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Human capital news from PricewaterhouseCoopers Saratoga

Issue 8: Autumn 2010

Saratoga is the human capital measurement and benchmarking arm of PricewaterhouseCoopers. We work with organisations to help quantify the business impact of their people.

Welcome to the eighth edition of Index, to show human capital metrics at work and how you can make the most out of your people.

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## Providing CEOs with the information that matters

According to our 13th annual CEO Survey and in the wake of the financial crisis:

- 79% of CEOs said they wanted to change their strategy for managing talent;
- 68% plan to increase their investment in this area over the next three years; and
- 39% of CEOs are expecting to increase headcount over next 12 months.

In order to effectively manage talent and maintain and improve its impact on business performance, organisations must have access to accurate data. Previous surveys conducted by PwC have noted growing recognition from amongst business leaders that people performance measurement is an important tool as they look to improve business performance.

Saratoga is the human capital measurement and benchmarking arm of PwC. Using a proven methodology developed over some 25 years across the world, Saratoga's services produce an executive appraisal of the strengths and limitations of an organisation's workforce, enabling a focus upon those issues that will have a major impact on improving performance and increasing competitive advantage.

We established the European Human Capital Effectiveness Report in 1994. Now in its 17th edition, it provides a portfolio of clearly defined quantitative workforce performance metrics together with comprehensive European benchmark data.

The report offers objective data to help organisations evaluate workforce performance and optimise their return on investment in human capital.

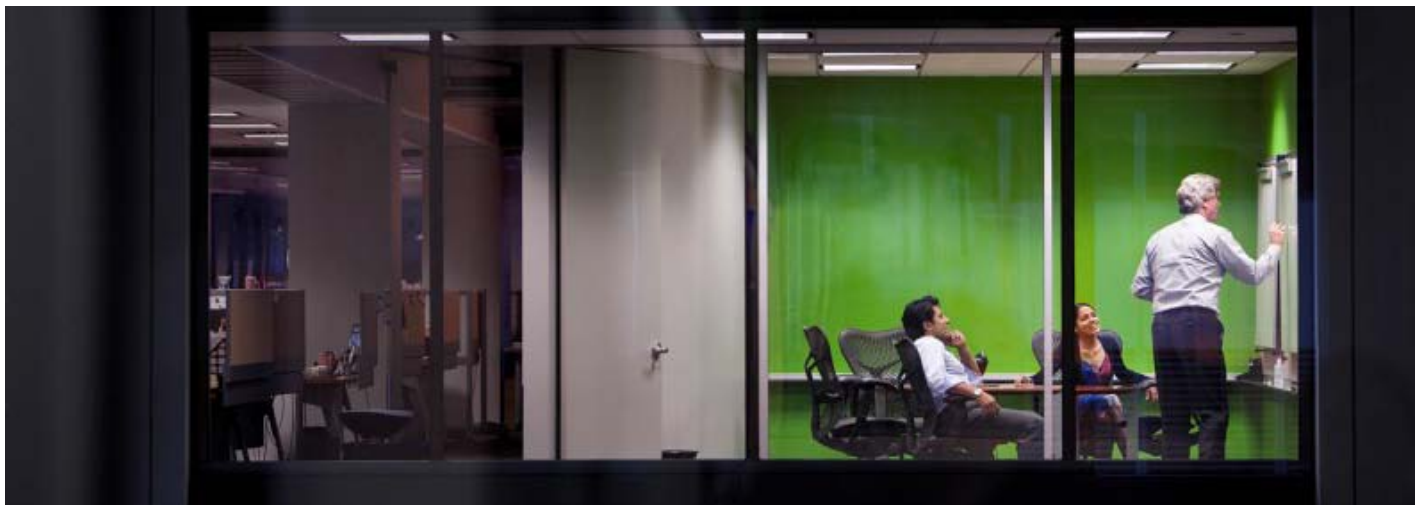
The report is broken up into the following sections, each addressing key workforce and HR function themes:

- **Human capital impact** (financial impact, productivity and ROI).
- **Human capital engagement** (resourcing, learning & development, compensation & benefits, absence and turnover).
- **Human resource function** (size and cost of the function, outsourcing, HR roles and remuneration).
- **Workforce structure** (diversity, span of control, percentages of management and professionals).

The human capital impact metrics contains the latest available financial data for over 18,500 organisations. The human capital engagement, HR function and workforce structure data was provided by 800 client organisations as part of annual data submissions from 2008 to the autumn of 2009.

To find out more, please [click here](#).

To discuss any issues raised in this document, please contact Alexander Moir on +44 (0) 207 212 3942 or [alexander.j.moir@uk.pwc.com](mailto:alexander.j.moir@uk.pwc.com)



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## UK firms lag behind US on employee return on investment

US organisations have proved far more agile than those in the UK and the rest of Europe at maximising profit from their investment in people, according to PwC research published today.

*Key Trends in Human Capital* includes data drawn from more than 10,000 companies in 40 countries to report the pre-tax profit produced for every pound, euro or dollar paid out in remuneration: the human capital return on investment (HC ROI).

The report shows that during the uninterrupted growth years of 2002 to 2006, HC ROI rose by a relatively modest 4.6% in the UK and 8.3% in Western Europe. Over the same period HC ROI leapt by 19.8% in the US.

In 2007, when the first signs of slowdown emerged in some economies and with markets suffering in 2008, the index fell in the UK by 2.8% and 1.7% for Western Europe, but held steady in the States.

