a range of city and national level government entities around the world.

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The Future of HR

Transformational Thinking for a New Era in Business

1. Executive Summary - Looking up and Facing Forward

1.1. Defining HR's Future Role

So where does HR fit in tomorrow's global organisation? Over the next decade, forces at play in the environment today will have transformed the world as we know it. Wealth and power are being redistributed and stability and economic certainty now seem like long lost relatives. The business landscape and the 'rules of the game' are being rewritten by intense competition, disruptive technologies and new entrants with surprising business models.

Rising life expectancy is increasing generational diversity in the workplace and forcing us to rethink how we manage across multiple age groups. Rapidly evolving social attitudes also mean the needs and expectations of an increasingly global talent pool are constantly changing. Against this backdrop, the question arises:

What role should the Human Resources function play in medium to large businesses over the next decade?

1.2. The Future of HR Study

To help address the question and stimulate debate, Hyland Software commissioned Fast Future Research to undertake this study on the future of the Human Resources (HR) Function. The goal was to explore the key forces and 'future factors' driving the strategic role and operational design of the HR function in tomorrow's enterprise.

The study has identified and analysed a number of key drivers and explored the resulting implications in terms of future HR strategy, maximising its contribution to talent development, operational effectiveness and business alignment. This report presents the findings of the study - which combined extensive desk research with expert interviews and a subsequent global survey on future strategies and scenarios for the HR function.

1.3. Key Drivers of Change for the Business and HR

The study examined two key sets of change drivers - those shaping the operating environment for business and the evolving trends and forces within the HR domain itself.

1.3.1. Socio-Demographic Drivers

In the external environment, the structure, age and cultural composition of the workforce is being shaped by a growing and ageing global population and widespread migration. The needs and aspirations of that workforce are being shaped by divergent needs of a growing global middle class. The opportunity and excitement of the growing educated and newly wealthy middle classes in the emerging markets are starkly contrasted with the increasingly financially and psychologically stressed outlook for their counterparts in the more mature economies.

1.3.2. Macro-Economic Drivers

On the macro-economic horizon, seismic shifts of wealth and influence are reshaping the global landscape and energising the developing nations. This has led to the emergence of a number of new economic power groupings that will increasingly compete with and potentially overtake the G7 / G8 nations. At the same time, eye watering and seemingly unsustainable levels of debt are forcing the developed economies to rethink how they can compete and flourish in the new world order.

1.3.3. Business Drivers

When looking at the evolving business agenda, it is clear that HR must help develop managers and leaders capable of operating in an increasingly global, complex and hyper-competitive environment. These capabilities must be delivered against a backdrop where trust is critical, legislation

appears to be increasing and the way we organise work is itself changing and becoming far more fluid.

The operating environment is also being shaped by the need for near-constant innovation in products, processes and business models. A combination of cost pressures and sustainability concerns are also challenging us to drive down energy usage and reduce our ecological footprint. Finally, technology developments from social media to cloud computing are reshaping organisational boundaries and forcing us to update our thinking about how to manage and lead in the 21st century.

1.3.4. HR Drivers

Key forces at play within the HR domain include the constant call to go beyond transactional services, adopt a more strategic approach and achieve greater

business alignment. Indeed, winning the competition to attract, develop and retain talent is seen by many as the primary source of added value for HR. Closely coupled to this are the challenges of developing HR metrics, training and development solutions that enable effective support throughout the employee lifecycle. The need to think about long term workforce planning and constantly evolving working arrangements also place a clear emphasis on issues such as succession planning, recruitment and employee contract structures.

Finally, the challenges of ensuring gender equality, equal opportunity and managing a multi-cultural, multi-generational and global workforce places a strong emphasis on embedding sustainable diversity, inclusion and discrimination policies and practices.



“The C-suite should fully understand what a modern HR function should provide. Many of them don’t know it. The C-suite doesn’t realise what HR is capable of being.”

DICK FINNEGAN – PRESIDENT -
FINNEGAN MACKENZIE

“HR must be seen as a talent advocate that can see around the business corner to where the company needs to be and drive talent growth to meet those expectations.”

ELAINE ORLER – INDEPENDENT HR
CONSULTANT

“HR systems will evolve to give better info on performance, career opportunities and learning. Technology is sometimes viewed as a blockage to effectiveness – this is outdated, as many firms are using old systems. Often culture is the blockage, not technology.”

JON INGHAM – INDEPENDENT CONSULTANT- STRATEGIC
DYNAMICS, FORMER HR DIRECTOR - ERNST & YOUNG

“The levels of qualifications held by HR personnel will increase especially in the area of soft skills as there will be fewer, better paid people. They will have to think strategically, in a more demanding role.”

JAAP PAAUWE – PROFESSOR OF HUMAN
RESOURCE STUDIES - TILBURG UNIVERSITY.

1.4. Survey Findings

A key component of the study was a global survey exploring future priorities and scenarios for the HR function. A total of 226 responses were received from 42 countries. The largest respondent group came from Europe (43%) and the biggest group by job function was ‘Executive Management’ (23%). Roughly a third of respondents (32%) said they worked in the HR function. The findings are summarised below under four key headings – maximising future contribution, developing leadership and talent, operational delivery and design of the HR function.

1.4.1. Maximising HR’s Future Contribution

A lack of strategic alignment with the business and poor talent management were highlighted as the biggest barriers to future HR effectiveness. The most frequently selected were ‘Lack of business and strategic understanding in the HR function’ and ‘Failure to attract, develop, retain and reward suitable talent at all levels’ – with 46 percent choosing each option. These were followed by ‘Emphasis on cost cutting over people development’ (43%).

The highest ranked future strategic priority for HR was ‘Aligning

HR and talent strategies with business strategy’ (73%). Similarly, when asked to pick the most critical roles for HR over the next decade, ‘Becoming a strategic partner, coach and mentor and developing HR as a source of competitive advantage’ (62%) was by the far the highest ranked role. Interestingly, despite the current popularity of the idea of ‘Acting as the conscience of the organisation’, only 15 percent selected this option.

1.4.2. Leadership, Management and Talent Maximisation

The development agenda priorities identified were driven by the need to manage an increasingly complex, multi-partner, generationally diverse, more globally dispersed and flatter organisation. Hence, the highest ranked leadership development priority for HR was developing leaders capable of ‘Managing, motivating and integrating a multi-generational workforce’ (58%), followed by the need to ‘Build management and leadership capability to manage an increasingly global and diverse workforce’ (57%). Ranked third was the need to ‘Help management and leadership to work in a flat structure – managing through peer influence rather than hierarchical relationships’ (51%).

At the employee level, ‘Maximising individual talent, competence, commitment, and contribution’ (56%) was seen as the top priority, followed by ‘Building and sustaining employee trust and engagement’ (42%) and ‘Helping employees find a sense of purpose and meaning in their work’ (39%). Despite growing concerns over retention of younger staff, only 19 percent prioritised ‘Addressing the desire of Generation Y to participate, shape their roles and have a voice.’ Interestingly, and possibly running contra to the previous point, 70 percent believed that ‘Over the next decade, firms will pay increasing attention to a candidate’s social media ‘influence rankings’ when recruiting’.

Learning effectiveness and skills development dominated the priority rankings in terms of HR’s contribution to maximising employee performance in the decade ahead. ‘Supporting lifelong learning - re-skilling workers on a continuing basis’ (60%) rated highest, followed by ‘Implementing real-time learning and development solutions’ (49%) and ‘Improving effectiveness of training and delivery’ (41%).

1.4.3. Operational Systems and Processes

The need for efficiency in managing the execution and costs of routine activity and supporting new ways of working are expected to become an increasingly important factor as firms prepare for an uncertain economic outlook.

When asked to select the three highest operational priorities for HR, the most popular choices were ‘Ensure consistent and auditable execution of HR policies and processes across the organisation’ (50%), followed by ‘Supporting self-organising and self-directed teams’ (48%) and ‘Cost control’ (41%). Litigation concerns also loom large and 63 percent strongly agree or agree that ‘Over the next decade, organisations will place a strong emphasis on preventing and reducing the costs of employee legal claims e.g. for unfair dismissal and discrimination’.

From a future HR technology perspective, global and social connectivity, self-service, transparency and availability ranked highest. ‘Enabling the workforce to stay operationally and culturally connected in remote locations’ (52%) was seen as the most important need followed by ‘Enabling web and mobile device based

‘self-service’ by managers and employees’ (47%), and ‘Providing up to date employee-centred information on performance, learning and opportunities’ (40%). ‘Using social media based communications internally to build employee engagement and increase retention’ was the fourth highest ranked at 38 percent – reflecting the growing understanding of its role within the organisation as well as in the marketplace.

The priority placed by employees on the quality of HR systems and processes was widely acknowledged with 69 percent strongly agreeing or agreeing that ‘Over the next decade, employees will increasingly choose employers based on the availability on demand of Personalised HR systems and processes - via the web and mobile devices - that will enable them to monitor and improve their own performance’. The need for HR process and workflow automation was also heavily supported - 90 percent strongly agreed or agreed that ‘Over the next decade, concerns over cost control, efficiency, compliance, data protection and records management will drive automation and rapid adoption of document and workflow management solutions.’

1.4.4. Design of the HR Function

The need for a clear separation of HR roles was supported by 86 percent who agree or strongly agreed that ‘Medium to large organisations will increasingly pursue a ‘three legged stool’ model for managing HR - providing a shared services centre for transactional activity, offering centres of expertise on specific issues and acting as strategic business partners to top management.’ However, the transition is not expected to be an easy one – with 90 percent of respondents strongly agreeing or agreeing that ‘The biggest challenge for HR in most organisations will be to bridge the gap from a transactional function to a strategic business partner’.

There was also a clear understanding of the increasingly short timescale, project based and multi-stakeholder nature of many activities in tomorrow’s organisation. When asked, 81 percent strongly agreed or agreed that ‘Over the next decade, HR will increasingly be asked to support and administer ‘work swarms’ where temporary and ad hoc groups form to complete a task - with members drawn from multiple organisations.’

HR Transformation -
Seven critical enablers

- 1. **Developing Business Awareness and Foresight** – Building a pool of HR talent with a deep understanding of the business and the future drivers of change.
- 2. **Nurturing Talent** – Translating business insight and strategic foresight into long-term workforce planning, succession planning, performance metrics, employee ‘lifecycle management’ and development programmes that collectively deliver a high ‘return on talent’.
- 3. **Coping with Uncertainty and Complexity** – Growing leaders and managers with a high ‘tolerance of uncertainty’ and the ability to spot and address unnecessary complexity within the organisation and in HR’s own services and processes.
- 4. **Embracing Multi-Faceted Diversity** – Tackling barriers to equality, access and inclusion and embedding best practice across the global enterprise.
- 5. **Enabling Self-Service and Personalisation** – Providing a customisable set of tools that enable management and the workforce to monitor and manage individual and team performance.
- 6. **Driving Cost Control and Efficiency** – Re-engineering processes, automating workflows, standardizing records, outsourcing transactional tasks and focusing on strategic value added activities.
- 7. **Embedding Flexibility and Innovation** – Developing the flexibility to respond to rapid changes to working practices, complex team structures and a constantly evolving organisational design. Innovating on HR service delivery by increasing experimentation, embracing social media and pioneering new learning and development approaches.

1.5. Developing a Blueprint for HR Transformation

The research findings paint a clear picture of the HR function facing an extended period of rapid change and transition as it seeks to align more closely with the business and become a true strategic advisor and partner. These changes are taking place at a time when the nature of work itself is becoming more complex with an increasingly international, cross-generational, multi-partner and technologically dependent design for many

1.6. Conclusion

Many organisations have already embarked on the journey of HR transformation. For them, the challenge is to maintain the pace of change and ensure they are addressing fully all of the key enablers. The critical success measures will be how effectively they transition the capabilities and mindset of those working in HR and how they can reinforce the perception of HR as a strategic partner and advisor to the business. For those firms that are

work activities. The speed with which such activities are initiated means HR also has to look at its own effectiveness in terms of service delivery, speed of response, personalisation, process execution, workflow automation and cost control. For medium to large organisations that want to respond to these challenges and transform HR into a truly strategic service function, we have identified seven critical enablers. (see box opposite)

still more transactionally focused, the initial challenge is one of starting the dialogue within the business as a whole about what role HR will be required to play in a fast changing and intensively competitive environment. The real challenge then follows as they put in place the key enablers outlined above. This can help to produce a genuine and sustainable transformation of HR to fulfill its true strategic potential.

2. Introduction

*In the face of continued economic uncertainty following the global financial crisis (GFC), developing future strategy is a complex and risk laden but essential requirement to help focus the organisation and navigate turbulent waters. To ensure these strategies are future proofed, we have to scan ahead to identify the key drivers of change, emerging opportunities and potential challenges. These ‘future factors’ are shaping the agenda for medium to large businesses and by implication, the HR function in those organisations. **This report is designed to provide an assessment of those drivers and offer critical insights on the potential implications and opportunities for the HR function.***

2.1. The Operating Context

The decade ahead will be characterised by turbulence – leading to major upheavals and massive change in all that we take for granted. The key future factors shaping the emerging landscape are economic disruption, power shifts driving wealth from west to east across the planet and rapid advancements in technology. At the same time, resource constraints, an ageing population, talent shortages, and changing social attitudes and expectations are forcing new thinking about how we design and run our businesses. Finally, the emergence of ever more intense competition and new business models are impacting how we plan for future survival and growth. Collectively, these drivers are forcing businesses to rethink their strategies, reshape their organisations and – most critically – think long and hard about how to attract, retain and get the most out of talent at every level.

2.2. Study Methodology

The study explores the implications of key global drivers on HR strategy, organisational alignment, the role of technology and future HR business models. The report draws on a combination of desk research, expert interviews (see Appendix 1 for a list of interviewees) and a global survey on the Future of HR Management. The survey combined multiple choice questions with a range of statements on future HR scenarios, which delegates were asked to respond to. The survey received a total of 226 responses from 42 countries around the world with Europe (43%), North America (29%) and Asia (13%) providing the three largest respondent groups. Of these, 32 percent reported that they worked in the HR Function, with the majority (68%) working across a range of other business functions.

2.3. Report Structure

- The report is presented in four main sections:
- **SECTION 3** describes the key global drivers shaping the business landscape that could have the greatest impact on the HR function.
 - **SECTION 4** examines those HR specific trends and developments which could have the greatest bearing on how the role of HR evolves in medium to large organisations.
 - **SECTION 5** presents the findings from the research survey.
 - **SECTION 6** concludes by defining a set of critical enablers for HR transformation.



“Organisations will need to find new ways to reach out to people. The big issue with recruitment is an inbuilt assumption over pay expectations of older workers. This approach makes it hard for older workers to get past initial screening, especially where they are taking a job below previous grades.”

MATT FLYNN - SENIOR HR LECTURER - MIDDLESEX UNIVERSITY BUSINESS SCHOOL

3. Key Drivers Shaping the Environment for Business and HR

This section explores a number of key trends, developments and forces shaping the ‘macro environment’ that could have a direct impact on the future of business and the management of human resources. Supplementary data and commentary on these drivers is provided in Appendix 2.

3.1. Socio-Demographic Shifts

How effective is the organisation at scanning for and acting on emerging socio-demographic trends and developments?

Our research suggests that, in the search for talent, the organisation’s ability to anticipate and respond to key socio-demographic trends is likely to be a major competitive differentiator in the future. Four key socio-demographic themes will have a major influence on business over the next two decades - population growth, ageing of the world’s population, maintaining wellness and addressing increasing diversity within many western economies in particular.

For the developing economies and for employers alike, the core challenge lies in ensuring the employability of their growing potential talent pool by improving the health and education of the population.

3.1.1. An Ageing Society

What is the organisation’s strategy for addressing increasing generational diversity?

Life expectancy is increasing almost everywhere on the planet. Globally, the UN (2010) states that one in every ten persons is aged over 60, and by 2050, that figure is expected to rise to one in five¹. The challenge is particularly acute in developed economies. For example, the European Commission (2010) says the average retirement age in the 27-nation bloc^a would have to increase from the current age of 60 to 70 by 2060 if workers are to continue supporting retirees at current rates².

The British Household Panel Survey³ forecasts that the average age of a UK worker will rise from 40 in 2000 to 44 by 2020. One in five workers in 2020 will be 55

or older. This means 7.16 million older workers in 2020, up from 5.14 million in 2010.

In Germany, the Federal Statistics Office (2011)⁴ forecasts an increase in the number aged 65 and older to around 24 million by 2030 from nearly 16 million in 2011. The USA is also vulnerable to ageing, with Nielsen (2011) estimating that between January 1st 2011 and December 31st 2029, about 10,000 people will reach the age of 65 every day⁵, leading to a potential large scale withdrawal from the workforce through retirement.

Global ageing will increase dependency ratios in almost all countries, raising important issues about retirement age, pensions and the provision of work for the elderly. Figure 1 opposite, shows dependency ratio progression for a number of key economies this century.



Key Survey Finding

‘Managing, motivating and integrating a multi-generational workforce’ was selected by 58% of respondents and identified as the key leadership and management challenge for HR over the next decade.

An ageing global population creates the risk of exacerbating talent shortages and could bring tremendous financial liabilities to businesses and governments as they struggle to finance the associated pension and social care commitments. However, a mature workforce also offers a potentially valuable source of experience and expertise. How businesses respond to and integrate an older and increasingly diverse workforce will directly impact their international development, business operations, service delivery and their ability to meet changing consumer and employee needs and wants.

Responding to and managing a generationally diverse workforce will require locally tailored and often individually personalised approaches. Interviewee Matt Flynn, senior lecturer at the Middlesex University Business School, suggests that when thinking about ageing, organisations will need far more sophisticated approaches rather than simply looking at generational paradigms and characterising employee needs based on whether they are Baby Boomers or Gen Y.

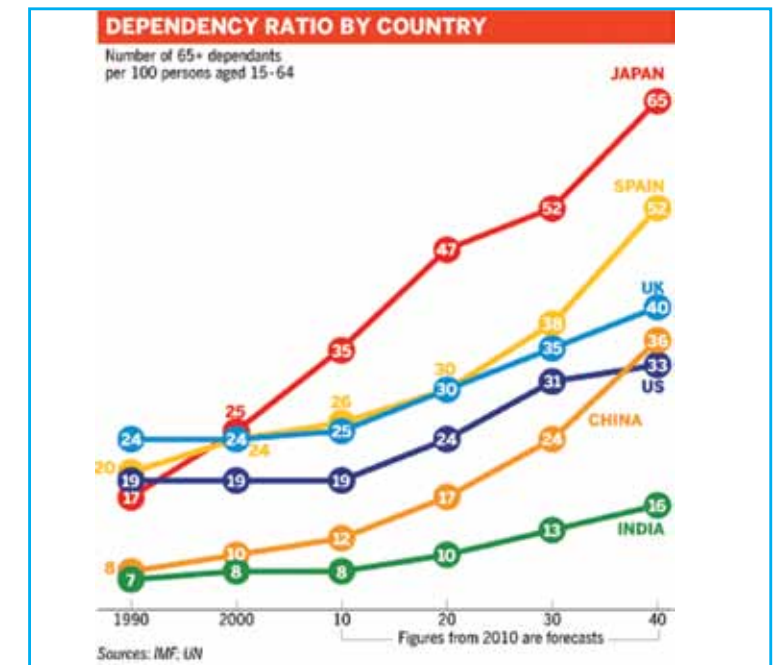


Figure 1: Dependency Ratio for Selected Countries (Source: Seeking Alpha / IMF, UN)⁶



Key Questions

- What is the current age profile of the organisation at different levels and in each geographic location?
- How will this age profile evolve if current demographic trends persist?
- What mechanisms are in place to capture the experience and know-how of older workers close to retirement?

^aThe EU 27 consists of Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.



3.1.2. Migration

What impact could projected migration flows have on the make-up of the workforce in key markets?

Permanent or temporary migration will drive the shape and cultural mix of the workforce in developed and developing economies alike. The United Nations has predicted that at least 2.2 million migrants will arrive in the rich world every year until 2050⁷. The UK's Office for National Statistics' (2008) projections suggest just over two-thirds of the projected total increase in the UK population between 2008 and 2033 is expected to be either directly or indirectly due to future migration⁸. For employers, the challenge lies in developing the management capability to understand and maximise the contribution of an increasingly ethnically diverse workforce in domestic and international operations.



Key Survey Finding

34% of survey respondents rate 'Addressing the demographic challenges of a global and multi-generational workforce' as one of the major factors in maximising HR's contribution over the next decade.

Key Question

- In markets where the workforce composition will be driven by significant migrant flows, what strategies are in place to ensure effective integration of employees from different cultural backgrounds?

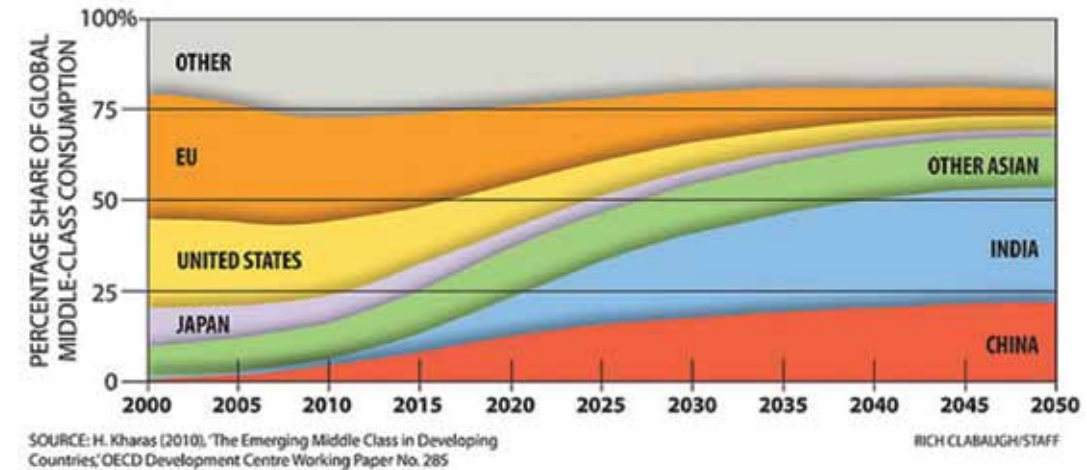


Figure 2 - Global Distribution of Middle Class Consumption (Source: CS Monitor / OECD)¹⁰

3.1.3. The Middle Class in Transition

What challenges could be posed by the increasingly divergent fortunes and levels of optimism for the middle classes in developed and developing economies?

