

TRENDS IN HR

ARE YOU A MODERN EMPLOYER?

INTRO

HR has come a long way in the last 10 years. Coming from a traditional administrative role, HR has worked hard to revitalize its services, aiming to better fulfill its strategic and tactical role. Administrative services have been optimized and made as (cost-) efficient as possible. Now that most organizations have achieved this minimum standard, the focus can be turned towards strategic and tactical support of the business. External factors and the increasing complexity of the business environment all indicate that companies should gather their forces to try to differentiate themselves from the competition, and to survive in this turbulent world economy. HR, as a crucial supporting element of the company, takes the lead in determining any developments that play a part in any business decisions.

The start of a new year is a good moment to reflect upon activities and make new plans. Do the HR goals still match those of the company? Or are external factors developing so rapidly that the goals must be re-evaluated to enable the company to meet new challenges? In this article we aim to challenge HR to think about this by listing the most influential external factors, and to translate these findings into possible goals for HR in 2008.

ABOUT THE AUTHOR

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Prior to her current position, Anita was responsible for the business unit Innovations & Technology Services. She has extensive experience working for Dutch organizations and acquired a high amount of international experience, working on different global projects with multinational teams. Anita is a regular guest speaker on the subject of HR Transformation and Outsourcing and has published many articles and white papers.

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EXTERNAL FACTORS

When looking at external factors, we think the following factors have an effect on how the company operates, company strategy, and thus also on HR strategy. The extent is different for each company, depending on the position of the company, and needs to be evaluated.

1. Economic:
 - a. Unemployment for higher educated people is at an all-time low.
 - b. Volatility in the stock markets has led to a world-wide financial crash.
2. Demographic:

The demographic makeup of the society is shifting: young people (generations X and Y) can in numbers not replace the retiring generation (baby boomers)
3. The business sector is changing from a capital-intensive to a knowledge-intensive economy. Capital belongs to the company, whereas knowledge belongs to the individual.
4. Globalization: New technological advances allow for work to be done there where knowledge is most readily available, or where the price is lowest. Terms such as near shoring, off shoring and outsourcing describe this phenomenon.
5. Partnerships: Companies are forming partnerships with each other for the duration of a project (think of Philips and Sara Lee to create Senseo). This even occurs between competing companies. The borders between companies are thus becoming less strict.
6. Compliance: Companies, in particular those listed on the stock market, must comply to an increasing amount of rules and regulations to be allowed to operate.
7. Individualization: Society no longer consists of groups of people, but of individuals, each with their own goals. They demand individual solutions, not only with respect to the place and type of work, but also to compensation and benefits, free time and work-life balance.

It is crucial to place the development of the company in the context of these external trends to be able to adapt to them as an HR department: if the company is downsizing, then the fact that part of the workforce is becoming younger might not be much of a problem. A small labor market has a different effect on a company that focuses on customer intimacy than it would on a company that prides itself on operational excellence. The role of HR is ultimately to focus on goals that suit the combination of external factors and internal developments, and which will galvanize the growth of the company. In the remainder of this article, we will discuss the HR trends that we have observed. The urgency and applicability of these trends to your own organization will be different for each company.

TALENT MANAGEMENT

The extent to which a company can respond to external opportunities and threats is being determined more than ever by the talent of its employees¹; the knowledge and abilities of the workforce and the manner in which the organization is able to turn these assets into value are all determining factors. If talent is managed adequately and the interests of the employee and the organization tuned in to one another, this will be to the advantage of both parties. The employee will be competent, and the company will offer him or her sufficient opportunity to develop.



The talent lifecycle (see illustration) initially focuses on listing the required abilities, then on strategic workforce planning. Workforce planning allows one to find a suitable relationship between the company strategy and the abilities of (future) employees: is the strategy achievable with the current set of skills? In the service economy, knowledge is becoming extremely important: if the company does not possess the right knowledge and abilities, the company strategy cannot be executed, and this will affect the future of the enterprise. Knowledge can then be seen as a part of the 'company capital', in the same way that a machine is. Through planning HR can foresee any excesses and/or shortcomings of abilities and act upon this before it is too late.

