
The Future of HR in Europe: BCG Summary

Including Exercise



CourageousHR works with HR leaders and Communities to identify their distinctive contribution and then make it, both culturally and operationally, an organisational reality.

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The Future of HR in Europe: Key Challenges through to 2015 (2007) and Creating People Advantage (2008)

Boston Consulting Group. 2007 and 2008.

Importance to HR:



Overview:

Boston Consulting Group (BCG) produced a series of articles following research done in 2007 with over 1300 executives in 27 European countries and a smaller follow up survey in 2008. They identified five critical HR challenges where they believe that organisations who meet these challenges will build and sustain competitive advantage. BCG went on to state that people can make a difference and outline how organisations can achieve this. These articles are easy to read, provide strong support for the HR Transformation business case and reinforce the need for the HR function to 'professionalise' by identifying and creating business value.

Summary:

- HR has never played a more important role in business than they do today. We live in a world in which companies can – and should – draw on human capital as a major source of competitive advantage. This reality creates a global competition for skill and talent and therefore makes human capital essential to the very survival of business in Europe!
- European organisations face similar challenges, with only slight variation across countries. These are

Ranking	Business Challenge
1	Growth outside home country
2	Global competition
3	Growth in home country
4	Cost reduction
5	Increased labour productivity
6	Re-organisation
7	A changed scope of activities within the company
8	Post-merger integration
9	Turnaround management
10	Other

Europe will face five particularly critical HR challenges in the near future, issues that organisations recognise they are currently weakest in;

- Managing talent;
- Managing demographics;
- Becoming a learning organisation;
- Managing work-life balance;

- Managing changes and cultural transformation

Managing talent;

- Talent shortages loom, both in Europe and in new markets abroad and companies must take steps now if they hope to address these shortages – and avert disaster
 - Companies will need to assess not only the number but also the quality and type of talent they need, in light of their strategic and business requirements
 - To retain specialists, companies will need to tailor career tracks so that they reward and fully utilise different types of employees with different interests and skills levels

Managing demographics

- With the workforce in Western Europe graying, European companies must take actions to minimise two different risks: the loss of capacity and knowledge as employees retire and the aging of the workforce
 - Managing the loss of capacity and knowledge. One of the most effective ways to minimise a company's exposure is implementing a comprehensive system of job families across the company. This clusters employees whose skills and specific experiences create opportunities for job exchanges across many levels.
 - Companies should forecast, on a job family basis, how their current workforce will develop over the next 5, 10 and 15 years

Becoming a learning organisation

- Companies must prepare their employees to cope with the complexities and accelerated speed of an increasingly global economy. This action is particularly important since some national education systems are failing to arm new workers with the skills that they will require to keep pace. In such an environment, *companies will succeed or fail based on how well they link employee training to their business strategy.*
 - Building a learning organisation begins with choosing the learning strategy best tailored to the company's needs and culture
 - Overall, companies will need to boost significantly the number of on-the-job development programmes such as job rotations. For maximum success, they will also need to couple these programmes with coaching and other opportunities for 1:1 support.
 - Simply spending more on training programmes won't automatically translate into enhanced productivity. The Business and HR leadership teams must clearly define and measure the return on investment that they expect from learning initiatives. By making programme goals and outcomes tangible and performance bases can ensure tangible improvements.

Managing work-life balance

- As the boundaries between private and work-life blur, employees are increasingly selecting – or rejecting – jobs based on how well they can help the individuals achieve work-life balance or advance personal goals and values. In order to attract and retain highly talented individuals, companies will therefore need to offer flexible work

arrangements. They will also need to appeal to employees growing desire to derive a sense of greater purpose from their work.