Employers will need to be increasingly mindful of two issues as they seek to build employee trust and engagement. Firstly, while the wealth, aspirations and expectations of a growing middle class in developing markets are likely to rise, their counterparts in developed economies are expected to continue to struggle for a decade or more. For many, wealth and living standards have been adversely affected by the global financial crisis and subsequent fiscal austerity programs. Individuals have also been hit by declines in asset prices, high levels of personal and household debt and a decline in incomes.

In the longer term, the Brookings Institute estimates that Asia Pacific's global share of the middle class could rise from 28% in 2009 to 56% by 2030⁹. This equates to a rise from some 525 million people to 3,228 million people. Globally, Brookings expects the middle class to rise from 1,845 million to 4,884 million by 2030. Europe is expected to contribute 16 million of this growth while North America is forecast to see a decline of the same amount, meaning a net combined contribution of zero to the world's growing middle classes. These dramatic population shifts will have a major bearing on global consumption (Figure 2).



Key Survey Finding

"Building and sustaining employee trust and engagement" was selected by 43% and ranked as the second highest priorities for supporting employees over the next decade.

Key Questions

- What strategies does the organisation have in place for recruiting, managing, motivating and retaining an ageing, multi-generational and increasingly ethnically diverse workforce?
- How will changing wealth profiles and geographic distribution of the global middle class affect the expectations and aspirations of staff and potential recruits around the world?

3.2 A Changing Economic Landscape

What are the HR implications of a turbulent and uncertain macro-economic outlook?

3.2.1. New Economic Power Groupings

Competing in emerging economies is driving a whole new set of challenges for the HR function. The global economic landscape is changing dramatically and an increasing number of rapidly developing and populous countries are emerging onto the radar of global business. These are often categorised into entities such as the BRIC grouping of Brazil, Russia, India and China, to which South Africa has recently been added. Other increasingly important clusters include the E7^b, N11^c and CIVETS^d. In May 2011, The World Bank issued a report predicting that Brazil, China, India, Indonesia, Korea and Russia could account for 50 percent of the global economic growth to 2025¹¹.

Richard Phelps, of PwC UK suggests recruitment and talent development will be major challenges in the emerging markets and, perhaps controversially, suggests that 'One of the big missing factors is the people factor in the BRICs. The capability of HR in the BRICs is limited.'

The economic crisis has helped accelerate the global processes of both divergence and convergence. While the growth rates between emerging markets and the developed world have strongly diverged, this has effectively accelerated economic convergence between the two. McKinsey (2010)¹² estimates emerging market economies will contribute over half of global growth by 2025. Allan Conway, Schrodgers' head of emerging market equities, went further to suggest that, even with a recovery in the developed world, emerging markets will account for 70 to 75 percent of global growth every year for the foreseeable future¹³.

The convergence of the global economy is also impacting the availability of talent in developed economies. As domestic opportunities increase in emerging markets and developed economies face further economic uncertainty, the attraction of the west for educational or professional reasons is starting to diminish, and talent is increasingly choosing to stay at home. This could have a bearing on innovation capacity.

BCG reports that foreign nationals are authors of the majority of patent applications filed by many US companies - for example, 65% at Merck, 64% at GE and 60% at Cisco¹⁴. There is also a reverse

trend operating and potentially growing, where emerging markets now offer increasing attraction for western talent seeking new challenges.

Anticipating and responding to the resourcing needs for developing markets poses an ever more complex set of demands and challenges for HR departments. The Society for Human Resource Management (SHRM)¹⁵ (2010) states that '...talent needs in Asia are growing rapidly. For many companies, the growth of their Asian business exceeds the availability of talent.' It also argues that large scale employee mobility eastward is not a viable option, suggesting the only sustainable solution is increasing talent and skill levels in those countries. This in turn creates major competitive HR challenges for employers and places demands on the entire education system.

Long term, the global resourcing model will prove critical. HSBC, looking forward to 2050, predicts that nineteen of the top thirty global economies by GDP will be countries that we currently describe as 'emerging'¹⁶.

Key Questions

- How are HR considerations factored into the assessment of new global market opportunities?
- What role does HR play in assessing the availability of talent and developing resourcing strategies for new potential markets?

“

“What we’re seeing is the beginning of a real divergence between the issues and practices in the USA, where talent is abundant, Europe, where talent is also abundant but hiring / firing is restricted, and the developing world, where talent is scarce.”

PETER CAPELLI - DIRECTOR - WHARTON SCHOOL OF MANAGEMENT CENTER FOR HUMAN

“

“The ability for corporations to maintain a global resource model, leveraging core business strategies and localised in country characteristics is becoming a competitive advantage.”

ELAINE ORLER - INDEPENDENT TALENT ACQUISITION CONSULTANT

”

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Key Survey Finding

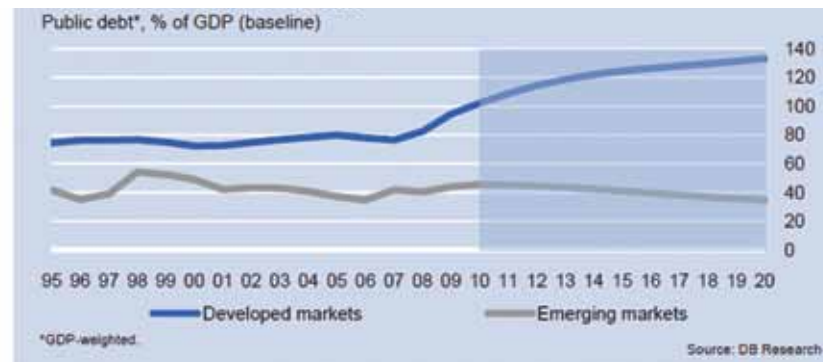
'Failure to attract, develop, retain and reward suitable talent at all levels' was selected by 46% and identified as the joint highest factor which could prevent the HR function delivering effective strategic solutions to the business over the next decade.

^bBrazil, Russia, India and China, plus Mexico, Indonesia and Turkey.

^cBangladesh, Egypt, Iran, Indonesia, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey and Vietnam.

^dColombia, Indonesia, Vietnam, Egypt, Turkey, South Africa.

Figure 3 – Projections of Developed and Emerging Market Public Debt
(Source: DB Research)²¹



3.2.2. Public Debt

How might persistent concerns over public debt affect business confidence and corporate budgets – what impact could this have on the HR function?

The global economy now faces the combined challenge of avoiding further short-term recessions, preventing future banking crises, rebalancing longer-term fiscal policies and averting further international sovereign debt defaults.

Debt concerns could hamper business and consumer confidence for a decade or more – leading global firms to focus on cost reduction. As a result, HR functions face the prospect of being asked to do evermore for less and will increasingly look to technology, self-service and outsourcing to manage within declining budgets.

The global financial crisis of 2007-2009 affected most countries, some of which were saved only through unprecedented state-led rescues and heavy public borrowing. A number of developed economies are faced with current and projected levels of debt well

over 100 percent of GDP and the concerns over sovereign debt default are likely to remain ever-present for the next 5-10 years. The resulting fiscal tightening has ushered in what some have called a ‘decade of austerity’¹⁷. The debt levels incurred to finance the bailouts will be one of the key economic influences over the next decade. The knock-on effects from current macro-economic challenges are expected to hinder the potential for developed economy growth over the decade.

Some analysts feel that governments and individuals are overlooking another ticking time bomb, driven by demographic changes such as ageing and the resulting forecasts of entitlement spending¹⁸. For example, a report from the Peterson Institute for International Economics (PIIE)¹⁹ suggests that by 2035, if current policies continue, the major economies could have sustained public debt levels “averaging almost 180 percent of gross domestic product, more than two and a half times today’s levels”. Without policy change, Deutsche Bank Research suggests that by 2020 public debt levels could reach 165 percent of GDP in the US,

Key Questions

- How might public debt reduction programmes across developed economies impact government spending on education and training?
- What will this do to the future supply of talent?
- What long-term workforce planning strategies are in place to address any perceived future shortfalls in the availability of talent?

Key Survey Finding

The potential impact on HR of global financial turbulence may not be fully apparent as yet – only 21% of respondents selected ‘Controlling the costs of running the HR function and processes’ as a key priority for how the HR function itself is run over the next decade.

244 percent in Japan, and 143 percent in the UK²⁰. The difference between public debt in developed and emerging markets (Figure 3) could be another significant accelerator of global convergence and accelerate the process of global expansion of firms from the debt laden economies.

3.3. A New Business Agenda

How well is the HR function keeping up with a rapidly evolving business agenda?

In this section we explore 13 key strategic drivers shaping business strategy, operations and – as a result – the HR function over the next decade.

3.3.1. Globalisation

What role is HR playing in the development of long term global business strategies?

The pace of Globalisation and the rate of development of new global companies from the emerging markets will drive the demand for talent and challenge the HR function to deliver truly global services and support. Already, more than 20,000 Western and Japanese multinationals are estimated to be operating in emerging economies²².

The Economist magazine estimates that by 2020, Asia could produce 50 percent of all sales and profits for some Western multinationals, an increase from a typical range of 20-25 percent today²³. A key issue for firms is to develop leaders and managers capable of understanding and adapting to the differences in how free market economies work relative to the various types of more interventionist and regulated forms of state capitalism in operation in countries such as China, Russia, India and the Gulf States.

Businesses from the developing economies are also influencing the HR agenda with different management and cultural practices. For HR, an understanding of these differing practices becomes increasingly important with the growth of emerging market partnerships, collaborations and joint ventures. The speed of change

is dramatic. In a January 2011 report, BCG identified 100 so-called ‘emerging global challengers’ originating from the BRICS economies and other developing markets.²⁴

BCG estimates that about half of the 100 global challenger firms could qualify for inclusion in the Fortune Global 500 within the next five years. The 100 challenger companies grew annually by 18 percent and averaged operating margins of 18 percent from 2000 through 2009. Overall, the global challengers generated revenues of \$1.3 trillion in 2009. The report notes that if these new challengers ‘...continue on their current growth path, they could collectively generate \$8 trillion in revenues by 2020—an amount roughly equivalent to what the S&P 500 companies generate today.’

The World Economic Forum’s ‘Global Risks 2011’ report²⁵ highlights two cross-cutting risks, ‘economic disparity’ and ‘governance failures’, as particularly central and significant because they affect so many other global risk topics. The concern is that the process of Globalisation can lead to fragmentation between and within countries, in the economic, political and social spheres. This has the potential to lead to a more entrenched anti-Globalisation movement, or movements that could take on different characteristics in different countries. Clearly for businesses with a global

footprint this will become a prime concern and handling the potential fallout across multiple geographies will require leaders and managers with cultural skills, sensitivity, and political nous.

Key Questions

- What strategies are in place to compete for, develop and retain talent in the face of rapid Globalisation and the continued expansion of fast growth economies?
- What HR strategies, policies and operational support provisions exist to address the growing need to work in multinational teams with participants from multiple partners?

Key Survey Finding

Reflecting the challenges of supporting a truly global organisation, ‘Ensuring consistent and auditable execution of HR policies and processes across the organisation’ was rated as the highest operational priority for HR and selected by 50% of respondents.

3.3.2. Complexity

How actively is the organisation addressing the challenges of increasing complexity of internal operations and a constantly evolving external environment?

As firms grow and develop global operating models, the sheer complexity and multi-partner interconnectedness of their internal and external operating environments is creating risk and inefficiency and becoming a priority challenge.

Complexity is a phenomenon that stretches across geographies and industry boundaries. Regulation is seen as one of the key sources, alongside growth of internal procedures, products, systems and reporting requirements. For HR, complexity poses a double

challenge. First, is the need to build the entire organisation's capacity to tackle complexity and develop a 'tolerance of uncertainty.' Second there is the need to address complexity in the HR function's own activities.

As data growth accelerates and technology continues to shrink both time and space, the number and complexity of the choices we are faced with appears to be growing beyond the ability of many to analyze and make timely and viable decisions. In a January 2011 KPMG²⁶ global study among business leaders, three quarters of respondents said that complexity has increased for their organisations over the past two years, and a majority expected things to become even more complicated in the coming two years.

The challenge for organisations lies around distinguishing between three types of complex systems and processes:

- **Complex** - those that are complicated in nature but function well and cannot be improved significantly.
- **Chaordic** - those that operate on the boundary between order and chaos and which could be highly disruptive if they fail.
- **Out of control** - often outdated systems on which the organisation is highly reliant but which are effectively broken, poorly understood and constantly being patched up. Typically these require leaders to have the courage to say the systems need to be redesigned from scratch.



Key Survey Finding

'Developing the capacity to handle complexity' was selected by 32% of respondents and identified as one the top four leadership and management development priorities for HR over the next decade.

Key Questions

- What development programmes are in place to help management and staff at all levels learn to address, cope with and prevent complexity?
- What efforts are underway to address complexity in the core HR systems and processes?



"People (e.g. employees) don't believe they are sharing in business' success. There has been a loss of trust in business, and so it is increasingly difficult to gain people's hearts and minds. The result is an increasingly transactional process, resulting in less passion and support of the business. Therefore business is struggling to capture employees' potential."

JON INGHAM - INDEPENDENT CONSULTANT, FORMERLY HR DIRECTOR - ERNST & YOUNG



"...in many cases employees' psychological contracts have been broken as a result of changing terms and conditions - how can the HR function work to re-build this and to retain and motivate their workforce?"

DR EMMA PARRY - PRINCIPAL RESEARCH FELLOW - CRANFIELD SCHOOL OF MANAGEMENT

3.3.3. Trust in Business

How trusted is your organisation's brand compared to global industry peers?

For many, HR is seen as the guardian of trust and ethics in the organisation. These factors in turn are now seen as critical differentiators in staff recruitment and retention and in establishing critical business, government and societal relationships. There is a growing public demand for corporate social responsibility, greater transparency and higher standards in public life.

Edelman's 2011 Trust Barometer²⁷ found that a majority in all countries agreed that 'Corporations should create shareholder value in a way that aligns with society's interests, even if that means sacrificing shareholder value.'

The Edelman study found that public trust in business increased from 2010 to 2011 in Brazil, India, Italy, Germany and France (Figure 4). However, over the same period declines were experienced by China, Japan, the US, UK and Russia. Edelman also reported that the most important factors in shaping corporate reputation were 'high quality products or services' (69%), 'transparent and honest business practices' (65%) and 'a company I can trust' (65%).

There is also evidence to suggest that higher trust correlates with improved business performance. A 2009 study from the Great Place to Work Institute looked at the financial returns for the top 100 companies, which it named 'Best Companies'. The study found, that 82 percent of the over twenty-six thousand employees from the 100 Best Companies who responded to the survey said that, often or

almost always, management keeps them informed of the important issues affecting the organisation. Among the 100 Best, 90 percent of employees indicate that managers and leaders are honest and ethical in their business practices. This contrasts with the Edelman Trust Barometer of the same year, in which only 17% of respondents aged 35-64 believed that information was credible when it came from the CEO of a company.



Key Survey Finding

'Building and sustaining employee trust and engagement' was ranked as the second highest priority for supporting employees over the next decade - selected by 43% of respondents.

Key Questions

- How is employee trust assessed in the organisation?
- How well understood are the drivers of trust for the different generations and backgrounds of staff represented across the organisation?

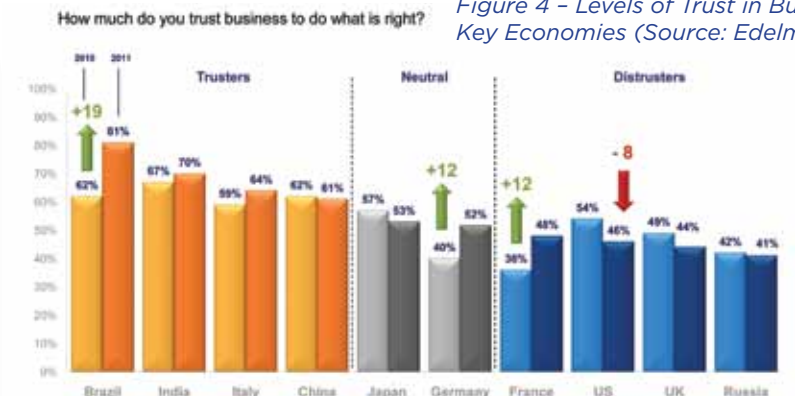


Figure 4 - Levels of Trust in Business across Key Economies (Source: Edelman)²⁸

3.3.4. New Modes of Working

Who in the organisation has responsibility for thinking about and testing out new ways of working, organising and managing?

One of the biggest challenges over the coming decade for HR is the dramatic change taking place in the way in which people actually work. How we approach the organisation and execution of work is being shaped by increasingly decentralised and more global work teams and technology that supports fully mobile working.

Other influencing factors include environmental concerns reshaping the workplace, the rise of home working and an ageing workforce in many countries. The nature of work is also being shaped by a growing desire for personalisation, broader social change and differing expectations of those coming into the workplace. Collectively, these factors are driving the need for new thinking on issues such as work design, management, team structures, workplace layout, working hours and flexible working.

Professor Paauwe - Professor of Human Resource Studies at Tilburg University - goes as far as to suggest that the explosion in self employed and contract work will present possible market

opportunities for HR services that have adapted well to new working conditions and needs. 'There will be a large increase in self-employed people because of increased mobility, but who will these people turn to in order to increase their development and competencies? HR departments could offer their services for a small fee. HR departments could become revenue generating departments under this model.'

A 2010 Economist Intelligence Unit survey³³ found that:

- **67 percent** of respondents expect a growing proportion of roles to be automated - only 7 percent expect a growing proportion to be staffed;
- **62 percent** expect a growing proportion of workers to be contract-based whilst just 12 percent expect a growing proportion to be permanent staff;
- **61 percent** expect a growing proportion of functions to be outsourced against 13 percent that expect a growing proportion to be brought in-house.

Interviewee Tammy Johns from Manpower suggests that the future of work could be '...much more collaborative, (featuring) more information sharing and more flexible work models.' Picking up and elaborating on

this theme, Gartner suggests the 'World of Work in 2020'³¹ will be characterised by ten major trends - which are described in detail at Appendix 2. Key amongst them is the notion of 'work swarms' - temporary teams coming together for particular tasks - often created at short notice and for which the design will be created 'on the fly'. Simulation and experimentation will also be an increasingly important part of the design of new tasks.

Gartner also predicts a growth in 'non-routine' tasks such as innovation, leadership and sales - rising from 25% of the organisational workload in 2010 to around 40% by 2015. A far greater emphasis is also expected on scanning for emerging trends and patterns in the world around us rather than focusing on historic analyses of performance.

Finally, collaborative relationships between multiple organisations and personal networks will be key to the formation of new teams and the identification of individual opportunities. The emergence of new ways of work will challenge the HR function. Interviewee Dave Ulrich, Professor of business at the Ross School of Business, University of Michigan suggests that '...we will see a typology of companies emerge.' As a result, he emphasizes that '...HR will have to adapt to each organisation type.'

"In future, companies will be even more highly connected to others through partnerships or joint ventures. This will enable greater staff movement within a connected whole. People will move within a network."

JAAP PAAUWE - PROFESSOR OF HUMAN RESOURCE STUDIES - TILBURG UNIVERSITY

Key Questions

- What role is HR playing in identifying and testing out new ways of working?
- What skills and approaches is the HR function developing to support more experimental and emerging working arrangements and structures within the organisation?

Key Survey Finding

82% of respondents agreed or strongly agreed that 'Over the next decade, HR will increasingly be asked to support and administer 'work swarms' where temporary and ad hoc groups form to complete a task - with members drawn from multiple organisations.'

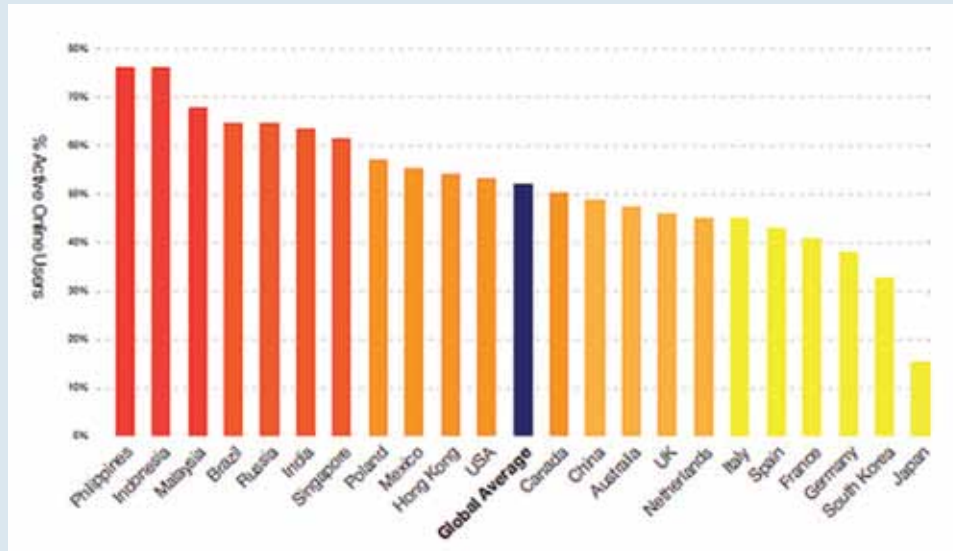


Figure 5 – Global Social Network Penetration 2011
(Source: wearesocial.net)³⁴

“Social media and social technology will enable people to stay connected in remote locations. Work is not about the physical space, but about sharing a set of values and a common agenda.”

DAVE ULRICH - PROFESSOR OF BUSINESS - ROSS SCHOOL OF BUSINESS, UNIVERSITY OF MICHIGAN

3.3.5. Social Media and Collaborative Technology

How well prepared is the organisation for the impact and harnessing of social and collaborative media across everything from culture and internal communications to recruitment and peer appraisal?

Social and collaborative technologies are becoming part of the fabric of business and transforming working practices. Social media holds great potential as a platform for driving employee engagement, as a talent acquisition tool and as an enabler of open communication and collaboration within an organisation. Collaborative tools are being deployed to open up the innovation process and to improve the execution of work processes internally and between partners across organisations.

A 2010 IBM survey of chief human resources officers and executives³² found that only 23 percent

are using social networking or technology tools to preserve or elicit critical knowledge. However, it also reported that “Financial outperformers are 57 percent more likely than underperformers to use collaborative and social networking tools to enable global teams to work more effectively together.”