¹ To put this volatility into perspective, one has to note that the company profits from the intelligent combination of the knowledge of several individuals. The departure of one employee thus does not lead to the loss, but to the leakage of knowledge.

As knowledge exists in the mind of the employee, company capital is a lot more volatile than in the past, and the company will have to put more effort into holding on to its employees. The way we look at employees is changing: where organizations are used to thinking in terms groups of employees, companies are now differentiating based on rare abilities: some employees are simply crucial to the company. HR will have to ensure that this differentiation is emphasized in appraisal and reward schemes, so that crucial employees feel recognized and valued and other employees do not feel ignored. HR also has to support the business by ensuring that adequate knowledge-sharing methods, training and development opportunities are in place, so that a sufficient capacity (in terms of abilities) is available.

Differentiation is also required to ensure that career plans are carried out. A manager relies on a stable team, and will not be inclined to allow a well-performing employee to move into another part of the company: this would be at the cost of his own results. This is not in the interest of the larger whole, though. For the company it is preferable that HR identifies new talent, stimulates their development, and offers these employees challenging opportunities within the company. This is especially true when dealing with members of the new generations: they are used to think in projects, and without hesitation will switch to a different employer that offers them more challenging work, if they view their current work as uninteresting.

BRAND AWARENESS

Talent is not only present within the organization, but also outside it. It is HR's role to identify talent, to develop it, and to incorporate it into the organization. To continue to provide services and to be innovative as a company with a small labor market containing a limited amount of talent, being able to spot talent is crucial. Principles that are true on the commercial market are equally true on the labor market. Just like you have to convince clients of the indispensability of your product or service, you have to convince new employees of your uniqueness, and bind current employees to your company. This is about brand awareness: who you are and what you stand for is important in the eyes of the employees that spend a large portion of their week with your organization.

MARKETING TECHNIQUES

In a tight labor market brand awareness is not easy: an elaborate campaign is simply too expensive for most companies. HR must find a way to create a coherent image, so that the same image is portrayed both on the inside and on the outside, and the company earns an individual identity. The story being told during campaigns must match the inner workings of the company. Future employees have enough (internet) channels available to them to check the validity of a story against the truth. If an innovative digital campaign is set up, making use of social networks, multi-media tools, etc., then the new employee will expect to see this approach in the internal workings of the organization. If the image does not match the truth, then it will be seen as marketing. While growing up, in particular the new generation has been exposed to a wide variety of marketing-techniques, and sees straight through them.

GENERATION Y

Brand awareness is complicated by the fact that for the first time in history four different generations, with sometimes different expectations, can be found on the labor market. Whereas baby boomers tend to spend long periods of time with one organization and advanced their career based on knowledge and experience, the younger generations tend to follow a non-linear career path. They want to gain as much knowledge and experience as possible, and do not hesitate to change paths repeatedly. Furthermore, the use of channels is different: baby boomers respond to advertisements in the printed media, whereas generation Y is used to working digitally, and makes use of social networks and similar options (they probably will not even see your advertisements, but will apply through a contact). As most companies only have a limited budget for promoting themselves on the labor market, HR has to make intelligent decisions. This is only possible if HR has an insight into the needed personnel, and how these future employees can be contacted on the labor market. Differentiation and segmentation can also be a useful tool in this domain: a social network can be a good way to bind a particular group to your organization.

SOCIAL INNOVATION: WORKING MORE INTELLIGENTLY

The tight labor market, in combination with a multitude of technical developments, is leading to possible alternatives to the traditional working day, and is forcing companies to look at work differently. Social innovation is about renewing the labor process, with as goal the increase of productivity and participation². Social innovation revolves around, amongst other things, working more intelligently, and assigning and organizing work differently. The era that all employees come to the office and spend the day together from 9 to 5 in the same place lies behind us, but only a handful of organizations are actively promoting this change.

