

# The High-Performance Workforce Study 2006

Executive Summary



accenture

*High performance. Delivered.*

• Consulting • Technology • Outsourcing

# Foreword



# A Seat at the Table—and Significant Opportunity for Business Impact

In the past two decades, a company's workforce has become increasingly important to business success—so much so that most senior executives now view people and workforce-related issues as a critical competitive differentiator and one of their top agenda items. This sentiment certainly is evident in the survey we conducted as part of the 2006 edition of the Accenture High-Performance Workforce Study, in which attracting and retaining skilled staff and finding and developing talented leaders were cited by executives as critical factors in achieving high performance.

Along with the growing importance of the workforce has come more attention to, and respect for, the head of the human resource function. Indeed, for years, HR leaders have been asking for “a seat at the table”—to be taken seriously in the executive suite as a key contributor to the overall direction and mission of the business. Judging from the results of our study, HR leaders' wish has been granted: In a large majority of companies participating in our survey, the HR head is viewed as a strategic partner to the business, and in most companies he or she reports directly to the chief executive officer or head of the overall enterprise.

However, executives also believe that while the HR organization has taken strides toward becoming more strategic, the HR and learning functions still have substantial opportunity to more effectively support and guide the larger enterprise in its efforts to become a high-performance business. For example, in this year's survey, a very small percentage of executives—including those leading the HR and learning functions—said they were very satisfied with the support those functions provided to not only the organization at large, but also to what executives described as their company's most critical workforces.

Furthermore, most executives also noted that other workforces in their companies are falling short of high performance. This is true even of those functions deemed most important to the organization: sales, customer service, strategic planning and finance. Our survey reveals that across geographies and industries, most companies still struggle to build industry-leading workforce skills and ensure that their employees understand the company's overall strategy and what it takes to excel in the organization's chosen markets. Such shortcomings can present significant obstacles to growth for virtually any company, especially as the competition for talent increases and businesses become increasingly

global. Quite simply, to be successful in the long term, companies need high-performance workforces, and the role of the HR and learning organizations in developing such workforces must be better focused so these organizations can have a more positive impact on overall business performance.

In fact, this year's study illustrates that companies must devote greater attention and resources to addressing all aspects of talent management—from recruiting, career development and performance measurement to learning, rewards, recognition and compensation. But this will require a quickening in the pace of transformation among companies' HR and learning organizations to infuse new skills, capabilities and resources. It also will require the heads of individual workforces such as sales, finance, marketing and information technology to engage more deeply in the development of their people as a key part of their management and leadership roles. This latter point often is overlooked but has become a critical factor. Many organizations do not do enough to encourage and develop people management skills and capabilities in their leaders—particularly in middle management where they arguably have the greatest impact. Leaders at all levels ultimately are responsible for developing the people reporting to them and understanding what it takes to build a competitive workforce. The HR and learning functions, in turn, must be in a position to enable and facilitate such people development, as well as understand where the gaps and shortfalls really are.

With the economic doldrums of the past few years now behind us, companies once again have set their sights on growth objectives. A superior workforce—supported by highly effective, flexible and business-oriented HR and learning organizations—will be essential to achieving those objectives and taking greater strides toward high performance.



**Peter Cheese**  
Managing director—Human Performance



A person wearing a white lab coat and gloves is holding a test tube. Inside the test tube, a small plant with green leaves and white roots is growing. The background is a blurred image of a person's face, also in a lab coat. The entire image has a yellowish tint.

# Introduction

The Accenture High-Performance Workforce Study, now in its fifth edition, has played an instrumental role in ongoing research by Accenture into the characteristics of high-performance businesses around the globe. In the 2006 installment of the study, Accenture explored a number of critical human resource and training challenges, as well as the keys to building and sustaining a workforce that delivers a positive, measurable impact on an organization's bottom line—thus enabling the enterprise as a whole to achieve high performance. The study was based in large part on a survey of 251 executives—including chief executive, financial, operating and information officers, as well as heads of human resources and training—in six countries spanning five major industry segments.

