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Human Performance

A bigger bang

Making the right workforce investments

By Ellen M. Balaguer, Peter Cheese and Christian Marchetti

At today's leading organizations, executives in pursuit of high performance are becoming more sophisticated in the way they make investments in workforce services and employee development—which means targeting the key workforces most critical to their strategic goals.

Historically, human resource management and investments in workforce capabilities have largely been applied in the same way across all types of jobs and roles. This has been, in part, due to assumptions that all types of jobs were equally valuable, but also due to a lack of understanding how different jobs and roles contribute to business outcomes and how investments in people drive value. At today's leading organizations, executives are becoming more sophisticated and discriminating in the way they make investments in workforce services and employee development.

Indeed, it is becoming apparent that not all workforces are created equal. All jobs are important, to be sure. However, based on immediate marketplace and economic needs, there are roles at every organization, whether in the public or private sector, that are simply more critical to the organization's mission and strategy than others. With that in mind, leading organizations are now investing in workforce performance in a more focused way. When it comes to the allocation of human resource services, knowledge management, and learning and development resources, they are targeting the specific work-

forces and processes that are most critical to the business's strategic goals and performance.

It's easy to understand why. Indiscriminate allocations can be a waste of time and resources. Organizations may end up providing human resource services and workforce development initiatives that fail to fulfill a business need, or that are out of alignment with the mission and strategy of the company.

By contrast, more focused workforce investments that target specific mission-critical jobs and roles can improve both workforce and organizational performance. Customer retention improves because service agents acquire the skills and information they need to meet or exceed customer expectations. Sales revenues and margins improve because account managers become more effective at selling and negotiation. Workforces become greater sources of innovation because people have the right tools at the right time, including access to experts and relevant knowledge, and richer opportunities for collaboration.

At its heart, this is simply good investment strategy. As the best professional investors know, it's not how much you invest that helps you outperform the market, it's where and how you invest. The same principle applies to workforce performance. By differentiating workforce investments, and by tailoring those investments to critical jobs and roles, high-performance organizations in both the public and private sectors get a bigger bang for their buck in the form of superior business results, greater productivity and other desired outcomes.

Although it may seem obvious that talent management investments should be prioritized according to an organization's most important workforces and processes, Accenture research shows such an investment strategy to be less than widespread.

Only 36 percent of respondents to the Accenture High-Performance Workforce Study said their companies tailor their training and human resource support to each workforce's needs and contributions to the organization. By contrast, organizations in

What is a mission-critical workforce?

Most of the mission-critical workforces named by participants in the Accenture Learning BPO Services study were logical choices, and varied according to the industries in which the companies compete. For example, executives of two drugstore chains predictably reported that they were focused on the performance of pharmacists. For an electric utility company with several nuclear power plants, the focus was—reassuringly, to be sure—on the learning needs of nuclear plant operators and engineers.

About half of the companies targeted jobs at the customer interface—agents at an insurance provider, salespeople at a software firm, contact center personnel at an IT company. These jobs, argued the executives surveyed, are most likely to affect the quality of the customer experience and thus to improve customer loyalty and revenues for their companies.

Simply naming one's mission-critical workforces is relatively straightforward. As substantiated by research, the challenge is in determining the investments that maximize the performance of those workforces.

the study designated as “human performance leaders”—those whose top three workforces are performing at the highest levels—are far more likely to differentiate among types of workforces in creating programs to boost productivity and business results.

A second study, sponsored by Accenture Learning BPO Services—an Accenture offering that provides comprehensive business process outsourcing services focused on enterprise learning—conducted in-depth interviews with human resources and learning executives at 20 of the top performing companies in the United States. Among other things, this research highlighted the trend toward differentiated workforce investments among successful companies. In fact, all but one of the executives surveyed reported a greater focus at the corporate level on mission-critical workforces or jobs.

Impact on strategy

Why do the best companies work to achieve that focus? We spoke with the chief learning officer at an insurance company that is now analyzing its business unit strategies to determine which units and people contribute the most to executing the organization’s strategy. “What led the businesses to move toward more focused investments,” the learning chief noted, “is that budgets just couldn’t cover all the learning needs within a business. So ‘impact on strategy’ is being used as an allocation mechanism.”

