Creating People Advantage

How to Address HR Challenges Worldwide Through 2015
The Boston Consulting Group (BCG) is a global management consulting firm and the world’s leading advisor on business strategy. We partner with clients in all sectors and regions to identify their highest-value opportunities, address their most critical challenges, and transform their businesses. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 66 offices in 38 countries. For more information, please visit www.bcg.com.

The World Federation of Personnel Management Associations (WFPMA) is a global network of professionals in people management. It was founded in 1976 to aid the development and improve the effectiveness of professional people management all over the world. Its members are predominantly the continental federations which are made up of more than 70 national personnel associations representing over 400,000 people management professionals. For more information, please visit www.wfpma.com.

For a complete list of WFPMA publications and information about how to obtain copies, please visit our Web site at www.wfpma.com.

For a complete list of BCG publications and information about how to obtain copies, please visit our Web site at www.bcg.com/publications.

To receive future BCG publications in electronic form about this topic or others, please visit our subscription Web site at www.bcg.com/subscribe.
Creating People Advantage

How to Address HR Challenges Worldwide Through 2015

Rainer Strack
Florent Francoeur
Andrew Dyer
David Ang
Jean-Michel Caye
Hans Böhm
Anna Minto
Michael McDonnell
Michael Leicht

April 2008

bcg.com
wfpma.com
# Contents

**Note to the Reader** 7  
**Executive Summary** 9  
**Surveying the Scene** 17  
Understanding and Mapping the HR Landscape 18  
Considering Business Challenges 18  
Seizing the Future 20  
Going Global in HR Topics and Actions 24  

**Exploring the Regions** 27  
North America 28  
Latin America 30  
Europe 32  
Africa 34  
Emerging Asia 35  
Established Asia 38  
Pacific Region 40  

**Tackling the Tough Topics** 43  
Understanding HR Actions 43  
Developing and Retaining the Best Employees 43  
- Managing Talent 44  
- Improving Leadership Development 47  
- Managing Work-Life Balance 50  
Anticipating Change 53  
- Managing Demographics 53  
- Managing Change and Cultural Transformation 58  
- Managing Globalization 61  
Enabling the Organization 63  
- Becoming a Learning Organization 64  
- Transforming HR into a Strategic Partner 66
Getting the Fundamentals Right

Restructuring the Organization 71
Delivering on Recruiting and Staffing 73
Mastering HR Processes 76

Addressing Other Key Topics 79
Managing Diversity 79
Enhancing Employee Commitment 82
Improving Performance Management and Rewards 86
Managing Corporate Social Responsibility 88
Measuring HR and Employee Performance 92
Providing Shared Services and Outsourcing HR 94

Closing the Gap 99
Taking Five Major Steps 99
Realigning the HR Portfolio 100

Appendix I: Profiles of Focus Countries 101
North America
  • Canada 101
  • United States 103
Latin America
  • Argentina and Chile 104
  • Brazil 105
Europe
  • France 107
  • Germany 108
  • Italy 109
  • Russia 109
  • Spain 110
  • United Kingdom 111
Africa
  • South Africa 112
Emerging Asia
  • China 112
  • India 114
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established Asia</td>
<td>115</td>
</tr>
<tr>
<td>◦ Japan</td>
<td>115</td>
</tr>
<tr>
<td>◦ Singapore</td>
<td>117</td>
</tr>
<tr>
<td>◦ South Korea</td>
<td>118</td>
</tr>
<tr>
<td>Pacific Region</td>
<td>119</td>
</tr>
<tr>
<td>◦ Australia</td>
<td>119</td>
</tr>
<tr>
<td>Appendix II: Snapshots of Additional Countries and Markets</td>
<td>121</td>
</tr>
<tr>
<td>Appendix III: Snapshots of Industries</td>
<td>137</td>
</tr>
<tr>
<td>Appendix IV: Methodology</td>
<td>141</td>
</tr>
<tr>
<td>Appendix V: Executive Interviewees</td>
<td>143</td>
</tr>
<tr>
<td>Appendix VI: Supporting Organizations</td>
<td>153</td>
</tr>
</tbody>
</table>
In 2007 The Boston Consulting Group (BCG) and the European Association for Personnel Management (EAPM) jointly published a groundbreaking report, *The Future of HR in Europe: Key Challenges Through 2015*. Based on a survey of more than 1,300 participants and interviews with more than 100 executives, it provided a compelling overview of the key human resources (HR) challenges facing European companies.

The response to the report was so overwhelmingly positive that BCG and the World Federation of Personnel Management Associations (WFPMA) decided to partner in order to launch a worldwide report on the future of HR. We are pleased to provide you with this report and welcome your comments.

This report combines the results of our research in Europe with the results of our research throughout the rest of the world. We have found that several of the ideas presented in the European report remain valid, and we have thus incorporated them here. At the same time, many new HR developments emerged during the preparation of our worldwide study, leading us to publish this comprehensive report that incorporates updated research, analysis, and suggestions for action for companies seeking to create people advantage.

**About the Authors**

BCG has worked closely with many leading companies around the world on a wide range of HR issues, helping with HR strategy, management, key performance indicators, and strategic workforce planning. BCG has assisted its clients in managing talent, organizing HR functions and entire companies, managing performance, redeploying the work force, and managing demographic risk. It has also helped companies establish shared service centers and outsourcing arrangements.

WFPMA and its member associations have worked to enhance the quality of HR management and to develop and elevate professional standards. Through its programs, HR executives have opportunities to garner insights and exchange ideas that enhance corporate and personal capabilities in HR.

Working together, BCG and WFPMA have sought to understand the HR issues facing companies today and, more importantly, in the future, and how best to address them.

---

**For Further Contact**

If you would like to discuss our observations and conclusions, please contact one of the authors listed below.

**Rainer Strack**  
Senior Partner and Managing Director  
European Leader, Organization Practice  
BCG Düsseldorf  
+49 211 3011 3236  
strack.rainer@bcg.com

**Anna Minto**  
Partner and Managing Director  
BCG Dallas  
+1 214 849 1529  
minto.anna@bcg.com

**Andrew Dyer**  
Senior Partner and Managing Director  
Global Leader, Organization Practice  
BCG Sydney  
+61 2 9323 5663  
dyer.andrew@bcg.com

**Michael Leicht**  
Project Leader  
BCG Düsseldorf  
+49 211 3011 3479  
leicht.michael@bcg.com

**Hans Böhm**  
Former Secretary General  
WFPMA, Singapore  
+65 6438 0012  
david@shri.org.sg

**Jean-Michel Caye**  
Partner and Managing Director  
Global Topic Leader, Human Resources  
BCG Paris  
+33 1 40 17 14 50  
caye.jean-michel@bcg.com

**Florent Francoeur**  
President and CEO  
WFPMA, Canada  
+1 514 879 1636  
wfpma@orhri.org

**David Ang**  
Secretary General  
WFPMA, Singapore  
+65 6438 0012  
david@shri.org.sg

**Michael McDonnell**  
Former President, EAPM  
President, CIPD, Ireland  
+353 1 676 6655  
michael.mcdonnell@cipd.ie
Acknowledgments

The authors thank the many senior executives who shared their thoughts during interviews as well as the many HR and other executives who completed the anonymous Web survey. The insights and expertise of these individuals have greatly enriched this report. A list of the interviewees who were willing to be named is provided in Appendix V.

The authors also thank the members of the WFPMA steering committee for their work on this project: David Ang, Geoff Armstrong, Leovigildo Canto, Ernie Espinosa, Florent Francoeur, Emerico de Guzman, Michael McDonnell, Susan R. Meisinger, Florence Namatta-Maweje, Paul Rosillon, Miguel Angel Sanchez Cervantes, Rudolph Thurner, Tiisetso Tsukudu, and Peter Wilson. We extend further thanks to the WFPMA country organizations that supported this study. A complete list of the supporting organizations is located in Appendix VI.

Furthermore, we are grateful for the support we received from several of BCG’s senior experts, notably Jens Baier, Mary Barlow, Jorge Becerra, Vikram Bhalla, Lamberto Biscarini, Rolf Bixner, Vladislav Boutenko, Matt Calderone, Steven Chai, Filiep Deforce, Fernando Del Rio, Jeanie Duck, Anders Fahlander, Bent Hansen, Sugita Hiroaki, Michael Imholz, Rune Jacobsen, Philip Krinks, Alain LeCouedic, Marcos Macêdo, Iván Martín, Fiona McIntosh, David Michael, Yves Morieux, Gustavo Nieponice, Gunther Schwarz, Chuck Scullion, Michael Shanahan, Roselinde Torres, Junsuke Usami, and Ulrich Villis. Their deep understanding of HR and its underlying business issues has made this report even more valuable.

We also acknowledge the valuable contributions in research and analysis made by the BCG project team: Christopher Daniel, Peter Fechner, Michael Keuper, Carsten von der Linden, Cleo Race, and many other consultants and knowledge group employees.

Finally, the authors acknowledge the writing, editorial, and production assistance of BCG’s Barry Adler, Katherine Andrews, Gary Callahan, Mary DeVience, Oliver Dost, Elyse Friedman, Kim Friedman, Pamela Gilfond, Bernd Linde, Sara Strassenreiter, and Mark Voorhees.
Executive Summary

Throughout the sweep of history, talented individuals have always risen above the known limits of their time: Where would the world be today without the contributions of great minds like Albert Einstein, Adam Smith, and Leonardo da Vinci?

At the same time, many world-shaking accomplishments have demanded individual genius and the dedication of a cast of thousands. The cathedrals in Europe, the mosques in Asia and Africa, the Panama Canal, and the U.S. transcontinental railroad, for example, all emerged through the hard work and collective efforts of countless craftspeople and workers. These great structures all stand as testimony to human achievement.

People can make a difference when they dare to believe in creating advantage for themselves, their communities, and their future.

Creating People Advantage

The pace of change has accelerated dramatically in recent decades, producing seismic changes in business and society. One consequence of these shifts, which we outline below, is that people are more important than ever to success. Their importance will only grow in the future.

Companies are complex social systems that require clarity of purpose, guidance, and direction. Companies that fine-tune these systems by creating what we call people advantage—the ability to gain competitive advantage through people strategies—will race ahead of their competitors.

- Talent and leadership are becoming even scarcer resources than ever before. This scarcity results from dramatic changes in the complexities of business and the expectations of employees. Increasingly, people are the most important asset at many companies, and the fortunes of these so-called people businesses are closely tied to their leadership and the talent they employ.

- The work force, on average, is growing older, and people are having fewer children. Just a few years ago, companies were restructuring and reducing their work forces, but many will soon find it difficult to fill key positions and replace the valuable knowledge held by retiring employees.

- Companies are becoming global organizations. As businesses expand into new markets, they will face an increasingly complex HR environment, particularly as they try to recruit and retain foreign talent and integrate diverse cultures.

- The emotional well-being of employees is more important than ever before. While many employees once expected to stay at one company—or at least in one industry—until retirement, they no longer have that expectation. Indeed, employees increasingly will make job choices and sacrifices on the basis of family considerations and a desire for a life outside of work.

While the HR challenges are greater than ever before, so too are the opportunities for companies to excel through people strategies. On the following pages, we arm executives with an overall approach for creating a people advantage and with facts about the HR and competitive
environment of the future. This process and knowledge will help executives understand how best to tackle talent, leadership, and demographic challenges.

We believe very strongly that the HR function must be able to measure, count, and calculate the effectiveness of both its internal operations and the company’s overall people strategies. One of the reasons that HR ranks lower on the corporate totem pole today than the finance department is that HR managers often cannot quantify their successes. Our hope is that this report will help rectify that shortcoming, raise the profile of HR to its proper place in the corporate hierarchy, and enable companies to start to create a sustainable people advantage.

Understanding the Connections That Link HR to Metrics and Strategy

If we view strategy, metrics, and HR as three points on a triangle, we find that, at most companies, the links between HR and strategy and those between HR and metrics are broken or nonexistent. (See Exhibit 1.) Senior executives need to make sure that HR and people strategy is the cornerstone of their corporate strategy. One of the most effective ways to integrate HR and strategy is through the creation of a strategic work force plan.

To formulate and execute such a plan, executives should take two major steps. First, they should understand how their company’s overall strategy drives the demand for people. Without this foundation of fundamental knowledge, the HR department lacks long-term guidance. Even so, few companies systematically analyze the future supply of and demand for employees under different growth scenarios and on a job-by-job basis. Such an approach enables companies to determine how many employees they are likely to need, which qualifications those employees should have, and when the companies will need them over the next 5, 10, or even 15 years.

Second, companies should also understand the four “bridges” that connect strategy and HR: sourcing strategy, performance strategy, development strategy, and affiliation strategy. These linkages must be in place.

- **Sourcing Strategy.** The activities a company undertakes in recruiting, hiring, internal staffing, HR marketing and branding, and diversity efforts should precisely target its work force needs as determined by the company’s analysis of the future supply of potential employees in the labor market and its own future demand for workers.

- **Performance Strategy.** The company’s approach to individual performance management, human capital metrics, and incentive systems should support overall corporate goals.

- **Development Strategy.** A company’s efforts at developing its people and leaders must reinforce the corporate strategy.

- **Affiliation Strategy.** The company should establish systems to track compensation and retention, work-life balance, engagement and motivation among employees, and corporate social responsibility in order to make ongoing adjustments to these critical tools for building relationships with employees.

Companies need to be able to measure each of these four linkages so that top executives understand the quantitative dimensions of people issues in the same way that they grasp the financial impact of their strategic decisions.
By following the structured approach of the strategic work force plan, many companies discover that their HR and people strategy is not a cornerstone of the overall strategy. Still, the reality is clear: People drive strategy. Companies need to rely on metrics to make sure they know where their people are headed.

Many executives today have “dashboards” on their computer desktops that provide a quick picture of their company’s traditional financial and business performance metrics. These dashboards should also highlight quantitative and qualitative HR metrics. Quantitative metrics could include employee attrition, recruiting success, or the value added per person—a new measure of productivity. Qualitative measures might include scores from employee surveys assessing leadership and employee engagement.

Until top executives have a fuller and more accurate view of HR activities, the HR function will not achieve its proper role within the corporation.

**Deploying Operational Excellence to Bring the HR Function up to Speed**

HR departments alone cannot execute a people strategy. Rather, a truly effective people strategy requires insight from line executives, supporting metric systems, and the demonstration of business impact. Another prerequisite is an effective and trusting partnership between line managers and the HR function. Furthermore, if the HR department does not have its own house in order, it will lack the time and the credibility required to play a strategic role.

The senior HR executive can build his or her reputation and credibility by focusing on three key areas: capabilities; accountability and efficiency; and cooperation.

**Capabilities**

Excellence starts at the top. The most senior HR executive therefore must have credibility with the company’s chief executive and the executive team. Ideally, he or she should have the same status and power as the chief financial officer. Initially, the top HR executive can gain credibility by pursuing the following approaches, which have proven track records:

- Staffing the organization with high performers who possess a deep understanding of business issues
- Establishing the HR function as a step on the career path of high-potential employees
- Building the people management skills of line managers

**Accountability and Efficiency**

In addition to advising business executives on their people needs, top HR managers are also line managers of their own department. They need to ensure that their internal operations are effective and that they are optimizing the HR delivery model in three ways.

- They should automate processes, including the use of Web-based applications, in order to boost productivity and improve access to HR services for staff and managers. This step will also improve the consistency of their HR processes across their operations.

- They should use shared services and outsourcing arrangements whenever advantageous to handle the operational aspects of HR activities so that the HR function can concentrate as much as possible on value-adding activities.

- They should clearly distinguish among the various roles in HR: generalist, specialist, business partner, and administrator. Dividing the roles in this way will help HR employees develop deep competencies and simplify the career development tracks within and outside of the function. In other words, efficiency does not require that all HR managers be jacks-of-all-trades.

**Cooperation**

Large organizations depend on cooperation in order to achieve their goals efficiently. Yet employees and departments often do not cooperate because they do not pay the price for failing to do so. The HR function is well suited to address this issue and has the following duties:

- Designing key HR processes such as people reviews, career and mobility management, and compensation reviews so that corporate, departmental, and individual goals are achieved. This step requires an active and
courageous contribution from the HR department to overcome the natural tendency of individual managers to act as if their employees and resources “belong” to them and not to the corporation.

◊ Serving as experts on organizational issues to ensure that the proper accountabilities and metrics are in place to facilitate cooperation. This duty can encompass several dimensions, such as analyzing the number of layers in the organization and the spans of control; measuring and improving employee engagement; and establishing individual and collective accountabilities when defining roles and key performance indicators. Top HR executives also should possess the skills needed to coach managers and should provide them with insightful ideas on organization and people management.

Facing the Future

One of the difficulties that HR executives face is the challenge of comparing their company’s practices with those of competitors. Chief financial officers can scan their Bloomberg terminals to discover the financing vehicles of their competitors. Likewise, chief information officers generally know what systems their peers are installing, often learning of them through word of mouth, vendors, or trade publications. By contrast, HR executives have not had many places to make similar comparisons—until now.

This report provides a comprehensive view of HR practices in the world today.

◊ HR and other executives throughout the world identified the top future challenges in a Web survey that BCG and WFPMA conducted in 83 different countries and markets. The survey captured the views of more than 4,700 executives on 17 topics in human resources management and a total of 194 specific action steps associated with those topics. To deepen our understanding of the current and future HR landscape, we also conducted follow-up interviews with more than 200 senior executives globally.

◊ The top eight future challenges in HR identified by the survey are the capabilities that executives expect to be the most important in managing human capital from 2010 through 2015—and in which they reported that their companies were currently weakest.1

◊ On average, only 40 percent of all executives who perceived at least one of the eight globally critical topics as important for the future told us that their companies have begun tackling it today.

We believe that by understanding the quantitative results of this survey, executives will be able to lay the foundation to create strategic HR processes. We highlight the major themes of our analysis here.

In the near future, companies will face eight particularly critical HR challenges that fall into three strategic categories.2

◊ Developing and Retaining the Best Employees. The first category consists of the challenges of managing talent, improving leadership development, and managing work-life balance.

◊ Anticipating Change. The second category encompasses managing demographics, managing change and cultural transformation, and managing globalization.

◊ Enabling the Organization. The third category consists of becoming a learning organization and transforming HR into a strategic partner.

Corporations that can meet these challenges head on will build and sustain competitive advantage. In feedback gleaned from the Web survey and the follow-up interviews, we identified several possible actions for enhancing capabilities in each of the topics.

Developing and Retaining the Best Employees

◊ Managing Talent. This is the topic at or very near the top of the agenda in every region and every industry. It involves attracting, developing, and retaining all

1. Our analysis also identified the top HR issues by country (or market) and industry. For this in-depth information, please see Appendix I, Appendix II, and Appendix III.

2. Appendix IV includes definitions for these and all 17 of the HR topics explored in the survey and follow-up interviews.
individuals with high potential—regardless of whether they are managers, specialists, or individual contributors—across all levels of the organization. Companies may soon find talent scarcer than funding, as individuals gain more employment options. To tackle this challenge, companies should consistently and deliberately communicate their HR value proposition and marketing messages and identify new talent pools. In talent planning, they also need to take into account the future geographic footprint and future activities of the firm, and they should implement programs that will enable talent affiliation and development.

**Improving Leadership Development.** Leadership development is closely linked to talent management. Furthermore, the value added by management and managerial engagement contribute critically to outstanding business performance in today’s increasingly complex organizations—and leadership plays an essential role in generating both. Leaders convey the mission and sense of purpose of the organization. They serve as role models, are the primary developers of people, and engage the staff in highly visible ways. Corporations should invest considerable resources in defining specific leadership models, assessing their leaders, and designing development programs.

**Managing Work-Life Balance.** Many employees are looking for more than just a paycheck these days. Employers will need to understand this quest in order to attract and retain talent. Some workers have multiple employment options and can pick a job on the basis of flexible work hours and other nonfinancial features. Other workers are willing to work beyond retirement age provided that they can take longer vacations than their career-track colleagues. Many younger employees simply have new and nontraditional expectations about work. Company responses to employees’ needs may range from providing flexible work arrangements to addressing employees’ growing desire to derive a sense of greater purpose from their work. Increasingly, companies will find it beneficial to offer “motivational management,” under which some elements of compensation will consist of nontraditional and noneconomic features. Even when companies offer such initiatives today, however, employees often perceive that these options may hinder their careers and their standing within the company.

**Anticipating Change**

**Managing Demographics.** With the work force in developed economies graying, companies need to manage two risks: the loss of capacity and knowledge as employees retire and the loss of productivity as the work force ages. Companies can minimize their exposure to such demographic risk by creating a systematic approach to analyzing the future supply of and demand for employees under different growth scenarios. This approach will allow companies to determine how many employees they are likely to need, which qualifications those employees should possess, and when the organizations will need them. At the same time, companies across all industries need to analyze and understand the effects of an aging work force and then take dedicated and focused actions to address or mitigate those effects. For example, companies can add or enhance career tracks, shift work schedules, or adjust health-management programs so that an aging work force can maintain the highest levels of productivity.

**Managing Change and Cultural Transformation.** This topic is not, as executives sometimes contend, merely a “soft” issue; all change should be hard-wired into an organization in a tangible and measurable way. As the pace of change quickens, managing corporate and cultural change becomes a critical capability, especially for companies in the consumer goods and technology industries as well as the public sector. Yet change is the toughest challenge that companies face, especially complex, high-stakes, breakthrough change. Companies need to develop an integrated approach that addresses both operational and organizational changes, focuses on the behaviors of employees, and uses rigorous tracking and reporting to stay on schedule and on budget. The HR function—together with the change-management leadership team—has a critical role to play.

**Managing Globalization.** All large companies face globalization, as they either move into new global markets or face competition from them. Rapidly developing economies like Brazil, China, India, and Russia, will be critical to the success or failure of many companies. One of the main HR challenges that these companies will face in managing globalization is making sure that
the right people are in place in the right locations and that there is effective and efficient cross-country and cross-cultural collaboration.

Enabling the Organization

◊ Becoming a Learning Organization. In a world driven by innovation and rapid change, becoming a learning organization—from top to bottom—provides a clear competitive advantage. Creating this advantage requires careful planning to ensure that the right people are being trained in the right ways. Few companies told us that they have found the ideal way to prepare their employees to cope with the complexities and accelerated speed in an increasingly global economy. This topic is particularly important since many national education systems are failing to arm potential employees with the skills that they will require to keep pace in the future. Corporate investments in learning and training activities are likely to increase significantly, and companies will need to monitor more systematically their return on these investments.

◊ Transforming HR into a Strategic Partner. While many HR executives told us that their companies are proficient in this topic, they nonetheless recognized its future importance. Executives who work outside the HR department, meanwhile, cited a big need for HR to improve its ability to become a strategic partner. As we mentioned earlier, one of the keys for success will be ensuring that HR professionals have the operating experience and business acumen required to add value to the business itself. Another key to success will be the ability of the HR department to optimize its delivery model through both appropriate organization and governance and the use of automation and shared services or outsourcing arrangements whenever relevant. Most of the topics presented in this report will require HR to assume the role of a strategic partner.

Executives in different regions tended to have different priorities. These differences reflect the cultural, economic, and demographic characteristics of the regions.

◊ In North America, participants perceive managing talent, managing demographics, improving leadership development, managing work-life balance, and transforming HR into a strategic partner as critical challenges.

◊ The two top future HR challenges in Latin America are managing work-life balance and managing talent.

◊ In Europe, managing talent and managing demographics emerge as key challenges.

◊ In Africa, executives identified managing talent, managing work-life balance, managing globalization, and managing diversity as major future challenges.

◊ The key HR challenges in Emerging Asia—a region of developing economies such as China and India—are: managing talent, improving leadership development, becoming a learning organization, and managing work-life balance.

◊ Executives in Established Asia—a region of mature economies such as Japan, Singapore, and South Korea—are primarily concerned with managing talent, improving leadership development, and managing globalization.

◊ In the Pacific Region, executives named managing talent, improving leadership development, managing demographics, and managing change and cultural transformation as critical future HR challenges.

Meeting the eight critical challenges looming on the horizon will be a Herculean task for HR executives—but these are not the only challenges they face. If they hope to gain the trust of senior executives, HR executives must also excel at the fundamentals of the HR function: restructuring the organization, delivering on recruiting and staffing, and mastering HR processes.

◊ Restructuring the Organization. While restructuring is commonly viewed as a cost-reduction exercise, the topic also applies to growth scenarios. As they restructure, companies need to ensure that employees and groups of employees are cooperating and that they remain engaged in the organization. The ability of HR to smoothly and effectively manage restructuring processes, such as labor relations and redeployment, is a key
asset in all regions, not only the highly regulated ones, as it creates both agility and long-term affiliation.

- **Delivering on Recruiting and Staffing.** As skilled labor becomes harder to obtain, as employees’ loyalty to a single company decreases, and as traditional means of delivering on recruiting and staffing—such as newspaper advertisements and Web pages—lose effectiveness, HR departments should renovate their current recruiting and staffing processes. In particular, they should pay close attention to HR branding and marketing activities. HR will also need to work closely with line managers on this topic, paying special attention to internal staffing. The time it takes a company to fill a new position is often a key performance indicator that is analyzed by corporate leaders.

- **Mastering HR Processes.** To be perceived favorably by senior management, HR functions should systematically assess and improve all basic HR processes. One of the first steps toward achieving this goal is separating administrative services from strategic tasks in order to increase efficiency and effectiveness. HR operations should then be treated with the same systematic and total-quality approach that is typically applied to industrial processes.

In addition to boosting their capabilities in the 11 topics described above—the top eight HR challenges and the three fundamental HR capabilities—companies will also want to determine which of the remaining six HR topics will warrant their investment: managing diversity, enhancing employee commitment, improving performance management and rewards, managing corporate social responsibility, measuring HR and employee performance, and providing shared services and outsourcing HR.

The best way for a company to start making decisions about its future focus and activities is by taking five major steps. By following this approach, companies will have a powerful tool to create their people advantage.

- **Understand the External Environment.** This analysis should include general trends, business challenges, and the corporate strategy.

- **Understand the Internal Environment.** HR needs are unique to every business. Companies should conduct an HR audit that uses both quantitative and qualitative indicators and that seeks to understand HR as an investment rather than merely as a cost.

- **Select the Most Critical of the 17 HR Topics and Set Priorities.** Companies should then examine which of the 17 HR topics are and will be most relevant for them—and analyze thoroughly their current capability in each topic.

- **Initiate Projects with Dedicated Teams.** For some topics, dedicated teams help to boost dramatically senior executives’ perception of HR capabilities. On average, executives rated the performance of their company’s HR function 18 percent higher when dedicated teams oversaw particular HR topics. Generally, teams are more successful if they consist of employees from both within and outside HR.

- **Secure Support from Top Management.** Certainly, most corporate activities are more successful when those at the top care about the outcome. When respondents reported having the support of top management, they rated their HR capabilities 20 percent higher than did executives who said they lacked such support. Unfortunately, only 40 percent of survey respondents reported that they received sufficient support from top management.
People have emerged as a new source of competitive advantage. Consequently, the demand for skilled people is rising at the same time that shortages abound. Germany has too few engineers. India cannot keep pace with the need for experts in information technology (IT) and finance. China needs experienced managers. South Africa has trouble finding people to plan and build its mines. And U.S. hospitals have a perennial shortage of nurses and other health care professionals. Companies worldwide are discovering that acquiring the right talent in the right place is more critical than ever before.

At the same time, farsighted companies are also learning that acquiring talent is not sufficient on its own for achieving success. Talent is merely the visible face of
what is commonly called human resources, a much more dynamic and strategic activity than the term has historically suggested. While the term human resources still conjures up images of payroll processing, benefits administration, and exit interviews—and while those aspects are critical—many HR activities are, or should be, strategic.

How can a company develop leaders, reward peak performance, change its culture, manage a global and multicultural work force, address employees’ desires for a life outside of work, and measure job performance in both a qualitative and quantitative way? As its work force ages, how can a company replace the knowledge and skills of its retiring employees, and how can it find replacement workers? These are just a few of the questions that HR departments are—or should be—grappling with as they seek to develop people advantage in their companies.

The most advanced companies are rising to meet the new challenges by morphing their HR strategy, which has generally been focused on the HR function, into a people strategy. A people strategy sets the direction not only for the HR department but also for all the aspects of a business in which the capabilities of people are relevant. Many companies, however, continue to lack a deep understanding of the dynamics of their people. Even when executives seem to appreciate the elevated importance of people, they often aren’t yet sure how best to tap the power of human capital.

Beyond the assembly line or the sales office, companies find it extremely difficult to measure the contributions made by individual employees—and harder still to assess the success of a people strategy. At the same time, increasing competitiveness is placing greater demands on top executives to create more value through the work force generally and to enhance the operations of the HR department specifically.

**Understanding and Mapping the HR Landscape**

To help companies quantify and better understand the HR issues that are most relevant to them today and, more important, will be in the future, BCG and WFPMA collaborated to launch a global research project. We conducted an anonymous Web survey that solicited in-depth feedback from HR and other executives on 17 HR topics and 194 specific action steps associated with those topics. We received more than 3,300 responses from 56 countries and markets, and we combined these results with those of the European study we conducted last year with EAPM, which is a member of WFPMA. In total we collected more than 4,700 responses from 83 countries and markets. (See Exhibit 2.) More than half—57 percent—of the respondents worked at companies with 1,000 or more employees. HR professionals accounted for 80 percent of the survey respondents, with other executives accounting for the remainder. A broad mix of industries was represented, with the service and industrial goods industries accounting for 31 percent of responses. (See Exhibit 3.)

In parallel to the surveys, we conducted interviews during the course of both of our studies with over 200 senior executives, exploring several HR topics and company practices in greater depth. (See Exhibit 4. For a list of interviewees, see Appendix V.) Finally, we also examined the HR practices of 17 focus countries—generally the largest economies in seven different regions around the world. Altogether, the survey, interviews, and in-depth country and market examinations describe in great detail the state of HR practices today as well as expectations for the future.

In analyzing our results by country (or market) and region, we have discovered two distinct sets of characteristics and patterns of responses in Asia: those from established, mature economies, such as Japan, Singapore, and South Korea, and those from emerging economies such as China and India. For this reason, in this report, we have divided Asia into two economic regions: Established Asia and Emerging Asia. (See Exhibit 5.)

**Considering Business Challenges**

Since HR issues cannot be understood in isolation, our Web survey also asked respondents about their most

---

3. We initiated our research by compiling a comprehensive list of 40 HR topics and selecting the 17 topics deemed most relevant by HR experts, and by conducting an exhaustive literature search.

4. In this report, we explore Argentina and Chile in combination because we found in our experience and our interviews that the two countries face many common challenges.
Exhibit 3. Executives from the Service and Industrial Goods Industries Accounted for 31 Percent of Web Survey Respondents

Percentage of total respondents by industry

Other (mainly services) | 19
Industrial goods | 12
Technology and communications | 10
Financial services | 9
Public sector | 9
Health care | 8
Consumer goods | 7
Energy | 5
Retailing | 4
Automotive | 3
Chemicals | 3
Nonprofit | 3
Travel and tourism | 2
Infrastructure and real estate management | 2
Media and entertainment | 1
Pulp and paper | 1
Total | 100

Sources: Proprietary Web survey with 4,741 responses; BCG/WFPMA analysis.
Note: We used rounding to calculate the percentages for all industries.

Exhibit 4. BCG, EAPM, and WFPMA Interviewed More Than 200 Executives in 24 Countries

Interviews in

Europe | 102
Established Asia | 37
North America | 23
Emerging Asia | 21
Pacific Region | 17
Latin America | 15
Africa | 5
Total | 220

Sources: Interviews; BCG/WFPMA analysis.
1In our analysis, we divided Asia into two regions: Established Asia (represented by the focus countries of Japan, Singapore, and South Korea) and Emerging Asia (represented by the focus countries of China and India).
2Because our analysis found that executives in Argentina and Chile face common challenges, we examine Argentina and Chile together in this report.
pressing business challenges. (See Exhibit 6.) Analyzing their responses helped expose key regional differences—especially in their perspectives on cost control and growth.

Within most regions, issues such as increased labor productivity and reorganization ranked high among the top business challenges. Domestic growth, however, was the number-one concern among executives in Emerging Asia, North America, and the Pacific Region, causing this challenge to be cited by the highest percentage of respondents overall.

Seizing the Future

Eight topics emerged from the survey as the most critical for companies. They fall into three strategic categories.

- Developing and Retaining the Best Employees. The first category consists of three topics: managing talent, improving leadership development, and managing work-life balance.

- Anticipating Change. The second category encompasses managing demographics, managing change and cultural transformation, and managing globalization.

- Enabling the Organization. The third category consists of becoming a learning organization and transforming HR into a strategic partner.