The survey's findings painted an interesting—and, at times, concerning—picture of the state of talent management in organizations around the world. In particular, the survey revealed how a number of shortcomings in the HR and learning functions may be preventing companies from creating and sustaining stronger overall workforces that are key to competitive advantage. But the survey also showed that a number of companies—which we called “human performance leaders”—reported far better results in many important areas, including the performance of their most critical workforces and the effectiveness of their HR and training organizations.

# The Workforce—A Key Driver of High Performance

## Workforce-related Factors Are Key to Influencing High Performance

Executives today face an imposing challenge: how to identify and successfully address those factors that have the biggest impact on an organization's ability to capitalize on growth opportunities. In other words, as the economic environment has become more conducive to generating robust financials, raising the level of business performance has become increasingly important.

In polling executives on what they thought were the most significant factors influencing high performance, we found that people and workforce-related factors play a major role. In fact, respondents cited three such factors among their top five:

- Attracting and retaining skilled staff (third)
- Having a performance-oriented mindset in the workforce (fourth)
- Finding and developing talented leaders (fifth)—which finished behind the top factors of building strong customer loyalty (first) and acquiring new customers and increasing market share (second)

Yet when we asked participants how well they thought they were addressing these factors (using a scale of 1=not well at all to 5=very well), we found that only a small percentage believed they were performing "very well" on any of them (Figure 1).

Figure 1 | Key factors in achieving strong financial performance: importance versus performance

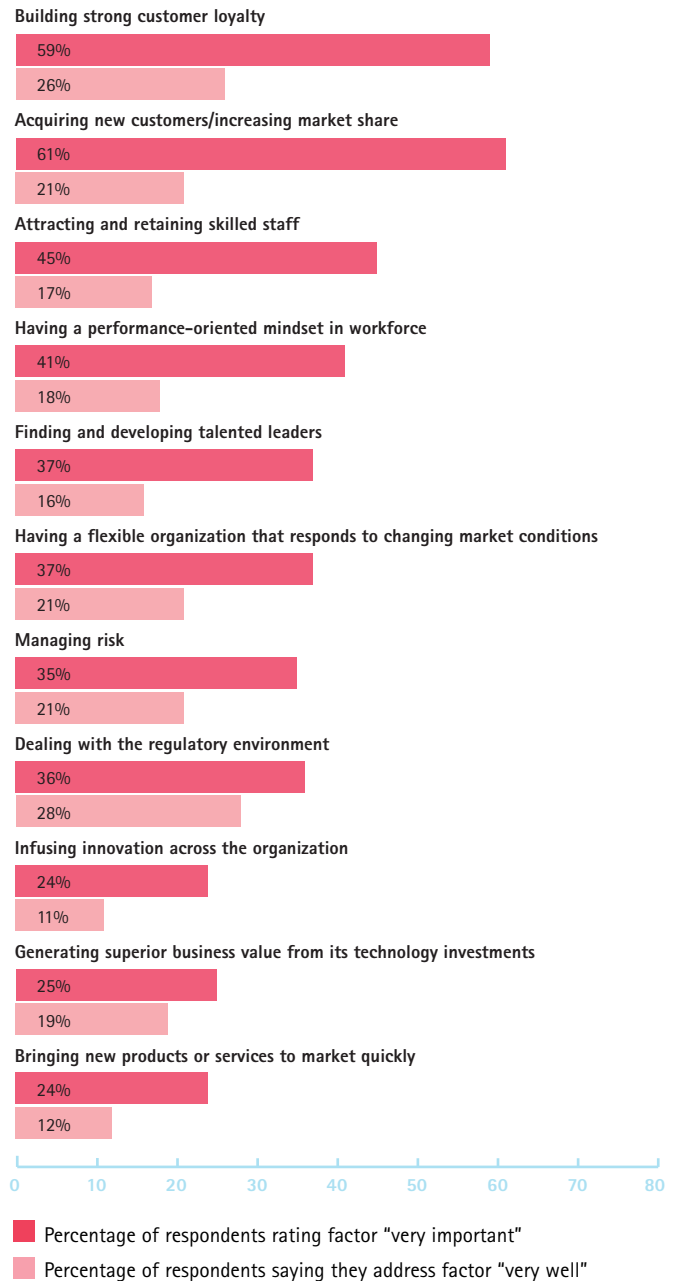


Figure 2 | Functions considered one of the three most important in the organization



Figure 3 | Performance of top three functions. Percentage of respondents rating function's performance as "high"



## Companies Are Experiencing Major Workforce Challenges

Additional data from our survey show that many companies are facing serious challenges in managing their workforces—challenges that could be hindering companies in their pursuit of high performance. One area of concern, for instance, is the performance of companies' most important workforces.

