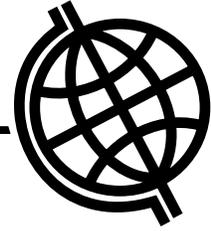


Conducted by PricewaterhouseCoopers
on behalf of the [World Federation of
Personnel Management Associations](#)
(WFPMA)

World Federation of
Personnel Management Associations
Federation Mondiale des Associations
de Direction de Personnel



Weltverband für Vereinigungen
der Personalführung
Federación Mundial de Asociaciones
de Dirección de Personal

Survey of Global HR Challenges: Yesterday, today and tomorrow*

*connectedthinking

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Foreword

To mark the 10th anniversary of its bi-annual World Congress last year, the World Federation of Personnel Management Associations (WFPMA) commissioned a survey, undertaken on its behalf by PricewaterhouseCoopers (PwC), on the current HR challenges faced by HR professionals three years ago, what those issues are today and what they believe they will be three years from now.

The WFPMA:

The World Federation of Personnel Management Associations is a global network of professionals in Human Resources. Founded in 1976, its mission is to aid the development and improve the effectiveness of professional people managers all over the world. The continental federations making up the membership include more than 70 national personnel associations representing over 400,000 people management professionals. The networking opportunities afforded by WFPMA include a quarterly newsletter and periodic research projects along with the international World Congress held every two years.

The WFPMA has five main objectives:

- 1 To improve the quality and effectiveness of professional people management, and to demonstrate the importance of the HR role in all employing organisations, both public and private.
- 2 To stimulate and assist in the establishment and development of regional and national personnel management associations in those parts of the world where a continental or regional association does not exist.
- 3 To create and maintain contacts with all WFPMA member associations as well as with other organisations which have some activity in the same or similar field.
- 4 To support or represent personnel

management associations in their contacts with world organisations such as ILO, UNESCO, the UN, etc.

- 5 To commission or undertake research which will further broaden understanding of personnel issues.

The graphic on the next page lists the regional federations as well as which countries are represented in these federations:

Member organizations of the WFPMA

Full members

AFHRMA	APFHRM	EAPM	FIDAGH	NAHRMA
African Federation of Human Resource Management Associations	Asia Pacific Federation of Human Resource Management	European Association of Personnel Management	Interamerican Federation of Professional HRM Associations	North American Human Resource Management Association
Botswana	Australia	Austria	Argentina	Canada
Democratic Republic of Congo	Bangladesh	Belgium	Brazil	Mexico
Kenya	Hong Kong	Bulgaria	Chile	USA
Malawi	India	Cyprus	Costa Rica	
Namibia	Indonesia	Czech Republic	Colombia	
Nigeria	Japan	Denmark	Dominican Republic	
South Africa	Malaysia	Estonia	Ecuador	
Swaziland	New Zealand	Finland	Guatemala	
Tanzania	Papua New Guinea	France	Nicaragua	
Uganda	Philippines	Germany	Panama	
Zambia	Singapore	Greece	Paraguay	
Zimbabwe	Sri Lanka	Hungary	Peru	
	Taiwan	Ireland	Uruguay	
	Thailand	Italy	Venezuela	
		Latvia		
		Malta		
		Netherlands		
		Norway		
		Poland		
		Portugal		
		Slovak Republic		
		Slovenia		
		Spain		
		Sweden		
		Switzerland		
		Turkey		
		United Kingdom		

The survey

The survey was designed to collect information on challenges facing Human Resources today. To elicit informative contrasts, respondents were also asked about the challenges faced three years ago and about what the future might hold three years down the road. Sharing this information is intended to help HR professionals who are facing new issues by assisting them in finding others that may have dealt with those same issues and have helpful suggestions to share. In addition, the information could help HR professionals sharpen their focus on challenges that are being experienced globally and thereby provide a rationale for changes that can be adopted within their own regions, countries and companies. This summary presents an analysis of responses from some 200 companies in more than 35 countries. Our thanks go out to all companies and individuals who participated in the survey as well as the country HR organizations who reached out to their members for participation. In particular, we would like to thank the following individuals who were part of this projects steering committee. These individuals took on the responsibility of assisting with designing the questionnaire and coordinating responses for their regional federations:

Hans Bohm – WFPMA delegate from EAPM

Janaka Kumarasinghe – WFPMA delegate from APFHRM

Horacio Quiros – WFPMA delegate from FIDAGH

Tiisetso Tsukudu - WFPMA delegate from AFHRMA.

Global results

Survey respondents represent a diverse industry background as illustrated in Table 1 below.

Table 1

Agriculture and Mining	4%
Chemicals, Oils & Pharmaceuticals	5%
Communications	8%
Construction	3%
Energy and Water	4%
Engineering/Electronics	5%
Food, Drink and Tobacco	6%
Hotels/Tourism/Cruises/Catering/Leisure	3%
Other manufacturing	12%
Media (Broadcasting, Publishing, etc.)	3%
Paper and Printing	2%
Professional services (Accountancy, Advertising, Consultancy, Legal, PR, etc.)	13%
Public services (Army, Education, Government, Police, etc.)	4%
Retail and Wholesale	4%
Transport, Distribution and Storage	5%
Voluntary and Community services (Charities, Housing Associations, etc.)	2%
Other	19%

Key survey questions included:

- Is there a major social, economic or political event that has had a significant impact on the work you do?
- Which three issues in the area of human resources represent significant challenges for you today?
- What were the top three issues you faced three years ago?
- What do you believe will be the top three issues facing you three years from now?