### Exhibit 6. Domestic Growth and Labor Productivity Ranked as the Most Important Business Challenges Around the World

<table>
<thead>
<tr>
<th>Business challenges</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic growth</td>
<td>18</td>
<td>9</td>
<td>12</td>
<td>11</td>
<td>18</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Labor productivity</td>
<td>16</td>
<td>17</td>
<td>15</td>
<td>17</td>
<td>13</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Reorganization</td>
<td>14</td>
<td>18</td>
<td>14</td>
<td>17</td>
<td>8</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>Cost reduction</td>
<td>13</td>
<td>10</td>
<td>16</td>
<td>12</td>
<td>11</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Global competition</td>
<td>5</td>
<td>13</td>
<td>11</td>
<td>9</td>
<td>10</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Innovation</td>
<td>11</td>
<td>12</td>
<td>Not asked</td>
<td>8</td>
<td>10</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Turnaround management</td>
<td>7</td>
<td>4</td>
<td>7</td>
<td>11</td>
<td>8</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Global growth</td>
<td>4</td>
<td>4</td>
<td>9</td>
<td>6</td>
<td>4</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Reorientation of activities of your company</td>
<td>5</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>11</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Postmerger integration</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Business process outsourcing</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Business process insourcing</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

### Exhibit 5. A Tale of Two Asias: Small, Fast-Growing Markets Differ Significantly from Established Ones

Real GDP growth rate (%) per capita (2006–2007)

GDP per capita (adjusted for purchasing-power parity)

**Sources:** Economist Intelligence Unit; BCG estimates; BCG/WFPMA analysis.

**Note:** Data are from 2007, except for the data for Papua New Guinea, which are from 2004.
Executives ranked these topics highest in terms of future importance and lowest in terms of their own assessment of their company’s current capabilities. (See Exhibit 7.) These eight topics therefore demand the most immediate action and the greatest attention. Yet only 40 percent of all executives who perceived at least one of these eight topics as important for the future told us that their companies have begun tackling it today.

Beyond the top eight challenges, two topics—enhancing employee commitment and improving performance management and rewards—were categorized by executives around the world as being slightly less critical. Responses from executives indicated that they believed the topics to be of medium future importance and their capabilities in them to be adequate, neither high nor low. These two topics therefore will likely require less investment and preparation. Nonetheless, companies will find that they are still worth examining, especially since the senior executives and executives outside of HR who responded to our survey often assessed their company’s current capabilities in these topics significantly less favorably than their colleagues in HR did.

Executives also identified several topics in which their company’s current capabilities were mostly low and that are of medium future importance: managing diversity, managing corporate social responsibility, measuring HR and employee performance, and providing shared services and outsourcing HR. These four topics often complement highly relevant issues and should not be ignored. Managing diversity, for example, is one of the relatively more important topics in this group and can help companies strengthen their talent pool and reduce demographic risk.

Beyond these topics, companies must get the HR fundamentals right. Restructuring the organization, delivering on recruiting and staffing, and mastering HR processes are topics that must remain on the agenda of HR executives hoping to run their functions smoothly in order to gain the trust of senior executives.

Although the importance of some topics varied across regions, others were nearly universally important around the world—and in nearly all industries. Our standard-deviation analysis, for example, found that managing tal-
ent was the topic that executives across all the regions rated most consistently; nearly everywhere, they perceived it as being of high future importance. (See Exhibit 8.) *Mastering HR processes* was the second most globally similar topic—but executives agreed that its importance was rather low. The future importance of *managing demographics*, by contrast, varied greatly; it was perceived as very important in some regions, but not in others.

In light of the retirement of baby boomers in the developed world and rapid growth in the developing world, *managing talent* was ranked as the most critical HR topic in 9 of the 17 focus countries. (See Exhibit 9.) It ranked in the top four most critical topics in all but one of our focus countries: South Korea.

In some countries and markets, specific circumstances catapulted other topics to the top of the HR agenda. *Managing demographics* for example was the top future HR issue in Germany, where hiring skilled immigrants is more complicated and the age distribution is more out of balance than in countries such as the United Kingdom. It is also the top issue in Canada, where the native population growth has been declining steadily. Generally, this topic is more important in established industries, such as energy, than in newer ones, such as technology and communications.

Not surprisingly, *managing change and cultural transformation* turned up at the top of the HR agenda in those countries that are in the midst of rapid change, as is the case in Italy. Italy is currently modernizing its social welfare, education, law, and employment regimes. *Managing work-life balance* emerged as a top-three topic in seven focus countries. In six of these seven focus countries, *managing talent* was also a top-three topic, and this combination suggests that companies are recognizing that, if they hope to attract and retain talent, they must help employees

---

**Exhibit 8. In Assessing the Future Importance of Topics, Executives Around the World Rated Managing Talent Most Consistently and Differed Most on Managing Demographics**

Variance Across Regions as Measured Through Standard Deviation

- Managing talent
- Mastering HR processes
- Providing shared services and outsourcing HR
- Restructuring the organization
- Improving leadership development
- Measuring HR and employee performance
- Enhancing employee commitment
- Managing change and cultural transformation
- Managing work-life balance
- Managing diversity
- Managing globalization
- Improving performance management and rewards
- Transforming HR into a strategic partner
- Becoming a learning organization
- Managing corporate social responsibility
- Delivering on recruiting and staffing
- Managing demographics

**Sources:** Proprietary Web survey with responses from 83 countries and markets; BCG/WFPMA analysis.

**Note:** Topics with similar future importance across regions had a low standard deviation, while those with varying future importance had a high standard deviation.
fulfill their desire to enjoy life outside of work. The old mindset—“my work is my life”—is giving way to a new set of beliefs, whose contours and implications for employers are not yet entirely clear.

Managing corporate social responsibility ranked as a top issue in Russia. In Russia, as companies acquire assets in Western Europe, they are using corporate social responsibility in order to reduce skepticism about their motives and create goodwill. They are also answering the call from local governments to provide services in local communities. In many Latin American countries, a strong program in corporate social responsibility can help overcome the social problems, such as poor school systems, that hinder companies.

Becoming a learning organization was one of the top three future HR issues in four focus countries: Germany, Japan, South Korea, and Spain. A seemingly unlikely quartet, all these nations are facing competition from challengers in rapidly developing economies that are moving into their key markets. The ability of companies in the more established economies to offer extra value to customers will set them apart from their low-cost competitors.

In Argentina and Chile and in China, executives recognized transforming HR into a strategic partner as the third most critical topic. In fact, executives in 12 of the 17 countries found this a top-five HR topic for the future. But executives in Argentina and Chile and in China found it even more pressing—and rated the future importance of this topic higher than did those in other countries—because they are less confident than their peers about the ability of their companies to deliver in this area.

Managing globalization was rated by South Korean executives as the most critical future challenge in HR. As the country’s economy is increasingly buoyed by export-led growth, executives have started to understand that they must adapt to the global environment and marketplace.
France, meanwhile, is the only country in which executives rated measuring HR and employee performance as a top challenge. As cost reduction is a key business issue in France, the focus on this topic is not surprising, particularly since the productivity of the work force and the cost of support functions are coming under review at many companies there.

Besides assessing companies’ current capabilities in—and the future importance of—the 17 topics, we also analyzed how the importance of the topics will change over time, determining which topics will see their absolute importance increase the most by 2015. (See Exhibit 10.) Companies will need to closely inspect how they are prepared to tackle these emerging topics. Even if they are not yet on every company’s agenda for the future, these topics demand attention today.

Managing demographics is the topic whose importance will grow the most in the future, a trend that clearly reflects executives’ recognition of the challenges posed by capacity loss and an aging work force. In addition, managing corporate social responsibility and managing diversity are two topics that—although not included in the eight key challenges—will also see strong growth in future importance. For both topics, executives overall said that the capabilities of their organizations are currently low, which means that the topics already warrant investment. As their importance grows, these topics might evolve to be key challenges in the future.

Going Global in HR Topics and Actions

While the national differences across topics are an interesting and informative element of our research, our analysis didn’t stop there. We also asked executives to identify the concrete actions and interventions that they currently use or plan to use to tackle each topic. In total, our survey gathered data on nearly 200 distinct actions under way—or expected to be adopted—at the respondents’ companies. (These actions will be discussed in detail in the chapter “Tackling the Tough Topics” and throughout the body of this report.) In addition, we assessed which topics were critical globally and whether any actions could be implemented across all regions.

Of course, not all of the 17 HR topics are equally pressing, and not all of them can be addressed in the same way by all companies in all regions. But some topics and actions will no doubt be more widely applicable than others: for

| Exhibit 10. Among the HR Topics, Managing Demographics Will Experience the Greatest Increase in Importance by 2015 |

<table>
<thead>
<tr>
<th>Topic</th>
<th>Growth Between Average Current Importance and Average Future Importance, by Number of Points on a Four-Point Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing demographics</td>
<td>1.5</td>
</tr>
<tr>
<td>Managing globalization</td>
<td>1.0</td>
</tr>
<tr>
<td>Transforming HR into a strategic partner</td>
<td>0.5</td>
</tr>
<tr>
<td>Becoming a learning organization</td>
<td>0.0</td>
</tr>
<tr>
<td>Managing corporate social responsibility</td>
<td>0.0</td>
</tr>
<tr>
<td>Managing diversity</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Sources: Proprietary Web survey with 4,741 responses; BCG/WFPMA analysis.

1Participants were asked to identify the four topics they deemed most important for the present and the future (2010–2015). Bars represent the average absolute difference between the current and future ratings.
a global company, for example, managing talent will be critical in most markets. But can one company—or several—address the actions of managing talent identically in India, Indonesia, and Indiana? Is there, in other words, a global action to answer a global challenge? The answer is both yes and no.

In our analysis, we have attempted to understand when it makes sense to define actions as globally relevant—and when it does not—by examining how rapidly an action will be adopted throughout the world and how consistently it will be adopted across regions. When we charted all the actions on a matrix, we found 54 actions that will gain worldwide popularity most quickly and most consistently across regions. At least one action for each of the 17 topics—with the lone exception of restructuring the organization—was included in the list of 54 and thus can be addressed using a global approach. (See Exhibit 11.)

The single action expected to grow most quickly and consistently around the world—labeled number 1 on the matrix—is sourcing talented employees globally, an action for managing talent, the top challenge identified by respondents throughout the world. By contrast, sourcing talented employees locally—labeled as B on the matrix—is expected to experience the greatest worldwide decline and inconsistent adoption across regions. For instance, in Emerging Asia, this action will decrease by 37 percentage points, but in North America it will decrease by only 16 percentage points. Thus, local sourcing is at the top of the list of locally retreating actions—and at the bottom of the list of actions companies will want to consider for a global approach in the future.

In the topic transforming HR into a strategic partner, the highest rated globally relevant action—ranked third overall—is developing the right competencies to be a partner in strategic issues. Executives around the world agree that increasing their business acumen is vital if they want to succeed in advising senior leadership.

In managing demographics, another topic that executives worldwide cited as critical, analyzing the demand per job group for the next 10 years was rated as a globally relevant action, labeled number 23 on the matrix. This quantitative approach allows companies to create a strategic workforce by grouping employees into job families with similar skill requirements in order to minimize shortages and surpluses in job functions.

Another action of interest is using value added per employee to measure HR and employee performance, labeled as A on the matrix. This action, which mapped at the top of the quadrant for locally relevant actions, will outpace all the globally relevant actions in growth. This quantitative approach will also gain popularity in every region, experiencing particularly high growth in North America and the Pacific Region.

While this analysis may help guide companies in deciding which topics might be addressed through standardized, global actions, organizations must of course take into account the specific situation of each country whenever they take on HR challenges.
**Exhibit 11. More than 50 HR Actions Emerged as Globally Relevant**

<table>
<thead>
<tr>
<th>Quadrant I</th>
<th>Globally relevant actions</th>
<th>Quadrant II</th>
<th>Locally relevant actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>How companies’ use of the action will change in the future</td>
<td>High increase in use</td>
<td>Low increase or decrease in use</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Globalization is hastening the movement of products, services, information, and people across borders, but the world still breaks into distinct regions, each exhibiting its own unique footprint in people advantage. Regions tend to have their own cultures, economic trajectories, and governmental and regulatory conditions, so countries and markets tend to share a similar HR focus with neighbors in their region.

For this report, in order to group countries and markets with similar economic conditions, we divided the globe into seven regions.5

- North America, which we define in this report as Canada, the United States, and the U.S. Virgin Islands.6
- Latin America, which we define in this report as Mexico, Central America, and South America.7
- Europe, which we define in this report to include Russia.8
- Africa.9
- Emerging Asia, which we define in this report as the developing economies in Asia. Examples are China and India, which are the focus countries highlighted from this region.10
- Established Asia, which we define in this report as the mature economies in Asia. Examples are Japan, Singapore, and South Korea, which are the focus countries highlighted from this region.11
- Pacific Region, which we define in this report as Australia and New Zealand.12

In this section, we examine each of the regions, highlighting conditions that shape the HR landscape and exploring differences among countries and markets in the region. For each region, we list key challenges and analyze relevant topics. (See Appendix I for more detailed analysis of HR conditions in our 17 focus countries and Appendix II for snapshots of 29 additional countries and markets represented by 20 or more survey respondents.)

5. We did not gather data for the countries in the Middle East.
6. Canada and the United States are focus countries highlighted in the report.
7. The survey covered Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Jamaica, Mexico, Panama, Uruguay, and Venezuela. In this report, we highlight Brazil as a focus country; we also highlight Argentina and Chile, exploring them in combination because we found in our experience and our interviews that the two countries face many common challenges.
8. The survey covered Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. France, Germany, Italy, Russia, Spain, and the United Kingdom are focus countries highlighted in this report.
9. The survey covered Algeria, Benin, Botswana, Burkina Faso, Cameroon, Gabon, Ivory Coast, Malawi, Mali, Namibia, Niger, Nigeria, Senegal, South Africa, Swaziland, Tanzania, Tunisia, Uganda, Zambia, and Zimbabwe. South Africa is a focus country highlighted in this report.
10. The survey covered China, India, Indonesia, Malaysia, Papua New Guinea, the Philippines, Sri Lanka, Thailand, and Vietnam.
11. The survey covered the markets of Hong Kong, Japan, Singapore, South Korea, and Taiwan.
12. Australia is a focus country highlighted in this report.
North America

North America is leading the way in a decades-long march toward an economy based on ideas. On Wall Street and from Silicon Valley to Canada’s Technology Triangle, companies are built on the creative efforts and the business relationships of their employees. Business innovations such as Web 2.0 and financial engineering have been born in this region and share a common parent: human ingenuity.

Since employees can and will cross the street to work for more money, better working conditions, or a more inviting culture, executives need to continually discover new ways to satisfy and engage these workers. As the employees age however, they stop job-hopping and ultimately retire—a demographic trend that is requiring executives to take new types of action.

In North America, the four leading future challenges in HR are managing talent, managing demographics, improving leadership development, and managing work-life balance. Transforming HR into a strategic partner is also a key challenge. (See Exhibit 12.)

For any company, each retirement represents the loss of an employee who possesses the skills needed to perform a specific job. It might also represent the loss of crucial organizational knowledge whose value extends far beyond the employee’s individual position.¹

Recently, Freightliner Trucks, a large truck manufacturer based in Portland, Oregon, anticipated this dual risk. The company (a division of Daimler AG that recently changed its name to Daimler Trucks North America) saw that the imminent retirement of a large cohort of its aging work force threatened the specialized technical skills and deep knowledge of customer needs that the company required in order to produce the highly customized trucks it was known for. Significant layoffs, voluntary severance programs, and limited external recruiting in previous years had resulted in Freightliner’s employing a relatively older work force. In certain job functions, 30 to 50 percent of the company’s work force was eligible for retirement by 2010. The cyclical nature of Freightliner’s business made the staffing equation even more difficult.


Once Freightliner recognized that it faced a serious potential problem, however, it set about assessing the extent and severity of the risk, focusing on employees who were key knowledge holders. The challenge was to identify those workers as a subset of the work force; to segment them based on whether their knowledge was held by them alone, by a few employees, or by many employees; and to capture and transfer their knowledge so that it wouldn’t be lost to the organization upon their retirement.

Using an in-depth survey of 5,000 employees, Freightliner classified employees by the type of knowledge they held. Across the company, about 20 percent of the population emerged as key knowledge holders, 9 percent as unique key knowledge holders, and 3 percent as at-risk and unique key knowledge holders (those who were eligible to retire within five years). The risk posed by the departure of this last group varied significantly across different functions. Segmenting this crucial human resource by function helped the company establish targeted knowledge-management systems, tandem-staffing arrangements, job rotations, and other means to capture the knowledge of those employees before their retirement.

Many businesses in this region are moving operations to places such as India and China, not only in search of lower costs, but also in pursuit of new talent pools. While India has long been a fertile hiring ground for IT companies, financial and pharmaceutical companies are also turning to that nation for recruits with advanced degrees.

In Canada, the share of the population over age 65 is projected to grow to nearly 24 percent by 2031 (from 13 percent in 2005). By 2010, one-quarter of U.S. scientists and engineers will reach retirement age. As the baby boom generation retires, their successors may not be available among younger employees or recruits. Knowledge, relationships, and skills are walking out the door as employees retire, and companies in North America are just starting to address the looming capacity gaps. (For an example of how one company is managing this issue, see the sidebar “Safeguarding Knowledge at Freightliner.”)
When people—rather than industrial processes—drive a company’s performance, talent and leadership become the trump cards. Kristi Acuff, the senior vice president for employee and external relations at Alyeska Pipeline Service Company, recognized that this is the future reality for her industry, which will have fewer employees with different, but higher, expectations than those of workers today. “We need to meet employees ‘where they are,’ and not be so rigid in our HR practices that we lose employees or potential employees who are seeking flexibility and creativity in how they work,” she said.

**Managing Talent**

Within this region, *managing talent* emerged as the number-one future challenge in HR in several industries: financial services, health care, industrial goods, retail, travel and tourism, and technology and communications. Libby Sartain, the executive vice president of HR and the chief people officer at Yahoo!, envisions a time when candidates will eventually offer their talent on a service similar to eBay, where she said they might propose: “Here’s what I’ll do, who wants me; and what will they offer?”

As talent becomes scarcer, hiring is becoming increasingly more international. In the Web survey, 23 percent of Canadian executives told us that their companies currently source talent globally, and 49 percent planned to do so by 2015. In the United States, the numbers are slightly lower. Executives in both countries said that in the future their companies plan to rely less on local labor markets than they do today.

**Managing Demographics**

*Managing demographics* tended to emerge as a key future challenge in developed markets. It is a greater concern in Canada than in the United States, where its importance is growing rapidly. *Managing demographics* involves managing the future loss of capacity as employees retire as well as managing an aging work force.

To better manage an aging work force, executives said that by 2015 they expect their companies to increase the use of incentive systems that are not based solely on seniority. In other words, older employees at these companies would be rewarded more for performance than for length of service.
To combat capacity loss in the future, most Canadian executives said that their companies will be offering employment options to attract or retain semiretired or retired employees, growing from 38 percent of Canadian companies that embrace this approach now to 78 percent by 2015. In the United States, according to executives, those numbers are projected to grow from 25 percent today to 65 percent by 2015.

The executives said that they anticipate employees will be receptive to the transition. For example, a major financial institution has already discovered that many experienced employees are not looking for a “hard retirement.” Rather, these workers still want to work part-time, impart their knowledge, and be challenged, explained a senior HR executive at the financial institution.

Improving Leadership Development

Top executives in Canada and the United States are starting to recognize that one of their primary responsibilities is developing leaders. As Richard Sibbersen, executive vice president of HR at AT&T, put it, “The leadership-development cycle needs to be owned, managed, and measured by the CEO and the boards.”

Improving leadership development also emerges as a key issue because the nature of leadership itself is changing. The traditional command-and-control approach of management is giving way to a more supportive and collegial approach, but it is not well understood how companies can make this transition.

Finally, public companies are also facing new competition for leaders from leading private-equity players, which offer rich compensation packages.

Executives in Canada told us that they will make use of external coaches more often than their counterparts in the United States said they will. By 2015, 62 percent of the Canadian executives in our study told us that they expect their companies to employ external coaches, compared with 49 percent in the United States.

By contrast, 63 percent of U.S. executives expect their companies to provide financial rewards for good leadership by 2015, while in Canada 53 percent of executives expect to take the same approach by then.

Managing Work-Life Balance

Managing work-life balance has emerged as a critical topic for businesses because talented employees can act almost as free agents, more concerned with their individual career track than in lifetime employment at a single employer. Many employees today, for example, are willing to work long hours, so long as their schedule is flexible. Others simply want to work fewer hours and are willing to sacrifice career opportunities to do so. Overall, the values and mindsets of employees are changing, sometimes drastically.

Companies are responding with several options to try to retain these employees. Some 82 percent of Canadian executives and 80 percent of U.S. executives said that they expect their companies to offer flexible working hours by 2015. Nearly three-quarters of Canadian executives, 74 percent, said that their companies will be offering part-time work as a work-life balance initiative by 2015, up from 61 percent in 2007. U.S. executives predicted that the option of working part-time will remain steady, continuing to be offered at about 70 percent of companies.

Latin America

Over the past few years, the Latin American economy has been growing steadily, with growth rates for the region’s gross domestic product (GDP) hovering at 5 percent in both 2006 and 2007. But the overall growth masks the cyclical economic conditions in most countries and the challenging HR environment throughout the region.

The region’s two top future HR challenges, managing work-life balance and managing talent, are similar to those cited in Europe or North America, but differences among the three regions give these topics a different twist in Latin America. (See Exhibit 13.) The executives in Latin America ranked managing corporate social responsibility as their number-three challenge and improving leadership development as their number-four challenge.

Managing Work-Life Balance

In economies in danger of losing talented employees to foreign companies, managing work-life balance plays an important role. The best candidates have captivating opportunities and attractive pay packages outside their
home regions, so local employees must give them a compelling reason to stay home. Executives in many Latin American countries and in many countries in Europe therefore recognize the significance of this topic.

Yet, highly regulated labor markets make it more difficult for companies to introduce flexibility and accommodate work-life demands, making the topic especially difficult to address in such countries as Brazil. Offering part-time work is one option Latin American executives expect to see grow quickly by 2015. However, many of the executives we interviewed recognize that implementing flexible work schedules may require changes in labor law. Finally, working from home and working part-time is still viewed as an impediment to career growth among many groups of employees.

**Managing Talent**

Depending on the region, the worldwide shortage of talent takes on a different face. In Europe and North America, it is largely a quantitative problem, while Latin American companies also confront a qualitative problem. The quality of public education in the region is lagging behind world standards. Recent results from the Programme for International Student Assessment (PISA) by the Organisation for Economic Co-operation and Development (OECD) indicate that students from many Latin American countries are deficient in language, mathematics, and science. Also, global companies—or Latin American companies that desire to go global—are struggling to cope with the lack of proficiency in English among local employees. In some of the Latin American countries, decades of inadequate investment in the infrastructure has driven talent away from engineering and technical careers, which are now in high demand as the region’s economies regain momentum.

Companies are trying to figure out how to respond to these macroeconomic trends, over which they have little control, in order to do a better job of managing talent. Attracting, recruiting, developing, and retaining talent in this environment is far from easy.

To address this problem, executives told us that their companies will be making a major push to develop tailored career tracks. Brazilian companies lag their Latin...
American neighbors in this capability: only 34 percent of executives in Brazil reported that their companies currently use career tracks, compared with 48 percent for the region and 63 percent in Argentina and Chile combined. About 75 percent of executives in the region, including those in Brazil, however, anticipated that their companies will have developed tailored career tracks by 2015.

Managing Corporate Social Responsibility
This topic ranked higher in importance in Latin America than in most other regions. Greater environmental awareness and regulation are forcing companies there to adopt a more responsible stance.

The Chilean government, for example, is seeking to raise its environmental standards so that they are on par with those of developed countries. Mining companies in particular need to make special efforts to communicate with regulators and environmental groups and to take action.

Some companies are using activities in corporate social responsibility as a way to serve the greater good and HR purposes simultaneously. For example, Accor Mexico joined forces with the nongovernmental organization A Roof for My Country and used a housing campaign as an opportunity to train its employees in leadership, communication, and relationship skills. Organized in teams, Accor’s employees built houses while practicing their new skills “on the job.”

Improving Leadership Development
It is no wonder that improving leadership development is a high priority in the region. Local educational systems have been unable to cope with the surge in demand for talent over the past few years.

Today, more than 9 million employees in Brazil are enrolled in a variety of formal corporate training programs that cover everything from basic skills—such as languages and math—to technical and behavioral skills.

By 2015, 26 percent of executives in the region said that they expect their companies to develop a brick-and-mortar leadership institute, and 38 percent expected them to develop a virtual leadership institute. Companies in Argentina, Brazil, and Chile are also increasingly looking for external help to run their leadership programs.

Europe
Although more united than perhaps ever before, Europe remains a sprawling, complex continent. The companies within the European Union are operating in the world’s largest common market, with about 500 million inhabitants and a collective GDP exceeding $14.5 trillion in 2007 (adjusted for purchasing-power parity). Only 15 of the 27 European Union countries have adopted the euro as official currency, and there are 23 different official languages and even more legal systems. Differences in local income are vast. In a sample of participating countries, GDP per capita in 2007 was about $11,130 in Bulgaria and about $52,900 in Norway. Against this backdrop, it is not surprising that HR agendas differ remarkably across European countries. Still, several common HR challenges, such as managing talent and managing demographics have emerged out of this diverse continent. (See Exhibit 14.)

Managing Talent
Managing talent is a top-three topic in five out of the six European focus countries highlighted in this report; it is also the most critical topic across all analyzed industries. Talent shortages in highly developed economies are already a significant problem. In 2006, nearly 50,000 engineering positions could not be staffed in Germany alone. The shortage is only going to get worse. This gap in Germany, for example, is expected to increase by 10,000 unfilled positions a year. Companies must actively prepare to address this gap to avoid damaging consequences for themselves and the economy. Each unfilled engineering position in Germany, for example, will result in the potential loss of 2.3 jobs, according to Verein Deutscher Ingenieure, the Association of German Engineers.

Our analysis found that European companies deemed highly capable in managing talent carried out a common task: sourcing talent globally. Companies need to source talent globally because the universities in most developed European economies produce an insufficient number of recruits to fill the positions in high demand, such as jobs in engineering and communication technology. Global talent sourcing was viewed in Germany and the

---

13. In this report, we adjusted GDP to account for purchasing-power parity by standardizing the purchasing power of different currencies in their countries for a given basket of goods.
The study revealed a niche issue in managing talent that might become very important soon. Not currently a high priority at many companies, the action of moving businesses to new locations in order to gain access to talented people is expected to grow rapidly in the future. For many companies, the availability of talent, in addition to cost advantage, will increasingly become an important factor in deciding where to locate facilities. Companies that use this approach must also make sure that employees working abroad (for example, expatriates) are fully integrated into the processes used to manage talent.

Managing Demographics

Two main factors influence the demographic profile of a country’s work force: the birth rate and the average retirement age. In the focus countries, managing demographics was among the top three topics in both France and Germany, even though the profile of the two countries is quite different. On the one hand, France—with an average lifetime birth rate, or total fertility rate, of 2.00 births per woman—nearly has sufficient population growth to support its economy without relying on migration; however, the average retirement age in France was 58.8 years.
in 2005. On the other hand, Germany has a lower total fertility rate of 1.32, but a much higher average retirement age, at 61.3 years. Italy, where the topic also ranked among the top HR challenges, has a demographic profile similar to that of Germany.

Compared to France and Germany, other European focus countries—such as Spain, Russia, and the United Kingdom—find managing demographics a less pressing challenge. Spain and the United Kingdom both benefit from immigration, with Spain’s 2 percent annual growth in population largely powered by immigration, and the United Kingdom having accepted more than 400,000 immigrants in 2005. Russia faced a perestroika-related decline in its birth rate but still has a relatively strong demographic profile. Given the radical political and economical changes in recent years, Russian executives have more pressing HR topics than managing demographics to address.

An aging work force creates two major risks for companies: the loss of capacity and the loss of knowledge. European companies that were deemed highly capable in managing demographics seemed to take a major step to address these risks, engaging in one action more frequently than their less capable peers. They conducted internal training and cross-job qualification, the action that companies currently—and will in the future—take most often to manage demographics.

At the same time, companies also manage an aging work force. Both in France and in Germany, executives told us that investing in training to enhance employees’ skill levels will be the most important action to address this issue in the future.

Africa

Of all the regions, Africa shares the fewest HR challenges in common with the rest of the world. African executives identified only three of the eight global HR priorities as highly relevant: managing talent, managing work-life balance, and managing globalization. (See Exhibit 15.) Instead, they cited managing diversity as a top future concern. While it is not surprising that managing demographics is not yet a top concern in Africa, the absences of managing change and cultural transformation and improving leader-
ship development are curious, given the massive societal and economic challenges facing the continent.

Culturally and economically, Africa consists of three distinct regions: the Maghreb, the sub-Sahara, and—due to its special history—South Africa. Managing talent and managing work-life balance are important across all three regions. However, the other two top HR issues in Africa, managing globalization and managing diversity, are significant in the sub-Sahara but less important in the Maghreb and in South Africa, where transforming HR into a strategic partner is a key challenge. Like their counterparts in other dynamic economies worldwide, South African executives cited improving leadership development as the second most important issue for the future.

Especially in the sub-Sahara, economic and social foundations are weak. In many countries the quality of the educational system is poor. Diseases like malaria and AIDS are common in the working-age population and require special HR strategies.

Managing Talent
In some regions of Africa, like South Africa, where more than one out of five adults are HIV positive, the virus makes tasks such as managing talent much more challenging. Absenteeism is rampant and unpredictable. Gold Fields Limited, a mining company, has established its own clinics and hospitals to respond to the epidemic.

Emigration is causing skill shortages in the engineering, health care, and finance professions. Thousands of well-trained and educated people, for example, have left Ghana in recent years. In order to retain employees, more than 60 percent of African executives expected that their companies will develop tailored career tracks and specific compensation schemes for talented employees.

Compensation alone is not enough to retain employees, as the emigration of Africans suggests. “South African mining companies frequently lose geologists, civil engineers, and other professionals to construction companies in Dubai or other mining companies in Australia, where they can expect higher compensation,” according to Italia Boninelli, senior vice president and head of human resources at Gold Fields.

In response to the survey, 81 percent of African executives said that their companies source talented employees locally, and 25 percent said that their companies source globally. By 2015, local sourcing will decrease and global sourcing will increase, they expected, so that each measure will be employed by 52 percent of the companies.

Shirley Zinn, the director of enterprisewide HR at Nedbank Group, said that it is critical to create an emotional “lock-in” with employees in South Africa by providing good opportunities for development. Gold Fields, for example, has developed a special training academy.

Managing Work-Life Balance
By 2015, all nine actions for managing work-life balance will increase in Africa, according to our survey. Two-thirds of all companies already offer flexible working hours, and by 2015, executives expected, the share will increase to 78 percent. More than one half, or 57 percent, of African executives said that they expect “teleworking” to be in place at their company in the future, compared with only 20 percent of companies that offer this option today.

Emerging Asia
Four issues emerged as key HR challenges in this region: managing talent, improving leadership development, becoming a learning organization, and managing work-life balance. (See Exhibit 16.) Unlike global respondents, executives in these economies did not cite managing demographics among their top four issues, an exclusion that is understandable in India and to some extent in China. India is relatively young: 35 percent of the population in 2001 was younger than 15 years. In China, where the largest demographic group is in their thirties, an urgent issue is a shortage of talent. Still, HR managers worry about an aging population. “We fear that China will get old before we are developed,” said Fiona Wu, HR director at Lanxess Chemical China.

The two giants in the region, China and India, have very different economic and social profiles. China is oriented toward manufacturing; India, toward services. Those differences aside, executives in both countries ranked managing talent and improving leadership development as the top two issues. Their number-three issues, however, dif-
ferred. Executives in China chose transforming HR into a strategic partner, while their counterparts in India picked managing work-life balance.

Managing Talent
More than four out of five, or 84 percent, of executives in Emerging Asia agreed that the lack of highly talented employees will be the biggest limitation on their companies’ growth. In India, salaries in some fields, such as banking, IT, and communications, are leaping 25 percent or more a year in response to the shortage. Still, many of India’s best and brightest continue to seek their fortunes overseas, although the trend is slackening. In order to overcome these difficulties, executives said that they plan to rely on talent in other countries to fill senior and management positions in India—much as Western companies have relied on Indian talent to fill key positions abroad. Seventy percent of Indian executives said that they expect their companies will be sourcing talent overseas by 2015; just 25 percent of companies do so today.

Unlike in India, the focus on talent in China today is still distinctly local. Companies train homegrown staff and then try to ensure that these employees don’t jump to competitors. But tomorrow is another story. Among all the actions that companies in China can undertake to manage talent, global sourcing of talent will grow the most quickly by 2015.

Of course global companies have an advantage in sourcing talented employees globally, since they can rely on their international connections. While our research showed that 38 percent of the multinational companies we surveyed in China are currently sourcing talent globally, only 6 percent of the national companies we surveyed there do so. Executives from all companies told us that they expect to expand efforts in global sourcing, with 53 percent of executives at national companies and 73 percent of executives at multinationals expecting their companies to source talent globally.

