2012 Human Capital Challenges and Priorities

Research study

A research initiative run by Optimis Human Capital Management and sponsored by HR Today

HR Today

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Purpose of the study

Purpose

The purpose of this study is to investigate the 2012 Human Capital Challenges and Priorities for organisations and their HR functions in the Suisse Romande area. Human Capital is a key driver of organisational success and it is evident that globalisation, the current economic climate and technology are posing new and complex challenges for the Human Resources function and the organisations they serve.

The importance of human capital management is increasingly recognised, as it is through human capital that organisations can find a sustainable source of competitive advantage. In the words of the late Professor Sumatra Goshal,

> "Future business performance will not results from traditional capital management any longer … but from Human Capital."

Methodology

The study was conducted using the Optimis online survey platform over the period December 15th to January 31st in partnership with HR Today. The survey (Annex B) was designed to capture organisational and HR challenges, proposed responses to the challenges identified and the HR competencies required to succeed. Ample opportunity was provided for commentary related to each of the main areas to enable a thematic analysis of the issues and solutions.

Optimis clients, subscribers of **HR Today** and members of various HR associations and networks were invited to participate in this survey. We also offer a special thanks to the HR online forums in the Suisse Romande that allowed us to post the survey link and encouraged their members to respond.

High level report of consolidated findings

This report provides an overview of the consolidated findings and is available on the Optimis website www.optimis.ch. Demographic data was collected to facilitate comparisons among subgroups of participants and across industries, although these findings are not reported in this paper. Should survey participants or other readers wish to delve deeper into the findings please contact Optimis directly.

Research study participants

The survey attracted 184 respondents from a wide range of industries representative of the secondary and tertiary sector industry breakdown in the Suisse Romande.

Participants by industry

The survey attracted a total of **184 respondents** across a wide range of industries. As indicated by *Figure 1* below, the largest group participating was from the services industry and the second largest group was from the non-profit sector, followed closely by banking and manufacturing.

Further, the industries below can be grouped into **secondary sector** (Manufacturing, Biotechnology and Consumer goods) and **tertiary sector** (Non-profit, Banking, Medical, Education and Services) industries. The proportion of survey respondents in the secondary and tertiary industry sectors is 22.1% and 77.8% respectively. This proportion is closely aligned with the Suisse Romande split between secondary sector (22,7%) and tertiary sector (77,3%)[1] industries, suggesting that a representative sample was achieved for the Suisse Romande.

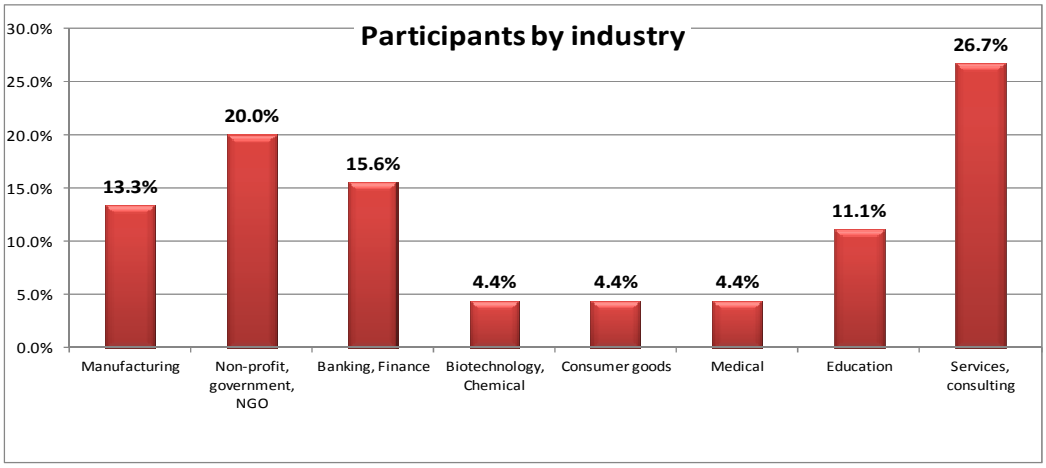


Figure 1: Participants by industry

Participants by organisation size

A breakdown of participants by organisation size can be made as follows and represents a balanced grouping, slightly skewed towards small organisations.

