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Human capital news from PricewaterhouseCoopers Saratoga

Issue 6: Autumn 2009

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

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Getting started on measurement: people reporting and HR metrics workshop

[PwC to showcase how companies have implemented HR and people performance measurement frameworks.](#)

It's often cited that successful organisations are those able to provide clear measures to evidence the business impact of their people and the effectiveness of their HR functions. This was one of the key challenges identified by HR directors in recent research by PwC and in turn, over 80% of CEOs that we surveyed last year stated that benchmark information on the performance of their competitors was critical to the success of their long term strategies.

PwC Saratoga has over 20 years experience at the forefront of HR and workforce measurement and currently works with over 1,000 organisations globally. We will be holding a series of workshops over the course of 2009-2010 which will offer a practical introduction to HR measurement, offering attendees the opportunity to:

- understand why measurement is critical to running HR like a business;
- learn about the vital components of a workforce measurement program;
- identify performance measures that link to business and HR strategy;

- learn from a series of case studies on best practice measurement;
- avoid common pitfalls and mistakes in implementing workforce performance metrics;
- learn how to use benchmarking to drive process improvement; and
- discover how HR can engage with internal stakeholders using data and Management Information (MI).

These half day workshops will include presentations and case studies by a PwC Saratoga specialist, and will include practical examples and scenarios where attendees can put into practice the insights and techniques provided.

The workshops are free to attend, and are suitable for a number of key business roles including HR directors, HR managers and business partners, as well as line managers and business function heads. The first workshop is scheduled for 8 December 2009 at 9am at PwC's Embankment Place office in London.

To register your interest in attending the workshop, please email enquiries@saratoga.pwc.com or telephone +44 (0) 207 213 1313 to speak to a member of the PwC Saratoga team.



Case study – building a workforce measurement framework within a global organisation

Current market instability, together with growing demand from senior executives and shareholders for meaningful financial, performance and risk data, has increased the need for HR to demonstrate the value it delivers to the bottom line.

Intelligent measurement around HR and people performance is fundamental to both demonstrating value and performance improvement.

However, developing effective measurement practices is not something that happens overnight. Experience shows that it requires an ongoing process of learning, refinement and continuous improvement.

Working with a global FMCG organisation PwC supported the creation of a roadmap to develop, implement and embed the HR and people metrics vision and plan across the organisation. The roadmap aimed to draw reference to those factors and principles which need to work together to help foster and make measurement work. Based on our experience these factors include:

Metrics framework and architecture: keeping measures focused with clear understanding from the outset of their purpose and linkage to organisational and HR priorities. Phasing the implementation plan and evolution of the framework, including establishing business-wide versus local measures and frequency of reporting.

Education and Awareness: promoting stakeholder engagement and buy-in to the measurement process. Developing the learning and capabilities to understand measurement definitions, their interpretation and application within a business and HR context.

Systems and definitions: establishing a common language around the measures, including standard nomenclature and definitions. Setting clear expectations around data quality, availability and future requirements.

Governance and communications: establishing a clear process and owners to drive consistency and standardisation in measurement – ‘one version of the truth’. Ensuring relevant communications are made throughout implementation of the measures.

For those organisations leading the way in the development of robust HR and people performance measures, there is a clear focus on driving the measurement agenda from the top, using evidence to help inform strategy and planning and as an integral means of understanding how and with what impact HR partners with the business. Organisations recognise that this is an ongoing process of refinement and advancement – what we term the ‘measurement journey’.

When used effectively, such information is used to develop business insights, help identify strengths and opportunities and develop a common foundation for decision making – a key tool for managing the business more effectively and developing competitive advantage.

For further information about how we can support your organisation in the development of a measurement framework, tailored to your organisation’s priorities and objectives, please email enquiries@saratoga.pwc.com or call +44 (0) 207 213 1313 to speak to one of our team.

How the downturn will change the future of work – PricewaterhouseCoopers report

Many once-powerful employer brands will be unable to attract top talent in the next decade. This is according to a report on how the downturn will change the future of work, published today by PricewaterhouseCoopers.