We asked survey participants to identify the three most important workforces in their company (Figure 2). The top three workforces, in order, were:

- Sales (cited by 62 percent)
- Customer service and support (identified by 43 percent)
- Finance and strategic planning (each named by 23 percent of respondents)

When we asked participants to describe how well they thought each of these workforces performed (using a scale of 1=low to 5=high), we found that none of the principal workforces in a majority of respondents' organizations is performing at a high level—even those that respondents considered most critical (Figure 3).

We further found that most companies still struggle to build industry-leading workforce skills; ensure that their employees understand the company's overall strategy and what it takes to excel in the organization's chosen markets; and retain employees in their top three workforces.

## HR and Training Shortcomings Are Likely Behind Workforce Challenges

In analyzing our survey data more deeply—and drawing on our own insights from the work Accenture has done for hundreds of companies around the world in the past few years—we discovered that the lack of high performance among companies' most critical workforces stems in large part from shortcomings in human resource and training support.

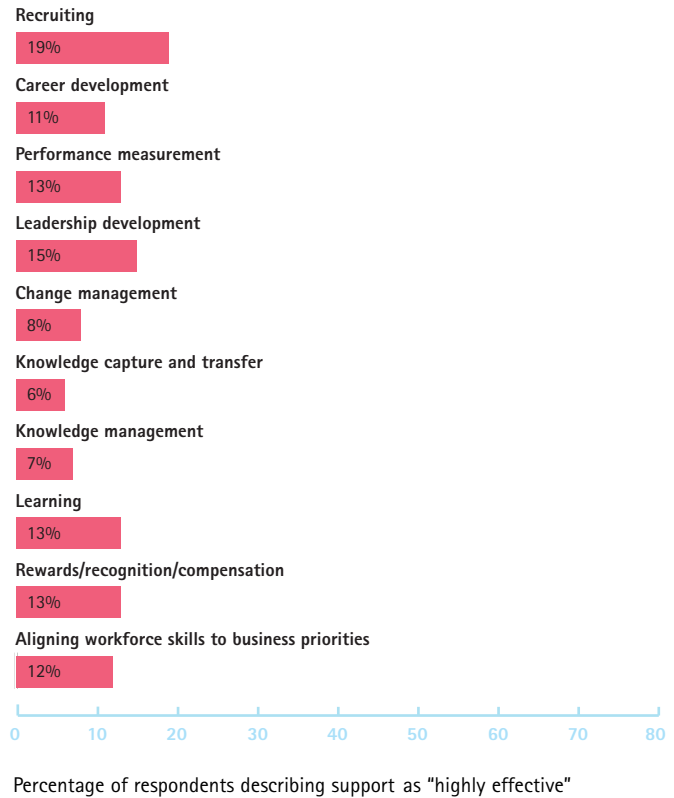
For example, we asked respondents to rate the effectiveness of the HR and training support given to the top three workforces in their organization, using a scale of 1=not at all effective to 5=very effective. In a majority of participating companies, support of the top three workforces was reported to be average to ineffective in a number of key areas of talent management. Looking at the data another way, no more than 19 percent of respondents said their support of their top three workforces in any of the areas of talent management covered by our study was highly effective (Figure 4).

Given this data, the natural next question is why are the HR and training organizations failing to do a better job of providing talent management support, especially to the company's most critical functions? Our survey respondents provided insights into potential answers.

