

About the Newsletter....

The AMGI Newsletter is published periodically and will focus on practical content in the areas of Strategic Trends, Business Transformation, Collaborative Product Development, Managing Change and Enterprise Management Systems. We will use our extensive international connections in industry, consulting, academia, Universities and professional association (SCPD, IMechE, SME, CAMC) etc as well as our own consulting experience to keep you abreast of Strategic innovation trends.

In This Issue....

- | | |
|--|-----------|
| ■ The Agile Workplace | Pages 1-4 |
| ■ Client News; Strategic Trends; Tidbits | Page 4 |

The Agile Workplace

Using technology to transform Human Capital Management

This paper is based on research in the UK by our affiliates at Bywater Consulting

Business Context

The workplace has undergone a transformational shift in the past decade. Globalization, talked about for so long, has finally become a reality – with 80% of goods and people now able to move freely across national borders. Re-engineering has driven operational cost down to new levels; and the human side of corporate achievement has taken its toll; over half the world's workforce believe the hours and stress of their jobs impacts their health and welfare.

Yet the demands required from the human asset to ensure that corporate goals are achieved continues to grow.

And where is the Human Resource function in all of this? Are they adventurous pioneers or frustrated laggards? And do they indeed even have a role to play? Well apparently so if investment in enterprise technology is a useful indicator – Human Resource Management (HRM) is currently second only to Finance and Revenue in expenditure levels, and is growing at 13% per year.

But what are the real challenges this investment is attempting to resolve, and what is the routemap firms are adopting in turning this technology investment into human capital advantage?

Myths and Facts

Debates on HR issues are frequently clouded by assumptions, mis-information and personal perspective. Yet if companies are to develop and deliver the potential from their human capital investment, it is critical that their approach and strategy comes from a basis of fact and insight. Let's take five common myths to illustrate the issue:

Myth 1 – “People change jobs more often than they used to”

In a recent study by The Economist, which compiled the average tenure of the UK workforce, it found that in 1983 the average British worker stayed for 3.6 years in a job. Today, two decades later, the average remains 3.6 years. Job mobility has increased in certain roles and sectors, and decreased in others, but across the board, people stay as long in each job now as they did twenty years ago.

Myth 2 – “Staff are less loyal to their employers”

According to a pan-European survey by Manpower, 69% of employees feel a strong degree of loyalty to their employer. This is 1% up from three years ago, and when asked how many thought they would feel strong loyalty to their employer in three years time, the percentage jumped to 76%. So in fact, the loyalty factor is an increasing, not decreasing trend. (Cont Page 2)

The Agile Workplace (Cont'd)

Myth 3

“Aggressive downsizers have become more profitable”

The American Labour Department has released the findings from probably the most comprehensive study of the ‘downsizing’ wave of the 1990’s. It evaluated the sales growth and cumulative three-year earnings of the radical downsizers (those cutting the workforce by more than 15%), compared to their competitors. The result? That radical downsizers achieve only one-third of the sales growth of their competitors each year, and less than half the earnings growth. Those who became adept at wielding the axe appear to have generally missed, destroying capability rather than eradicating inefficiency.

Myth 4

“Development training improves productivity”

Watson Wyatt’s latest Human Capital Index (HCI) – the definitive guide to how human capital enablers link to shareholder value, found that whilst most HR-based levers have a positive impact on the development of shareholder value, development training had a –5.2% impact on shareholder value. A good investment? Perhaps for the individual, but certainly not for the firm.

Myth 5

“You can’t measure the value of human capital”

The contradiction to this myth is once again in the HCI. When the drivers of shareholder value are considered, return on investment (ROI) only enjoys a 23% correlation, profit a 33% correlation, but the HCI is a 47% link. Can you measure the value of human capital? Well, if you are prepared to accept profit as a measure of shareholder wealth, then the HCI should certainly be on that list.

Strategies

So perhaps some of the assumptions and perspectives on which companies

try to guild their human capital management approaches clearly do not stand up to the scrutiny of data. But what are the facts? What should companies base their strategy upon.

Here are five realities:

Fact 1

Employees are becoming more diverse

In 1970 over 70% of the UK workforce were married, either with or without children. Today, this group is the minority, with singles and other forms of family and non-family structures predominating. The personal needs and expectations of the employee base has become far from homogenous.

