



2008 – HR to play a big role

The evidence keeps mounting as we start the new year that people issues and the role that HR plays will be critical in 2008. The CEOs of top tier companies are aware that the people agenda will play a significant role in the year ahead impacting both business success and the company's share price.

CEOs and management teams are looking to HR professionals to guide businesses through the current cycle of talent shortages and the investment market is watching as well. This focus will mean HR professionals will be in demand again in 2008.

CEOs make their voice heard

In an annual survey published in its 28th of Dec 2007 edition, *The Australian Financial Review* asked 19 CEOs from a range of Australia's top companies to voice their candid opinions. The survey was made up of only 5 questions. One of the questions in the survey was: "What are the biggest cost pressures you will face in the next year and how are you planning to deal with them?"

The response to this question was illuminating. The CEOs clearly emphasised that a continuing preoccupation for them is how to attract and keep top staff. The *AFR* survey clearly indicated that many CEOs are grappling with the challenge of "how to attract staff in a competitive global environment without blowing out wages costs".

The CEOs from Westpac, Macquarie Bank, Fairfax Media, Rio Tinto, WorleyParsons, Stockland, Lend Lease, Valad, Wesfarmers, Tabcorp, Coca-Cola, Metcash, and Myer were amongst the leaders that were focused on the labour market and the challenge that the current employment cycle presents for their companies.

Greg Clarke from Lend Lease was typical of these concerns saying, "Ensuring we compete for top talent is a constant challenge." David Morgan, outgoing CEO of Westpac, said, "Low unemployment and the skills shortage continues to put pressure on people costs." And Richard Goyder from Wesfarmers weighed in with, "The tight jobs market and consequent pressures will have significant implications for employers with large workforces who need to continue to attract quality people."

Human Capital Reporting – companies now being rated

Not only are CEO's personally aware of the people challenges that currently exist but the broader stock market is also increasing its

focus on the human capital agenda.

The investment market is now starting to really focus on human capital management (HCM) reporting when considering companies from a long-term sustainability perspective. Research has been recently completed that looked at HCM reporting and its impact on share price and performance. The research was conducted by the Association of Chartered Certified Accountants Australia/NZ (ACCA), one of the world's largest accounting bodies, in association with a Melbourne based think tank, Net Balance Foundation, and reported in the *AFR* on the 18th of January 2008 under the heading "Winners put people first".

The research made it clear that employees look at companies in regards to the type of workplace potential employers will provide them. The market is now rating the ability of companies to attract and retain staff due to its impacts on performance and costs. HCM reporting is therefore becoming a focus for investors so that they can judge companies against each other.

An example cited in the research where HCM reporting and good practice impacted the market was Macquarie Equities Australia's decision to favor ANZ over NAB. The report cited that Macquarie's decision was significantly influenced by ANZ's high people score. In the research, ANZ was rated at the top of the research for reporting on its people issues.

This shows that the investment market is starting to understand that there is a definite link between work satisfaction and productivity and have now begun factoring in HCM disclosures into their decision making. This link is even more acute given the concerns indicated by CEOs that people issues are at the top of their cost management issues.

Obviously the research by ACCA and Net Balance Foundation shows that HR professionals should be in the limelight when it comes to delivering against both CEO's and the market's expectations of aligning people and productivity and then reporting on this in a meaningful fashion.

HR in 2008 – what's in store?

So what does 2008 hold on the job front for HR professionals?

The evidence provided by the concern from CEOs and the investment market combined with the strength of the Australian employment market will provide a strong underpinning for the demand in the role that HR plays throughout 2008. HR functions will be searching for professionals who have the capacity to step up to the plate to find ways of making the link between people performance and employment costs.

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