Survey Report

5th European HR Barometer
Trends and Perspectives on the Human Resources Function in Europe

2010
About the Research

The European HR Barometer is the main survey of its kind aiming to explore the evolving role and impact of the HR function from a Pan-European rather than from a national perspective.

Each year the survey involves top HR professionals from leading companies operating in Europe with the aim of capturing the most critical aspects that would improve the effectiveness of the HR function. A specific section of the Barometer offers HR views on relevant European Union activities that have an impact on people policies.

The 5th European HR Barometer survey was carried out between December 2009 and mid January 2010 among top companies operating in Europe. In this edition, seventy organisations completed the online survey. They operate in a wide range of economic activity sectors, generating together 600 billion euro of revenues in 2009 and with a combined total of 3.7 million employees. 67% of respondents are listed companies, with the majority having their shares listed on a European stock exchange.

The majority of the companies’ workforces is based in Europe, with 22% employing more than 50,000 employees, 45% employing between 10,000 and 50,000 employees, 14% employing between 5,000 and 10,000 people, and 20% fewer than 5,000. Survey respondents encompass 16 different nationalities. 61% are executives and directors with exclusive responsibility for HR at European or global level. 59% of respondents report directly to their CEO. 89% of respondents have a total of more than 15 years of professional experience. From a demographic perspective, 66% of participants are at least 45 years old and 79% are male.
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Foreword

We are pleased to present the key findings of the fifth edition of the Pan-European HR Barometer, designed and carried out by Hewitt Associates on behalf of the European Club for human resources (EChr).

This regular survey was launched in 2005 with a view to gaining a better understanding of the role and impact of the human resource (HR) function in top companies operating in Europe. Over the years, and more prominently in the current business environment, the survey has reflected the growing importance of people management policies as a key factor of sustainable business success. It has also shown the relevance of HR policies designed to overcome national boundaries.

The number, diversity and importance of the companies involved continue to offer new insight into HR practices and directions beyond a specific industry. We are pleased that our “Barometer” inspires other complementary initiatives and investigations that allow both policymakers and managers to deepen their understanding of the people management landscape from a European and global perspective.

We are also glad to integrate into this year’s report the views of highly regarded CEOs of leading companies that have kindly agreed to share their perspectives on what they value most in HR’s contribution to their businesses.

The survey report sheds light on European trends related to:

- Actions taken to overcome the downturn and future prospects;
- Business drivers of the HR function and its top priorities;
- Impact of HR activities on business performance and ways to improve it;
- Future changes foreseen by HR; and
- Expectations and views of HR on European Union (EU) activities.

On behalf of Hewitt Associates and the EChr, we are grateful to the organisations and HR professionals who took the time to share their views and perspectives. We are grateful to Jean-Pascal Arnaud, Bernard Lairre, Hilaire de Chergé and Stefan Zagelmeyer for their useful comments and suggestions on the survey.

We hope that the survey results give you useful insights into emerging HR experiences and that it will stimulate your own ideas and practices to better face a fast-changing business environment.

Leonardo Sforza
Chairman, EChr Scientific Committee
Head Research Europe & EU Affairs
Hewitt Associates

Jean-Dominique Perret
Executive Chairman, EChr
Group Senior Vice. President HR
Rexel
Executive Summary

The tough economic and social climate that we have been experiencing over the last year and the uncertainty surrounding the scope and self-sustainability of recovery underway underpin the overall picture emerging from the 5th edition of the European HR Barometer. HR leaders foresee a better, but still challenging, outlook for 2010. On the upside, corporate growth plans are bringing selected human capital development measures back to the centre stage – including prospects of job creations for qualified positions – and the opportunity to better measure and leverage HR added-value to the business. On the downside, concerns remain in relation to productivity gaps, workforce adequacy, rigour in people management policy implementation, and to a protracted contraction of market demand.