Fact 2

Employees are becoming more stressed

Last year, the UK economy had to fund almost 35 million lost work days due to stress, up from 20 million just seven years earlier. Indeed, 2.3 million, or almost 10% of the total workforce, claim to be suffering from an illness caused by or made worse by work. This is an issue employers cannot ignore.

Fact 3

Flexible working has arrived

Flexible working has been on the corporate agenda since the early 1980’s, but the combination of changing personal circumstances, and a nudge from European law, has now made this a reality. According to the CIPD, 78% of organizations now offer options to work part-time, 48% provide job sharing, 45% offer working from home, 35% flexi-time and 20% career breaks and sabbaticals.

Fact 4

Loyalty is increasingly underserved

We have already seen that almost 70% of the workforce feel a strong sense of loyalty to their employer. But do they deserve it? Increasingly not, if you ask the employees. Whilst 69% give loyalty, only 52% believe that the way their employer acts warrants that loyalty – a loyalty deficit of some 17%, and growing.

Fact 5

Effective Human Capital Management drives shareholder value

Which came first; the chicken or the egg? Does effective human capital management drive shareholder value, or do profitable companies have the ability to motivate and invest in the workplace. Returning again to the HCI, it becomes clear which lags which. If the HCI and financial performance are correlated, with a two-year gap between them, the correlation for firms with a high financial performance having a high HCI two years later is just 19%, whereas the other way, the correlation jumps to 41%. The data would suggest that if you invest in human capital management – the financial rewards will flow.

The Agile Workplace

Against this complex background of changing and evolving workplace expectations and capabilities, what is the human capital management approach to take, and how can technology enable it?

There are three elements, which need to happen in a logical order:

1. Drive **operational efficiency** in HR administration – create the space and the funds to move forward
2. Enable HR to be a **strategic advisor** to the business – providing knowledge and guidance for both policy and deployment
3. Allow **organizational-wide engagement and control** of human capital – put the skills and information into the hands of each and every manager and leader throughout the business.

These three elements, when effectively and logically delivered, can provide the ultimate prize to the organization – a truly agile workplace.

(Continued on Page 3)

The Agile Workplace (Cont'd)

1. HR Operational Efficiency

The average HR function currently spends over 75% of its total manpower undertaking low value transactional processing. Employee administration, payroll processing, training booking, compensation and benefits administration, recruitment administration and attrition administration are just some of these tasks.

This volume of administration tasks not only gives the organization an inappropriate view of the value of HR, it also ties up the funds which are needed to move HR into a more added-value role.

The requirement? Drive substantial cost out of transactional processing, whilst ensuring the process is flawless. But which processes qualify? – Well generally those which have economies of scale and which have a low impact on business strategy.

And this is where technology begins to play a role. Firstly, the implementation of an HR ERP solution, such as SAP, Oracle or Peoplesoft allows for the creation of a single and consistent employee database, and subsequent automation of employee transactions which lever off this central information source. Secondly, the deployment of self-service, where each individual inputs and reviews their own personal information, rather than a department of clerks attempting to undertake the same purpose.

And the typical impact of executing these two technology initiatives? According to a 2002 survey by Cedar you should expect:

- A 48% reduction in unit transaction costs
- A 40% reduction in cycle time
- A 15% reduction in headcount
- A 50% improvement in employee satisfaction

Excellent HR operational efficiency, underpinned by appropriate ERP and self-service technology is the base platform upon which transformational change can begin for human capital management.

2. Strategic Advisors

Simply processing the holiday form more quickly and cheaply is not going to exploit the asset of human capital.

HR needs to use the funds and space created by the operational efficiency to move into an advisory role with those who actually own staff – the line functions. And in so doing three new roles for HR emerge; those of Employee Champion, Change Agent and Strategic Partner (See Figure 1). These encompass everything from developing policies which engender and support the organization's objectives (such as reward and recognition, development and performance management) to equipping line managers to direct and

Well, not necessarily through more applications, but through utilizing the control provided by the ERP platform. Data structure and authorization policies – both foundational strengths or ERP solutions – are the places where business policy is deployed.

HR people can also enable policy development and advise line managers on the course of action and advise line managers on the course of action to take. Since all HR transactional activities are going through the ERP processes, effective reporting sitting above that operating data will provide the insight and knowledge to make informed and business enhancing choices.

3. Organization-Wide Added-Value

So does it stop there? Well it doesn't have to. There is one further step to achieving a fully agile workplace.

Aligning and equipping the entire workforce behind the strategic



coach their team members.