Major events

Around the world, political, economic and social turmoil take their toll on companies and their HR professionals. For example, the events of 9/11 were referred to repeatedly by survey respondents. As one African representative noted, “The events of 9/11 have increased the risk of travel throughout the world and have also raised diversity issues to the forefront.” A European representative noted the slowdown in the world economy that stemmed from 9/11 and the resulting impact on personnel.

Wars and invasions disrupt operations. Health issues, from AIDS in Africa to the SARS epidemic in Asia to the cost of benefits in North America, are also a frequent concern. Issues overlap. As one European respondent commented, “The increasing threat in terrorism has meant that some governments have switched funding from healthcare to defense.”

Other referenced issues include globalization and currency devaluations, with ripple effects across economies, sectors and companies.

Today's challenges

On a global scale, despite national and regional differences, there was remarkable unanimity. As illustrated in Table 2.1, the three issues most often chosen by the global group to represent a current top-three challenge were **change management (48%), leadership development (35%) and the measurement of HR effectiveness (27%)**. In a strong show of uniform concerns, as will be evident in reviewing the following regional breakdowns, change management was the most frequently listed issue in 4 of the 5 regions. The issues that may require change management skills may be different in different regions, but the competency to deal with change management is clearly a common skill needed for today's HR professional regardless of location.

Table 2.1

Question 6: Please choose 3 areas that represent significant challenges for you today (Global results)

Challenge	% of Companies
Benefits costs: Health & welfare	13%
Benefits costs: Retirement	9%
Change management	48%
Compensation	24%
Employee rewards	12%
HR effectiveness measurement	27%
HR technology selection & implementation	9%
Industrial relations	7%
Leadership development	35%
Learning and development	19%
Legal/Regulatory compliance	7%
M&A integration/restructuring	11%
Organizational effectiveness	25%
Outsourcing	8%
Staffing: International mobility of employees	4%
Staffing: Recruitment and availability of skilled local labor	24%
Staffing: Retention	16%
Succession planning	20%
Other	7%

Change management represents a particular challenge for personnel management staff, as this expertise has generally not been a consistent area of focus for training and development of HR professionals. This may also be the reason why it is cited as the foremost issue as HR continues to attempt to help businesses move forward. An intensified focus on training may be needed to develop added competencies to deal with change management.

Leadership development also proves to be a big challenge. HR professionals continue to wrestle with understanding the best ways to keep people in the pipeline and develop leaders for future succession planning. Increasingly recognized as becoming strategic business partners within their organizations, HR professionals are expected to provide the essential frameworks, processes, tools, and points of view needed for the selection and development of future leaders. Across the globe leadership development has been identified as a critical strategic initiative in ensuring that the right employees are retained, that the culture of the organization supports performance from within to gain market position, and that managers are equipped to take on leadership roles of the future so that the organization is viable in the long term.

Measuring HR effectiveness is an interesting new top three focus for HR as it highlights the profession's need to measure results –not only in terms of

transaction management but also in terms of driving the business. HR professionals have been questioned in the past regarding their business acumen. Utilizing metrics to determine effectiveness is the beginning of a shift from perceiving HR's role as purely an administrative function to viewing the HR team as a true strategic partner within the organization. In fact, the next section reports that survey participants believe a critical future issue for HR will be organizational effectiveness – again supporting HR's critical role as a strategic partner to management.

Other important issues emerging from the survey include organizational effectiveness, compensation, recruitment and availability of local labor, succession planning and availability of local labor and learning and development.

Yesterday and tomorrow

Looking back three years, as illustrated in Table 2.2, the three historical issues most often cited by the global group were **change management (36%)**, **compensation (31%)** and **leadership development (24%)**. Looking ahead, the three key issues expected to pose a challenge three years from now are **organizational effectiveness (39%)**, **leadership development (33%)** and **change management (28%)**.

Table 2.2

Responses to the three questions regarding what are the HR challenges you were facing 3 years ago, what they are today and what you believe they will be in 3 years (Global responses)

Challenge	All Regions		
	3 Yrs Ago	Today	In 3 Yrs
Benefits costs: Health & welfare	10%	13%	13%
Benefits costs: Retirement	3%	9%	5%
Change management	36%	48%	28%
Compensation	31%	24%	15%
Employee rewards	13%	12%	12%
HR effectiveness measurement	13%	27%	17%
HR technology selection & implementation	13%	9%	5%
Industrial relations	12%	7%	8%
Leadership development	24%	35%	33%
Learning and development	23%	19%	19%
Legal/Regulatory compliance	8%	7%	5%
M&A integration/restructuring	16%	11%	6%
Organizational effectiveness	23%	25%	39%
Other	5%	7%	4%
Outsourcing	15%	8%	8%
Staffing: International mobility of employees	7%	4%	13%
Staffing: Recruitment & availability of skilled local labor	22%	24%	24%
Staffing: Retention	15%	16%	23%
Succession planning	8%	20%	21%

Highlighted responses represent challenges most often selected by participants.