- Companies should implement or improve programmes that afford employees flexible working hours, opportunities to work from home and job sharing
- Companies should enthusiastically and visibly embrace programmes that advance corporate social responsibility. These actions can help company access higher-quality candidates, broaden its market appeal, and enhance its reputation, perception and position in the market. External stakeholders (customers and investors)

Managing change and culture transformation

- As companies hire workers from around the world and enter new markets with increasing speed, managing corporate and cultural change will become a critical capability. Research shows that executives expect their HR functions to develop tools and methodologies that help and guide line managers in communicating to employees the need for change – and empower them to bring about such change.
- Successful companies do the following: top leaders support change efforts in highly visible ways; rigorously executing change-management programmes so that initiatives are completed and succeed; continually assessing employee behaviours and attitudes and taking steps to shape these and change them for maximum effectiveness; naming an executive to head all corporate change-management efforts

Implications for HR

- Meeting these five core challenges will be a challenge and a significant undertaking for most HR functions. If they hope to gain the trust of senior executives, HR must also get the fundamentals of the HR function right.
- Companies rated their HR function most highly when they perceived that it was mastering the HR processes, delivering on recruiting and staffing, and transforming HR into a strategic partner.
- Mastering HR processes
 - HR must systematically assess and improve all basic HR processes. To increase efficiency and effectiveness, they should carefully consider shifting service or administrative functions to outsourcing companies or shared service centers
- Delivering on recruiting and staffing
 - As skilled labour becomes harder to obtain, company loyalty decreases, and traditional means of recruiting lose effectiveness, HR must renovate its current recruiting and staffing processes in cooperation with line managers. In particular, HR leaders should focus on internal staffing, since, surprisingly company executives consider it a common area of weakness in HR
- Transforming HR into a strategic partner
 - Business leaders expect their HR managers to demonstrate business acumen, pragmatism, and efficiency while supporting cultural change and increasing overall skill levels within the company.

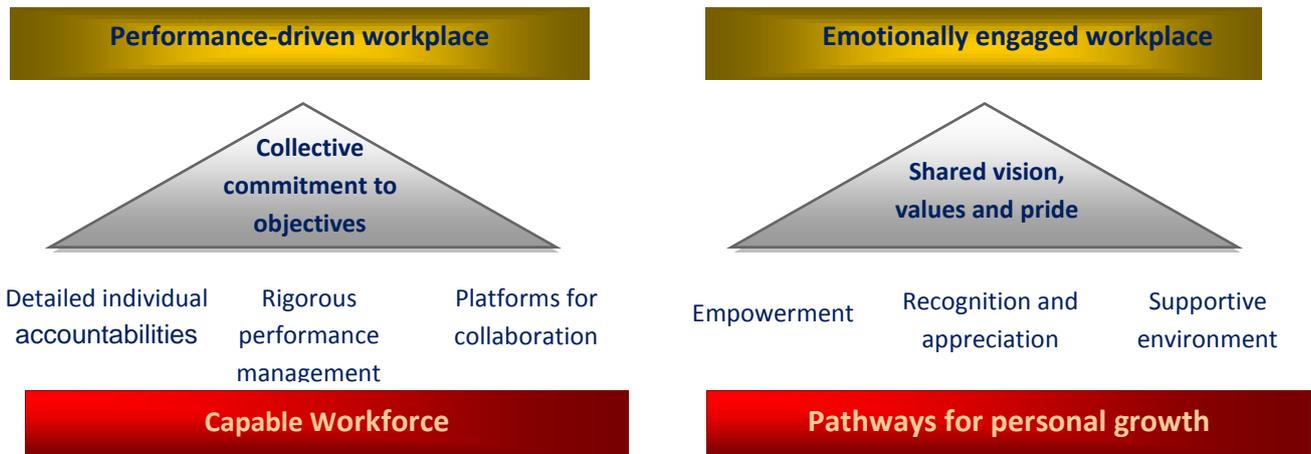
Other strategic HR Priorities

- In addition to boosting their capabilities in these 8 areas (top 5 priorities and 3 fundamental capabilities in HR), companies will also want to determine which of the remaining 9 HR topics to focus on:
 - Improving leadership development
 - Measuring HR and employee [performance
 - Improving performance management and rewards
 - Enhancing employee commitment
 - Managing diversity
 - Managing corporate social responsibility
 - Managing globalization
 - Provide shared services and outsourcing HR
 - Restructuring the organisation

- Increasingly companies are assessing the current state of their own HR Department in order to identify key strengths and weaknesses and to determine the implications for the purpose, shape and capability make-up needed to deliver the strategic HR requirements of the company.

