



Changing Attitudes to Work— What Should HR Do?

by Virginia Marsh

What do people expect from work in these days of globalization, outsourcing, and fast-paced technological change? Are companies anticipating and responding fast enough to the changing views, expectations, and behaviors of a new generation?

The Global Context

With the global economy suffering a marked slowdown amid the most serious financial crisis in decades, it would be easy for HR and other executives to become fixated on short-term issues, notably managing the inevitable cost reductions and headcount cuts.

Yet the global recession follows a period of dazzling change—from the high-tech boom of the 1990s and the ensuing revolution in mass communications to the rise of the Chinese and Indian economies and European integration.

It also comes as dramatic longer-term demographic trends, notably the ageing workforce, are starting to hit major economies. Such developments have produced fundamental changes in the way that individuals around the world approach their working life. Companies that ignore these longer-term trends do so at their own peril.

At the same time, the dynamics of the shifting fundamentals of the work environment and the current economic downturn provide new opportunities for those companies willing to embrace change and adopt longer term perspectives.

Editor's Note: This report is based on The Conference Board's first Human Resources Council Summit in Europe. The summit, held in December 2008, brought together members of four European HR-related councils, including executives responsible for learning and development, diversity, compensation and benefits, and overall HR. Discussions were held under Chatham House Rules, meaning that no comment or opinion herein is attributable to any attendee or presenter unless specifically noted.

Summit Recommendations— Adapting to Change

Recommendations from participants at The Conference Board's European Human Resources Council Summit on dealing with changing work attitudes include:

Communications: Companies must learn to be as pro-active as their employees in using new methods of communication, including social media tools, effectively.

Flexibility: Embedding flexibility as a corporate value is necessary to build a nimble and adaptable organization and meet employee expectations and aspirations.

Leadership: Changes in performance management are needed and should start at the top.

Employee engagement: Companies need to listen to their employees and customers, and find mechanisms to create more open and supportive work environments.

Strategic focus to HR. At present, HR is still too removed from driving the core business.

How Are Attitudes to Work Changing and Why?

In the opening sequence of *The Jetsons*, a cult 1960s U.S. cartoon show about a family living in a future space age, George Jetson does the morning satellite-run in his spacemobile, dropping the kids off at their schools and mom at the shopping mall before flying to the final satellite, his high-tech office. Yet once there, he puts his feet up on the desk and shows little sign of commencing work. Among other things, the episode reminds us that attitudes are as, or more, important than technology when it comes to work and productivity.

Pattern Recognition, a Stockholm-based trend spotting agency, identifies 10 pointers to help explain how and why attitudes to work are changing—and the challenges these pose for HR executives.

- 1. Generation E:** The rise of entrepreneurship and of a new entrepreneurial spirit.
The HR challenge: Do we assume everyone wants to start their own company and tailor our Employee Value Proposition accordingly, or do we, as an established company, only try to hire and retain those without an interest in going solo?
- 2. Tyranny of Transparency:** The plethora of widely available new communications devices and methods.
The HR challenge: Do we adapt to a transparent world or do we try to restrict transparency by, for example, banning the use of social networking tools and of private Internet in the workplace?
- 3. My Way or the Highway:** Many talented individuals are not prepared to follow traditional career paths within large organizations.
The HR challenge: Do we create roles limited by clear career paths or do we let people choose their own way?
- 4. Open Door, Open Space:** A company's boundaries are blurred in that businesses increasingly outsource and/or use outside consultants and services. Increasingly, these can come from around the world.
The HR challenge: Do we create a strong corporate culture to separate "us" from "them" or do we strive to make as many as possible work for us, even if they aren't employed by us?
- 5. Sense and Sensitivity:** Global migration and globalization are increasing diversity within the workforce.
The HR challenge: Do we foster multi-culturalism or do we promote a certain culture?
- 6. The Master of Fine Arts is the new MBA:** Creativity and innovation are emerging as highly sought after skills.
The HR challenge: How do we create a culture of creativity and imagination within a business organization?
- 7. Dictatorship to Democracy**
The HR challenge: Do we accept and promote a "democratic revolution" way or do we foster a "creative dictatorship"?