Gartner predicts social networking will replace email as a leading means of communication by 2014. Some 250 million already log onto Facebook alone every day. Social media holds great potential as both a talent acquisition tool and as an enabler of better flow of work within an organisation. However, some suggest that, thus far, HR has yet to fully grasp social media. In many cases the use of social networking tools by employees is prohibited by official company policy, despite several companies talking of ‘engaging their customers,’ and ‘reaching out,’ via social media. To deny that same opportunity to employees may increasingly be seen as a contradiction.

Internet users in emerging markets appear to be the fastest adopters of social media (Figure 5) – suggesting it may be a vital vehicle in engaging potential and existing employees.

An Economist Intelligence Unit (EIU) study of 2010³⁵ notes that “28 percent of survey respondents say their company will use IT and social networking tools to tap into the global talent pool over the coming decade, but it is likely they are underestimating how quickly HR will recognise collaborative technology as a key component of a global hiring strategy.”

Bill Kutik, technology columnist for Human Resource Executive magazine, argues that “HR loves talking about social media, but so far has done very little with it. Fears emanating from the legal department have stuck HR in its tracks”³⁶. Jaap Paauwe highlights that the challenge to many HR departments is that ‘... very little technology is used in transformational HR work.’

Key Questions

- What strategies and policies are in place to support and manage the use of social media and collaborative technologies in the organisation?
- How is social media being used by HR for activities such as recruitment, talent management and employee engagement?



Key Survey Findings

70% of respondents agreed or strongly agreed that firms would pay increasing attention to a candidate's social media ‘influence rankings’ when recruiting over the next decade.

38% thought social media would be used internally to build employee engagement and increase retention over the next decade and beyond. In addition, 32% felt a key HR priority would be to use social media externally to promote the ‘employer brand’ and attract talent.



Key Survey Finding

'Encouraging open and collaborative approaches to innovation' was identified as one of the top five organisational design and cultural priorities for HR over the next decade. In addition, 43% see 'Facilitating innovation within the organisation' as a key HR strategic priority.

Key Questions

- What training and support is provided for those working on open and collaborative innovation and other external partnering initiatives?
- What role can HR play in the open and collaborative innovation process?
- As increasing use is made of external innovation partners through such open approaches with a variety of reward mechanisms, what are the implications for HR?

3.3.6. Open and Collaborative Innovation

What are the cultural and leadership barriers to adopting more open and collaborative ways of creating the future?

Open and more collaborative approaches can accelerate and enhance the innovation process. However, to succeed, they demand a culture, mindset, management style and rewards for individual behaviours that positively encourage engagement with those outside the business. The central notion behind open innovation is that whatever their R&D budget, firms cannot afford

to rely solely on internal research, but should instead seek to tap into the innovative ideas and processes of external individuals and organisations.

As the boundaries separating an organisation and its external environment have blurred, the two-way transfer of knowledge has increased - global giants such as P&G, Apple and Phillips have all embraced the concept. The approach was pioneered by P&G and its 'Connect and Develop' programme is run through their open innovation 'portal,' the use of which aims to ensure that over 50% of P&G's innovation comes from outside the company.³⁷

Interviewee Richard Phelps of PwC emphasises the need for '...partnerships to get the most benefit - with universities for instance,' and asks whether '...firms (will) have an R&D (department) when a partnership with a research university might bring better results?' The case study opposite explores how Orange's HR function has used open innovation to effectively extend its resource pool and bring new ideas into the firm³⁸.

Case Study:

Open Innovation at Orange

Jogesh Limbani, Head of Open Innovation in the Orange UK Labs, envisioned a project, later to be called "Orange Service Call + Reward" (OSCR)³⁹. This brought together external innovators and Orange (including the finance and HR functions) to create innovations. Orange planned to finance and patent ideas which had the potential to be worth €20 million. Throughout OSCR, as the innovation is developed, the idea and patent are still owned by the inventor. Once the invention is realised, Orange makes an offer to purchase the patent, a high risk since it may be worth up to €20 million.

OSCR is a shared reward project since it is a win-win situation for both parties: the innovator initially receives £100,000 for the idea and Orange can eventually use the idea. The winner of OSCR was the idea of "Last Second Tickets", an exclusive service for Orange customers. Over 44 million entertainment tickets remain unsold in the UK each year - representing over £770 million of potential sales. To encourage sales, "Last Second Tickets" proposes to use a two-for-one offer to sell unsold tickets to Orange customers just before the event.

“

"Employees will expect to be 'asked their opinion' on not only employee issues but business strategy and direction. The trend towards mass collaboration with customers will be evident in the workplace with employees seeking collaboration on product choices, research and innovation."

SANDRA PORTER - HR DIRECTOR - STARBUCKS UK

”



3.3.7. Evolving Technological Ecosystem

How effectively is the HR function staying abreast of ICT developments that could directly impact on the workplace and shape employee expectations?

The technology challenge for HR is how it keeps pace with rapid advances and the resulting evolution of employee expectations. Personalisation and immersive technologies are going to transform the way we view and interact with information and applications.

Technology advances that could emerge in the workplace over the next decade include touchable holograms, 3D displays for our cell phones, tablets and computers and advanced data visualisation tools. Mobile devices such as tablets and smartphones are expected to become our primary mechanism for internet access and conducting much of our work. Cisco (2011)³⁹ forecasts that by 2015, there will be nearly one mobile device for every person on the planet - and that we'll be creating 26 times as much mobile data traffic as in 2010.

The technology already exists to capture literally every image we see, every sound we hear and make. While it is not in widespread use today, we can

expect to see it become an increasingly common part of our personal ecosystems. How will this transform internal communications, contract negotiations, disciplinary procedures, harassment and discrimination cases and workplace disputes if a full record is available of literally every physical and verbal interaction?

With around 5 billion web-enabled devices worldwide, society, business and individuals have become highly dependent on web technology. A 2010 IMS Research study forecast that this dependence would surge to some 22 billion web-connected devices by 2020.⁴⁰ By 2020 literally every device and possibly every item we own could have an internet address. In practical terms this 'internet of things' will mean a lot more automation, offer potentially far more efficiency and perhaps more importantly, the ability to better mine and analyse vast swathes of data.

The plethora of information access points available to employees and consumers will force HR to adapt. The Society for Human Resource Management (SHRM) 2010⁴¹ notes that "The term 'e-HR' describes the transformation of HR service delivery using web-based technology. Implementing e-HR requires a fundamental change

in the way HR professionals view their roles. Now HR professionals must not only master traditional HR skills and knowledge, but also have the ability to apply that knowledge via technology."

Perhaps the most challenging set of technology enabled developments from an HR perspective are those which will impact individuals and their performance. Legal drugs that enhance cognitive functions and physical performance are already in circulation and this arena is set to explode in the next 5-10 years. Replacement body parts and exoskeletons that enable us to move faster, carry more and apply more force to physical tasks are all emerging.

Whilst memory capture and enhancement and thought transfer are probably beyond the ten year timeframe, we can already buy thought control headsets that can be trained to respond to different patterns of brainwaves and control everything from our computer to the lights in our homes. How will we respond when the new and improved employee 2.0 starts to demand higher relative rewards because they can sleep less, work harder and deliver more output than their unenhanced peers?

“The emerging worker is very technology savvy and will expect to have the same conveniences in their work life as they do in their personal life. It will be the role of human resources to design processes for employees with the same customer-centric mindset that marketing departments use for consumers.”

SHARLYN LAUBY - PRESIDENT - INTERNAL TALENT MANAGEMENT (ITM GROUP).

Key Questions

- Are the organisation's HR systems and user interfaces keeping pace with the expectations and needs of managers and employees?
- Who in the HR function has responsibility for tracking and assessing emerging ICT developments?
- What thought is being given to how HR should respond when workers start to adopt legal chemical, physical and electronic enhancements to increase their personal performance - how might this impact workplace culture, rewards and motivation?

Key Survey Findings

The two highest rated priorities for HR in relation to the use of technology were 'Enabling the workforce to stay operationally and culturally connected in remote locations' (52%) and 'Enabling web and mobile device based 'self-service' by managers and employees' (47%).

3.3.8. New Business Models and the rise of Collaborative Consumption

What cultural and attitudinal shifts are required to work in an environment where business models are constantly being reassessed and assets are increasingly rented rather than owned?

In an intensely competitive environment, firms will be challenged on a constant basis to develop new models for how they charge for their offerings and finance their operations. In the face of these pressures, a growing number of individuals and organisations are shifting to collaborative consumption - renting or sharing assets and resources rather than owning them outright.

From an HR perspective, a fundamental shift in organisational thinking and culture is required to encourage genuinely innovative thinking on new business models. The shift to asset rental models also requires high levels of trust in the third party providers and individuals capable of running the relationship in a manner that enhances value for both parties.

Collaborative consumption is the process of bartering, trading, exchanging or sharing goods and services. It is characterised as the movement from 'social networking to service networking'⁴² and is seen as a bottom-up, consumer-led movement. Prime examples are the rise of cloud computing (see below) and the growing popularity

of car club schemes, where individuals can rent a vehicle by the hour rather than owning it, a market that could be worth \$6 billion per year by 2016 according to Frost & Sullivan.⁴³

Collaborative consumption is perceived to fall into three distinct types of activity:

- Product services (where the benefits of a product can be made available without the need for a complete purchase).
- Collaborative lifestyles (where people share non-product assets such as skills).
- Redistributive markets (where spare assets or capacity are made available to other users on a temporary basis).

Key Survey Finding

'Developing the organisation's capacity to respond quickly and adapt to change' was identified as the second highest organisational priority for HR - selected by 60%.

Key Questions

- How will the trend towards greater asset and resource rental and sharing impact organisational culture and behaviour?
- What are the possible implications for workforce planning and the type of talent required to succeed in a partner-dependent environment?

Key Question

- Which HR applications offer the greatest potential for adoption of cloud based solutions?

Key Survey Findings

Access and availability were the prime drivers of the two highest ranked HR priorities in relation to the use of technology over the next decade - 'Enabling the workforce to stay operationally and culturally connected in remote locations' (52%) and 'Enabling web and mobile device based 'self-service' by managers and employees' (47%).

3.3.9. Cloud Computing

Is cloud computing a key enabler to providing consistent global HR support?

Cloud computing is a prime example of collaborative consumption, with businesses increasingly turning to this form of resource rental to run their critical IT applications. For HR, this offers the potential to cut running costs, reduce energy consumption, improve flexibility, enhance functionality and increase global access to a range of applications. Cloud computing enables the remote hosting of 'Software as a Service' (SaaS) - accessing

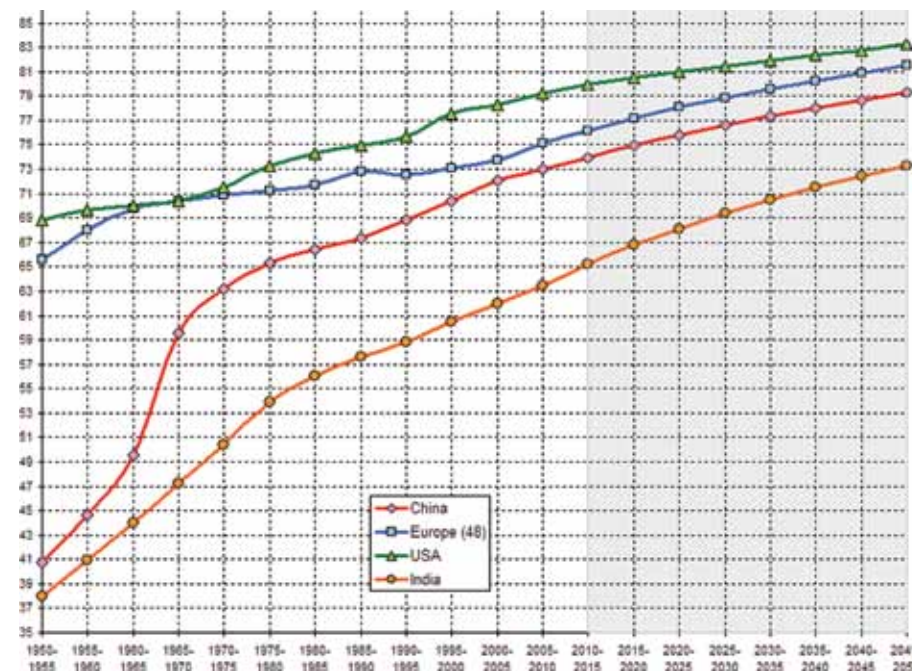
computer resources via networks rather than running software or storing data on a local computer.⁴⁴ Domain Research Group estimate that 50 percent of data will be in the cloud by 2015.⁴⁵

Talent Technologies' Rory Walker⁴⁶ suggests that "...IT in general is moving to the cloud...especially in the area of HR and self-service where people want access to information anytime, anywhere - the web-based technologies are definitely better for that purpose." Tim Darton, General Manager of Human Capital Management Solutions at Oracle, Asia Pacific claims HR can reap significant benefits from a SaaS approach,

explaining in an interview with iStart that "Moving towards a shared service concept relieves the HR department of a big chunk of administrative responsibilities, allowing it to be more of a strategic partner to the business."⁴⁷

A Towers Watson 2010 study⁴⁸ found that 52 percent of HR departments either use or are planning to use SaaS. The other 48 percent have no current plans to use SaaS, with apprehensions about cost (50%), the inability to customise (33%) and the lack of data ownership and control (32%) cited as the main barriers.

Figure 6 - Projected Life Expectancy for the USA, Europe, China and India (Source China-profile.com / UN)⁵²



3.3.10. Health and Wellness

What priority is the organisation placing on maximising employee health and wellbeing?

There is a clear recognition of the link between workforce health and business performance. The issues of health and wellness for developed economies are centred on old age and lifestyle related conditions. A Buck Consultants⁴⁹ (2010) global study found that 66 percent of all respondents and 54 percent of multinational employers have a global wellness strategy, up from 41 percent in 2009 and 34 percent in 2008.

Businesses are increasingly extending their health and wellness focus beyond their own workforce to address the needs of employee's families, local communities and entire countries. This is driven in part by recognition of the need to both maintain the wellbeing of the current workforce and ensure a healthy supply of future talent. In some cases addressing community and national challenges is seen as an essential part of being a good corporate citizen. The Indian Council for Research on

International Economic Relations⁵⁰ has estimated that "modern life" diseases such as heart diseases, strokes and diabetes could cut national income by \$200 billion in the period 2005-2015.

Life expectancy is rising rapidly across the developed world and in many developing economies. The American Life Extension Institute believes that average life expectancy in the USA will reach 100 by 2029. Some scientists such as gerontologist Aubrey de Grey argue that ageing is a curable disease and as a result the life expectancy of even mature adults could extend to 500 or even 1,000 years of age⁵¹.

A range of basic health developments coupled with more advanced scientific breakthroughs could help improve the life expectancy of employees in the most populous nations and start to close the gap with their counterparts in Europe and the USA. (Figure 6).

Personalised nutrition and healthcare could also make a major contribution to improving workforce health. The functional food market is expected to be

worth \$90 billion by 2020 - driven by consumers' increasing desire to take a more proactive role in optimising personal health and wellbeing, without relying directly on pharmaceuticals⁵³. In healthcare, as a result of advances in the field of genetics, BioNanomatrix, is developing low cost rapid sequencing technology so that an entire human genome can be read in eight hours for \$100 or less. This would allow medical treatment to be tailored to a patient's distinct genetic profile⁵⁴.

The website 23andMe⁵⁵ provides genetic testing for over 100 traits and diseases. In the workplace, such tests can be used to screen job applicants and employees who may have genetic predispositions to develop certain diseases. Whilst questions of ethics arise relating to possible discrimination, the potential also exists to personalise healthcare and insurance programs to the needs of the individual. Other advances such as diagnostic toilets, wearable devices and implants are all starting to deliver real-time information on the health status of individuals, which can help provide an early warning system for emerging risks.

Key Questions

- How well do current health and wellness programmes reflect the composition and needs of the workforce?
- How effectively are the organisation's health and wellness programmes taking into account the latest insights and developments offered by science - e.g. genetic screening?

Key Survey Finding

'Individualisation and personalisation of HR services to meet the differing needs of leaders, managers and employees' was selected by 35% as one of the four most critical roles for HR over the next decade.

"Mandatory retirement will cease to exist; it will change how appraisals are carried out and how organisations assess employees' productivity, especially older workers. Will age discrimination laws be extended – right now they are just work place based, but what about service providers – it would have a knock on effect. Will this lead to a more aligned workforce?"

MATT FLYNN - SENIOR LECTURER - MIDDLESEX UNIVERSITY BUSINESS SCHOOL.

3.3.11. Legislation

What impact assessments have been done of emerging legislation in areas such as retirement age, self-employed workers' rights and workplace stress?

Legislation regarding workers' rights, together with issues of compulsory retirement and rising state pension ages, will continue to be of importance to businesses as they plan the workforce of tomorrow.

Keeping pace with increasingly complex and differing legislation in different countries is expected to increase the workload and add compliance costs for most organisations. For example, the phasing out of the compulsory retirement age in the UK commenced in April 2011.⁵⁶ Under the current timetable, the UK state pension age will rise to 66 by 2026, 67 by 2036 and 68 by 2046⁵⁷. Fiscal issues are forcing other countries to examine their pension age as well. These changes create a legal compliance issue and raise the operational management challenge of integrating a generationally diverse workforce.

Given the likely future importance of the networked economy,

where work is outsourced to 'swarms' of individuals or external teams, legislation relating to self-employment could assume greater importance for mid to large sized enterprises. The Directive on self-employed workers and assisting spouses will improve the social protection rights of millions of women in the labour market, providing, for example, the right to maternity leave. EU Member States now have to introduce the Directive into their national laws by 2012⁵⁸.

The European Commission is also evaluating proposals to legislate on work-related stress. The Commission (2011)⁵⁹ reports that "Over the last ten years, work-related stress has increased in nine Member States and has only fallen in Sweden. Studies suggest that between 50 percent and 60 percent of all lost working days are related to stress. In France for example, the cost of stress has been reported to reach at least €2 to €3 billion each year. In the UK it's estimated that 10 million working days are lost due to anxiety, stress and depression linked to work. The direct costs related to stress at work are now estimated to be as high as 4% of EU GDP."

Key Questions

- How effective is the organisation's radar at spotting, analysing and acting on impending HR legislation across multiple geographies?
- What mechanisms are in place to ensure 'the business' and line managers fully understand the implications of existing and forthcoming legislation?

Key Survey Finding

63% agree or strongly agree that 'Over the next decade, organisations will place a strong emphasis on preventing and reducing the costs of employee legal claims e.g. for unfair dismissal and discrimination'.



Key Survey Finding

'Controlling overall workforce costs' was selected by 43% and rated as one of the top 3 operational delivery priorities for HR over the next decade.

3.3.12. Energy

How are projected energy costs being factored into thinking about the location of tomorrow's workforce?

Rising energy costs could have a significant bearing on issues such as workplace size and design, location of premises and the use of home working. The energy company BP forecasts that the OECD countries as a whole will increase their energy consumption by 6 percent between 2010 and 2030 whilst non OECD

consumption could rise 68% in the same period (Figure 7)⁶⁰. The emerging economies will play a key role in driving demand for fossil fuels ever higher, as they seek to support their own growth and development.

A combination of rising demand, the prospect of hitting 'peak oil'⁶² and ecological concerns have raised a number of key issues around future energy supply. Two key issues are likely to introduce significant tension into the international system; price volatility (potentially signaling the end of

'cheap oil') and rising scarcity as a result of production and supply issues or market access problems. Such oil price shocks have the potential to cause widespread destabilisation to economic, political and social activity. On a more localised scale, Britain's policies to curb emissions and spur investment into nuclear and wind to secure power supplies may raise electricity prices for factories by as much as 58 percent by 2030, according to the UK's Department of Energy and Climate Change⁶³.

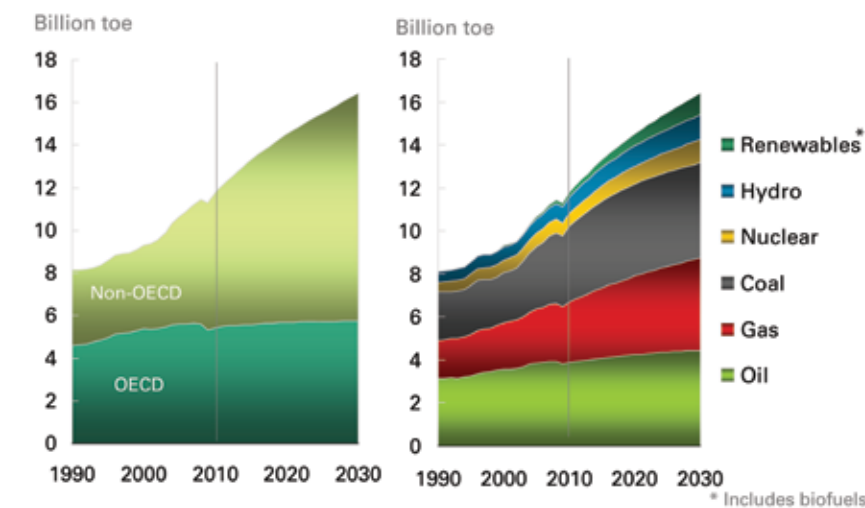


Figure 7- Projected Growth in Energy Demand (Source: BP)⁶¹

Key Questions

- What analysis has been done of future energy costs under different scenarios for workplace design and employee location?
- Will staff working from home start to demand a subsidy to cover rising energy prices?

3.3.13. Environmental Sustainability

What role should HR play in driving and monitoring environmental sustainability?

The organisation's 'environmental footprint' is a growing concern for current and potential employees alike. For businesses and their employees, two issues will grow in importance. Firstly, there are concerns over the equity of resource consumption around the globe. The World Resources Forum (WRF) reports that "the most developed nations comprising only 18 percent of the current global population...use around 80 percent of worldwide raw materials".⁶⁴ The issue of sustainability also raises questions over whether it is possible to achieve ongoing economic growth via industrialisation without causing environmental damage.

Environmental conditions continue to deteriorate despite the success achieved by the international community over the last 25 years in establishing developmental frameworks. The World Business Council for Sustainable Development (WBCSD) reports that 60 percent of the Earth's ecosystems have been degraded in the past 50 years and natural

resource consumption is expected to rise to 170 percent of the Earth's bio-capacity by 2040⁶⁵. WBCSD's calculations suggest there is a significant gap (Figure 8) between overall population projections and what the Earth's resources can sustain at different wealth levels.

