

HaRe Group newsletter: 9 May 2006

Subject: Perform or perish

A recent Boston Consulting Group report includes an alert for all Australian employers: changing global market conditions will require local companies to put far greater focus on people performance.

In *2020 Vision – the Manager of the 21st Century*, BCG has laid out a compelling map for the future of business in Australia. In brief, if employers wish to succeed in the years to 2020, they will need to make major changes to their people management practices. Since global markets are being heavily influenced by the booming Chinese & Indian economies and by continuing off-shoring trends, more companies are finding that the local supply of skilled & talented people will not meet the global demand for their services.

To remain competitive, every employer will need to manage people as a core asset. Companies will require new capabilities to cope with the dynamics of a workforce that will undergo the retreat of Baby Boomers and the rise of Generations X & Y. Workplace flexibility will dominate – employers will have little choice but to accept this change if they want to attract & retain the best employees. Reliance on physical & financial asset performance will not be enough – talented people will be essential for a long term competitive advantage.

Given this labour market evolution, the *2020* report predicts:

- More flexible career paths, start/ finish times, working week length and workplace location;
- Different, more sophisticated forms of communication;
- Deeper technical expertise in senior roles, fewer generalist executives;
- Greater attention will be given to measuring the performance of people, not just physical or financial assets;
- Problem solving and creativity will become more important;
- New measures will focus more on output;
- New remuneration structures will reward performance based on outputs rather than inputs.

Successful employers in 2020 will have improved their alignment of organisation & job structures, management processes, reward systems and career development practices. To neglect this alignment will undermine their ability to attract & retain the creative talent they need to prosper.

In my experience, many Australian companies are making good progress. They are developing more flexible people strategies that acknowledge the realities of a continuing shortage of talented people. Many successful companies are diligent in aligning all their HR policies & practices with long term business objectives and the organisation culture required to properly execute their business strategy. Companies that disregard people as a core asset will most likely perish by 2020.

This issue was also addressed in my March newsletter. Specifically, remuneration program designs should be fully informed by a company's Dominant Business Style and Preferred Organisation Culture.

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