One of the biggest challenges in both countries is persuading qualified senior employees to locate to smaller cities where local businesses are growing quickly. Consequently, 45 percent of Indian executives said that by 2015 they expect their companies to move businesses to new...
locations in order to access talented people, compared with 19 percent of Indian companies that do so today. Likewise, 44 percent of Chinese executives expect by 2015 to see companies launching HR initiatives that target specific groups, such as ethnicities, immigrants, or women, compared to 19 percent today.

Job-hopping is popular among talented employees in both India and China, making retention a major issue for HR executives. It is crucial therefore to create tailored career tracks. “Due to the abundance of opportunities, when some people feel frustrated at work, they tend to quit and look for new opportunities instead of overcoming the problems,” said Heather Wang, General Electric’s HR director for Asia-Pacific and China. To attract and retain talented individuals, companies are cultivating their image as fast-growing dynamic employers that offer many possibilities for personal growth.

**Improving Leadership Development**

Chinese executives told us that they expected to increase their use of virtual training and financial incentives to improve leadership skills. About half—52 percent—said that they anticipate that financial incentives for good leadership will be in place at their companies by 2015, compared with 12 percent of Chinese companies today. In India, these numbers will rise to 59 percent of companies from 40 percent of companies. Executives in India, meanwhile, said that they expect several other actions, such as developing leadership institutes, to gain popularity much more rapidly.

In China, global companies are more active than local companies in improving leadership development. (We define local companies as those that employ more than 80 percent of their workers domestically; we define global companies as those that employ more than 80 percent of their workers abroad.) While both local and global companies need senior managers with “soft” skills and leadership capabilities, a higher percentage of global companies, our research found, are performing 10 of the 13 actions relating to improving leadership development. Local companies often lack experience in leadership and the soft skills required to conduct high-quality training sessions that develop internal leadership. Arthur Duan, the HR director of China’s Sina.com, rated both developing people and promoting a culture of innovation as key challenges for his company.

To strengthen their leadership skills, local companies in Emerging Asia mainly rely on external trainers or experienced managers hired from abroad. We found this to be particularly true in China, where 56 percent of executives at local companies said that their businesses offer external leadership seminars, compared with only 36 percent of executives at global companies. Global companies in China, by contrast, are much more likely to offer seminars that have been developed internally: 73 percent of executives at global companies reported offering these seminars, compared with 38 percent at local companies. General Electric, for example, has discovered that internal coaching and other on-the-job training in leadership development are both practical and effective in China, said Heather Wang.

In the future, local companies are expected to catch up to their global peers, with 56 percent of executives at local players saying that their organizations plan to introduce leadership seminars developed internally. Global companies in China are also relying on their connections to leading business schools, with some 45 percent of these companies currently offering leadership seminars in cooperation with these institutions. By 2015, executives expected the practice will be adopted by 55 percent of global companies. In comparison, only 19 percent of local companies currently cooperate with a business school to conduct leadership seminars, but 63 percent expect to do so in the future.

Some companies have begun cooperating with schools in China to educate employees and potential recruits—as well as their young managers, in particular—to improve so-called soft skills. “We tend to have young, ambitious employees who do not yet possess people management capabilities,” explained a top HR executive.

In China, global companies understand that assessments of their employees’ leadership skills can be a valuable measure for identifying rising stars. Already, 45 percent of executives reported that their companies are using external consultants to assess leadership skills, and 55 percent said that their companies are planning to use these experts by 2015. By comparison, only 25 percent of local companies were found to be using this measure today, even though 56 percent of these companies expect to do so in the future.
Not many Indian executives—around 15 percent—reported that their companies are currently developing an internal virtual training institute or an internal brick-and-mortar leadership institute, but more than twice as many expected each of these institutes to be under way by 2015. In China, 42 percent of executives said that their organizations plan to develop an internal virtual leadership institute by 2015, compared with just 6 percent of organizations that have such institutes today.

**Becoming a Learning Organization**

Rapid growth, change, and uncertainty are pushing this topic to prominence in Emerging Asia. Our survey suggests that traditional forms of training, however, will decline, as newer forms take hold.

Today, 66 percent of executives said that their companies currently conduct prejob training, but only 29 percent expected to see these offerings in the future. This trend is expected in both India and China. Executives in the two countries, however, differ about on-the-job training. The percentage of companies providing on-the-job training is expected to increase by 33 percent in China while declining by 20 percent in India.

Executives throughout Emerging Asia said that they plan to increase efforts in the field of e-learning and IT-based learning-management systems. By 2015, our study found, 61 percent of executives expect that their organizations will be offering e-learning, compared with 41 percent of companies that have it today. Similarly, 52 percent said that they foresee their companies investing in IT-based learning-management systems by 2015, compared with 34 percent of companies that do so today.

**Managing Work-Life Balance**

Executives in Emerging Asia recognized that this topic is a key HR challenge. In interviews, they told us that employees are increasingly expressing interest in their life beyond work and that companies therefore want to address this topic.

**Established Asia**

Collectively, Japan, Singapore, and South Korea—three established economies in Asia and focus countries in this report—have 180 million inhabitants and a GDP that exceeded $5.6 trillion in 2007, adjusted for purchasing-power parity. Executives there are not content with their companies’ HR profiles, identifying five of the eight global key HR challenges as highly critical for the future. Of the five topics, the executives said that they are concerned primarily with **managing talent, improving leadership development, and managing globalization**. (See Exhibit 17.)

It is surprising that executives did not rate **managing demographics** among the top three challenges, since this topic is pressing, especially in Japan, where the country’s age structure presents companies with great demographic risk. Japanese executives seem to recognize this risk, rating the current relevance of **managing demographics** higher than almost all the other focus countries did. Baby boomers in Japan are already retiring, creating the so-called Year 2007 Problem and making the topic a real challenge today.

Press coverage also seems to emphasize the growing disengagement of the younger Asian generations—a trend that companies might best tackle through actions focused on **managing work-life balance**.

**Managing Talent**

This topic is the number-one future challenge in the region, where companies are experiencing labor shortages. “Talent management will become the most important human resources issue in the next ten years in order to address the shortage of younger workers, an emphasis on work-life balance, and increasing diversity,” a Japanese HR executive told us.

**Managing talent** is closely related to **managing demographics** and **managing globalization**. In all three focus countries highlighted in this region, a decline in birth rates will lead to a smaller workforce and a heightened need for top talent. At the same time, the mature domestic markets in these countries are driving companies to consolidate, as evidenced by the fourfold increase in merger and acquisition (M&A) activity in Japan from 1995 through 2005. The mature domestic markets are also causing companies to expand overseas and to adopt a more global stance toward **managing talent**. Consequently, 69 percent of South Korean executives and 71 percent of Singaporean executives told us that they expect their companies to be sourcing talent globally by 2015.
Japanese respondents perceived the global sourcing of talent as far less important: only 37 percent of executives in Japan anticipated that their companies will be using this approach by 2015. The different expectations may result in part because a low percentage of Japanese companies—just 8 percent—currently source their talent globally.

By contrast, companies in Singapore are already accustomed to sourcing their talent globally; our study found that 44 percent of companies there are already doing so.

Since it is a corner pocket tucked between Malaysia and Indonesia, Singapore has historically experienced both an influx and outflow of employees, and companies there are used to managing diversity among employees.

Executives reluctantly accept that many of the country’s best and brightest leave the equatorial nation to seek their fortune elsewhere, and so the employers understand that they need to recruit from outside the country. To be successful at attracting foreign workers, companies need to build their employer brand overseas.

Companies cannot rely on foreign workers alone, however, to meet their HR needs. Employers will also need to increase the size of the domestic talent pool by increasing diversity in the workplace.

For example, Japan’s labor force has tremendous untapped potential in the country’s population of women. Ultimately, executives in the region expected initiatives that target specific communities of potential employees—defined, for example, by ethnicity, nationality, or gender—to grow quickly in the future.

**Improving Leadership Development**

This HR topic will be an integral part of adapting to the changes in business models and corporate values brought on by diversification and globalization.

Companies in Japan, Singapore, and South Korea will increasingly rely on external sources, such as business schools and consultants, for help in developing their own leadership programs. Companies in South Korea and Singapore are also expected to boost their use of internally developed leadership seminars. In Japan, companies are

---

**Exhibit 17. Managing Talent, Improving Leadership Development, and Managing Globalization Top the HR Agenda in Established Asia**

Sample size: 536

Sources: Proprietary Web survey with responses from Hong Kong, Japan, Singapore, South Korea, and Taiwan; BCG/WFPMA analysis.
increasingly establishing corporate universities, such as the Toyota Institute, to train future leaders.

Also, providing financial rewards for good leadership is expected to gain popularity. Although only 3 percent of Japanese executives said that their companies currently provide financial rewards for good leadership, 37 percent of executives told us that they expect their companies to take this action by 2015.

Executives from South Korea also recognize that their organizations will need to make investments in leadership development, which is closely related to the top HR issue in their country, managing globalization. “By making foreign acquisitions, our definition of leadership expands from domestic to global,” said a managing director of a major company in South Korea.

Managing Globalization

The countries and markets of Established Asia arose from economic obscurity after World War II, and they are now major global players. The forces of globalization, however, are currently affecting the HR operations of companies within this region.

Executives are especially concerned about the ability of their companies to enhance the global diversity of their work forces. Japanese executives also want to see their companies better manage international teams and increase diversity within local work forces.

Executives across the three focus countries in this region disagree about how best to manage expatriates in the future. South Korean and Singaporean respondents told us that they expect their companies to increase capabilities in managing expatriates, while Japanese participants said that they expect to focus less on this activity in the future. This difference reflects the willingness of Japanese companies to hire foreign executives to run foreign operations rather than rely on expatriates. While tapping foreign talent increases the talent pool, it also can strain corporate culture.

Managing Talent

Local competition for talent is already tight, and executives expect increasing global competition for talent. Against this backdrop, attracting and retaining talent emerged as the predominant theme in the survey and throughout the interviews. It is no longer sufficient for companies to have a strong HR brand, executives pointed out. In fact, 73 percent of executives expected their companies to be developing tailored career tracks by 2015, and 59 percent anticipated that their companies would be formulating specific compensation schemes for talented people by then.

At the end of the day, money alone won’t do the job. “People will jump ship for money and rewards but stay for a good learning experience,” said Tim Hayes, HR manager at the Cumberland Newspaper Group, a subsidiary of the media company News Corporation.

Improving Leadership Development

Improving leadership development was a more critical issue in New Zealand than in Australia. But in both countries, executives strongly agreed with the hypothesis that leadership will require more time and skill from managers.
and that investment in leadership skills must increase. Most executives planned to increase their focus on measuring, training, and rewarding leadership excellence. While applying 360-degree feedback is already common today, 39 percent of executives said that their companies will use assessment centers to measure leadership in the future.

By 2015, the use of internal coaching is likely to increase by 8 percentage points and access to external coaching to grow by 17 percentage points, according to respondents. Most interviewees told us that they expect a shift from relying on external leadership seminars to developing an internal virtual leadership institute and increasing cooperation with business schools. Furthermore, 60 percent of the executives we surveyed expected their companies to also provide financial rewards for good leadership by 2015.

Managing Demographics
Like most developed countries, Australia has a population with a rising life expectancy and a decreasing birth rate. By 2050, the average age in Australia will reach 46.7 years, up 31 percent from 2000. To respond to this shift, companies in the region are expected to increase efforts in retaining and attracting older employees, with 82 percent of executives saying their companies will offer options to semiretired and retired employees by 2015—an action only 35 percent of companies undertake today.

As employees age, their health plays a greater role in their productivity at work. ING Australia runs a successful wellness program, which has a higher participation rate than those of its competitors, according to Brendan Keys, the company’s executive director of people and performance. Since the program’s inception, the company has achieved a lower rate of absenteeism than its competitors.

In order to address the loss in capacity generated by an aging work force, companies can move businesses to different locations—an action 6 percent of companies do today, but 28 percent of executives in our survey expected their companies to do by 2015. “The next 15 years are going to be very telling, as it will be difficult to replace the experience that the business is going to lose,” said Tim Hayes of the Cumberland Newspaper Group.

Exhibit 18. The Pacific Region’s Top Challenges Closely Mirror Those of North America

Sources: Proprietary Web survey with responses from Australia and New Zealand; BCG/WFPMA analysis.
Managing Change and Cultural Transformation

Companies often find themselves in situations in which the ability to manage change is critical, as Rohan Garnett, group general manager people at Jetstar Airways, explained. “Jetstar is doubling in size every two years, so we need to regularly adjust our operating model and processes to deliver that growth and maintain our entrepreneurial culture,” he said.

Not surprisingly, Australian executives strongly agreed with the hypothesis that effective change management will be a key success factor. They also recognized the difficulties in executing change, especially in the heavy industry and public sectors, where employees tend to be less open to change. “Change management is still a bit of mystery in Australia,” said one HR executive in the country. A vast majority, 90 percent, of the executives in the region who took the survey cited visible leadership as the most popular lever for change by 2015. Close to half of all respondents, 43 percent, said that they expect their companies to name a senior executive head of change management by then.
Companies should be addressing key HR challenges today if they want to be prepared to create true people advantage in the future. While it is certainly helpful to be able to identify the critical HR issues, it is imperative that companies know how to improve their capabilities in all 17 topics outlined in this report.

There are no easy answers. Even seemingly similar companies will often take radically different approaches to address the same issue, depending on their own unique situation: the speed with which they need to act, their business strategy, their current capability, their corporate culture, and other relevant factors.

The following pages lay out a more detailed description of the key global HR challenges and the actions being taken by the companies that were identified by their executives as performing well in a particular topic. By uniting knowledge and action, we hope to provide every company with concrete starting points for professionalizing their HR activities in order to create people advantage.

Understanding HR Actions

As part of our evaluation of the survey data, we conducted variance analysis to determine whether companies that executives rated as highly capable in a specific HR topic engaged in certain actions more frequently than companies that executives considered less capable. This exercise identified for each topic the HR actions that correlated most closely with strong capabilities in each region; they are highlighted on relevant exhibits. Due to the differences among regions, an action we found statistically significant in North America might be insignificant in Europe. We suggest that these highlighted actions might be a good starting point for companies seeking to improve their capabilities in a specific topic in a specific region.

During our analysis, we found that several of the top eight HR challenges cited by the global respondents shared certain characteristics. We therefore categorized the topics into three groups—developing and retaining the best employees, anticipating change, and enabling the organization. Furthermore, we discovered that various industries tended to share the same future challenges around the globe. (See Appendix III for an in-depth look at several of these industries.)

Developing and Retaining the Best Employees

To develop and retain the best employees, a company has to focus on three actions that are tightly intertwined: managing talent, improving leadership development, and managing work-life balance.

Many high-talent employees eventually become leaders, so they need to develop leadership skills; at the same time, strong leaders must be in place in order to retain, motivate, and develop talented people. Especially in developing markets, the best employees have many other job options, so it is important for companies to ensure that these people find satisfaction in their current work—a goal that managing work-life balance addresses. Building capabilities in all three of these topics is crucial for companies, in order to create people advantage.
Managing Talent

In all the focus countries except South Korea—and across all industries—managing talent is viewed as a critical HR topic. (See Exhibit 19.) As markets become more flexible and less burdened by regulation, high-talent employees are increasingly able to move to the location where the best opportunity knocks.

The topic of managing talent raises two immediate questions: What is talent, and what exactly does managing talent entail? The first question turns on two dimensions: performance and potential. Each employee in a pivotal job, regardless of whether he or she is a manager, specialist, or individual contributor, should be evaluated in both dimensions. All employees with either high performance in business or people skills or high potential—or, in a best case scenario, both—should be considered highly talented.

Talent management addresses the challenges of recruiting and retaining highly capable employees and providing them with opportunities to perform, excel, and advance. One of the key success factors of talent management is engaging people; it’s an essential step that companies can achieve in many ways. By introducing formal rules for advancement, for example, companies can both minimize the risk of managers’ blocking talented people from promotions and facilitate career development for individuals who might otherwise escape the attention of department, division, or senior leaders. STMicroelectronics in Singapore has discovered that many of the most talented employees who leave the company do so because of their relationship with their managers, and it has taken steps to deal with this issue. “We have made the managers accountable for the high performers reporting to them,” said Jessica Leong, HR director of packaging and test manufacturing in Singapore.

In our interviews, executives generally agreed that the process for managing talent should be transparent. Employees who do not understand the talent-management process will likely suspect favoritism when other employees get selected for key assignments. “Our global transparency in the talent market is one of our key success factors for effective talent management,” said Günther Fleig, chief human resources officer and member of the management board at Daimler AG, and president and chief executive officer of Deutsche Gesellschaft für Personalführung (DGFP e.V.).

Exhibit 19. Executives in All Focus Countries Except South Korea Ranked Managing Talent as a Critical HR Topic

![Exhibit 19](image-url)
**Actions in Managing Talent.** Companies are starting to reduce their local sourcing and to boost their global sourcing of talent. This shift has ripple effects. Companies are thus also starting to reorient their HR sales pitches, communication strategies, and processes in order to appeal to new groups of recruits and to new geographic markets. A major bank in Asia, for example, is starting to recruit in Eastern Europe and to target top students at second-tier schools in the United States. Especially in Established Asia, Europe, and Latin America, the companies deemed highly capable in managing talent recruit globally. (See Exhibit 20.)

Few companies today are moving businesses to new locations to access talented people, but executives told us that they expected this action, among all the actions for managing talent, to grow most rapidly through 2015. An increase in such moves will have far-reaching implications.

One of the reasons that companies find managing talent so difficult, executives told us, is that it is a complex, multilayered issue. (See the sidebar “When Global Expansion and Talent Management Collide.”) There are five distinct, but nonetheless interrelated, activities in the talent-management process: identifying, attracting, developing, retaining, and handling the departure of talent. While the first four steps are widely recognized, the fifth is often neglected.

---

**Exhibit 20. Global Sourcing of Employees—an Action Common to Highly Capable Companies in Three Regions—Will Rise Significantly in the Future**

<table>
<thead>
<tr>
<th>Which of the following aspects of talent management are, and will be, key HR actions in your company?</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop tailored career tracks</td>
<td>70</td>
<td>64</td>
<td>66</td>
<td>56</td>
<td>65</td>
<td>67</td>
<td>73</td>
</tr>
<tr>
<td>Source talented employees locally</td>
<td>62</td>
<td>78</td>
<td>52</td>
<td>23</td>
<td>22</td>
<td>27</td>
<td>33</td>
</tr>
<tr>
<td>Source talented employees globally</td>
<td>48</td>
<td>60</td>
<td>56</td>
<td>25</td>
<td>64</td>
<td>57</td>
<td>60</td>
</tr>
<tr>
<td>Improve the visibility of talented employees for the corporate center</td>
<td>51</td>
<td>72</td>
<td>70</td>
<td>81</td>
<td>44</td>
<td>39</td>
<td>59</td>
</tr>
<tr>
<td>Hire talented employees from competitors</td>
<td>50</td>
<td>33</td>
<td>36</td>
<td>45</td>
<td>52</td>
<td>57</td>
<td>45</td>
</tr>
<tr>
<td>Launch initiatives that target specific groups of potential employees, such as various ethnicities, immigrants, or women</td>
<td>43</td>
<td>49</td>
<td>48</td>
<td>45</td>
<td>34</td>
<td>39</td>
<td>30</td>
</tr>
<tr>
<td>Establish alumni networks</td>
<td>51</td>
<td>40</td>
<td>45</td>
<td>42</td>
<td>43</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Move businesses to new locations to access talented people</td>
<td>18</td>
<td>32</td>
<td>22</td>
<td>25</td>
<td>38</td>
<td>22</td>
<td>19</td>
</tr>
</tbody>
</table>

*Note:* Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error. Those marked with an asterisk had a 10 percent margin of error.

*Sources:* Proprietary Web survey; BCG/WFPMA analysis.
Managing employees’ departure from the company is important in two respects. First, if an employee has not demonstrated potential or performance and has not succeeded in developing his or her skills, the talent-management process must spring into action. Perhaps the employee can add more value in a different job, or perhaps it might be necessary for that employee to leave the company.

Second, companies must be careful in how they handle talented employees who want to leave. If such an employee cannot be persuaded to stay through better compensation, greater responsibility, or other measures, it is important that the individual depart on positive terms. A network of former employees can be highly valuable, as is demonstrated by the growing number of alumni networks that companies are sponsoring.
The two most popular actions executives plan to take in terms of managing talent in the future are developing tailored career tracks and developing specific compensation schemes for talented people. “There have to be very sophisticated career development and retention plans,” said an HR manager in Singapore. “These people are savvy. They know their market value.”

All in all, managing talent encompasses many aspects in HR. While a company must be capable of achieving administrative requirements in this topic, it should not forget that managing talent is also about developing people, engaging them, and creating leaders.

**Starting Points for Professionalizing Capabilities in Managing Talent.** Companies seeking to improve their capabilities in managing talent should do the following:

- Assess their future talent needs in light of strategic and business requirements, such as the desired pace of growth or targeted future locations.
- Monitor and manage the pipeline of future leaders.
- Ensure that plans for talent succession are in place and that candidates for key positions are tracked as part of a regular process.
- Identify the specific types of employees sought and the best avenues for reaching them. For example, companies seeking employees with expertise in computer science would recruit at different universities and tap different professional networks than those seeking expertise in mechanical engineering.
- Offer potential and current employees a value proposition that aligns closely with their desires as well as with the employer’s brand.
- Match talented individuals with key positions within the organization and implement mentoring programs.
- Carefully monitor programs for managing expatriate employees, include those employees working abroad in any talent-management planning, and ensure that their return home is managed adeptly and professionally.
- Continually adapt career tracks to address internal shifts in the work force or business strategy and external client needs.
- Separate long-term planning decisions from short-term activities so that, for example, valuable job-rotation activities are unhampered by any short-term implications for profit and loss.
- Offer top-performing managers development opportunities at corporate universities so that management shares a common understanding and philosophy about leadership.
- Ensure an ongoing and positive relationship with all former employees by managing their departure effectively.

The following topics are related to managing talent, and the sections on them may contain valuable information: improving leadership development, managing work-life balance, managing demographics, managing globalization, becoming a learning organization, delivering on recruiting and staffing, managing diversity, managing corporate social responsibility, enhancing employee commitment, improving performance management and rewards, and measuring HR and employee performance.

**Improving Leadership Development**

The leaders of organizations influence, motivate, and enable their staff to achieve both individual and corporate goals. It is not surprising then that improving leadership development was ranked a critical HR challenge in 11 of the 17 focus countries. (See Exhibit 21.) It was also a top challenge in all the regions except for Africa and Europe. Even in Europe and Africa, however, executives recognized this topic as being of high future importance, but they said that their companies possess sufficient capabilities. In the technology and communications, public sector, health care, and consumer goods industries, improving leadership development is an especially key challenge.

Improving leadership development should start with an assessment of the types of leadership capabilities that are needed. One job may require strong capabilities in negotiating with stakeholders, for example, while motivational
skills may be more important in another. Once an organization understands what leadership skills it needs, it should compare those needs with the current capabilities of the leadership team. Leadership-development efforts should focus on executives who are receptive to training or coaching in order to close the gap between their current and requisite skills.

The HR function can become a true partner for line managers in this task. More than half (52 percent) of respondents said that HR has a shared responsibility for leadership development in their companies.

Darden Restaurants, an employer of more than 156,000, has recently begun to clarify for its top 400 people what it takes to be a successful leader and to provide the feedback and support needed to become one—and the HR department is intimately involved in the initiative. Darden is also working on building career paths that enable leaders to move between different restaurant brands or functional units by clarifying what is required for success (both results and behaviors).

**Actions in Improving Leadership Development.** To prepare leaders, companies rely mainly on providing internal coaching from their own top management and 360-degree feedback throughout the organization. (See Exhibit 22.) More than half of the respondents in each of the regions told us that they expect their companies will apply both measures by 2015.

There is one downside to leadership development, particularly in developing economies. Executives who undergo extensive leadership training programs are susceptible to being hired away by competitors, which have not incurred the cost of training them. In order to reduce this risk, companies need to ensure that they provide a rewarding environment for employees. “Although employers can and will often match the competing offer, money alone does not guarantee the loyalty of the most talented and mobile employees,” said Rebecca Wang, deputy manager of HR for The Bank of East Asia Limited in Beijing.

In all regions, companies expect to increase the frequency of almost all actions that pertain to *improving leadership development* by 2015. The use of external leadership seminars is the notable exception, with executives in six of seven regions expecting this action to decline in the future.
The focus on *improving leadership development* is understandable, given its strong link to *managing talent*. Offering attractive career development opportunities is one of the most effective ways to retain talent. Indeed, a lack of career opportunities is one of the five most important reasons employees cite for leaving a company.

**Starting Points for Professionalizing Capabilities in Improving Leadership Development.** Companies seeking to improve leadership development should do the following:

- Create a leadership profile that describes the specific leadership capabilities an organization requires to be successful. At the very least, these capabilities should include an ability to think strategically, enable organizational agility, foster engagement, and drive accountability for superior performance.

- Assess existing leadership capabilities by using internal programs or external, systematic and scheduled in-depth evaluations as well as performance reviews, also known in some regions as people reviews. Assess-
ments of historical performance should be supplemented with analysis predicting future performance.

- Transform managers into leaders by enhancing their strategic mindset; their skills in visionary thinking, influence, persuasion, people development, and economic value creation; and their coaching abilities.

- Introduce programs such as job rotation and on-the-job training and tailor them to employees with varying levels of seniority.

- Reward leaders for achieving business results and adhering to desired behaviors.

- Address the situation directly when leaders are violating cultural norms.

Managing Work-Life Balance

The topic of managing work-life balance is now essential for creating an attractive HR brand in all industries and markets and for recruiting and retaining employees. The values held by younger employees differ significantly from those of prior generations, and companies need to start adequately addressing the new mindset in order to increase employee satisfaction. (See the sidebar “Satisfied Employees Create Satisfied Customers.”)

Greater flexibility is the cornerstone of almost all work-life balance initiatives. Traditional ways of managing work-life balance have focused on allowing employees to decide where and when they will work. Increasingly, employees also want to derive a sense of greater purpose from their work. To address this need, organizations might also consider managing corporate social responsibility, another HR topic that we explore in this report; it calls for a company to tap its resources in a way that has a positive impact on society.

Managing work-life balance is a key future HR challenge in all the regions except the Pacific Region and is one of the

Satisfied Employees Create Satisfied Customers

Companies frequently have difficulty figuring out how to fold work-life balance initiatives into their overall corporate strategy—and employees have just as much difficulty taking advantage of the opportunities their companies offer. The HR director of a U.S. technology company told us, “If employees really want to get ahead, there is no work-life balance.”

From its earliest days, SAS Institute, a U.S. software company founded in 1976, has taken employee satisfaction seriously, viewing work-life balance as a necessity rather than an elective. Satisfied employees create satisfied customers.

At its headquarters in North Carolina, SAS has two on-site child-care centers, an eldercare information and referral program, a health care center, wellness programs, a 20,100-square-meter recreation and fitness center, and other work-life programs. The company is consistently listed in Fortune magazine’s “100 Best Companies to Work for in America” and Working Mother magazine’s comparable ranking.

“It’s OK to use the gym for an hour-and-a-half at lunch. It’s OK to leave at 3:00 p.m. for a kid’s soccer game. We reinforce that at manager training,” said Jeff Chambers, SAS’s vice president of HR. “We don’t create the rules around the 5 percent who might abuse it. We deal with the abusers as needed, as outliers, and focus on the other 95 percent.”

SAS’s reputation as a company that offers work-life balance has multiple payoffs, according to Chambers. The quality of its applicants is higher than the quality of its competitors’ applicants. Once they are hired, employees go the extra distance for their customers because SAS goes the extra distance for them. “We are a service company. We need to earn that right every day,” Chambers told us.

The focus on employee satisfaction and work-life balance ultimately has paid off in business success for SAS. Since the private company’s founding, its revenues have risen at a compound annual growth rate that exceeds 35 percent.
top three future challenges in seven of the focus countries, largely outside of Europe. (See Exhibit 23.)

**Actions in Managing Work-Life Balance.** This topic is closely related to managing talent. Due to a clear talent shortage threatening on the horizon, many companies must start to broaden their views on talent. Some, for example, have identified women as a neglected and untapped talent pool and have started targeting them for recruiting. Offering more flexible working arrangements can help to attract and retain women.

Offering flexible working hours is the action of choice for companies seeking to manage work-life balance. Worldwide, more than 60 percent of executives surveyed reported that their companies already offer this option, and nearly 80 percent said that they plan to do so by 2015. Moreover, in the developed regions—North America, Europe, Established Asia, and the Pacific Region—the companies deemed by their executives to be highly capable in managing work-life balance tended to offer flexible working hours. (See Exhibit 24.) Offering part-time work was the second most popular current and future action by employers, suggesting that executives favor traditional ways to manage work-life balance rather than such newer approaches as offering sabbaticals or providing employment for a spouse or partner, an action known as career couple programs.

Adding flexibility at work can create significant legal issues in countries that have stringent labor regulations for rank-and-file employees. Companies must take these issues into account as they move forward. The action in managing work-life balance that is expected to grow the most is providing employment for a spouse or partner, which is already being used by highly capable companies in Latin America.

**Starting Points for Professionalizing Capabilities in Managing Work-Life Balance.** Companies seeking to improve their capabilities in managing work-life balance should do the following:

- Identify major areas for improvement and priorities by using employee surveys and assessments to determine the options that employees and recruits desire for work-life balance.
Develop key performance indicators in order to measure work-life balance and its influence on business, for example, the voluntary attrition rates of high-talent employees.

Systematically assess the current portfolio of work-life balance offerings and make necessary adjustments.

Broadly and frequently communicate relevant offerings to employees.

Develop pilot programs to meet work-life needs for communities of employees—such as women or employees of particular ethnicities or nationalities—and assess related legal issues.

Train line managers in work-life balance initiatives and ensure that they incorporate the initiatives in their businesses.

Explore the possibilities offered by innovative activities that advance corporate social responsibility as a way to develop a meaningful and fulfilling workplace for employees.

The following topics are related to managing work-life balance, and the sections on them may contain valuable information: managing talent, managing change and cultural transformation, delivering on recruiting and staffing, and managing corporate social responsibility.
Anticipating Change

Change has become a constant variable in today’s society. Three HR topics will help companies anticipate—and create advantage out of—inevitable change: managing demographics, managing change and cultural transformation, and managing globalization. People advantage is about smoothing out the bumps during periods of change.

Managing Demographics

Every company that operates in a country where large numbers of employees are approaching retirement could be facing demographic risk. Managing demographics seeks to address two main challenges: managing capacity loss and managing an aging work force for maximum productivity. These challenges pose several threats, among them: the possibility of increases in absenteeism and health care costs, the potential loss of knowledge as experienced employees leave the company, and the difficulty of motivating older employees. Since there are fewer qualified employees entering the market, companies need to prepare to address the problems that an aging and retiring work force create, taking action beyond simple recruiting. These problems might be even more pronounced for companies that have sent a bulk of their older employees into early retirement in recent years over the course of restructuring projects.

Managing demographics is a pressing issue in Australia, Canada, the United States, and much of Europe. (See Exhibit 25.)

Actions in Managing Demographics. In the future, the most popular action for tackling the problem of lost capacity and the resulting loss of knowledge will be conducting internal training and using cross-job qualification to prepare people to work in job groups other than their own. (See Exhibit 26.) This action is already being conducted by European companies that executives deemed highly capable in managing demographics.

Ideally, companies should conduct scenario-planning exercises when they begin tackling this topic. Under this approach, companies create advanced models that help them understand the supply and anticipated future

Exhibit 25. Managing Demographics Is a Key Challenge in Australia, Canada, the United States, and Much of Europe

Sources: Proprietary Web survey; BCG/WFPMA analysis.
demand for specific types of jobs. They can then predict shortfalls and surpluses for each job function. (See Exhibit 27.) After categorizing functions into job groups, which are jobs that require similar skills, companies are able to use internal training and cross-qualification to prepare for the future more efficiently; they then can alleviate anticipated shortfalls by retraining and redeploying employees who have related skills.

We have identified a few farsighted companies that are starting to use these methods. (See the sidebar “When Demographic Risk Can Become a Competitive Advantage.”) Alwin Fitting, chief human resources officer and member of the management board of RWE, confirmed the importance of this approach: “You have to manage demographics on a job-group level, because in some job families you will have a surplus and in others you will have a massive shortfall.”

Transferring employees can be a complex undertaking. Executives recognize that career development systems and collective-bargaining agreements may prevent the swift redeployment of people to cover shortfalls. “One of my biggest challenges is to develop policies that will

---

Exhibit 26. To Manage Demographics, Most Companies Will Use Internal Training and Cross-Job Qualification

What actions does, and will, HR take to manage future capacity loss due to an aging work force in your company?