So where should an organization’s limited resources be applied? “In the past,” continued this executive, “we have spent a lot of money on a lot of people; today, our budgets are smaller. As a result, we need to spend more on some workforces and less on others. We pay people differently, so educating them differently makes sense too.”

In the context of Accenture’s broader High Performance Business research program, the significance of the trend toward differentiated workforce investments becomes more apparent.

As part of our research into “distinctive capabilities”—one of the three building blocks of high performance—we have focused on how a company’s distinctive capability helps create overall business value. We have found that each high performer develops its own unique customer-centric formula for creating value, either at the enterprise or business unit level. That distinctive formula takes a unique set of business processes and resources, and translates them into value for the customer and profit for the company (see “Marks of distinction,” *Outlook*, June 2005).

The best companies then make choices: They deploy capital among those processes and resources in such a way that investments are made in a differentiated fashion—similar to how successful professional investors make their choices—maximizing financial results based on competitive priorities.

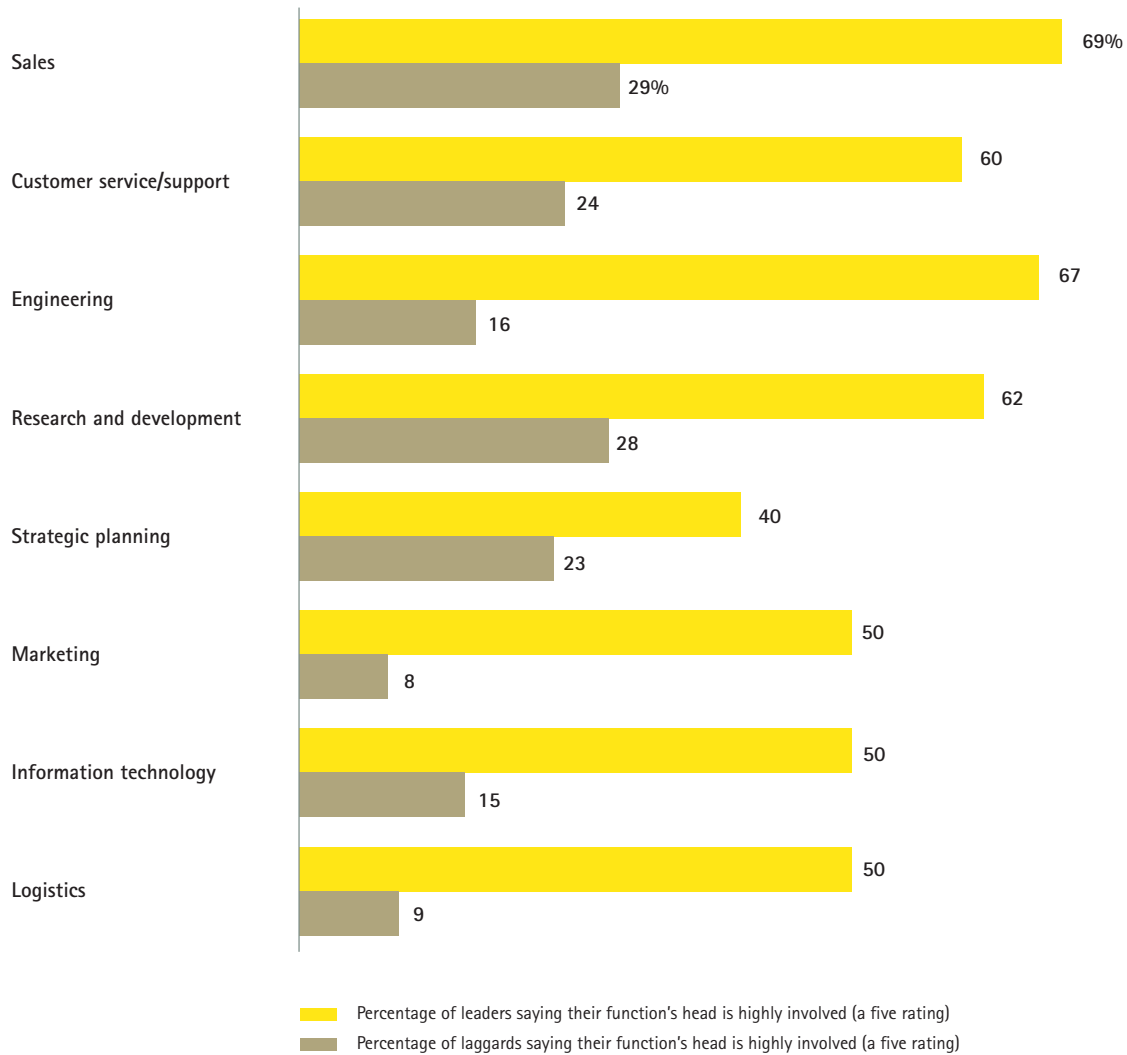
Our workforce performance research comes to the same conclusion about investments in an organization’s talent. The idea that differentiated investments help organizations achieve high performance applies to both budgets and people, and to financial capital as well as human capital.