In terms of macro trends, European and global economic activity appears to be on a recovery path, with GDP growth rates having turned positive in several advanced economies during the second half of 2009. However, EU public finances are severely affected and growth potential has been halved by the crisis. Moreover, the pace and scope of recovery, mainly supported until now by governmental measures and by the inventory cycle, is still fragile and becoming increasing divergent across countries¹. This is reflected in the segmentation and deterioration of labour market conditions, although at a more moderate pace over recent months. Overall unemployment is expected to reach 10.3% in 2010 on average, with variations of 15% and more between the highest EU rates for Latvia and Spain, and the lowest rate for the Netherlands.

The labour market mismatch remains among the greatest concerns of policymakers and businesses. Without bold and timely initiatives on both sides, the competitiveness of our economies and the sustainability of our social models risk being undermined. These require tackling in particular: the gap between the 16 million more qualified jobs required by 2020 and the low proportion of people obtaining a university degree and the large number of people (80 million) with low or basic skills; the implication of the acceleration of ageing and of the low employment rate of older workers; the persistent lack of workforce mobility, and the further increase of youth unemployment that has already risen over 21% in the European Union area².

From the perspective of HR leaders, a positive lesson has been learned from managing during the recession period. A large majority of participants (83%) took that experience as an opportunity to show HR added-value and were considered by the board as a strategic partner (65%). In that context they felt they were often able to influence the business agenda on people issues (69%), and ensure a fair treatment of employees concerned by restructuring plans (72%). Meanwhile four out of ten respondents seek greater and timelier involvement of HR in strategic decisions, and six out of ten recognise that communication to employees on the impact of the crisis was not adequate and needs to be improved.

¹ European Central Bank, February 2010
² European Commission, Eurostat, February 2010
In a nutshell, from an operational perspective, the most compelling message emerging from the 5th Edition of the European HR Barometer can be articulated around three complementary areas of action. These are:

- Firstly, implement a more balanced and dynamic policy mix of HR activities with greater emphasis on impactful and engaging people development capabilities, such as leadership and talent management;
- Secondly, deploy a “total-quality” evidence-based framework to overcome the persistent delivery gap against business expectations in several specific HR activities; and
- Thirdly, upgrade HR business expertise and capabilities, notably by promoting cross-functional mobility and by fostering the attractiveness of the function for the younger generation of managers.

In conclusion, this year’s survey results suggest that for many HR leaders the “exit” strategy from the crisis does not (yet) mean the “entry” into new models of management, but rather a greater focus on operational performance. The resilience of organisations in 2010 will continue to rely notably on:

- The definition of the right people policy mix and on its rigorous and timely execution; and
- The depth and breath of a fully engaged workforce, backed by a trusted leadership.

However, it should not be underestimated that the competitive advantage of an organisation will also depend on its ability to articulate innovative people management policies in anticipation of emerging business contexts and paradigms that need to be embedded into HR practices. They span from new exposure to financial risks to tougher statutory requirements, from a bolder role of public authorities to increased shareholder activism, from new forms of work-time and work-space organisation to changing inter-generational and cross-cultural people goals; from new levels of individual empowerment to new forms of collective representation and networking, to mention but a few. Leading-edge organisations are already taking into account the consequences of these trends on the world of work and of business, and are adapting their policies accordingly. But for the majority of HR professionals, there may be scope to take advantage of this year of transition to update their vision.

The findings and remarks presented here are not intended to be comprehensive or representative of the wide, diverse and complex European business landscape. The aim is to share, without complacency, some business insight and food for further thoughts that may help us to improve our people management practices.
This year's edition is enriched by the direct contribution of leading executives who took the time to share their own perspectives and experiences with HR.

We asked some of the most prominent executives that lead global companies with substantial operations in Europe to identify and comment on an important business situation where the HR function influenced a strategic corporate decision and its operational contribution was essential to improve business results. We also asked them to give their perspective on an activity, a mindset or an attribute that needs to be improved and should be further developed or changed by HR within their respective organisations.

These leaders all share the same passion and commitment for anchoring innovative management practices in strong corporate values and people development practices. Irrespective of the sector of activity, of the size, structure and history of their companies, or their different cultural and professional backgrounds, they recognise – and expect – from the HR function a critical contribution to upgrade customer services, improve employee engagement and satisfaction, and to enhance business results. The reputation and leadership market position gained by these organisations, despite a challenging business environment, confirm that they have succeeded in getting the people-business-customer equation right, and continue to be engaged in further enhancing the human capital agenda.

