



MANAGING BACK TO CERTAINTY

TAKING BACK CONTROL OF YOUR BUSINESS PERFORMANCE

WHITE PAPER

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THE CHALLENGES OF A MULTI-SPEED ECONOMY

It has been generally accepted in the past decade that Australia has grown into a dual speed economy. The Mining and Resource sectors have experienced incredible growth and the remaining categories of the economy, while experiencing healthy growth over the past decade, have not kept pace.

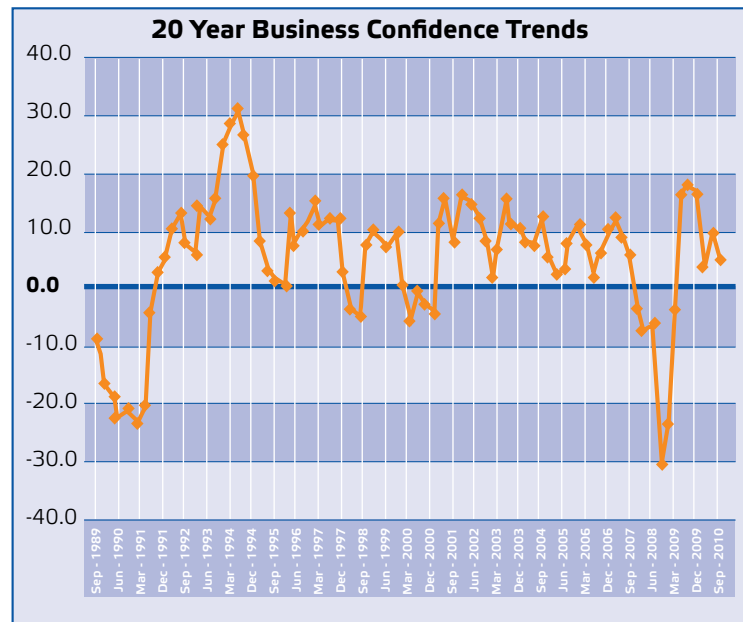
As Australia emerges from the uncertainty of the Global Financial Crisis relatively unscathed, a new economic reality is emerging. The affects of changing demand from international markets, currency fluctuations, diminished credit markets, a tightening labour landscape as well as the unfolding ramifications of a series of natural disasters has bought to the fore a multi speed economy. It's becoming apparent that as external factors impact on specific sectors, the response and growth of these sectors stands to be very different. The internal factors and behaviours of business, however, will determine the success of individual business in the coming year.

THE EXTERNAL FACTORS

The Global Financial Crisis has resulted in a complex external environment that has all but erased any hope that a "business as usual" landscape will return. Despite our geographic location, our economic proximity to and dependence on international markets has played a large role in challenges we are now facing.

As demand returns, a tightening labour pool and environmental disasters are hampering what was an optimistic outlook. The increasing labour pressures are set to impact all industries as the recovery unfolds. Throughout the Global Financial Crisis, Australia defied international trends with unemployment levels not exceeding (6%). When compared to developed economies such as Spain (20.33%) and Ireland (13.9%) the potential risk to Australia becomes apparent. During a global recession we were spared drastic spike in unemployment but as the looming mining boom takes shape we are set to experience a critical shortage of skilled labour that will have wide reaching economic affects.

The Reserve Bank of Australia and National Australian Bank Business Confidence trends record the actual Global Financial Crisis period in Australia to be from January 2008 to April 2009. (see the graph below).



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THE GLOBAL FINANCIAL CRISIS

When looking at the trend analysis of the past 4 years in the context of the events and external pressures brought about by the Global Financial Crisis, the affects of the external factors become clear.

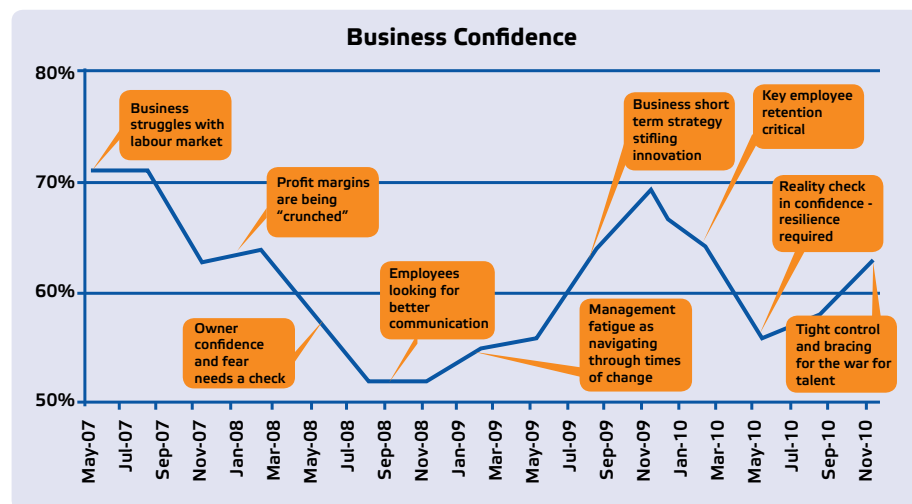
THE INTERNAL FACTORS

Unfortunately, the climate of uncertainty has forced many businesses to focus on the short term. There has been a marked shift in business planning and operations to a holding pattern. Businesses are struggling with the urge to revert to conservative management, protecting the business they already have, in preparation for sustained uncertainty and neglecting future growth opportunities.