Change management and leadership development were, are and will be important issues for HR professionals. Compensation has moved down the list of perceived challenges while organizational effectiveness is expected to play a larger role in the years to come. Where HR departments have traditionally focused on measuring their own effectiveness, there is an evolving recognition that they can provide organizational value by measuring the effectiveness of the entire business organization. The shift is significant as it represents movement from simply counting the numbers hired to determining the ROI of collective and individual hires on a long-term basis. Going beyond measuring turnover, this new approach considers “bad” turnover and “good” turnover along with the overall cost of replacement hires.

Compensation was one of the top three issues in 2001 because of factors including mergers and acquisitions (and pay equity among new divisions), the invention of new systems for human capital management (including stock option plans), and global competition (in which attracting and retaining key employees became increasingly important). While these factors remain important in 2004, compensation has fallen to 5th place in the tier of challenging issues. The survey respondents expect it to be in 9th place three years from now. Some key issues surfacing in the survey’s look ahead include recruiting and availability of skilled local labor, succession planning, learning and development, and the measurement of HR effectiveness. In addition, outsourcing and cost of retirement benefits were mentioned in many of the comments as a concern.

Time allocation

Another portion of the survey was devoted to the way HR professionals spend their time. United States Academic David Ulrich has identified 5 distinct roles for HR. Respondents were asked, “Of the total hours worked by your HR Department, what percent of the total time would be allocated to each of these roles (e.g., 20% of the overall departments time is spent as a strategic business partner, etc.)?”

The answers portrayed significant change. As the graphic indicates, almost one-quarter (24%) of total hours worked in 2004 were devoted to being a strategic business partner in the organization. Dr. Ulrich defines the strategic business partner as a partner with senior and line managers in strategy execution, helping to move planning from the conference room to the marketplace. A bit less time (23%) was spent in what may be perceived as the more “traditional” HR task of administrative expert. This entails being expert in the way work is organized and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained.

Only 16% of hours worked were spent as an employee champion, vigorously representing their concerns to senior management and at the same time working to increase employees’ commitment to the organization and their ability to deliver results. Just under one-fifth of the hours (19%) were devoted to being a change agent, shaping the processes and culture that together improve an organization’s capacity for change. Finally, 18% of hours worked by HR professionals were as what Dr. Ulrich calls a “player,” doing things that make a difference by acting as a coach, architect, designer, facilitator and leader.

Of the total hours worked by your HR department what percent of the total time would be spent in the following areas?



The following regional reports reveal what HR professionals are doing in one's own region, while allowing one to compare and contrast with reports from other regions as a source for suggestions and help in tackling one's own people management challenges.

Africa results

Responses from the African Federation of Human Resource Management Associations (AFHRMA) members

In answer to the survey question about the impact of current events, HR professionals in this region pointed to the AIDS epidemic, the democratization and liberalization process occurring in many countries and the turmoil stemming from the political and economic climates in this region. All of these events impact the ability for organizations in this region to source, engage and retain their workforces.

Today's challenges

Africa is experiencing challenges in many areas such that choosing the top three responses is not possible. As illustrated in Table 3.1, the issues most often chosen by the African participants to represent current top challenges were **change management (63%)**, **leadership development (31%)**, **the measurement of HR effectiveness (31%)**, **health and welfare benefit costs (31%)** and **learning and development (31%)**.

Table 3.1

Question 6: Please choose 3 areas that represent significant challenges for you today (African results)

Challenge	% of Companies
Benefits costs: Health & welfare	31%
Benefits costs: Retirement	13%
Change management	63%
Compensation	6%
Employee rewards	0%
HR effectiveness measurement	31%
HR technology selection & implementation	13%
Industrial relations	6%
Leadership development	31%
Learning and development	31%
Legal/Regulatory Compliance	0%
M&A integration/restructuring	0%
Organizational effectiveness	19%
Outsourcing	0%
Staffing: International mobility of employees	13%
Staffing: Recruitment and availability of skilled local labor	0%
Staffing: Retention	13%
Succession planning	25%
Other	6%

Table 3.2

Responses to the three questions regarding what are the HR challenges you were facing 3 years ago, what they are today and what you believe they will be in 3 years (Africa responses)

Challenge	Africa		
	3 Yrs Ago	Today	In 3 Yrs
Benefits costs: Health & welfare	13%	31%	13%
Benefits costs: Retirement	6%	13%	0%
Change management	44%	63%	31%
Compensation	31%	6%	6%
Employee rewards	0%	0%	13%
HR effectiveness measurement	19%	31%	31%
HR technology selection & implementation	0%	13%	0%
Industrial relations	25%	6%	6%
Leadership development	19%	31%	38%
Learning and development	13%	31%	25%
Legal/Regulatory compliance	6%	0%	6%
M&A integration/restructuring	13%	0%	0%
Organizational effectiveness	0%	19%	44%
Other	0%	6%	0%
Outsourcing	19%	0%	25%
Staffing: International mobility of employees	13%	13%	13%
Staffing: Recruitment & availability of skilled local labor	31%	0%	13%
Staffing: Retention	25%	13%	6%
Succession planning	6%	25%	31%

Highlighted responses represent challenges most often selected by participants.