Participants by organisation size		
Small organisations	**(1-100 employees)**	39%
Medium organisations	**(101 to 1000 employees)**	33%
Large organisations	**(1000+ employees)**	28%

Figure 2a: Participants by organisation size

[1] Source : Swiss Federal Statistic Office, 2011

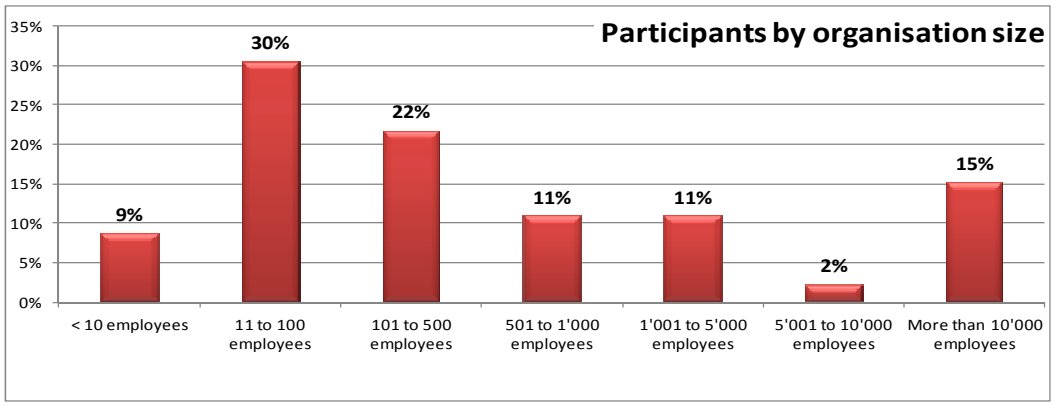


Figure 3b: Participants by organisation size

Participants by position

Among survey participants, approximately one third of the survey population were at the most senior levels in HR – Head of HR or HR Director. An additional 42% are classified as HR managers or HR professionals, followed by 16% identified in consultancy roles. Almost 10% of the responses came directly from business leaders. With this overall profile of respondents we are confident to have captured a rich perspective on the 2012 Human Capital challenges and priorities for organisations in the Suisse Romande.

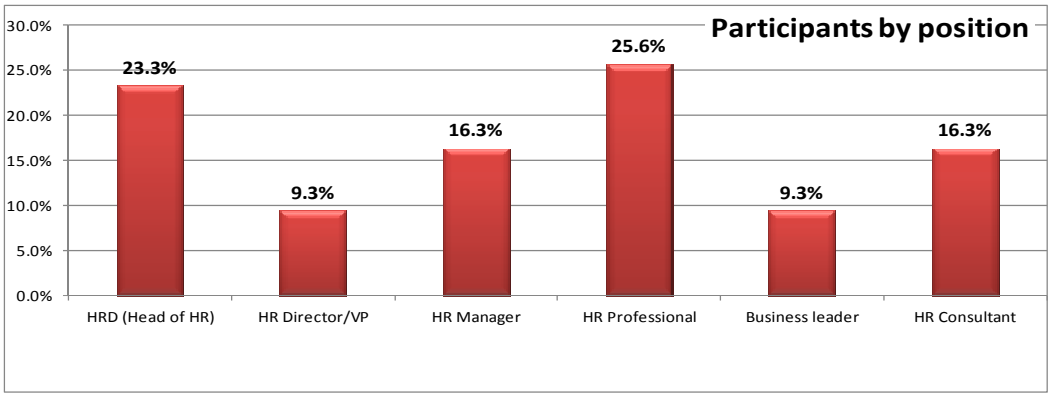


Figure 4: Participants by position

Organisational challenges

The question on organisational challenges elicited the greatest number of comments for any question in the survey, with the following three themes emerging clearly.

1. Sustaining organisational performance in the current economic climate

The economic climate and financial performance was the dominant theme by a wide margin. At least 70% of the comments referenced the economy and the resulting pressures on the organisations to perform under suboptimal economic conditions. Global competition and decreasing demand placed high pressure on margins and cost control. An uncertain global outlook and high exchange rate fluctuation made it difficult to forecast future periods, fuelling indecision on strategic matters.