Jan-2007	9.8
Apr-2007	10.9
Jul-2007	8.5
Oct-2007	5.8
Jan-2008	-4.2
Apr-2008	-7.5
Jul-2008	-6.6
Oct-2008	-30.5
Jan-2009	-24.0
Apr-2009	-4.0
Jul-2009	16.0
Oct-2009	17.7
Jan-2010	16.6

Referenced GFC Period: January 2008 – April 2009
NAB Business Confidence Index - G8 Indicators of spending and confidence Reserve Bank of Australia

In a climate of sustained uncertainty it's important to look beyond market sentiment and focus on what can be controlled. The HR Quarterly Index is a longitudinal research initiative that has tracked the relationship between external business confidence and internal business pressures. The Index has reported on the changing pressure of human resource strategy and the effects these have on the business sector. The table below reflects the shift in business confidence and the key trends reported from the Quarterly Index during the past 4 years.



Business owners and managers in particular have been dealing with the affects of the aftershock of the Global Financial Crisis. In the space of 24 months they have endured the feeling of lack of control and confidence to battling management fatigue. The consensus in the sector is that there is light at the end of the tunnel however they remain uncertain about what's next.

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Even though the business sector has many opportunities in an uncertain market, it is also under threat. So what are the HR Challenges businesses will need to evaluate to manage back to certainty?

THE HR CHALLENGES AHEAD

Let's look at some of the facts:

- Uncertainty in times of change impacts on confidence of employers and clarity of their strategic direction.
- Fatigue of key employees and additional workload due to shrinking workplaces leads to disengaged workers or management turnover.
- Labour is on average the largest cost to business. The statistics show that it is escalating due to employee expectations for pay increases, the growing anxiety of individual debt and increased competition between employers for talent.
- Over 50% of employees will be looking for new jobs in 2011.
- Employers are ramping up employee numbers in 2011, but not planning on wage increases.
- Small business is struggling with the fact that they cannot attract quality applicants.
- It is estimated that it can cost more than \$48,000 to replace an average employee on \$45,000 a year.
- The Red Tape Commission estimates 75% of businesses struggle with paperwork and compliance.
- According to the published National Accountant, 65% of employees have experienced harassment.
- Changes in legislation causes confusion and mistrust. Businesses are at risk externally and it cannot be ignored. In 2011, changes in the health and safety and parental leave in Australia are major changes in compliance. Internationally, labour laws are becoming more stringent and complex, adding a cost and compliance burden that did not exist before.
- The aging workforce, generational shift, technology adaptation and social media impact are issues that will take hold in 2011.

BUSINESS SECTOR'S MARKET ADVANTAGE

Despite the challenging landscape ahead there is opportunity for the business sector. The reality is that it is not all doom and gloom. As the true powerhouse of the economy, there are long term opportunities to be gained for sustainable small to medium sized organizations. The business sector has a clear advantage over the corporate sector in responding to the market.

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THE NEW WORKPLACE FACTOR - EMPLOYER ENGAGEMENT

Over the past decade the HR Coach Research Institute has uncovered striking evidence in regards to a new way of understanding and framing engagement. It is no longer one dimensional and focused purely on employees. Employer engagement and overall business performance are inextricably linked.

This new workplace factor emerged in January 2009. Employer anxiety was rising and was reflected through the lack of planning and internal investment. The effects of this evolved into documented management fatigue of supervisors and managers within the business sector.

Whilst employers and managers were concerned about the external environment, sales and cashflow, internal managers were taking up the challenge of doing more with less and maintaining business as usual. This has created increased internal pressure and is affecting the sustainability of the business.

This dynamic has led to gaps in knowledge, workflow issues and frustration within organisations and has a direct impact on implementing strategy.

Considering that employers are concerned with achieving outcomes or outputs for their business, there is also a disconnect with what they are putting in. Research has identified that employers are not putting the focused effort into their business that will address these issues. 43% of employers are themselves not satisfied with their planning processes and 31% have no process at all.

The ever changing internal environment of the business sector means systems and processes fall behind the reactive characteristics that plague the business sector. Employers, now more than ever, need to aware of their own behaviours and the effect on total business performance.

Research is showing the key contributing factor for high performing workplaces is the attitude or outlook of the owner or manager. The happier they are, the higher the satisfaction, confidence and engagement with employees.

With careful planning, businesses can be agile and move with the times. With a strong focus on "real" work relationships with employees, the business sector has the ability to improve efficiencies in productivity, sustainability and to establish new market opportunities.

5 TOP ATTRIBUTES OF HIGH PERFORMING BUSINESSES

1. Strategy development – forecasting and employee involvement
2. Management development – delegation and follow through to completion
3. Supervisory management – on the job skills and capability development
4. Foundation systems – getting the basics right
5. Customer service focus – creating value in the supply chain

The research clearly shows that employers who are thriving are focusing on key differentiators as opposed to organisations that are at risk. Evidence shows that high performing organisations are investing in their people.

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KNOWLEDGE IS POWER

Knowing and understanding business pressures and capability are crucial in this environment. A starting point is to identify where an organisation is and where it wants to aim towards. This can be achieved through benchmarking.

One national benchmark study is conducted by members of the HR Coach Network through the STAR Workplace Program. Now, in its second stage of development, organisations can now benchmark themselves against industry norms and establish internal priorities for risk, management and sustainability.

Amidst all the challenges faced in 2011 and beyond, being aware of where an organisation is and the path it wants to chart is imperative. As constantly changing external factors continue to place pressure on business, only those that take control of the internal factors and proactively manage their people will prosper.

ABOUT HR COACH

HR Coach is a network of business professionals working with clients to be more strategic and proactive in their people management. With over 80 offices across Australia and New Zealand, HR Coach has spearheaded the growth of this new industry. To find out more please visit www.hrcoach.com.au

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