I am grateful to Rosie Moreau, Helenka Sosna-Rose and Anabela Dewynter for editing and layout assistance and to Nadège Guillet, Marleen van de Velde and Mathilde Serrault for their assistance throughout the survey implementation.

Leonardo Sforza
Leadership Views on HR

Sergio Balbinot
Managing Director of Generali Group

For a global insurance player, HR is at the same time a challenge and an opportunity.

HR is a challenge because an international presence requires managerial skills, technical knowledge, pioneering and innovation spirit. Those are the key elements you need to build a competitive advantage in the countries in which you operate. But HR is also and mostly an opportunity.

For a Group like Generali, with over 175 years of experience, the Human Capital is a goodwill on which you can leverage to make the difference with your peers:

- By acting locally in a consistent way throughout the world; and
- By taking advantage of the best practices acquired in the various territories.

Being a service industry, HR is the name of the game in insurance. At any step of the value chain, the difference is made by your people: distribution, product development, policy administration, investment, claims handling, quality of service. In all these key areas, the value of the company is in your employees hands. This is why, in Generali, we are continuously investing in our people who remain our main asset.

If I had to mention one situation where HR has influenced a strategic decision, I would mention the relationships with our employees and works councils during the recent mergers we carried out in some key European countries. In Germany, for instance we built the last Strategic plan hand-in-hand with the works councils by brainstorming together on the challenges we were facing (market environment, competitor strengths, cost and efficiency issues…) to come up with shared conclusions on the actions to implement in view of the reorganisation. Without an open-minded spirit and strong HR interaction with all the stakeholders, the merger process would not have been so successful so quickly. Instead, with their support, we were able to merge two companies, centralise the distribution channels into a single entity, rationalise processes to enhance the productivity and the service quality, reaching significant economies of scale at the same time.

Looking forward, I would mention two aspects:

Firstly, since clients are at the heart of our organisation, all our efforts should be focused to improve their retention and their satisfaction. We are continuously re-thinking our organisation, our products, our processes to make them simple, efficient and adapted to clients. In this respect, our multi-channel approach is a key element which enables us to understand, attract and retain our customers, be it through traditional channels (agents or brokers), financial advisors (IFAs, Bank partnerships) or direct

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3 Sergio Balbinot is also Chairman of Generali PPF Holding B.V., Director of the Generali Investments S.p.A. Supervisory Board, Vice-Chairman and Director of several Austrian, French, Israeli, Dutch, Spanish, US, and German companies.
channels (Internet). While for the sales organisation, it is obvious that client satisfaction is embedded in the day-to-day activity, the HR task is to make sure that all our employees, especially those not directly in contact with clients (back-office, investment, administration...), recognise the importance of the client for our long-term sustainability.

The other aspect is the spreading of our experience and culture through international mobility. Our Corporate Centre has made the selection of talented people a priority, they are trained through dedicated career plans to spread our best practices over the world from Latin America to Asia. Learning new competencies and new cultures is an on-going mindset that needs to be encouraged. By offering management and technical courses, by organising Group seminars and workshops and by encouraging international mobility, our Corporate Centre is fostering these positive and necessary changes.

Patrice Kretz
Chief Executive Officer and Chairman of the Board of Chantelle Group

Our HR function has played an essential role in the optimisation of our organisational structure to meet the demands of our business. It has demonstrated its ability to drive organisational transformation in harmony with the values of our group. The well-delivered operational implementation of this restructuring in all our lines of business (time reduction, controlled recruitments and right-sizing our workforce) has been a deciding factor in enabling our organisation to react to the changing market.

The group’s HR teams need to permanently demonstrate their ability to analyse, measure and report on their activities. It is important that they reinforce their expertise in this area in order to understand business requirements such as cost control or analysis of future investments.

Developing these critical business skills will enable them to fully participate in the design and implementation of the organisation’s strategy.