8. **Meeting of Minds:** Business is increasingly interdisciplinary, requiring a broad range of skills and approaches.

The HR challenge: How do we build for interdisciplinary work while fostering a common corporate culture?

9. **The Competency Trap:** Sometimes it is the competent that find it hardest to change.

The HR challenge: How do we make people “unlearn”?

10. **Me, My World, The World:** People are individuals and more powerful than ever as individuals with networks that transcend corporate boundaries. The world beyond work matters a lot more.

The HR challenge: How do we allow employees their individuality while expecting them to be part of the corporate team?

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Individuals, like the corporations they work for, are being pushed to display greater flexibility and adaptability. They must embody a willingness both to learn—and unlearn—as their employers respond to rapid technological, social, and economic changes.

Such changes have made business itself more interdisciplinary. After a period of emphasis on analytical and financial prowess, epitomized by the rise of the MBA, there has been a swing away towards softer, less tangible skills. Creativity and innovation, for example, are among the skills most frequently identified by C-level executives as both desired and in short supply, and also as a challenge to identify. But, these same executives do not want to sacrifice consistent execution of strategy and precision-technical skill in increasingly complex jobs. HR’s challenge is to achieve “all of the above.”

Creating Creativity

The Conference Board and Americans for the Arts, in association with the American Association of School Administrators (AASA), conducted a joint research project to determine business attitudes toward creativity and compare those attitudes to those of educators in the United States.

Overwhelmingly, both the superintendents who educate future workers and the employers who hire them agree that creativity is increasingly important in U.S. workplaces (99 percent and 97 percent, respectively), and that arts training – and, to a lesser degree, communications studies – are crucial to developing creativity.

Yet, there is a gap between understanding this truth and putting it into meaningful practice. The findings indicate that most high schools and employers provide such training and studies only on an elective or “as needed” basis.

Other results of the survey:

85 percent of employers concerned with hiring creative people say they can’t find the applicants they seek.

Less than 20 percent of employers who are concerned with hiring creative people use profile tests to assess the creative skills of potential employees. Instead, they rely on face-to-face interviews. More than one in four say they assess creativity based on interviewees’ appearances.

While 97 percent of employers say creativity is of increasing importance, only 72 percent say that hiring creative people is a primary concern.

Source: Ready to Innovate: Are Educators and Executives Aligned on the Creative Readiness of the U.S. Workforce?, James Lichtenberg, Christopher Woock, Mary Wright, The Conference Board, Research Report R-1424-08-RR, October 2008.

What These Changes Mean for HR: Managing the Multi-Generational Workplace

In a practical sense, one of the most pressing issues facing HR is managing a multi-generational workforce. The attitudes, habits, skills, and expectations of the generations represented in the workplace differ widely. An additional challenge is that, increasingly, a company's own arrangements in areas such as pension and health-care may vary across the organization and between different age groups and locations.

Perhaps reassuringly, summit participants pointed to several commonalities between the different age groups. A key common feature is that individuals of all age groups express the desire to keep learning. In the workplace, all generations want:

- Recognition
- Respect
- Flexibility
- Challenging roles
- New knowledge
- Tailored learning
- "Space"

In terms of helping the different generations to work together, summit participants recommend:

- Mentoring/reciprocal mentoring
- Tailored learning
- Fostering mutual respect
- Using Generation X as team and virtual team builders
- Allowing "space"
- Continuous career development
- Flexibility menu

The Changing Workforce

Generations

- Nearly half of Millennials plan to stay with their organization at least five years.
- By 2050, one in five of the world's population will be over 60.
- The number of people migrating across national borders has doubled compared to a generation ago.

Family life/work-life balance

- 89 per cent of employees refusing an international assignment cite family/dual career reasons.
- 52 per cent of men in the United Kingdom would like more flexibility at work.
- Three out of four people see work as part of their ideal existence in later life.

Social networking

- 75 per cent of junior-to-mid-level staff uses social networking and nearly 80 per cent of these identify their employment when doing so. Most senior leaders have never used a social networking site and are concerned about privacy and productivity.
- 34 per cent of Facebook users are 18-25; 49 per cent are 26-plus.