Yesterday and tomorrow

Looking back three years, the three historical issues most often cited by the Africa group were **change management (44%)**, **compensation (31%)** and **staffing: recruiting and availability of skilled local labor (31%)**. Looking ahead, due to the diversity of issues in Africa today, five issues are expected to pose a challenge three years from now. Those issues are **organizational effectiveness (44%)**, **leadership development (38%)**, **change management (31%)**, **measurement of HR effectiveness (31%)** and **succession planning (31%)**.

Commentary

Comments from African representatives demonstrate the challenges presented in the area of change management in a region of enormous cultural diversity. As one representative notes, the key is “working with line managers across cultures to challenge prevailing ‘authoritarian’ thinking, to [move toward] a climate which promotes personal responsibility and freedom.” Another points out that “managing diversity in the local context is [an] enormous [challenge] in a fast-changing technological and economically liberalised environment.” Bureaucracy can also be a problem, presenting “the need to consider doing things differently in order to eliminate bottlenecks and red tape.” Looking forward, empowerment of local managers is seen as a priority issue.

HR effectiveness presents a challenge when, in one representative’s words, “line managers think performance management, job evaluation, monitoring and evaluation [are] a waste of time. This attitude bogs down the efforts by the HR team.” Or, as another puts it, “staff still have a negative view of HR, look at it as bad news bearers.”

Leadership development is a key issue in a region with “high labor turnover” and a “young and inexperienced work force.” This may be a particular challenge in a region faced with the enormous impact of the AIDS virus and regional wars. Due to the combination of a large proportion of the work force ailing and the introduction of new industries and businesses which require local talent who are currently not trained to meet those needs, there is a vacuum for HR professionals to fill. AIDS is a social issue everywhere but it is hitting particularly hard on the African continent. In fact, the cost of health and welfare benefits ranked very high among current concerns in Africa, tying with HR effectiveness measurement and learning and development as key issues, just below change management.

Asia Pacific results

Responses from Asia Pacific Federation of Human Resource Management (APFHRM) members

In answer to the survey question about the impact of current events, HR professionals in this region pointed to the events of 9/11, the SARS epidemic, and the turmoil stemming from the downturn in the economy. All of these events affected travel within the region and, as a result, adversely affected cash flow and company operations.

Today's challenges

As illustrated in Table 4.1, the issues chosen by Asia participants to represent current top three challenges were **change management (52%)**, **leadership development (36%)** and **succession planning (32%)**.

Table 4.1

Question 6: Please choose 3 areas that represent significant challenges for you today (Asia results)

Challenge	% of Companies
Benefits costs: Health & welfare	4%
Benefits costs: Retirement	8%
Change management	52%
Compensation	16%
Employee rewards	20%
HR effectiveness measurement	20%
HR technology selection & implementation	12%
Industrial relations	12%
Leadership development	36%
Learning and development	20%
Legal/Regulatory compliance	16%
M&A integration/restructuring	12%
Organizational effectiveness	8%
Outsourcing	12%
Staffing: International mobility of employees	4%
Staffing: Recruitment and availability of skilled local labor	16%
Staffing: Retention	16%
Succession planning	32%
Other	12%

Table 4.2

Responses to the three questions regarding what are the HR challenges you were facing 3 years ago, what they are today and what you believe they will be in 3 years (Asia responses)

Challenge	Asia		
	3 Yrs Ago	Today	In 3 Yrs
Benefits costs: Health & welfare	8%	4%	4%
Benefits costs: Retirement	4%	8%	4%
Change management	36%	52%	36%
Compensation	24%	16%	8%
Employee rewards	16%	20%	12%
HR effectiveness measurement	8%	20%	16%
HR technology selection & implementation	4%	12%	0%
Industrial Relations	32%	12%	12%
Leadership development	24%	36%	24%
Learning and development	28%	20%	12%
Legal/Regulatory compliance	4%	16%	4%
M&A integration/restructuring	8%	12%	12%
Organizational effectiveness	28%	8%	40%
Other	8%	12%	8%
Outsourcing	20%	12%	12%
Staffing: International mobility of employees	8%	4%	20%
Staffing: Recruitment & availability of skilled local labor	16%	16%	20%
Staffing: Retention	16%	16%	20%
Succession planning	8%	32%	36%

Highlighted responses represent challenges most often selected by participants.

Yesterday and tomorrow

Looking back three years, the Asia group cited four issues that challenged HR: **change management (36%), industrial relations (32%), learning and development (28%) and succession planning (28%)**. Looking ahead, the issues expected to pose a challenge three years from now are **organizational effectiveness (40%), change management (36%), and succession planning (36%)**. This list is very similar to what was reported by Africa.

Commentary

Although it “takes a considerable time to accept changes” and “many long-service employees enjoy the status quo and are reluctant to make any changes,” a significant issue exists today in “moving the business from a product focus to a customer interface focus and more of a business planning mentality.” Three years ago, business integration and consolidation was a major challenge, both in the area of change management and in compensation, as staff tried to ensure compensation equity between employees of the acquired and the acquiring company.

Leadership development is clearly a “critical issue for on-going viability of [the] corporation.” As part of this endeavour, HR professionals need to focus on “developing supervisors into ‘people managers,’ not just technical specialists,” a comment that was repeated as an issue for the years to come. Another representative notes that “there are many tools for leadership development. Finding the most appropriate tools is a challenge.” This challenge can best be met by “gaining support from executives to develop leaders of the future” and “engaging senior management in leadership development philosophy and practice.”