Pay and promotion freezes, changes to pension schemes, cuts in recruitment and slashed training budgets, combined with poor communication, have eroded the bonds of trust between some employers and their employees. In contrast, other organisations have excelled at doing more with less to engage and develop their employees in an unstable employment landscape where many individuals view their career prospects as stagnant or diminishing.

Michael Rendell, partner and leader, human resource services, PricewaterhouseCoopers LLP, commented:

“As the long-term impact of people decisions taken during the downturn begins to be felt, the winners and losers of the war for talent are starting to reveal themselves – with those who continued to focus on investment and employee engagement emerging as clear leaders. Those who continued to offer their employees new opportunities and invested in their people pipeline are now at a competitive advantage.”

“Some of the UK supermarkets are a great example of where brave people management decisions have paid off to help them secure the next generation of leadership cadre and pick up top-performers at all levels from

different industries. Other companies appear to have panicked and made decisions based on short-term gain that will have long-term repercussions for their people pipeline and their future prospects.”

The paper – Managing tomorrow’s people: how the downturn will change the future of work – uses scenario planning to map how the crisis will impact the widely accepted shortage of talent predicted for tomorrow’s world.

Michael Rendell, partner and leader, human resource services, PricewaterhouseCoopers LLP, commented:

“The ageing population means that, in a decade or so, there will be up to four different generations in the workplace, which will present huge and new challenges for employers. The success or failure of people strategies will have a decisive impact on which organisations become the big brands and top employers of the next decade – some clear heroes and villains have already revealed themselves but, with things changing daily, there is everything to play for.”

The PwC report looks back from 2020 and tells the story of how three fictitious organisations emerged from the current crisis – specifically in terms of their people strategies. The conclusion from all three scenarios is that, as global economies start to stabilise, companies need to assess whether their people plans – which include the ways people are recruited, rewarded, retained, incentivised, trained and retired – are fit for the future.

With the rapidly changing and increasingly complex nature of the workplace in mind, the report envisages a changed employment landscape where employers fish in dark pools for specialist talent, issue business passports for highly-mobile executives and how workers with technical skills behave like individual companies outsourcing their administration and billing needs to international trade guilds. It also considers proposals for how employee and executive reward can be reformed.

Michael Rendell, partner and leader, human resource services, PricewaterhouseCoopers LLP, commented:

“Preparing for the future world of work means engaging with different groups of employees, making changes to remain sustainable and competitive, and accepting the role of people measurement has never been more critical. Health and wellbeing, global mobility and technology issues will continue to rise up the corporate agenda. The downturn also presents a shift in performance-related pay, which is changing the notion of reward and retirement arrangements for governments, business leaders and individuals.”

“As employees increasingly choose employers that fit their own priorities, ideals and lifestyles, businesses need to consider where they fit in terms of the financial and personal benefits they offer and whether or not this is how they want to be positioned in future.”

Further detail on each case study and PwC’s views on how businesses prepare their workforce for the future world of work is available in the report. For more information, visit www.pwc.co.uk.

Communication effectiveness: measuring the bottom line

Effective communication can make or break initiatives, ventures, reputations and relationships, and the way an organisation interacts with its people can have a direct and significant impact on financial performance.

Yet most organisations do not measure their communication and engagement efforts with the same rigour that they apply to other parts of the business.

Employee engagement is one of the biggest issues facing today's CEOs.

By engagement, we mean the extent to which individuals are emotionally and intellectually committed to the organisation they work for. An engaged employee understands the business strategy and goes the extra mile to deliver it for their own benefit and that of the organisation they work for. In turn, the organisation must strive to develop and nurture engagement through an active relationship with its employees.

Proving the link between engagement and performance is something of a holy grail. In *Corporate Culture and the Bottom Line*, Eric Flamholtz found: "...approximately 46 per cent of Earnings Before Interest and Tax is explained by the variable of cultural buy-in." PwC's own work on behalf of a large, global bank identified, among other things, a productivity gap of 17% between highly and disengaged populations.