### Lack of Connection to the Business

Only 36 percent of respondents said their companies tailor their HR and training support to each workforce's needs and contributions to the organization, and just between one-fourth and 40 percent of respondents said the heads of key functional areas across the company are highly involved in initiatives to develop their people.

Figure 4 | HR and training support of top three workforces in key areas



### Inadequate Business Metrics

Nearly 40 percent of respondents said they had no formal measures to gauge the impact of their HR and training efforts on the performance of their top three workforces, and 39 percent said they have such measures but only for some HR and training initiatives. Furthermore, only slightly more than half of participating companies consider business-oriented metrics such as margin/profitability and revenue/sales pipeline as key measures of HR and training performance.

### Talent Pool Dynamics

Environmental influences are changing the dynamics of the available talent pool and, consequently, affecting how organizations recruit. One such influence is the aging and shrinking workforce, the impact of which is already being



# Executives Are Using Outsourcing to Improve HR and Training Performance and Effectiveness

As the demands on the HR and training functions continue to grow, outsourcing is seen as an increasingly attractive option for many companies. Yet our survey revealed that outsourcing, while prevalent among some areas of human resources, is not yet a widespread practice across the HR function. Indeed, a large majority (three-fourths or more) of respondents reported no outsourcing of several HR activities, including employee administration/compliance, performance evaluation and employee relations. A majority of respondents said they outsource at least a small portion of only one HR activity—recruiting—while just under half said they outsource at least some of pension/retirement and health/welfare benefits. Only rarely did respondents say they outsourced all of a particular HR activity.

On the other hand, outsourcing in learning appears to be more widespread than in human resources. A majority of respondents said they outsourced at least some portion of training facilities, training technologies, training delivery and training content development, while most companies reported keeping curriculum development and training administration in house.

Our research further revealed that companies that outsource more in human resources and training tend to experience better results than companies that outsource less. For instance, companies that outsource more of their HR and training functions are more likely than those who outsource less of these functions to:

- Say they perform very well in addressing many of the key factors contributing to high performance.
- Believe the skill level of their entire workforce is industry-leading.
- Feel their top three workforces perform at a high level and say that more than three-fourths of their top three workforces understand the company's overall strategy and what it takes to be successful in their industry.

- Report that the heads of their top three workforces are highly involved in human capital management initiatives; that they provide either tailored or enhanced HR and training support to their top three workforces; that their talent management support of the top three workforces is highly effective across all the areas surveyed; and that they have formal measures to gauge and quantify the impact of their HR and training efforts on the performance of these workforces.
- Say that the head of human resources is considered a strategic business partner to the executive suite and measure the impact of their overall HR and training efforts using business-oriented metrics, such as margin/profitability and revenue/sales.
- Report being very satisfied with the overall performance of their HR and training functions.
- Have training developed and delivered by a group separate from the HR function.

Our work with clients in several different industries and geographies supports these findings. We have seen firsthand how companies can dramatically improve the effectiveness and efficiency of both HR and training functions through outsourcing—and, in the process, create functions that are much better positioned to help the larger enterprise achieve high performance.

felt by nearly 30 percent of our survey respondents (and expected to be felt within five years by an additional 32 percent) (Figure 5).

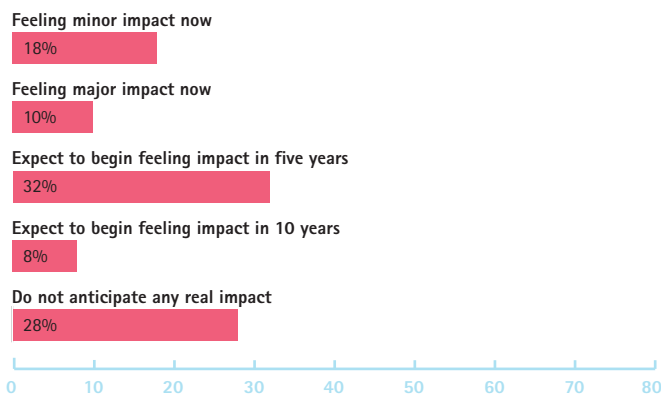
### Lack of Knowledge Capture and Sharing

Forty-two percent of respondents described knowledge capture and sharing as a challenge or severe challenge for their company, attributing the problem primarily to lack of a common business culture across different locations, no knowledge support infrastructure with dedicated people, and the fact that knowledge sharing typically is not rewarded in the organization.