Succession planning “will remain an issue as we look at gaps in the market, gaps in the organization and how to shadow employees in key positions. The aging workforce within the company is a key driver.” In fact, the aging workforce was noted by many who chose succession planning as an issue due to the “issues in retaining knowledge held by retiring workers, and ensuring sufficient time to train successors.”

Staffing, including international mobility of employees, continues to be a critical element as is noted in other regions.

HR effectiveness appears to be less of an issue in the Asia-Pacific region, although one respondent comments that “to date, it has not been possible to measure HR effectiveness in the workplace.” As illustrated in Table 4.2 although HR effectiveness is not a top three challenge, its importance has more than doubled in three years, suggesting that more attention is warranted in the future.

However, even with these challenges in Asia, two of the world’s most populated nations, India and China, are receiving enormous economic benefit from companies in other regions that are continuing to outsource their information technology, customer service and manufacturing needs. Such global economic realities, along with the political developments that influence them, require decisive, ethical and visionary local leadership to quickly and effectively navigate and manage change. HR professionals in Asia Pacific, as elsewhere, need to be sensitive to external conditions as well as to their own organizational needs in order to define and meet the leadership development goals of their organizations.

Europe results

Responses from the European Association of Personnel Management (EAPM) members

In Europe, the major event of the last few years – in addition to 9/11 and the increasing threat/impact of terrorism – is the growth of the European Union. In Eastern Europe, one respondent noted that “our young and good workers are going to work for neighbors [as] people feel more free to change their jobs.”

Today’s challenges

As illustrated in the Table 5.1, the issues chosen by the European participants to represent current top three challenges were **change management (48%)**, **organizational effectiveness (36%)** and **staffing: recruitment and availability of local labor (34%)**.

Table 5.1

Question 6: Please choose 3 areas that represent significant challenges for you today (Europe results)

Challenge	% of Companies
Benefits costs: Health & welfare	5%
Benefits costs: Retirement	7%
Change management	48%
Compensation	30%
Employee rewards	11%
HR effectiveness measurement	23%
HR technology selection & implementation	11%
Industrial Relations	7%
Leadership development	20%
Learning and development	18%
Legal/Regulatory compliance	2%
M&A integration/restructuring	7%
Organizational effectiveness	36%
Outsourcing	4%
Staffing: International mobility of employees	5%
Staffing: Recruitment and availability of skilled local labor	34%
Staffing: Retention	20%
Succession planning	16%
Other	5%

Table 5.2

Responses to the three questions regarding what are the HR challenges you were facing 3 years ago, what they are today and what you believe they will be in 3 years (Europe responses)

Challenge	Europe		
	3 Yrs Ago	Today	In 3 Yrs
Benefits costs: Health & welfare	5%	5%	13%
Benefits costs: Retirement	2%	7%	4%
Change management	34%	48%	29%
Compensation	38%	30%	14%
Employee rewards	21%	11%	14%
HR effectiveness measurement	7%	23%	16%
HR technology selection & implementation	11%	11%	7%
Industrial relations	9%	7%	13%
Leadership development	23%	20%	25%
Learning and development	30%	18%	21%
Legal/Regulatory compliance	7%	2%	5%
M&A integration/restructuring	16%	7%	9%
Organizational effectiveness	30%	36%	39%
Other	4%	5%	5%
Outsourcing	13%	4%	7%
Staffing: International mobility of employees	14%	5%	27%
Staffing: Recruitment & availability of skilled local labor	25%	34%	25%
Staffing: Retention	13%	20%	21%
Succession planning	5%	16%	11%

Highlighted responses represent challenges most often selected by participants.

Yesterday and tomorrow

Looking back three years, as with Asia, there were four historical issues most often cited by the European group. Those issues were **compensation (38%)**, **change management (34%)**, **learning and development (30%)** and **organizational effectiveness (30%)**. Looking ahead, the issues expected to pose a challenge three years from now are **organizational effectiveness (39%)**, **change management (29%)**, and **staffing: international mobility of employees (27%)**.

Commentary

Rapid technological change is a current challenge facing HR professionals in the area of change management. Other issues include globalization and the aging of the work force. Three years ago, joining the European Union was a key issue for the profession. The need to downsize the work force in response to the downturn in the financial markets also presented a challenge with the conflicting challenge of recruitment and availability of skilled local labor. Across the board, three years from now, continuing technological change is seen as an issue closely tied to the need for training in change management.

Although a challenge not unique to Europe, global expansion was noted in many comments under a wide range of challenges. For example, change management due to cross border activity was prevalent with one participant commenting that “the continual drive to shape the organization appropriate to its markets means a significant shift in mindset and skill set as the company strives to balance growth in Asia with a balanced portfolio in Europe and America”. Organizational effectiveness is also critical in this expansion mode to new markets as “continued growth will require review of processes and procedures to ensure success in international / new markets.” International mobility of employees was noted as a top three issue of the future “ensuring international growth of business”. This mobility is needed and as one participant commented - “as there is lack of qualified personnel in the regions, we will move qualified employees to new destinations.”