What’s driving the trend toward differentiated workforce investments? Here are the four factors we consider most important.

- **Changing business and technology environments.** First, marketplace change and new business strategies

Engaged at the top

Leaders are more likely to have the heads of many of their top workforces deeply engaged in human capital management initiatives.



Source: Accenture analysis

(Continued from page 3)

are leading top-performing companies to adopt a more focused approach to programs such as enterprise learning. A training executive at one insurance company commented, for example, that much of the company's traditional transactional work is now being automated or outsourced. In response to that change, she noted, the company now needs more people with higher-order skills in such areas as critical thinking and empathy.

At an electric utility that participated in the research study, revenue and profit growth were coming primarily from its unregulated energy businesses, rather than from the traditionally regulated electricity distribution and transmission business. As a result, the company was in the process of moving a greater share of its learning investments to the new businesses. This kind of transformation requires a new set of skills and behaviors.

- **Changing job roles.** Second, changes in job roles are also affecting learning investments. At a major US pharmacy chain, for example, new forms of employee education are being driven by changes in a typical pharmacist's role. As the company's chief learning officer put it, "We are trying to get the pharmacists out from behind the computers, where they used to do most of the data entry. We want the pharmacists to be responsible for quality assurance and for talking to patients and physicians. So we've reorganized the checkout so that the clerical workers perform the data entry. This leaves the pharmacists with more time to add value to customers."

- **Retaining star performers.** A third factor driving differentiated workforce investments is the growing awareness of the importance of a company's star performers. A well-known benchmark among sales organizations, for example, is that as much as 80 percent of sales may come from as few as 20 percent of the salespeople.

That awareness of the importance of individual performers was reflected in the comments of another insurance industry learning executive: "The realities of being successful require that you allocate and prioritize learning and other human resource investments. We are focusing not only on specific jobs but also on individuals who are the best performers. We'll go after the top 20 percent in every domain of our business."

- **Increasing demands for operational rigor.** Fourth, the effort to run learning like a business—to focus on value optimization, as well as on rigor in planning, delivering and measuring learning—is leading more organizations to ask hard questions about who really needs what types of human resource services and learning.

"We used to have something for everybody," the chief learning officer of a large US bank told us, "but now we've reduced widespread access to 'high-touch,' expensive classroom training. We have more than 800 online courses available, and we will soon have a self-assessment tool to help people guide their own learning plans. The cost of instructor-led training is enormous, and you have to pick your greatest skill gaps and your most important populations to maximize the ROI of instructor-led training."

Keys to success

Based on our research and experience, and on our conversations with human performance leaders, the following are key contributors to higher returns from differentiated investments in a company's workforces.