2. Responding to the financial and competitive challenges

The overall challenge is overcoming current pressures on organisational performance and the related organisational changes that impact staff engagement and motivation

The requirement to "do more with less" has spurred organisations to rethink their business model, organisational structure, staff roles, staffing levels and future talent requirements. Many organisations found that they were not structured correctly for the current conditions and could not maintain acceptable profitability levels, resulting in low or no compensation increases and some staff cuts. Restructuring, staff cuts, reduction of overtime and redefinition of staff roles were some of the solutions cited in response to the financial and competitive challenges faced in 2011 and expected to continue in 2012.

In sum, organisations are focusing on becoming more efficient and effective. Many also mentioned the necessity to ensure focus on quality, product competitiveness and people performance by introducing relevant key performance indicators (KPI's) to making sure that various aspects of organisational performance are tracked. There is increasing pressure from the business to establish clear accountability measures of HR performance.

3. Engaging and motivating staff

Motivating staff under the current conditions was cited as a major challenge by about 30% of the respondents. Many organisations were undergoing significant change in the way that they worked and, coupled with uncertainty, this was perceived as affecting staff motivation. Absenteeism, low productivity and conflict were identified as consequences of lower motivation.

Given that many staff members face employment uncertainty, additional workload, stagnant pay levels, a market with fewer full time positions and even low or negative performance of their pension funds, it is not surprising that engagement was one of the top three themes.

People related challenges

The question on what challenges people face in their organisations elicited the second most number of comments for any question in the survey, with the following two clear themes emerging:

1. Providing a full range of support for the talent pool

Developing staff and teams to respond to increasing demands

The references to talent management ranged from broad descriptions of the full talent cycle to a specific focus on one element of the cycle, e.g. attraction, recruitment, development or retention of talent. The focus for some was on the entire talent pool, while others placed an emphasis on high performers, senior leaders (and their successors), middle management and even new managers. What was clear is that managing talent was the top people related dimension reported.

Training and development of staff at all levels was cited as a challenge in the face of lower budgets and insufficient staffing of HR. More emphasis was placed upon traditional training courses than on developmental assignments and staff mobility. Key capabilities to develop were leadership, to respond to current organisational change challenges, and client orientation (internal and external), to respond to increased competitiveness requirements.

In the current business context, organisations have been demanding a high degree of flexibility from their staff as they change strategy, restructure and redefine the required roles. It is critical that staff are supported to develop the skills to meet these demands. Paradoxically, business uncertainty made this more difficult to accomplish as organisations struggled with clear definitions of their new strategies.

Another key challenge cited frequently was the development and the cohesion of teams, including traditional teams within a function, cross-functional teams, project teams and virtual teams.

Another key challenge cited frequently was the development and the cohesion of teams, including traditional teams within a function, cross-functional teams, project teams and virtual teams. The skills to lead a cross functional project were particularly critical and often reported to be in scarce supply. For example, several respondents commented on the critical importance of cross-functional to support organisational change and the difficulty in identifying internal talent with the skill set necessary to bridge functional silos.

2. Keeping staff engaged and motivated

This is also one of the top organisational challenges and survey respondents viewed it as an area where HR should take a leading role. The underlying causes cited in the previous chapter were reinforced. Linking engagement with the other challenges such as performance management, development and retention strategies was clearly underlined.

Nonfinancial rewards such as recognition, career development opportunities and a sense of purpose were mentioned as opportunities to motivate staff that had not been well captured. A number of respondents cited the need to review and renew their performance management processes to better align their practices and create a consistent context for high achievement without excessively complicated processes.