### Training Lost in the Shuffle of HR Activities

In 61 percent of companies in our survey, the head of training and head of human resources are one and the same person, while in fully half of the companies in the survey, training administration, development and delivery are part of the overall focus of the HR function. In only 12 percent of companies is training administration, development and delivery managed as a separate function reporting to the company's senior executives.

Figure 5 | Impact of the aging workforce



## High Satisfaction, Performance and Status Are Elusive

Companies' HR and training shortcomings have not escaped the notice of executives. For example, survey participants' satisfaction with both functions is not as high as it could be: Only 11 percent of respondents said they are very satisfied with the performance of their HR function, and just 10 percent said they are very satisfied with the performance of their training function.

Furthermore, the two functions are not viewed by many executives as particularly important, relative to other corporate workforces. Human resources and training were ranked seventh and 11th (out of 12 functions), respectively, in terms of their importance to the overall organization—with just 19 percent and 9 percent of respondents, respectively, citing human resources and training as one of their three most critical workforces.

Finally, regardless of whether the primary goal of their training function is demonstrating business impact, generating operational efficiencies, fostering innovation or aligning to strategic priorities, less than 10 percent of respondents said their training organization is making exceptional progress toward meeting those objectives.

## The Human Performance Leaders

Despite the challenges and struggles that many companies in our survey face, average or below-average performance is not universal. In fact, 9 percent of participating companies emerged as what we call "human performance leaders." These are organizations whose top three workforces are performing at the highest levels—i.e., those whose performance was rated a 5 on the 1=low to 5=high scale. These leaders enjoy more effective HR and training support and, consequently, are more likely to be successful in addressing the factors that contribute to high performance.

To more fully illustrate these leaders' accomplishments, we compared their responses and experiences with those of respondents from "laggard" companies, which account for 54 percent of our overall survey sample. We defined laggards as those companies in which none of the three top work-

forces is performing at the highest level (i.e., received a performance rating of 5). In comparing the two groups, we looked at responses from two perspectives: one that helped us understand the differences in results that both groups achieve; and one that sheds light on the actions that both groups take—actions that appear to play a major role in the achievement of those results.

### Differences in the results leaders get

The message in our survey data is clear: Leaders are making significant strides toward high performance, while laggards appear to be simply muddling along. This is especially evident in how leaders view their HR and training functions and in leaders' reported organization and workforce performance:

1. Leaders are more likely to rate all organizational factors surveyed as very important to high performance.
2. Leaders are more likely to say they perform very well in addressing all of these critical factors.
3. Leaders are more likely to rate their workforces more highly on skill level and understanding of strategy. And leaders report lower levels of turnover in their most important workforces (Figure 6).
4. Leaders are more likely to have favorable views of their HR and training functions.

Figure 6 | Leaders are more likely to rate their workforces more highly on key measures of workforce performance

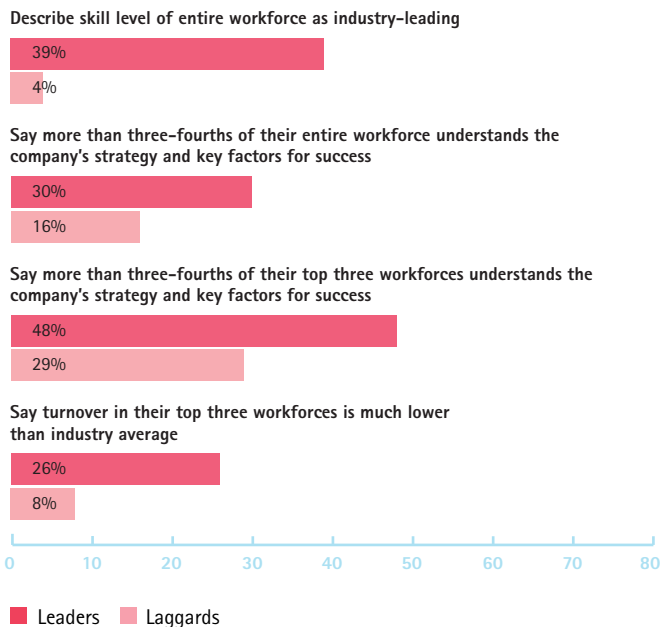


Figure 7 | Leaders are more likely to provide more effective HR and training support to their top workforces