1. Involve business unit management in human performance issues.

At many companies, the heads of business functions are fairly detached from "people issues," even for the most critical workforces. Our High-Performance Workforce Study found, for example, that although the sales force was the most commonly cited mission-critical workforce, only 34 percent of respondents said their head of sales is highly involved in talent management initiatives. Twenty-nine percent of respondents said the same about the head of the second-most important function, customer service. The responses are similar for most of the remaining workforces covered.

By contrast, companies identified as human performance leaders are much more likely than laggards—organizations at which none of the top three workforces are performing at the highest level—to have the heads of their top workforces highly involved in talent management initiatives (see chart, page 4). That means having these executives participate in the entire employee lifecycle, from workforce planning to sourcing to development and performance management.

Forward-thinking executives recognize that to be truly successful, an organization must have at its core a belief in the value of its people and an understanding of the critical role they play in the organization's pursuit of high performance. Such a belief is revealed in how deeply engaged all executives—not just those in human resources and

training—are in people issues and people management.

2. Focus on business-oriented goals.

To achieve high performance through differentiated workforce investments, organizations must apply appropriate metrics to tie human resources, learning and development, and overall workforce performance to financial performance. This point is readily acknowledged by senior decision makers in both the private and public sectors, who often speak about their desire to transform learning departments into operationally savvy functions aimed at producing measurable business value.

In reality, however, a surprisingly low percentage of companies in our High-Performance Workforce Study focus their training and human resource efforts on business-oriented goals. Nearly 40 percent of respondents said they lack formal measures to gauge the impact of their workforce-related investments on the performance of their top three workforces.

The use of hard metrics such as margin and sales to assess the effectiveness of human resource initiatives is rare. However, our survey also found that human performance leaders are far more likely to use formal measures to assess the business impact of their workforce investments. Results show that 35 percent of the leading companies have metrics programs in place, versus 19 percent of laggards.

3. Ensure that mission-critical workforces understand their part in the execution of overall strategy.

At leading companies, a larger proportion of the key workforces tend to be aware of their roles and responsibilities in implementing the company's overall business strategy. Nearly 33 percent of human perfor-

mance leaders (compared with 16 percent of laggards) said that high percentages of their overall workforce understand the company's strategy and the key factors for success. About 50 percent of leaders, compared with 29 percent of laggards, said that high percentages of their top three workforces have such an understanding.

4. Provide highly effective talent management services for top workforces. Differentiated investments go beyond training and basic human resource services; they extend throughout the entire employee lifecycle, from sourcing to development to retention.

As part of our High-Performance Workforce Study, we asked executives to consider 10 key human resource areas, ranging from recruiting, career development and change management to knowledge management, learning, and rewards and compensation. We then asked them to assess how effectively they support their top three workforces in each of those human resource areas. The leading companies were far more likely both to affirm the importance of all the areas and to hold their own companies up as exemplary across that spectrum of talent management activity.

Our research also suggests, however, that many companies may not be leveraging their total investments in human resources and learning most productively. For example, outsourcing some talent management functions—recruiting, perhaps, or payroll, compensation and benefits—is one way human performance leaders improve talent management effectiveness. Outsourcing improves the level of service to employees, and also enables the retained human resources and learning staff to focus on the strategic talent management issues that can drive long-term business value.

A significant number of executives

in our survey reported that their companies do not outsource in such areas as payroll, employee administration and compliance, performance evaluation and employee relations. However, respondents whose companies outsourced more of their human resource and learning services reported higher levels of satisfaction with those functions—which makes sense when you consider that while many companies view these functions as back-office obligations, an outsourcer sees them as a chance to satisfy the customer.

What is more striking, however, is that those same companies reported that outsourcing correlated with higher levels of performance from their top three workforces—meaning that outsourcing improved both efficiency and productivity. At telecommunications giant BT, for example, a comprehensive human resource outsourcing relationship has helped the company achieve several specific business benefits, including higher productivity levels for staff, reduced absence rates and improved employee retention.

5. Focus human performance investments on the competencies needed by mission-critical workforces. Companies need a structure by which to determine what competencies are most important for a particular workforce to perform optimally. Ninety percent of the chief learning officers we interviewed in the Accenture Learning BPO Services research study said their companies take a competency-based approach to workforce requirements to at least some degree.