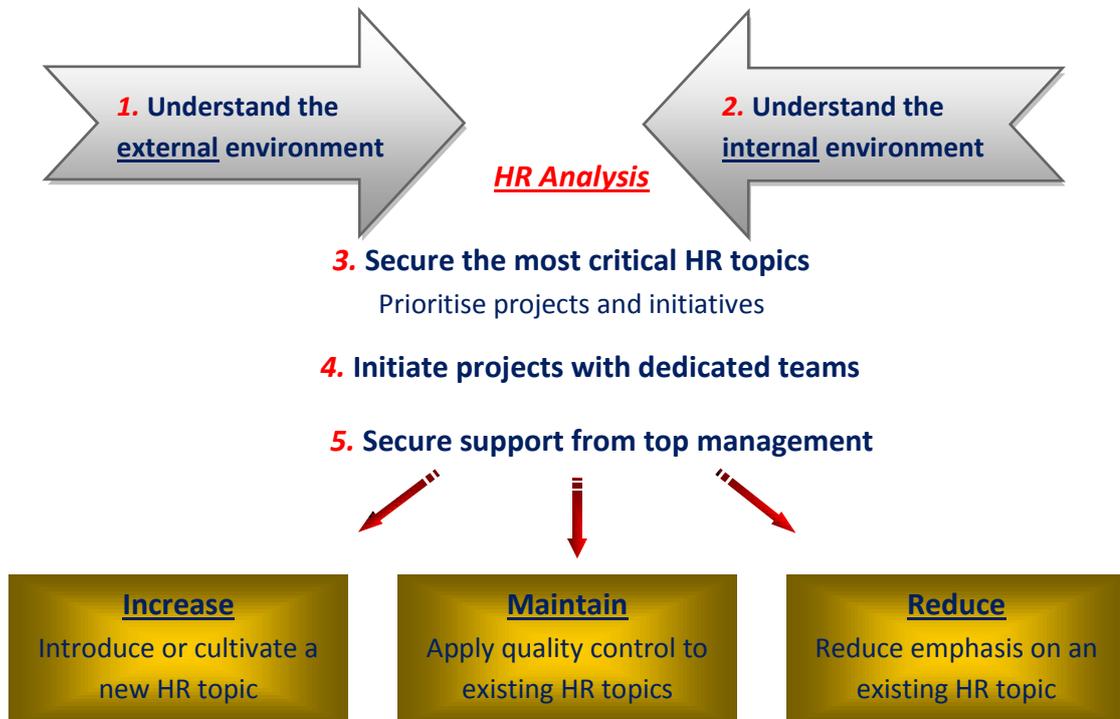
To help enhance HR's capabilities, organisations need to adopt two high-performing practices:

- Assigning responsibility for initiatives to teams dedicated to the efforts. HR functions with dedicated teams received performance scores that were 215 higher than those received by functions without such teams
- Securing highly visible support from top management for HR projects. Those HR functions that had clear support from top managers received performance scores that were 65% higher than those lacking such support
- A focus on both performance and emotional engagement helps drive employee engagement



Closing the gap

BCG recommends a 5 step analysis of their HR issues and capabilities. The information uncovered will help them make the choices and investment necessary to transform HR into a competitive weapon.



■ Understand the external environment

- Just as the general trends and business challenges of the external environment shape a company's business strategy, the elements of that strategy shape the HR strategy.

■ Understand the internal environment

- An HR audit helps a company assess the current state of its HR Department. In such an audit, companies use quantitative and qualitative indicators and analyse HR as an investment rather than as a pure cost factor. The audit process should engage both with HR managers and their partners in the business lines in order to align expectations between the supplier of HR services and functions and its customers. It also should allow a company to identify key gaps in capabilities and to formulate initiatives for bridging these gaps.