Francis Labbé
Chief Executive Officer of Impress Group

One important area of the business where the input of HR is crucial for Impress is the acquisition process. They have a large part to play in reviewing the company to be acquired (through due diligence) and assessing its fit with the Impress culture. Once an acquisition has gone ahead they are then operationally involved in ensuring the smooth transition of people, alignment of policies and procedures and making them a feel a member of Impress.

An acquisition that is well managed from the people perspective means a much quicker integration and contribution to the overall results from the acquired company. Poorly managed it is a drain on resources and can prove a costly mistake.
Acquisitions give us the opportunity to increase our pool of talent and improve our ability to succession plan – key activities of the management team.

Change within Impress is the norm. HR works closely with operational management to ensure that the culture of the company keeps pace with the changing environment within which we work.

Over the last 2 years we have been heavily focused on employee engagement. From the employee survey we conducted in 2008 we found out how our employees felt about the company and what they wanted us to improve. As a result there have been a lot of activities around improving communications at all levels, focusing on the key goals of the business through an appraisal system and improving training and development at all levels. It is a journey and we have not reached our destination but I am happy that we are making good progress in ensuring we have a world-class workforce who is proud to work for Impress, making it a ‘Great Place to Work’.

Nancy McKinstry
Chief Executive Officer and Chairman of the Executive Board of Wolters Kluwer

On November 4, 2009, Wolters Kluwer, a market-leading global information services company, announced its strategy for 2010-2012, Maximizing Value for Customers. This strategy is centered around three priorities for profitable growth: (1) deliver value at the point-of-use; (2) expand solutions across processes, customers, and networks; and (3) raise innovation and effectiveness through our global capabilities. Key to this strategy is the alignment of our organization with our strong global market positions, resulting in the creating of four new global divisions. This change will support innovation and efficiencies by sharing technology platforms, global products, common business models, and our operational excellence program.

HR has been a critical strategic business partner to us in this entire process. First, the organization design team was led by the Senior VP of HR, backed by a team consisting of both HR and business leaders, as well as external consultants.

Secondly, HR was essential in identifying a broad spectrum of Wolters Kluwer experts and leaders, who developed the strategy itself, both from the use of internal systems around Talent Management as well as informal knowledge of the employees at Wolters Kluwer. Finally, HR is essential to identifying the cultural and behavior transformation that is needed to drive the execution of our business strategy. The ability for HR to make a strong contribution to this transformation is framed by the development of essential global systems and processes related to Talent Management at Wolters Kluwer. Over the past six years, HR has established common performance management tools, succession planning, and other global joint solution-sharing across customer segments. Next to that, hiring, developing, motivating, and retaining the best people is key for Wolters Kluwer to deliver that combination of content, technology, customer insight, and fast-paced decision-making that is required to drive the creation of our innovative products and services.

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Nancy McKinstry is also a member of the Boards of Directors of leading telecom supplier Ericsson; the American Chamber of Commerce in the Netherlands; and TiasNimbas Business School.
Wolters Kluwer’s move to a global operating organization reflects the increasing similarities among customer needs across geographic markets. This is a result of the globalization of many of our customers as well as the continued convergence of global regulations.

Our global presence creates both opportunities and challenges. Wolters Kluwer’s global scale will enable us to offer our people employment and development opportunities across the world. Both the planned changes in operating organization and the portfolio shift towards sophisticated online and software solutions has implications for talent management. In 2010, we will focus on placing our best talent where it can effect front line results directly or make a significant impact in increasing effectiveness.

However, global scale also means how to effectively engage a diverse employee population across the world. We will therefore focus our engagement on motivating our diverse employee base around our common values and behaviors and linking these initiatives to both talent management and compensation programs.

We are committed to build capacity and capability to sustain and evolve global performance over time. Embedding employees’ skills and knowledge in the foundational elements of our strategy is one of the company’s strengths, enabled by the HR expertise and its support systems provided through succession planning and talent management.

Jean-Charles Pauze
Chairman of the Management Board and Chief Executive Officer of Rexel

External growth by acquisitions throughout the world is a key strategic avenue for Rexel that has doubled in size in only four years and reached a strong and sustainable leadership market position.

HR has been, and continues to be, a crucial business partner by being instrumental in both the decision-making and integration process of the external growth strategy path.