It is generally accepted that the pace of social change will need to accelerate in order to meet environmental challenges. While most would now accept this trend as 'mainstream' it is also adapting and we're seeing the emergence of what environmental change agency e3g describes as '3rd generation environmentalism'.⁶⁶ This seeks to embed biodiversity and environmental values into mainstream economic sectors and strategies, such as foreign policy, banking, insurance and sustainable consumption patterns. Key to this approach is fostering a greater understanding of the inherent economic value which can be achieved via sustainable practice. As a result, for companies, internal and external pressures will grow to broaden their sustainability efforts within the communities where they operate.

Key Questions

- How are the environmental aspirations of current and potential employees captured and addressed?
- How closely is the HR function's own 'environmental footprint' monitored and managed?

Key Survey Finding

34% of respondents believe that 'Establishing and upholding corporate social responsibility policies and ethical standards' will be a key strategic priority for the HR function over the next decade.

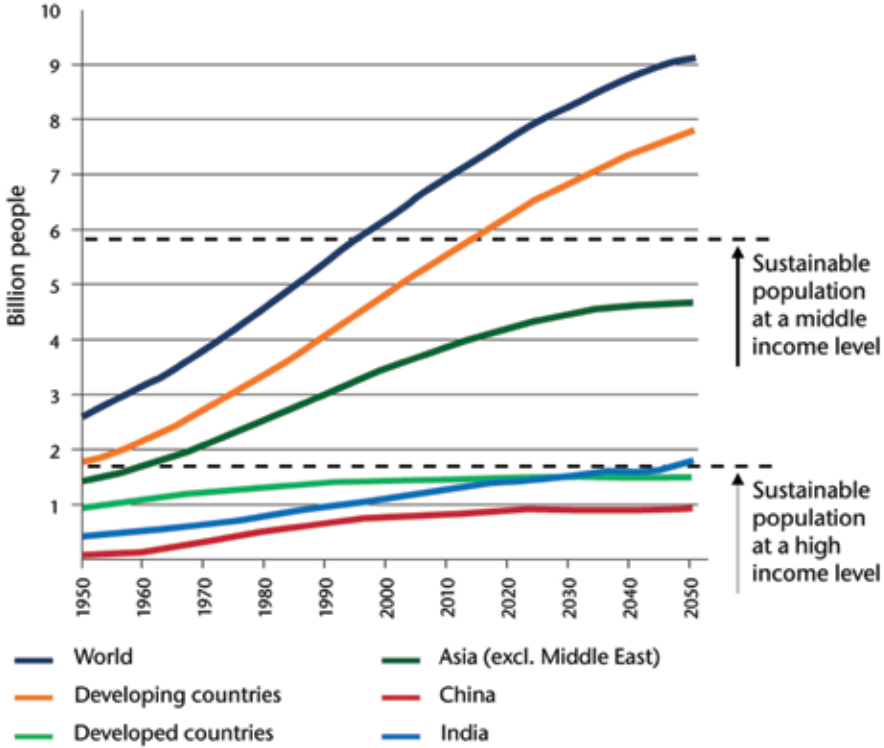


Figure 8 – Sustainable Population Projections
(Source WBCSD, 2008)



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“HR will become a source of expertise, and the most strategic position after the CEO. HR will become a key source of competitive advantage.”

JON INGHAM - INDEPENDENT CONSULTANT, FORMERLY HR DIRECTOR - ERNST & YOUNG

”

“Is the HR industry ready to step up into this new role? It's a new mindset – it will be for individuals to engage with this and push for it – from planning to strategy.”

TAMMY JOHNS - SENIOR VICE PRESIDENT OF INNOVATION & WORKFORCE SOLUTIONS - MANPOWER INC.

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“Many HR people like the operational side and don't have an interest in being strategic ... many HR people have stayed in their jobs for decades.”

DICK FINNEGAN - PRESIDENT - FINNEGAN MACKENZIE

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“...HR generally needs re-skilling.”

JO HENESSY - DIRECTOR OF RESEARCH - ROFFEY PARK (UK)

4. Evolving HR Trends and Drivers

This section explores 10 key future factors which we expect to have a significant bearing on the strategy and operations of the HR function in tomorrow's enterprise. Supplementary data and commentary on these drivers is provided in Appendix 3.

4.1. A Seat at the Table – HR Goes Strategic

What steps are being taken to position HR as a strategic partner to leaders in the organisation – what challenges must still be overcome?

A long standing challenge for HR has been whether it should focus on the transactional elements of its role or genuinely seek to step up to become a strategic partner to the business. Sanjay Modi of Monster.com predicts that “...30 to 40 percent of the future CEO's time will be spent on people-related issues and decisions”.⁶⁷ With business leaders increasingly placing talent at the heart of the strategic agenda, the opportunity is clear. Furthermore, in an increasingly uncertain and intensely competitive business environment, the spotlight is also falling on other key HR related strategic issues. These

include demographic change, global workforce planning, corporate social responsibility, organisational transformation, change management, new models of working, developing a learning culture, work-life balance, and cultural renewal.

The issue for HR is how it makes the transition from service function to strategic planner. There is also the question of whether this strategic advisory role is best performed by HR itself, the corporate strategy function or individual business units. A 2011 study from PeopleManagement.co.uk found that while 65 percent of HR directors considered themselves to be strategic assets to the business, HR respondents spent only 15 percent of their time on strategic work.⁶⁸

The risk is that if HR focuses largely on the transactional elements, these can become candidates for

outsourcing with the strategic advisory role increasingly taken on by external specialists or the corporate strategy group. Hence, for those with a transactional bias today, there is doubt as to whether the transformation to strategic change agents can be undertaken successfully.

A 2009 ic4p report⁶⁹ found that more than 78 percent of higher market performers have the head of HR reporting directly to the CEO, versus 67 percent of low performers. ic4p also found that high market performers are more likely to have HR structured with a combination of centers of excellence, shared services and HR generalists (65% versus only 44% for low performers). Higher market performers rely much more heavily on multifunctional temporary team-based structures (43.5%) than low performers (28%).

Amongst our interviewees there was a very clear sense of the need for HR to step up to the strategic opportunity. Jaap Paauwe suggests that ‘The levels of qualifications held by HR personnel will increase especially in the area of soft skills as there will be fewer, better paid people. They will have to think strategically in a more demanding role.’ Shaun Tyson agrees and suggests that ‘A lot more is going to be expected of them. At the same time they will have to maintain effectiveness and competitiveness. HR needs to be innovative.’ Donna Miller concludes that ‘HR's role will be not only to help create and mould alternative working policies that make sense for both the business and the employee, but also, perhaps even more importantly, to help line managers learn how to effectively manage people and teams remotely’.



Key Survey Findings

A ‘lack of business and strategic understanding in the HR function’ (46%) was seen as the most important factor which could prevent the HR function delivering effective strategic solutions to the business over the next decade.

91% agreed or strongly agreed that ‘the biggest challenge for HR in most organisations will be to bridge the gap from a transactional function to a strategic business partner’.

Key Questions

- How do the key leaders in HR and across the business see its role and priorities evolving over the next decade?
- What practical steps are being taken by HR to build deeper strategic insight and drive closer business alignment?

4.2. Talent

What priority is placed on talent management within the HR function and wider organisation – how is this reflected in the allocation of time and attention for business and HR leaders?

Ensuring a strong supply of talent is now undoubtedly a top priority for medium to large enterprises. In the 2010 annual global CEO survey from PwC, 97 percent say that having the right talent is the most critical factor for their business growth⁷⁰. The talent gap is a challenge for employers everywhere. A 2011 BCG study⁷¹ estimates that to sustain economic growth, by 2030 the United States will need to add more than 25 million workers and Western Europe will require 45 million. In a 2011 survey by AC Nielsen on behalf of Advanced Technology

Services (ATS), more than two-thirds of responding US companies said they expect the looming talent shortage to cost them at least \$50 million. One-third of those with revenues of more than \$1 billion indicated the impact would be over \$100 million⁷².

Significantly, access to talent is not just a problem in the developed world. The talent gap is compounded by perceptions of an uneven quality of education systems across the globe. A key finding from the BCG Study⁷³ was that only 25 percent of Indian and 20 percent of Russian professionals are currently considered employable by multinationals. Some of the shortfall could be attributed to cultural differences and a mismatch of expectations, but the issue is still a major concern. Competition for those considered to be of suitable quality will only increase as firms

within the emerging economies continue to grow and foreign entrants potentially accelerate their emerging market strategies to compensate for sluggish domestic markets.

Developing a workable global talent sourcing strategy will occupy an increasing amount of time and attention from HR and line management – particularly when focusing on emerging markets. The case study opposite highlights how the insurance firm Allianz is tackling this global challenge.⁷⁴ Some argue that operating internationally may help HR improve the quality of talent in the HR function itself. Interviewee Jaap Paauwe suggests that “...the HR function is much slower to learn when they are protected from international development and work in domestic markets only.”



Key Survey Findings

‘Aligning HR and talent strategies with business strategy’ (73%) was identified as the highest strategic priority for the HR function over the next decade.

Key Questions

- How frequently is the organisation’s talent strategy reviewed against overall business strategy?
- How far ahead is the organisation looking when developing talent management strategies and what ‘future factors’ are taken into account when defining tomorrow’s needs?

Case Study:

Talent Forecasting - Strategic Workforce Planning at Allianz

In 2009 Allianz launched ‘Strategic Workforce Planning’ to identify and address future workforce opportunities and challenges at a global and local level. It is designed to ensure that Allianz always has sufficiently skilled talent available in the right place at the right time. The planning is “...based on detailed future scenarios that simulate the long-term effects of various economic, demographic, and socio-cultural factors. Influencing factors range from the retirement-driven outflow of expertise to future skill bottlenecks in key labour markets.”

As part of the planning process, Allianz also assesses possible behavioural, loyalty, and work-life trends, and compares key productivity figures against strategic business objectives. The approach was piloted with one department of Allianz Germany and is to be used as a model for a Group-wide concept for Allianz’s future workforce planning.

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“All markets are going to be facing a talent shortage or mismatch. That is people aren’t where the skills are needed or current staff don’t meet new skills requirements. In the 20th century and the growth of companies, the success has been about access to capital. In the 21st it will be access to talent. HR leaders need to know that there is nothing more local than local labour markets – there is not a deep infrastructure to back a global Labour market.”

TAMMY JOHNS - SENIOR VICE PRESIDENT OF INNOVATION & WORKFORCE SOLUTIONS - MANPOWER INC.

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4.3. Measurement and Metrics

What role do metrics and measurement systems play in helping maximise individual performance across the organisation?

Measurement, metrics and predictive analytical approaches are likely to play an increasingly important role within organisations in the coming decade. HR performance analytics will be central to assessing an organisation's current and future health. Key to the successful implementation and adoption of these HR metrics by the business will be continuous availability of the information on demand, coupled with clarity on what the metrics mean and how they should be used.

In future, the emphasis must be on ensuring the elimination of complexity and jargon. Research from the Economist Intelligence Unit⁷⁵ found that 56 percent of respondents (66 percent from the HR function) say their firms have implemented or are in the process of implementing a quantitative, metrics-based, performance management programme. In total,

94% of respondents say their HR organisation has developed or is in the process of developing such a programme.

Stacey Harris, principal analyst at Bersin & Associates notes that addressing the issue of poor or low HR metric usage requires organisational change as "Data is (often) scattered among multiple systems and acquired in varied formats that can make it difficult for most organisations to provide a clear picture of their current workforce. Many organisations capture only limited employee details in master data systems⁷⁶."

Kim Seals, technology practice leader for Mercer in Atlanta⁷⁷, suggests HR should enable line managers with "...dashboards that provide just five or so metrics that really matter to their jobs, and help them understand why they should care and what they should do about them." Complexity in - and inconsistent definitions of - HR data create increased costs and make it harder to deliver holistic and complete information to individuals and the entire organisation. This can hamper key processes such as performance analysis, workforce planning and global talent management.

Key Questions

- What key metrics are in place to measure the return on investment in talent?
- Which metrics provide the best predictive insights on HR matters in the organisation?

Key Survey Finding

35% of respondents selected 'Developing metrics that help individuals enhance their performance' as a priority for HR in maximising employee contribution over the next decade.

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"The application of metrics could be seen as part of the traditional command and control approach. Metrics should be an opportunity for employees, not a management tool."

JON INGHAM - INDEPENDENT CONSULTANT, FORMERLY HR DIRECTOR - ERNST & YOUNG

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"Metrics need to be teased out of functional silos."

KELLY CARTWRIGHT - GENERAL MANAGER - THE NEWMAN GROUP

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"HR functions need to develop metrics that prove to the business the impact they are making."

ALAN HOSKING - EXECUTIVE DIRECTOR - HR FUTURE MAGAZINE

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"The Society for Human Resource Management is working with the International Organisation for Standardisation (ISO) on developing global standards for the HR profession. I would see those standards being the benchmark for HR metrics."

SHARLYN LAUBY - PRESIDENT - INTERNAL TALENT MANAGEMENT

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4.4. Supporting the Employee Lifecycle

How easy is it for individuals, managers and the HR function to gain a total 'lifecycle' view of the employee's involvement with the organisation?

The concept of employee lifecycle management is becoming increasingly popular. This involves taking a total view of the employee throughout their career – encompassing recruitment, performance appraisal, career progression, health, wellbeing, training and development.

Research from Standard Life (2011)⁷⁸ suggests the scope of the 'employee lifecycle' may be growing, with eight in ten employers feeling responsible for their employees' financial security and 22 percent feeling it to be their primary responsibility. The

study also found that 75 percent of employees said they would value more financial planning help from their employer.

Technology is enabling employers to be involved in earlier stages of the employee lifecycle than ever before – starting when the individual is a prospective candidate. For example, 45 percent of employers responding to a 2009 CareerBuilder⁷⁹ survey said that they use social networking sites to research job candidates.

Technology is critical to providing a total lifecycle view – particularly for organisations working across multiple sites and geographies and for those that want to provide the employee with access to this information. The case studies from Farmers Insurance and Verizon opposite show how technology is being deployed to support new hires from the outset⁸⁰.

One of the key challenges in lifecycle support is the management of employee records and data. In many instances employee information is held on multiple systems, possibly in different locations. In some cases, a significant amount of employee information is still held in paper format. Hence there is growing interest in the use of Electronic Document and Process Management (EDPM) systems that sit alongside existing systems to manage document processing and workflows. The goal is to eliminate complexity, re-engineer often paper-intensive HR tasks, ensure consistent execution of procedures, and provide a complete electronic HR record that is accessible to employees and their managers regardless of their geographic location.

Case Study:

Farmers Insurance and Verizon - Supporting the Employee Lifecycle

Farmers Insurance has established the PowerUp! programme to initiate new staff into the company. New members are guided through their first six months with the firm and are given access to a host of tools including online services. Six online courses cover culture, company structure, products and distribution, benefits, and work environment. Participating units have experienced 57% lower new-hire turnover with a saving of \$9 million.

At telecoms firm Verizon, each new hire in the customer service department is provided with data on their key performance metrics at 30, 60 and 90 days service. Metrics are devised so that progression can be managed and weaknesses targeted.

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“The HR function has a key opportunity to role model efficiency, while enabling the business through delivery of value add services – just as it supports their organisation to do the same with their customers,”

SANDRA PORTER - HR DIRECTOR - STARBUCKS (UK)

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“EDPM ensures that all the correct procedures have been taken and followed, eliminating any possible cause for a potentially costly law suit pertaining to unfair dismissal. The entire employee lifecycle is taken care of, from planning through to termination.”

DAVID BURCH - INDEPENDENT CONSULTANT - FORMERLY WITH CAPGEMINI

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Key Survey Findings

When asked to identify the key priorities for supporting employees over the next decade, 33% of respondents selected 'Having clear strategies for supporting employees and contractors through their lifecycle of involvement with the organisation'.

90% of respondents agreed or strongly agreed that 'Over the next decade, concerns over cost control, efficiency, compliance, data protection and records management will drive automation and rapid adoption of document and workflow management solutions'.

Key Question

- What steps are being taken to provide a total lifecycle view of all employee records and performance data held across disparate systems?

4.5. Succession Planning

What priority is placed on succession planning within the organisation?

Leadership authority Warren Bennis says, "Leadership accounts for, at the very least, 15 percent of the success of any organisation."⁸¹ Hence, as the competition for top talent intensifies, so the issue of succession planning for key roles becomes more critical. The leaner the organisation, the greater the risk that delays in filling key roles will have a major negative impact, both internally and in the marketplace. Catalyst, a non-profit organisation focused on expanding opportunities for women in business reports that '...a robust succession planning approach ensures diversity in succession pools'⁸².

Research conducted by XpertHR in April 2011 found that formal succession planning is not a high priority for most employers in the UK. Only 23.3 percent of companies have a formal process in place for developing successors for key roles. However, the larger the organisation, the more likely it is to have such a structure in place⁸³. The research also showed that 42.5% of employers have never developed a succession planning process. Research conducted in 2011 by Heidrick & Struggles and Stanford University's Rock Center for Corporate Governance, found that, on average, boards spend only two hours a year on CEO succession planning and almost 40 percent of companies have zero viable internal candidates⁸⁴.

Key Questions

- For what proportion of the key roles in each business unit is a clear succession plan in place?
- Who across the organisation has responsibility for succession planning?

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"HR is going to have to be much better at succession planning as it tends to be reactive. This is a problem across the board."

DAVID BURCH - INDEPENDENT CONSULTANT

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"The missing element in many organisations is workforce planning. It's about identifying critical roles and understanding the connection to the overall business strategy - how it impacts talent strategy and where does it create a talent demand. How do we identify and build talent, and how does this impact succession planning?"

KELLY CARTWRIGHT - GENERAL MANAGER - THE NEWMAN GROUP

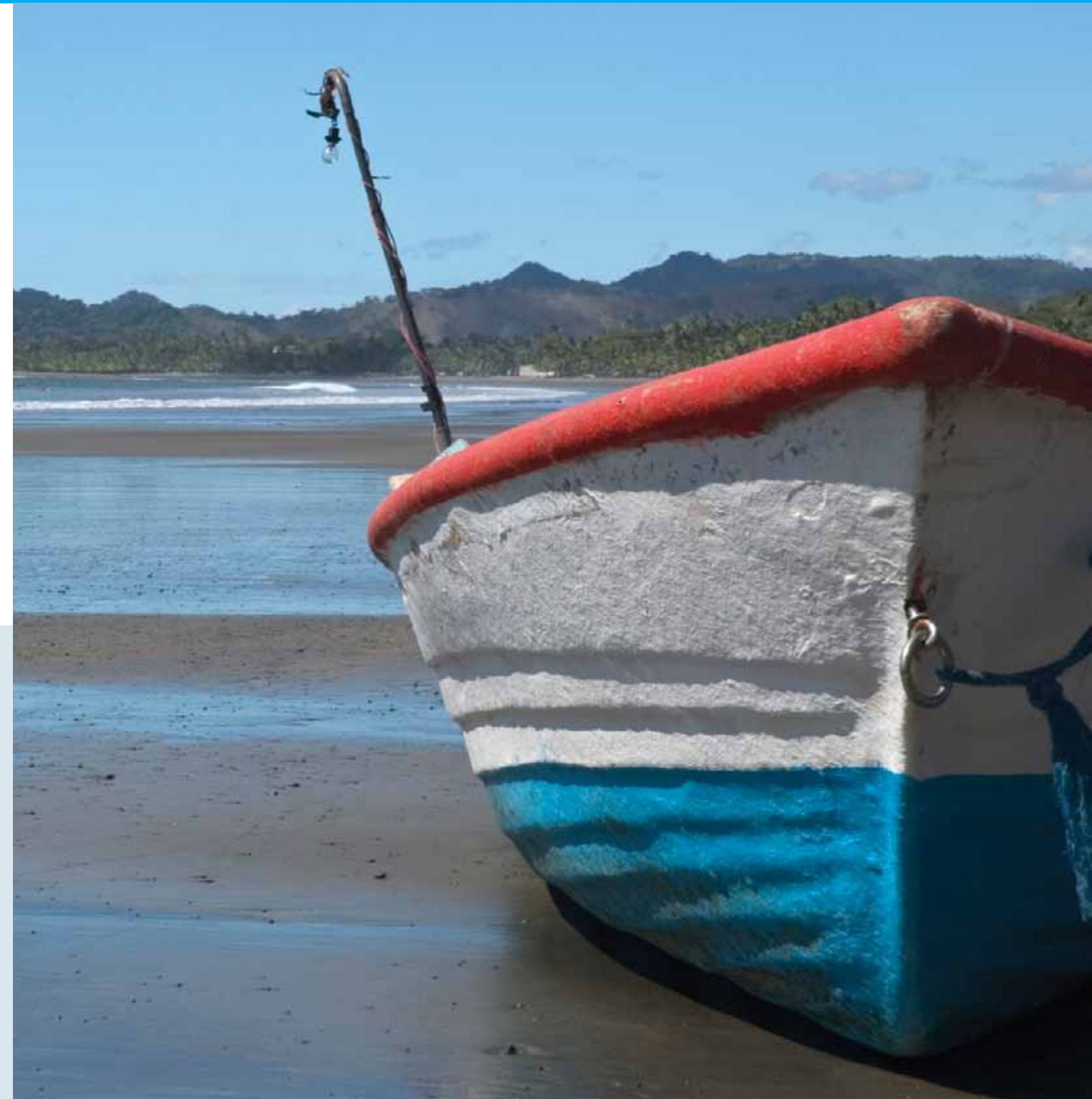
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Key Survey Finding

Only 27% selected 'Succession Planning' as a key leadership and management development priority for HR over the next decade.



4.6. Diversity, Inclusion and Discrimination

How effectively is the organisation maintaining its focus on diversity and inclusion in the face of other competing priorities and an intense competitive environment?

Issues such as workforce diversity, inclusion and discrimination are becoming ever more critical as firms globalise and seek to access a more globally mobile, informed and selective international talent pool. An increasingly broad ethnic and age profile will place intense scrutiny on the quality and effectiveness of diversity and inclusion policies and practices. Novations Group (2009)⁸⁵ found that 79 percent of corporate managers recognise the value of hiring people different from themselves but almost 3 in 10 are unsure how to do it effectively.

Employees also recognise the benefits of diversity. An Adecco USA⁸⁶ study from 2008 shows that the majority of workers think that a diverse workforce makes their organisation more successful, half of respondents (53 percent) felt that the more diverse their company, the more productive a worker they had become.