<table>
<thead>
<tr>
<th>Action</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct internal training and qualify people for job groups other than their own (cross-job qualification)</td>
<td>69</td>
<td>64</td>
<td>67</td>
<td>64</td>
<td>64</td>
<td>64</td>
<td>63</td>
</tr>
<tr>
<td>Implement health management and wellness programs</td>
<td>67</td>
<td>64</td>
<td>59</td>
<td>58</td>
<td>66</td>
<td>44</td>
<td>72</td>
</tr>
<tr>
<td>Offer employment options to attract or retain semi-retired or retired employees</td>
<td>73</td>
<td>52</td>
<td>46</td>
<td>72</td>
<td>52</td>
<td>43</td>
<td>82</td>
</tr>
<tr>
<td>Use external recruiting</td>
<td>61</td>
<td>63</td>
<td>58</td>
<td>53</td>
<td>48</td>
<td>34</td>
<td>50</td>
</tr>
<tr>
<td>Use increases in productivity to compensate for a diminishing work force</td>
<td>48</td>
<td>59</td>
<td>41</td>
<td>49</td>
<td>42</td>
<td>53</td>
<td>52</td>
</tr>
<tr>
<td>Outsource work</td>
<td>46</td>
<td>41</td>
<td>37</td>
<td>33</td>
<td>50</td>
<td>40</td>
<td>32</td>
</tr>
<tr>
<td>Manage staff demand by job groups (jobs that require similar skills) to identify shortfalls and surpluses</td>
<td>30</td>
<td>34</td>
<td>22</td>
<td>40</td>
<td>28</td>
<td>37</td>
<td>28</td>
</tr>
<tr>
<td>Move businesses to different locations</td>
<td>31</td>
<td>34</td>
<td>34</td>
<td>44</td>
<td>48</td>
<td>42</td>
<td>36</td>
</tr>
<tr>
<td>Analyze the demand per job group for the next 10 years</td>
<td>46</td>
<td>48</td>
<td>Not asked</td>
<td>51</td>
<td>54</td>
<td>44</td>
<td>39</td>
</tr>
<tr>
<td>Percentage of respondents</td>
<td>57</td>
<td>61</td>
<td>12</td>
<td>16</td>
<td>14</td>
<td>14</td>
<td>6</td>
</tr>
</tbody>
</table>

Sources: Proprietary Web survey; BCG-WFPMA analysis. Note: Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error. Those marked with an asterisk had a 10 percent margin of error.
increase employee mobility both across job groups and regions and thus limit the difficulty for the company and the pain for the employees when we have to change our organization,” said Foucauld Lestienne, the HR deputy vice president of La Poste, the French postal service and an employer of more than 300,000.

Managing demographics presents a perfect opportunity for the HR function to work strategically with the corporate-development staff. The best way to understand the future demand for employees is to derive from the corporate strategy the company’s future needs for each job group. Unless the HR and corporate-development functions are working closely on this exercise, the company will likely miss the mark.

Interestingly, many companies are starting to offer employment options to attract or retain semiretired or retired employees. This fast-growing action to manage demographics is critical to address the risk of losing capacity and knowledge as employees retire.

At the same time, especially in the United States, this action taps into a new reality: older workers want to continue working beyond traditional retirement ages. “This generation is not retiring in the ways that previous generations did,” one senior vice president of HR told us.

In response to these retirement and demographic trends, companies are planning to take several preemptive actions. (See Exhibit 28.)

Roughly two-thirds of the executives surveyed told us that they were currently investing in training to enhance the skill levels of their employees, an action common to North American companies deemed highly capable in managing Anticipated Surpluses and Shortages by Job Family at a Sample Company, by Percentage of Current Employees

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Generalist assembly worker</td>
<td>-1</td>
<td>-10</td>
<td>-16</td>
<td>-22</td>
<td>-27</td>
<td>-29</td>
<td>-31</td>
<td>-33</td>
<td>-34</td>
<td>-38</td>
<td>-43</td>
<td>-46</td>
</tr>
<tr>
<td>Specialist assembly worker</td>
<td>0</td>
<td>-2</td>
<td>-8</td>
<td>-14</td>
<td>-16</td>
<td>-22</td>
<td>-24</td>
<td>-25</td>
<td>-27</td>
<td>-29</td>
<td>-33</td>
<td>-35</td>
</tr>
<tr>
<td>Frame painter</td>
<td>-4</td>
<td>-7</td>
<td>-11</td>
<td>-21</td>
<td>-25</td>
<td>-27</td>
<td>-28</td>
<td>-29</td>
<td>-33</td>
<td>-39</td>
<td>-43</td>
<td>-53</td>
</tr>
<tr>
<td>Specialist painter</td>
<td>-6</td>
<td>-13</td>
<td>-20</td>
<td>-25</td>
<td>-23</td>
<td>-20</td>
<td>-16</td>
<td>-15</td>
<td>-12</td>
<td>-14</td>
<td>-15</td>
<td>-15</td>
</tr>
<tr>
<td>Experienced secretary</td>
<td>0</td>
<td>1</td>
<td>-3</td>
<td>-7</td>
<td>-9</td>
<td>-11</td>
<td>-13</td>
<td>-14</td>
<td>-16</td>
<td>-17</td>
<td>-18</td>
<td>-20</td>
</tr>
<tr>
<td>Generalist secretary</td>
<td>-7</td>
<td>-3</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>9</td>
<td>13</td>
<td>15</td>
<td>16</td>
<td>18</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Frame technician</td>
<td>-9</td>
<td>-8</td>
<td>-7</td>
<td>-27</td>
<td>-26</td>
<td>-25</td>
<td>-7</td>
<td>-27</td>
<td>-26</td>
<td>-25</td>
<td>-7</td>
<td>-27</td>
</tr>
<tr>
<td>Electronic engineer</td>
<td>-9</td>
<td>-9</td>
<td>-8</td>
<td>-8</td>
<td>-8</td>
<td>-8</td>
<td>-7</td>
<td>-7</td>
<td>-7</td>
<td>-7</td>
<td>-7</td>
<td>-7</td>
</tr>
<tr>
<td>Finishing worker</td>
<td>-4</td>
<td>-2</td>
<td>0</td>
<td>4</td>
<td>9</td>
<td>15</td>
<td>21</td>
<td>24</td>
<td>27</td>
<td>29</td>
<td>32</td>
<td>35</td>
</tr>
<tr>
<td>Quality check technician</td>
<td>-9</td>
<td>-14</td>
<td>-15</td>
<td>-15</td>
<td>-12</td>
<td>-10</td>
<td>-8</td>
<td>-6</td>
<td>-3</td>
<td>-1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Experienced quality check technician</td>
<td>-6</td>
<td>-2</td>
<td>-15</td>
<td>-30</td>
<td>-23</td>
<td>-12</td>
<td>-3</td>
<td>-3</td>
<td>1</td>
<td>6</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Quality check engineer</td>
<td>-9</td>
<td>-9</td>
<td>-9</td>
<td>-30</td>
<td>-44</td>
<td>-44</td>
<td>-44</td>
<td>-44</td>
<td>-44</td>
<td>-44</td>
<td>-44</td>
<td>-44</td>
</tr>
<tr>
<td>Chassis assembly worker</td>
<td>-6</td>
<td>-10</td>
<td>-24</td>
<td>-38</td>
<td>-46</td>
<td>-52</td>
<td>-53</td>
<td>-55</td>
<td>-61</td>
<td>-60</td>
<td>-76</td>
<td>-76</td>
</tr>
<tr>
<td>Experienced chassis assembly worker</td>
<td>-11</td>
<td>-11</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
<td>-10</td>
</tr>
<tr>
<td>Mechanical technician</td>
<td>-2</td>
<td>5</td>
<td>-26</td>
<td>-10</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Novice machine operator</td>
<td>15</td>
<td>17</td>
<td>24</td>
<td>35</td>
<td>40</td>
<td>57</td>
<td>68</td>
<td>76</td>
<td>86</td>
<td>96</td>
<td>110</td>
<td>121</td>
</tr>
</tbody>
</table>

Sources: Sanitized case example; BCG analysis.

Note: The minus sign (−) denotes the percentage of anticipated shortfall.
A large European utility company has restructured its operations several times over the past decade, encouraging attrition among employees through early-retirement packages and other incentives. The company had been exploring whether further workforce reductions would be strategically feasible when, in 2006, it opted instead to analyze its demographic profiles for the next 5, 10, and 15 years. (See the exhibit below.) Upon completing the analysis, the company’s management realized that within a few years, the company would face a shortfall in workers, especially in highly specialized functions. Furthermore, the executives became aware that, as the workforce aged, many of the company’s employees might become less productive—especially in physically demanding jobs—or might not be able to continue to work in a three-shift environment.

There are two facets to managing demographic risk: managing the loss of productivity as employees age and managing the loss of capacity as employees retire. The board decided that it needed to take action in both areas in order to mitigate its demographic risk effectively.

First, the company decided to look beyond the average age of employees and assess the age composition of the workforce in greater detail. The company needed to understand the variances within the average in order to comprehend the scope and timing of the problem.

Second, management sought to dig deeply into the workforce demographics to understand the future capacity of the company’s clusters—known as job groups, job families, and job functions. All the clusters were evaluated to determine the training an employee would require before he or she could move from one cluster to another. Employees in closely related clusters could be retrained and redeployed with less effort than could workers assigned to more distant clusters.

Generally, analysis showed, employees could be redeployed to jobs in the same function, with minimal training; to jobs in the same job family, with up to 18 months of training; and to jobs in the same job group, with up to three years of training.

The company next needed to evaluate its demand for staff in light of its strategic projections for growth—at the function, family, and group levels. Once it was armed with a detailed understanding of its labor needs and capacity, the company could begin to identify expected labor shortfalls and surpluses.

At many companies, training and transfers might not resolve the future needs specific to job families. Such companies will need to make up differences either by hiring from the outside or by pursuing innovative process-optimizing strategies, such as outsourcing, to reduce demand for staff.

At this company, for example, HR identified a focused and innovative short-term program for closing the gap through recruiting strategies and processes. The detailed findings and recommendations from the analysis were accepted by the board, positioning the HR department to become a strategic partner with the business units that it supports.

For many companies, managing capacity loss will be a major change initiative that will span many years. Simultaneously, companies will need to consider how they handle the lower productivity of older employees. Among the possibilities are the following:

- Awarding additional vacation days to employees who exercise at least three hours per week
- Offering older employees the opportunity to rotate between jobs that involve varying degrees of physical labor
- Encouraging employees to participate in on-the-job group-exercise sessions
- Matching employees to the ergonomic requirements of available jobs

demographics. At the same time, about twice as many companies—in all regions except Emerging Asia—are expected to change health and safety policies to reflect the aging work force in the future. Emerging Asia won’t see similar growth only because 40 percent of organizations there already rely on this action today.15

Starting Points for Professionalizing Capabilities in Managing Demographics. Companies seeking to improve their capabilities in managing demographics should do the following:

- Implement job-family and job-qualification systems across the company that group employees with related skills.
- Assess how the work force will develop by projecting the average age and the age breakdown of the work force in 5, 10, and 15 years, taking into account such vital factors as retirement, attrition, and recruitment rates.

- Model labor demand by job families for the next 5, 10, and 15 years. The model for forecasting this need should be linked to strategic goals, such as the desired pace of growth.

- Analyze—as a follow-up to the labor demand model—both supply and demand scenarios by job families over various time horizons to assess the risk of experiencing capacity surpluses and shortfalls.

- Identify measures to mitigate any risks by transferring, qualifying, retraining, and implementing health-management programs for employees, as well as by recruiting externally.

The following topics are related to managing demographics, and the sections on them may contain valuable information: managing talent, managing work-life balance, managing change and cultural transformation, becoming a learning organization, transforming HR into a strategic partner, restructuring the organization, delivering on recruiting and staffing, managing diversity, and enhancing employee commitment.

**Managing Change and Cultural Transformation**

Managing change and cultural transformation is a key future HR challenge in Europe and the Pacific Region and in three focus countries: Australia, Italy, and the United States. Executives in most of the focus countries told us that managing change and cultural transformation will be relatively important in the future, but they also reported that their companies have relatively strong capabilities in this topic. (See Exhibit 29.) They therefore tended to rank managing change and cultural transformation as less critical than many of the other challenges.

In the public sector and the consumer goods and technology and communication industries, however, managing change and cultural transformation is a key future challenge. Change management is not limited to large-scale transformations or postmerger integrations; it is equally relevant for any initiative or program an organization undertakes to realize a vision and improve performance. The key to successfully managing change and cultural transformation is to ensure that the company provides structure and support to any efforts in order to realize and maintain results.

**Actions in Managing Change and Cultural Transformation.** Executives expect HR to support the change process, specifically by developing tools and methodologies to help line managers communicate the need for change to employees—and then bring about that change. (See the sidebar “Four Thousand Points of Light.”)

This expectation poses a tall order for HR. “The business world changes ever faster and more drastically. Line managers often have no capability to take the helicopter view,” said Jana Riebová, the HR director of UniCredit Group Czech Republic. “HR has to professionalize change management by developing effective training programs and establishing an internal communication process.”

Other executives concurred. “In the change process, role models are more important than high-gloss brochures,” said Thomas Unger, chief financial officer of Metro, a large German retail company. His colleague, Zygmunt Mierdorf, Metro’s chief human resources officer, added, “HR has to promote the role models in the company.”

One of the major ways that executives expect HR to deliver on these goals is by ensuring alignment between...
Although many managers know how to set and achieve concrete “hard” goals, they feel less at ease with the “soft” side of management, for example, corporate culture. Culture, however, often underpins the successful execution of strategy. High-performing organizations apply the same rigor and analysis to employee motivation and engagement that they apply to business performance. They know how to build employees’ skills and creativity, where to encourage collaboration, and when to celebrate success.

**Transforming the Enterprise**

At a consumer goods company, the new chief executive of a country business with 4,000 employees wanted to change its culture. It seemed hierarchical, and decision making took too long. He aspired to create an organization that could respond quickly to changing market demands, make better decisions faster, and provide employees with a more satisfying work experience.

Surveys, interviews, and focus groups confirmed many of the CEO’s insights about the organization. Several of the business’s divisions and functions exhibited silolike behavior and a bureaucratic mentality—a mindset that resulted in weak collaboration and poor communication. The CEO believed that the company’s people needed to alter their behavior in a fundamental way, so over the course of 18 months, he launched a series of initiatives aimed at changing the culture on two fronts: discipline and engagement.

The first set of activities focused on building a more performance-driven workplace by strengthening certain critical business and HR processes and platforms, and ensuring that they supported the new behaviors. Several teams were set up to revamp performance management, recruiting, training, career development, and promotion processes. These processes are the hidden cornerstones of culture, and cultural change is nearly certain to fail without them. This supporting infrastructure guides, monitors, and measures skills, behavior, leadership, and collaboration—tethering cultural change to business goals.

The second set of activities concentrated on more typical cultural-change exercises. The company took steps to build an emotionally engaged work force, working especially on strengthening leadership capabilities, improving collaboration and communication, and celebrating success in deliberate and measurable ways.

The company did not focus exclusively on performance discipline, which can make employees feel overworked and underappreciated. Nor did it focus exclusively on emotional engagement, which can lead to energized but undirected employees. Instead, the company laid the groundwork to create a high-performance culture, by paying attention to both discipline and engagement.

**Aligning Organizational Systems**

The company also focused on organizational systems and their effect on employee behavior. It addressed, for example, the functions’ silolike behavior. Analysis revealed that the company’s functional areas did not collaborate because the company did not measure and evaluate their performance in ways that promoted collaboration. To encourage collaboration, therefore, the company redefined accountabilities and metrics. For instance, while many areas played a part in ensuring that sufficient inventory was on hand, only the customer service department was held responsible when items were out of stock. The new system imposed an in-stock metric on all departments involved.

The company also began to evaluate all employees relative to the desired behaviors and to make promotion decisions based in part on their adherence to those behaviors. The changes helped reinforce the importance of the behaviors and demonstrated that the company was serious about changing its culture. Employees responded positively, and their motivation increased.

**Encouraging Behavioral Change from the Top Down**

The CEO realized that to change behavior throughout the organization, he would have to change the behavior of the senior management; it would be difficult to change attitudes at lower levels if managers were working according to the old rules. To create a critical mass of managers who were exhibiting, or “living,” the new behaviors, he initiated a program that would reinforce the company’s leadership goals among the top 400 managers.

As a result of these efforts, new improvement initiatives started to spring up throughout the company. In one instance, when a factory needed to increase production of bottled water by more than 10 percent in order to meet rising demand, a cross-functional team identified 13 factors that were constraining production volume. In another, the company gained an opportunity to land a large supply contract with a new entertainment complex. Historically, each division had used its own marketing-and-sales team to negotiate contracts with such clients, but for the first time, the teams coordinated their efforts—and the company won an exclusive contract.

A year-and-a-half after starting the cultural transformation, the CEO was buoyed by the company’s transformation. “We have achieved a genuine shift in the corporate DNA toward openness, collaboration, and teamwork,” he said. “This place is very different from the way it was 18 months ago.”
HR systems and the desired corporate culture or expected reorganization; 71 percent of all respondents said that their companies will take this step in the future. (See Exhibit 30.) Other major ways will be communicating a vision for action; closing gaps in capabilities through assessment, training, and staffing; and ensuring visible leadership. Nearly 70 percent of companies will pursue each of these actions by 2015. One of the actions expected to grow most quickly is installing a senior executive as head of change management, a role that hardly exists today.

In any change process, the first step is to develop and communicate a vision for action. Our analysis found that this action, which ensures a common understanding of the starting point as well as a shared goal, is performed by highly capable companies in North America and in Emerging Asia as well as Established Asia.

Starting Points for Professionalizing Capabilities in Managing Change. Companies seeking to successfully implement a change initiative and to improve their capabilities in managing change should take action to implement the following six steps, which we discuss in detail in Exhibit 31:

- Create the change agenda
- Mobilize the organization
- Hard-wire change
- Manage for results
- Sustain and reinvent
- Communicate consistently and strategically

Exhibit 30. HR Functions Are Widely Expected to Align Their Systems with the Desired Corporate Culture

<table>
<thead>
<tr>
<th>Which of the following change levers do, and will, play a role in your company?</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure alignment of the HR system with the desired culture, the expected reorganization, or both</td>
<td>75</td>
<td>68</td>
<td>66</td>
<td>71</td>
<td>72</td>
<td>72</td>
<td>82</td>
</tr>
<tr>
<td>Communicate a vision for action</td>
<td>78</td>
<td>57</td>
<td>66</td>
<td>57</td>
<td>65</td>
<td>70</td>
<td>81</td>
</tr>
<tr>
<td>Close gaps in capabilities through assessment, training, and staffing</td>
<td>77</td>
<td>55</td>
<td>71</td>
<td>72</td>
<td>60</td>
<td>55</td>
<td>84</td>
</tr>
<tr>
<td>Ensure visible leadership</td>
<td>76</td>
<td>67</td>
<td>63</td>
<td>66</td>
<td>73</td>
<td>55</td>
<td>90</td>
</tr>
<tr>
<td>Maintain rigorous management of projects and programs through milestones and follow-up</td>
<td>64</td>
<td>49</td>
<td>39</td>
<td>59</td>
<td>52</td>
<td>45</td>
<td>75</td>
</tr>
<tr>
<td>Manage relations with unions, employees, councils, and other organizations</td>
<td>45</td>
<td>38</td>
<td>55</td>
<td>51</td>
<td>42</td>
<td>30</td>
<td>43</td>
</tr>
<tr>
<td>Mobilize stakeholder support</td>
<td>46</td>
<td>41</td>
<td>66</td>
<td>61</td>
<td>51</td>
<td>42</td>
<td>52</td>
</tr>
<tr>
<td>Install a head of change management who is as important as other key leaders, such as the head of finance</td>
<td>39</td>
<td>38</td>
<td>35</td>
<td>56</td>
<td>49</td>
<td>39</td>
<td>65</td>
</tr>
</tbody>
</table>

**Sources:** Proprietary Web survey; BCG-WFPMA analysis.

**Note:** Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error.
Starting Points for Professionalizing Capabilities in Managing Cultural Transformation. Companies seeking to improve their capabilities in managing cultural transformation should do the following:

- Thoroughly assess the existing culture—including its strengths and weaknesses—by interviewing key people and customers
- Define the desired culture and then document with the senior management team the implications of shifting to that culture, including an assessment of how the current culture and employee behaviors will need to change
- Identify the actions that are most relevant to promote change and determine how those actions will affect the company’s current organizational models and individual behaviors
- Implement and monitor plans for effecting change and assess the effectiveness of the cultural change

Managing Globalization

One of the main HR challenges in managing globalization is making sure that the right people are in place at the right locations. Although companies have long had international operations, they have only begun, in the past decade, to view globalization as a critical business challenge. Since it is a social, political, and economic issue, globalization cuts across nearly all aspects of corporate behavior and affects HR topics that range from managing talent to managing change and cultural transformation.

Executives are starting to understand that managing talent is now a global issue, and managing globalization has a strong talent component. “The real power will be in the...
recognition that we are one piece of the global market for talent and for products and services,” said Jacqueline McCook, a former strategy and marketing executive at ConAgra and PepsiCo and founder and chief executive of The McCook Group. In one example of this recognition, the German government has turned to India to hire 20,000 information-technology specialists. The move highlights that managing globalization is a key challenge, especially in the technology industry.

Rapidly developing economies, including China and India, will be critical to the success or failure of companies. Some companies will gain a talent and cost advantage by sourcing in those countries, while others will stand on the sideline as their competitors seize the advantage. At the same time, global companies are also bringing best practices in HR and corporate social responsibility to the countries where they are expanding, such as Mexico and other countries in Latin America.

Because it is such a multifaceted topic, the companies’ current capabilities in managing globalization varied greatly across the focus countries, and executives tended not to rank it high in future importance. (See Exhibit 32.) It is a key challenge in Italy, Japan, and South Korea.

Actions in Managing Globalization. In the future, the most popular action in this topic will be increasing capabilities for managing more international teams. (See Exhibit 33.) Already, in North America and Emerging Asia, this action was common among companies that executives deemed highly capable in managing globalization.

Arrow Electronics, a global provider of electronic components and computer products, for example, is one organization that is seeing demand for these capabilities rise. The company is growing its business in Asia and working on many effective and innovative ways to recruit talent in the region, according to Melanie Young, vice president of corporate HR and global services. Because sending U.S. executives overseas is expensive, the company will sometimes rotate executives to work abroad for several months while managing specific initiatives.

Starting Points for Professionalizing Capabilities in Managing Globalization. Companies seeking to improve
their capabilities in managing globalization should do the following:

- Derive the short- and long-term implications of globalization on their corporate HR strategy, such as the requirements that must be met for the company’s various geographic and functional organizations

- Globalize the company’s HR profile by recruiting experienced executives in countries in which the company has identified specific needs and by ensuring that the board of directors comprises a truly global membership

- Invest in global talent recruiting and training by providing executives with international rotations, invest in local talent development, and establish global HR platforms

- Establish exchanges of best practices by laying out standardized processes across all regions

The following topics are related to managing globalization, and the sections on them may contain valuable information: managing talent, managing change and cultural transformation, becoming a learning organization, transforming HR into a strategic partner, delivering on recruiting and staffing, and providing shared services and outsourcing HR.

Enabling the Organization

An organization that is capable of transferring knowledge and handling HR issues strategically will enjoy a people advantage over its competitors. Taking steps that will enable the organization to succeed requires becoming a learning organization and developing HR into a strategic partner.
**Becoming a Learning Organization**

Companies in most countries ranked their current capabilities low in *becoming a learning organization*. (See Exhibit 34.) The topic was ranked as a top critical challenge in HR in both of the regions in Asia and in Europe and the focus countries of Brazil, China, Italy, Japan, South Korea, and Spain.

A learning organization develops and distributes knowledge internally. While this definition may seem trivial, in fact, companies find the task quite difficult. Companies successful at *becoming a learning organization* constantly define and update their capabilities, creating a cycle of continuous improvement. The capability for institutional learning springs from the organizational culture, which establishes whether a learning system, once established, will flourish or fail.

Organizational success in learning relies on several activities; knowledge management databases are just the tip of the iceberg. Successful companies also rely on corporate universities, the transfer of knowledge from experienced employees to less-seasoned employees, and networking among experts. One of the keys for success is taking an inventory of current learning activities and establishing a plan for improving capabilities.

**Actions in Becoming a Learning Organization.** Executives told us that their organizations will direct more attention to a wide range of activities that are related to *becoming a learning organization*. In the future, parallel-to-the-job development programs, such as coaching, counseling, or mentoring, will be the action most widely deployed. (See Exhibit 35.) Understandably, highly skilled employees will require more individualized and tailored training through these programs.

Coaching and other training measures are also part of successful talent-management programs. By developing employees so that they meet the needs of the organization and can adapt to the corporate culture, these initiatives are good long-term investments.

Executives predicted that on-the-job development programs, such as trainee programs and job enlargement, job enrichment, and job rotations, will be the second most

---

**Exhibit 34. Across Most Focus Countries, Executives Cited Low Capabilities in Becoming a Learning Organization**

![Diagram showing the comparison between current capability and future importance across focus countries.](image)

**Sources:** Proprietary Web survey; BCG/WFPMA analysis.
Many of the skills that employers and employees require today are developed while on the job. Formal education takes a back seat to this kind of lifelong learning experience. In that context, companies have tended to engage in those actions that are the most relevant to meeting specific job requirements, and they have tended to rely less on more general actions, such as hiring external consultants and using business schools to develop central personnel.

**Exhibit 35. Coaching, Counseling, and Mentoring Will Continue to Be Highly Popular**

<table>
<thead>
<tr>
<th>Which are, and will be, your key actions to make your company a learning organization?</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage coaching, counseling, and mentoring (parallel-to-the-job development)</td>
<td>72</td>
<td>68</td>
<td>66</td>
<td>67</td>
<td>61</td>
<td>65</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>56</td>
<td>53</td>
<td>45</td>
<td>54</td>
<td>57</td>
<td>57</td>
<td>75</td>
</tr>
<tr>
<td>Leverage trainee programs, job enlargement, job enrichment, and job rotation (on-the-job development)</td>
<td>67</td>
<td>54</td>
<td>67</td>
<td>65</td>
<td>59</td>
<td>59</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>51</td>
<td>46</td>
<td>67</td>
<td>49</td>
<td>66</td>
<td>65</td>
<td>51</td>
</tr>
<tr>
<td>Leverage e-learning</td>
<td>61</td>
<td>62</td>
<td>53</td>
<td>65</td>
<td>61</td>
<td>46</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>44</td>
<td>42</td>
<td>34</td>
<td>36</td>
<td>41</td>
<td>37</td>
<td>42</td>
</tr>
<tr>
<td>Leverage senior managers as central personnel developers</td>
<td>58</td>
<td>61</td>
<td>54</td>
<td>57</td>
<td>61</td>
<td>46</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>42</td>
<td>30</td>
<td>43</td>
<td>48</td>
<td>34</td>
<td>38</td>
</tr>
<tr>
<td>Leverage in-house training capabilities</td>
<td>54</td>
<td>45</td>
<td>46</td>
<td>45</td>
<td>52</td>
<td>52</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>54</td>
<td>54</td>
<td>52</td>
<td>64</td>
<td>69</td>
<td>69</td>
<td>71</td>
</tr>
<tr>
<td>Leverage quality circles and project teams (near-job development)</td>
<td>59</td>
<td>46</td>
<td>48</td>
<td>55</td>
<td>46</td>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>26</td>
<td>46</td>
<td>15</td>
<td>43</td>
<td>41</td>
<td>38</td>
<td>27</td>
</tr>
<tr>
<td>Invest in IT-based learning-management systems to closely monitor individual activities</td>
<td>42</td>
<td>54</td>
<td>37</td>
<td>58</td>
<td>52</td>
<td>39</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>25</td>
<td>42</td>
<td>14</td>
<td>34</td>
<td>31</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>Leverage introductory sessions and training (prejob development)</td>
<td>46</td>
<td>39</td>
<td>41</td>
<td>41</td>
<td>29</td>
<td>35</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>45</td>
<td>69</td>
<td>55</td>
<td>56</td>
<td>69</td>
<td>59</td>
<td>58</td>
</tr>
<tr>
<td>Leverage case studies and speeches (off-the-job development)</td>
<td>36</td>
<td>49</td>
<td>52</td>
<td>39</td>
<td>48</td>
<td>38</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>49</td>
<td>24</td>
<td>28</td>
<td>27</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Leverage outplacement and retirement preparation (out-of-the-job development)</td>
<td>29</td>
<td>40</td>
<td>23</td>
<td>41</td>
<td>44</td>
<td>32</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>24</td>
<td>19</td>
<td>26</td>
<td>16</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Leverage external consultants as central personnel developers</td>
<td>36</td>
<td>32</td>
<td>22</td>
<td>41</td>
<td>50</td>
<td>37</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>24</td>
<td>29</td>
<td>21</td>
<td>35</td>
<td>37</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td>Leverage business schools as central personnel developers</td>
<td>28</td>
<td>37</td>
<td>19</td>
<td>46</td>
<td>45</td>
<td>35</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>57</td>
<td>13</td>
<td>46</td>
<td>50</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

**Sources:** Proprietary Web survey; BCG/WFPMA analysis. **Note:** Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error.

A popular type of action in the future. In Europe today, highly capable companies are already relying strongly on on-the-job-development, with about two out of three executives saying that their companies are already using these tools—and planning to continue to do so in the future. As some of the executives explained in our interviews with them, Europe has traditionally excelled in producing technologically sophisticated products that require specific training.
Starting Points for Professionalizing Capabilities in Becoming a Learning Organization. Companies seeking to improve their capabilities in becoming a learning organization should do the following:

- Leverage senior managers as central personnel developers
- Derive learning needs from the business strategy—new businesses will, for example, require specific educational capabilities—and obtain a comprehensive overview of individual development needs
- Continually integrate internal business requirements into the portfolio of planned training
- Select the right learning instruments for each specific need, such as training, coaching, or action learning
- Define and measure the return on investment that executives expect from learning and development, and continuously adapt training operations accordingly
- Institutionalize an ongoing feedback loop into all learning activities and develop a knowledge-management system

Transforming HR into a Strategic Partner

Overall, executives in most focus countries said that transforming HR into a strategic partner is an important future topic, even though they also reported that their companies were fairly proficient in it. (See Exhibit 36.) In the focus countries of Argentina and Chile, Canada, China, Japan, and South Africa, however, executives were less confident in the capabilities of their companies, making the topic a key HR challenge there. In general, line managers were much more critical of the HR function’s ability to meet this capability than HR managers were.

Transforming HR into a strategic partner requires that HR strategy be developed systematically by analyzing the business strategy, the external environment, and the HR needs of the company. The potential benefits of mastering this topic are substantial. As HR’s performance improves, the culture and values of the organization better support the company’s objectives. Most HR departments, however, do not possess the skills necessary to transform themselves, primarily because HR employees are accustomed to focusing on traditional HR processes and lack business experience. Tony McCarthy, British Airways’ director of people, suggested an approach to address this issue: “HR should divide its organization between strategic and administrative parts. Then you can focus better on the core issues.”

Actions in Transformation HR into a Strategic Partner. In Latin America, the action common among highly capable companies was developing the right competencies to be a partner in functional issues; in Europe, it was systematically developing HR strategy by analyzing the business strategy, the external environment, and internal needs. And in North America, Africa, and both regions in Asia, it was formally including HR strategy in the corporate planning process. (See Exhibit 37.)

In the future, developing the right competencies to become a strategic partner in functional issues will be the most widely deployed action in this topic. While this finding may seem obvious, it is surprisingly difficult to introduce the proper capabilities into the HR function. At many companies, HR employees advance exclusively within the HR hierarchy and are frequently left out of job-rotation programs that are designed to provide rising executives with broad exposure to many departments and necessary business knowledge.

The silo-focused career track followed by many HR professionals is starting to change, but the pace of this change needs to quicken. Senior executives in HR and executives from other departments told us that they will increasingly expect HR managers to have a business background in fields such as sales or even engineering. “HR professionals must have two things: business acumen and experience in organization diagnoses and execution,” said Lynn Clark, the vice president of HR at Bristol-Myers Squibb.
Exhibit 36. In Most Focus Countries, Executives Ranked Transforming HR into a Strategic Partner as an Important Future Topic but Assessed Current Capabilities as Fairly High

Sources: Proprietary Web survey; BCG/WFPMA analysis.

Exhibit 37. To Transform HR into a Strategic Partner, Highly Capable Companies in Four Regions Included HR Strategy in Corporate Planning

To be or become a strategic partner in our company, HR strategy planning does the following:

<table>
<thead>
<tr>
<th>Region</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR strategy is included in the corporate planning process in a formal way</td>
<td>76</td>
<td>61</td>
<td>68</td>
<td>70</td>
<td>70</td>
<td>68</td>
<td>76</td>
</tr>
<tr>
<td>HR measures are transformed into individual target agreements to hold management accountable for implementation of HR strategy and goals</td>
<td>65</td>
<td>57</td>
<td>66</td>
<td>70</td>
<td>48</td>
<td>48</td>
<td>45</td>
</tr>
<tr>
<td>HR department develops the right competencies to be a partner in strategic issues</td>
<td>75</td>
<td>69</td>
<td>76</td>
<td>66</td>
<td>69</td>
<td>70</td>
<td>76</td>
</tr>
<tr>
<td>HR strategy is developed systematically by analyzing the business strategy, the external environment, and the needs within the company</td>
<td>77</td>
<td>63</td>
<td>66</td>
<td>76</td>
<td>76</td>
<td>68</td>
<td>82</td>
</tr>
<tr>
<td>Percentage of respondents</td>
<td>69</td>
<td>63</td>
<td>62</td>
<td>58</td>
<td>71</td>
<td>55</td>
<td>57</td>
</tr>
</tbody>
</table>

Sources: Proprietary Web survey; BCG/WFPMA analysis.

