

# FROM SURVIVE TO THRIVE

The 2009 HR Business Outlook revealed that Australia coped with the GFC better than any other developed nation, but we're not out of the woods yet





**T**he economic activity of the past 12 months has certainly affected HR delivery. Indeed, a quick show of hands around the conference room of this year's HR Business Outlook revealed that the majority of HR professionals rated 2009 as the toughest year ever.

Now in its sixth year, the HR Business Outlook brought together a range of strategic HR leaders from different industry sectors. They had gathered to discuss and interpret how the broader economic outlook will affect business and, more specifically, HR operations.

"Do the swings in the All Ords hit HR planning meetings? Do tightening capital markets affect HR professionals? Does the current increase in consumer confidence indicate anything that should be on the HR leader's radar? They're all pertinent questions, and by the response to today's function, there's significant interest from HR professionals. After the last 12 months the economy has become the big interest story. Anybody in business should be interested. The big question is: how much do HR leaders factor these issues in?" asked Craig Mason, founder of The Next Step and co-organiser of the event.

To achieve the purpose of linking the economy to HR planning, the event was broken into two parts. Firstly, a lively overview of the



Australian economy provided by Craig James, chief equities economist at CommSec; and secondly, a ‘perspectives from the coal face’ panel discussion from HR business leaders about how they develop their business plans and how much the economy affects their HR strategy.

### The economic outlook

Aussie, Aussie, Aussie! That was the rallying call from James. His review of the past 12 months revealed Australia has come through the GFC strongly. “Australia is the only advanced nation in the world not to have gone into recession over the last 12–18 months. It’s quite remarkable and it almost feels like we’re Alice in Wonderland: we’ve gone through the looking glass

into an alternate world. It’s especially remarkable given the US, Japan, and all the major countries of the world have gone into recession, or backwards, over the last 12 months,” he said.

James conceded the last 12 months

had been tough, but he said the really hard work begins now in terms of attracting and retaining staff and keeping them engaged. “Now is the time when staff start looking around for jobs elsewhere. We’re in an upturn phase of

### The panel

**Facilitator:** Sam Mostyn, sustainability consultant and advisor

**Panellists:**

**Ian Cormack,** group HR director, George Weston Foods

**Melanie Laing,** executive general manager, people & culture, Origin Energy

**Gordon Wilkins,** head of people & culture, The Smith Family

**Colleen Harris,** executive general manager, human capital strategy, NAB

**Gareth Bennett,** director, people & development, Freehills

### Impact of the GFC

**How have the economic pressures affected your business, and what is your specific HR challenge in this economy?**



**Melanie Laing:** “Origin Energy is in the fortunate position of being in a growth phase, a transformative phase, and being an energy company generally. People still need energy in their homes and businesses. However, we work very closely with the community and we’ve always had hardship programs for people struggling to pay their bills. We rely on the trust and goodwill of stakeholders and the communities in which we operate.

As for HR issues, nothing has changed in the search for talent. It’s a struggle to find people we want to employ. We are searching globally for talent.”

**Gareth Bennett:** “We’re also aware that clients and our own employees may be struggling. It’s important to take a humanistic approach. When we start talking about reductions in numbers and efficiencies, and forget that behind each of those is a human story – then I think we start to lose direction as a company.



In terms of HR issues, retention of key talent is the critical thing. Your key people are still very vulnerable – they are the ones who will lead your organisation out of this period.”



**Colleen Harris:** “We believe the GFC has stalled the exit of people out of the workforce because of superannuation dropping, so we’re focused on flexibility. As the ageing workforce looks to exit, how do we retain them (perhaps by working part time or remotely) so we can tap into their knowledge and allow them to exit the workforce in a steady fashion, rather than just stopping and moving straight into retirement? We also need flexibility for the next generation of workers. They won’t want to work the same way we’ve worked – nine to five, Monday to Friday. They will want time off to travel or go back to study.”

the cycle. What's going to be important over the next 12 months is what sort of upturn we have. Is it going to be a sharp upswing or is it going to be nice and gentle like the downturn we've just had? This is something we'll have to monitor closely over coming months, because if there's a sharp upswing HR's services will be very much in demand," he added.

James proceeded to run through where Australia stands in terms of the global economy and what's in store for the coming year. Has the past year simply been part of an economic cycle? James believes so: there will always be upswings, and there will always be downswings. "For any business it's a case of managing your business through the good times as well as the bad. We'll see an upswing over the next 12 months, but that doesn't mean to say we're totally out of the woods. And it doesn't mean the global economy will continue to face challenges," he said.

A key factor in Australia's resilience over the past year has been the actions of employers: there has not been much hiring, but there has also been less firing than previous downturns. We've also been helped by the Reserve Bank cutting interest rates, by the strength of the Australian dollar and the fortitude of the Australian banking system. Government stimulus of the economy also helped. "But it's been the actions of employers to retain staff and cut back



### Diversity

**What are your thoughts on diversity – of thinking styles, culture, gender – in the current environment??**

**Gareth Bennett:** "The number of nations represented by those who became Australian citizens last year was 124. We need to reflect that diversity in our executive team and in our workforce"

**Ian Cormack:** "We're quite diverse, but our biggest diversity issue is gender. Eighteen months ago I had 15 senior women come to a meeting, just to have a conversation about whether gender had been an issue for anyone at any time. Eighty per cent of them said it had been an issue at some point. Two things I gained from that meeting: mentoring works and had made a huge difference for those women; and between the ages of 28–36 juggling work with family life gets frantic."