In the due diligence phase of a targeted acquisition, HR has directly contributed to:

- Fully understand the business reality of the target company, including its strengths and weaknesses;
- Design transitional plans and options for a smooth integration of the target entity (such as: workforce mobility, realignment of compensation and benefits plans, management review); and
- Anticipate and plan against possible hurdles that could delay or compromise the integration process.

In a number of cases HR’s contribution has been a determining factor for taking the decision to go ahead with the deal, in adapting the terms of the deal, and re-designing the integration framework as a result of the assessment made. For example, in the context of the acquisition of Gexpro, where HR due diligence and Memorandum of Understanding was written before starting any other due diligence; or in the acquisition of Hagemeyer, when a whole plan that we named “welcome frame” was pre-defined.
After the closing of the deal, HR drives the roll-out integration timetable and is fully part of the Project Management Office established to steer the integration. Moreover, HR contributes directly to:

- Implement the integration process, notably to achieve the synergy objectives; and
- Ensure quick “cultural blend” reinforcing the Rexel belonging.

The challenge ahead is to further increase the focus of HR to accelerate the evolution of the business model through the development of new profiles (competencies, management skills...) in an international and “beyond the borders” framework.

The key evolution of our business model is shifting from a market coverage driven by “geographies” to “vertical” market segments and applications. Such a model requires the development of people, services and solutions that are re-aligned along those “vertical” markets.

The basis for operationalising the change throughout the organisation is developing new and different talents with specific technical knowledge, new mindset and capabilities to further upgrade the depth and quality of our people interaction with customers. This requires a stronger ability to work in teams that integrates various competencies, and the capacity to help our customers to “create and structure” their respective needs with innovative and cost effective solutions.

HR is definitely in the spotlight to develop associates, to attract the right people, and to make sure that new profiles and jobs are welcomed and well cradled.

Jean-Cyril Spinetta  
Chairman of the Boards of Directors of AIR FRANCE-KLM and of Air France

HR has been playing a critical role in developing a management of change grounded on common values

There is now a general consensus on the need for change and all our business sectors within Air France-KLM group are working flat-out to take up the new challenges. We now need to implement these changes, but we must observe the need for social dialogue as we do so. The changes do not put jobs at risk, given that we are promoting professional and geographic mobility. Talks are already underway with the trade unions on this subject. We need to show a sense of solidarity and determination among business sectors.

I believe that the Company must demonstrate a sense of responsibility in preparing for changes, and our workforce in its acceptance of change.

5 Jean-Cyril Spinetta sits also on the Boards of Directors of Alcatel-Lucent, Saint-Gobain and since 30 April 2009, he has been chairman of the supervisory board of Areva.
The epitome of the values and rights underpinning the Air France-KLM Group’s identity and cohesion, the Social Rights and Ethics Charter, applies to all employees of the two companies and their subsidiaries.

An ambitious action plan spanning the Group as a whole, this Charter tackles various issues such as labour relations, ethics requirements and respect for the environment and sustainable development principles. It highlights our vision of an open, united world, based on both economic responsibility and social and environmental progress.

Negotiated with and signed by the union and management representatives within the Group's European Works Council, this Charter is a prime example of how successful our contractual policy proves to be when it comes to achieving fair, balanced development.

Every employee is now encouraged to become acquainted with this Charter and proactively endorse it.

I think that the Air France-KLM merger allows us to better defend the jobs of our people. What is central to this issue, however, is the way the business is changing, with evolving technologies that are set to have a considerable impact on all of us. Those are the real employment challenges that we are currently being confronted with!

The Air France-KLM Group will allow us to adapt – rapidly – to adapt to circumstances, in a reasoned and determined manner, without turning our backs on productivity-driven advances, but on the basis of a high quality social model.

We did not dream up the merger between Air France and KLM as a hymn to corporate power!

We constantly have to revisit our fundamentals of modesty, trust, and dialogue.

Corporate success only comes when a social model and an economic one converge in a strategy that takes up the business challenges facing it. That’s what Air France-KLM is all about. You cannot ask people to commit themselves if you have not managed to bring them on board. It is necessary to create high levels of trust between them, which in turn calls for a forthright approach. HR have to facilitate change, mobility, language learning, mutual respect and understanding in accordance with the Social Rights and Ethics Charter. They already play this role but the crisis reinforces this need. More and more.

