



## Paul Mayer - New investments in people in a more competitive environment

Since the start of the economic crisis in the fall of 2008, many companies have faced the decline in the demand for their products, a demand of more quality and services for lowered price and a more aggressive competition on their market segments.

Adapting the economic models, creating products and services offering more value for the Customer, eliminating losses in the value chains and cutting costs to compensate the erosion of the financial returns have been the answers adopted simultaneously by the actors of the Industry.

The slow return to growth for Companies operating in Europe observed in the last quarters in most of the countries of Western Europe doesn't carry capacity investments in capital equipment or in additional workforce yet.

Moreover, we can easily predict that after 7 long years of economic downturn, things will simply not be handled as they were before the crisis. We can expect Companies to continue to be cautious in their investments and to be demanding with their workforce.

- New investments in people will require a **more flexible eco system**.
- At Company level, **investments into people** will be marked by more differentiation and attention to individual performance.
- Companies will have to adapt the social contracts inherited from the past and formulate their retention strategies with a focus on **new ways of working**.

### 1. More flexible eco system.

Global firms have large options for the localisation of their operations and for their future capacity investments. The competition is wide open between countries to attract new projects and new investments enhancing employment. Governments and social partners will have to find new arbitrages between the legitimate protection of the workers and the necessity to hire and terminate employment in a much simpler and faster way than today.

On this well known factor, the countries of South Europe and specifically France should make evolve decisively their redundancy legislation. Some have done major steps like Italy, but overall there is still much to do here. The idea that a company is legitimate to organize redundancy to improve its competitiveness and not only (like today) to safeguard it when it is sometimes too late should at last prevail and become the new legal norm.

Technically, the appreciation of the economic necessity to go for a transformation, modification or cancellation of employment should be entirely in the hands of the employers. On his side, the judge should be given the power to investigate on the reality of the organization evolution.



We believe that this clarification among other changes in the regulation of countries of South Europe and notably France, will help restore their competitiveness and contribute to improve a depreciated image and reputation among decision makers of the private sector.

## **2. Competitive investments in People**

Back to the world of private companies, there is a renewed focus on the design of the organization (slimmer, more integrated and with less management layers), on the job structure with a more precise definition of roles and responsibilities and a much stricter evaluation of job weighting. As a general trend, there is as well a great deal of attention paid to salary and benefit market practises and a wish to avoid overpayment.

On the latest, the situation of the employees whose personal career and salary history position them on very high Compa Ratio versus their market references is less tolerated than before: deliberate blockage of merit salary raise over several years and sometimes renegotiation of contractual terms are becoming market practises.

Similarly, HR departments are investing time, money and energy again in performance management : adoption of more effective Information Technology systems, training line management to define more stretched targets, practise of forced ranking or of calibration of individual objective scores, review of incentive mechanisms are some of the tracks commonly used to enhance Pay for Performance. Desired behaviours and attitudes are formulated in terms of capability requirement and the elements of the pay mix (fixed salary or variable part) are more often than before influenced by the evidence of conformity to the desired behaviours.

One domain where differentiation in the investment on people is getting much traction is training and development.

The easy access that we used to recognize to our employees (and particularly white collars) to the resources of training is under complete transformation.

First, individual development is no longer synonymous of training activity: on the job experience, relationship development, networking activities are considered as equal significant factors of development than standard training courses. These alternative sources of individual development tend to be systematically encouraged and tracked down in the Individual Development Plans discussed during Performance Reviews.

Second, e-learning tends now to be presented as the primary vector of knowledge acquisition and sometimes as the only one for a growing number of domains: languages and Information Technology learning but also for technical disciplines either partially as a preparation for the official training course or as the full training event.

Third, the investment to a training course implying vendor and travel costs are more carefully scrutinized than in the previous economic period. The “business case” of each registration (what value creation for the money invested) is becoming the norm although it remains as difficult as before to get a precise idea of the value creation.

Finally, in an attempt to manage more accurately the capabilities of the Organization and the competences of the Employees, there is an accrued demand for certifications of the acquired competences especially in the technical field.

### 3. New ways of working

New generation of workers, the Millennial Generation coming after the Y Generation, will not likely accept to operate under the same rigid working conditions and hierarchical structures than the generations today predominantly at work.

Three chapters need to be investigated, discussed between employers and employee representatives and implemented at the level of each company or each local entity: time management, remote management and workplace organization.

With **Time management**, we don't principally suggest that companies should reopen the difficult topic of weekly, monthly, yearly time organization, in France the famous 35 hours dossier.

Rather, we believe that there is a fresh interest for taking again subjects like the use of part time solutions, the demand for individual sabbatical periods or for punctual home office solutions. All these new expectations are questioning the way we have structured work and relationships in our respective organizations.

Furthermore, with the postponement in all Europe of normal retirement age to 65, 67 or even 70, we can predict that there will be a demand from our senior employees for several evolutions:

- To the Pension institutions: clear simulations of solutions balancing different options retirement age versus money.
- To the Companies: phased retirement plans allowing smoother transition arrangements towards full retirement.

**Remote management.** Under several factors, such as the search of economy of scales, the quest for administrative productivity or the rapid globalization of customers, we have seen Multinational companies integrating more and more their internal structures and getting much freer than before from the geographical footprint.

It is not rare nowadays to see line managers 6 hierarchical levels below the CEO managing directly employees in 10 different countries.

The explosion of the numbers of managers leading remotely and of the number of employees being managed at distance is posing new leadership challenges.

Actually it is leading a number of firms to revisit their leadership curriculum either to incorporate chapters on management at distance in the existing courses or in creating complete new leadership courses addressing this new reality with an obvious chapter on how to encourage the systematic use of Information Technology (Skype, Jabber, videoconferencing, etc).



**Flexible workplace.** This panorama would not be complete without a mention to the evolution of the workplace. Between the traditional partitioned office and the co-working or hot desking system, there is room for a variety of new flexible workplace solutions triggered by the concept of Activity Based Working.

The concept suggests that all along the day, employees move around in the office from standard desk space to individual videoconferencing facilities and also take advantage of a moment of relaxation and fun with colleagues in a comfortable café-style bar lodged somewhere in the office.

Obviously, the first objective of these flexible workplace solutions is to rationalize the Office investments and at the end of the day to make cost savings.

Used at all levels of the organization, including at Director level, well thought out with a great deal of preparation and discussion with the staff and their representatives, we believe that this can help rebuilding the relationship between employees and the management and drive employee engagement and productivity on fresh basis.

In **conclusion**, all the evolutions quickly described in this paper require the discussion of a renewed “Social Contract” either at national level when it comes to adapting the eco system to the needs of the time or at the level of the company for the microeconomic changes triggered jointly by the economic pressure and by the aspirations of new kinds of workers.

Do we have the right representatives with the right mindset around the negotiation table to address these topics and move the ball is one of the hot questions in this debate and in a way, a prerequisite for being successful in this transition.