**Gordon Wilkins:** "Increasing the number of indigenous workers is the main diversity issue for us."

working hours rather than cutting people altogether that has been crucial in terms of improving consumer confidence and consumer spending," James explained.

Looking ahead, Australia is the only advanced country – alongside the likes of Egypt and Vietnam – likely to grow this year. The guiding lights will continue to be China, India, Brazil and Russia. "These nations will continue to drive the global economy – and certainly Australia's economy – in coming years. China is Australia's largest trading

partner. Over the next 10 years it will surpass the US as the largest economy in the world. It will continue to demand our resources and will be fundamentally important to our success over coming years," James said.

Business and consumer confidence is also on the upswing – although James conceded that confidence does not automatically translate to consumer spend. "Consumers are optimistic but are spending cautiously. Some are saying it's remarkable that confidence is so high but I don't know how remarkable it is: we've got interest rates at 49-year lows, petrol prices are down, the government is handing out money and people have been holding onto their jobs. If people weren't confident in this sort of environment I don't know what it would take," he said.

Other positive signs include movement in the construction sector, with loans for construction of new dwellings at a seven-year high. Commercial, engineering and residential construction projects are crucial, James noted, because of the broad process of activity that such projects require – from architects through to bricklayers and light fitters.

James urged caution about interest rates and the sharemarket. "Unfortunately interest rates can't stay at

### HR delivery

**How do you view HR's evolution, and what is the essential difference between delivering value in a line or HR management role?**

**Gordon Wilkins:** "It's interesting to see how HR has evolved through the years – from personnel to shared services and then this generic title of 'HR'. Now look at the titles here – the good news is that the common denominator is still people with nuances concerning the specialist areas we look after. With my title ('people and culture') that reflects the phase the business is in."

**Ian Cormack:** "I think it's a mindset. If anything in the business today is about people – if there's a human being involved – then I'm involved. I don't let other people define my job for me. I don't see a difference with what I do in HR and what I do in a line role – except that the line roles are usually easier and more fun! Whichever job you're leading from you can have an impact on the organisation."

3% forever. For borrowers this is a key challenge – the fact that interest rates are likely to go up means you’ve got to go back and look at your sums, redo your budgets. The RBA cannot leave it at 3%, because people might get too excited and rush out and buy lots of cars and houses and pay the price later on. The cash rate needs to move up to normal levels. The direction for interest rates is clear: they will go up.”

Confidence in the sharemarket has remained relatively strong, but James questioned whether investors have gotten too excited, too quickly. “There are two main drivers of all financial behaviour – fear and greed. The last 12 months have seen a lot of fear. We’re not seeing a lot of greed at the moment, but we’re seeing investors looking to make money – and you tend to get a little excited in the good times. So over the coming months we’re going to see the share market rise and fall gradually over time – we’ll see optimism give way to a degree of doubt,” he said. “We expect the Australian share market to hit 4,900 points by June 2010.”

James forecasts the Australian dollar to hit 87 cents by end of the year, and 91 cents by June 2010.

With the latest employment figures remaining steady, James noted this shouldn’t come as a shock: 12 months ago employers could not find staff – why would they let them go now? “The unemployment rate is currently 5.8%. Full employment in Australia is regarded as 5%. It’s remarkable we’re sitting just above what we consider full employment,” he said.

The last 12 months has been a wake-up call for organisations and in particular Gen Y, but James maintains it’s been a welcome wake up call. “You need periods like this to shake you out of your lethargy and respond to different environments. But we can’t rest on our laurels. We’re now in the recovery stage, and we have to make sure that we’re embracing the opportunities out there rather than focusing too much on the risks,” he concluded. **HC**

## Final thoughts

**What can be done in the tight labour market, especially when it comes to attracting women back into the workforce following maternity leave?**

**Gareth Bennett:** “I believe we’re going into a dangerous period. We’re coming out of survival mode into thrive – and that requires a different mindset with different expectations. We must know exactly how engaged our people are. Do we know who’s engaged and who isn’t? Why they want to leave or stay? Now is a great time to take the temperature in terms of engagement, find out where the risk areas really are and then try to work with specific groups. Leading on from that, if we have a good idea of engagement and risk areas, how do we mitigate those risks? Do a review of talent and succession, put in place tailored programs, use projects, and make sure your most valuable talent know they’re wanted, and know you want to keep them.”

**Colleen Harris:** “Developing leaders for ambiguous times. I don’t think we’re out of it – times will continue to be ambiguous and challenging. The other area is executive remuneration, especially in financial services. If you’re not in financial services don’t think it’s not coming to you – the Productivity Commission is very close. What I urge you to do is to get together with your risk function people and look at the metrics and performance measurements that take account of risk and results for the medium and long term, to ensure results are sustainable.”

**Gordon Wilkins:** “Having survived the last 12 months what have we learnt and how are we going to be different as a society? Are we going to go back to earning \$100 a week and spending \$110, and existing on credit cards? Are we going to improve basic financial literacy about budgeting and saving?”

**Melanie Laing:** “Understand what the critical issues are for your organisation and know where you, in HR, add value.”

**Ian Cormack:** “Remember what business we’re in: we’re in the people business. People make decisions for emotional reasons. If you want better workers, be a better boss. Make a start with yourself. HR can be a role model in that area. The other thing is, if nobody sends you financials and you don’t look at the financials every month, why not? Why do they think you don’t need to see how the month went? One way to get yourself into that is understand the power of one. Understand what would happen if market share improved by one, if sales increased by one. Understand the impact in your own business, of which line of the P&L makes a difference, and understand what’s really important.”