Note: Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error.
The second most popular action for transforming HR into a strategic partner in the future will be systematically developing HR strategy by analyzing the business strategy, the external environment, and needs within the company. HR managers must understand the business strategy, how it was derived, and its key objectives so that they can tailor the HR strategy to it. In this way, HR will be able to deliver value by supporting key corporate initiatives and, consequently, helping to shape policy and influence actions.

“Deriving our people strategy, OneHR, systematically from E.ON’s business strategy established HR as a business partner creating value for our company. In addition, this formed the basis for winning top management commitment and support,” said Christoph Dänzer-Vanotti, chief human resources officer and board member at E.ON.

As noted above, our analysis also found that the companies that executives deemed highly capable in transforming HR into a strategic partner in North America, Africa, and both regions in Asia included HR strategy in the corporate planning process more often than their less capable peers did. When companies took this action, our analysis suggested, HR executives were more likely to be valued as business confidants to their peers outside the HR department.

In general, we also found, companies are planning to extend their activities in the field of HR strategy. (See Exhibit 38.)

Starting Points for Professionalizing Capabilities in Transforming HR into a Strategic Partner. Companies seeking to better transform HR into a strategic partner should do the following:

* Ensure that high-potential employees rotate through HR; and constantly review the mix of business and HR experts on the senior HR team.
Substantiate HR strategies and planning activities by deploying quantitative and qualitative metrics in strategic work force planning.

Derive and introduce key performance indicators and key financial metrics linked to HR value creation. (For more information about these quantitative measures, see the “Measuring HR and Employee Performance” section.)

Systematically integrate HR strategy into the corporate planning process, ensure that HR has a voice during business strategy discussions, and include HR-related metrics in regular business reviews.

The following topics are related to transforming HR into a strategic partner, and the sections on them may contain valuable information: managing talent, managing work-life balance, managing globalization, and managing diversity.
Meeting the eight critical challenges looming on the horizon will be a Herculean task for HR executives—and one essential to helping their companies achieve a competitive edge—but it is not the only task they face. If they hope to gain the trust of senior executives, HR executives must also get the fundamentals of the HR function right by ensuring that the basic activities of the HR department run smoothly.

In our survey, we asked senior executives and executives from other departments to share their general opinion of the HR department and to assess their department’s capabilities in various activities. For all topics except for managing work-life balance, executives outside of HR rated their companies’ capabilities in these topics lower than HR executives did. This variance was most pronounced for restructuring the organization, delivering on recruiting and staffing, and mastering HR processes.

It also turned out that all executives rated the overall capabilities of the HR department higher when they also felt that the department exhibited strength in these three topics. Specifically, respondents scored their company’s overall HR capabilities 19 percent higher on average when they felt that HR was strong in delivering on recruiting and staffing, 18 percent higher on average when they viewed the department as capable of mastering HR processes, and 17 percent higher on average when they felt that the department exhibited strength in restructuring the organization.

For companies that are racing to prepare for tomorrow, these three topics might seem small and easy to overlook. Nonetheless, getting them right is crucial. “To be accepted, first and foremost, HR has to deal with the compulsory HR tasks besides coping with strategic topics. It is necessary to run HR as a business,” explained Claus E. Heinrich, chief human resources officer and member of the management board of SAP.

The survey responses and interviews suggested several ways in which HR managers can achieve greater effectiveness at their fundamental tasks.

Restructuring the Organization

Traditionally, HR departments have been heavily involved in helping their organizations to restructure. Restructuring projects present HR professionals a prime opportunity to show executives that they understand business issues and can manage processes effectively. Restructuring the organization did not come close to being ranked as a key future HR challenge in any of the focus countries. (See Exhibit 39.) Nonetheless, executives see it as a bellwether of a company’s overall capabilities in HR. Restructuring is “not going away,” an HR executive told us. “Doing it right is critical.” While restructuring is commonly viewed as a cost-reduction exercise, it also applies to growth scenarios—and HR should play an important role in either case.

Actions in Restructuring the Organization. The HR function can address several components in a restructuring process—for instance, assessing capabilities, making staffing recommendations, and training employees to enhance redeployment possibilities. Often however the complexity of the undertaking makes it difficult to fore-
see all the ways in which the HR function can engage. Nonetheless, mastering the restructuring process promises significant gains. Kevin Brown, the executive general manager people for Qantas Airways Limited in Australia, says that restructuring the organization is an essential skill in helping companies develop new business models and ways of working. “This is critical to realize growth opportunities,” Brown said.

Few strong trends emerged among the future actions in restructuring the organization, perhaps because the topic is already considered an established practice. (See Exhibit 40.) The action that most executives expected their companies to perform in the future is assessing capabilities and making staffing recommendations. Communicating the restructuring process internally will also be a widely deployed action in the future, although executives expected it will be used less often than it is today. In fact, executives expected four of the eight actions in this topic to decline in the future. Furthermore, in most of the regions we did not find that highly capable companies performed any action more frequently than did their peers that were deemed less capable.

Executives expected that managing outplaced employees will, among all the actions explored for dealing with this topic, grow most quickly. Helping former employees land on their feet will certainly benefit a company’s reputation.

Starting Points for Professionalizing Capabilities in Restructuring the Organization. Companies seeking to improve their capabilities in restructuring should do the following:

- Assess the feasibility of the restructuring plan from the HR planning and legal perspectives, paying attention to the full range of national laws
- Design the work force redeployment strategy in an iterative process that is grounded in substantive data, costs, and time constraints
- Evaluate the alternatives to job terminations, such as recruitment freezes, internal mobility, compensation restrictions, and temporary work force reductions, especially for countries with strong labor laws
Carefully plan how to identify key constituencies affected by the reorganization plans and pay specific attention to the requirements that could block the process.

Communicate the methodology and the schedule of the reorganization to all relevant parties as quickly as possible.

Build a specific process for tracking headcount and costs.

Establish sufficient support for both employees and managers.

Set up ongoing internal and external communication measures that monitor and support the process.

The following topics are related to restructuring the organization, and the sections on them may contain valuable information: managing change and cultural transformation and mastering HR processes.

Delivering on Recruiting and Staffing

The recruiting and staffing processes are undergoing dramatic changes, transformed by the demise of typical recruitment vehicles, the availability of offshore labor in places like India, the coming retirement of the baby boom generation, and the tight labor markets for many high-skilled jobs. Even with these changes to confront, executives told us that they perceived their companies as relatively capable in delivering on recruiting and staffing. (See Exhibit 41.)

### Exhibit 40. Few Strong Trends Emerged in Restructuring the Organization, with Slight Declines Expected in Half the Actions

<table>
<thead>
<tr>
<th>What are, and will be, the key actions for HR in restructuring the organization?</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assess capabilities and make staffing recommendations</td>
<td>66</td>
<td>54</td>
<td>62</td>
<td>52</td>
<td>74</td>
<td>63</td>
<td>68</td>
</tr>
<tr>
<td>Communicate the restructuring process internally</td>
<td>62</td>
<td>52</td>
<td>58</td>
<td>56</td>
<td>67</td>
<td>58</td>
<td>55</td>
</tr>
<tr>
<td>Gain support from employees</td>
<td>64</td>
<td>52</td>
<td>63</td>
<td>56</td>
<td>60</td>
<td>58</td>
<td>59</td>
</tr>
<tr>
<td>Train employees to increase redeployment possibilities</td>
<td>48</td>
<td>49</td>
<td>57</td>
<td>72</td>
<td>72</td>
<td>56</td>
<td>50</td>
</tr>
<tr>
<td>Handle issues related to labor law in the restructuring process</td>
<td>58</td>
<td>48</td>
<td>48</td>
<td>68</td>
<td>53</td>
<td>51</td>
<td>41</td>
</tr>
<tr>
<td>Negotiate with trade unions and employees</td>
<td>47</td>
<td>43</td>
<td>52</td>
<td>56</td>
<td>35</td>
<td>47</td>
<td>50</td>
</tr>
<tr>
<td>Manage outplaced employees into other external institutions and companies</td>
<td>42</td>
<td>57</td>
<td>61</td>
<td>80</td>
<td>42</td>
<td>47</td>
<td>53</td>
</tr>
<tr>
<td>Conduct employment terminations</td>
<td>56</td>
<td>39</td>
<td>38</td>
<td>48</td>
<td>48</td>
<td>46</td>
<td>61</td>
</tr>
</tbody>
</table>

Sources: Proprietary Web survey; BCG/WFPMA analysis.

Note: Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error.
Facing more complexity, executives favor a strategy that aligns planning for talent needs, marketing the company as an employer, handling hiring and integration processes, and controlling processes.16

In developing markets, *delivering on recruiting and staffing* is vital because the demand for talent is high and knowledge about recruiting markets is relatively limited. Companies need to tap nontraditional sources to succeed. In China, for example, many international companies have resorted to hiring top students from second-tier schools to broaden recruitment pools. Siemens Ltd., China, has discovered that regional recruiting hubs are effective. “China is a very diverse country, and we need to have HR teams close to business,” said Marcelo Ballario, the head of the recruiting center in China at Siemens.

At the same time, staffing is becoming more complex. As companies grow globally, they seek to spread their know-how across the regions in which they operate. Yet it is not easy to persuade specialists from developed economies, for example, to move to emerging economies.

**Actions in Delivering on Recruiting and Staffing.** Companies should fully evaluate their recruiting needs, beginning by forecasting the internal demand for key positions. This step will help companies succeed in several actions that they deploy widely already, including the most popular current action in this topic: identifying recruiting needs precisely. It will also help them know when to focus on other actions to expand the talent pool. (See Exhibit 42.) As a next step—to be able to assess the quality of HR’s efforts within recruiting and staffing—companies must monitor and control all the associated processes, another action currently popular among respondents.

As we mentioned earlier, *delivering on recruiting and staffing* was one of the three topics in which HR executives assessed their function’s capabilities higher than other executives did. In combination, a precise understanding of recruiting needs and a strong monitoring program should help HR executives identify the areas requiring further improvement.

---

16. *Controlling* is a European term that encompasses the annual planning and budgeting, regular performance reviews, and incentive and compensation setting that all companies perform.
Which are, and will be, your areas for action in recruiting and staffing activities?

<table>
<thead>
<tr>
<th>Area</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify recruiting needs precisely</td>
<td>64</td>
<td>59</td>
<td>Not asked</td>
<td>53</td>
<td>71</td>
<td>45</td>
<td>61</td>
</tr>
<tr>
<td>Control recruiting and staffing processes more closely</td>
<td>59</td>
<td>65</td>
<td>Not asked</td>
<td>61</td>
<td>74</td>
<td>45</td>
<td>60</td>
</tr>
<tr>
<td>Tailor recruiting channels to target groups of employees</td>
<td>59</td>
<td>63</td>
<td>Not asked</td>
<td>63</td>
<td>69</td>
<td>45</td>
<td>61</td>
</tr>
<tr>
<td>Develop communication campaigns for the company</td>
<td>42</td>
<td>33</td>
<td>Not asked</td>
<td>40</td>
<td>64</td>
<td>43</td>
<td>65</td>
</tr>
<tr>
<td>Offer retirees an opportunity to return to the work force</td>
<td>44</td>
<td>50</td>
<td>Not asked</td>
<td>47</td>
<td>74</td>
<td>45</td>
<td>53</td>
</tr>
<tr>
<td>Offer fixed-term jobs for students, such as summer internships</td>
<td>52</td>
<td>50</td>
<td>44</td>
<td>57</td>
<td>57</td>
<td>38</td>
<td>49</td>
</tr>
<tr>
<td>Create an Internet presence/home page</td>
<td>52</td>
<td>50</td>
<td>64</td>
<td>55</td>
<td>69</td>
<td>38</td>
<td>49</td>
</tr>
<tr>
<td>Offer internships for high school students</td>
<td>43</td>
<td>50</td>
<td>52</td>
<td>57</td>
<td>69</td>
<td>38</td>
<td>49</td>
</tr>
<tr>
<td>Establish a global pool of talent within the company</td>
<td>41</td>
<td>55</td>
<td>49</td>
<td>69</td>
<td>38</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Hire candidates early in their careers, such as two years before graduation</td>
<td>38</td>
<td>35</td>
<td>35</td>
<td>53</td>
<td>45</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>Retrain people with alternate backgrounds; for example, train insurance agents to be bankers</td>
<td>41</td>
<td>40</td>
<td>50</td>
<td>69</td>
<td>38</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Explicitly formulate a target mix of candidates</td>
<td>41</td>
<td>41</td>
<td>44</td>
<td>69</td>
<td>38</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Hire recruiting companies</td>
<td>42</td>
<td>44</td>
<td>42</td>
<td>69</td>
<td>38</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Maintain a reserve of personnel for the company</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>69</td>
<td>38</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Sponsor lectures and faculty positions at universities</td>
<td>34</td>
<td>33</td>
<td>30</td>
<td>69</td>
<td>38</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Use temporary employment agencies to overcome short-term bottlenecks</td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>69</td>
<td>38</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Recruit returning emigrants</td>
<td>34</td>
<td>35</td>
<td>35</td>
<td>69</td>
<td>38</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Move the business to markets with a greater number of potential employees</td>
<td>14</td>
<td>59</td>
<td>15</td>
<td>51</td>
<td>11</td>
<td>51</td>
<td>10</td>
</tr>
<tr>
<td>Percentage of respondents</td>
<td>28</td>
<td>17</td>
<td>17</td>
<td>23</td>
<td>23</td>
<td>17</td>
<td>11</td>
</tr>
</tbody>
</table>

Sources: Proprietary Web survey; BCG/WFPMA analysis.

Note: Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error. Those marked with an asterisk had a 10 percent margin of error.
In the future, many of the traditional ways of attracting recruits will become outdated. The use of newspaper ads or Web sites for example will decline across all regions. Instead, companies will look to many new actions, such as moving businesses to markets with a greater number of potential employees, retraining people with alternate backgrounds, and offering retirees an opportunity to return to the work force. Most of these actions, which are expected to grow in all regions, share a common trait: all enlarge the pool of potential recruits.

While it may appear that companies across all regions are planning on taking similar actions in delivering on recruiting and staffing, we anticipate in fact that the topic will become increasingly localized as companies tailor their approaches to different labor markets.

**Starting Points for Professionalizing Capabilities in Recruiting and Staffing.** Companies seeking to deliver more impact on recruiting and staffing should do the following:

- Draw on business needs to develop a detailed recruiting plan for delivering required job families, competencies, and employee profiles
- Create a recruiting strategy that specifies the type of target candidates sought, the target schools to recruit from, and the ideal mix of candidate types, such as experienced versus graduate
- Ensure that HR marketing reflects the employer branding that recruiting demands
- Establish an efficient recruiting process by defining and monitoring metrics for the selection and hiring process, such as the time it takes to fill a position
- Organize an internal staffing process that integrates individuals’ career development needs, staffing across business units, and efficient systems for making employees aware of job opportunities and career options
- Develop plans for integrating new employees and monitor how well those plans work by tracking metrics such as the longevity of new employees

The following topics are related to delivering on recruiting and staffing, and the sections on them may contain valuable information: managing talent, managing work-life balance, managing globalization, and managing diversity.

**Mastering HR Processes**

The focus of this topic is excelling on a wide range of HR processes, from recruiting and placement to performance management and employee development. Except in a few isolated pockets, mastering HR processes is a topic in which executives say their companies are proficient. (See Exhibit 43.) Mistakes in performing HR processes, however, are highly visible and damage the image of the department. Moreover, mastering HR processes is one of the top three topics in which executives from the department and their colleagues outside HR have the greatest difference of opinion about the HR capabilities of their organizations. Hence, HR executives cannot afford to ignore this topic. “The HR profession is largely in denial or lacks the capability to appreciate how poorly the basics such as payroll are done,” said a major executive. “You need to prove that your reach is not beyond your grasp.”

In the interviews, executives elaborated. When they are working on restructuring, delayering, or demographic risk management, their companies often find it difficult to collect seemingly basic information such as spans of control, accurate organization charts, or employee skill profiles. Without easy access to such information, companies will be limited in their ability to execute HR strategies.

**Actions in Mastering HR Processes.** In the future, the most popular action in mastering HR processes will be defining key performance indicators. Executives expected the most significant growth in outsourcing basic HR processes. (See Exhibit 44.)

As the HR departments evolve and become strategic partners to business executives, the existence of key performance indicators will help to build credibility with corporate management. Yet companies will not uniformly adopt this action across all regions. Executives in North and Latin America, Europe, and the Pacific Region, said that they plan to increase use of such indicators by 2015, but those in Africa and Emerging Asia said that their companies will decrease their use. In Latin America,
using key performance indicators was a common action among highly capable companies.

Setting up e-HR processes can help to increase the efficiency of HR. In North America, we found that highly capable companies used this technology significantly more often than other companies did in mastering HR processes.

When HR officers have clear duties and assignments, they are able to work more effectively toward goals. For this reason, it is not surprising that nearly half of the HR executives we interviewed said that they were—and will continue—working with defined service-level agreements. In Europe, our study revealed that using service-level agreements was an action common among highly capable companies.

One-third of companies—or twice as many as today—are expected to be outsourcing basic HR processes by 2015. In Emerging Asia, we found that companies deemed highly capable in this topic used outsourcing far more often than companies with lower capabilities did, suggesting that outsourcing basic HR processes is a key to successfully mastering HR.

Basic processes are necessary but rarely strategic, and they do not add much economic value. Consequently, many HR functions might increase their ability to focus on the bigger picture by outsourcing HR processes or relying on a shared service center.

**Starting Points for Professionalizing Capabilities in Mastering HR Processes.** Companies seeking to improve their capabilities in mastering HR processes should do the following:

- Distinguish between HR functions that are services, such as payroll, and those that are strategic, such as talent management, and adapt the organizational model of the HR department accordingly
- Build a so-called center of excellence for handling strategic functions and develop a business case for moving service functions into shared service centers or to outsourcing companies
- Systematically assess the level of HR services delivered to the business and create key performance indicators for measuring and monitoring the provision of those services

**Exhibit 43. In 13 of the 17 Focus Countries, Executives Perceived Current Capabilities as High—and Future Importance Low—in Mastering HR Processes**

*Sources: Proprietary Web survey; BCG/WFPMA analysis. Note: Only countries with at least three responses each are included; South Korea is excluded.*
Develop robust HR information systems and accurate databases so that the department can provide senior management with such vital business information as detailed headcount, cost-control, and planning advice.

Develop business cases for creating self-service and support options, such as call centers, that provide mechanisms that will enable employees and management to access HR information easily.

Consider pooling HR expertise across divisional and geographic lines so that the function is concentrated in a central organization and benefits from scale.

The following topics are related to mastering HR processes, and the sections on them may contain valuable information: transforming HR into a strategic partner, delivering on recruiting and staffing, and providing shared services and outsourcing HR.
In earlier chapters, we explored the eight topics deemed most pressing to an average company. We also considered the three topics HR needs to get right to protect its reputation and credibility. Most likely, however, your company differs in key respects from the average company—and the HR topics relevant to your business therefore likely differ too. In this chapter, we explore six other HR topics that the survey addressed.

Managing Diversity

Managing diversity is the practice of understanding and embracing social differences for the mutual benefit of both employees and companies. Large retailers, for example, try to mirror the local population in their sales staff to maximize both sales and services. Diversity has many shades of meanings, depending on the country, company, or industry. In order to address this complex topic, companies must first define what elements of diversity are important in their workplace. Is gender diversity, for example, more relevant than ethnic diversity or age diversity?

Managing diversity is a topic of high future importance in only a few focus countries such as Italy, Japan, and Spain, where it has been strongly pushed by the government. Respondents from all focus countries except for Germany, however, estimated that their companies’ current capabilities to manage this HR challenge were low or average. (See Exhibit 45.)

Creating a diverse workforce poses challenges that vary by region. In some developed markets, hiring and retaining qualified recruits from specific communities—such as ethnic groups, nationalities, or women—is difficult, especially in today’s highly competitive environment. In the United States, for example, a talented minority candidate is in high demand for certain jobs. In some developing markets, the context may be completely different: Women, for example, are often not yet active members of the professional work force. If a company wants to increase its share of the female work force, it may first need to devote energy to becoming an attractive employer for women by, for example, offering specific work-life balance initiatives.

Managing diversity can also involve handling cultural clashes. Global companies frequently have to manage tensions among employees with different cultural backgrounds.

Managing diversity is—in most countries and markets—a relatively young topic. Partly for that reason, interviewees told us that diversity initiatives do not necessarily get support from management. In order to build momentum for the topic, therefore, HR needs to show how greater diversity will benefit the business.

Actions in Managing Diversity. Executives told us that they expect two actions to grow most rapidly in this topic: establishing global employee exchanges and organizing networks within the company to help specific employee groups. (See Exhibit 46.) The first action, common among highly capable companies in North America, can help to increase the diversity of the work force without resorting to recruiting wars. The second action is targeted at retaining a diverse work force.
Executives told us that, to measure diversity, their companies will increasingly compare the time between promotions for specific employee groups. (See Exhibit 47.) In both Europe and Established Asia, this measure is common among companies deemed highly capable in this topic.

**Starting Points for Professionalizing Capabilities in Managing Diversity.** Companies seeking to improve their capabilities in *managing diversity* should do the following:

- Determine the strategic business needs—such as corporate social responsibility, access to new talent pools, and connection with the customer base—and define them in terms of required diversity.

- Determine the current state of workforce diversity by analyzing how diverse groups are represented in their recruiting pools and in the company. In conducting the analysis, companies should focus on regional variations and on discrepancies based on specific communities.

- Develop an HR value proposition and offering that is tailored to each of the specific groups.

- Analyze career trajectories to identify obstacles that are holding back different groups of employees. The groups could include women or employees of different ethnicities or nationalities.

- Analyze shortcomings in diversity performance to highlight the need for improved training.

- Search out and eliminate ethnic, cultural, or gender biases in evaluation systems.

- Analyze attrition in order to uncover opportunities for developing and retaining high-performing employees in underrepresented groups. One such opportunity might be for a company to better prepare the employees in targeted groups both before and after their promotions.

- Analyze gaps in compensation across employee groups to reveal the trends in performance and promotion.
Exhibit 46. Companies Will Increasingly Establish Global Employee Exchanges and Organize Employee Networks

What are, and will be, your key actions for managing diversity in your company?

<table>
<thead>
<tr>
<th>Action</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deploy employment practices, such as new models for developing diverse staff</td>
<td>67</td>
<td>60 *</td>
<td>42</td>
<td>73</td>
<td>73</td>
<td>57</td>
<td>74</td>
</tr>
<tr>
<td>Facilitate mentoring</td>
<td>27</td>
<td>30</td>
<td>44</td>
<td>29</td>
<td>29</td>
<td>27</td>
<td>33</td>
</tr>
<tr>
<td>Conduct intercultural training</td>
<td>72</td>
<td>58</td>
<td>55</td>
<td>49</td>
<td>51</td>
<td>45</td>
<td>77</td>
</tr>
<tr>
<td>Organize networks within the company to help specific employee groups such as women or members of various ethnicities or nationalities</td>
<td>51</td>
<td>36</td>
<td>40</td>
<td>63</td>
<td>64</td>
<td>52</td>
<td>59</td>
</tr>
<tr>
<td>Conduct intercultural training</td>
<td>63</td>
<td>53</td>
<td>53</td>
<td>49</td>
<td>41</td>
<td>34</td>
<td>74</td>
</tr>
<tr>
<td>Establish global employee exchanges</td>
<td>44</td>
<td>32</td>
<td>33</td>
<td>49</td>
<td>41</td>
<td>34</td>
<td>45</td>
</tr>
<tr>
<td>Provide specific support for older and foreign managers</td>
<td>62</td>
<td>55</td>
<td>37</td>
<td>56</td>
<td>42</td>
<td>49</td>
<td>36</td>
</tr>
<tr>
<td>Meet specific quotas</td>
<td>35</td>
<td>20</td>
<td>17</td>
<td>39</td>
<td>31</td>
<td>35</td>
<td>33</td>
</tr>
<tr>
<td>Evaluates how specific communities, such as ethnic or national groups or women, are represented in the company</td>
<td>34</td>
<td>53</td>
<td>46</td>
<td>49</td>
<td>42</td>
<td>39</td>
<td>34</td>
</tr>
<tr>
<td>Evaluates how specific communities, such as ethnic or national groups or women, are represented in the sourcing pool</td>
<td>43</td>
<td>48</td>
<td>48</td>
<td>58</td>
<td>49</td>
<td>49</td>
<td>36</td>
</tr>
<tr>
<td>Compare performance between the general employee population and specific employee groups</td>
<td>21</td>
<td>55</td>
<td>42</td>
<td>27</td>
<td>25</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>Compare the time between promotions for the general employee population and specific employee groups</td>
<td>18</td>
<td>29</td>
<td>13</td>
<td>32</td>
<td>31</td>
<td>39</td>
<td>10</td>
</tr>
</tbody>
</table>

Percentage of respondents

Sources: Proprietary Web survey; BCG/WFPMA analysis.

Note: Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error. Those marked with an asterisk had a 10 percent margin of error.

Exhibit 47. Measuring the Time Between Promotions—an Action Associated with Highly Capable Companies in Two Regions—Will Rapidly Gain Popularity Across Most Regions

How do you measure diversity in your company?

<table>
<thead>
<tr>
<th>Action</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluate how specific communities, such as ethnic or national groups or women, are represented in the company</td>
<td>34</td>
<td>34</td>
<td>49</td>
<td>39</td>
<td>47</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Evaluate how specific communities, such as ethnic or national groups or women, are represented in the sourcing pool</td>
<td>47</td>
<td>39</td>
<td>59</td>
<td>39</td>
<td>44</td>
<td>44</td>
<td>54</td>
</tr>
<tr>
<td>Compare performance between the general employee population and specific employee groups</td>
<td>52</td>
<td>40</td>
<td>26</td>
<td>48</td>
<td>41</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>Compare the time between promotions for the general employee population and specific employee groups</td>
<td>29</td>
<td>46</td>
<td>23</td>
<td>55</td>
<td>45</td>
<td>45</td>
<td>45</td>
</tr>
</tbody>
</table>

Percentage of respondents

Sources: Proprietary Web survey; BCG/WFPMA analysis.

Note: Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error. Those marked with an asterisk had a 10 percent margin of error.
Groups could include women, for example, or employees of different ethnicities or nationalities.

The following topics are related to managing diversity, and the sections on them may contain valuable information: managing talent, managing work-life balance, managing change and cultural transformation, and managing globalization.

Enhancing Employee Commitment

In enhancing employee commitment, HR can deliver tools, systems, and processes, but the line managers must work with them. Committed employees demand less supervision, are more efficient, and have lower attrition rates. All these characteristics help to lower overall employee costs and increase talent retention.

We found, however, much disagreement among the executives across our focus countries about the future importance of this topic. Although respondents in France and Spain saw enhancing employee commitment as a key future HR challenge, executives in Germany, India, South Korea, and several other nations saw a low need to act in this topic. (See Exhibit 48.)

Through our analysis and interviews, we have found that HR can deploy two different levers to enhance commitment among employees: performance disciplines and personal motivators. (See Exhibit 49.) By performance disciplines, we mean the systems, policies, and practices that raise accountability. By personal motivators, we mean the ways in which companies encourage employees to go beyond the call of duty—out of a desire to make a difference, not because of obligation or the promise of extra pay.

The components of performance disciplines and personal motivators are closely related. Therefore, they must be balanced through leadership and communication. When companies are able to balance motivation and discipline, they can achieve an organization in which clear accountabilities foster performance and collaboration. A highly visible performance-management system, stronger people managers, and a sense of purpose and leadership all help to increase overall engage-
ment among employees. (For more about how companies can enhance employee commitment, see the sidebar “Highly Committed and Engaged Employees Drive Value.”)

**Actions in Enhancing Employee Commitment.**

Executives said that their companies plan to deploy nine of the ten actions relating to enhancing employee commitment more widely. More than two-thirds of executives worldwide said that their companies plan to develop a capable workforce through recruiting, training, and developing the right people by 2015. (See Exhibit 50.) This was projected to be the most popular action in the future, followed by establishing pathways for personal growth, an action that demonstrates the importance of ensuring that people are constantly challenged and motivated. If talented employees feel they don’t have sufficient opportunities to grow, they will lack commitment and seek other employment.

Collaboration and teamwork, executives told us, are a strong source of motivation for employees. But these conditions cannot exist unless companies create certain platforms, such as cross-departmental committees and an IT infrastructure for exchanging information. Of all the actions for enhancing employee commitment, executives forecasted that these two platforms will grow most quickly in the future.

Our analysis found that actions related to emotional engagement were performed more often by companies deemed highly capable in the more developed regions. That is, highly capable companies in North America...
Highly Committed and Engaged Employees Drive Value [continued]

Ensure that the employees, who shared a strong sense of pride in the company, would remain highly motivated to effect change throughout the company’s transformation effort.

With these imperatives in mind, senior management designed a plan focusing on four key areas: aspirations and objectives; accountabilities and collaboration; performance management and employee recognition; and capabilities in people management.

Aspirations and Objectives
In this area, senior executives focused on three important elements. First, they recognized the need to align the turnaround with the company’s customer-focused vision. They required that all the new initiatives address the following question: How will this project enable us to better meet our customer goals? Second, senior executives recognized that they would need to secure support for the program from middle management and employees throughout the company. The company carefully planned and executed a series of communications over the initial months of the effort: town hall meetings, small-group sessions, and one-on-one discussions. The meetings drew on the various communication strengths of the senior executives on the leadership team. Third, senior management took the time to define the goals of the turnaround clearly and to assign full and transparent responsibility for the goals to each of the senior executives, lines of business, and functions.

Accountabilities and Collaboration
Goals needed to be cascaded or driven down into the ranks of management. A formal process pushed the objectives and required managerial roles throughout the organization, and empowered managers to achieve the goals. When it was necessary to share accountabilities, such as during cross-selling or when IT was supporting frontline initiatives, the responsibilities of the parties were laid out clearly. The performance management system also addressed specific behaviors, such as collaboration.

These steps were crucial: previous cross-organizational initiatives had foundered even though the culture of the company fostered high degrees of trust and respect among colleagues. Employees who had agreed to a course of action might later fail to follow up on individual commitments because they actually disagreed with the group’s decision. To curtail this sort of behavior, the company conducted surveys every six months to track progress.

Performance Management and Employee Recognition
Until a full performance-review cycle had been completed, many middle managers remained skeptical about senior management’s commitment to the change. But after the first year, it became clear that the effort was not merely, as one executive explained, “a summer cold that was going to go away.” Employees saw that the transformation goals were being monitored transparently and thoroughly, targets were being embedded into performance reviews, and employees’ compensation and prospects for promotion were truly being driven by their success.

Capabilities in People Management
The transformation required that managers possess superior leadership skills. It also gave the organization an opportunity to upgrade the talent it would need for implementation of the turnaround.

A Successful Turnaround
In a survey conducted within 12 months of the start of the turnaround effort, more than 60 percent of employees said that they agreed with the statement “The daily actions of the company [reflect] the vision of always earning the right to be our client’s first choice.” Nearly 70 percent of employees said that there was “less hierarchy in the way” and “leadership behaviors from leaders have changed for the better.”

Built on this foundation of enhanced employee engagement and commitment, the revenue, cost, and productivity initiatives soon began to bear fruit. Within three years, the company’s stock price had doubled while the average stock price of its peer group had improved by only 56 percent. The company also improved its cost-to-income ratio by 8.5 percent relative to its peers.
Exhibit 50. The Most Popular Action for Enhancing Employee Commitment Will Be Developing a Capable Work Force Through Recruiting, Training, and Developing the Right People

What does your company do to enhance commitment?

