

Human Resource Market Summary Australia 2011/12

Preface

I would like to present you with a summary of the market outlook for the 2011/12 Financial Year, focusing particularly on the challenges for those in the Human Resource (HR) and Learning & Development (L&D) professions.

The aim of this report is to provide an overview of the forecasted trends, threats and opportunities that we may be facing in 2011/12. The report reflects the view of the author only.

This information is intended to facilitate strategic HR planning and budgeting, so you can capitalise on these emerging trends, or at least minimise any negative impact they may have for your business.

The Economy in Brief

As demonstrated by the recent ubiquitous Global Financial Crisis (GFC), worldwide business is highly interactive and interdependent. Luckily Australia has weathered the onslaught better than most. Many attribute this to a number of different variables, namely China's reliance on our coal and iron ore, a better regulated and more insulated banking system, our growing population and sound monetary and fiscal policy.

We are now in recovery mode and as China grows, so will Australia. Indeed, the importance of the rapidly growing Asia region to our economic outlook cannot be overestimated, China and India specifically emerging as pivotal considerations. RBA Assistant Governor Philip Lowe recently said the Australian economy is more dependent on what happens in China than has been the case at any time in our past.

According to the International Monetary Fund's (IMF) world economic outlook, Australia's outlook is stronger than most, with a 3.5% growth predicted (average is 2.4%). The unemployment rate, currently around 5%, is predicted to fall below this by the end of 2011, while inflation will be moderate. Our terms of trade are increasing strongly, supported by an increase in demand from China, as well as the ongoing recovery in demand from our other trading partners, such as Japan and Korea. Thus market growth is to be seen in the third world, not the developed world, where English is predominately the language of business. This has implications for the workplace in terms of managing cultural, regional and language diversity.

Australia has recently been described as a two-speed economy, as the mining and resource industries sprint ahead of the rest of the country. The mining boom will create many jobs in Australia and more jobs means more competition for top talent. Other growth industries are likely to be health, energy and innovation, while the consumer and housing sectors stagnate and the education, export, textile, clothing and footwear and motor vehicle industry feel the pinch of the very high Australian dollar. The recent floods, fires and cyclones that have ravaged Australia have also impacted business negatively and will drive up inflation, at least in the short term. For these reasons many may choose to set



up more cost-effective operations offshore, rationalise staff numbers, opt for mergers and acquisitions for economies of scale and/or find other ways to be most cost effective.

All industries are going to be looking for the best way to run an efficient operation. An easy way to do this whilst simultaneously leaving less of a carbon footprint is to embrace technology. Thus the environment and technology are likely to be the drivers for business in 2012 and beyond.

The Human Resource (HR) Global Market

We live in an increasingly borderless world. The global infiltration of the Internet has eroded all borders of time, distance and language. This is increasingly so with the advent of social media, which has revolutionised the way the world does and will communicate.

The existence of an increasingly accessible worldwide market has created many new and exciting business opportunities. Even small business can compete very successfully on the global stage, as exemplified by *Facebook*, but to capitalise on these opportunities, business needs to tear down the impeding geographical, functional and communication barriers. They require human capital that is innovative, responsive and agile.

Now that the GFC is over, organisations are turning their attention toward expansion, both in the markets they are entering and the products and services they are offering. Not surprisingly, China and India will continue to be the largest beneficiaries of this increased workforce investment, along with Latin America and Russia/Eastern Europe.

To exploit such emerging opportunities, organisations are aiming to simplify processes to offer nimble, adaptive workforce solutions. Silos that stymie growth are being replaced with an integrated, flexible and collaborative workforce that can be built and deployed rapidly when required, regardless of location and time.

Such a virtual organisation requires an innovative leader with the ability to direct, drive and motivate this increasingly dispersed, divergent and mobile employee base. This may require more outsourcing, offshoring and/or the use of temporary, contingent and/or part-time workers. The workforce as well as the market is demanding such flexibility with the rise of the Gen Y's, and the aging workforce at the other end, who are both demanding a better work/life balance. Women, who also typically require more workplace flexibility, are chipping away at that glass ceiling and entering high positions in increasing numbers. Surveys suggest that most Gen Y's expect to change jobs every two years and rate "time and relationships" ahead of money. Add to this the prediction that there will be a labour shortage in the next decade, when over 10% of the population will be at least 65 years old, and you have a very demanding and divergent workforce indeed. Thus companies that offer workplace flexibility, such as telecommuting, condensed work weeks, more time off, non-salary compensation benefits etc. are enjoying the benefits of reduced turnover and improved motivation.

Mobility – forced and unforced - has replaced stability. This is especially true at the executive level, where the average tenure among senior executives is



down to three years from four in 2002 [Source: Execunet). 500 of the largest U.S. companies expect to lose 50% of top management over next five years, to some form of retirement. The collective reputations of leadership teams have also suffered dramatic declines over the past years, accentuating the need for more robust leadership development training.

HR executives report growing skill shortages at all levels, as well as a mismatch of skills and capabilities to existing job opportunities. HR professionals may have to look at incentives to encourage older employees to continue working past normal retirement while they develop succession plans to accommodate workforce demand. They will need to identify, develop and retain their leaders as well as motivating and inspiring the workforce in general. This all points to a need for increased investment in well-designed and executed learning and development programs.

For this reason many companies are investing in learning and development programs now, to take advantage of the market upturn. An organisation's pivotal competitive advantage is how well they can attract, retain and develop their talent more than any other factor, as all other assets can be easily and quickly replicated – location, products, technology, technical skill etc. Onboarding, graduate, management, leadership and reorientation programs for returning employees are now being resurrected from the ashes of the GFC. Budgets are beginning to swell again, with a focus on practical and simple workplace solutions.