Sources: Gen Up, CIPD/Penna; GMAC Global Relocation Trends survey 2008; UK Equal Opportunities Commission survey; HSBC, Future of Retirement survey; U.S. and EU official statistics.

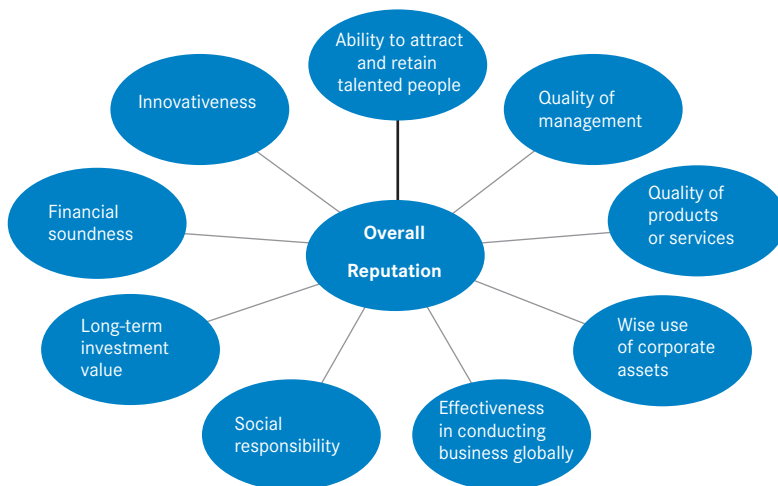
The Role Models: What Can the World’s Most Admired Companies Tell Us?

After years of cost minimization and revenue optimization fewer levers remain unexploited to improve financial performance and achieve strategic targets. Yet, research into the world’s most admired companies, undertaken over more than a decade by the Hay Group and Fortune magazine, shows that in every industry there are clear leaders that outperform their peers by a large margin. Moreover, as a group, the world’s top 50 most admired companies also outperform the broader market in terms of revenue growth, again by a significant margin.

Hay Group has analyzed the specific characteristics that differentiate the top companies from their peers and which underpin their tangible achievements.

It is significant that, while the HR role touches on all seven attributes displayed in Figure Two, two of them—employee engagement and succession planning—and arguably a third—strong culture—are directly in the traditional HR sphere.

Figure 1
FORTUNE Survey of Most Admired Companies – Key Attributes



Source: HayGroup 1998–2008

Figure 2
What Do Most Admired Companies Do Differently?

HayGroup research shows that top companies differentiate themselves from peers by a number of specific characteristics which many aim to emulate.



Source: HayGroup 1998–2008

In addition, what is often overlooked, says Klaus Mittorp, a key account director for Hay, is the need for “alignment” between the seven differentiating factors—the ability to “bring it all together.” There is no blueprint for achieving alignment, he says, but leadership effectiveness is critical. HR is, in turn, critical in helping ensure that leaders with the optimal mix of skills are appointed and that, once in place, they receive the necessary support, resources, coaching, and training.

Looking at the equation from the other side, namely at the factors that prevent companies from achieving their strategy, Mittorp cites research showing that the single biggest factor is having the wrong person in the role—again an HR issue. As for the future and ensuring a strong pipeline of leaders for the years ahead, Mittorp highlights the need for a more strategic approach to talent management, another core HR area and one in which many companies say they struggle.

Practical Management Tools

Strategic Workforce Planning¹

On present predictions, the current global economic slowdown is likely to be more severe than the last downturn in the early years of the decade and characterized in the western economies by the bursting of the dot.com bubble. In this context, identifying, hiring, and retaining staff has never been more important, especially if a company wants to be poised to take advantage of growth opportunities once a recovery begins.

Companies surveyed by the Economist Intelligence Unit over a two-year period (before the present crisis) identified human capital risks as the single most significant threat to their global business operation. The reasons for the concern include: the aging workforce and accompanying loss of skills as the baby boomers begin to retire; globalization and the global war for talent; controlling human capital costs especially given, for example, wage inflation in China and India; and the increased emphasis on risk and reputational management.