I think that Air France and KLM have made a good start in this direction, thanks notably to HR’s contribution.
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5th HR Barometer Results at a Glance

1. Overcoming the downturn

Chart 1: Expected Changes in Employment

Respondents have a more positive outlook for 2010 but they remain very cautious on the prospects of expansion. The proportion of companies foreseeing a reduction of their workforce remains high (44%) but it is significantly less than in last year’s survey (71%). Meanwhile the companies that expect to add new jobs have increased from 8% in 2009 to 20% in 2010 and 37% are expecting to maintain the same level of employment.
Revenues and investments are expected to grow at a better pace than last year, but for the majority of companies these remain in the single digit range. Companies planning investments increase from 4% last year to 16% in 2010, while those planning a contraction of new investment decrease from 34% to 16% in 2010.

Chart 3: Expected Impact of the Slowdown 2009 – 2010

The sentiment of respondents on 2010 business results has improved by 20% compared to last year’s survey. However, the impact of the economic downturn and the uncertainty around the timing and scope of recovery are expected to continue to significantly affect business results (56%), HR programmes (38%) and, to a lesser extent, own standards of living of HR leaders (15%). Only 8% consider that the slowdown of the economy will have no impact on HR activities in 2010.
Chart 4: Impact of Measures Undertaken in 2009

The impact of measures taken in 2009 to face the recession has been assessed by almost all respondents and results seem to match the plans. 62% of respondents affirmed reaching more than half of planned objectives, while 27% of companies have achieved all targets. Only 4% of companies said they missed the majority of target objectives.

Chart 5: Tension Between Personal Values and Daily Business Practices

A majority of respondents did not experience any major tension between their own values and their daily work within the organisation. However some tension is experienced, from time to time, by four out of ten respondents.
According to most respondents (83%), the economic crisis turned out to be an opportunity rather than a threat for HR, mainly because it forced them to be more explicit about the ways, and conditions under which, the function can add value to the business. In a majority of cases (65%), HR was considered as a strategic partner of the Board, being associated to design and implement the business agenda. However, one out of four participants admits that they were not able to influence business decisions.

In one specific area, namely communication to employees on the impact of the crisis for the business, a majority of participants (58%) felt that there is a need for improvement in terms of timeliness and quality of the information shared with employees.
A wide range of new measures, encompassing twenty different HR-specific actions, has been undertaken or planned. 2010 emerges as a true year of transition during which companies are looking to further improve their competitiveness and prepare for a post-crisis environment. This leads to a greater balance between more “defensive” measures – such as those aiming to reduce production, workforce cost and capacity – and “growth” lead initiatives aiming to upgrade productivity, talent and leadership capabilities, or to explore new opportunities for mergers and acquisitions.

Although workforce reduction is still underway for approximately half of survey respondents, the identification and implementation of productivity improvements is at the top of the list of post-recession measures, chosen by 59% of respondents. The reinforced interest shown for opportunistic hiring of top talent (52%), and targeted leadership development (49%) – now in the top of the list and both grown by 20% compared to last year’s results – gives a sense of the shift of emphasis in business plans.
2. Same HR drivers and priorities but new needs and delivery gaps