In the IT-branch it is already common place to work in virtual teams, split up an assignment and contribute to it from all over the world, so that an assignment is being worked on 24/7. Even though this is not a viable option for all sectors, the way work is being assigned is becoming more flexible and more project-based. The company appeals to the knowledge that they need at a particular moment. Because the knowledge is with the employee, and the employee can choose, he or she will be less tempted to opt for a traditional manner of work, and is more likely to associate him or herself with the company only for the duration of a project.

FLEXIBLE TIME AND PLACE

The decreasing mobility and ageing of the population are putting pressure on the availability of talent and ensure that companies are speedily looking for alternative solutions (working from home, flexible work-times, policies that take into account the personal situation of the employee) to commit talent to the company. We can conclude an interesting paradox: on one side, the employees are demanding a better balance between their working and their private life, and on the other, their private and working lives are becoming increasingly entwined, as people are working from home at times that are most convenient for them. Social innovation is also leading towards a flexible attitude towards work: we observe an increase in flexible contracts, temporary contracts, mother/father contracts and flexible employment conditions. More experienced employees are switching to freelance work, or are working on assignments towards a final result, where employees can determine themselves (within reason) the time and place of work, as long as results are produced at a certain time. Organizations are also introducing

² According to the definition of the AWWN. Wikipedia states that, although the term social innovation is more common, the concept of innovative organization properly covers the topic better.

employment contracts of fixed length (e.g. three years), where the employability of the worker is looked at very closely before an extension of the contract is offered.

RESPONSIBILITY OF HR

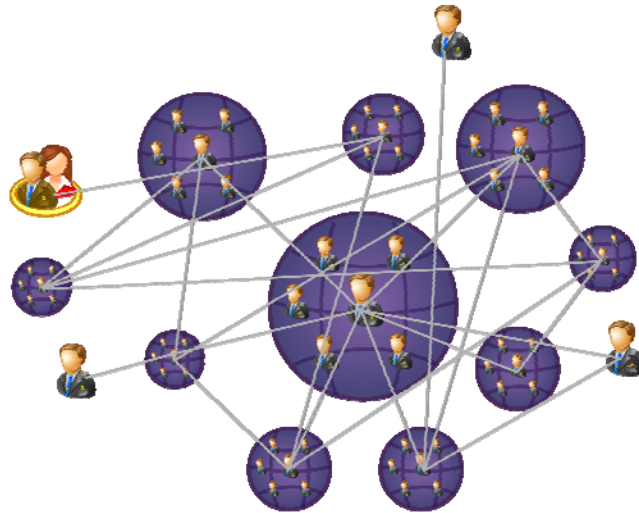
Social innovation demands a change in the way both management and the employee work, and emphasizes the need for a new form of guidance of (both permanent and flexible) employees during the process of working towards an end result, instead of daily guidance. HR has to take a leading role in organizing this change and establishing this new way of working. For example, how do you evaluate employees if they are working towards a result? HR has the responsibility of equipping managers with the answers to questions such as these. This is, after all, a new way of working for the managers, too.

More than before, HR must involve itself with the strategy of the company, and will have to turn these choices into a viable policy. HR will have to initiate the discussion on how this changes relationships within the company, and how this affects contractual terms and conditions. Which abilities do you only employ on a project-basis? What is an acceptable relationship between flexible and fixed contracts for the company? To what extent can one individualize the contractual conditions? To avoid conflicts, HR must come to clear statements when determining who belongs to the core of the organization, who belongs to the network, and who is separate. It is the responsibility of HR to not implement social innovation as a reaction to problems, but as a new possibility where both the employee and the employer can be challenged to innovate as part of a mature working relationship in an attempt to increase productivity.