Some organizations are quite structured in their approaches to identifying and updating relevant competencies. Others are more informal or use a competency-based approach only for particular functions. However, almost every high-performance organization finds competencies a useful structuring

device for understanding the performance needs of their most important workforces.

6. Manage the culture change to ensure that employee engagement and satisfaction do not decline.

Targeting different workforces with different human resource services and learning and development opportunities can have a perceptible impact on the culture of the organization. An insurance industry chief learning officer summarized the impact well: “We are struggling with the fact that the differentiated approach to making our workforce investments runs against the grain of our egalitarian culture.”

The banking learning executive cited earlier is also working to manage the culture change of differentiated

training and human resource investments. “We have discussed with our senior managers at the bank this new approach to making training decisions,” he noted, “but when they see it in practice, some groups still object. Initially, some of our people may feel a little less [well] served because they don’t get, for example, the ‘presentation skills’ course they might have been offered in the past. But that kind of training is just no longer seen as strategic for the bank.”

Organizations must take care to manage the change and impact on culture while executing a strategy of differentiated workforce investments. If they fail to do so, they may increase the value of their human capital investments in one way, only to lose value in another way, as engagement levels and productivity decrease.

Our research raised one cause for concern. Despite their commitment to the theory of differentiated workforce investments, organizations are failing to execute on that theory with the precision required to achieve and sustain high performance over time. They know they are investing more in mission-critical workforces. Yet they are unable to say exactly how much more, on a percentage basis, they are investing in critical workforces than on all employees.

Over time, sophistication in making and tracking differentiated workforce investments needs to grow. The best investors have a clear, disciplined approach to managing their money. Similarly, high-performance businesses know where their money is, and where to place their workforce investments for maximum return.

About the research

The Accenture High-Performance Workforce Study is conducted approximately every 18 months to measure workforce management trends among executives in large corporations. The survey is conducted in the United States, the United Kingdom, Australia, Spain, Germany and France. The executives surveyed in the latest study included 251 CEOs, COOs, CFOs and CIOs, as well as the most senior HR and learning executives.

The Accenture Learning BPO Services study, “Driving high performance through mission-critical job families,” was conducted in conjunction with researchers from the Working Knowledge Research Center at Babson College. Interviews were conducted with chief learning officers or their equivalent at 20 US-based organizations. The firms were selected from a list of the 100 highest-performing companies in the United States over the past three years as compiled by *BusinessWeek*, which bases its rankings on 10 different indicators of financial performance, including sales, earnings and the quality of the balance sheet.

About the authors

Ellen M. Balaguer is the global managing director of Accenture Business Process Outsourcing Services. She has global responsibility for one of the world's largest HR and Learning BPO Services providers dedicated to helping organizations achieve high-impact business outcomes through innovative and efficient HR and learning. Most of her 22 years at Accenture have been spent in the Communications & High Tech operating group, where she established a strong track record for building new markets, serving and extending client and alliance relationships, and managing large teams. Based in Colorado, she also has served as managing director of Accenture's Microsoft Alliance to help open new and expand existing market opportunities.

ellen.m.balaguer@accenture.com

Based in London, **Peter Cheese**, the managing director of the Accenture Human Performance service line, is responsible for developing Accenture's offerings, capabilities, alliances and assets in human performance. With more than 20 years' consulting experience, Mr. Cheese has led a wide range of client projects that have focused on transforming performance and implementing technology solutions for human resources and learning.

peter.cheese@accenture.com

Christian Marchetti is an Accenture senior executive based in Paris. From September 2005 to March 2007, he was the managing director of HR BPO services. An expert in outsourcing and client relationships, he played a leading role in establishing and building Accenture's outsourcing practice in Europe. Mr. Marchetti also helped shape the landmark finance and accounting BPO relationship between Accenture and Rhodia, one of the world's leading manufacturers of specialty chemicals. He joined Accenture in 1986, where he spent his first 10 years in consulting, helping clients implement enterprise resource planning and finance and performance management solutions.

christian.marchetti@accenture.com

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