Chart 8: Factors Influencing HR Policies in an Organisation

There are no major changes in the ranking of internal and external business factors influencing HR policies. Pressure on cost reduction is confirmed as the most influential factor for the second consecutive year, while it was in seventh position in 2008. Challenging profit targets, change in the company culture and organisation and talent shortage continue also to be among the top drivers of HR policies. These are all signals of the reinforced consciousness of an HR function that needs to cope with a highly competitive and fast changing business environment in terms of market and of critical workforce capabilities.
The factors mentioned in the chart above are expected mainly to have an impact on new business competencies to be developed by HR – moving from sixth position last year to first this year – and, as in the past, on HR processes and on the way HR measures its value to the business. The size reached by HR departments seems to have stabilised and is less under question compared to last year.
The top three priorities on the HR agenda for the period 2010 – 2012 remain stable with an even greater emphasis on core human capital issues, namely: leadership development (mentioned by 46%), employee engagement (39%) and talent retention (32%). As a 4th priority the focus will be on improving the assessment of what HR does and how it adds value to the business. This is also the area where HR leaders seem to be most keen to have further support and fill their current gap in terms of delivery capacity. The reduction of labour cost remains among the top ten priorities but it is scaled down to 8th position, now mentioned by only 14% of respondents.
Year on year, the needs expressed by HR leaders about the operational conditions that would increase the impact of their activity on business results have become a recurrent unsatisfied call. HR's demands seem to remain unheard or to be difficult to apply in practice. A greater and timelier involvement of HR in strategic business decisions (44%), the improvement of execution of HR-related activities (35%), updating of business expertise and board empowerment (25%) continue to be most in demand. Given the nature of these wishes, there is a shared responsibility between the boardroom and HR leaders themselves to make them happen on a larger scale.
Along the lines of last year’s edition, talent management (46%) is the area where HR predicts it will make the greatest contribution to business performance. Leadership development (39%), followed by organisational effectiveness (37%), becomes the second most impactful HR activity and registers the most important progression in this year’s ranking.
When judging its own performance against business expectations, HR acknowledges that there is large scope for improvement in HR strategy and execution, and in all other 26 different people-related activities under analysis. In 16 of these activities – increased from 11 in last year’s survey – the majority of respondents admit to performing below expectations. The most frequently mentioned areas of excellence continue to be those related to statutory compliance issues, such as health and safety at work, employee data privacy, industrial relations and non-discrimination. But even in these best performing fields, the proportion of companies acknowledging the gap has increased, for example from 15% last year to 36% this year in the area of non-discriminatory practices.
The weakest fields where HR self-assesses as delivering below target are in relation to: HR metrics (74%), work/life balance programmes (75%), management of inter-generational diversity (62%), consistency of HR policies across countries (62%), and employee communication (59%).
The traditional range of people and internal “customer” tools are generally preferred by HR to measure the business impact of their activities. Employee engagement surveys emerge this year as the most commonly used tool. However, the proportion of companies that do not use HR metrics at all for lack of resources has increased from 8% to 18% this year. Meanwhile there are 35% of respondents that are still looking for relevant quantitative tools. These results further explain the weak performance mentioned above in the same area.

A majority of respondents expect significant changes in HR capabilities and competencies within the next three years, in particular in relation to change management, processes and operations and strategic advice to management. On the contrary, only one fifth of respondents expects changes in the functional area of expertise required to handle compensation and benefits policies.
3. Solid business partnership, trust and engagement

Chart 17: Level of Cooperation and Partnership of HR with Organisation and Third Parties

- Chief HR Officer and CEO
- HR and Legal Counsel
- Within HR among different HR activities
- HR and Finance
- HR and Lines of Business
- HR with external consultants
- HR with employees' representatives
- HR and PR
- HR and IT
- HR with professional associations
- Within HR, between corporate HR and HR in subsidiaries
- HR with public administrations
- HR with universities and business schools
- HR and Marketing
- HR and Investor Relations

Very High (Rank 1 + Rank 2) Very Poor (Rank 4 + Rank 5)
The CEO maintains the top position for the best level of cooperation established with HR. While respondents remain divided over the quality of cooperation with other functions or third parties, the weakest level, or total absence of cooperation in place remains with the function responsible for investor relations: 25% of respondents consider this relation as poor, while another 36% has no relations at all.
This year, the highest confidence rating goes to HR’s own peers within the organisation (76%), just ahead of the CEO (65%), and of the overall employees in the company (52%). Trust in European Union institutions is weakening compared to last year (11%), while at the bottom of the trust index, politicians voted in previous elections and Trade Unions continue to lose ground in the eyes of HR professionals.
This year there is a steady improvement of the level of satisfaction of HR Directors with regard to their job and current employer, almost back to the pre-crisis mood. 92% of respondents do not wish to move to another function outside HR, and 87% do not wish to change the company they work for. Moreover, only 7% of them admit often experiencing a tension between their personal values and the daily practices within the business; the majority of respondents do not see any major conflict and 42% declare that such conflicts appear sometimes.
4. HR less positive on the impact of the European Union

Chart 22: Effect of EU Activities

The majority of HR executives (63%) continue to hold a generally positive perception of the impact of the EU on their country’s economy, but that positive perception has declined by 12% compared to last year while the negative sentiment has increased from 9% in 2009 to 21%. More limited is the proportion of those that see a positive effect of the EU on their company (also declined from 57% to 48%) and on their own life (from 58% to 52%).