LEADERSHIP AND COMPANY DEVELOPMENT

The borders of the traditional company are fading: depending on the assignment, another company can be either competition or a partner, or sometimes even both at once. The result of this is that companies work together in various combinations: sometimes assignments are done in-house, and sometimes an assignment is performed in a team consisting of various partner and/or other external parties. To develop an organization, it is essential to create a network. This is above all a business responsibility.

INDIVIDUAL STRATEGY



Not only are the borders with the external world fading: the internal side of the business is also undergoing great changes. Because of the influence of private equity and sourcing strategies, mergers and acquisitions are becoming more common these days, leading to a constant need for both integration and separation of departments.

LEADERSHIP

If the borders of the company are becoming less clear and the organization is constantly changing, there is a strong need for leaders with a vision, which can tie employees to the company by keeping them intrigued. The role of HR in this is clear: they must ensure that there are sufficient leaders, and that leadership is enabled to take charge of these changes. Leading a virtual team spread out over several time-zones and cultures in a complex network-environment is a completely different ball-park to managing an office in one location or within a national context. New business leaders must be ready to act in complex, rapidly changing environments. A problem is posed by the ageing part of the workforce of many companies, as the current management teams will no longer be active within the next five to ten years. This is a direct threat to the growth of a company, and puts a lot of pressure on HR to identify the leaders of tomorrow, and to fill in this gap through plans for leadership development.

Changes in the company force HR to ensure that employees are treated well during any takeovers or separations. Changes not only have to be implemented, but must be incorporated into the behavior of the employees. Stubbornly doing things as before leads to a company becoming stuck in a rut, and does not lead to the desired agility and flexibility. Leadership throughout any change is crucial. The extent to which HR has been exposed to sourcing strategies within its own department, will significantly contribute to how they can deal with any integration or segregation.

SOURCING

The extent in which HR is accepted as strategic partner, is based on the credibility of the HR department. If HR operates in a professional manner, it has to ensure that the HR department is run in a professional manner. Too often the operational tasks of the HR department influence their capability to operate on a strategic and tactical level. HR must keep its tasks under control, and ensure that the department is organized for maximum efficiency and effectiveness. The insight that HR is handling its budget in a responsible manner is an important contributor to the acceptance of HR as a strategic and tactical partner.

The execution of a sourcing strategy means that every HR service (or HR process) is evaluated based on certain criteria, amongst which the highest quality, the best execution, the lowest costs and the most added value. The HR service is then executed by internal (or external) workers that offer the best value for money. The range of services and suppliers that thus comes to light is sometimes called the sourcing mix. *Mix* is the key word here: it is a misunderstanding that outsourcing is the only option. It is important to determine which services you want to provide, and who best provides the services.

SOURCING STRATEGIES

In a NorthgateArinso survey performed 2005³, we concluded that 81% of respondents use external parties for HR services. From this we established that the internal focus is on transactional processes, whilst external expertise is consulted in matters such as personnel-policy, training, recruitment & selection and career path advice: exactly the services that HR professionals in the new, more strategic role want to spend more time on. As HR is now hiring external experts to carry out these tasks, the question arises if this is due to a lack of time, or due to a lack of internal expertise. In most countries, the supply of small services specializing in HR is constantly growing.

The success of sourcing depends largely on good vendor management. In our research we concluded that only 16% of contracts are subject to an SLA. This creates a problem, as without an SLA HR cannot adequately evaluate the service the vendor offers. This means that HR loses its grip on the quality and the execution of the HR service. This also entails that HR does not have enough insight into the service, and cannot adapt itself to the growth or downsizing of the company. A good vendor management practice ensures that HR understands what is expected, but more importantly, that the vendor understands how the company is changing, and how their services should be adapted to this. Knowledge acquired like this can then be applied by the HR department within the company to benefit sourcing strategies in other company areas.