A 2011 report published by former UK government minister, Lord Davies, stated there was a lack of women in the boardroom, with only 9 percent female representation on FTSE 100 boards. Lord Davies is now calling on businesses to increase this to 25 percent by 2015⁸⁷. Interviewee Donna Miller, European HR Director at Enterprise Rent-A-Car believes that ‘...the issues of workforce diversity and inclusion may be one of the biggest challenges facing organisations today.’ Despite progress, Ms. Miller believes they

still pose a challenge to many organisations.

Dave Ulrich and several other interviewees foresee a “...strong increase in sustaining commitment through employees finding a sense of meaning. Meaning implies that employees find a personal passion in their work setting.” This implies the need for firms to create a strong framework, or organisational culture that provides meaning to a diverse set of individuals.

The Economist Intelligence Unit reports that diversity, in its entirety is set to increase in the decade to 2020 (Figure 9)⁸⁸. The case study opposite highlights Sodexo’s award winning company-wide programme which includes the ‘Sodexo Diversity Index’, to track quantitative and qualitative impacts of its initiatives.⁸⁹



Figure 9 - The Growth of Diversity (Source: Economist Intelligence Unit)⁹⁰

Case Study:

Diversity at Sodexo

French company Sodexo was ranked first in the DiversityInc Top 50 list for 2010. Sodexo’s Spirit of Mentoring program was described as “... an example for all organisations of a focused, practical and extremely comprehensive mentoring effort that includes advanced training and benchmarks at regular intervals to examine how mentoring pairs are relating to each other and accomplishing goals.”

Sodexo is also examining ways to assess the ROI of diversity initiatives. For example, the company undertook a comprehensive study of more than 1,700 members of employee-resource groups to understand their perceived benefits of group participation. In addition, diversity training is mandatory for the entire work force. Between 2005 and 2010 Sodexo developed an integrated metrics tool that assesses behaviour at all levels of the organisation. As a result, it measures its progress with the Sodexo Diversity Index, an innovative scorecard that tracks both quantitative and qualitative results.

Sodexo announced on September 24th 2010 that it will launch an external ‘Diversity and Inclusion Advisory Board’ to help the company stay focused on, and remain accountable for, making progress on its diversity and inclusion objectives.

“By 2020, five generations, all shaped by their shared experiences, will be active in the workforce at the same time.”
TAMMY JOHNS - SENIOR VP OF INNOVATION & WORKFORCE SOLUTIONS - MANPOWER INC.



Key Survey Findings

The second most popular leadership and management challenge for HR over the next decade was building ‘management and leadership capability to manage an increasingly global and diverse workforce’ - selected by 57%. However, only 30% felt ‘Encouraging true diversity and inclusion at all levels’ was a strategic priority for HR over the next decade.



Key Question

- Does the organisation have a diversity and inclusion programme and how are the implementation and impact assessed and reported on?

4.7. Recruitment

How will recruitment approaches evolve to support increasingly complex organisational staffing models and global talent requirements?

Recruitment is a key component of talent management, workforce planning and succession planning. The costs of recruiting delays and inefficient management of recruitment processes are now well understood by most businesses. At the same time the search for talent is becoming more global and social media is playing an ever more important role in the recruitment process. In the face of intense domestic competition, some nations have been successful in globalising their search for top management in particular. For example, 2011 research from executive search firm AIMS International found that in Switzerland, in some cases, 50 percent of top management are foreign nationals.⁹¹

Hence, companies are innovating in their methods of recruitment. For example, virtual worlds and social media are being used with increasing success. Given that Badenoch & Clark (2011)⁹² reports 73 percent of senior HR people say that one of their top three priorities is managing recruitment costs, social media becomes an increasingly important sourcing platform. The brewer SAB Miller reported using the LinkedIn social network to recruit 120 managers around the world with savings of £1.2 million⁹³. John Campagnino, head of Recruitment at Accenture, estimates that up to 40 percent of hires in the next few years will be recruited through social media.

There is a growing recognition that social media based recruitment approaches cost very little, provide another form of 'reference check' and enable internal recruiters to leverage their network connections. They also allow firms to build up a 'just in time' follower base of potential recruits which

can be accessed rapidly as needs arise. The case study opposite highlights how UPS has shifted its recruitment focus from traditional advertising to social media and reduced recruitment costs dramatically in the process⁹⁴.

Despite the gradual adoption of social media, concerns remain over HR's capacity to experiment and adopt innovative ways of working. An Alexander Mann study (February 2011) found that only 33 percent of UK HR Directors say they are 'good' or 'excellent' at coming up with innovative strategies for finding and recruiting new talent. This lack of innovation extends to candidate selection with 86 percent of the HR leaders polled saying the skill criteria they set for candidates were too rigid, with one in five admitting there was a lack of flexibility around finding candidates.



Key Survey Finding

'Developing a global model for people and skills planning, acquisition, development and retention' (49%) was identified as a top four strategic priority for HR over the next decade.

Key Question

- How extensively and effectively is the organisation deploying social media and other talent sourcing innovations in its global recruitment activities?



Case Study:

UPS - Use of Social Media in Recruitment

In 2005, the UPS group was spending 90 percent of its recruitment advertising budget on print media, local and cable television and radio outlets. The following year, it decided to centralize its job advertising budget and re-evaluate how it looked for workers. By 2010, less than 3 percent of the UPS recruitment budget was spent on old media and 97 percent was allocated to social media.

In 2010, UPS hired 955 employees, whose applications had come through social media channels, including 45 from Twitter and 226 from Facebook. This marked a sharp increase from 2009, when the company hired only seven people via Twitter and 12 through Facebook. UPS says the cost of finding a successful applicant through social media is about \$60 to \$70 a hire, compared with \$500 to \$600 a hire, using print advertising.

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“HR will become a more general management role. As more and more roles are contracted out, it will be HR's job to manage these. HR will call in specialists in remuneration for example, also in development and recruitment.”

SHAUN TYSON - EMERITUS PROFESSOR OF HUMAN RESOURCE MANAGEMENT - CRANFIELD SCHOOL OF MANAGEMENT

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4.8. Evolving Employee Training and Development Needs

What strategies are in place to evolve and personalise training and development solutions over the next decade?

In the volatile business environment that we expect over the next decade, the potential for real terms salary increases may be limited in many firms as they seek to manage their cost base as a buffer against uncertainty. Hence, employees are placing even greater emphasis on maximising personal development through flexible and self-service training and education and lateral job opportunities within an organisation. At the same time, firms are looking for cost effective accelerated training and development solutions that take account of differing employee needs, learning styles and preferences.

The business value of training is increasingly well understood. Motorola calculated⁹⁵ that every dollar spent on training yields an approximate 30 percent gain in productivity within a three-year period. Training also has a strong bearing on retention. A Louis Harris and Associates poll (2008)⁹⁶

found that among employees who said their company offers poor or no training, 41 percent planned to leave within a year. Of those that said their company offers excellent training, only 12 percent planned to leave.

World at Work (2010)⁹⁷ reports that only 34 percent of organisations globally confirm having an Employee Value Proposition (EVP) that they have articulated, documented and communicated. The other two-thirds say theirs is implicit and has evolved over time. The report notes that "Better alignment between the EVP and the brand can lead to improved employee line of sight, encouraging employees to adopt those behaviors that will deliver on the brand promise, including superior customer service." High performing companies are more likely than those they also outperform (42% to 28%) to have an implemented EVP. Setting and managing employee expectations was identified as one of the top three benefits of EVP, with 65 percent globally and 72 percent in Europe citing it as a major benefit.

Learning and development are central to most EVPs. E-learning and simulation are seen as critical enablers of cost effective and often accelerated personalised learning

and development solutions. Research from SHRM⁹⁸ found that 'Organisations implementing e-learning can realise dramatic savings, ranging from 40 to 50 percent within a couple of years'. For example, IBM reported that it was able to save more than \$400 million annually through e-learning. The research also suggests that US organisations spent nearly \$40 billion on e-learning initiatives in 2010, more than double the amount spent in 2004. The global e-learning market is forecast to be worth \$215 billion in 2020⁹⁹. Although technology is not yet as widely adopted in training as in other areas of HR, nearly 60 percent of surveyed organisations indicated they have implemented e-learning or are planning to do so within the next year (end of 2011).

One of the most potentially cost-effective, high impact accelerated learning approaches being adopted is corporate based live or virtual training simulation. One consulting firm, BTS, estimates a return on investment of 10 to 12 times the cost of programs when company-specific numbers, strategies, and situations are fed into these customised simulations¹⁰⁰. EON Reality forecasts this 'serious games' market could reach \$1.5 billion in value by 2012¹⁰¹.



Key Survey Findings

'Supporting lifelong learning - re-skilling workers on a continuing basis' (61%) was identified as the most critical factor in maximising employee contribution over the next decade, followed by 'Implementing real-time learning and development solutions' (49%).

Key Questions

- What mechanisms are in place to track changing employee development needs and expectations?
- What research is being done on advances in the field of training and development and in accelerated learning approaches such as serious games?

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"Online learning is going to get more sophisticated and more fun, which will surely only increase the value and scope of options available to companies."

JOYCE GIOIA - STRATEGIC BUSINESS FUTURIST

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"Increasingly visionary but selfish leaders are coming through. They will be less collective and more individualistic and will place a different emphasis on management training."

JO HENESSY - DIRECTOR OF RESEARCH - ROFFEY PARK

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"HR should lead the charge to motivate and engage staff, and we will see a huge increase in the role of HR as trainers."

SUSAN HEATHFIELD - INDEPENDENT MANAGEMENT AND ORGANISATION DEVELOPMENT

“

"As an HR person, you facilitate the worker to grow themselves. Education will individualise further."

HANS-JAAP MOES - CONSULTANT - SOCRATES CONSULTING AND THE PPI NETWORK - FORMER EUROPEAN HR DIRECTOR - DELOITTE

”

4.9. Outsourcing

What is the organisation's strategy for HR outsourcing over the next decade?

Many HR processes are increasingly being viewed as prime candidates for outsourcing. Key drivers include cost containment, the need to access innovative new functionality and a lack of internal capability. Outsourcing also offers the promise of global standardisation and consistency of execution of core processes. SHRM reports that in many organisations “...the HR function lacks important capabilities, both in terms of quantity of workers, due to job cuts and corporate leaning, as well as talent within the function¹⁰².” As a result, particular attention is being paid to the need

for HR to develop the skills and processes to manage multiple outsourced providers at both the strategic governance and operational level.

Statistics from Halogen Corporation¹⁰³, a Singaporean outsourcer, suggest that, after IT – which represents 28 percent of global outsourcing, HR is the second largest contracted out activity – accounting for 15 percent of the market. A 2009 Hewitt report identified that the HR functions most likely to remain in house are more specialised, less transactional and have less mature delivery methods. These functions include recruiting, supplier management, performance management and succession planning.¹⁰⁴

“HR is losing power to procurement – more tasks are being outsourced. The function, at least in the US, is withering.”

PETER CAPELLI - DIRECTOR OF WHARTON'S CENTER FOR HUMAN RESOURCES

“The HR function will increasingly become an industry sector with specialised suppliers – ICT functions, training, training facilities”

JAAP PAAUWE - PROFESSOR OF HUMAN RESOURCE STUDIES - TILBURG UNIVERSITY

“In the future HR will still be there. It will have a different focus although it's not an organic function. You can't miss the department out as contracts are impossible to be connected to Finance or other departments. More legal expertise in HR will become a very important issue.”

HANS-JAAP MOES - CONSULTANT AND FORMER EUROPEAN HR DIRECTOR - DELOITTE

4.10. Contract Issues

How is the contract mix in the organisation likely to evolve?

Contractual diversity is already an established trend for much of Europe with a wide range of internal, contingent and third party agency requirements in place to support rapidly changing recruitment needs. The range and diversity of contracts seems set to increase, adding greater complexity to the management and administration of the workforce. The Rand Corporation predicts that, in the future “... employees will work in more decentralised, specialised firms, and employer-employee relationships will become less standardised and more individualised .’

A 2006 European Commission report estimated that ‘The share of total employment taken up by those engaged on working arrangements differing from the standard contractual model as well as those in self-employment has increased from over 36 percent in 2001 to almost 40 percent of the EU-25 workforce in 2005¹⁰⁶.’ Research from Deutsche Bank (2010)¹⁰⁷ identifies employees with fixed term contracts forming a sizeable percentage of total employment. The figure in Spain is 29 percent, the Netherlands 18 percent and Germany 15 percent. The figure for the EU-15 as a whole (excluding accession countries of 2004) is also 15 percent. The UK has the lowest incidence of fixed contracts, comprising around 5 percent of all employment (Figure 10).

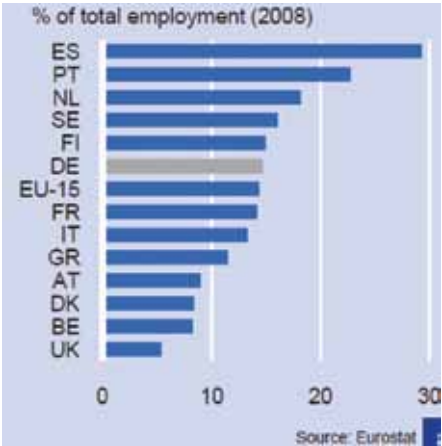


Figure 10 – Employees with a Fixed Term Contract (Source DB Research / Eurostat)¹⁰⁸



Key Survey Findings

The HR activities considered most likely to be outsourced over the next decade were ‘Education, training & development’ (51%) and ‘Compensation & benefits administration’ (51%).

Key Questions

- What HR tasks have been identified as critical strategic activities to be retained in-house?
- What capabilities are being put in place to ensure effective strategic and operational governance of multiple HR outsourcing partners?



Key Survey Findings

Relatively low priority was given to contractual issues. When asked to select operational priorities for HR over the next decade, only 18% selected ‘Increasingly rigorous vetting of new employees and contract staff’ and just 12% chose ‘Ensuring contracts treat full time, part time and contract labour equally’.

Key Question

- What specialist skills and systems will be required to manage increased contractual diversity and customisation?



5. Key Survey Findings

As part of the research process a global survey was conducted to identify future priorities across a range of HR activities. Responses were also solicited on a number of future possible scenarios for the role and organisation of the HR function. The survey received a total of 226 responses from 42 countries around the world. The two largest respondent groups were those aged 46-55 (38%) and 36-45 (24%). The top four respondent countries were the United States (22%), the United Kingdom (21%), Australia (7%) and India (7%). Just under a third of respondents (32%) worked in the HR function. The main findings of the survey are presented below. The full survey demographics are presented in Appendix 4.

5.1. HR Effectiveness

Participants were asked to select the top three factors which could prevent the HR function delivering effective strategic solutions to the business over the next decade (Figure 11). The highest ranked options were ‘Lack of business and strategic understanding in the HR function’ – selected by 46 percent of respondents – and ‘Failure to attract, develop, retain and reward suitable talent at all levels’ (46%).

A third of participants were concerned about a ‘Lack of senior management buy-in to HR’s role as a strategic partner’ (33%) but only 22 percent felt that ‘Insufficient HR talent’ is a barrier to business effectiveness.

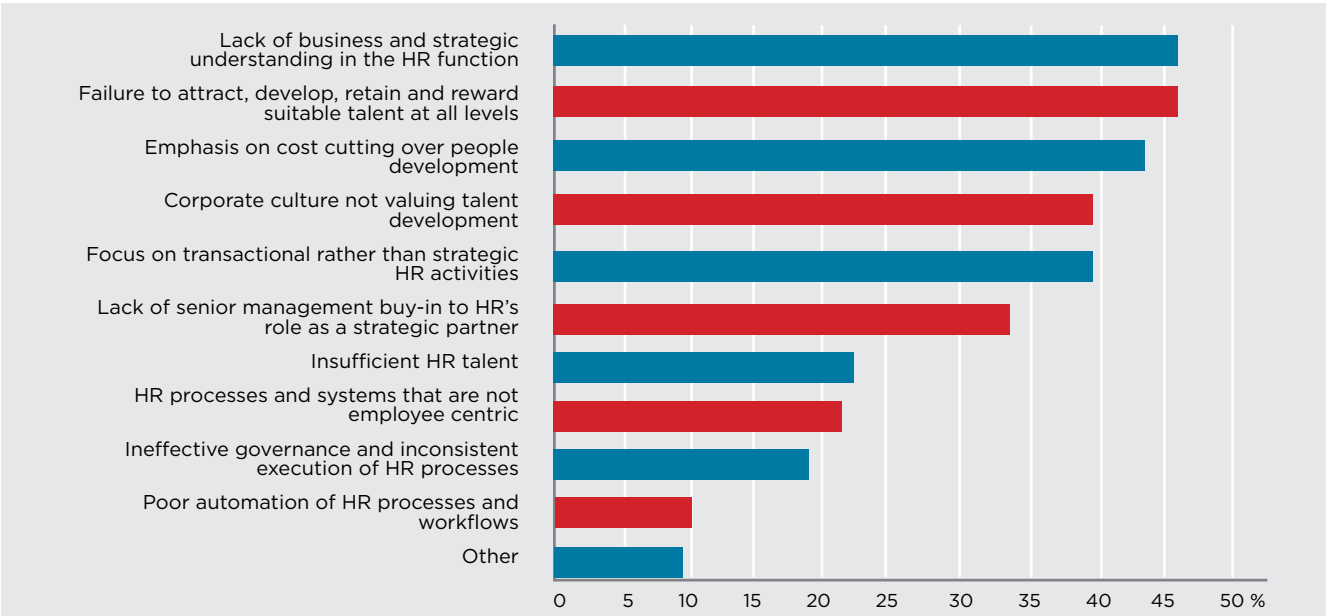


Figure 11 - HR Effectiveness - What are the factors which could prevent the HR function delivering effective strategic solutions to the business over the next decade? (Please select your top 3)

5.2. Maximising HR's Contribution

Participants were asked to select the top three roles which would be the most critical for the HR function over the next decade (Figure 12). The highest ranked options were ‘Becoming a strategic partner, coach and mentor and developing HR as a source of competitive advantage’ – selected by 61 percent of respondents – and ‘Acquiring, developing and retaining talent’ (44%).

Relatively low priority was placed on HR’s roles in ‘Facilitating employee satisfaction and work-life balance’ (29%) or ‘Acting as the conscience of the organisation’ (15%). Despite its importance, only 11 percent thought ‘Ensuring regulatory and legal compliance’ would be a top priority role for HR.

Reshaping the HR function to enable a more strategic focus was widely anticipated. 87 percent of respondents strongly agreed or agreed that ‘Medium to large organisations will increasingly pursue a ‘three legged stool’ model for managing HR

- providing a shared services centre for transactional activity, offering centres of expertise on specific issues and acting as strategic business partners to top management.’ (Figure 13)

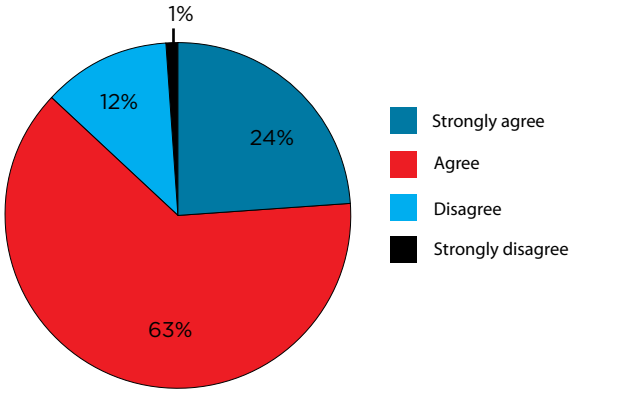


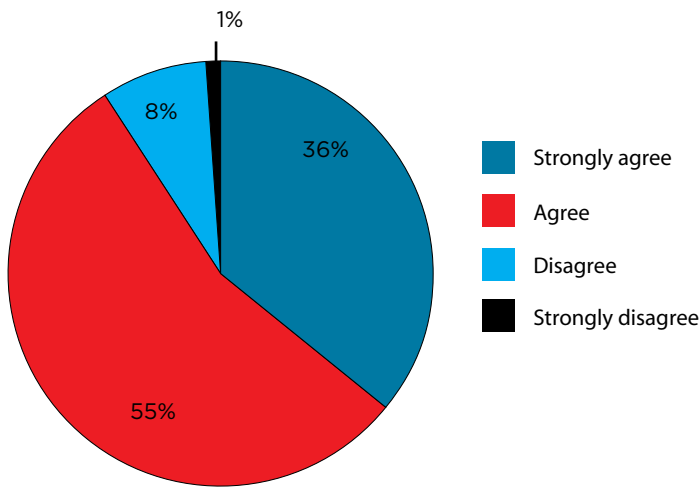
Figure 13 - Medium to large organisations will increasingly pursue a ‘three legged stool’ model for managing HR.



Figure 12 - Maximising HR's Contribution - Over the next decade which of the following will be the most critical roles for the HR function? (Select your top 3)

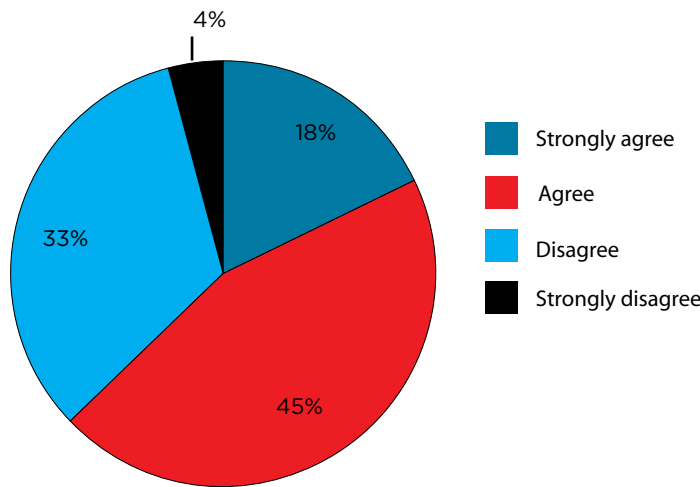
Even with restructuring to a ‘three legged stool’ model, significant doubts remain over HR’s ability to reposition itself strategically. 91 percent of respondents strongly agreed or agreed that ‘The biggest challenge for HR in most organisations will be to bridge the gap from a transactional function to a strategic business partner.’ (Figure 14)

Figure 14 - The biggest challenge for HR in most organisations will be to bridge the gap from a transactional function to a strategic business partner.