<table>
<thead>
<tr>
<th>Sense and purpose of leadership</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish shared values, vision, and pride</td>
<td>75</td>
<td>68</td>
<td>67</td>
<td>64</td>
<td>69</td>
<td>66</td>
<td>79</td>
</tr>
<tr>
<td>Establish a collective commitment to objectives</td>
<td>64</td>
<td>59</td>
<td>63</td>
<td>66</td>
<td>67</td>
<td>66</td>
<td>76</td>
</tr>
<tr>
<td>Accountabilities and collaboration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empower employees</td>
<td>65</td>
<td>68</td>
<td>56</td>
<td>53</td>
<td>60</td>
<td>63</td>
<td>71</td>
</tr>
<tr>
<td>Establish a supportive environment</td>
<td>45</td>
<td>48</td>
<td>44</td>
<td>47</td>
<td>56</td>
<td>48</td>
<td>57</td>
</tr>
<tr>
<td>Detail individual accountabilities</td>
<td>63</td>
<td>59</td>
<td>54</td>
<td>57</td>
<td>62</td>
<td>58</td>
<td>64</td>
</tr>
<tr>
<td>Establish platforms for collaboration, such as cross-departmental committees and IT-based platforms to share knowledge</td>
<td>50</td>
<td>73</td>
<td>41</td>
<td>53</td>
<td>55</td>
<td>50</td>
<td>59</td>
</tr>
<tr>
<td>Performance management and recognition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish pathways for personal growth</td>
<td>57</td>
<td>48</td>
<td>55</td>
<td>49</td>
<td>47</td>
<td>*</td>
<td>53</td>
</tr>
<tr>
<td>Recognize and appreciate work</td>
<td>63</td>
<td>71</td>
<td>51</td>
<td>68</td>
<td>60</td>
<td>55</td>
<td>66</td>
</tr>
<tr>
<td>Establish rigorous performance management</td>
<td>47</td>
<td>57</td>
<td>51</td>
<td>53</td>
<td>54</td>
<td>51</td>
<td>55</td>
</tr>
<tr>
<td>People management capabilities and interactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop a capable work force through recruiting, training, and developing the right people</td>
<td>71</td>
<td>64</td>
<td>69</td>
<td>70</td>
<td>86</td>
<td>72</td>
<td>76</td>
</tr>
</tbody>
</table>

Sources: Proprietary Web survey; BCG/WFPMA analysis.

Note: Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error. Those marked with an asterisk had a 10 percent margin of error.
established a supportive environment with greater frequency than less capable companies did; highly capable companies in Europe recognized and appreciated work; and such companies in the Pacific Region established pathways for personal growth.

By contrast, companies deemed highly capable in Latin America and Emerging Asia undertook actions that related to a performance-driven workplace and discipline. Such companies established a collective commitment to objectives in Latin America; in Emerging Asia, they detailed individual accountabilities.

**Starting Points for Professionalizing Capabilities in Enhancing Employee Commitment.** Companies seeking to enhance employee commitment should work on the following:

- **Building the Foundation.** Develop a clear, fresh vision to keep employee motivation high. Set clear corporate objectives. Align this vision with your company’s values and advocate it internally.

- **Raising Accountability.** Introduce rigorous performance-management systems with clear responsibilities, and design the organization accordingly. These systems must be enforced with targets that align individual behavior to enterprise goals, as well as feedback and follow-ups that are visible to all the employees in the organization.

- **Achieving Results.** Align performance management system with recognition and appreciation. While performance management can be used to reward employees financially, our analysis found that fostering a culture of recognition and appreciation for superior performance is a stronger lever for enhancing employee commitment.

- **Working Together.** Establish platforms for collaboration such as IT-based platforms or cross-departmental teams to foster cooperation and communication throughout the organization.

- **Developing Skills.** Grow and develop the right people and empower employees to ensure a capable workforce.

The following topics are related to enhancing employee commitment, and the sections on them may contain valuable information: managing talent, improving leadership development, managing work-life balance, managing change and cultural transformation, becoming a learning organization, managing corporate social responsibility, delivering on recruiting and staffing, improving performance management and rewards, and measuring HR and employee performance.

**Improving Performance Management and Rewards**

Improving performance management and rewards helps to align individual objectives with business goals, leading to more efficient processes and clearer direction for employees. It also increases fairness and transparency and allows management to stay focused on important business goals.

But if executives emphasize and reward the wrong values, performance management systems can also impede strategy. Performance management systems, therefore, need to be developed thoroughly and carefully, taking into account the corporate strategy of the company and desired behaviors.

HR departments are discovering creative ways to deploy performance management systems. In one example, following an acquisition, employees of the acquired company were unreceptive to a newly proposed strategic direction for the company. Rather than push the strategy, the HR department introduced a new performance-based HR system at the acquired company. The system allowed the company to change the culture of the newly acquired company. (For another example of how an HR department helped a company boost its performance, see the sidebar “Calling HR.”)

Furthermore, it is essential that a performance management system be sufficiently focused. BCG’s experience with clients indicates that the applied metrics should be specific, measurable, actionable, realistic, and time-specific—characteristics captured with the acronym SMART.
Improving performance management and rewards is a topic that, according to our research, is of only medium future importance worldwide and was ranked as a key challenge in only three countries: Argentina and Chile, Brazil, and France. (See Exhibit 51.) Nevertheless, performance management systems can help enable a company’s strategy in powerful ways.

Actions in Improving Performance Management and Rewards. HR executives expected their companies to intensify efforts in seven of eight actions related to this topic by 2015. (See Exhibit 52.) The action that will be deemed most important in the future is rewarding good performance with compensation—an action that establishes a clear link between performance and pay. Highly capable companies in this topic in North and Latin America and Europe established that link much more frequently than less capable companies did.

In order to reward good performance with financial compensation, companies need to be able to measure performance. Many companies have not yet mastered this action, and thus measuring performance more selectively is the action executives expected to grow most rapidly by 2015.

Creating transparency in performance management processes helps to build trust in the fairness of the process among employees. Executives expected that increasing transparency will be the second most popular action for managing performance in the future.

Gaining commitment from the organization to manage performance is the only action that executives expect to drop off across all regions. This kind of shift could indicate that some companies already understand the advantages of performance management systems and that they have started to move on to implementation of such programs.

Starting Points for Professionalizing Capabilities in Improving Performance Management and Rewards. Companies seeking to improve performance management and rewards should do the following:

- Define compensation policy so that it is aligned with the desired organizational culture and competitive position of the company. The policy must take into account pay for performance as well as competence, and it must set compensation targets for all job families and levels.
Design the appropriate system for managing base salaries by creating appropriate pay structures that include pay grades and bands; devising underlying criteria such as job evaluations, competencies, and market wages; and developing appropriate tools for managing raises.

Define performance incentive systems so that they are tied to business strategy. Companies should establish a clear link between an individual’s performance and strategic or firmwide goals. The incentive system should cover the most important issues on which the individual should focus, such as business processes and customers. Companies should also establish a formal process for reviewing performance and should establish meaningful consequences for high and low performance. Finally, companies should ensure that targets are specific, measurable, actionable, realistic, and time-specific—that is, linked to set deadlines or time frames.

Develop schemes for providing flexible benefits and prerequisites that are tailored to the company’s retention needs.

Develop monitoring tools and continually adapt compensation policies to organizational changes.

The following topics are related to improving performance management and rewards, and the sections on them may contain valuable information: managing talent, improving leadership development, managing change and cultural transformation, enhancing employee commitment, and measuring HR and employee performance.

Managing Corporate Social Responsibility

Corporate social responsibility describes the ways in which companies contribute to society beyond their regulatory and legal obligations. “There is a move from ‘doing good in business in order to do good in society’ to ‘doing good in society to do good in business,’” said Andrew Dunnett, director of the Vodafone Foundation.

Some corporations have long engaged in charitable acts or made societal contributions. The activity has grown in recent years in part because it represents a way to...
improve a company’s reputation, yet executives in just a few countries named managing corporate social responsibility a key challenge for the future. (See Exhibit 53.)

Corporate social responsibility has several positive effects: Society mainly benefits, but if a program is well run, shareholders benefit through value creation, the market benefits through creation of a stronger brand, and employees benefit because they have a stronger emotional attachment to their employer. Our survey respondents strongly supported the hypothesis that a “meaningful workplace” will gain importance in the future. Employees, in other words, can be motivated by working for a company that is also working to improve society. In the United States, for instance, some employees are seeking deeper meaning in their jobs in the aftermath of 9/11. Yahoo!’s Libby Sartain explained the trend this way: “People are saying ‘I want to make a difference in the world, not just get a job.”

Actions in Managing Corporate Social Responsibility.
Three key aspects of corporate social responsibility are changing.

- Increasingly, company’s activities in corporate social responsibility are strategically relevant, and first movers in this area can gain a distinct advantage
- Companies increasingly are taking an active rather than a reactive approach to corporate social responsibility
- Corporate social responsibility ratings and rankings of companies by third parties, such as analysts, are gaining relevance among potential employees and others
Managing corporate social responsibility is not merely a matter of fulfilling the bare-minimum requirements of corporate citizenship through donations, sponsorships, and foundation work. Many companies are starting to view it as an opportunity in which the chief executive is deeply involved.

In our survey, executives said that strengthening the image and reputation of an organization will be the top reason for engaging in corporate social responsibility in the future, while contributing to society and “doing good” will drop in importance. (See Exhibit 54.) This shift, expected to be more pronounced in the West than in Asia, is not necessarily bad, so long as the overall goals of any actions conducted in corporate social responsibility are aligned and reinforce one other. It reflects the growing awareness that these activities have many benefits.

Another reason for engaging in this topic is attracting, motivating, and retaining staff who might see their employer in a new light. In this way, corporate social responsibility can help in managing talent and managing work-life balance.

As the possibility of creating value through corporate social responsibility comes into focus, it is important to understand how companies can measure the success of their efforts. In almost every region, companies will increasingly turn to qualitative value creation to assess the management of corporate social responsibility. (See Exhibit 55.) Measuring stakeholder satisfaction was also—and will continue to be—popular. Measuring reach was a popular approach in Latin America and Emerging Asia, where the action was performed by companies that were deemed highly capable in corporate social responsibility.

Starting Points for Professionalizing Capabilities in Managing Corporate Social Responsibility. Companies seeking to improve their capabilities in managing corporate social responsibility should do the following:

- Create a comprehensive and transparent overview of the company’s activities and spending to advance corporate social responsibility along the value chain
- Frame the current or planned activities to advance corporate social responsibility with the help of portfolio development, scenario planning, and other tools
Exhibit 54. In the Future, Executives Will Increasingly Embrace Corporate Social Responsibility for Business Rather than Societal Benefits

Why is your company engaged in corporate social responsibility?

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>To strengthen our image and reputation</td>
<td>63 (Present)</td>
<td>67 (Future)</td>
<td>39 (Present)</td>
<td>35 (Future)</td>
<td>75 (Present)</td>
<td>57 (Present)</td>
<td>68 (Present)</td>
<td>65 (Present)</td>
</tr>
<tr>
<td>To attract, motivate, and retain staff</td>
<td>42 (Present)</td>
<td>46 (Future)</td>
<td>45 (Present)</td>
<td>25 (Future)</td>
<td>42 (Present)</td>
<td>42 (Present)</td>
<td>43 (Present)</td>
<td>68 (Present)</td>
</tr>
<tr>
<td>To contribute to society and “do good”</td>
<td>39 (Present)</td>
<td>47 (Future)</td>
<td>29 (Present)</td>
<td>25 (Future)</td>
<td>55 (Present)</td>
<td>61 (Present)</td>
<td>61 (Present)</td>
<td>54 (Present)</td>
</tr>
<tr>
<td>To manage investor expectations</td>
<td>26 (Present)</td>
<td>42 (Future)</td>
<td>26 (Present)</td>
<td>28 (Future)</td>
<td>45 (Present)</td>
<td>53 (Present)</td>
<td>41 (Present)</td>
<td>43 (Present)</td>
</tr>
<tr>
<td>To achieve marketing goals such as customer expectations, product differentiation, and price realization</td>
<td>31 (Present)</td>
<td>38 (Future)</td>
<td>29 (Present)</td>
<td>25 (Future)</td>
<td>42 (Present)</td>
<td>44 (Present)</td>
<td>44 (Present)</td>
<td>54 (Present)</td>
</tr>
</tbody>
</table>

Percentage of respondents

Sources: Proprietary Web survey; BCG/WFPMA analysis.
Note: Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error. Those marked with an asterisk had a 10 percent margin of error.

Exhibit 55. To Measure Success in Corporate Social Responsibility, Companies Will Increasingly Use Qualitative Value Creation

How do you measure the success of efforts in corporate social responsibility?

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualitative value creation</td>
<td>46 (Present)</td>
<td>67 (Future)</td>
<td>Not asked</td>
<td>46 (Present)</td>
<td>75 (Present)</td>
<td>61 (Present)</td>
<td>54 (Present)</td>
<td>54 (Present)</td>
</tr>
<tr>
<td>Satisfaction of stakeholders such as employees, shareholders, and consumers</td>
<td>44 (Present)</td>
<td>44 (Future)</td>
<td>Not asked</td>
<td>38 (Present)</td>
<td>68 (Present)</td>
<td>60 (Present)</td>
<td>70 (Present)</td>
<td>70 (Present)</td>
</tr>
<tr>
<td>Quantitative value creation</td>
<td>33 (Present)</td>
<td>49 (Future)</td>
<td>Not asked</td>
<td>25 (Present)</td>
<td>45 (Present)</td>
<td>52 (Present)</td>
<td>35 (Present)</td>
<td>35 (Present)</td>
</tr>
<tr>
<td>Reach</td>
<td>25 (Present)</td>
<td>40 (Future)</td>
<td>Not asked</td>
<td>23 (Present)</td>
<td>49 (Present)</td>
<td>50 (Present)</td>
<td>22 (Present)</td>
<td>22 (Present)</td>
</tr>
<tr>
<td>Press coverage</td>
<td>17 (Present)</td>
<td>26 (Future)</td>
<td>Not asked</td>
<td>17 (Present)</td>
<td>38 (Present)</td>
<td>36 (Present)</td>
<td>41 (Present)</td>
<td>41 (Present)</td>
</tr>
<tr>
<td>In-budget spending</td>
<td>13 (Present)</td>
<td>17 (Future)</td>
<td>Not asked</td>
<td>17 (Present)</td>
<td>18 (Present)</td>
<td>30 (Present)</td>
<td>19 (Present)</td>
<td>19 (Present)</td>
</tr>
</tbody>
</table>

Percentage of respondents

Sources: Proprietary Web survey; BCG/WFPMA analysis.
Note: Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error.
Ask employees to volunteer for activities that advance corporate social responsibility and understand that this topic is an important lever for enhancing employee satisfaction by helping to create a meaningful workplace.

Strategically plan systems and processes to anchor corporate social responsibility as a principle throughout the entire organization and to extract maximum value from the often significant investments that this challenge requires.

The following topics are related to managing corporate social responsibility, and the sections on them may contain valuable information: managing talent, managing work-life balance, managing change and cultural transformation, and managing globalization.

Measuring HR and Employee Performance

Measuring HR and employee performance was not a high priority among executives in any country other than France. (See Exhibit 56.) Capabilities in the topic nonetheless help build the credibility of the HR department, since measuring HR and employee performance plays a critical role in managing talent. Therefore, if senior managers and business unit executives are to accept HR as a strategic partner, HR executives must develop and use meaningful metrics that prove their worth. The factors that improve HR performance are not well understood, thus any successful attempts to measure HR and employee performance will be well received and will increase the productivity of a company. (See the sidebar “Workonomics: A New Way to Calculate Economic Profit.”)

Actions in Measuring HR and Employee Performance.

In interviews, executives favored a pragmatic approach to measuring HR and employee performance that takes into account both the cost and the opportunity to add value that employees represent. Unfortunately, most HR controlling systems currently view the work force more as a cost factor than a creator of value. However, companies are starting to apply more sophisticated methods to measure employee performance. The quantitative measure expected to be used most widely by

Exhibit 56. Measuring Performance Emerged as a Key Future Challenge in France

Sources: Proprietary Web survey; BCG/WFPMA analysis.
When a business has relatively high employee costs, traditional capital-oriented performance measurements such as return on assets can be irrelevant, if not misleading. With so few hard assets on the books, a company can post seemingly high returns but nonetheless be struggling. Alternatively, it can post volatile returns when the underlying business is sound.

Another approach—based on a company’s existing financial information but focused on employees—can give a true indication of how a business is doing and suggest ways to improve performance.

The standard calculation for economic profit can be reformulated in a few quick steps to focus on the productivity of people rather than of capital. This equation yields the same result as the standard calculation, but the new approach is more meaningful for people-intensive businesses.

We start with the calculation of economic profit from a capital-oriented perspective:

\[
EP = \frac{(ROI - COC) \times IC}{Invested \ capital}
\]

Then we replace “return on investment” with its equivalent, “earnings divided by invested capital”:

\[
= \frac{(E/IC - COC) \times IC}{Invested \ capital}
\]

And we use algebra to arrive at:

\[
= E - (COC \times IC)
\]

As a next step, we replace “earnings” with its equivalent, “revenue minus personnel costs minus material costs minus depreciation”:

\[
R - MC - D - (COC \times IC)
\]

Finally, we use algebra to factor in the number of people employed, and we introduce two metrics—“average personnel cost per person employed” and “value added per person,” a new HR KPI management system. The equation then looks like this:

\[
= \frac{R - MC - D - (COC \times IC) - PC}{P}
\]

The result is a calculation of economic profit that is meaningful to people-intensive businesses:

\[
EP = \frac{(VAP - ACP) \times P}{People \ employed}
\]

The new, people-oriented equation mirrors the capital-oriented one. (See the exhibit below.) Employee productivity corresponds to capital productivity—that is, return on investment. The average personnel cost per person employed corresponds to the cost of capital. The number of people employed corresponds to the amount of invested capital.1

These new HR metrics are easy to calculate. In particular, the value added per person can be the starting point for a detailed understanding of the productivity of business units and for helping to adequately compensate value-added performance and control personnel costs and head counts. Its use will grow stronger than all other actions assessed by this study. (See point A on Exhibit 11, page 26.) If a company uses a different key financial metric such as earnings before interest, taxes, depreciation, and amortization, the equation can be adjusted.

**Workonomics: A New Way to Calculate Economic Profit**

**Workonomics Calculates Profit Using People, Rather than Capital, as the Denominator**

Source: BCG analysis.

---

2015—and that will achieve the biggest increase in popularity across companies in all regions—is the value added per employee. Our research reveals that this metric was used by companies deemed highly capable in measuring HR and employee performance in Latin America and Europe. (See Exhibit 57.)

Besides quantitative metrics, organizations will also focus on some qualitative metrics to measure HR and employee performance. (See Exhibit 58.) Executives expected the most widely used qualitative metrics by 2015 to involve assessing employees’ skills and motivation. In North America, highly capable companies in this topic are already measuring employees’ skills, while in Africa, Europe, and Latin America, highly capable companies are measuring satisfaction with HR services.

Starting Points for Professionalizing Capabilities in Measuring HR and Employee Performance. Companies seeking to improve their capabilities in measuring HR and employee performance should do the following:

- Introduce a system of quantitative measurement, such as tracking value added per employee, and link it to financial metrics such as economic profit or earnings before income tax.
- Help management define and apply critical HR levers so that the company can optimize the value added per person and average cost per person and boost economic profit.
- Introduce a measurement and controlling system for qualitative areas such as motivation, and establish structured measurement tools, such as company surveys.
- Incorporate all metrics within the yearly controlling loop.

Providing Shared Services and Outsourcing HR

Both shared services and outsourcing HR require consolidation and centralization of a company’s administrative HR processes. For this reason, providing shared services and outsourcing HR are combined into one topic.

---

**Exhibit 57. In Measuring Performance, Highly Capable Companies in Latin America and Europe Relied on the Value Added Per Employee as an HR Metric**

<table>
<thead>
<tr>
<th>Metric</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value added per employee</td>
<td>56</td>
<td>76</td>
<td>63</td>
<td>75</td>
<td>89</td>
<td>74</td>
<td>63</td>
</tr>
<tr>
<td>Revenue per employee</td>
<td>47</td>
<td>40</td>
<td>51</td>
<td>60</td>
<td>40</td>
<td>88</td>
<td>31</td>
</tr>
<tr>
<td>Personnel cost per employee</td>
<td>57</td>
<td>38</td>
<td>62</td>
<td>65</td>
<td>49</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>Number of employees per job group</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>51</td>
</tr>
</tbody>
</table>

**Sources:** Proprietary Web survey; BCG/WFPMA analysis.

**Note:** Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error. Those marked with an asterisk had a 10 percent margin of error.
If HR processes are administered centrally within the company, it operates a shared service center; if they are contracted to an external service provider, the company is outsourcing.

Providing shared services and outsourcing HR has the distinction of being the topic that executives overall said was the least important in the future; and it’s one in which their companies have the lowest capabilities. (See Exhibit 59.) In only a few countries—Australia, Japan, Singapore, and the United Kingdom—did a majority of respondents report having experience in outsourcing HR processes or bundling them in shared service centers.

Providing shared services and outsourcing HR is nonetheless important because it provides an opportunity for an HR department to segregate administrative from strategic tasks and thus improve its internal capacities to become a strategic partner to senior management. High-performing HR organizations are able to address the high-level strategic issues once they have delegated lower-level activities. These organizations make sure that the basics are done well—either by an outsourcer or in a shared service center—but they are not generally involved in the day-to-day administrative activities.

Actions in Providing Shared Services and Outsourcing HR. While executives cited cost savings as the primary reason that their companies will outsource HR activities in the future, they also told us that they expect their companies will create shared service centers for other reasons, such as improving customer service. (See Exhibits 60 through 63.) Executives expect that by 2015 their companies will increase their reliance on outsourcing and shared service centers in all the HR activities highlighted in the survey. They also said that the administration of compensation and payroll will be the most popular activity to outsource and HR information systems the most popular activity to place in a shared service center.

Our analysis showed that corporations are not yet fully comfortable giving up control over key activities such as developing management. This activity was and will remain the HR process that companies moved least often to a shared service center or outsourced.

Starting Points for Professionalizing Capabilities in Providing Shared Services. Companies seeking to improve their capabilities in providing shared services should do the following:
Divide the HR function’s responsibilities between strategic functions and administrative services

Assess the potential of offering each service as a shared service by analyzing the business case and weighing the potential gains in efficiency and effectiveness against added complexity

Define clear, pragmatic interfaces among the business units, shared service providers, and corporate center

Base cooperation on agreements that define purchase terms, levels of service, usage and consumption, contract deliverables, performance metrics, and pricing

Manage organizational design and operational processes

Use key performance indicators and other tools to evaluate continually the relationship with the vendor and the qualitative and quantitative benefits and drawbacks of outsourcing

Starting Points for Professionalizing Capabilities in Outsourcing. Companies seeking to improve their capabilities in outsourcing HR should do the following:

Prioritize the processes to be outsourced and build detailed business cases justifying the moves

Use change-management strategies to transition the business processes to the selected vendor

The following topics are related to providing shared services and outsourcing HR, and the sections on them may contain valuable information: managing globalization, transforming HR into a strategic partner, and mastering HR processes.
**Exhibit 60. Cost Savings Are—and Will Continue to Be—the Most Popular Reason for Outsourcing HR Tasks**

*What is, and will be, true about outsourcing in your company?*

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost savings are the focus of performance control for outsourcing deals</td>
<td>61%</td>
<td>56%</td>
<td>Not asked</td>
<td>54%</td>
<td>52%</td>
<td>58%</td>
<td>43%</td>
</tr>
<tr>
<td>Customer satisfaction is the focus of performance control for outsourcing deals</td>
<td>41%</td>
<td>56%</td>
<td>Not asked</td>
<td>50%</td>
<td>48%</td>
<td>52%</td>
<td>29%</td>
</tr>
<tr>
<td>Major support functions such as payroll are outsourced</td>
<td>26%</td>
<td>23%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Cost savings are realized by moving specific tasks to low-cost countries</td>
<td>29%</td>
<td>25%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Sources:** Proprietary Web survey; BCG/WFPMA analysis.

*Note:* Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error.

---

**Exhibit 61. Executives Expected to Increase Outsourcing of All Seven HR Activities Highlighted in the Survey, Ranking Compensation and Payroll as the Most Popular Activity to Outsource**

*Which of the following do and will you outsource?*

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administering compensation/payroll</td>
<td>51%</td>
<td>43%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Administering benefit plans</td>
<td>51%</td>
<td>51%</td>
<td>22%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Conducting training</td>
<td>58%</td>
<td>58%</td>
<td>24%</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Providing relocation services</td>
<td>47%</td>
<td>47%</td>
<td>16%</td>
<td>46%</td>
<td>46%</td>
<td>46%</td>
<td>46%</td>
</tr>
<tr>
<td>Recruiting and assessing candidates</td>
<td>53%</td>
<td>53%</td>
<td>19%</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
</tr>
<tr>
<td>Deploying HR information systems</td>
<td>42%</td>
<td>42%</td>
<td>14%</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
</tr>
<tr>
<td>Developing management</td>
<td>59%</td>
<td>59%</td>
<td>7%</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
</tr>
</tbody>
</table>

**Sources:** Proprietary Web survey; BCG/WFPMA analysis.

*Note:* Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error.


**Exhibit 62. Customer Satisfaction Will Surpass Cost Savings as the Most Popular Reason for Establishing a Shared Service Center**

What is, and will, be true about shared services in your company?

<table>
<thead>
<tr>
<th>Service Area</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR shared services are developed for major support functions, such as payroll, personnel administration, and expatriate management</td>
<td>66</td>
<td>60</td>
<td>56</td>
<td>63</td>
<td>61</td>
<td>55</td>
<td>86</td>
</tr>
<tr>
<td>HR shared services are set up like an outsourcing deal with, for example, service-level agreements</td>
<td>39</td>
<td>40</td>
<td>48</td>
<td>33</td>
<td>61</td>
<td>65</td>
<td>21</td>
</tr>
<tr>
<td>Internal customer satisfaction is the focus of performance control for shared service centers</td>
<td>15</td>
<td>11</td>
<td>26</td>
<td>50</td>
<td>50</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>Cost savings are the focus of performance control for shared service centers</td>
<td>54</td>
<td>52</td>
<td>26</td>
<td>50</td>
<td>48</td>
<td>70</td>
<td>68</td>
</tr>
<tr>
<td>Cost savings are realized by moving specific tasks to shared service centers located in low-cost countries</td>
<td>29</td>
<td>35</td>
<td>35</td>
<td>54</td>
<td>26</td>
<td>70</td>
<td>45</td>
</tr>
</tbody>
</table>

Percentage of respondents

**Sources:** Proprietary Web survey; BCG/WFPMA analysis.

**Note:** Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error.

**Exhibit 63. Companies Will Increase Their Reliance on Shared Service Centers Across All Activities Highlighted by the Survey**

Which of the following do and will you handle in a shared service center?

<table>
<thead>
<tr>
<th>Service Area</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Africa</th>
<th>Emerging Asia</th>
<th>Established Asia</th>
<th>Pacific Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deploying HR information systems</td>
<td>55</td>
<td>53</td>
<td>52</td>
<td>50</td>
<td>74</td>
<td>52</td>
<td>86</td>
</tr>
<tr>
<td>Administering compensation and payroll</td>
<td>62</td>
<td>53</td>
<td>41</td>
<td>54</td>
<td>48</td>
<td>52</td>
<td>86</td>
</tr>
<tr>
<td>Conducting training</td>
<td>48</td>
<td>37</td>
<td>40</td>
<td>67</td>
<td>39</td>
<td>39</td>
<td>35</td>
</tr>
<tr>
<td>Administering benefit plans</td>
<td>52</td>
<td>37</td>
<td>31</td>
<td>63</td>
<td>17</td>
<td>39</td>
<td>71</td>
</tr>
<tr>
<td>Recruiting and assessing candidates</td>
<td>45</td>
<td>49</td>
<td>40</td>
<td>58</td>
<td>39</td>
<td>42</td>
<td>86</td>
</tr>
<tr>
<td>Providing relocation services</td>
<td>44</td>
<td>51</td>
<td>40</td>
<td>58</td>
<td>74</td>
<td>61</td>
<td>86</td>
</tr>
<tr>
<td>Developing management</td>
<td>25</td>
<td>30</td>
<td>30</td>
<td>50</td>
<td>22</td>
<td>30</td>
<td>57</td>
</tr>
</tbody>
</table>

Percentage of respondents

**Sources:** Proprietary Web survey; BCG/WFPMA analysis.

**Note:** Participants could make multiple selections. Shaded actions were identified as more common among companies that were rated by their own executives as having high capabilities in this topic; the shaded actions were identified through regression analysis, with a 5 percent margin of error. Those marked with an asterisk had a 10 percent margin of error.
After examining in detail the 17 most critical HR challenges that companies will face in the future, the question remains: Which strategic approach should companies embrace to tackle these issues and to begin creating a people advantage? We advocate that companies launch their efforts by conducting a comprehensive, five-step analysis of their HR issues and capabilities. The information they uncover will help them make the choices and investments necessary to transform HR into a competitive weapon.

Taking Five Major Steps

By conducting a thorough and company-specific analysis of HR, a company can discover its particular strengths and weaknesses. This analysis should take into account both external and internal HR factors and then establish priorities for HR activities and processes. (See Exhibit 64.)

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 portfolio. For example, companies will find it more critical to manage globalization or to establish global recruiting if they are planning to enter new markets than if they are planning to restructure.

Understand the Internal Environment

An HR audit helps a company assess the current state of its HR department. In such an audit, companies should use quantitative and qualitative indicators and analyze HR as an investment rather than as a pure cost factor. The audit process should engage both 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 should also allow a company to identify key gaps in capabilities and to formulate initiatives for bridging those gaps. Through an HR audit, for example, a company might discover that it excels at attracting talented employees yet struggles to retain them because employees report dissatisfaction with the process for managing talent.

Select the Most Critical of the 17 HR Topics and Prioritize Projects and Initiatives

Armed with an enhanced understanding of their business environment, their business and HR strategy, and their business and HR needs, companies should next examine which of the 17 HR topics are and
will be most relevant for them—and analyze thoroughly 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**

In our survey, executives rated their company’s HR capabilities an average of 18 percent higher when the companies named dedicated teams to head up and maintain responsibility for HR efforts. In some topics, dedicated teams helped dramatically to boost executives’ perceptions of capabilities. Among the top eight global topics, the two that benefited the most from this approach were managing talent, transforming HR into a strategic partner, and improving leadership development. When dedicated teams were addressing these challenges, executives scored their companies’ capabilities in these topics 28 percent, 23 percent, and 22 percent higher, respectively.

**Secure Support from Top Management**

It isn’t surprising that when respondents reported having the support of top managers behind their projects, executives rated their HR capabilities considerably higher—20 percent in fact. Certainly, most corporate activities are more successful when those at the top care about the outcome. But it was somewhat surprising to discover that such support is hardly the status quo in HR initiatives today. Only 40 percent of survey respondents told us that they receive sufficient support from top management. Companies seeking to enhance their HR capabilities should not overlook this critical success factor.

At the same time, HR managers should understand the underlying business and possess both qualitative and quantitative skills. As Jesper Allentoft, vice president of global people and organization at Chr. Hansen, a Danish supplier of food, pharmaceutical, and nutritional products, explained, “To become a business partner, you have to convince your business colleagues through quality.”

**Realigning the HR Portfolio**

Depending on the results of their analysis, companies will pursue one of three possible approaches: increasing, maintaining, or reducing activities in each of the HR topics. Increasing topic-specific activities would entail either introducing brand-new initiatives or cultivating existing but still nascent efforts. It is important to note that maintaining activities would not necessarily translate into conducting business as usual. Rather, under this approach, all existing HR activities would undergo rigorous quality control; they would also be subject to a continuous exchange with line managers to ensure that the activities were monitored, progressed appropriately, and were modified as necessary. Finally, companies that decide to reduce or stop a particular activity would need to ensure that they have in place a well-structured change-management process with appropriate controls.

Admittedly, this general guideline might seem rather straightforward, but companies should not underestimate the underlying complexity associated with implementation. Companies must act with extreme care and apply the same rigor and discipline to HR issues that they do to other business issues if they hope to achieve lasting competitive advantage in HR.
Just as there is no such thing as an “average” company, neither is there an “average” country or market. Each of the countries and markets covered by our survey has a unique history, distinct legal and regulatory systems, and its own mix of industries. And all of these factors combine to create a singular HR environment and particular set of HR needs in each nation, requiring a highly specific people advantage.

To help companies understand and navigate the global landscape, in this appendix, we provide a summary of our findings for 17 focus countries. Appendix II contains snapshots of 29 additional countries and markets. The remaining countries and markets are not highlighted in Appendix II because they were represented by fewer than 20 respondents to our Web survey.

We selected 17 focus countries to capture and represent the HR experience around the world. The focus countries are the following:

- The two largest economies in North America: the United States and Canada.
- Two economies in Latin America: Brazil and, explored in combination, Argentina and Chile. We focus on Chile and Argentina together because our experience and interviews demonstrate that the two countries share common challenges.
- The six largest European economies: Germany, the United Kingdom, France, Italy, Russia, and Spain.
- The largest African economy: South Africa.
- The two powerhouse economies of Emerging Asia: China and India.
- The two largest economies in Established Asia: Japan and South Korea, as well as one smaller developed country, Singapore.
- The largest economy in the Pacific Region: Australia.

For the focus countries, we highlight the particularly interesting challenges facing each country, rather than detailing all the HR challenges.

**North America**

**Canada**

Canada’s key future HR challenges are similar to those in the rest of the region: managing demographics, managing work-life balance, improving leadership development, managing talent, and transforming HR into a strategic partner. (See Exhibit 1.)