Investments in learning resources to augment face-to-face learning - immersive learning techniques such as virtual worlds, web-based learning, learning platforms that incorporate social and multimedia – are allowing learners up get up to speed efficiently. Human Performance Technology, or performance consulting, is changing the face of the traditional training department forever. Few training organisations will offer trainer-led, generic classes as the only, or even major, solution to organisational learning. Immersive learning is allowing people to practice new roles and rapidly develop new skills, as well as learn how to collaborate effectively across distance and time. These training resources are being strategically allocated to improve the performance of those functions and roles that truly differentiate the organisation in the marketplace.

Increasingly common is the fusion of training and development with performance management. Organisations are moving away from the long-established, one-on-one appraisal or performance review with a boss held once per year. They are designing performance management systems instead, that provide an individual with personal and professional developmental goals and training opportunities, along with 360 degree feedback and an individualised performance development plan, which may include on-the-job learning activities, such as serving on cross-functional teams and skill-stretching job assignments. Thus training is becoming an integral part of an employee's workplace experience, again being driven by the Gen X's, who are demanding more development and career opportunities.



Customers also want more. As with employees, they are less loyal and more discerning, more educated and less tolerant of error, have more choice and less time. They demand ease and speed.

Thus retaining valued talent is now rightly being seen as an important driver for success. The agility to match critical talent with strategic opportunities is pivotal, exacerbated by the war for talent - a war that seems to be gaining more momentum as unemployment rates decrease and job numbers increase. This is a global war which means that everyone will be looking after their own. We cannot rely on importing skilled migrant workers as they also may be in short supply.

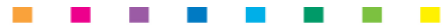
The problem requires a more innovative and local solution. This is why mining companies are entering into partnerships with educational institutions and offering more flexible work/life balance employment solutions. Such flexibility is required to circumvent talent shortages. Robust recruitment strategies, flexible compensation designs, indeed all workforce policies and procedures have to incorporate local perspectives while, at the same time, balancing the need to adhere to global strategy and policy. Developing a good unified, outcome-focused and global workforce strategy requires organisations to consider a variety of workforce options - full-time employees, part-time employees, contractors, outsourcing partners, telecommuters – to accommodate the innovation and flexibility they seek. Identifying those competencies that differentiate the business in the marketplace and incorporating them into hiring, development and performance management processes is sound policy for attracting and retaining the right people. Critical is developing future leaders, and fostering, harnessing and leveraging knowledge sharing and team collaboration across borders. Such practices allow companies to build on experience and save on costs by not reinventing the wheel.

Capitalising on such collective intelligence requires a visionary leader who appreciates and understands how to inspire and motivate individuals from multiple generations and cultures. Outstanding leaders are often not those that are good technically, but those that can motivate and inspire others. This requires excellent emotional intelligence or soft skills; skills that can be learnt and developed through training and experience. Soft skills, like effective communication, teamwork and strong interpersonal skills are what distinguish a manager from a leader.

Developing our Leaders

The ability to identify, develop and empower effective, innovative and agile leaders is a critical today for corporate success.

Innovative leaders excel because they not only see the big picture, they see its possibilities. They challenge premises and assumptions to realise these virtually unlimited global opportunities. They leverage communication mediums - the Internet, blogs, *Facebook*, *Linkedin*, *Twitter* - to reinvent and value-add in their business relationships, help create collaborative cultures and enhance efficacy.



They create within their organisations efficient, nimble, integrated and cross-functional capabilities to expedite creativity and speed.

To develop such leaders, organisations have to look beyond their own back yard. A great leader can emerge from anywhere. Therefore organisations should proactively select opportunities that allow their people to realise their full potential, regardless of location and level. An investment in leadership development, mentoring, executive coaching programs and the like identify the trailblazers you need to lead your organisation successfully into the future.

Another common learning strategy is the establishment of special project teams of cross-functional high-performers, often called rapid-response teams, to solve real-world problems, such as evaluating new market opportunities. This brings together future leaders and generates unique insights from different parts of the business. Team building is an excellent way to build organisational collaboration and harness creativity. Indeed, talent management programs that recognise the value of high-performing teams have been shown to significantly improve the bottom line. Such learning and development programs can include global job swaps or mentoring programs, so that learners can develop a truly global perspective.

Instilling creativity, flexibility and speed is today's competitive advantage. It requires inspired leaders who can identify, cultivate and respond to opportunity with top talent as, when and where they are required.

Conclusion

The world is changing. We are well positioned in Australia to take advantage of this transformation, however such change requires all businesses to be nimble and innovative.

The impact these changes will have on the HR department will be substantial. HR has become a partner to business; a strategic contribution to an organisation's growth and development. Thus HR should address the above market changes proactively, in order to optimise opportunity.

These impacts can be summarised into four main headings and pose the following questions:

1. Emerging Markets.
 - * How is your company positioned to participate in this growth?
 - * Can you tap into new markets at low cost?
 - * Do you have the right workforce, structure and technology to accommodate this growth, given the cultural, geographical and communication hurdles they pose?

2. Talent shortages
 - * How are you going to identify, attract, retain and develop top performers?



- * What development and career opportunities can you offer them – *what's in it for them?*
- * What innovative and flexible work solutions can you offer them?
- * Have you identified the competencies and skills your company requires to compete successfully in the global marketplace?
- * How are you going to address any skills shortages you may have?

3. Technology.

- * How can you leverage technology to drive performance?
- * How can you connect people and information most effectively?
- * Have you identified what information is important to your success and how it should be shared?

4. Leadership Development

- * How are you going to succession plan for the forthcoming talent shortage?
- * How are you going to identify your future leaders?
- * What development opportunities are you going to offer them?
- * How are you going to retain your top talent?