³ 'HR in beweging, wat beweegt HR? Op weg naar een nieuwe HR dienstverlening.' ARINSO/Reed Business 2005

KEY PERFORMANCE INDICATORS

If (turbulent) developments in the external environment lead to modifications within the company, these must be based on trustworthy facts and analysis. This is to avoid the organization continually reacting to changes at the cost of its own sense of direction. For HR this entails having detailed (especially qualitative) information on the performance and targets of personnel, and also supporting business scenarios through thorough analysis.

In the past few years many HR organizations have taken the time to create backend systems (often to comply with legal obligations) comprised of dashboards and warehouse solutions. As these systems save data in a non-ambiguous manner, they can offer a valuable insight into personnel information. Business' demand for key performance indicators is being continually better addressed by HR.

ANALYSIS

The next step is processing these numbers in the context of scenarios and analyzing the consequences. Beyond this, the company needs more complex data as to its productivity: utilization, contribution, turnover and profit. HR has to take the next step to meet the company's demand for adequate analysis of performance and target figures. This analysis is crucial to the success of the company strategy and to the achievement of HR's role as strategic partner.

An example to illustrate: Last year a client wanted to open a new outlet at a new location on the other side of the country. They hoped to circumvent the problems posed by the tight labor market and wanted to be located close to certain large clients. The agreements with the municipality were at an advanced stage, and the discussions with the project developer had already been initiated. In the meantime, HR took the initiative of starting a labor market analysis, from which could be concluded that, due to an ageing population, this region would not have enough qualified prospective employees (with the required knowledge and certification) within five years. Furthermore, moving employees to the region was not an option. Most probably the new location would only be able to work at half capacity. This conclusion led to the whole project being cancelled, and an expensive mistake was narrowly avoided.

One noteworthy point with performance and target figures is the best-of-breed solutions. In order for management information to be trustworthy, clear definitions are needed. This is increasingly more difficult when aggregating information from various systems, due to the fundamental differences in the way data is processed and stored. If information cannot be shared, it can not be consolidated. HR must keep this aspect in mind when mapping the system architecture to any potential expansions.

CONCLUSION

In the previous paragraphs we have attempted to explain what external factors we observe in the market, and how these translate to HR trends. How can this help you as an HR professional?

It is most certainly not the intention for the reader to apply the described HR trends systematically to their own company and services over the course of the coming year. Chances are that this would not take into consideration the current situation of their own company, thus completely foregoing the goal of trying to manage HR in a strategic manner.

A thorough analysis, based on the opportunities and threats in the external environment, and comparing these to the strengths and weaknesses of the internal environment of the company will give a better insight into which goals HR has to adopt to advance the business. In our experience, methods from marketing⁴ can be adapted quite easily for use within HR, and are quite applicable.

The most valuable advice that we can offer to HR when determining the strategy: if we assume that most knowledge-intensive companies consider their workforce as company capital, then it is essential that HR starts pro-actively providing the management of the company with reliable information and adequate analysis and predictions of that capital to support the company strategy. They are to supply accessible information about the population, future expectations with respect to talent and ability, productivity and availability. The average company has no idea of what kind of an impact a lack of talent paired with an ageing population will have on the company strategy. HR, just like business managers, must be able to translate external trends to future scenarios and determine the consequences for the company workforce. HR can thus instigate the discussion about the potential and the effectiveness of human capital, and can take responsibility. This strategic contribution to the achievement of company goals is the only way in which to become a serious and respected sounding board for management.

⁴ See for example 'Succesvolle marketingplannen' by S. Santema et al., 1999

NorthgateArinso was created in 2007 following the acquisition of ARINSO International by Northgate Information Solutions, thus creating a merged entity with combined more than half a century of HR expertise. NorthgateArinso is a leading global Human Resources software & services provider offering innovative HR business solutions to employers of all sizes, including Global Fortune 500 companies and many Public Sector organizations. They help HR executives optimize their HR service delivery through smarter process and more efficient technology, supporting key HR areas like workforce administration, payroll, benefits, recruitment, learning, and talent management.

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