**Managing Demographics.** Managing demographics will affect all industries but will place exceptional demands on a few Canadian sectors—namely, the financial services, consumer goods, and energy industries. As Canada’s native population continues to decline and immigration becomes the main source of population growth, the number of Canadians older than 65 is projected to rise from 13 percent in 2005 to nearly 24 percent in 2031, making them the fastest-growing age group.

In interviews, executives said that they were planning to rely on immigration and international rotations and to...
tap into nontraditional employee pools as mechanisms to manage demographics. Most interviewees stated that they were in the process of reviewing HR policies in anticipation of upcoming demographic challenges.

**Managing Work-Life Balance.** In Canada, two-thirds of women with children under the age of six are employed. So it is not surprising that Canada was among the seven focus countries to rank this topic as a top-three challenge for the future. Also, because incomes are rising in Canada, there is more pressure on companies to make adjustments that will keep working spouses happy—and at work. More than 75 percent of Canadian executives said that they agreed with the hypothesis “The compatibility of career and family will have to improve to increase the attractiveness of the company.”

At the same time, executives said in interviews that the focus is as much on wellness as it is on worklife balance. Canadian companies, realizing that stress and change are part of the job, are recognizing that they must help their employees cope. Wellness programs can also help reduce benefit costs.

**Improving Leadership Development.** Demographic shortages will create competition for experienced leaders in Canada. Executives expect their companies to build their leadership capabilities predominantly by measuring leadership skills through 360-degree feedback and through internal coaching by senior managers. They also expect that using financial rewards for good leadership will more than double in popularity—from 23 percent of companies currently conducting this action to 53 percent by 2015.

**Managing Talent.** The shortages that result from changing demographics are also leading to increasing competition for talented employees. Meanwhile, the high rate of technological change and the development of a knowledge-based economy are increasing the required skill levels for new employees and the need for lifelong learning among all employees. Canadian executives said that developing tailored career tracks would be the most popular action in managing talent in the future. They expect sourcing talented employees locally to be the action that will decline most precipitously in the future. Moving businesses to new locations to gain access to talented employ-
ees will be the fastest-growing action, and sourcing talented employees globally will be the next fastest.

**Transforming HR into a Strategic Partner.** Canada’s vigorous economic growth over the past decade is leading to tight labor markets and causing executives to put a premium on managing HR strategically. Executives told us that they strongly support both of the following hypotheses: “HR strategy will be discussed at the board level” and “HR strategy will be fully integrated into the corporate strategy.” About one in six Canadian executives said that they “agree completely” with the statement “Our HR head is strongly involved in business decisions at the board level.” Overall, 69 percent, nearly seven out of ten, said they “agree” with it.

Our interviews highlighted the larger, strategic role that HR is playing in developing people and leadership plans to coincide with companies’ strategic plans in the retail, pharmaceutical, and financial-services industries. Several executives discussed how HR must adapt to its new roles. They understand that HR has to manage the strain that this shift puts on HR staff, because many of them do not yet have the requisite skills and experience for their new roles. “We must try to change the culture of the organization, increase speed, become more customer focused, and take more risks. HR has to try to help the organization understand what this means,” said Luc St-Pierre, the vice president of HR at Pfizer Canada.

**United States**

In the United States, managing talent and improving leadership development are two key HR challenges. These two topics are followed by two other global HR topics, managing demographics and managing change and cultural transformation. (See Exhibit 2.) Executives are relatively less interested in some of the other global topics, such as managing work-life balance and transforming HR into a strategic partner.

**Managing Talent.** U.S. executives told us that they foresee intense competition for talent in their home market as well as in the global market. Nearly one-half of executives expect their companies to source talent globally by 2015, compared with just one-fifth of companies in 2007. Likewise, 21 percent of executives said that their compa-

---

### Exhibit 2. U.S. Executives Expressed Concern About Managing Talent and Improving Leadership Development

![Exhibit 2](image-url)

**Sources:** Proprietary BCG/Society for Human Resource Management Web survey with responses from the United States; BCG/WFPMA analysis.
nies would be moving businesses to new locations to access talent by 2015, compared with just 8 percent of companies in 2007.

**Improving Leadership Development.** With flatter organizations, companies will be putting a premium on leadership skills. Two actions will grow quite quickly in this topic in the future: developing virtual leadership institutes and developing leadership seminars in partnership with business schools.

It takes time to get leadership training right. One bank, for example, spent several years developing a leadership and talent-management system that identifies and tracks high-potential employees between the CEO and vice president levels. The system now enables the bank to anticipate shortages or surpluses of talent in various business units or employee groups as it sets its talent and diversity objectives.

**Managing Demographics.** Executives understand that they will be facing shortages in critical skills as their work forces age, and they expect to rely on semiretired and retired employees to close the capacity gap. While 25 percent of executives said that their companies currently employed “retirees,” 65 percent expect to do so by 2015. Most executives also expect employees to be receptive to the transition.

Demographic challenges can, of course, also involve hiring and retaining younger employees. For example, at Gap Inc., a large retailer, the average age of employees is 28. The challenge, explained Tracy Layney, senior director of HR strategy, is to keep the millennial generation—now entering the workforce—engaged. “We need to think about the younger generation very differently from boomers and Generation X,” she said.

**Managing Change and Cultural Transformation.** More than one-third of executives said that they expect their companies to install a high-ranking head of change management by 2015—a position that currently exists at just 11 percent of surveyed companies.

For fast-moving companies, such as Yahoo!, managing change is a constant. The company, for example, is conducting an 11-part corporate transformation. HR’s role is to review talent, decision making, spans of control, and leadership development. “We’re in the midst of huge cultural change, always,” said Libby Sartain, executive vice president of HR and chief people officer.

For companies such as Darden Restaurants, the world’s largest casual-dining chain, culture helps boost the bottom line by improving the guest experience. “The idea of creating the right kind of environment is key to employees’ contributing their fullest,” said Daniel Lyons, the company’s senior vice president of HR.

**Latin America**

**Argentina and Chile**

The top four HR topics in Argentina and Chile were nearly identical to the top four in the rest of the region; they shared three topics in common, prioritizing them slightly differently, and diverged on the remaining one, which, for the region, was managing corporate social responsibility. For Argentina and Chile, the top four challenges were managing talent, managing work-life balance, transforming HR into a strategic partner, and improving leadership development. (See Exhibit 3.)

**Managing Talent.** Executives in Argentina and Chile told us that they were intensely worried about competition in their home markets but slightly less concerned with regional and global competition. They expect their companies to more widely deploy two actions in particular: moving businesses to new locations to access talented people and sourcing talented employees globally. Executives expect the former action, currently used by just 4 percent of companies, to be adopted by 11 percent of companies by 2015; they expect the latter action to increase from 26 percent to 70 percent. Finally, they also plan to hire from their competitors. This action, currently conducted by 19 percent of companies, will gain popularity, rising to 37 percent by 2015, according to executives.

**Managing Work-Life Balance.** Executives expect the use of programs aimed at improving work-life balance, such as sabbaticals, to rise dramatically: although 6 percent said that their companies already offered the option, 56 percent expect their companies to do so by 2015. Also, employment options for the partners of employees, so-called career couple programs, will be introduced; only 6
percent of surveyed companies in Argentina and Chile have begun to use this approach.

**Transforming HR into a Strategic Partner.** The growing importance of managing talent is forcing top managers and HR executives to work together strategically. Although HR departments are frequently relegated to working on operational issues, some companies in Argentina and Chile are trying to ensure that HR becomes a strategic partner. Most executives—86 percent—expect that by 2015, their HR department will be working on developing the right competencies, such as business knowledge, in order to be a strategic partner. Two-thirds of executives expect that their companies will be developing their HR strategy systematically in the future by analyzing the business strategy, the external environment, and the needs within the company.

**Improving Leadership Development.** Only 25 percent of executives said that their companies currently measured leadership skills through 360-degree feedback, but 75 percent expect their companies to do so by 2015. The other actions that they expect to increase in the future are: employing external coaches, developing an internal virtual leadership institute, having senior executives assess employees’ leadership skills through action-learning seminars, and using assessment centers to evaluate employees’ leadership skills.

**Brazil**

Managing work-life balance and managing talent emerged as the top two issues, with improving performance management and rewards as the third HR challenge in Brazil. (See Exhibit 4.) Furthermore, in Brazil, more than in other focus countries, executives told us in interviews that transforming HR into a strategic partner was an important future topic.

**Managing Work-Life Balance.** Brazilian employees are looking for ways to improve their work-life balance, but companies in Brazil find addressing this topic challenging. In interviews, several executives said that although work-life balance was an important topic there, the possibilities for dealing with it were limited because labor laws did not provide much flexibility for offering alternative payment and working options. Recent changes in
labor regulations had not gone far enough in permitting flexible work and payment schemes, executives told us.

Managing Talent. Facing an inadequate public-education system and the emigration of talented people, Brazilian executives expect that their companies will dramatically increase their use of two actions: moving businesses to new locations to access talented people and sourcing talent globally. Executives expect the former action, currently used by 8 percent of companies, to be adopted by 42 percent of companies by 2015; they expect the latter action to increase from 20 percent to 66 percent. Developing tailored career tracks and developing specific compensation schemes for talented employees will be the most popular actions in the future: more than three-quarters of all Brazilian executives expect their companies to take these steps by 2015.

Improving Performance Management and Rewards. Legal, regulatory, and cultural barriers have limited the use of variable pay in Brazil, especially for nonmanagerial positions. But Brazilian executives expect their companies to catch up with the rest of Latin America in this realm. More than two-thirds of respondents in Brazil said that their companies would reward good performance by 2015, compared with just half of them who said that their companies already had such a plan. Adriana Tieppo, HR director at Boehringer Ingelheim do Brasil, said that the pharmaceutical company is taking steps toward putting individual performance-management and compensation plans in place. “It may take more time to implement the full program covering all—from the managerial team to the field force—but we believe the results will be superior and sustainable,” she said.

Transforming HR into a Strategic Partner. In interviews, executives told us that although HR departments had historically focused on operational issues, the growing importance of talent was making it increasingly possible—and sometimes even imperative—for top managers and HR executives to collaborate on strategic projects. Two companies in Brazil stand out for the strategic role that HR plays in these businesses: Natura Cosméticos and Votorantim Finanças, the financial unit of the Votorantim Group. Both companies enjoy highly motivated workforces with strong employee loyalty, strong business per-

---

**Exhibit 4. In Brazil, Managing Work-Life Balance and Managing Talent Will Be Top Priorities**

Sample size: 178

**Sources:** Proprietary Web survey with responses from Brazil; BCG/WFPMA analysis.
formance, and high brand recognition. Both companies understand the value of talent and the ability of executives to create value. They both emphasize the use of value creation targets in establishing compensation systems, and they both ensure that top executives are intimately involved with evaluating and developing other executives. At both firms, HR plays an active role in the planning cycle and decision making, HR managers are expected to have business acumen, and administrative HR functions are handled through a service center. These moves enable HR executives to become strategic business partners and to attract, motivate, and retain top talent.

Europe

France

Overall, French companies identified six critical topics, sharing two of the top eight topics with the global HR agenda: managing talent and managing demographics. (See Exhibit 5.)

Managing Talent. Executives ranked this topic as important for the future because they face stronger competition for high-potential employees and increasing globalization.

Managing Demographics. At large French companies, managing demographics was the major HR concern. The average age at retirement is lower in France than in other European countries. Companies in France encourage early retirement in order to pare their workforces; at the same time, the country mandates a legal retirement age that is lower than in most other countries of Europe. Within this context, finding a new approach for managing the careers of employees over age 45—especially through more aggressive training—poses a major challenge.

Three topics were ranked more important in France than in other countries: enhancing employee commitment, measuring HR and employee performance, and improving performance management and rewards.

Enhancing Employee Commitment. Because of the importance of the public sector and the history of many large companies as former state-owned organizations,
French HR departments have had a late start in developing financial and nonfinancial incentives and motivation systems.

**Measuring HR and Employee Performance.** Historically, the concept of measuring the efficiency of HR spending has been unfamiliar in France, and none of the French respondents to the Web survey said that their company’s measurement of HR and employee performance was a best practice.

At the same time, whenever a country addresses cost reduction as a key business issue—as France is doing—most companies attempt to reduce the cost of support functions, such as HR. Consequently, HR managers in France are under pressure to justify their expenses.

**Improving Performance Management and Rewards.** French companies need to do a better job of paying for performance, especially through more sizable individual and selectively variable pay systems. This will be a challenging undertaking, given the significant role that fixed pay and collective bargaining play in many industries.

---

**Germany**

Of the eight most critical global topics for the future, German executives are primarily concerned with two: *managing demographics and managing talent.* (See Exhibit 6.)

**Managing Demographics.** In recognition of the nation’s demographic profile, many German companies need to take steps to address their demographic risk. Age structures in many companies are very steep, with older employees accounting for a high percentage of a small work force. On the one hand, many companies have stopped or slowed hiring; on the other, they have actively used early-retirement programs to reduce costs. Several executives we interviewed, especially HR executives, expressed their concern, saying that German companies must immediately boost activities in this area.

**Managing Talent.** The German economy has traditionally been dominated by industries that depend on knowledge and expertise, especially in the engineering-related sectors. The current shortage of engineers, which is expected to become more pronounced in the future, has placed *managing talent* on the shortlist of most German executives.

---

**Exhibit 6. German Executives Will Focus on Managing Demographics and Talent**

![Diagram showing the focus areas of German executives](https://via.placeholder.com/150)

*Sources: Proprietary Web survey with responses from Germany; BCG/WFPMA analysis.*
**Italy**
Respondents in Italy said that they will be focusing on six of the global HR topics, ranking managing change and cultural transformation as the most important topic and giving a high rank to managing globalization, a topic not ranked highly in many other countries. (See Exhibit 7.)

**Managing Change and Cultural Transformation.** Against the backdrop of Italy’s reformation and the modernization of its social-welfare, education, legal, and employment systems, it is not at all surprising that Italian executives urgently want to improve their capabilities in this topic.

**Managing Globalization.** Italian companies are not yet as advanced in their globalization activities as companies in other European countries. Italian employees often prefer local over international positions, and many are reluctant to acquire language skills for assignments in other countries.

Furthermore, the nation is focusing on an area not pursued in many other countries: managing diversity.

**Managing Diversity.** Diversity ranks near the top of Italy’s business agenda for two reasons. First, many Italian companies are seeking to increase the percentage of female staff in their work force, especially within management. Second, Italy has witnessed significant immigration over the past decade. With high economic-growth and low unemployment rates, the demand for immigrant workers is particularly high in the north of Italy.

**Russia**
In Russia, only one of the top eight global HR topics emerged as a key future challenge: managing talent. At the same time, managing corporate social responsibility ranked as a top priority there. (See Exhibit 8.)

**Managing Corporate Social Responsibility.** Corporate social responsibility is in vogue in Russia. The driving force behind its popularity is not philanthropy but the premise that thriving economies and environments help improve demand for products and enhance bottom lines.

In the wake of Russia’s seismic shift from Communism to capitalism, the government is stretched in trying to sup-

---

*Exhibit 7. Italian Companies Will Focus on Managing Change and Cultural Transformation*

---

**Sources:** Proprietary Web survey with responses from Italy; BCG/WFPMA analysis.
port a growing free-market economy, in protecting and serving the country, and in developing its human and natural resources—and it expects private enterprises to help with the transition. Furthermore, Russian companies are acquiring assets in Western Europe and are positioning their activities in corporate social responsibility as a sign of goodwill.

Managing Talent. Russian respondents shared the perspective of their global counterparts that managing talent is a critical priority, ranking it second.

Current challenges in Russia include competing for high-potential employees, notably in technical fields such as engineering; containing escalating salaries; and addressing employee mobility.

Spain
Spanish executives included two of the top eight global HR topics as key future challenges in their country: managing talent and becoming a learning organization. In addition, executives told us that managing diversity and enhancing employee commitment were also top HR topics in Spain. (See Exhibit 9.)

Managing Talent. Spanish respondents believe more strongly than other European executives that a lack of talent will be the greatest limitation on growth. They foresee stronger demand for talent in their home market and Europe than do their counterparts in other countries.

More than other European executives, Spanish executives said that they would be launching specific talent-management initiatives focused on communities on the basis of ethnicity, nationality, or gender.

Becoming a Learning Organization. In interviews, executives provided two primary reasons why this topic ranked high on their agendas. First, many companies that once were state monopolies do not yet offer the conditions that foster a learning organization. Second, Spain has a high number of immigrants, and, as a consequence, it must offer more training and development opportunities if the full potential of these immigrants is to be realized.

Managing Diversity. In 2005, Spain saw its immigrant population increase by about 700,000—an influx nearly equivalent to that in Germany, a country with nearly
twice as many people overall. Even if this pace slows in Spain, executives there predicted a greater need for managing diversity. Furthermore, Spanish companies are required to ensure that disabled people make up at least 2 percent of their workforce.

**Enhancing Employee Commitment.** In countries that are experiencing economic growth similar to that of Spain, employees have many opportunities to change jobs, and employers often have difficulties finding replacements. Consequently, Spanish executives told us that they considered enhancing employee commitment to be an important HR topic.

**United Kingdom**

Executives in the United Kingdom told us that their top business focus was to manage the HR implications of growth in an increasingly global context. Executives there cited two of the top eight global HR topics as critical future challenges: managing talent and improving leadership development. (See Exhibit 10.)

**Managing Talent.** Two ways of looking at this topic are emerging in the United Kingdom. First, there is a local market for talent that consists largely of employees who work for domestic companies that are focused mainly on local operations. These domestic companies face a tight local labor market and the risk that employees will find attractive opportunities in other companies. Second, a global market also exists and consists of employees who work in the global or regional headquarters of global corporations.

These global companies are trying to ensure that they have the talent they require to support businesses that are rapidly expanding overseas. Executives at these companies expect to source talent in both local and global markets, to move people to wherever they are needed, and to move activities to locations that have extensive labor pools.

**Improving Leadership Development.** Strong economic growth and globalization have raised the profile of leadership development in the United Kingdom. U.K. executives told us that their companies were relying on company-specific leadership seminars and 360-degree feedback, as are high-performing companies throughout the rest of Europe.
Africa

South Africa

South African executives ranked managing talent and improving leadership development, as the most pressing future HR challenges. (See Exhibit 11.)

Managing Talent. The most economically developed nation within Africa, contributing about one-quarter of the continent’s GDP, South Africa is still confronting the ghosts of apartheid. New laws impose hiring quotas for black employees, but years of discrimination in the education system have created a shortage of highly educated blacks, making it difficult to staff open positions. “As a result of this scarcity of critical skills and South Africa’s apartheid history, we have a supply-and-demand challenge that could result in a premium having to be paid to effect affirmative action and to ensure a demographically representative work force,” said Shirley Zinn, director of enterprisewide HR at Nedbank Group.

Improving Leadership Development. Facing the need to promote black employees, executives understand that improving leadership development will be vitally important in South Africa. Executives foresee their companies’ taking a wide range of actions to improve leadership development in the future. The most popular measures will be internal coaching from top management and 360-degree feedback, both of which are used currently by about two-thirds of companies. The actions that executives expect to grow quickest are having senior executives assess employees’ leadership skills through action-learning seminars, developing an internal virtual leadership institute, and developing an internal brick-and-mortar leadership institute. Executives expect these actions to double in popularity by 2015.

Emerging Asia

China

Executives in China selected improving leadership development, managing talent, and transforming HR into a strategic partner as key future challenges for their country. (See Exhibit 12.)

Improving Leadership Development. Improving leadership development is closely related to managing talent in...
Exhibit 11. Managing Talent and Improving Leadership Development Top the South African Agenda for HR

Exhibit 12. In China, Companies Will Home in on Improving Leadership Development, Managing Talent, and Transforming HR into a Strategic Partner

Sources: Proprietary Web survey with responses from South Africa; BCG/WFPMA analysis.
Managing Talent. In 2007 China’s real GDP rose more than 11 percent over 2006. Such rapid growth has widened the gap between the supply of and demand for talent in the country. For example, China’s Ministry of Labor and Social Security reported recently that fewer than 4 percent of the workforce consisted of skilled technicians, managers, and sales people—well shy of the desired 14 percent.

At the same time, 3.8 million students graduated from Chinese colleges in 2006, but few of them were prepared for employment. Statistics show that about one-third of 2004 college graduates were still jobless in late 2005.

Against this backdrop, executives said that they expect their companies to reduce their reliance on local labor markets in the future. Sixty-five percent of executives said that their companies will source talented employees locally by 2015, down from 88 percent of companies that undertake this action today. On the flip side, companies will increase their reliance on global sourcing of talented employees, with 65 percent of executives expecting their companies to take this action by 2015, compared with 26 percent of companies that do so today.

In China, one of the fastest-growing actions in this topic will be launching initiatives that target specific groups of potential employees, such as various ethnicities, immigrants, or women. Nineteen percent of executives said that their companies were currently taking this action; by 2015, 44 percent expect that they will.

Transforming HR into a Strategic Partner. Although transforming HR into a strategic partner was not deemed critical by the rest of the countries in Emerging Asia, this topic sneaked into China’s top HR-challenges list because executives there are less confident about their organizations’ capabilities. The rapid growth of China’s economy has forced HR departments to play catch-up. HR is not always among the first departments to be installed; in fact, organizations sometimes have more than 100 employees but no HR department.

Executives told us that they expect their companies will develop HR strategy more systematically by analyzing business strategy, the external environment, and the needs within the company. Today 53 percent of executives said that their companies already take this action; 83 percent said that their companies would by 2015.

India

India’s booming economy, like China’s, is putting strains on the country’s HR capabilities. While India does not suffer from a labor shortage, talent is in short supply and great demand. Managing talent, improving leadership development, and managing work-life balance top the HR agenda in India. (See Exhibit 13.)

Managing Talent. With India’s real GDP surging at an annual rate that has averaged almost 7 percent since 1994, companies are struggling to find the talent required to fill key positions. Local companies have the added burden of competing for talent against global companies that are entering the market. Also, many recruits are moving to the Persian Gulf, where companies are offering to double wages for talented candidates. Like their peers in so many other countries, Indian executives said that their companies planned to increase global—and decrease local—sourcing of talent. And they expect their companies to increase the use of alumni networks and the creation of initiatives that target specific communities of recruits.

Improving Leadership Development. India lacks skilled and experienced business leaders. Rather than making big bets on a few actions relating to improving leadership development, Indian companies will be increasing their use of a wide range of actions. Of the 13 actions in this topic that were highlighted in the survey, executives said that they anticipated their companies curtailing just two of them: using internal coaching from top managers and using external leadership seminars.

Managing Work-Life Balance. India is focused on managing work-life balance for the professionals in its young workforce. These young professionals have many career options, both in India and abroad, and their expectations are rapidly changing. Executives expect that their companies will respond by offering sabbaticals and “teleworking” options, two actions currently performed by 19 per-
By 2015, 56 percent of executives expect their companies to be offering sabbaticals, while 48 percent expect them to offer the flexibility of teleworking. As executives told us in interviews, retaining employees is becoming increasingly difficult in India; many executives expressed the hope that better work-life balance initiatives would help.

Established Asia

Japan

Managing talent, becoming a learning organization, and improving leadership development are the key challenges in Japan; other critical topics are managing work-life balance and managing globalization. (See Exhibit 14.) Further, although many developed nations with aging work forces face demographic challenges, managing demographics is a particularly real challenge today in Japan, where baby boomers have already begun retiring.

Managing Talent. Japanese executives foresee a need to buttress their abilities in managing talent. Executives said that their companies would attack the topic by increasing eight of the nine actions highlighted in the survey for this topic. Developing tailored career tracks is the only action expected to decline.

One of the survey’s surprising findings is that Japanese executives had a more limited view of managing talent than did their peers elsewhere. More than in other nations, in Japan there was strong support for the hypothesis that talent management is only for senior managers and for high-potential employees.

Becoming a Learning Organization. Corporate training must cover not just the highest level but also all other levels of employees in order for companies to respond quickly to globalization, diversity, organizational restructuring, and other forces at work in the economy.

Japanese executives said both that operational performance would depend heavily on training and that training—no longer a reward—was now a tool for personal development. They said that their companies would substantially increase their use of IT-based learning systems and leverage business schools to develop personnel.
They also planned to use senior managers to help develop staff, while relying less on traditional training, job-enlargement, and job-rotation programs in the future. Although 73 percent of executives said that their companies now offer these programs, only 68 percent expect to be doing so by 2015.

Toshio Mitsutomi, the chief executive of the HR consultancy Learning Works International and a former Honda Motor Company executive, said that each company must ensure that its training and development agenda is aligned with overall corporate strategy. Unicharm, a leading toiletry manufacturer, achieves this alignment by breaking down its medium-term strategic plan into weekly activities for each department. About 150 executives meet with the CEO each week for 60 minutes via a video conference. If goals are not being met, the group pinpoints the core cause and comes up with solutions.

“We learn through the process about what could lead to success and what could lead to failure, by sharing a common problem-solving tool,” said Yasushi Akita, executive officer of Global SAPS HR development at the company.

Improving Leadership Development. Japanese executives recognized the significance of this topic but seemed not to have decided on the approaches they would follow. Developing company-specific leadership seminars was the only action that more than half of the executives said their companies did currently. Measuring leadership skills through 360-degree feedback is the only action that more than half of the executives expect their companies will engage in by 2015.

Managing Work-Life Balance. In order for companies to address managing work-life balance, respondents said that the compatibility of career and family would have to improve. They said that they believe that teleworking and job sharing will play a major role in managing work-life balance in the future.

Managing Globalization. Japanese executives expect that the most popular and fastest-growing action in managing globalization will be increasing capabilities for managing additional international teams. Fifteen percent of executives said that their companies were pursuing this course; 68 percent of executives said that their companies...
would be doing so by 2015. The closest contender in the future will be increasing cultural and linguistic diversity within the local workforce; this is currently pursued by 46 percent of companies, and 61 percent of executives expect their companies to be taking this action by 2015.

**Singapore**

Singapore is a small nation whose future HR challenges closely mirror the global agenda. By far, the most important HR topic in Singapore is managing talent. (See Exhibit 15.)

**Managing Talent.** Companies understand that many of the country’s best and brightest seek their fortunes elsewhere. “Singapore is now reaching out from traditional sources, such as Malaysia and Indonesia, to far-reaching sources, such as Russia and Eastern Europe. It’s become a borderless search for talent,” said Arnold Chan, the head of organization learning in Singapore at Standard Chartered Bank.

Already experienced in recruiting overseas and hiring diverse talent, Singaporean executives indicated that their companies would manage talent by engaging in a set of actions different from those taken by many other companies.

The action that the executives expect to increase most dramatically is establishing alumni networks, which 14 percent of executives said that their companies use today. More than twice as many executives—32 percent—predicted that their companies would be doing this by 2015.

The action expected to experience the second-largest jump is launching initiatives that target specific groups of potential employees, such as various ethnicities, immigrants, or women. By contrast, the action with the largest anticipated decline in the future is sourcing talented employees locally. “Singapore’s talent pool is rather limited [in size], and the country is moving fast into new areas of economic development, such as biochemistry, animation, hospitality and resort management, and casinos. The education system is unable to train enough graduates to work in these new industries,” said David Wan, head of the human resources management unit at the National University of Singapore.
South Korea

South Korean companies have actively turned their gaze toward overseas markets in search of low-cost manufacturing and new customers. The number of companies entering overseas markets increased by 80 percent to nearly 26,000 in 2004, up from about 14,400 in 2000. The value of outbound mergers and acquisitions in 2007 reached $13.7 billion, dwarfing the 2006 total of $5.0 billion.

It is no wonder then that South Korea was the only focus country whose executives named managing globalization as the top HR challenge in the future. (See Exhibit 16.) In fact, there was only one other nation—the United Kingdom—that listed the topic as a top-three challenge. Improving leadership development was South Korea’s number-two HR topic for the future.

Managing Globalization. Growth in exports is helping to power South Korea’s economic ascent, and executives have realized that they must meld their companies to the global environment. They agreed strongly with the hypothesis that the careers of top managers will have to include international exposure. Executives said that their companies planned to increase a whole range of actions in order to manage globalization. The two actions expected to grow the quickest are increasing diversity within the global workforce and establishing HR departments with international teams. Executives said that diversity efforts, cited at just 14 percent of companies today, would be undertaken at 49 percent of companies by 2015. And they said that international HR teams, in place at 14 percent of companies today, would be established at 43 percent of companies in the future.

Improving Leadership Development. Executives from South Korea recognize that their organizations will need to make investments in improving leadership development. Two actions stand out as growing particularly quickly. First, 33 percent of executives said that their companies would develop a brick-and-mortar leadership institute by 2015—an action currently pursued by only 7 percent of companies. Second, the development of company-specific leadership seminars internally will likely double in popularity, with 22 percent of executives saying that their companies are offering them today and 44 percent saying that they will be in place by 2015.

Exhibit 16. South Korea Is the Only Focus Country That Ranked Managing Globalization as Its Top HR Challenge

Sample size: 112

Sources: Proprietary Web survey with responses from South Korea; BCG/WFPMA analysis.

Note: Only topics cited by at least three respondents are included; excluded is mastering HR processes.
Australian executives cited managing talent as the most critical challenge in their future; they also ranked high on their national agenda improving leadership development, managing demographics, and managing change and cultural transformation. (See Exhibit 17.)

Managing Talent. The biggest challenge Australian HR executives face is a shortage of skilled labor, making managing talent crucial to every company in the nation. Strong economic growth, partially fueled by a boom in the natural-resources sector, pushed unemployment down in 2007 to a historic 30-year low of less than 5 percent. The service sector, especially the financial services sector, contributes about three-quarters of the nation’s GDP. Thus, the success of Australian companies is especially dependent on recruiting and retaining skilled employees in the global competition for talent.

Improving Leadership Development. Leadership development is strongly tied to the need for managing talent, as well as many of the other HR challenges, so skills in leadership development are in high demand. Although business managers are often in charge of developing leaders, Australia’s HR executives told us that they were aware of the need to provide tools and processes to improve current practices.

Managing Demographics. Australian executives told us that they anticipated that their companies would engage in many of the same activities other companies undertake to cope with the retirement of employees. The three actions that they expect to gain popularity quickest by 2015 are moving businesses to different locations, offering employment options to attract or retain semiretired or retired employees, and outsourcing work.

Executives also expect their companies to greatly boost efforts to manage employees who are nearing retirement. For example, only 11 percent of executives said that their companies currently offered age-specific incentive systems, but 57 percent expect their companies to do so by 2015. Likewise, only 19 percent of executives said that their companies had changed health and safety policies
to reflect the aging work force, but 54 percent anticipate that this change will occur by 2015.

Managing Change and Cultural Transformation. Executives recognize the need to transform traditional heavy industries by adopting new business models that can help answer competitive threats and manage change. Because more traditional work forces are often reluctant to change, managing change is a particularly valuable capability. Mergers and acquisitions intensify the need to manage change and cultural transformation in Australia: in 2007, the transactional volume of such deals nearly doubled to $133 billion.
In addition to highlighting the focus countries and markets in the main body of the report, BCG and WFPMA compiled specific data for all 83 countries and markets participating in the survey. In the exhibits in this appendix, we provide a snapshot of the results—and the emerging agenda for creating people advantage—for the 29 countries and markets that were represented by 20 or more respondents. (For analysis purposes in this appendix, we treat Benelux—Belgium, Luxembourg, and the Netherlands—as one market.)

**Exhibit 1. Austrian Respondents Reported That Capabilities in Managing Demographics Must Be Greatly Enhanced**

*Sources: Proprietary Web survey with responses from Austria; BCG/WFPMA analysis.*
Exhibit 2. Benelux Countries Cited Improving Leadership Development as a Critical Challenge

Exhibit 3. The Highest Priorities in Bulgaria Will Be Managing Talent, Corporate Social Responsibility, and Work-Life Balance
Exhibit 4. Managing Corporate Social Responsibility Tops the Future HR Agenda in Colombia

Sources: Proprietary Web survey with responses from Colombia; BCG/WFPMA analysis.
Note: Only topics cited by at least three respondents are included; excluded is providing shared services and outsourcing HR.

Exhibit 5. In Cyprus, Managing Work-Life Balance and Talent and Measuring HR and Employee Performance Will Require Additional Focus

Sources: Proprietary Web survey with responses from Cyprus; BCG/WFPMA analysis.
Exhibit 6. Czech Executives Ranked Managing Talent and Managing Work-Life Balance as Most Critical

Exhibit 7. Capabilities in Managing Talent as Well as in Managing Change and Cultural Transformation Will Be Critical in Denmark

Sources: Proprietary Web survey with responses from the Czech Republic; BCG/WFPMA analysis.

Sources: Proprietary Web survey with responses from Denmark; BCG/WFPMA analysis.
Exhibit 8. Executives in the Dominican Republic Will Need to Take Steps in Managing Talent and Managing Work-Life Balance

Sample size: 39

Future importance

Current capability

Sources: Proprietary Web survey with responses from the Dominican Republic; BCG/WFPMA analysis.
Note: Only topics cited by at least three respondents are included; excluded are delivering on recruiting and staffing and managing demographics.