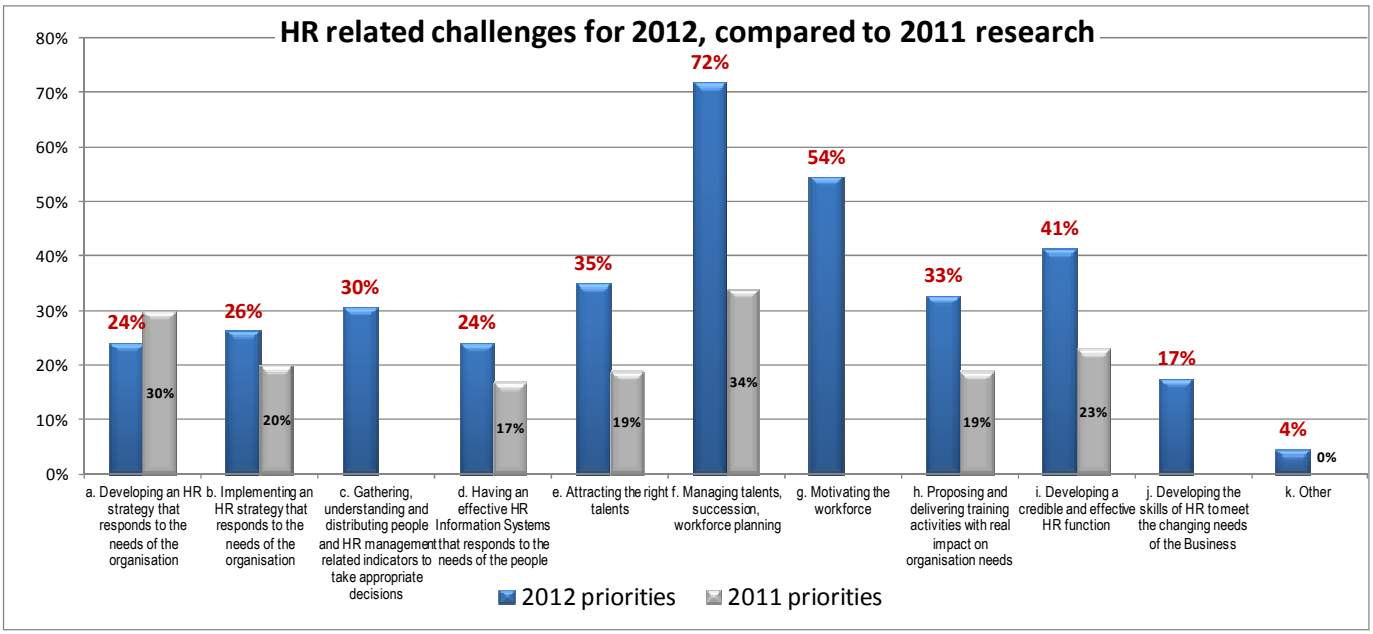
About 10% of respondents identified the importance of communicating the strategy to staff so that they better understood what the overall organisational plan was as they fulfilled their role. Current research on staff motivation confirms that a clear understanding of an organisation's strategy is an important driver of staff engagement. Motivating the multiple generations (Baby boomers, X, Y) with their different expectations was cited as a particular challenge, as was creating a climate where innovation was valued.

HR function priority challenges for 2012

Managing talents is the top priority challenge cited in both 2011 and 2012, but shows a strong relative increase in 2012.

In the chart below, the results of this 2012 research study are compared to the ***seven overlapping categories*** of a similar study that Optimis undertook with HR professionals in the Suisse Romande in early 2011. The difference is that four additional categories were added to the 2012 questionnaire and these new categories are not directly comparable with the previous survey results.

The 2011 results were more evenly distributed across the seven criteria than the 2012 results with only two categories showing a reported frequency of 30% or above. In 2012, six of the 11 categories have a 30% or above reporting frequency with managing talents and motivating the workforce reporting frequencies in excess of 50%. Of particular interest is that managing talents is the top category in both years, but shows a strong relative increase in 2012.



The three top priorities for the 2012 HR related challenges are as follows:

1. Managing talents, succession and workforce planning (72% of responses)

This priority is further reinforced by the priority of "Attracting the right Talent" (35%), which confirms the number 1 "people related challenge" in the previous chapter. The focus of this theme was on planning for, attracting, retaining and developing talent, particularly staff in business critical positions and high potentials. Recruitment was the area that had the greatest number of comments with survey participants citing the lack of talent available for certain key positions and the challenge to adapt recruiting processes to incorporate social media. In addition, some are looking at new flexible recruitment arrangements to respond to increased pressure during this period of rapid change. Linked to this was the need to better plan for talents and manage the succession planning for strategic positions, especially necessary to create continuity and sustain performance. Talent retention concerns were highest for key positions and the question raised was how to gain the long-term commitment of these staff, linking to the engagement and motivation challenge (see below).