Figure 1
New Roles for HR Functions

And how can technology support this?

objectives of the business. People (HR acting as strategic advisors) and policy create the environment and the impetus. But to engage the entire business these resources alone are not sufficient. There needs to be

amplification of this impetus – and this is where technology again can play its role.

(Continued on Page 4)

The Agile Workplace (Cont'd)

Extending self-service to provide control and knowledge to each line manager in a tailored and relevant manner is the starting point. Allowing that individual to monitor availability, performance and development of his or her team, as set against the standards and objectives provided by the organization.

But it can go further. Through Portal technology, each individual employee can have a tailored desktop containing their information, their priorities and their preferences, but set within a context of the firm's structures, the firm's objectives and the firm's aspirations.

are not already in place then technology becomes a tool to replace management and leadership, rather than one to support and amplify it.

But if the foundation stages are in place, then organization-wide engagement can be accelerated, facilitated and magnified through effective technology deployment.

To Conclude

Managing Human Capital is one of the greatest challenges any firm faces. Understanding the true drivers and enablers for your own organization, rather than relying on assumed wisdom and perception, is a necessary precursor to embarking on this journey. But once these factors are known, to achieve the vision of a truly agile workplace, three steps are needed. And at each step, technology, in the form of an ERP platform, employee and manager self-service, strategic

Tid Bits

Encourage Questions

Do not assume that if the group voices no questions, there aren't any. Audience members hold their tongues for any number of reasons. They may not have yet shifted gears to active participation. They may think that their questions are stupid and that they should have understood you the first time around. They may think that their questions would be of limited interest to others and do not want to monopolize the time for their own clarification. They may feel inept at wording the question succinctly. They may not want to risk others' hostility with a controversial viewpoint or question. Or they may have understood your presentation so thoroughly that they have no questions.

If you are typical of most speakers, you have three worries concerning audience questions. First, the audience doesn't understand your presentation well enough to ask questions. Second, they aren't interested in your subject. And third, they have decided they cannot trust anything you say. All of these spell trouble.

-- Dianna Booher...from Speak With Confidence! Powerful Presentations that Inform, Inspire, and Persuade

Unfortunately many organizations have attempted to use step three as the starting point – yet if steps one and two

reporting and personalized Portal access can provide the enables to deliver Human Capital Transformation

Strategic TrendThe Coming Generational Storm

If one calculates the cost of all the future promises of Social Security and Medicare/Medicaid, the number runs to somewhere around \$45 trillion. Without any reform that number grows to \$54 billion by 2008. Future generations of taxpayers (read the young) are going to be left with this debt. The trends are unsustainable. The system is going to have to be restructured. The question is when and how, and at what price?

Client News....

- **SAMCO Machinery** launches a new **Integrated Product Development Process (SPDP)**. In March SAMCO launched its new Product Development Process complete with a 12 section Manual.
- As a designer and manufacturer of custom roll-forming equipment, SAMCO is taking steps to improve its engineering department through initiatives including PDM, Process integration, Engineering/ Enterprise Management integration and common design features.
- We wish Jozsef and his team well in the implementation of the new system.
- **Business Transformation and SAP Implementation – Globe and Mail Canada's National Newspaper.**
- During the past 9 months the G&M has undertaken a major transformation program to improve performance in circulation. After conducting a directional plan that resulted in a future state vision 6 major improvement projects were identified. The teams are assessing and adapting state of the art technology in the area of 24 hr real time data, truck management, customer care etc. It is an exciting time for the Globe and we are proud to be part of the team
- **The G&M is a division of Bell Globemedia.** BGM is a dynamic multimedia company, comprised of Canada's premier media groups: CTV Inc., Canada's number-one private broadcaster and The Globe and Mail, the leading daily national newspaper.
- Bell Globemedia's diverse collection of media brands create an environment where different Canadian voices support each other, without compromising each other's strength. For example, TSN and Report on Business Television leverage their authoritative and expert content to CTV for its local newscasts, to The Globe and Mail for enhanced perspective, and on to companion Web sites TSN.ca and robtv.com. Bell Globemedia also owns RDS, the world's first french-language sports channel, which complements TSN and CTV's sports-related properties.

AMGI Management

World Trade Centre
10 Queens Quay W. Ste. 704
Toronto ON M5J 2R9

E-Mail:
amgi@amgimanagement.com

Website:
www.amgimanagement.com