Exhibit 9. Ecuadorian Executives Emphasized the Need for Managing Work-Life Balance

Sample size: 51

Future importance

Current capability

Sources: Proprietary Web survey with responses from Ecuador; BCG/WFPMA analysis.
Exhibit 10. The Most Critical Topics for Estonian Executives Are Managing Work-Life Balance and Managing Talent

Sources: Proprietary Web survey with responses from Estonia; BCG/WFPMA analysis.

Exhibit 11. In Guatemala, Managing Corporate Social Responsibility Is the Most Critical HR Challenge for the Future

Sources: Proprietary Web survey with responses from Guatemala; BCG/WFPMA analysis.

Note: Only topics cited by at least three respondents are included; excluded are delivering on recruiting and staffing, managing demographics, managing diversity, and mastering HR processes.
Exhibit 12. Hong Kong Executives Said That Their Companies Will Focus on Managing Talent and Improving Leadership Development

Sources: Proprietary Web survey with responses from Hong Kong; BCG/WFPMA analysis.

Exhibit 13. Irish Executives Cited Managing Talent and Managing Work-Life Balance as Their Highest Priorities

Sources: Proprietary Web survey with responses from Ireland; BCG/WFPMA analysis.
Exhibit 14. Managing Globalization Tops the HR Agenda in Mexico

Future importance

Future importance

High

Low

High

Low

High

Low

High

Low

High

Low

High

Low

High

Low

High

Low

High

Low

Current capability

Current capability

Sample size: 37

Sample size: 37

Sources: Proprietary Web survey with responses from Mexico; BCG/WFPMA analysis.

Note: Only topics cited by at least three respondents are included; excluded are enhancing employee commitment and measuring HR and employee performance.

Exhibit 15. New Zealand Executives Will Focus on Managing Talent

Future importance

Future importance

High

Low

High

Low

High

Low

High

Low

High

Low

High

Low

High

Low

High

Low

Current capability

Current capability

Sample size: 194

Sample size: 194

Sources: Proprietary Web survey with responses from New Zealand; BCG/WFPMA analysis.
Exhibit 16. In Norway, Capabilities Must Improve in Managing Talent and Improving Leadership Development

Exhibit 17. Managing Work-Life Balance Will Be a Critical Future Challenge in the Philippines

Sources: Proprietary Web survey with responses from Norway; BCG/WFPMA analysis.

Sources: Proprietary Web survey with responses from the Philippines; BCG/WFPMA analysis.
Exhibit 18. Portuguese Executives Will Focus on Managing Corporate Social Responsibility, Managing Talent, and Managing Change and Cultural Transformation

Exhibit 19. In Senegal, Executives Cited Managing Globalization and Managing Corporate Social Responsibility as Top Priorities

Sources: Proprietary Web survey with responses from Portugal; BCG/WFPMA analysis.

Notes: Only topics cited by at least three respondents are included; excluded are becoming a learning organization, delivering on recruiting and staffing, enhancing employee commitment, managing diversity, mastering HR processes, measuring HR and employee performance, providing shared services and outsourcing HR, and restructuring the organization.
Exhibit 20. Managing Talent Ranked as the Most Critical Topic for the Future in Slovenia

Exhibit 21. Executives in Sri Lanka Will Focus on Transforming HR into a Strategic Partner and Managing Talent

Sources: Proprietary Web survey with responses from Slovenia; BCG/WFPMA analysis.

Note: Only topics cited by at least three respondents are included; excluded is providing shared services and outsourcing HR.
Exhibit 22. Swedish Executives Ranked Improving Leadership Development as the Most Critical Challenge for the Future

Sources: Proprietary Web survey with responses from Sweden; BCG/WFPMA analysis.

Exhibit 23. Swiss Executives Will Seek to Enhance Capabilities in Managing Demographics and Managing Talent

Sources: Proprietary Web survey with responses from Switzerland; BCG/WFPMA analysis.
Exhibit 24. In Taiwan, Managing Globalization Tops a Full Agenda of HR Challenges for the Future

Sources: Proprietary Web survey with responses from Taiwan; BCG/WFPMA analysis. Note: Only topics cited by at least three respondents are included; excluded are mastering HR processes, measuring HR and employee performance, and providing shared services and outsourcing HR.

Exhibit 25. Thai Executives Will Focus on Managing Work-Life Balance

Sources: Proprietary Web survey with responses from Thailand; BCG/WFPMA analysis. Note: Only topics cited by at least three respondents are included; excluded are delivering on recruiting and staffing, managing demographics, measuring HR and employee performance, and providing shared services and outsourcing HR.
Exhibit 26. Executives in Tunisia Ranked Transforming HR into a Strategic Partner as the Most Critical HR Challenge

Exhibit 27. In Turkey, Respondents Cited Eight Critical Topics for the Future

Sources: Proprietary Web survey with responses from Tunisia; BCG/WFPMA analysis. Note: Only topics cited by at least three respondents are included; excluded is providing shared services and outsourcing HR.

Sources: Proprietary Web survey with responses from Uruguay; BCG/WFPMA analysis.
Note: Only topics cited by at least three respondents are included; excluded are delivering on recruiting and staffing, mastering HR processes, and providing shared services and outsourcing HR.

Exhibit 29. Managing Talent, Managing Diversity, and Managing Globalization Emerged as Key HR Challenges in Zimbabwe

Sources: Proprietary Web survey with responses from Zimbabwe; BCG/WFPMA analysis.
BCG and WFPMA compiled data analyzing the people advantage agenda in various industries in order to understand whether future HR challenges were more prevalent in certain industries. The exhibits in this appendix provide a snapshot of the results for the seven industries that were represented by the highest percentage of respondents to the Web survey. The industries range from industrial goods, represented by about 12 percent of the respondents, to energy, represented by about 5 percent.

Exhibit 1. Managing Talent and Managing Work-Life Balance Ranked as the Key Challenges in the Industrial Goods Sector

Sources: Proprietary Web survey with responses from the industrial goods sector; BCG/WFPMA analysis.
Exhibit 2. Technology and Communications Companies Must Invest in Managing Talent and Improving Leadership Development

Exhibit 3. Executives in Financial Services Cited Managing Talent, Managing Demographics, and Managing Work-Life Balance as Critical Challenges for the Future

Sources: Proprietary Web survey with responses from the technology and communications industry; BCG/WFPMA analysis.

Sources: Proprietary Web survey with responses from the financial services industry; BCG/WFPMA analysis.
Exhibit 4. Many Key Challenges Emerged in the Public Sector

Sources: Proprietary Web survey with responses from the public sector; BCG/WFPMA analysis.

Exhibit 5. In Health Care, Executives Will Focus on Managing Talent, Managing Work-Life Balance, and Improving Leadership Development

Sources: Proprietary Web survey with responses from the health care industry; BCG/WFPMA analysis.
Exhibit 6. Executives in the Consumer Goods Industry Cited a Full Complement of Challenges

Sources: Proprietary Web survey with responses from the consumer goods sector; BCG/WFPMA analysis.

Exhibit 7. Energy Executives Will Focus on Managing Talent and Managing Demographics

Sources: Proprietary Web survey with responses from the energy industry; BCG/WFPMA analysis.
We started our research by compiling a list of 40 topics in human resources and subsequently focusing on the 17 most relevant topics. We narrowed the field by conducting an exhaustive literature search in both general-business publications and HR journals. In our literature search, we considered how the number of mentions for each topic had changed over time, and we ranked each topic according to whether interest in it had been increasing or declining. Next, in order to discover emerging topics whose importance might not have been captured in the literature search, we gathered input on the topics from HR experts within BCG, EAPM, and WFPMA. Finally, we grouped the remaining 17 topics into the following four categories:

- Economic development: addressing global growth and competition
- Societal development: adapting to a changing environment
- Company performance
- HR reorganization and improvement

To ensure that every participant in the anonymous Web survey and expert interviews would share the same understanding of the 17 topics, we provided short definitions of each topic. (See the exhibit “To Ensure a Shared Understanding of the 17 Topics, the Survey Provided Standard Definitions.”)

The Web survey consisted of four parts. In the first part, respondents were asked general questions about themselves and their organizations. In the second part, participants were presented with a list of the 17 HR issues and asked to identify the four topics they deemed most important for the present and the future, 2010 through 2015. In our analysis, we derived the current relevance and future importance of each topic from the number of times that participants cited it.

In the third part, respondents were asked several detailed questions on the four topics that they had previously identified as being most important in the future. In the fourth part, respondents were asked to identify—for each of their four topics—the particular actions that their companies were conducting today and planned to conduct in the future. Furthermore, respondents were asked to rate their companies’ capabilities in the topics on a scale of 1 (low) to 6 (high).

In order to create a complete and consistent picture of the future of HR in the world, we included in this part questions concerning hypotheses about future scenarios. With the help of these data, we were able to gain a general sense of how companies view HR developments. This approach allowed us to attain both depth and breadth in the survey data, enabling us to predict where HR trends are heading globally and to recommend how companies should respond.

To allow for a cross-country comparison in our analysis, we standardized the capability ratings for each country or market. This step allowed us to adjust for any high- or low-scoring tendencies among Web survey participants in particular countries and markets. We also examined connections between executives’ rankings of their compa-
nies’ current capabilities within a topic and the actions that the executives said that their companies were taking. Variance analysis allowed us to identify the strongest, most significant factors common to highly capable companies within a particular topic. In the exhibits, green is used to spotlight the actions that were more widespread among companies with high capability ratings in a specific topic and region.

We conducted the Web survey of Europeans through January 2007, receiving 1,355 responses from HR and other executives in 27 European countries. In conjunction with that survey, during May 2007, we interviewed 102 senior executives in Europe. The goal of the interviews was to explore several HR topics and company practices in greater depth.

We then broadened our focus and conducted a global Web survey, excluding Europe, between September and November 2007; we received 3,386 responses from executives in 56 countries and markets. We also conducted 118 interviews with executives from those locales. In all, the two Web surveys elicited 4,741 responses from 83 countries and markets, and we conducted 220 interviews with senior executives.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivering on recruiting and staffing</td>
<td>Sourcing and attracting sufficient human resources. This includes all processes and systems designed to find, recruit, integrate, develop, and retain the right employees for the right positions</td>
</tr>
<tr>
<td>Managing globalization</td>
<td>Managing the social, economic, and cultural effects on the work force that result from the growing economic interdependence of countries</td>
</tr>
<tr>
<td>Becoming a learning organization</td>
<td>Means used by a company to develop its employees’ position-specific or general competencies</td>
</tr>
<tr>
<td>Managing talent</td>
<td>Means used by a company to attract, recruit, retain, identify, and develop high-potential people</td>
</tr>
<tr>
<td>Economic development: addressing global growth and competition</td>
<td>Adapting to a shifting age structure and the resulting loss in productivity and capacity</td>
</tr>
<tr>
<td>Societal development: adapting to a changing environment</td>
<td>Managing all aspects of a diverse work force; for example, age, gender, cultures, and backgrounds</td>
</tr>
<tr>
<td>Company performance</td>
<td>Engaging employees for success</td>
</tr>
<tr>
<td>HR reorganization and improvement</td>
<td>Establishing basic HR processes—from payroll services to tailored talent-management programs—that follow professional standards</td>
</tr>
<tr>
<td>To Ensure a Shared Understanding of the 17 Topics, the Survey Provided Standard Definitions</td>
<td></td>
</tr>
</tbody>
</table>

Source: BCG/WFPMA analysis.
In interviews, the following senior executives shared their insights and discussed our findings. We thank them for their valuable contributions. The list here is not complete. It includes only those interviewees who have agreed to have their names published.

### Australia

**Cindy Batchelor**  
Managing Director, Head of People and Communications  
nabCapital/National Australia Bank

**Karen Becker**  
Lecturer, School of Management  
Queensland University of Technology

**Kevin Brown**  
Executive General Manager People  
Qantas Airways Limited

**Cindy Carpenter**  
Executive Director, Human Resources and Marketing  
Corrs Chambers Westgarth

**Louise Doyle**  
Group Executive, Human Resources and Internal Communications  
National Foods Ltd.

**Kate Dundas**  
Director, People and Learning  
Australian Broadcasting Corporation

**Peter Fotiades**  
Former HR and Organization Development Head  
The Port of Melbourne Corporation

**Rohan Garnett**  
Group General Manager People  
Jetstar Airways

**Clifford Gillam**  
Executive Director, People and Organisational Development  
Public Transport Authority of Western Australia

**Tim Hayes**  
HR Manager  
Cumberland Newspaper Group (a subsidiary of News Corporation)

**Gavin Kable**  
Head, HR for Qantas Flight Catering Limited  
Qantas Airways Limited

**Brendan Keys**  
Executive Director, People and Performance  
ING Australia

**Heather Parkinson**  
Group Manager—Human Resources  
Medibank Private Limited

**Mikki Swindon**  
Chief People Officer  
Transport Accident Commission
Ron Watts
Director, HR
The Australian National University

Belgium

Pierre Devillers
HR Manager, Belux
Electrabel

Fabrice Enderlin
HR Vice President
GlaxoSmithKline Biologicals

Brazil

Pedro Paulo Carbone
Executive Manager, HR
Banco do Brasil

Claudia Falcão
HR Director
Natura Cosméticos

Neusa Hirota
HR Director
Votorantim PAR

Celso Marques de Oliveira
HR Director
Banco Votorantim

Luis Edmundo Rosa
HR Director, Accor Latin América
Grupo Accor Brasil

Adriana Tieppo
HR Director
Boehringer Ingelheim do Brasil

China

Marcelo Ballario
Head, Recruiting Center
Siemens China

Arthur Duan
HR Director
Sina.com

Xing Fan
HR Director, Talent Acquisition
Alcatel Shanghai Bell Co.

Cuiling Liu
C&B Manager
Novozymes

Sara Marchetta
Chief Representative, Beijing office
BeA Law

Sudarshana Rangachary
Asia-Pacific HR Director
Avery Dennison Corporation

Qi Shi
Senior Director, HR
Ctrip Computer Technology (Shanghai) Co.
Heather Wang  
HR Director, Asia-Pacific and China  
General Electric Company

Rebecca Wang  
Deputy Manager, HR  
The Bank of East Asia Limited, Beijing

Fiona Wu  
HR Director  
Lanxess Chemical China

Shen Yalong  
HR Director, Pernod Ricard China  
Pernod Ricard

Tracy Zhang  
HR Director, China  
Oracle Corporation

Czech Republic

Radka Blúmlová  
Country HR Manager  
Hewlett-Packard

Sarka Fricova  
Former HR Director  
Marriott

Rostya Gordon-Smith  
Managing Partner  
People Impact

Niamh Hegarty  
Chief Human Resources Officer  
GE Money

Marcello Pantke  
Chairman of the Board of Directors  
Schindler CZ

Milan Prypon  
Country Managing Director  
Hewlett-Packard

Jana Riebová  
HR Director  
UniCredit Group Czech Republic

Martina Smidochová  
HR Manager  
Microsoft

Jirí Vacek  
HR and General Services Director, CR/SR  
Nestlé

Monika Zapletalová  
HR Director  
Schindler CZ

Denmark

Jesper Allentoft  
Vice President, Global People & Organization  
Chr. Hansen

Klaus Friis-Hansen  
Corporate HR Senior Vice President  
Danisco

Eileen Klitvad  
Former HR Vice President, Telia  
Independent Consultant

Maj-Britt Maltesen  
HR Business Partner and Recruitment Leader  
Microsoft

Kim Staack Nielsen  
Chairperson  
PID

France

Bernard Broyet  
Deputy HR Director  
France Télévisions

Nicolas Calemard  
HR Development Director  
LVMH
Guy Devera  
Group Social Affairs Director  
Bouygues Group France

Patrick Dubert  
HR Senior Vice President  
Alstom

Olivier Duffour  
Former HR Executive  
Crédit Agricole

Yves Grandmontagne  
HR Vice President  
Pfizer France

Yann Laroche  
Chief HR and Communications Officer  
EDF

Foucauld Lestienne  
HR Deputy Vice President  
La Poste

Anne Marion-Bouchacourt  
Chief Human Resources Officer  
Société Générale

Jean-François Pilliard  
Executive Vice President of HR and Communications  
Schneider Electric

Pierre-Yves Poulain  
Director  
ANDCP

Philippe Rouxel  
HR Director  
Rockwool France

Pierre Trouillet  
Former Deputy Chief of Staff  
French Ministry of Labor

Laurent Zylberberg  
International Social Affairs Director  
Orange

Germany

Ernst Baumann  
Chief Human Resources Officer and Member of the Management Board  
BMW

Dr. Harald Borner  
Global Head of Top Talent Management  
SAP

Christoph Dänzer-Vanotti  
Chief Human Resources Officer and Member of the Management Board  
E.ON

Alwin Fitting  
Chief Human Resources Officer and Member of the Management Board  
RWE

Günther Fleig  
Chief Human Resources Officer and Member of the Management Board  
Daimler AG  
President and Chief Executive Officer  
DGFP e.V.

Prof. Dr. Claus E. Heinrich  
Chief Human Resources Officer and Member of the Management Board  
SAP

Volker Hempel  
HR Director  
Die Continentale

Bernhard Just  
Corporate HR Director  
Carl Zeiss

Prof. Dr. Norbert Klusen  
Chief Executive Officer  
Techniker Krankenkasse
Michael Kühn  
Director, HR and Organization Development  
Bundesagentur für Arbeit

Matthias Malessa  
Chief Human Resources Officer  
Adidas

Zygmunt Mierdorf  
Chief Human Resources Officer  
Metro

Dr. Wolfgang Neef  
Senior Manager, Personnel Development  
Wacker

Peter Schumacher  
Chief Human Resources Officer and Member of the Management Board  
Die Continentale

Dr. Dorothea Schütz  
Division Head  
Federal Ministry of Economics and Technology

Ulrich Sieber  
Group HR Head  
Commerzbank

Dr. Irina Soeffky  
Member of Department  
Federal Ministry of Economics and Technology

Angelika Stucht-Engelke  
Director of the Central Unit of Competence and Performance Management  
Evonik Industries

Thomas Unger  
Chief Financial Officer  
Metro

Ulrich Weber  
Chief Human Resources Officer and Member of the Management Board  
RAG

Frank-Jürgen Weise  
Chief Executive Officer  
Bundesagentur für Arbeit

India

Milind Jadhav  
Head, Human Resources  
Bharat Forge

R Nanda  
Senior Vice President—HR  
Tata Communications

SM Nasir  
General Manager, HR  
Union Bank of India

Ireland

Ray Gammell  
HR Director  
Ulster Bank Group

Larry Kelly  
HR Director  
Wyeth Biotech

Brid O’Brien  
HR Director  
Meteor Mobile Communications

Niall Saul  
HR Director  
McNamara Construction

Italy

Filippo Abramo  
HR Director  
Banco di Sardegna

Fabrizio Barbieri  
HR Director  
ENI
Giampietro Capelli  
Senior Consultant and HR Business Partner  
M&IT Consulting

Mario d’Ambrosio  
President  
AIDP

Patrizia Fabricatore  
HR and Communications Director  
AstraZeneca

Paolo Ferrari  
HR Director, Europe  
Autogrill

Marco Gusella  
HR Director of Personnel Management and Organization  
Elia Spa

Massimo Lolli  
HR Director  
Marzotto

Maurizio Montani  
Commercial and Staff Director  
Alitalia

Dr. Stefano Rossi  
HR and Organization Director  
Geox

Michele Verna  
HR and Organization Director  
Vodafone

**Japan**

Yasushi Akita  
Executive Officer, Global SAPS HR Development Department  
Unicharm Corp.

Notihiro Hayashi  
General Manager, HR and General Affairs Department  
Toyota Tsusho Corporation

Hideaki Inayama  
Director of Talent Management, HR Department  
Sumitomo Electric Industries

Katsutomo Kawai  
Director and Senior Executive Officer, General Manager, Personnel Department  
Daiwa House Industry Co.

Shoji Kurasaka  
Deputy General Manager, Personnel Department  
West Japan Railway Company

Toshio Mitsutomi  
CEO  
Learning Works International  
(Former HR Executive at Honda Motor Company)

Yoshiro Miyokawa  
Corporate Officer and Vice President, Human Resources  
Astellas Pharma Inc.

Satoshi Shimada  
Executive Director, HR  
Agilent Technologies Japan, Ltd.

Tetsuya Tamura  
General Manager, Corporate Planning Department  
Daiwa House Industry Co.

Kunihiro Yamauchi  
General Manager, Toyota Education Institute; Group Leader, Global Human Resources Group  
Toyota Tsusho Corporation

Kazushige Yoda  
General Manager, HR Department  
Aiful Corporation

**Netherlands**

Pieter Haen  
Managing Partner  
Duurstede Groep Recruiters
Gerard Menting  
Director, Corporate HR  
Friesland Foods NV

Elliott Nelson  
Head of Global Talent and Leadership Development  
Akzo Nobel

Russia

Svetlana Agaeva  
HR Manager  
Pernod Ricard Rouss

Frank Boivin  
General Manager  
Pernod Ricard Rouss

Sofia Danilkina  
Chairperson  
NPMU

Vadim Galka  
Head of HR Department  
RAO UESR

Ruslan Iliasov  
HR Director  
Alcoa

Nadezhda Kopytina  
President  
Ledovo Group

Emil Kotlyar  
Chairman of the Board  
The INEC Group

Maria Matskovskaya  
International Manager/Vice President  
NPMU

Julia Milovanova  
Special Project Manager  
NPMU

Vasily Murashov  
HR Director  
Svyaz Invest

Marina D. Oleshek  
Senior Vice President—Head of HR Division  
Vneshtorgbank

Dr. Sergey M. Riakovsky  
HR Director  
Sukhoi Design Bureau

Singapore

Sardar Ali  
Advisor, Business Excellence  
SembCorp Parks Management

David Ang  
Executive Director  
Singapore Human Resources Institute

Sattar Bawany  
Head, Transition Coaching Practice  
DBM Asia Pacific

Arnold Chan  
Head of Organization Learning, Singapore  
Standard Chartered Bank

Karen Fong  
Managing Editor  
Equity Communications

Edward Foong  
CEO  
Treino Consulting

Jeremy Kang  
Vice President and Head of Training  
Hong Leong Finance

Arthur Khong  
Vice President, Group Regional HR  
Yeo Hiap Seng Limited
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liew Meow Koon</td>
<td>Senior HR Manager</td>
<td>Lily Singapore Centre for Drug Discovery</td>
</tr>
<tr>
<td>Kao Beng Lee</td>
<td>Head of Training</td>
<td>NTUC Fairprice Cooperative Limited</td>
</tr>
<tr>
<td>Jessica Leong</td>
<td>HR Director, Packaging and Test Manufacturing</td>
<td>STMicroelectronics</td>
</tr>
<tr>
<td>Prabu Naidu</td>
<td>Principal Consultant</td>
<td>Learning Matters</td>
</tr>
<tr>
<td>Erman Tan</td>
<td>CEO</td>
<td>Asia Polyurethane Manufacturing</td>
</tr>
<tr>
<td>Jayakody Vengadaselam</td>
<td>Managing Director</td>
<td>3J Consultants Ltd.</td>
</tr>
<tr>
<td>David Wan</td>
<td>Head, Human Resources Management Unit</td>
<td>National University of Singapore</td>
</tr>
<tr>
<td>Dr. Gary Willmott</td>
<td>Deputy Chief Executive</td>
<td>Singapore Workforce Development Agency</td>
</tr>
<tr>
<td>José María Vázquez-Pena</td>
<td>Resources General Manager</td>
<td>Unión Fenosa</td>
</tr>
<tr>
<td>Jesús Fernández de la Vega</td>
<td>Group Managing Director of HR</td>
<td>REPSOL-YPF</td>
</tr>
<tr>
<td>South Africa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italia Boninelli</td>
<td>Senior Vice President, Head of Human Resources</td>
<td>Gold Fields Limited</td>
</tr>
<tr>
<td>Livhuwani Nengovhela</td>
<td>Chief Executive Officer</td>
<td>Mining Qualifications Authority</td>
</tr>
<tr>
<td>Dudu Nyamane</td>
<td>HR Director</td>
<td>Old Mutual</td>
</tr>
<tr>
<td>Aneline Rhoda</td>
<td>Talent and Transformation Manager</td>
<td>Old Mutual</td>
</tr>
<tr>
<td>Prof. Shirley Zinn</td>
<td>Director, Enterprisewide HR</td>
<td>Nedbank Group</td>
</tr>
<tr>
<td>South Korea</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sung Ho Wi</td>
<td>Senior Executive Vice President</td>
<td>Shinhan Financial Group</td>
</tr>
<tr>
<td>Switzerland</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urs Bürli</td>
<td>Managing Director</td>
<td>UBS</td>
</tr>
<tr>
<td>Peter Goerke</td>
<td>Group Head of HR and Member of the Group</td>
<td>Zurich Financial Services</td>
</tr>
<tr>
<td>José María Iturrate</td>
<td>HR Director</td>
<td>Eulen</td>
</tr>
<tr>
<td>José María Iturrate</td>
<td>HR Director</td>
<td>Hunosa</td>
</tr>
<tr>
<td>Ignacio Suárez Suárez</td>
<td>HR Director</td>
<td>ThyssenKrupp Elevators</td>
</tr>
</tbody>
</table>
United Kingdom

Gordon Blakely
Director, Youth Projects
British Council

Prof. Chris Brewster
Professor, International HR Management
Centre of HR Excellence at Henley Management School

John Campbell
Former Director of Rewards and Recognition, Global Consumer Group, EMEA
Citibank

Andrew Dunnett
Director
Vodafone Foundation

Richard Ellis
Head of Corporate Social Responsibility
Boots

Dr. Martin Ferber
Executive Director of HR, International Region
Pfizer UK

Danny Kalman
HR Director
Matsushita

Brendan McCann
Group Head of HR
Independent News and Media

Tony McCarthy
Director of People
British Airways

Robert Morton
HR Head, Northern Europe
Ciba UK

United States

Kristi Acuff
Senior Vice President, Employee and External Relations
Alyeska Pipeline Service Company

Phil Bezaire
Vice President, HR
DaimlerChrysler Truck Group

Jeff Chambers
Vice President, HR
SAS Institute

Lynn Clark
Vice President, HR
Bristol-Myers Squibb

Laura Clinton
Internal HR Consultant
Care USA

Colleen Connors
Senior Vice President, Global Head of Talent Strategy
The Bank of New York Mellon

Sarah Dunn
Senior Vice President HR
Thomson Financial

Paul Jarrell
Vice President and Director of HR
ITT Corporation

Tracy Layney
Senior Director, HR Strategy
Gap Inc.
Daniel Lyons
Senior Vice President, Human Resources
Darden Restaurants

Jacqueline McCook
Founder and Chief Executive Officer
The McCook Group
(Former Chief Growth Officer and Executive Vice President of International at ConAgra; Former Senior Executive at Burger King, Yum!, and PepsiCo)

Florence Pramberger
Senior Vice President of Human Resources
Beam Global Spirits & Wine
(Former Senior Vice President of Human Resources at Campbell Soup Company; Former HR Executive at Joseph E. Seagram & Sons)

Dave Pylipow
Executive Vice President, HR
Supervalu

Alison Quirk
Executive Vice President and Chief Talent Officer,
Global Human Resources
State Street Corporation

Libby Sartain
Executive Vice President of HR; Chief People Officer
Yahoo!

Richard Sibbernsen
Executive Vice President, HR
AT&T

Melanie Young
Vice President, Corporate HR and Global Services
Arrow Electronics
The following member organizations of WFPMA helped with or were responsible for the preparation, distribution, and collection of the Web survey. Without their assistance, this report would not have been nearly so comprehensive and insightful.

**North America**

**North American Human Resource Management Association (NAHRMA)**

Canadian Council of Human Resources Associations (CCHRA), Canada

Asociación Mexicana en Dirección de Recursos Humanos (AMEDIRH), Mexico

Society for Human Resource Management (SHRM), United States

**Central and South America**

**Interamerican Federation of Human Resource Management Associations (FIDAGH)**

Asociación de Recursos Humanos de la Argentina (ADRHA), Argentina

Asociación Boliviana de Gestión Humana (ASOBOGH), Bolivia

Associação Brasileira de Recursos Humanos (ABRH), Brazil

Asociación Colombiana de Gestión Humana (ACRIP), Colombia

Asociación Costarricense de Gestores de Recursos Humanos (ACGRH), Costa Rica

Asociación Dominicana de Administradores de Gestión Humana (ADOARH), Dominican Republic

Asociación de Directores de Personal del Ecuador (ADPE), Ecuador

Asociación de Gerentes de Recursos Humanos de Guatemala (AGRHI), Guatemala

Asociación Nacional de Profesionales de Recursos Humanos de Panamá (ANREH), Panama

Asociación de Dirigentes de Personal del Uruguay (ADPU), Uruguay

Asociación Venezolana de Gestión Humana (ANRI), Venezuela

**Europe**

**European Association for Personnel Management (EAPM)**

Österreichisches Produktivitäts- und Wirtschaftlichkeits-Zentrum (ÖPWZ), Austria

Bulgarian Human Resources Management and Development Association (BHRMDA), Bulgaria
Cyprus Human Resource Management Association (CyHRMA), Cyprus

Czech Association for Human Resources Development (CSRLZ), Czech Republic

Personnel Managers in Denmark (PID), Denmark

Estonian Association for Personnel Development (PARE), Estonia

Finnish Association for Human Resource Management (HENRY), Finland

Association Nationale des Directeurs des Resources Humaines (ANDRH), France

Deutsche Gesellschaft für Personalführung e.V. (DGFP), Germany

Hungarian Association for Human Resources Management (OHE), Hungary

Chartered Institute of Personnel and Development (CIPD Ireland), Ireland

Associazone Italiana per la Direzione del Personale (AIDP), Italy

Foundation for Human Resources Development (FHRD), Malta

Dutch Association for Personnel Management & Organization Development (NVP), Netherlands

HR Norge, Norway

Polish Human Resources Management Association (PHRMA), Poland

Associação Portuguesa dos Gestores Técnicos dos Recursos Humanos (APG), Portugal

National Personnel Managers’ Union (ARMC), Russia

Slovak Association for Human Resources Management (ZRRLZ), Slovak Republic

Slovenian Association for Human Resource Management and Industrial Relations (ZDKDS), Slovenia

Asociación Española de Dirección y Desarrollo de Personas (AEDIPE), Spain

Centrum för Personal och Utveckling, Sweden

HR Swiss—Schweizerische Gesellschaft für Human Resources Management; Société suisse de gestion des ressources humaines, Switzerland

Personel Yonetimi Derneği (PERYÖN), Turkey

Chartered Institute of Personnel and Development (CIPD), United Kingdom

Africa

African Federation of Human Resource Management Associations (AFHRMA)

Institute of HRM, Botswana

Institute of People Management (IPM–South Africa), South Africa

Human Resource Managers’ Association of Uganda (HRMAU), Uganda

Institute of Personnel Management of Zimbabwe (IPMZ), Zimbabwe

Association Africaine des formateurs du personnel (AFDIP)

Association Algérienne des Ressources Humaines (ALGRH), Algeria

Talents Plus Conseils, Benin

Association Nationale des directeurs et cadres du personnel du Sénégal (ANDCPS), Senegal

Association des Responsables de Formation et de Gestion Humaine dans les Entreprises (ARFORGHE), Tunisia
Asia Pacific

Asia Pacific Federation of Human Resource Management (APFHRM)

Australian Human Resources Institute (AHRI), Australia

China International Intellectech Corporation (CIIC), China¹

European Union Chamber of Commerce in China (EUCCC), China¹

Human Resource Association for Chinese and Foreign Enterprises (HRA), China¹

Hong Kong Institute of Human Resource Management (HKIHRM), Hong Kong

Confederation of Indian Industry (CII), India¹

Japan Society for Human Resource Management (JSHRM), Japan

Recruit Management Solutions (RMS), Japan¹

Malaysian Institute of Human Resource Management (MIHRM), Malaysia

Human Resources Institute of New Zealand (HRINZ), New Zealand

People Management Association of the Philippines (PMAP), Philippines

Singapore Human Resources Institute (SHRI), Singapore

HR MAX, South Korea¹

Institute of Personnel Management (IPM), Sri Lanka

Chinese Human Resource Management Association (CHRMA), Taiwan

Personnel Management Association of Thailand (PMAT), Thailand

¹ This organization is not a member of WFPMA.
The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients in all sectors and regions to identify their highest-value opportunities, address their most critical challenges, and transform their businesses. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 66 offices in 38 countries. For more information, please visit www.bcg.com.

The World Federation of Personnel Management Associations (WFPMA) is a global network of professionals in people management. It was founded in 1976 to aid the development and improve the effectiveness of professional people management all over the world. Its members are predominantly the continental federations which are made up of more than 70 national personnel associations representing over 400,000 people management professionals. For more information, please visit www.wfpma.com.
Creating People Advantage
How to Address HR Challenges Worldwide Through 2015