Experiential learning through simulations and practical exercises were the training approaches favoured to produce the highest impact on skill development.

Another high scoring item (33%) that can be considered related to the broader talent management concept is "proposing and delivering training activities with real impact on the organisation." This reinforces the "developing staff" aspect of talent from the previous chapter. HR professionals indicate clearly the need for development experiences such as "stretch assignments", staff rotations and project work in addition to the more traditional training workshops. Experiential learning through simulations and practical exercises were the training approaches favoured to produce the highest impact on skill development.

2. Motivating the workforce (54% of responses)

Motivation was perceived as the number 1 retention priority. Comments on this dimension were primarily focused on finding ways and drivers to enhance motivation to face the current changes and pressures. There was some recognition of the limits of traditional compensation and benefits approaches to drive motivation and a need to build a culture with a number of non-financial motivators related to establishing a shared purpose, fostering equity and providing development opportunities. Several respondents made comments related to the work of Dan Pink as particularly inspiring in this area, with its focus on the development of purpose, autonomy and mastery to foster sustainable motivation. Most recognised that they must improve their performance management approach to align with these motivators rather than with financial rewards only.

Approximately 20% of respondents expressed the need to know more about the level of staff motivation in their organisations. This suggests an opportunity to be systematic in the collection of staff motivation data and the need for a deeper analysis of the key drivers of motivation for these organisations.

3. Developing a credible and effective HR function

(41% of responses)

This priority confirms the need for HR to bring valuable solutions to the organisation and the line managers during this challenging period, especially in terms of talent management and staff motivation.

In order to be credible and effective, respondents suggested that HR should do several things:

- Work collaboratively with top management to craft the HR strategy
- Enhance the business skills of HR executives and HR staff
- Establish KPI's or measures of performance that link HR to the business and highlight the value of people, of HR processes & services, and of the HR function as such
- Develop and implement the tools necessary to manage the data and processes

There was a strong emphasis on the need to have the required data, measurements, systems, processes and skilled professionals to implement the HR strategy.

There was a strong emphasis on the need to have the required data, measurements, systems, processes and skilled professionals to implement the HR strategy. Under the current operating conditions, HR would have a strong change agent role in aligning the people contribution to the new business strategies.

These priorities are consistent with the organisation and human capital challenges cited in the previous chapters, and illustrate where HR professionals perceive they will be able to make the biggest impact on the organisation's success.

One participant succinctly captured a dominant theme in the responses to the question of how HR can address these challenges by stating that:

"HR must implement a well-defined strategy that is linked to the business, communicated to key stakeholders and managed through measurements that are related to specific goals."

Business leader respondents had the ***same top 3 priorities*** as the HR respondents. This supports the fact that business leaders recognise the human capital dimensions of their current business challenges and are expecting HR to play a critical business results.

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Organisations with an identified HR Strategy

Research demonstrates that an important determinant of HR performance is to have an HR strategy that is aligned with the business strategy. In uncertain and challenging business climates, it is perhaps more difficult to craft an HR strategy that is linked with the changing business requirements.

In our sample, 54% of respondents reported that their organisation had an identified HR strategy. The remaining 46% claimed that there was no HR strategy or they were not aware of one. This is ***a significant area of opportunity*** for those organisations to begin thinking strategically about HR, documenting their strategy and communicating it to stakeholders in the business.