Chart 23: Top Priorities for EU Institutions

The greatest emphasis and demand from HR leaders to the new EU institutions in office is for the launch of a new European growth plan that would foster innovation in education and research (66%).

The second most compelling request is related to the review and modernisation of the European Union labour laws into a consolidated and simplified EU labour code (56%).

The third priority to strengthen the EU policy agenda for HR is for a new initiative that would promote the acquisition of new skills and workforce mobility to reduce unemployment (48%).
5. Background Information on Participants

Chart 24: Percentage of Listed Organisations

- EU: 32%
- US: 14%
- Other stock Market: 7%
- Not listed: 11%

Chart 25: Overall Number of Employees Worldwide (companies by size for number of employees)

- <5000: 14%
- >5000 and <=10000: 45%
- >10000 and <=50000: 14%
- >50000 and <=100000: 7%
- >100000: 5%

Chart 26: Overall Number of Employees in Europe (companies by size for number of employees)

- <5000: 5%
- >5000 and <=10000: 6%
- >10000 and <=50000: 37%
- >50000 and <=100000: 34%
- >100000: 18%
### Chart 27: Nationality of Respondents

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>10%</td>
</tr>
<tr>
<td>Germany</td>
<td>15%</td>
</tr>
<tr>
<td>Austria</td>
<td>14%</td>
</tr>
<tr>
<td>Belgium</td>
<td>11%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7%</td>
</tr>
<tr>
<td>Italy</td>
<td>6%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>5%</td>
</tr>
<tr>
<td>Sweden</td>
<td>4%</td>
</tr>
<tr>
<td>UK</td>
<td>3%</td>
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<tr>
<td>Czech Republic</td>
<td>3%</td>
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<tr>
<td>Greece</td>
<td>3%</td>
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<tr>
<td>Spain</td>
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<tr>
<td>Turkey</td>
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<tr>
<td>Hungary</td>
<td>1%</td>
</tr>
<tr>
<td>Ireland</td>
<td>1%</td>
</tr>
<tr>
<td>USA</td>
<td>1%</td>
</tr>
</tbody>
</table>

### Chart 28: Gender

- Men: 21%
- Women: 79%
Chart 29: Age

- Under 20 years of age: 6%
- 20 to 24 years of age: 29%
- 25 to 34 years of age: 54%
- 35 to 44 years of age: 12%
- 45 to 54 years of age: 6%
- 55 years of age or over: 6%

Chart 30: Reporting Line of Respondents

- CEO: 59%
- CHRO: 6%
- CFO: 6%
- Line of business Leader: 6%
- Other: 30%
About Hewitt Associates
Hewitt Associates (NYSE: HEW) provides leading organisations around the world with expert human resources consulting and outsourcing solutions to help them anticipate and solve their most complex benefits, talent, and related financial challenges. Hewitt works with companies to design, implement, communicate, and administer a wide range of human resources, retirement, investment management, health care, compensation, and talent management strategies. With a history of exceptional client service since 1940, Hewitt has offices in more than 30 countries and employs approximately 23,000 associates who are helping make the world a better place to work. For more information, please visit www.hewitt.com

About the European Club for human resources (EChr)
The Club was launched in 2001 by Senior Executives of global corporations with a European headquarter and which are market leaders in their sector of economic activity. The mission of the Club is to stimulate debates and exchange of practices on Human Resources issues. Through its studies, working groups and seminars, the Club contributes to promote a European approach to the management of HR and support the strategic role of HR executives in the management of change. For more information, please visit: www.europeanclub-hr.eu