Leadership development is an ongoing issue, with a two-pronged focus: motivating middle management while encouraging top management to abandon a style perceived as authoritarian. In Eastern Europe three years ago, the biggest challenge may have been moving from a planned economy to a free market economy, necessitating new management philosophy and leadership. Looking forward, as one respondent notes, there is “always a need to focus on [leadership development] to remain competitive.”

Compensation and HR effectiveness measurement also scored high as current issues of concern to European HR professionals. Measuring HR effectiveness was not among the foremost issues three years ago but respondents were three times as likely to choose this as an issue today. Three years from now, measuring HR effectiveness falls behind organizational effectiveness as OE generally includes some component of measurement.

North America results

Responses from the North American Human Resource Management Association (NAHRMA) members

Major events in North America include the attack of 9/11, increasing terrorism and the resulting downturn in the economy. In addition, the Free Trade Agreement and global trade agreements are challenges, as are the pace of technological change and a very competitive marketplace.

Today's challenges

As illustrated in Table 6.1, the issues chosen by the North American participants to represent current top three challenges were **leadership development (53%)**, **change management (40%)**, and **succession planning (32%)**. These three challenges were also noted by the Asia group, although the relative ranking differed.

Table 6.1

Question 6: Please choose 3 areas that represent significant challenges for you today (North America results)

Challenge	% of Companies
Benefits costs: Health & welfare	30%
Benefits costs: Retirement	17%
Change management	40%
Compensation	9%
Employee rewards	15%
HR effectiveness measurement	23%
HR technology selection & implementation	9%
Industrial Relations	0%
Leadership development	53%
Learning and development	15%
Legal/Regulatory compliance	2%
M&A integration/restructuring	15%
Organizational effectiveness	28%
Outsourcing	11%
Staffing: International mobility of employees	4%
Staffing: Recruitment and availability of skilled local labor	26%
Staffing: Retention	11%
Succession planning	32%
Other	6%

Table 6.2

Responses to the three questions regarding what are the HR challenges you are facing 3 years ago, what they are today and what you believe they will be in 3 years (North America responses)

Challenge	North America		
	3 Yrs Ago	Today	In 3 Yrs
Benefits costs: Health & welfare	15%	30%	26%
Benefits costs: Retirement	2%	17%	11%
Change management	45%	40%	21%
Compensation	19%	9%	11%
Employee rewards	11%	15%	15%
HR effectiveness measurement	17%	23%	13%
HR technology selection & implementation	19%	9%	9%
Industrial relations	4%	0%	0%
Leadership development	32%	53%	43%
Learning and development	15%	15%	21%
Legal/Regulatory compliance	6%	2%	4%
M&A integration/restructuring	21%	15%	4%
Organizational effectiveness	26%	28%	32%
Other	4%	6%	6%
Outsourcing	11%	11%	9%
Staffing: International mobility of employees	2%	4%	4%
Staffing: Recruitment & availability of skilled local labor	17%	26%	36%
Staffing: Retention	21%	11%	19%
Succession planning	13%	32%	23%

Highlighted responses represent challenges most often selected by participants.

Yesterday and tomorrow

Looking back three years, the three historical issues most often cited by the North America group were **change management (45%)**, **leadership development (32%)** and **organizational effectiveness (26%)**. Looking ahead, the issues expected to pose a challenge three years from now are **leadership development (43%)**, **staffing: recruitment and availability of skilled local labor (36%)** and **organizational effectiveness (32%)**.

Commentary

North America is the single region where change management is not perceived as the foremost challenge. Instead, leadership development takes first place. Leadership development is seen, in one respondent's words, as critical "to move the company forward after financial restructuring." Early retirement and an aging work force make leadership training and development essential for any forward-looking organization. Developing leadership competencies is viewed as critical in an era of "rapid, sustained growth in many developing areas of the world." Furthermore, there is a greater focus on executive performance, corporate governance, and performance of the board of directors as corporations navigate the post-Enron, post-Sarbanes-Oxley environment.

Nonetheless, as elsewhere, change management is a major challenge for the profession. Among the specific issues: consolidation and merging of markets within an industry, collective bargaining, early retirement incentives and, in one survey respondent's words, "convincing some clients [that] critical organizational changes are needed." Three years ago, change management issues revolved largely around downsizing, acquisitions, mergers and related structural matters. "Restructuring" and "re-engineering" were the words of the day. Three years from now, respondents anticipate "continued need to change [the] organization to meet expansion challenges."

As a top three challenge today, succession planning goes hand-in-hand with leadership development and change management. As one respondent commented, "Succession planning is a high priority because of wave of retirements," with one participant reporting 30% of their employees retiring within the next 5 years. As noted by another, "In these volatile times, succession planning, combined with leadership development, are key components to building the foundation for current and future organizational performance."

Three years ago, the concerns were similar, although one respondent commented on the importance of "convincing leaders that there is a distinction between leadership and management and [that] they should be spending most of their time on the former rather than the latter." Looking forward, respondents agree that serious training is needed to develop the leaders that will be able to sustain continued growth and restore confidence in organizational leadership.

Recruitment and availability of local skilled labor, which has been steadily increasing in the list of challenges, moves up to second place three years to come. The many comments around this challenge pointed to the aging workforce as the primary concern.

Other issues of current concern to North American HR professionals are benefit costs, organizational effectiveness and measurement of HR effectiveness.