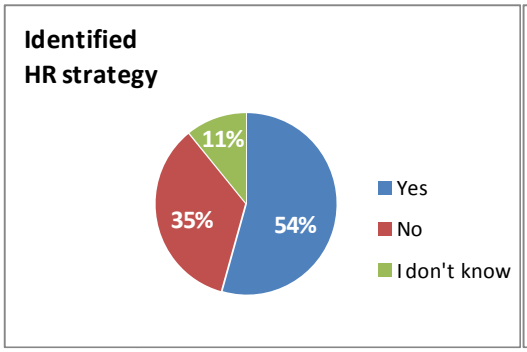


Figure 6: Identified HR strategy

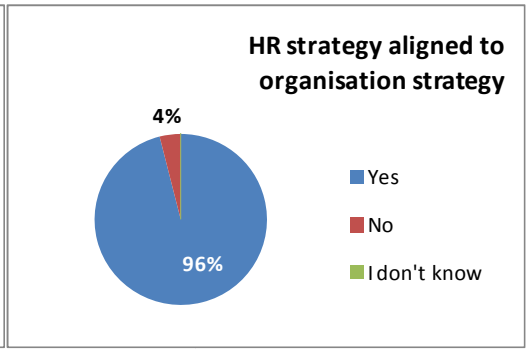


Figure 6: Alignment of existing HR strategies

Organisations with an aligned HR strategy

Of the respondents reporting that they have an HR strategy, 96% claimed that the HR strategy was aligned to organisation strategy. This translates to just over half of total respondents reporting an aligned HR strategy. This result is promising and demonstrates that organisations with an HR strategy are mindful of the need to make the link with the broader organisation goals.

54% of respondents reported that their organisation had an HR strategy. Of those that had a strategy 96% claimed that the HR strategy was aligned to the organisation strategy

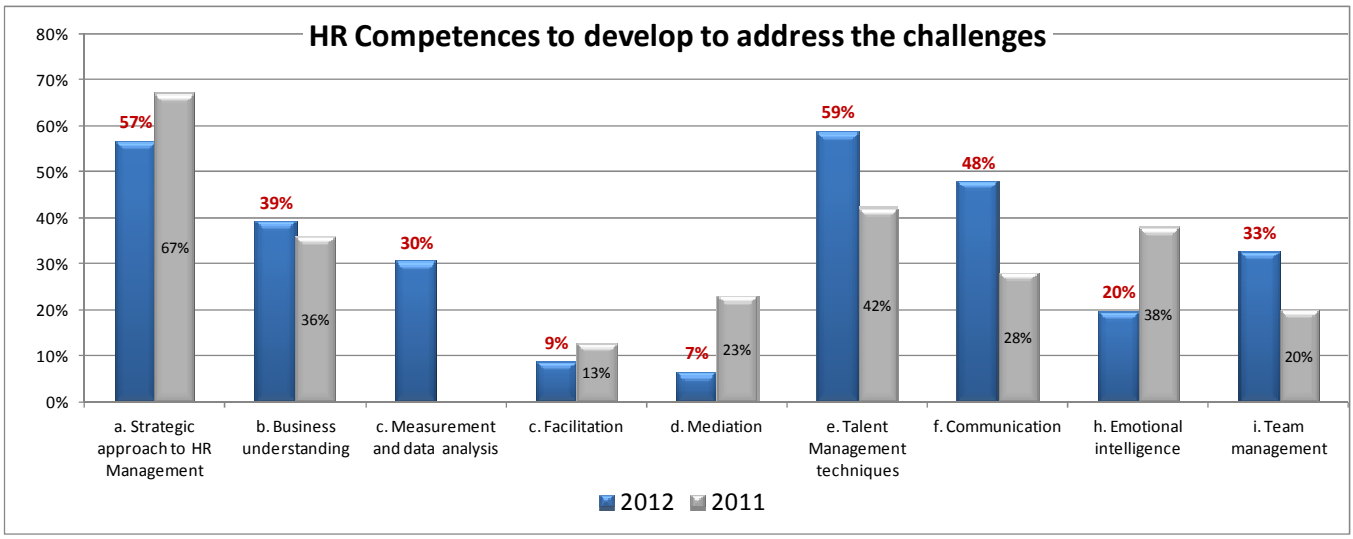
Key competences to develop for HR leaders

The comparative results for the 2012 and 2011 research studies are presented in the table below. The top two competencies for both years are talent management and strategic capability, with talent leading the way in 2012.

The top two competences for HR leaders to develop in 2011 and 2012 are talent management and strategic capability, with talent leading the way in 2012.

The top four competencies for HR leaders in 2012 are identified as **strategic capability**, **talent management**, **communication** and **business understanding**. Six of the nine competencies score at a 30% frequency or above. Team management is a theme that appears in other sections of this report and is the fourth rated competency. This pattern is broadly consistent with the overall findings in this report on organisational and human capital challenges.