But, if engagement really is a key driver of business performance and competitive advantage, then whose job is it to drive?

Well, clearly it has to start with a genuine commitment from the top. As John Smythe puts it in his new book, *The CEO: Chief Engagement Officer*, "Leaders are learning to engage their people to drive sustainable performance and change."

Building on this basis, as ably demonstrated by GE and Hewlett-Packard, engagement has to be transacted daily in line managers' relationships with their people. HR is responsible for developing the people policies and practice that underpin engagement, but the tie that fundamentally binds each of these elements is good communication.

Being able to assess the effectiveness of your communication function in fulfilling an engagement purpose is a key step to understanding the return you get for your investment in your people ...and where your spend is best directed in the future.

Measuring communication function effectiveness

Traditionally (where organisations have measured communication at all) organisations have tended to view corporate communications as simply providing a broadcast function, not as delivering a strategic role. Consequently, most tests for effectiveness languish around the level of channel audits and staff suggestion forums.

But, if we accept the premise that corporate communications has a strategic imperative to advance and promote employee engagement, then the proof of concept lies in the function's ability to first measure, and then demonstrate the successful outcomes of that role.

PwC's own methodology starts with that intent in mind – the communication function is effective only when supporting delivery of the business agenda. We apply an evidence-based approach to review the purpose, activities, style and effectiveness of corporate communications, making recommendations based on a number of diagnostics.

We work to:

- **baseline** existing service delivery and performance;
- measure the **impact** of communications on the business;
- make sure functional objectives support **business strategy** and are being met;
- gain the maximum **value** from spend;
- make sure the communication effort is **focused** on the right things;
- identify the potential to **reduce costs, increase effectiveness and improve service levels**;
- where possible, **benchmark** performance against other organisations;
- clearly identify both **short and long term priorities** and a plan to deliver them.

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Communication effectiveness: measuring the bottom line cont'd

Start as you mean to go on

Of course, reviewing the Corporate Communications function is only a one-time line in the sand. The ultimate goal of any such activity should be to make regular information gathering – based on a comprehensive understanding of the range of stakeholders and their needs – an essential part of the function's activity. Better yet, to make end users co-creators of the communication approach itself.

Best practice organisations develop a communications monitoring toolkit to help better understand the organisational impact of communication, provide data for regular changes and improvements to the communication strategy and to enrich the advice and information that the function provides to the board.

To find out more, contact andy.holliday@uk.pwc.com or telephone +44 (0) 20 7804 1999 to speak to a member of the communications team.



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PricewaterhouseCoopers' Building Public Trust Awards event

The 7th annual Building Public Trust Awards will see companies and individuals recognised for excellence in people reporting

PwC invite Human Resource Directors across the FTSE 350 to celebrate the winners and companies highly commended for people reporting in the annual Building Public Trust Awards lunch. PwC and guests will celebrate the success of companies in two categories, the FTSE 100 and the FTSE 250.

The awards recognise efforts over the period 1 April 2008 to 31 March 2009 as demonstrated in annual reports and supporting corporate reporting such as investor presentations on company websites and in corporate responsibility reports.

When considering these awards, the judges assess the extent to which publicly available information enables stakeholders to make a balanced evaluation of the strength of human capital management and employment practice. Both the breadth and quality of reporting will be taken into account and judges will review descriptions of the people strategy and how it relates to overall business performance. Successful organisations will provide relevant and robust human capital data with targets and/or benchmarks where appropriate.

The criteria are based upon PwC's 'corporate reporting' framework and can be split into the following four areas: market overview, human capital strategy, people processes, and human capital impact.

For further information about the awards, please visit www.bptawards.com.

The event will be held at Simpsons on the Strand from 12.30-2.30pm on 4 November 2009.

We hope you would like to join us and would ask you to register your interest in the event by calling +44 (0) 207 213 1313 or via email to enquiries@saratoga.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

Find out more

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

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

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