South America results

Responses from the Interamerican Federation of Human Resource Management (FIDAGH)

Companies in many parts of South America have confronted both political and economic turmoil and instability in the last few years. As one survey respondent noted, “Recent political and economic-financial crisis... has put a lot of strain on the Personnel Management function, as it was necessary to adjust headcount, payroll and benefit costs, with an obvious impact [on] development.” Another said, “Economic default, social and political crisis caused high inflation, high unemployment, high intervention of government in labor cost, forcing companies to revise their structures, reduce staff and benefits.” Currency devaluations, diminishing rates of foreign investment, and high rates of unemployment are all mentioned, along with the Free Trade Agreements, PCAOB standards and section 404 of Sarbanes-Oxley. And here, too, the events of 9/11 played a role, with a “major impact on tourism and, as a consequence, in our job as we had to reorganize our structure.”

Today’s challenges

As with Africa, the summary results in more than three top issues cited. As illustrated in table 7.1, the issues chosen by the South America participants to represent current top challenges were **change management (48%)**, **compensation (38%)**, **measurement of HR effectiveness (34%)** and **leadership development (34%)**.

Table 7.1

Question 6: Please choose 3 areas that represent significant challenges for you today (South America results)

Challenge	% of Companies
Benefits costs: Health & welfare	7%
Benefits costs: Retirement	3%
Change management	48%
Compensation	38%
Employee rewards	10%
HR effectiveness measurement	34%
HR technology selection & implementation	5%
Industrial relations	10%
Leadership development	34%
Learning and development	21%
Legal/Regulatory compliance	14%
M&A integration/restructuring	14%
Organizational effectiveness	21%
Outsourcing	10%
Staffing: International mobility of employees	2%
Staffing: Recruitment and availability of skilled local labor	22%
Staffing: Retention	17%
Succession planning	9%
Other	9%

Table 7.2

Responses to the three questions regarding what are the HR challenges you are facing 3 years ago, what they are today and what you believe they will be in 3 years (South America responses)

Challenge	South America		
	3 Yrs Ago	Today	In 3 Yrs
Benefits costs: Health & welfare	12%	7%	9%
Benefits costs: Retirement	5%	3%	5%
Change management	29%	48%	28%
Compensation	38%	38%	26%
Employee rewards	9%	10%	9%
HR effectiveness measurement	16%	34%	17%
HR technology selection & implementation	17%	5%	5%
Industrial relations	9%	10%	9%
Leadership development	19%	34%	36%
Learning and development	22%	21%	17%
Legal/Regulatory compliance	12%	14%	7%
M&A integration/restructuring	16%	14%	3%
Organizational effectiveness	17%	21%	41%
Other	7%	9%	2%
Outsourcing	19%	10%	3%
Staffing: International mobility of employees	2%	2%	5%
Staffing: Recruitment & availability of skilled local labor	22%	22%	19%
Staffing: Retention	10%	17%	33%
Succession planning	9%	9%	21%

Highlighted responses represent challenges most often selected by participants.

Yesterday and tomorrow

Looking back three years, the South America group reported four historical issues most often cited. They were **compensation (38%)**, **change management (29%)**, **learning and development (22%)** and **staffing: recruitment and availability of skilled local labor (22%)**. Looking ahead, the issues expected to pose a challenge three years from now are **organizational effectiveness (41%)**, **leadership development (36%)**, and **staffing: retention (33%)**.

Commentary

Diversity, a competitive environment, and intercultural pressures make change management a vital issue in South America today. As one respondent noted, change management is needed to “adjust rapidly to the changes imposed by market globalization.”

As a result of the economic situation in South America and local labor laws, compensation is also a top three issue. Many countries due to devaluation and inflation are still trying to work out an equitable system with the current economics. In addition, with the tax cost of cash compensation to both the company and the employee, companies are trying to determine more effective ways to provide incentive to their employees.

Finding “new ways to measure and improve our contribution to the business” is at the core of HR effectiveness measurement, as there is “difficulty in effectively showing the attainments [of HR professionals and their] real contribution to the business.” The challenge as noted by one respondent was to “build consistent indicators in a quickly changing environment.”

In addition, leadership development is especially critical in working with a young labor force. As one respondent sums it up, “Our leadership in our market depends on our managers developing leadership.”

Three years ago, in addition to the items mentioned above, staffing was a major issue, particularly the recruitment and availability of skilled local labor including international and retaining those people. Outsourcing was a cause for concern, along with leadership development, organizational effectiveness, HR technology and HR effectiveness measurement.

For the years to come, leadership and some area of staffing continue to be a top three challenge. In addition to those mentioned earlier, there was also a focus on change management, compensation, succession planning, recruitment, HR effectiveness measurement, and learning and development. Succession planning is a particular issue of growing concern. In summary, as one respondent put it, “Organizations have to adapt to change more rapidly than before, with the changes directed from HR.”

Conclusion

Tables 8, 9 and 10 below provide a visual that illustrates areas where there is clear commonality across regions in terms of HR challenges. This commonality reinforces the need for HR practitioners across the globe to continue sharing their experiences and lessons learned.