Although legal compliance wasn’t prioritised as a top three role, cost considerations - around litigation in particular - are expected to increase the spotlight on ensuring claims are minimised through strong process adherence. 63 percent of respondents strongly agreed or agreed that ‘Over the next decade, organisations will place a strong emphasis on preventing and reducing the costs of employee legal claims e.g. for unfair dismissal, discrimination, etc.’ (Figure 15)

Figure 15 - Over the next decade, organisations will place a strong emphasis on preventing and reducing the costs of employee legal claims e.g. for unfair dismissal, discrimination, etc.



5.3. Strategic Priorities

Strategic alignment and talent were clear strategic priorities. Participants were asked to select the top five key strategic priorities for the HR Function over the next decade (Figure 16). The highest ranked options were ‘Aligning HR and talent strategies with business strategy’ - selected by 73 percent of respondents - and ‘Nurturing employee engagement and commitment’ (58%).

The need for a truly global recruitment approach is increasingly recognised, with ‘Developing a global model for people and skills planning, acquisition, development and retention’ (49%) ranked fourth. At present, responsibility for growing the local talent base in each market is not well accepted with only 23 percent selecting ‘Ensuring the organisation is contributing to the workforce development goals of each country it works in’.



Figure 16 - Strategic Priorities - What are the key strategic priorities for the HR Function over the next decade? (Select your top 5)

5.4. Strategic Leadership

Growing organisational complexity was a key driver in choosing leadership priorities. Participants were asked to select the top three key leadership and management development priorities for HR over the next decade (Figure 17). The highest ranked options were ‘Managing, motivating and integrating a multi-generational workforce’ – selected by 58 percent of respondents – and ‘Build management and leadership capability to manage an increasingly global and diverse workforce’ (57%).

Somewhat surprisingly, only 11 percent felt ‘Helping management to implement HR processes’ to be a priority. Despite the growing emphasis on personalisation and supporting global diversity, just 16 percent saw a key role for HR in ‘Supporting more individualistic leadership styles’.

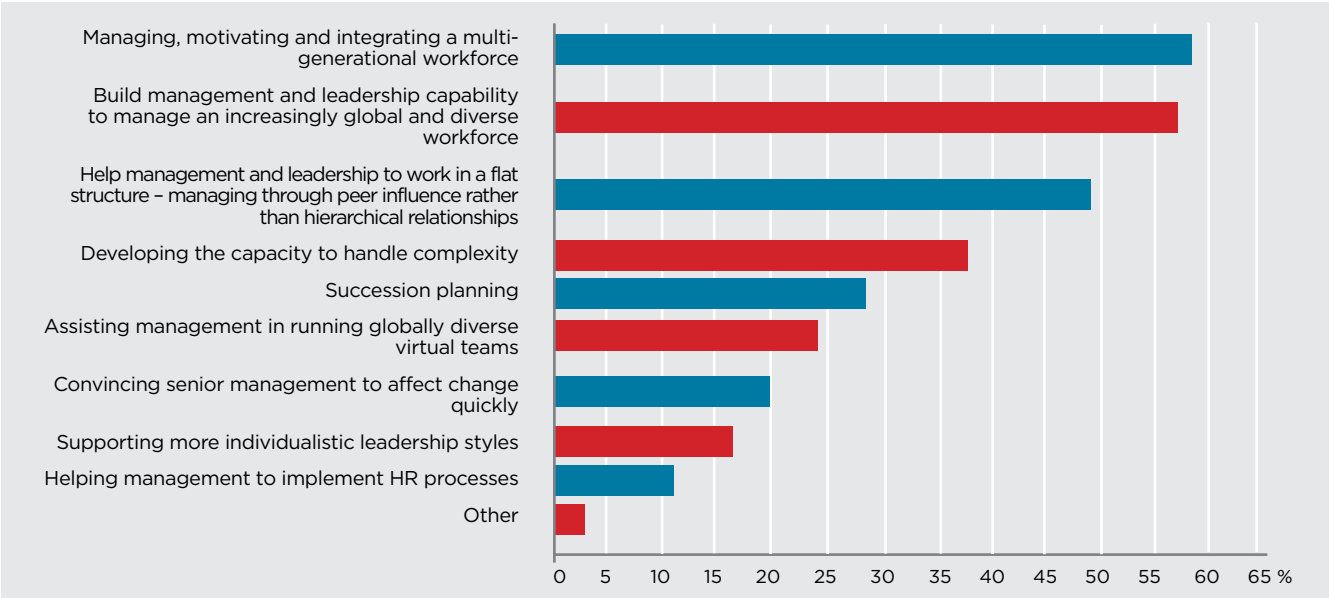


Figure 17 - Strategic Leadership – What are the key leadership and management development priorities for HR over the next decade? (Select your top 3)



Figure 18 - Employee Focus – What will be the key priorities for supporting employees over the next decade? (Select your top 3)

5.5. Employee Focus

Participants were asked to select the top three key priorities for supporting employees over the next decade (Figure 18). The highest ranked options were ‘Maximising individual talent, competence, commitment, and contribution’ – selected by 56 percent of respondents – and ‘Building and sustaining employee trust and engagement’ (43%). Despite growing concerns over declining real incomes and wealth, only 2 percent of respondents selected ‘Assisting individuals with personal finance planning – e.g. pensions.’

Despite a growing emphasis on supporting generational diversity, only 15 percent prioritised ‘Ensuring retention by addressing the needs and expectations of the older workforce’ and just 19 percent selected ‘Addressing desire of Generation Y to participate, shape their roles and have a voice’.

Innovation around talent retention was acknowledged as a clear priority. 75 percent of respondents strongly agreed or agreed that ‘To attract and retain talent, firms will increasingly undertake a variety of engagement activities such as 6-monthly stay / retention interviews.’ (Figure 19)

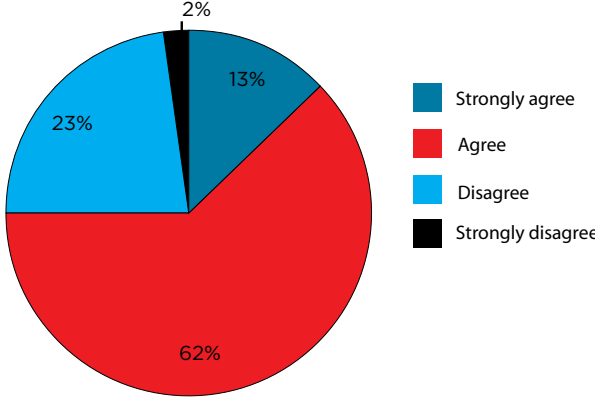


Figure 19 - To attract and retain talent, firms will increasingly undertake a variety of engagement activities such as 6-monthly stay / retention interviews.

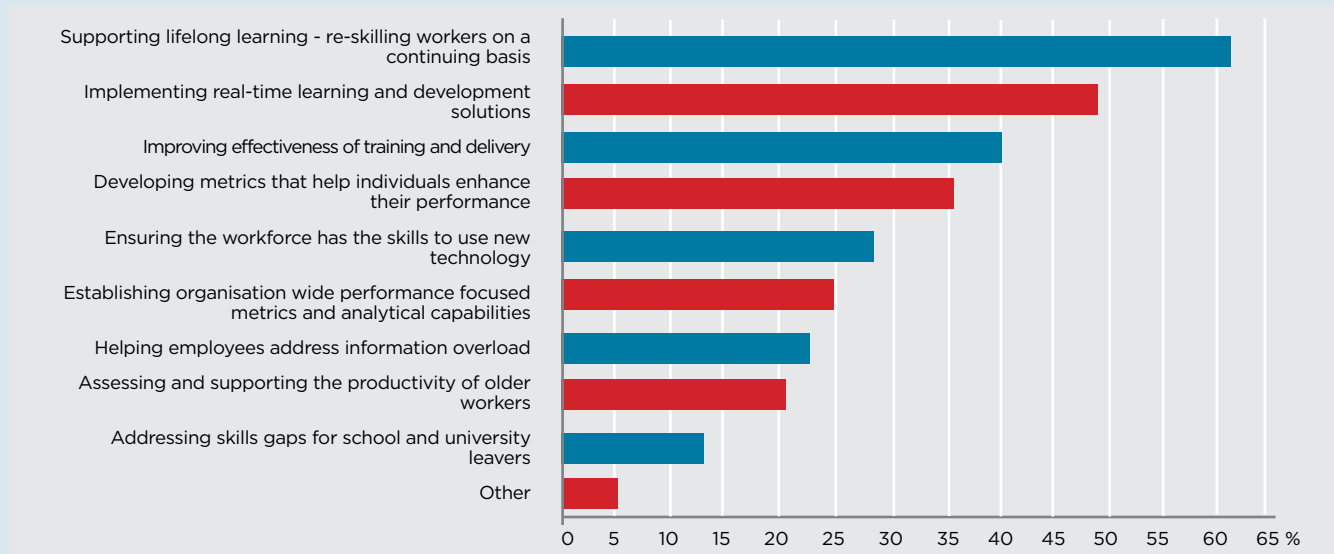


Figure 21 - Performance Management - What are the priorities for HR in maximising employee contribution over the next decade? (Select your top 3)



Figure 22 - Operational Delivery - Over the next decade, what are the highest operational priorities for HR? (Select your top 3)

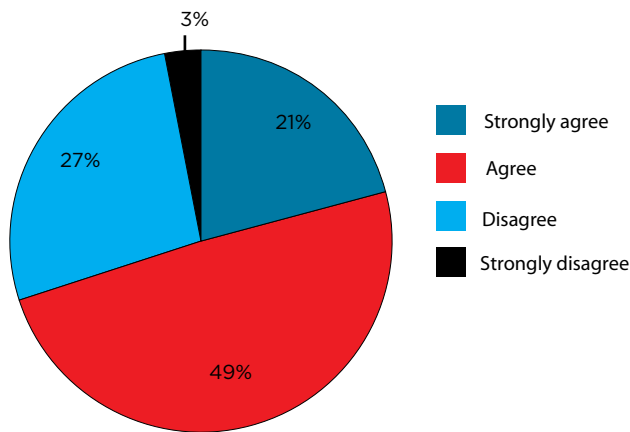


Figure 20 - Over the next decade, firms will pay increasing attention to a candidate's social media 'influence rankings' when recruiting.

Whilst the reliability of social media influence rankings is being questioned, it is clear that they are already being used by recruiters today, and more widespread adoption is anticipated. 70 percent of respondents strongly agreed or agreed that 'Over the next decade, firms will pay increasing attention to a candidate's social media 'influence rankings' when recruiting.' (Figure 20)

5.6. Performance Management

Participants were asked to select the top three priorities for HR in maximising employee contribution over the next decade (Figure 21). The highest ranked options were 'Supporting lifelong learning - re-skilling workers on a continuing basis' - selected by 61 percent of respondents - and 'Implementing real-time learning and development solutions' (49%)

Again the issues of supporting an ageing workforce was not seen as a major priority, with just 21 percent selecting 'Assessing and supporting the productivity of older workers'. Furthermore, despite growing concerns over workplace stress and our ability to manage the growing stream of input coming our way, only 23 percent saw a priority for HR in 'Helping employees address information overload'.

5.7. Operational Delivery

The need for more efficient management of core processes and document workflows and the challenges of supporting new working models are clearly seen as critical on a day to day basis. Participants were asked to select the three highest operational priorities for HR over the next decade (Figure 22). The highest ranked options were 'Ensure consistent and auditable execution of HR policies and processes across the organisation' - selected by 50 percent of respondents - and 'Supporting self-organising and self-directed teams' (48%).

Although environmental factors are rising up the organisational agenda, they were not prioritised for HR, with few selecting 'Reducing employee's environmental footprint' (7%). Similarly low support was given to the increasing legal requirements for 'Effective and consistent implement of anti-discriminatory practices' (14%) or 'Ensuring contracts treat full time, part time and contract labour equally' (12%).

There was clear support for HR to play a role in supporting new ways of working and 56 percent of respondents strongly agreed or agreed that 'By 2020 HR will resemble a staffing agency, picking the best virtual teams to work on individual projects.' (Figure 23)

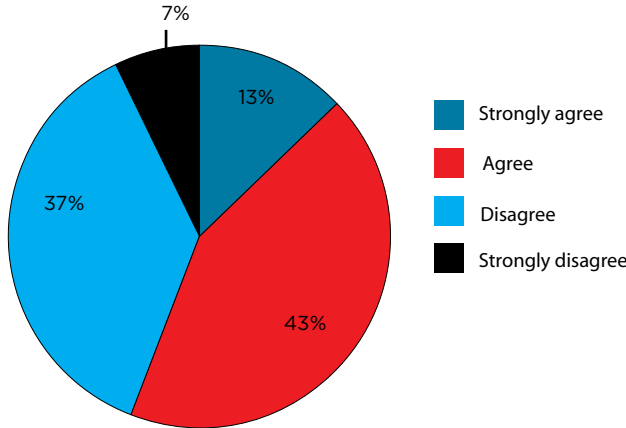


Figure 23 - By 2020 HR will resemble a staffing agency, picking the best virtual teams to work on individual projects.

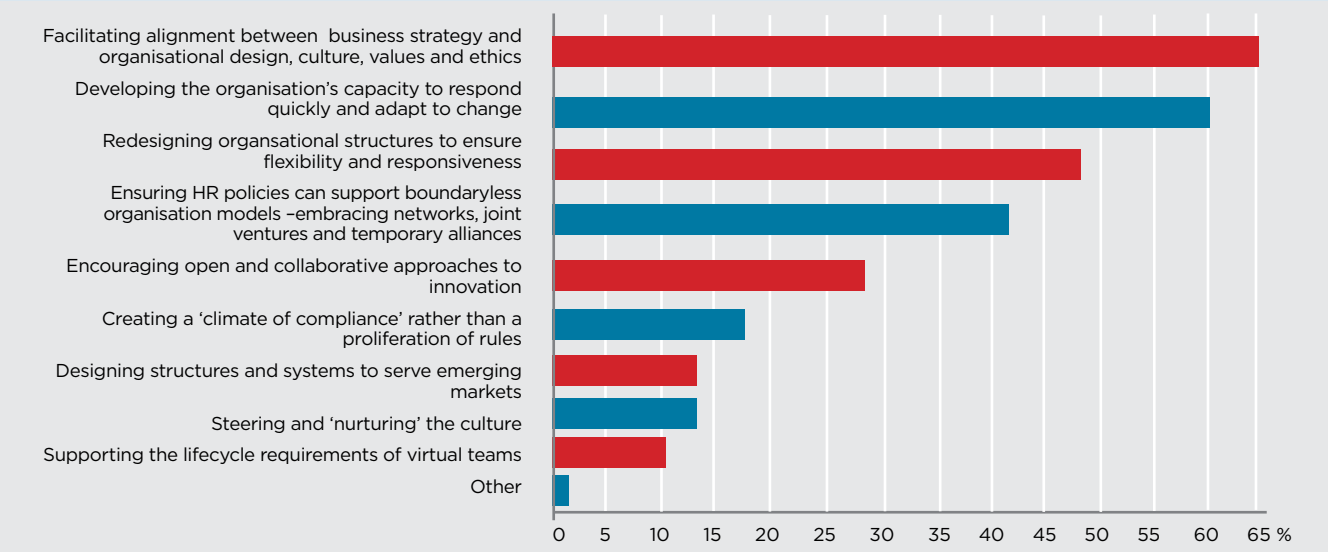


Figure 24 - Organisational Design and Culture – What are the highest organisational priorities for HR over the next decade? (Select your top 3)

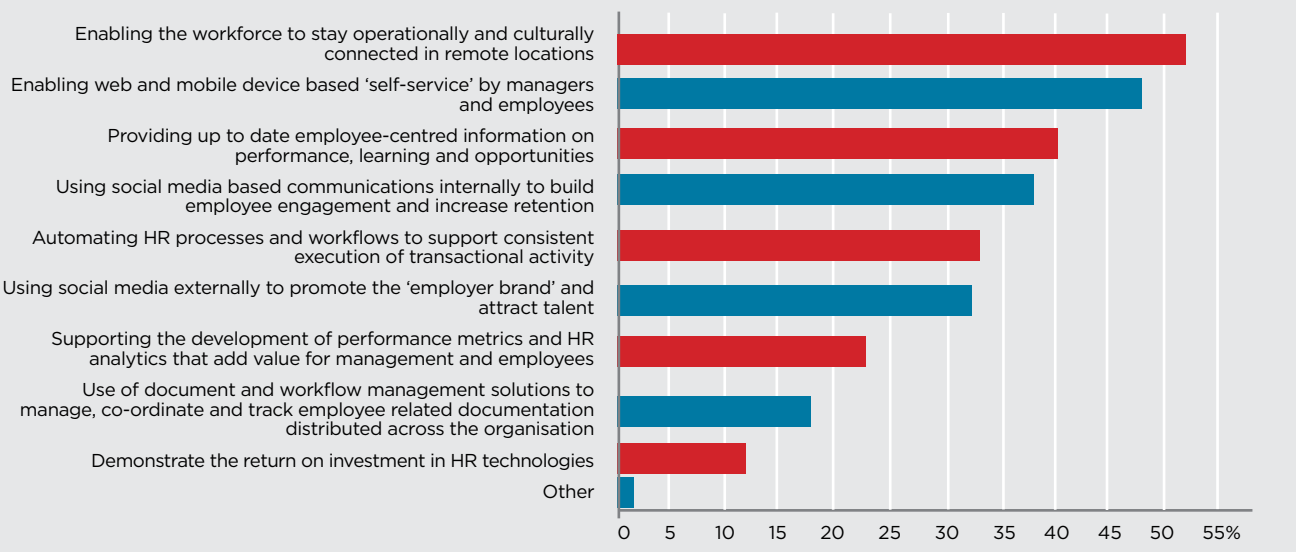


Figure 26 - HR Technology – Over the next decade, what will HR's priorities be in relation to the use of technology? (Select your top 3)

5.8. Organisational Design and Culture

Facilitating business alignment and flexibility were identified as critical organisational and cultural challenges for HR to address. Participants were asked to select the top three highest organisational priorities for HR over the next decade (Figure 24). The highest ranked options were 'Facilitating alignment between business strategy and organisational design, culture, values and ethics' – selected by 65 percent of respondents – and 'Developing the organisation's capacity to respond quickly and adapt to change' (60%).

Although the structure and geographical make-up of firms is evolving as they become global entities, there was little acknowledgement that this implies rethinking the support HR provides. Just 14 percent selected 'Designing structures and systems to serve emerging markets' and only 10% opted for 'Supporting the lifecycle requirements of virtual teams'.

Despite limited support for the need for HR to change to accommodate new organisational forms, there was a clear recognition that HR would be expected to support them - 82 percent of respondents strongly

agreed or agreed that 'Over the next decade, HR will increasingly be asked to support and administer 'work swarms' where temporary and ad hoc groups form to complete a task – with members drawn from multiple organisations.' (Figure 25)

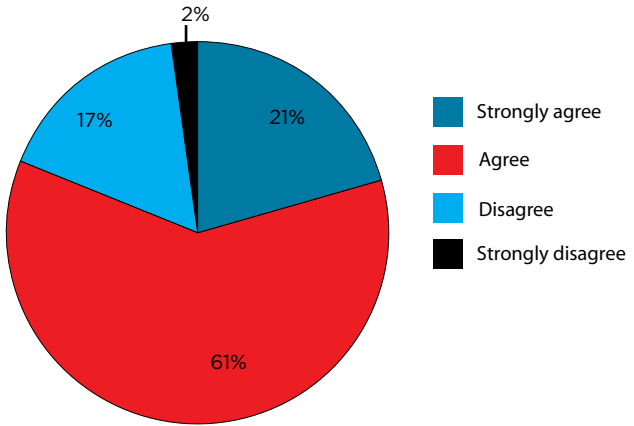


Figure 25 - Over the next decade, HR will increasingly be asked to support and administer 'work swarms' where temporary and ad hoc groups form to complete a task – with members drawn from multiple organisations.

5.9. HR Technology

Global connectivity and self-service were key drivers in the prioritisation of the HR technology agenda. Participants were asked to select HR's top three priorities in relation to the use of technology over the next decade (Figure 26). The highest ranked options were 'Enabling the workforce to stay operationally and culturally connected in remote locations' – selected by 52 percent of respondents – and 'Enabling web and mobile device based 'self-service' by managers and employees' (47%).

While cost pressures are clearly acknowledged in other answers, this does not seem to translate into the justification of HR technology investments. The need to 'Demonstrate the return on investment in HR technologies' was selected by just 11 percent of respondents. Operationally, only 23 percent felt there was a technology priority around 'Supporting the development of performance metrics and HR analytics that add value for management and employees'.

The role of high quality self-service HR systems as a recruitment device was widely supported and 69 percent of respondents strongly agreed or agreed that 'Over the next decade, employees

will increasingly choose employers based on the availability on demand of Personalised HR systems and processes – via the web and mobile devices – that will enable them to improve their own performance.' (Figure 27)

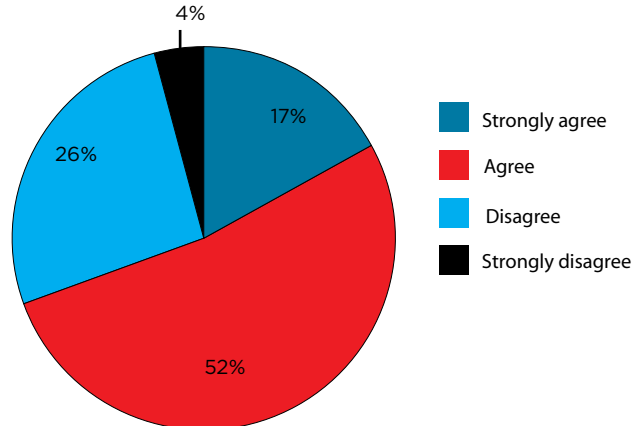


Figure 27 - Over the next decade, employees will increasingly choose employers based on the availability on demand of Personalised HR systems and processes – via the web and mobile devices – that will enable them to improve their own performance.