The competency of measurement and data analysis was added in 2012 and was selected at a 30% frequency. This competency received the second largest number of comments after strategic capability, with an emphasis placed on the need to have sound indicators to communicate with the business and establish meaningful measures (KPI's) that demonstrate the impact and the value of Human Capital and of the HR function, rather then less useful traditional HR indicators such as turnover and absenteeism.



Learning & development priorities

As anticipated, respondents identified specific development needs linked to the competency gaps illustrated in the previous chapter. The feedback can be clustered into three learning and development priorities for 2012, as follows:

1. Developing and implementing Talent Management processes

The focus here was on the identification, retention and management of high performers, *as well as solid performers*. Improvement in processes such as workforce planning, recruitment (with the use of social media), succession planning, career development and selection through assessment methods were mentioned. The development of the broader talent pools was considered critical with leadership programs for all levels of management cited most frequently. An integral part of the development picture was the recommendation to focus on competencies and a full set of learning opportunities beyond traditional classroom sessions. The issue of mobility arose in several cases where the pressure for frequent moves was inconsistent with the needs of dual career families and could cause the loss of some talent if the policy was not flexible enough.

The business partner concept was frequently mentioned as an HR role in need of further attention and development, as well as the ability to manage the changing environments, priorities and organisation structures.

2. Developing HR Strategic capabilities

The capability to develop and implement an HR strategy aligned with business strategy was the key dimension of this learning and development theme. Respondents also focused on communicating the strategy, making it sustainable and incorporating key indicators to measure progress. There was a strong recognition that all levels of HR needed to be more skilled at effective implementation of HR strategy. The business partner concept was frequently mentioned as an HR role in need of further attention and development, as well as the ability to manage the changing environments, priorities and organisation structures.

3. Building Staff Engagement

This learning priority had a more general focus than the other two, with an emphasis on developing a better understanding of what motivates staff and how to create an environment which produces high levels of staff commitment. Some of the challenges identified here were the complexities of engaging a diverse and often global workforce. As well, the generational differences (e.g., Gen X and Y) were referenced as important to understand when thinking about staff engagement. The focus was on looking at what could be done to motivate staff beyond financial rewards in the current economic climate. Respondents are looking for standard methods to measure people engagement/motivation (through surveys or other methods) and to address them.

Other learning priorities that received a significant number of mentions are as follows:

Leadership & Management competences, Managing conflicts, Communication in an uncertain environment, and equity in reward and recognition.

Conclusion and future outlook

Alignment of the HR strategy to the organisation strategy is fundamental to establishing an awareness of what HR does and how it adds value to the business. An underlying theme in this research is that HR recognises its need to partner with the business at the strategic level and to make its value proposition known through the implementation of measurable interventions on the talent pool of the organisation.

In summary, the results of this research suggest that more attention should be placed on the following:

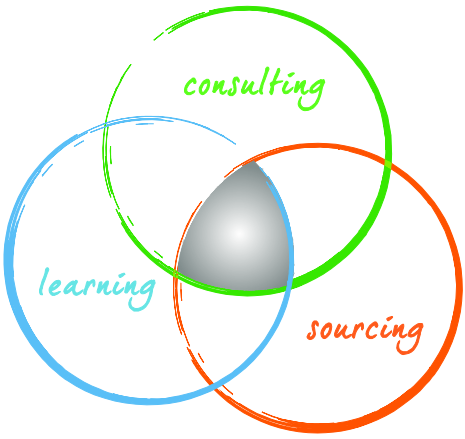
HR recognises its need to partner with the business at the strategic level and to make its value proposition known through the implementation of measurable interventions on the talent pool of the organisation.