Such developments, as well as research conducted by The Conference Board, Hay Group, and others, suggests there needs to be a more strategic approach to workforce planning and the role of HR within an organization.

Planning for the long term

Traditionally, workforce planning was “operational” rather than strategic and involved projecting demand and supply, and identifying the gap, says Dr. Mary Young, senior researcher at The Conference Board. Strategic Workforce Planning (SWP) involves analyzing workforce needs, alternatives, costs, and potential outcomes at an earlier point in overall budget and strategy processes. Modeling the different workforce outcomes and costs help determine whether a strategy is feasible or not. It is also a tool that enables a longer planning period, of two to five years, rather than the six months to two years typical of a shorter-term headcount approach.

Strategic Workforce Planning is also a powerful tool for helping companies navigate through tough times, adds Young. What we know from prior downturns is that many employers will seek short-term solutions by cutting human capital costs—from reducing hiring and cutting training to using more contractors and offering early retirement. Yet the experience of past economic slowdowns shows that such measures can lead to long-term talent supply problems. SWP can help avoid this by enabling companies to model the consequences of the various workforce options and thus make better informed decisions.

Not a turnkey solution

However, Young also warns against using SWP as a turnkey solution if it is not already established. It usually takes at least two budgetary cycles to establish credibility and business value. Nor, she adds, should it be used as a euphemism for downsizing: this risks stigmatizing the process and weakening its future usefulness.

As some summit participants noted, the slowdown might provide a “reality check” and an opportunity to get “back to basics” after the big changes of the past years. The attitudes to work displayed by some within the younger generations and the focus on individual, entrepreneurial activity have been shaped in parts of the world by the long period of economic expansion and by the relatively easy availability of credit.

In addition, while there will inevitably be a sharper focus on costs, corporations have the opportunity in a downturn to increase trust and loyalty by managing their workforces responsibly and fairly.

¹ For a more detail explanation of the concept and case studies on the effective use of SWP, see *Strategic Workforce Planning: Forecasting Human Capital Needs to Execute Business Strategy*, Mary B. Young, The Conference Board, Research Report R-1391-06-WG, August 2006.

Employee Engagement Metrics²

Given the far-reaching changes in the workplace and in attitudes to work, the concept of employee engagement is rising in importance in the HR lexicon. This term encompasses “job satisfaction”, a notion that now sounds old-fashioned, but also covers an individual’s commitment and motivation, as well as their attitude to, and relationship with, their employer and colleagues. It is one of the most critical issues that HR and other executives face. Research suggests that while an individual’s high engagement has always typically trailed off over time—every new five-year cohort is coming into the workforce with lower initial engagement.

For many organizations, it has been a challenge to come up with appropriate measures of employee engagement. In addition, as businesses globalize their workforces, there has been a question mark about whether employee engagement is a culturally universal concept and whether managers can create a single, global engagement strategy.

Creating an engagement index

In an attempt to answer these questions, The Conference Board has produced an Employee Engagement Index, based on global research led by John Gibbons, a senior researcher at The Conference Board. The index, based on a series of specific job-related questions that are valid on a global basis, allows organizations to determine an individual’s level of engagement.

The research identifies five main clusters of drivers that directly influence overall employee engagement as measured by the Employee Engagement Index. The clusters are:

Organizational Health – individual drivers associated with organizational culture and policies.

Managerial Excellence – individual drivers associated with how well employee is managed and has developed a positive interpersonal relationship with his/her immediate manager.

Job Design – individual drivers related to variety, challenge, and degree of visibility one has to the outcomes of one’s efforts.

Workplace Readiness – individual drivers associated with how well the employee is prepared to succeed in their job, including equipment, time, resources, work/life balance, and previous training.

Extrinsic Rewards – individual drivers connected to pay, benefits, and financial security provided by one’s job.

What the research suggests is that the driver groups work together to have a very significant impact on employee engagement globally and in each country studied. To explain regional variance, Gibbons uses the analogy of the food groups working together to maintain good nutrition. The same food groups, or drivers, are present; it is their order of importance and quantities that differ from country to country.