Richard Phelps, human resource services partner at PricewaterhouseCoopers LLP, commented:

“US firms have proved better at flexing the level of employment costs to market conditions. Less prescriptive rules have allowed them to keep staff numbers and salaries aligned with market conditions. The impressive return on investment levels is starting to feed through to the dollar.”

In the UK and Western Europe the more regulated environment prevents such agility. Firms here will need to find other ways to improve staff returns to compete globally with their more aggressive competitors.”

The report suggests numerous possible avenues for increasing HC ROI. These include investigating the utilisation of overtime; reviewing absenteeism; adjusting the balance of full-time, part-time staff and contract workers; assessing benefits structures, and facilities and overheads costs.

Richard Phelps added:

“While many companies invariably made job cuts to survive the recession, some employers introduced cost saving initiatives with similar results but with less pain. Either way, the downturn has highlighted the need for companies to have a clear idea of the contribution their people make to the bottom line. A fact-based approach can help ensure decisive and transparent decision making.

“However, companies need to ensure employees remain engaged during any subsequent changes as their support is equally vital to return on workforce investment.”

Keeping employees motivated and nurturing talent is an overriding theme of the report. It shows that organisations on average have at least one potential successor for each key position. However, when vacancies arise, only one in three are filled by the succession candidates. The report argues that companies need to strengthen talent management programmes. Suggestions include identifying exemplar employees who set standards for other workers.

Retaining valued employees will become ever more challenging as emerging economies start to compete for talent. The report highlights that these economies are stepping up investment in R&D and often foster a more innovative culture.

“Companies should recognise the maturity of emerging markets as the new trend setters in this field. But all regions face the challenge of an increasingly mobile workforce and organisations large and small need to plan for their ever more globalised future.

“It will be interesting to see if organisations globally respond to a period of growth by employing more people. In my experience increasing headcount does not directly correlate with profitability and it’s perhaps better to bear the grind for a little longer.” Richard Phelps concluded.

To download a copy of the report, please [click here](#) or call +44(0) 207 213 1313.

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## Saratoga branching out to every continent

Following increasing demand for human capital measures and benchmarking data in the Middle East and Asia Pacific, PwC has broadened its services.

This recent expansion has significantly increased PwC Saratoga's global brand with Saratoga specialists now in over 45 countries across the globe. Our expansion reflects the increased importance international organisations have placed on the ability to access local data in all major markets. As traditional Eastern and Western business models merge, it's becoming more common for organisations to embed performance metrics into their organisation's foundation.

The Middle East region is led and managed by Christopher Box, Sharat Seth and Sari Serhan, three Advisory partners from offices in the region. The priority from the launch is to provide a base for clients to access a live database of Saratoga benchmark information for the Middle East, enabling clients to:

- engage with PwC Saratoga to participate in future annual benchmark exercises to obtain updated data against their priority metrics;
- consult PwC advisers to develop tailored measurement scorecards aligned to business strategy; and

- undertake bespoke measurement and benchmarking projects such as HR and finance function effectiveness reviews and specialist projects in areas such as shared services and talent management.

Operating out of the PwC Singapore office, the Asia-Pac centre is an initiative jointly funded by the East Cluster, the PwC UK firm and the Singapore Government. This regional centre will enable Asia-Pac businesses to access Saratoga measurement and benchmarking expertise underpinned by our global standards and methodology but focused on the unique people challenges and issues in the region.

Prof. Ron Collard is the partner responsible for overseeing this programme, with Abu Amin, seconded from the UK Saratoga team, leading the launch project.

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### HRS international conference 2010

2-5 November 2010, Loews Portofino Bay Hotel, Orlando-Florida

#### Managing for tomorrow: rethink, reshape, results

The challenging economic climate of recent times has created new, complex people challenges and a significant change in mindset will be required in order to successfully manage for tomorrow. The new environment will be more risk aware, bring new regulatory obligations, transform our view of pay and incentives, and refocus our definition of employee engagement.

A backdrop of changing demographics and sophisticated competition from emerging markets will compound the need for companies to rethink their current strategies. Understanding how these changes impact your organization will likely lead you to reshape your approach with a focus on initiatives that yield high value and deliver measurable results.

Managing for tomorrow will require action today. To help you prepare, PricewaterhouseCoopers invites you to engage in strategic discussions and learning opportunities that leverage the full range of HR knowledge and expertise that our global firm has to offer.

This conference will provide access to our extensive international assignment, HR effectiveness and reward expertise, in addition to our renowned Saratoga experts who advise on using HR metrics and measurement to drive decisions, monitor performance, and improve results.

The conference will afford you the opportunity to network with your peers, benchmark your programs and find new ways to make HR even more relevant within your organization. As part of your registration, you will also be asked to complete a short, questionnaire that explores some of the key HR issues today. The results will be fed back to you at the conference and a full set of results will be sent exclusively to participants following the event.

To register your interest in attending, please send an email to:

[hrs.conference.registrar@us.pwc.com](mailto:hrs.conference.registrar@us.pwc.com)

### Have your say

Tell us about your current human capital challenges or innovative solutions you have implemented, and we'll answer a selection of reader questions in future editions – email us at [enquiries@saratoga.pwc.com](mailto:enquiries@saratoga.pwc.com)

### Find out more

Saratoga US website and newsletter: [click here](#)

Monks website – the reward benchmarking business of PricewaterhouseCoopers: [click here](#)

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