1. **HR Strategy**
   Develop, communicate and implement an HR strategy that is fully aligned with the organisation or business strategy. Only just over 50% of the organisations surveyed had an HR strategy;
2. **HR Processes**
   Improve processes, systems and measures to support the implementation of the HR strategy and substantiate the contribution of HR to the organisation;
3. **HR Metrics**
   Define, measure and communicate relevant HR metrics to support the communication of HR with the business, to measure impact and to drive accountability;
4. **HR Staff Capabilities**
   Address the "gaps" in HR staff capabilities at all levels to drive the implementation of the HR strategy. Knowledge of the business is a significant gap for many HR professionals, leading to reduced credibility with the business and a reinforcement of the administrative role of HR;
5. **Talent Management**
   Implement broad-based talent management practices that encompass the full talent pool. These practices begin with attraction and recruitment, with retention largely a function of staff engagement;
6. **Staff Engagement**
   Sustain retention through staff engagement and motivation by understanding and addressing the drivers for the staff in a specific organisation, coupled with a "constant improvement" mindset. In tough times, companies will often lose their top talent first as they are likely more confident and rightly perceive they have more opportunities in the market;
7. **Learning and Development**
   Improve development practices and opportunities critical for increasing engagement and retaining staff. These should go beyond the traditional training courses, extending to "stretch assignments", project work, mentoring, rotation options, etc. The key relevant capabilities to develop during this period of uncertainty and change are leadership and people management, change management, communication and client orientation.

The first four actions set the stage for purposeful, strategic action that achieves business results through human capital solutions in the areas of talent management, staff engagement and learning which are captured in the final three action points.

Annex A: About Optimis

Optimis is an international consultancy group based in Switzerland. We specialize in Human Resource Management services that support organisations from the private and public sectors reviewing, developing and optimizing their Organisational and Human Resource Management strategies, structures, processes and systems. We are a group of senior professionals committed to measuring the benefits of our client's investment and operating as a strategic advisor in achieving the optimal returns, financial as well as organisational.



Our service areas are split into three main sectors:

Optimis Strategy Consulting

Below are several areas where Optimis offers strategic consulting services:

- Understanding the organisational context, challenges and issues of our clients through organisational surveys organisational analysis and functional audits
- Defining and developing appropriate organisational and HR strategies, structures, policies, processes and systems to address organisational issues
- Implementing the recommended solutions through rigorous change management and learning activities to ensure successful execution

Optimis Learning

Optimis provides customised learning programmes designed to meet the organisation's needs and to build the management and leadership capabilities. Optimis delivers enterprise wide learning solutions for your leadership and management teams. We use experiential applied learning techniques and seasoned facilitators to draw out the potential of individuals, groups and entire organisations. Our learning architects assist in the design of custom programmes that are linked to our clients' priorities and the specific capabilities required achieving their goals. Through a mix of learning and coaching, we help them create an environment where engagement, performance and learning is fully integrated into the day-to-day activities and is everyone's priority.

Optimis Sourcing

We support your strategic change initiatives with expert selection and assessment services to ensure you have the right talent to implement your organisational strategy. In addition, we provide interim management placement to support our clients in accessing difficult to find profiles

Annex B: Research questionnaire

The questionnaire used for this research consisted of the following questions:

1. Identify the two main challenges facing your organisation over the next 12 months that you feel concerned about
2. List the two main challenges facing people in your organisation
3. My Management/HR Function has a clearly identified HR strategy (Yes/No)
4. If yes to question 3, I believe this HR strategy is well aligned to the organisation/business strategy
5. In your view, what are the 3 main challenges that your HR function faces in 2012
    a. Developing an HR strategy that responds to the needs of the organisation
    b. Implementing an HR strategy that responds to the needs of the organisation
    c. Gathering, understanding and distributing people and HR management related indicators to take appropriate decisions
    d. Having an effective HR Information Systems that responds to the needs of the people
    e. Attracting the right talents
    f. Managing talents, succession, workforce planning
    g. Motivating the workforce
    h. Proposing and delivering training activities with real impact on organisation needs
    i. Developing a credible and effective HR function
    j. Developing the skills of HR to meet the changing needs of the Business
    k. Other
6. Please briefly comment and describe your choice above
7. How do you or your HR Function plan to respond to the challenges above?
8. What are the 3 main competences that HR should develop in order to address these challenges?
    a. Strategic approach to HR Management
    b. Business understanding
    c. Measurement and data analysis
    d. Facilitation
    e. Mediation
    f. Talent Management techniques
    g. Communication
    h. Emotional intelligence
    i. Team management
    j. Other
9. Please comment on your choice above
10. If you had to choose one important Human Capital topic to research and develop learning content around in 2012, what would it be?

Followed by demographic questions.

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