² For more detail about recent trends in employee engagement see two publications by John Gibbons, *Employee Engagement: A Review of Current Research and Its Implications*, The Conference Board Research Report E-0010-06-RR, November 2006 and *Finding a Definition of Employee Engagement*, Report A-0236-07-EA, June 2007.

Strategic Ideas and Actions

Summit participants highlighted five areas as the most critical for HR executives as they strive to make employees' work more engaging and profitable for their organizations.

Communications and communicating the vision

Companies must learn to be as pro-active as their employees in using new methods of communications effectively, including social media. Consistent and frequent top down communication of key messages is crucial. But there are also opportunities in providing communication mechanisms to get input from the workforce, involving employees in forming the organization's vision, and in using employees to "virally" communicate the right messages. When employees are part of shaping the business, their commitment and connection increases and that leads to higher engagement. New technologies and communication norms can be used to connect employees across silos of function, hierarchy, and geography. This will increase engagement, as well as collaboration, affinity, and innovation.

Flexibility should be embedded as a corporate value

Flexibility can describe a nimble organization that quickly adapts its product and service processes. But, a truly flexible organization embeds this value reciprocally with its employees, applying flexibility to its job design, hiring policies, career management, and benefits. This flexibility can prove vital in attracting and retaining talent by supporting employee aspirations. HR needs to be more creative in coming up with a genuine menu of options in these areas. After measuring the organization's demographic and cultural profile, HR should drive experimentation. One area where a more flexible approach is needed, for example, is in recruitment and talent management. Typically, individuals are hired to fit a job description. Companies might achieve better outcomes if they try to identify individuals with a history of achievement, intellectual and emotional intelligence, and the commitment and alignment to become a good employee. HR needs to help the organization provide flexibility to the same employees that it wants embodying that skill.

Leadership

Changes in performance management are needed and should start at the top. Business leaders have more external and internal visibility and scrutiny than in the past, and therefore their profile is critical to a company's reputation and to internal morale and corporate culture. There must be consequences to missing targets, and targets should include people-related measures not just financial or operational ones. In terms of the present environment, HR can organize coaching for company leaders on how to lead and motivate staff during a downturn and in a virtual world.

Employee engagement

Companies need to listen to their employees and customers, and find mechanisms to encourage communication and create more open, supportive, and customer-focused working environments. For example, even in a downturn, there are small successes to be celebrated. Moreover, as research shows, not only is employee engagement an increasingly critical issue for companies around the world but HR professionals have more and more tools at their disposal to measure "people" issues and evaluate "softer" skills, and thus implement more effective productivity-improving strategies.

Strategic focus to HR

At present, HR is increasingly expected to be there at the business core. But, HR needs to enhance its position as a strategic business driver. HR professionals must become more educated in other business areas and in metrics, such as Strategic Workplace Planning, that are relevant to business leaders. In addition to formal classroom training or other learning solutions, HR professionals should have secondments or rotational assignments to, or be drawn from, other business functions. At the same time, HR professionals should push other functions to look at the business from a broader perspective and give line management as much "ownership" of HR matters as possible.

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About This Report

This report is based on The Conference Board's first Human Resources Council Summit in Europe. The summit, held in Geneva, Switzerland in December 2008, brought together members of four European HR-related councils from The Conference Board, including executives with responsibility for learning and development, diversity, compensation and benefits, and overall HR. The summit aimed to look beyond the present difficult economic situation at the longer term trends shaping attitudes to work, and involved a high level of participation by attendees.

In spite of the challenging economic environment, the summit drew more than 50 participants from nearly 40 organizations. A broad mix of companies, both by location and sector, were represented while two fifths of attendees were women. The summit heard presentations from The Conference Board staff and from invited speakers but also involved a high level of participation by attendees. These group sessions helped generate the ideas and themes in this report.

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European Council on Compensation and Benefits

The formation of the Council on Compensation and Benefits in 1995 recognized the complexity of cross-border remuneration issues for companies operating across Europe. The rapid pace of change in regulations and management strategies make it increasingly important to compare management experiences with colleagues from other companies with similar responsibilities.

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