The complexity and diversity of systems, records and processes and the costs of procedural failure are prime drivers of strong expectations around process and workflow automation. 90 percent of respondents strongly agreed or agreed that ‘Over the next decade, concerns over cost control, efficiency, compliance, data protection and records management will drive automation and rapid adoption of document and workflow management solutions.’ (Figure 28)

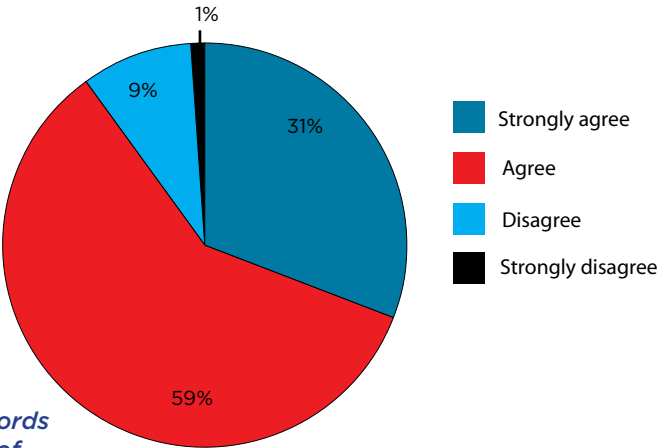


Figure 28 - Over the next decade, concerns over cost control, efficiency, compliance, data protection and records management will drive automation and rapid adoption of document and workflow management solutions.

5.10. Outsourcing HR

Training and transactional activities were both seen as priority candidates for outsourcing. Participants were asked to select the top three HR functions which are most likely to be outsourced over the next decade (Figure 29). The highest ranked options were ‘Education, training & development’ – selected by 55 percent of respondents – and ‘Compensation & benefits administration’ (51%)

The areas of perceived high strategic added value were seen as the least likely candidates for outsourcing. Whilst ‘Strategic HR advice to top management’ (21%) was the most likely to be outsourced, even fewer prioritised ‘Career planning’ (12), ‘Organisation design and development’ (12%) or ‘Performance management’ (11%).

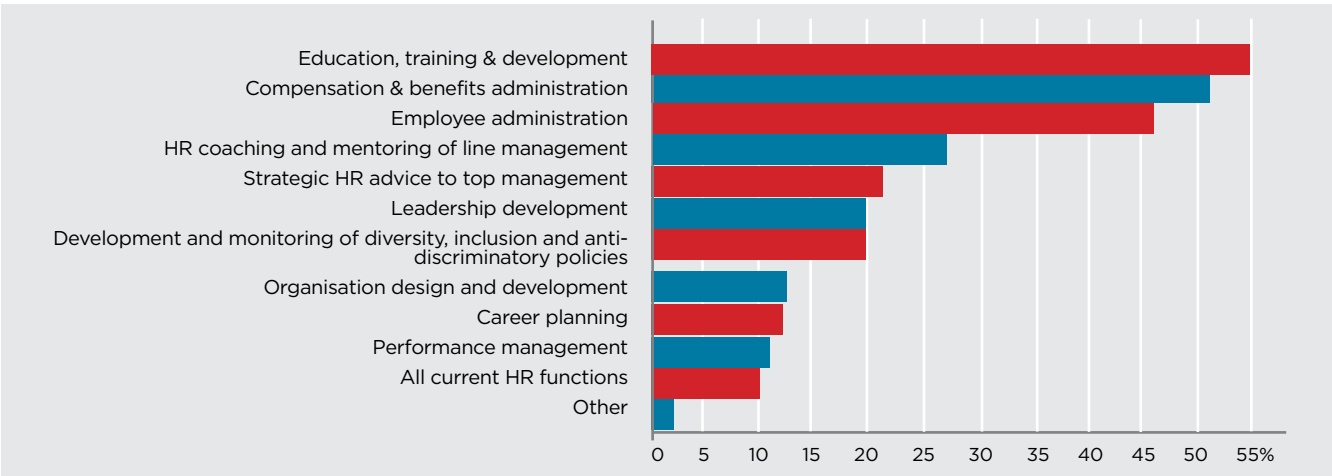


Figure 29 - Outsourcing HR - Which of the following HR functions, are most likely to be outsourced over the next decade? (Select your top 3)

5.11. Management of HR

Business partnering, developing HR foresight and building business insight were seen as HR management’s top future concerns. Participants were asked to select the top three key priorities for how the HR function itself is run over the next decade (Figure 30). The highest ranked options were ‘Developing HR as an effective partner, coach and mentor to the business’ – selected by 58 percent of respondents – and ‘Anticipating key trends and developments that could impact HR and talent related issues in the organisation’ and ‘Building a deep understanding of business in general and of their own organisation in particular’ (jointly 50%).

Given anticipated budget cuts, it was interesting to note that limited support was given to ‘Controlling the costs of running the HR function and processes’ (21%) or the more entrepreneurial notion of becoming more of a profit centre by ‘Generating revenues for service provision – possibly to third parties’ (2%).

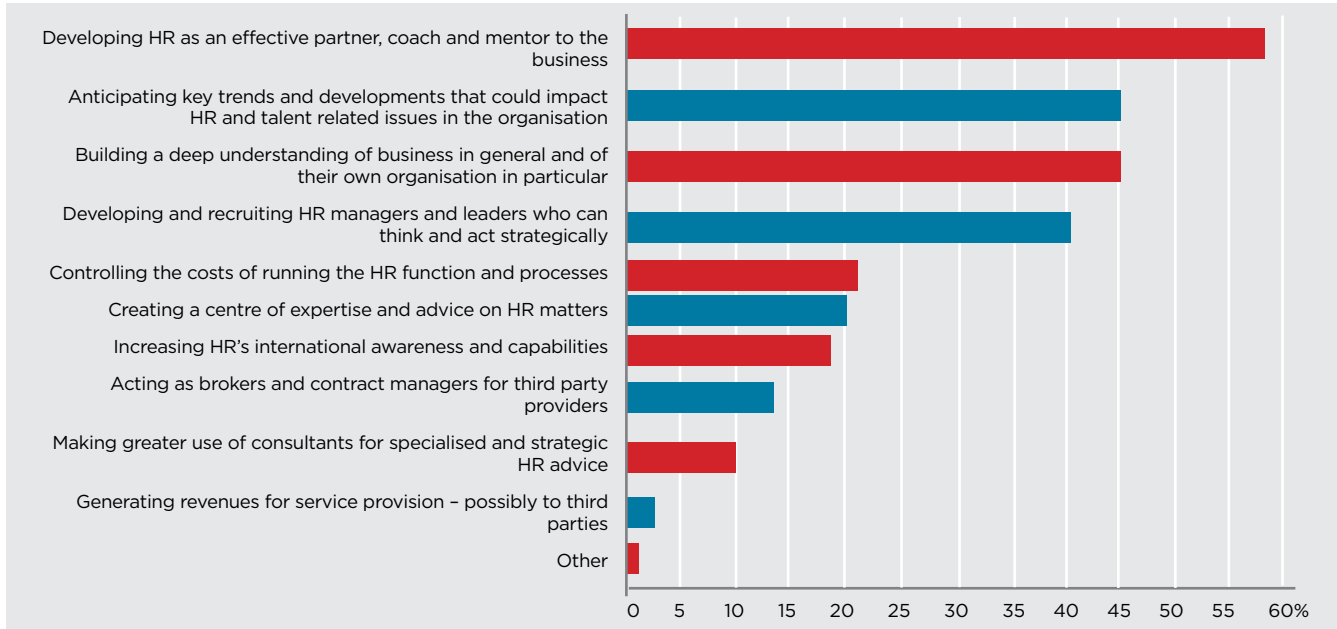


Figure 30 - Management of HR - Which of the following will be key priorities for how the HR function itself is run over the next decade? (Select your top 3)

6. Conclusion

The findings presented across the pages of this report suggest that HR functions have a tremendous opportunity to rethink, redefine and reshape their purpose in the business and to assume a far greater strategic role. We conclude by outlining seven critical enablers of the transformation required to fulfill that potential:

1.1. Business Awareness and Foresight – For HR to play a truly strategic role implies developing a deep understanding of how the firm operates, how its ambitions and business models are evolving and the competitive context and key drivers of change which are shaping overall strategy. HR must also develop an effective foresight capability – continuously scanning the horizon for emerging trends and developments that could directly impact the business, the workforce and the future of HR.

1.2. Nurturing Talent – The competition for top talent is likely to intensify and the management of this critical resource will remain a critical priority for leaders over the next decade. For HR, this demands a real understanding of the business – encompassing strategy, geographic expansion plans and the critical trends that will affect the availability of talent in key markets. As a result, long-term global workforce planning, succession planning, provision of performance metrics and employee 'lifecycle management' will become key focus areas for the strategically oriented HR function.

With intense competition for the best roles, an ageing society, and the resultant need to stay in work for longer, demands for 'lifelong learning on demand' will increase. The challenge for HR is to innovate in the delivery of personalised learning solutions – embracing approaches such as simulation, accelerated learning and electronic delivery. The goal is to ensure the workforce has the training and development support it needs, when it needs it and at a cost that's sustainable.

1.3. Coping with Uncertainty and Complexity – The decade ahead promises to be one of regular, rapid and transformational change. The operating environment is being shaped by continued economic turbulence, global power shifts and new competitors. At the same time the 'rules of the game' are being rewritten by rapidly evolving and disruptive technologies, new business models, increasing complexity and the reshaping of global industry boundaries. Collectively, these drivers will create high levels of uncertainty which cannot be 'managed out' of the business. The challenge is to

create leaders and managers with a high 'tolerance of uncertainty' and the ability to spot and address unnecessary complexity within the organisation and in HR's own services and processes.

1.4. Embracing Multi-Faceted Diversity – For firms operating in truly global markets, diversity now has many facets. Ensuring equal opportunity and access for women across global firms remains a challenge. An ageing society is driving the need to find effective ways of managing and integrating a multi-generational workforce. A global footprint, migration and high mobility of talent are creating the demand for ever-deeper understanding of different cultures and for more sophisticated approaches to managing a multi-national and multi-cultural workforce.

1.5. Self-Service and Personalisation – Management and the workforce are increasingly demanding the ability to manage individual performance through HR tools that are made available on demand. The rapid advance of personalisation technologies and the widespread

use of smartphones are also driving demands for HR services to be customisable to the needs of the individual.

1.6. Cost Control and Efficiency – Continued economic uncertainty will lead to cautious spending by businesses and consumers alike. Corporate budgets will come under scrutiny and the HR function will face constant pressure to drive down costs. At the same time, HR will increasingly look to streamline, simplify and integrate its systems, processes and records management to ensure consistent and standardised access across the global business.

These pressures combined will lead a drive to re-engineer and automate processes and workflows and outsource a range of transactional activities. The focus for internal resources will be on the critical areas of HR added value such as recruitment, business alignment, workforce planning and talent development.

1.7. Flexibility and Innovation – The pressure for constant business innovation means the nature of the workplace is evolving continuously. Projects are increasingly created at short notice, designed 'on the fly' and staffed by 'swarms' of talent. Resources are often

pulled together from a diverse range of partners within and outside the organisation. HR must ensure it has the flexibility to respond to rapid changes in working practices, complex team structures and a constantly evolving organisational design. HR also needs to demonstrate that it is as innovative and service oriented as its customers. This implies experimenting with new ways of working, embracing social media as a tool for recruitment and workforce engagement, and pioneering new learning and development approaches.

The challenge for HR is to innovate in the delivery of personalised learning solutions – embracing approaches such as simulation, accelerated learning and electronic delivery.



Appendix 1 – Interviewees

We would like to thank the following for taking part in telephone and email interviews during the research phase and for providing valuable and stimulating insights that have been a major influence on the contents of this report:

DAVID BURCH	Independent Consultant – formerly with CapGemini.
PETER CAPELLI	George W. Taylor Professor of Management and Director of Wharton’s Center for Human Resources - The Wharton School
KELLY CARTWRIGHT	General Manager - The Newman Group.
DICK FINNEGAN	President - Finnegan Mackenzie
MATT FLYNN	Senior Lecturer - Middlesex University Business School.
JOYCE GIOIA	Strategic Business Futurist
DUNCAN HARWOOD	Principal, HR Effectiveness Leader - PwC (US)
SUSAN HEATHFIELD	Independent Management and Organisation Development Consultant
JO HENESSY	Director of Research - Roffey Park (UK)
KATE HOLT	UK HR Director - KPMG
ALAN HOSKING	Executive Director - HR Future Magazine, South Africa, and Member of the Advisory Board - Nelson Mandela Metropolitan University Business School
JON INGHAM	Independent Consultant- Strategic Dynamics, formerly HR Director - Ernst & Young
HANS-JAAP MOES	Consultant - Socrates Consulting and the PPI Network - Former European HR Director - Deloitte
TAMMY JOHNS	Senior Vice President of Innovation & Workforce Solutions - Manpower Inc.
SHARLYN LAUBY	President - Internal Talent Management (ITM Group).
DONNA MILLER	European HR Director - Enterprise Rent-A-Car
ELAINE ORLER	Independent HR Consultant
JAAP PAAUWE	Professor of Human Resource Studies - Tilburg University.
DR EMMA PARRY	Principal Research Fellow - Cranfield School of Management.
RICHARD PHELPS	Human Resource Services Partner - PwC (UK)
SANDRA PORTER	HR Director - Starbucks (UK)
SHAUN TYSON	Emeritus Professor of Human Resource Management – Cranfield School of Management
DAVE ULRICH	Professor of Business - Ross School of Business, University of Michigan

Appendix 2 – Supplementary Data on Key Drivers Shaping the Environment for Business and HR

1. Socio-Demographic Shifts

An Ageing Society
Goldman Sachs (2010)¹⁰⁹ notes that the average European will be 49 by 2020. The European Union (EU) reports that ‘The fiscal impact of ageing is projected to be substantial in almost all member states.’ The EU predicts that spending on pensions, healthcare and long-term care will increase by 4.75 percentage points of GDP by 2060 in the EU as a whole and by 5 percentage points in the Eurozone^{110 111}. Ageing is a global phenomenon – China is set to reach one million centenarians before the United States¹¹². However, there can be little doubt that it is the developed economies that will age the fastest relative to overall population levels. The UN’s medium variant scenario is that the global population will rise from 7 billion at the end of 2011¹¹³ to hit around 7.7 billion in 2020 and 9.3 billion by 2050¹¹⁴. However, the Harvard School of Public Health suggests the developed world may only be responsible for 3 percent of this growth¹¹⁵.

Migration
The ‘World Migration Report 2010,’ published by the International Organisation for Migration (IOM) suggests that the current number of migrants totals 214 million globally. The IOM suggests this could rise to 405 million by 2050 ¹¹⁶. The IOM report explains that new trends in migration could be affected by varying rates of population growth

(slowing in the developed world and prompting an even greater demand for labour); environmental change; and shifts in the global economy.

The IOM recommends that the current lull in international migration due to economic recession (migration into the OECD in 2009 was down 7 percent on 2008 figures, to 4.3 million people¹¹⁷), should be used by countries, and ostensibly other key stakeholders, to prepare for larger future flows of people. The OECD argues that despite the economic downturn, drivers of longer-term migration remained relatively unaffected¹¹⁸. The OECD also called on employers and schools in industrialised countries to treat migrants better, stating that employers should recruit legally from abroad, and the educational outcomes of migrants’ children should be seen as a long-term investment.

By 2050, the number of migrant workers (as opposed to those forced from their country by factors like war and famine) worldwide is estimated by some to rise to 230 million from around 200 million today¹¹⁹. Climatic refugees are predicted to become a major feature of future migration flows. Although climate change can be an inexact science, estimates of future ‘climate migrants’ range from 200 million to 1 billion globally, by 2050, suggests Population Action International¹²⁰.

The Middle Class in Transition
Goldman Sachs forecasts that the global middle-class could increase by up to 2 billion to represent up to 30 percent of the world population within the next decade.¹²¹ However, the bulk of this growth will come from emerging markets. For example, China’s middle-class is expected to rise from around 172 million to approximately 314 million by 2015. ¹²²

McKinsey estimates that ‘...by the end of the decade, roughly 40 percent of the world’s population will have achieved middle-class status by global standards, up from less than 20 percent today ¹²³.’ Accenture suggests, that in numerical terms, this means emerging market countries are expected to add 1.4 billion people to their middle classes in the next decade and account for more than 60 percent of global GDP growth between 2010 and 2016¹²⁴.

John Paul Rathbone writing in the Financial Times suggests that the world’s greatest source of instability might not be terrorism but a middle class angered by vanishing prosperity and the gradual, and in some cases abrupt, loss of a lifestyle with many comforts and protections¹²⁵. The political, and potentially economic, repercussions of social instability will need to be monitored closely by companies.

2. A Changing Economic Landscape

New Economic Power Groupings
PwC (2011)¹²⁶ estimates that the E7 economies will overtake the G7 by 2017 on a purchasing power parity (PPP) basis and by 2032 at market exchange rates. While the N-11 is unlikely to rival the BRICs as a grouping in scale, its GDP could reach two-thirds that of the G7 by 2050. The speed of convergence is unprecedented. PwC¹²⁷ (2011) projects that by 2017, the E7 countries (BRICs plus Mexico, Indonesia and Turkey) will have overtaken the G7 in terms of GDP at purchasing power parity (PPP). Individually this means Brazil overtaking the UK by 2013, Mexico overtaking France by 2028 and Turkey overtaking Canada by 2020.

A comparison of talent shortages between emerging and developed economies reveals interesting dynamics. Manpower (2011)¹²⁸ reveals that 67 percent of Indian companies and 57 percent in Brazil have a harder time filling positions than any western nation other than Japan. It also found that these countries' shortages are far in excess of the global average of 34 percent.

Public Debt

In the UK, the Office for Budget Responsibility estimates that further fiscal tightening of up to £57 billion could be needed after 2016-17 to stabilise the nation's long term public sector debt¹²⁹. This suggests that current austerity measures will not be sufficient in themselves to rebalance the debt ratio. Economist Nouriel Roubini suggests that Greece's 10%-of-GDP fiscal adjustment will still see public debt reach over 160 percent of GDP by 2012 and keep rising¹³⁰. Although the option is not open for Greece, 'quantitative easing' (the printing of money by the central bank) is seen by some as one possible route out of the fiscal problem, although some commentators warn against it. Ray Dalio, head of the largest global hedge fund has predicted "economic collapse" by 2013 due to money printing by indebted nations¹³¹.



3. A New Business Agenda

Globalisation

One of the biggest questions is which macro-economic system will provide the operating and governance framework in which globalisation takes place over the next decade. To date, USA-led free market capitalism has been the dominant paradigm. However it is not a universal system and alternative governing frameworks already operate around the world. A variety of hybrid forms characterised as 'state-capitalism' has been emerging over the last few decades as exemplified by China, Russia and a number of the Persian Gulf states.

State capitalism goes beyond the historic models of the centrally planned and controlled economy as it allows the private sector to operate relatively freely whilst still exerting a strong degree of state control over the functioning of markets and the flow of capital. There are also a number of other emergent states such as Brazil, India and many African and Latin American countries which exhibit elements of both free market and state capitalist systems.

In his book 'The End of the Free Market', political risk analyst Ian Bremner argues that the key issue with state capitalism is that the process can introduce key distortions into both domestic and global markets. Bremner's concern is that political elites can

seek to use "... state-owned and politically loyal, privately owned companies to dominate entire economic sectors -- like oil, natural gas, aviation, shipping, power generation, arms production, telecommunications, metals, minerals, petrochemicals, and other industries".¹³² The growth of state capitalism is occurring at a time when – and possibly because – the free market model is experiencing deep turmoil. This will almost inevitably result in growing tensions in the international economic and political arenas especially given the recent 'fallout' from the financial crisis. How these two 'systems' work together over the next decade may be an important indicator of overall global stability.

The warning signs are increasingly evident – for example on August 6th 2011, after S&P's historic downgrading of the USA, credit rating from AAA to AA+, Xinhua the official Chinese news agency issued a blistering attack on the USA, government's economic stewardship¹³³. Xinhua contended that "The days when the debt-ridden Uncle Sam could leisurely squander unlimited overseas borrowing appeared to be numbered.... many outside the United States believe the credit rating cut is an overdue bill that America has to pay for its own debt addition and the short-sighted political wrangling in Washington".

Xinhua went on to say "China, the largest creditor of the world's sole superpower, has every right now to demand the United States to address its structural debt problems and ensure the safety of China's dollar assets. To cure its addiction to debts, the United States has to reestablish the common sense principle that one should live within its means... It should also stop its old practice of letting its domestic electoral politics take the global economy hostage and rely on the deep pockets of major surplus countries to make up for its perennial deficits... International supervision over the issue of USA, dollars should be introduced and a new, stable and secured global reserve currency may also be an option to avert a catastrophe caused by any single country".

Complexity

A January 2011 KPMG¹³⁴ global study among business leaders found that:

- **Complexity is increasing** -- three quarters of the respondents say complexity has increased for their organisations over the past two years, and a majority expects things to become even more complicated in the coming two years.
- **Complexity is not static** – about half the respondents expect the causes of complexity to shift over the next two years, and a majority say their

companies will need to take different or additional actions to manage complexity.

- Regulation is identified in the research as the leading cause of complexity globally, cited by almost three-quarters of executives surveyed. Closely related to regulation, government oversight is identified by 60 percent of respondents as a leading cause of complexity.

The Millennium Project suggests that one of the drivers of complexity is increasing interdependencies, which require ‘...synergetic intelligence and analysis,’ to be considered as an alternative to traditional management approaches¹³⁵. It also suggests that countries adopt legislation demanding elected officials to be trained in decision making under complexity.

Bain (2009)¹³⁶ noted that ‘...the challenge with managing complexity is that some complexity is necessary and advantageous.’ It cites the example of country or regional business units being closer to the ground than headquarters and thus more likely to know what customers want. Under such circumstances, a significant degree of complexity is needed to ensure enough local autonomy so products or services can be tailored to those customers while still taking advantage of global scale. Bain concludes that the key is not to eliminate complexity, but

to balance its benefits with the associated costs.

Trust in Business

Edelman’s 2011 Trust Barometer¹³⁷ found that:

- ‘At 56% globally, business is more trusted than government or media - at 52% and 47% respectively. That is 2% higher than in 2010 and 18% higher than in 2009.
- Brazil, India and China hold high levels of trust in business, at 81%, 70% and 61% respectively.
- France (48%), the US (46%), UK (42%) and Russia (41%) are the most notable ‘distrusters’ of business.
- Amongst industries globally, technology companies are the most trusted, at 81%.
- Banks and Financial services, at 51% and 50% are the least trusted institutions.