■ Select the most critical of the 17 HR topics and prioritise projects and initiatives

- Armed with an enhanced understanding of their business environment, their business and HR strategy, and the business and HR needs, companies should next examine which of the 17 top HR topics are and will be the most relevant for them. HR needs to analyse their current capability in each topic.
- Companies should then focus on the topics that combine the most important needs for the future with their lowest capabilities in the present.

- Initiate projects with dedicated teams
 - Create named dedicated teams to head up and maintain responsibility for HR efforts
- Secure support from top management
 - Only 35% of HR departments state that they receive sufficient support from top management.

Creating people advantage

- The importance of people can only grow
 - Talent and leadership are becoming even scarcer resources than ever before
 - The work force, on average, is growing older and people are having fewer children
 - Companies are becoming global organisations
 - The emotional well-being of employees is more important than ever before
- While the HR challenges are greater than ever before, so are the opportunities

HR is critical to turning the people challenges into competitive advantages and need to;

- Understand the connections that link HR to metrics and strategy
 - By understanding how their company's overall strategy drives the demand for people
 - Understanding the bridges that connect strategy and HR
 1. Sourcing strategy
 2. Performance strategy
 3. Development strategy
 4. Affiliation strategy (the strength of the relationship with the employee)
- Deploy HR operational excellence to build an effective and trusting partnerships based on reputation and credibility
 - Build the capabilities of the HR team
 - Increase accountability and efficiency through automation, shared services, outsourcing and role clarity
 - Improve co-operation with the business

Reason for rating:



A comprehensive look at the European marketplace, the BCG has provided a clear rationale for HR functions that are looking to become business aligned. However, while the business need is clear, the 'how to' aspects are broad and lacking in practical advice.

Strengths:

The BCG data gives strong support to HR functions who are looking to build the business case for change and some guidance on how they might start this process.

Weaknesses:

This article, like so many, is short on detail about how HR functions can deliver against the people agenda e.g. by improving their capabilities and improve co-operation with the business. Despite veiled reference to the need to become better 'partners', there is also no comment on the importance of mindset and attitude.

Importance to HR Functions:

This book is of value to HR functions. The BCG have provided data to HR functions to enable them to support their business case with market data and give pointers for beginning their transformation journey.

Importance to HR Professionals:

Low. Despite some practical advice, most of this article is aimed at building the business case for HR functions.

CourageousHR's view:

This article is an important addition to the HR Director's reading list and will provide welcome, research based support to justifying the need for HR to become business aligned.

About CourageousHR

At CourageousHR we work with HR Professionals to guide and inspire you and your HR Community to move from being 'followers' to leaders. We bridge the gap between academic vision and consulting rhetoric to help you unlock your potential.

Our passion and thinking comes from our experiences, research and a belief that 'tomorrow doesn't have to be the

Exercise - How well do you compare against these BCG priorities?

Managing talent

HR is supporting the business to tackle its talent shortage by assessing the number, quality and type of talent it needs. In addition, it has tailored career tracks and reward schemes to retain specialists.

Rating Scale:



Evidence to justify your rating

What are the implications for your organisations if these issues are not resolved?

What changes does the HR function need to make to support the business?

What are the potential implications of making these HR changes?

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Managing demographics

HR is managing the risk of an aging workforce by forecasting, on a job family basis, how their current workforce will develop over the next 5, 10 and 15 years as well as taking actions to minimise the risk of losing capacity and knowledge as employees retire

Rating Scale:



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Becoming a learning organisation

HR is working with the business to find ways to prepare their employees to cope with the complexities and accelerated speed of an increasingly global economy recognising that businesses will succeed or fail based on how well they link employee training to their business strategy.

Rating Scale:



Evidence to justify your rating

What are the implications for your organisations if these issues are not resolved?

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Managing work-life balance

HR has designed for the business flexible work arrangements (such as flexible working hours, opportunities to work from home and job sharing) in order to attract and retain highly talented individuals. In addition the business enthusiastically and visibly embraces corporate social responsibility.

Rating Scale:



Evidence to justify your rating

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Managing change and culture transformation

HR has developed tools and methodologies that help and guide line managers in communicating to employees the need for change – and empower them to bring about such change.

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