Table 8

Question 6: Please choose 3 areas that represent significant challenges for you today
(Global and Regional results)

Challenge	% of Companies-Top choices highlighted					
	All	Africa	Asia	Europe	North America	South America
Benefits costs: Health & welfare	13%		4%	5%	30%	7%
Benefits costs: Retirement	9%	13%	8%	7%	17%	3%
Change management	48%	63%	52%	48%	40%	48%
Compensation	24%	6%	16%	30%	9%	38%
Employee rewards	12%	0%	20%	11%	15%	10%
HR effectiveness measurement	27%	31%	20%	23%	23%	34%
HR technology selection & implementation	9%	13%	12%	11%	9%	5%
Industrial relations	7%	6%	12%	7%	0%	10%
Leadership development	35%	31%	36%	20%	53%	34%
Learning and development	19%		20%	18%	15%	21%
Legal/Regulatory compliance	7%	0%	16%	2%	2%	14%
M&A integration/restructuring	11%	0%	12%	7%	15%	14%
Organizational effectiveness	25%	19%	8%	36%	28%	21%
Other	7%	6%	12%	5%	6%	9%
Outsourcing	8%	0%	12%	4%	11%	10%
Staffing: International mobility of employees	4%	13%	4%	5%	4%	2%
Staffing: Recruitment & availability of skilled local labor	24%	0%	16%	34%	26%	22%
Staffing: Retention	16%	13%	16%	20%	11%	17%
Succession planning	20%	25%	32%	16%	32%	9%

Table 9

Question 7: What were the top three issues three years ago?
(Global and Regional results)

Challenge	% of Companies-Top choices highlighted					
	All	Africa	Asia	Europe	North America	South America
Benefits costs: Health & welfare	10%	13%	8%	5%	15%	12%
Benefits costs: Retirement	3%	6%	4%	2%	2%	5%
Change management	36%	44%	36%	34%	45%	29%
Compensation	31%	31%	24%	38%	19%	38%
Employee rewards	13%	0%	16%	21%	11%	9%
HR effectiveness measurement	13%	19%	8%	7%	17%	16%
HR technology selection & implementation	13%	0%	4%	11%	19%	17%
Industrial Relations	12%	25%	32%	9%	4%	9%
Leadership development	24%	19%	24%	23%	32%	19%
Learning and development	23%	13%	28%	30%	15%	22%
Legal/Regulatory compliance	8%	6%	4%	7%	6%	12%
M&A integration/restructuring	16%	13%	8%	16%	21%	16%
Organizational effectiveness	23%	0%	28%	30%	26%	17%
Other:	5%	0%	8%	4%	4%	7%
Outsourcing	15%	19%	20%	13%	11%	19%
Staffing: International mobility of employees	7%	13%	8%	14%	2%	2%
Staffing: Recruitment & availability of skilled local labor	22%	31%	16%	25%	17%	22%
Staffing: Retention	15%	25%	16%	13%	21%	10%
Succession planning	8%	6%	8%	5%	13%	9%

Table 10

Question 8: What do you believe will be the top three issues three years from now?
(Global and Regional results)

Challenge	% of Companies-Top choices highlighted					
	All	Africa	Asia	Europe	North America	South America
Benefits costs: Health & welfare	13%	13%	4%	13%	26%	9%
Benefits costs: Retirement	5%	0%	4%	4%	11%	5%
Change management	28%	31%	36%	29%	21%	28%
Compensation	15%	6%	8%	14%	11%	26%
Employee rewards	12%	13%	12%	14%	15%	9%
HR effectiveness measurement	17%	31%	16%	16%	13%	17%
HR technology selection & implementation	5%	0%	0%	7%	9%	5%
Industrial relations	8%	6%	12%	13%	0%	9%
Leadership development	33%	38%	24%	25%	43%	36%
Learning and development	19%	25%	12%	21%	21%	17%
Legal/Regulatory compliance	5%	6%	4%	5%	4%	7%
M&A integration/restructuring	6%	0%	12%	9%	4%	3%
Organizational effectiveness	39%	44%	40%	39%	32%	41%
Other:	4%	0%	8%	5%	6%	2%
Outsourcing	8%	25%	12%	7%	9%	3%
Staffing: International mobility of employees	13%	13%	20%	27%	4%	5%
Staffing: Recruitment & availability of skilled local labor	24%	13%	20%	25%	36%	19%
Staffing: Retention	23%	6%	20%	21%	19%	33%
Succession planning	21%	31%	36%	11%	23%	21%

Conclusion commentary

Clearly, managing human capital is an ongoing challenge, especially as social, political and economic events take their toll. Strategies must continually be redefined to deliver improved return on investment in human capital. As HR professionals work within their own organizations, they must also cope with good and bad economies, new technology, and the social issues – global, regional and national – affecting their organizations.

We live in a global economy and, although details differ, the issues are remarkably similar. Whether it's AIDS in Africa, SARS in Asia, shifting employee populations within the European Union or the rising cost of health care in North America, the underlying concerns are the same.

HR professionals face the same economic, political, social and environmental challenges as other business professionals. Because the role of HR professionals continues to increase in value, more functional skills and greater leadership expectations are placed upon individuals in the profession. This survey can help HR professionals identify broad, core issues, examine for themselves where more personal and professional development and training may be needed and focus on finding solutions to the broad Human Resource challenges that face their organizations throughout the world.

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