Evidence from an ethics and workplace survey by Deloitte (2011)¹³⁸ concludes that the recession has diminished trust and ethics in business. It found that of employees who plan to seek a new job, their top three reasons for doing so are: a loss of trust in their employer based on how decisions were made during the Great Recession (48%), a lack of transparency in leadership communication (46%), and being treated unfairly or unethically by employers over the previous 18 to 24 months (40%).

New Modes of Working

Gartner’s ‘World of Work in 2020’- ten key trends¹³⁹

1. *‘De-routinisation’ of work.* ‘Non-routine’ activities that cannot be automated, such as innovation, leadership and sales, will dominate employment. Gartner predict that by 2015, 40 percent or more of an organisation’s work will be ‘non-routine,’ up from 25 percent in 2010.
2. *Work swarms.* The growing tendency for groups of individuals, often but not necessarily geographically distant, to come together to form temporary or recurring project teams.
3. *Weak links.* Exploiting our own networks will help us to develop the ties that are required to access and participate in wider “work swarm” opportunities.
4. *Working with the collective.* Being able to influence the complex ecosystem of suppliers, partners, clients and customers will increasingly become a core competence.
5. *Work sketch-ups.* Informality will define most “non-routine” work activities; the process models for these activities will be simple “sketch-ups,” created on the fly.

6. *Spontaneous work.* Seeking new opportunities for firms and creating projects around them is likely to be an opportunistic, rather than strategic, activity.
7. *Simulation and experimentation.* The culture of Google’s “perpetual beta” is likely to spread to other industries, with rapid prototyping taking place in public environments.
8. *Pattern sensitivity.* The ability to detect and parse patterns and emerging trends in society will provide better insights than simply tracking past performance.
9. *Hyperconnected.* With formal and informal work diffused across organisational boundaries, the support mechanisms for workers (healthcare, HR, IT) will need to evolve to support fuzzier, ad-hoc relationships between people and departments.
10. *My place.* The boundaries between home and work life are already blurred. Balancing almost 24/7 availability against burning out will become a critical skill.

Social Media and Collaborative Technology

A 2010 global study by Trend Micro found that social networking at work amongst employees increased from 19 percent in 2008 to 24 percent in 2010¹⁴⁰. Alan Hosking, the Executive Director of HR Future (magazine) in South Africa, suggests that social media’s role can extend unto other areas, saying it could be a ‘...serious talent management tool.’

IBM’s 2010 Global Chief Human Resource Officer Study¹⁴¹ found that social networks can also provide internal communication platforms and act as vehicles for information and ideas exchange:

- Embracing what is now known as social computing positively affected companies’ bottom lines.
- However, out of the 700 Chief Human Resources Officers and executives surveyed from 61 countries, only 23 percent are using social networking or technology tools to preserve or elicit critical knowledge, while about a quarter are using those tools to spread innovation throughout their organisation.
- Howard Stafford, human capital management head at IBM SA, says: “Financial outperformers are 57 percent more likely than underperformers to use collaborative and social networking tools to enable global teams to work more effectively together.”

Open and Collaborative Innovation

Open innovation is a term coined by Henry Chesbrough, a professor and executive director at the Center for Open Innovation at Berkeley¹⁴². Open innovation pioneer P&G¹⁴³ is working in partnership with Brazilian company, Braskem SA, to use a renewable, sustainable, sugarcane-derived plastic for packaging on three leading brands: Pantene Pro-V, COVERGIRL, and Max Factor. The new material is being made in an innovative process that transforms sustainably harvested sugarcane into a high-density polyethylene plastic that is 100% recyclable. The sugarcane is sustainably grown and harvested in Brazil. The production facilities run almost exclusively on renewable energy from sugarcane byproducts; excess energy is captured and reused in the manufacturing process.

Evolving Technological Ecosystem

A June 2011 IDC forecast suggested the global smartphone market could reach one billion shipments by 2015¹⁴⁴. Berg Insight (2011)¹⁴⁵ estimates that by 2012, smartphones will account for over 22 percent of all handsets worldwide, compared to 10 percent in 2011. John Quirke, an attorney with Archer & Greiner notes the disconnect between a company’s laws, or rules, on technology, and the rate of technological change, stating that ‘...what we think are best practices today might change tomorrow¹⁴⁶.’ A 2011 IDC report suggested that

'...the digital universe¹⁴⁷ is expected to gain further momentum over the next decade, increasing 44-fold to 35 trillion gigabytes by the year 2020.'¹⁴⁸ There are a number of drivers for this massive expansion, such as smartphone proliferation.

A range of potentially transformational technology developments are coming through – such as 3D printing – for which the human and cultural impacts are not well understood. PC Mag¹⁴⁹ explains 3D Printing as "...the making of parts and products using a computer-driven, additive process, one layer at a time. 3D printing builds plastic and metal parts directly from CAD drawings that have been cross sectioned into thousands of layers." The ability to prototype and effectively democratise the manufacturing process for individuals will produce new business models and ways of working. It has the potential both to be incredibly disruptive and to energise a new array of entrepreneurs. The 3D printing industry, according to a 2010 Wohlers report¹⁵⁰ had revenues of \$1.068 billion in 2009 and could evolve into a trillion dollar industry¹⁵¹.

New Business Models and the rise of Collaborative Consumption

A key component of the collaborative consumption model is the ability to scale the process beyond just satisfying one individual's needs whilst still providing a wider level of personal utility with a collective product or amenity. Fundamentally, this idea is enabled by the availability of networked, social technologies which perform vital dual roles. Firstly, the ability to discover and connect large numbers of disparate people in a low-cost, highly efficient manner and, secondly, leveraging the capability of such networks to enable the development of meaningful trust relationships based on personal or shared reputation.

In a 2010 New York Post interview, Rachel Botsman, author of 'What's Mine Is Yours' – a book on collaborative consumption, gave the following estimates of the potential of the scale of the opportunity.¹⁵²

- The peer-to-peer social lending market led by companies such as Zopa and Lending Club is estimated to rise by 66% to reach \$5 billion by the end of 2013.
- Consumer peer-to-peer rental markets from textbooks to cameras are valued at \$26Bn.

- The swap market (just in terms of used children's clothing) is estimated to be worth \$1-3 billion in the US alone.

Cloud Computing

Estimated by Gartner to be worth around \$68.3 billion in 2010¹⁵³, the industry is projected to expand significantly to \$140 billion by 2014¹⁵⁴ and possibly \$240 billion by 2020¹⁵⁵. Gartner identifies Customer Relationship Management (CRM) (44%), Web presence (38%) and email (35%) as the most common 'Software as a Service' (SaaS), cloud based applications, followed closely by HR / recruiting (33%) and sales (32%).

According to a July 2011 study by the Carbon Disclosure Project (CDP), by 2020, large USA. companies that use cloud computing could achieve annual energy savings of \$12.3 billion and annual carbon reductions equivalent to 200 million barrels of oil¹⁵⁶. Environmental Leader also reports that large organisations can reduce energy consumption and carbon emissions by 30 percent or more using the cloud, as compared to running those applications on their own infrastructure¹⁵⁷. Clearly, there are economic as well as environmental imperatives for the switch to the cloud.

Health and Wellness

The USA Society for Human Resource Management (SHRM, 2011) report highlights the¹⁵⁸ following incidences of health and wellness issues reported by HR departments (%):

- Increases in chronic conditions (50%).
- Growth in the number of employed adult caregivers (47%).
- Increased proportion of older workers (40%).
- Rise in the number of employees with untreated mental and physical needs (36%).
- Increase in the number of employees with mental health issues (e.g., depression) (24%).

In response, SHRM states that 54 percent of HR departments are implementing employee wellness programs, and another 26 percent plan to. A Buck Consultants¹⁵⁹ 2010 global study found that 66 percent of the 1,248 organisations that participated in the survey indicate they have a formal wellness strategy (an increase from 49 percent since 2007). However, two-thirds of employers with a wellness strategy have not completely implemented it.

Legislation

New areas of work are set to be covered by legislation. For example, within the UK, the new Agency Workers Regulations 2010 will come into force in October 2011. The new rules dictate that after 12 weeks in an assignment role, an agency worker is entitled to the same pay and conditions as a permanent employee doing comparable work. However, as of March 2011, a report from Randstad found only 7 percent of UK employers had assessed how they would be affected by the AWR. The UK's Financial Times notes that a worry for agencies is that clients will reduce temporary hiring because they are unaware of the rules or their implications¹⁶⁰.

Energy

The US EIA Energy Information Outlook 2010 projections suggest total world consumption of marketed energy will increase by 49 percent from 2007 to 2035. The largest projected increase in energy demand is for non-OECD economies¹⁶¹.



Appendix 3 – Evolving HR Trends and Drivers

Talent

A 2011 Boston Consulting Group (BCG) report on Talent argues that to “...be employable in 2020, graduates must be technologically literate and acquire transferable, cross-cultural learning skills. Any nation or company that continues to rely on conventional learning and routine, siloed work without fostering a culture of continuous learning will face an ever deepening talent gap¹⁶².”

One response to talent sourcing is to outsource and some see a world of relatively ‘hollow’ firms served by a network of outsourced companies. The greater the use of outsourcing, the more issues of intellectual property and contractual ownership will arise. Writing in INSEAD Knowledge (March 2011), the authors Godart, Shipilov and Claes draw on research in the design world to suggest that talent retention may not be the all-important issue for organisations because the free flow of knowledge that results from outsourcing can bring positive gains.¹⁶³ They argue that allowing controlled amounts of talent to move on offers a net benefit.

Godart, Shipilov and Claes contend that “Whole industries, beyond

fashion, are based on the premise that letting people go is not necessarily bad. Think about how high-tech firms in Silicon Valley rely on personnel exchanges to grow and get new ideas. This is also true of the Hollywood and ‘Bollywood’ movie industries where temporary teams of actors, movie makers, producers, technicians and script writers assemble temporarily and move across projects. In banking, analysts and investment bankers do not hesitate to move around, to the benefit of their employers who can get them back later with better skills.”

In many cases an individual’s personal networks can be of greater value than their physical presence and the INSEAD authors agree that organisations “...should pay extra attention to talented people long after they are gone: for example through developing and managing alumni networks (online and informal) as well as outplacement strategies.”

Measurement and Metrics

The Hackett Group (2011)¹⁶⁴ suggests that more than half of organisations do not employ any formal HR metrics for measuring HR business value. A majority either use informal anecdotal

evidence in lieu of rigorous HR metrics, or do not measure the business value of HR at all. Hackett found that in the area of talent development, most organisations employ HR metrics only to the extent of gauging employee satisfaction with training programs. Further, it reports that only about 20 percent of organisations use HR metrics that measure the actual impact of training on performance.

Supporting the Employee Lifecycle

There is a belief that providing a facilitative rather than restrictive HR environment may also contribute to the overall well-being of a given employee. Interviewee and ex-Cap Gemini analyst David Burch suggests that “These days employees are one of a company’s largest expenses. However, there is more to employing a person than there is to other major capital costs such as buildings and machinery. Quite simply, human capital is volatile, but if you keep them happy you can and will reduce the costs associated with employee turnover.” The implication is that, in the in the networked economy, happy ex-employees could become a key factor in facilitating network growth and increasing collaborative potential.

Succession Planning

Booz and Company (2010) state global succession rates, defined as the appointment of an in house successor, were 14.3 percent as opposed to 15.5 percent within Europe and 20 percent in Russia.¹⁶⁵

Tim Darton, general manager of Human Capital Management Solutions at Oracle, Asia Pacific, notes that the retiring baby boomer cohort will create a large skills gap and further stress succession planning. In response he predicts that “...a huge number of organisations will supercharge succession planning and recruitment, making sure they get their fair share of skilled managers from a potentially very small pool¹⁶⁶.”

Poor succession planning can be costly. Externally hired CEOs make 75 percent more than those promoted from within during their first year on the job, according to Equilar (2008)¹⁶⁷, an executive compensation data and consulting firm. Poor performers and small companies are the most likely to hire from outside. At large-cap companies (S&P 500), externally hired CEOs received a median total compensation

package of approximately \$12.1 million in 2007, or 51.1 percent more than CEOs with at least two years of tenure, who made approximately \$8.0 million. Internally-promoted CEOs made less than both groups in 2007, pulling in a median pay package of approximately \$6.9 million.

Diversity, Inclusion and Discrimination

A 2008 study¹⁶⁸ by Ed Hubbard, CEO of Hubbard and Hubbard, asked survey respondents what percentage of an eight-hour day is not spent on critical work due to real or perceived workplace barriers? Answers differed but averaged out at 25 percent. Hubbard said “Twenty-five percent of an eight-hour day is two hours per day, per person,... Doesn’t sound like a lot. You take that two hours per day per person and you take an average wage of \$12. So now it’s \$24 per person. You take 5,000 people, that’s \$120,000 per day. That translates to about \$31.2 million a year in terms of lost productivity cost.”

Irrespective of international migrant flows, diversity is set to deepen in its scope and

importance as demographic trends within several countries are already leading to major changes in workforce composition. Hispanics make up 14 percent of the USA population, and 22 percent of its workforce. The latter number is expected to increase to 55 percent by the year 2050 and 24 percent of the overall population¹⁶⁹. The Economist magazine (2011)¹⁷⁰, citing Pew data, suggests that, between 2010 and 2030, the number of Muslims could increase from 6 percent to 8 percent as a proportion of the total European population. Britain’s population is projected to hit 70 million by 2029 largely as a result of future migration and births to foreign nationals in the UK according to the UK Office for National Statistics¹⁷¹.

Recruitment

Research by AIMS International¹⁷² identified that 96 percent of the companies listed on the Swiss Market Index (SMI) have at least one foreign Board Member – compared to only 28 per cent of Swedish or Dutch companies. In 2010, over 50 percent of the executive search assignments run by AIMS involved cross border



candidate sourcing processes within several countries. AIMS concludes that “The supposition seems accurate that the Swiss situation is prefiguring what will happen in the rest of Europe with the continuing internationalisation and the increasing importance of foreign companies and capital in the national economies combined with an ever growing need for talents with multinational experience.”

Evolving Employee Training and Development Needs

In more mature economies, such as the UK, slowing birth rates and an ageing society mean that up to 75 percent of the future workforce is already economically active . So, whilst partnering with universities, educational institutions and external providers will remain important for development and delivery of programmes, clearly a greater focus needs to be placed on continuous and personalised learning solutions.

According to research by Bersin & Associates (2011)¹⁷⁴, approximately 20 percent of spending on e-learning products comes from companies with fewer than 1,000 employees, and the percentage is growing.

Outsourcing

Whilst outsourcing is being adopted widely, it only ranked 10th in terms of strategic impact in a study by Bersin & Associates¹⁷⁵ (2011). The research identified the top 10 best HR practices for ‘High Impact HR Organisations’, these are listed below with the potential impact given as a percentage in parentheses:

- 1. Structured governance and business case development (39%)
- 2. Developing advanced workforce planning capabilities (28%)
- 3. Implementing the “right” HR philosophies (27%)
- 4. Reducing administrative work for HR business partners (25%)

- 5. Implementing flexible HR organisation design (20%)
- 6. Improving employee-facing HR systems (19%)
- 7. Measuring both HR operational and business metrics (19%)
- 8. Developing internal HR skills (13%)
- 9. Improving line manager capabilities (10%)
- 10. Outsourcing HR services strategically (10%)

Contract Issues

ZDNet¹⁷⁶ notes that the issue of contracts is already one HR is struggling to deal with in many American organisations because of the complexity of evolving into a multinational rather than domestic organisation. Legacy technology means that “...some of the key challenges are multiple systems, multiple contracts”.

Appendix 4 – Survey Demographics

The survey received a total of 226 responses from around the world. The two largest respondent groups were those aged 46-55 (38%) and 36-45 (24%).

The two largest respondent groups by region were Europe (43%) and North America (29%).

The survey received responses from 42 countries. The top four respondent countries were the United States (22%), the United Kingdom (21%), Australia (7%) and India (7%).

The three largest response groups by primary job function were Executive Management (23%), Consulting (20%) and Human Resources (20%).

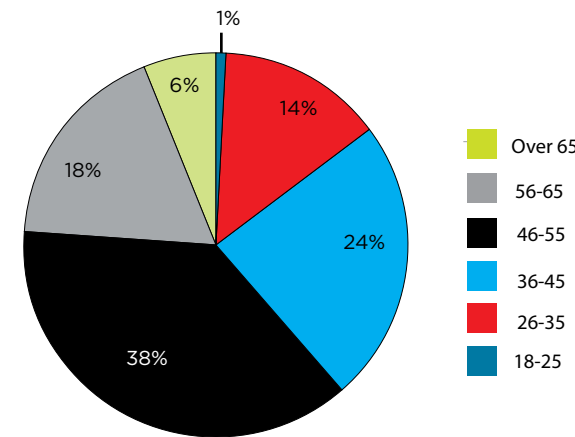


Figure 31 - About You Age

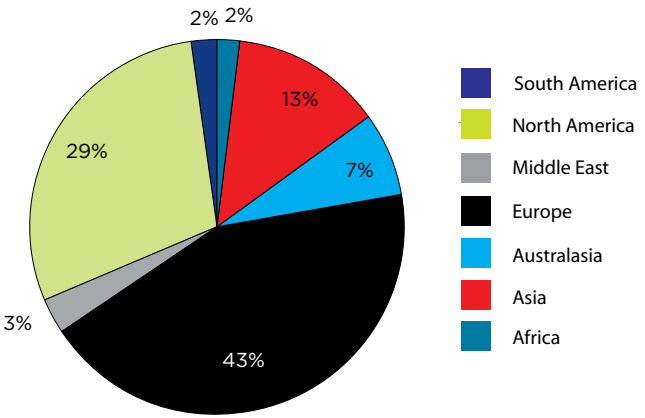


Figure 32 - Which region are you based in?

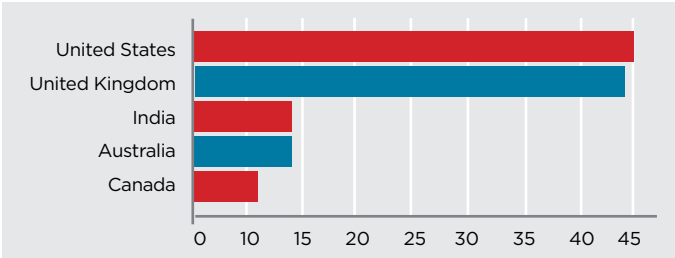


Figure 33 - What's your country of residence?

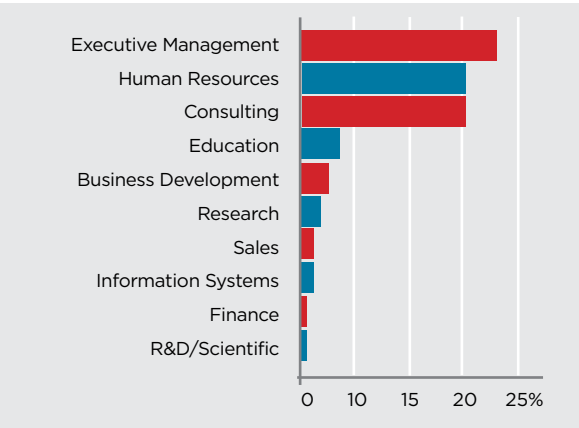


Figure 34 - What is your primary job function?

The largest response groups by named industry sector were Consulting (15%), ICT (9%), and Association/Non-Profit, Conventions/Meetings/Events, and Finance/Banking Insurance (7% respectively).

32 percent of survey respondents worked in a HR function.

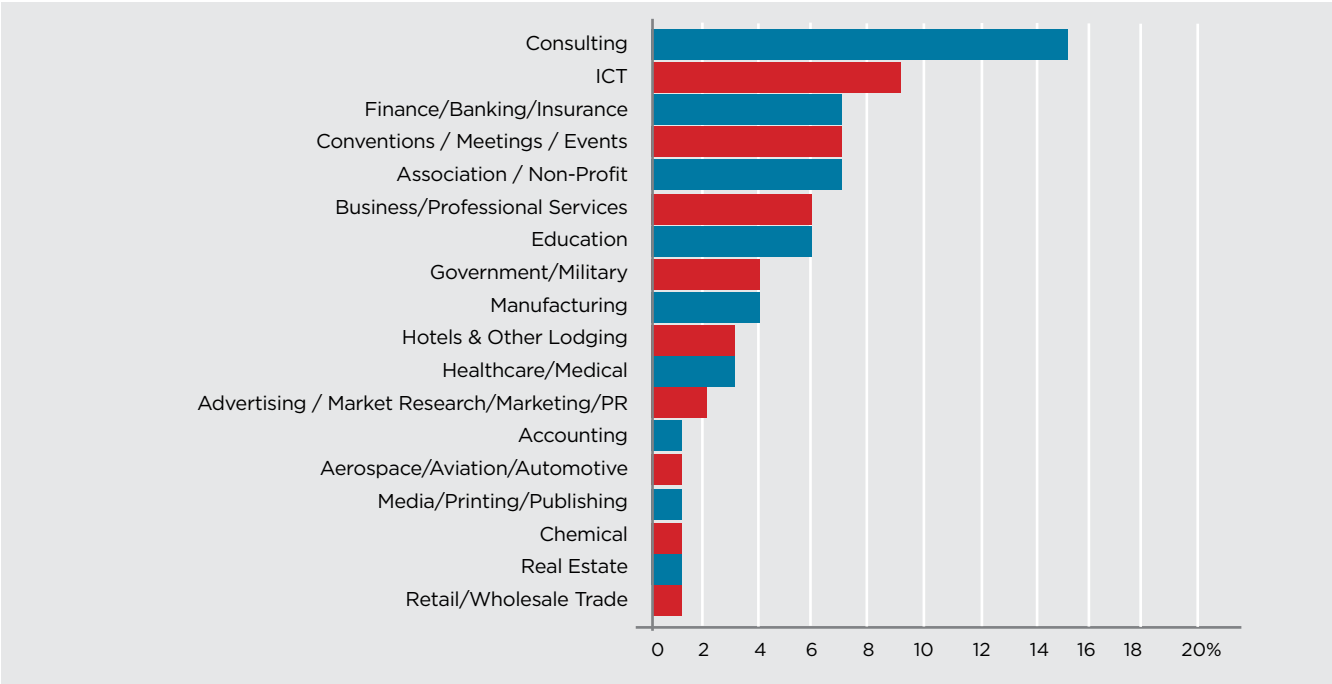


Figure 35 – What industry sector do you work in?

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