	Leaders	Laggards
Recruiting	39%	11%
Career development	26%	6%
Performance measurement	48%	4%
Leadership development	39%	8%
Change management	30%	4%
Knowledge capture and transfer	30%	1%
Knowledge management	30%	1%
Learning	39%	6%
Rewards, recognition and compensation	39%	7%
Aligning workforce skills with business priorities	35%	5%

Percentage saying support of top three workforces in these areas is highly effective (a 5 rating)

### Differences in leaders' actions that lead to better results

As discussed earlier, many companies' struggles to achieve high performance are due to a number of shortcomings in human resources and training. Leaders in our study differ from laggards in how—and how effectively—their HR and training functions operate and, thus, are more apt to experience superior workforce performance.

1. Leaders are more likely to have and use appropriate metrics to tie HR, training and overall workforce performance to financial performance.
2. Leaders are more likely to more closely tie their HR service delivery and support to the business.
3. Leaders are more likely to have the heads of their top workforces deeply engaged in HR issues and people management.
4. Leaders are more likely to provide highly effective talent management support to their top workforces (Figure 7).
5. Leaders tend to have a successful, more strategic learning function.





# Attention to People Is More Critical Than Ever

In the past two decades, a company's workforce has become increasingly important to business success—so much so that most senior executives now view people and workforce issues as a critical competitive differentiator and one of their top agenda items. This is especially true as the economic doldrums of the past few years have receded and companies once again have set their sights on growth objectives. A superior workforce—supported by highly effective, flexible and business-oriented HR and learning organizations—will be essential to achieving these objectives and taking greater strides toward high performance.

## About the Authors

**Ellen Balaguer** is the global managing director for Accenture Business Processing Outsourcing (BPO) 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 and 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.

**Peter Cheese** is the managing director of the Accenture Human Performance service line. Human Performance covers all of the Accenture practice directed at maximizing performance of people in the workplace, including HR processes and operations, learning, knowledge management, performance management, organizational design and management of change. Mr. Cheese, who is based in London, is responsible for the development of Accenture's offerings, capabilities, alliances and assets in this area. He has more than 20 years' experience in consulting and has led a wide range of client projects that have focused on transforming performance through reengineering of capabilities, and implementation of technologies and solutions around HR and learning.

**Christian Marchetti**, Senior Executive - Accenture, was the managing director of HR BPO services at Accenture from Sept 2005 to March 2007. An expert in outsourcing and client relationships, he played a leading role in establishing and building Accenture's outsourcing practice in Europe. Based in Paris, 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.

## About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance businesses and governments. With deep industry and business process expertise, broad global resources and a proven track record, Accenture can mobilize the right people, skills and technologies to help clients improve their performance. With approximately 158,000 people in 49 countries, the company generated net revenues of US\$16.65 billion for the fiscal year ended August 31, 2006. Its home page is [www.accenture.com](http://www.accenture.com).

The Accenture Human Performance group helps its clients address their most critical people issues to achieve high performance through innovative approaches in the areas of organization and change management, human resources, learning, knowledge management, performance management and talent management. This global group also has a unique practice of deeply skilled professionals specializing in SAP Human Capital Management technology strategy and implementation. With more than 7,000 skilled human performance professionals, Accenture offers a full range of consulting and outsourcing solutions to help clients improve the performance of their workforce and the business overall.

To be directed to someone who can help you address your human performance challenges, please call Accenture at +1 312 693 5900 and reference code "High-Performance Workforce Study."

Copyright © 2007 Accenture  
All rights reserved.

Accenture, its logo, and  
High Performance Delivered  
are trademarks of Accenture.

