

People Management Translates into Superior Economic Performance

Companies Skilled at Core HR Practices Experience Greater Revenue Growth and Higher Profit Margins, Says BCG-WFPMA Report

BOSTON, August 2, 2012—Companies that are highly skilled in core HR practices experience up to 3.5 times the revenue growth and as much as 2.1 times the profit margins of less capable companies, according to new research by [The Boston Consulting Group \(BCG\)](#) and the [World Federation of People Management Associations \(WFPMA\)](#). Their joint report, [From Capability to Profitability: Realizing the Value of People Management](#), is being released today.

Based on a survey of more than 4,200 HR and non-HR managers in more than 100 countries worldwide across a broad range of industries, the report compares the practices of high-performing companies against those of lower-performing ones in 22 key people-management areas.

The correlation between economic performance and capability in these 22 HR areas was especially striking in six contexts: recruiting, onboarding of new hires and employee retention, talent management, employer branding, performance management and rewards, and leadership development. In three pivotal areas—leadership development, talent management, and performance management and rewards—the high-performing companies differentiated themselves dramatically. In each one, these companies engaged in more activities and provided more options, did so more often, and were generally more effective.

“Overall, what these findings reveal is that ‘people’ companies are far more proactive and more strategic about ensuring they have the talent they need—today and in the future. They fully understand the connection between talent and sustainable performance,” says [Rainer Strack](#), a senior partner at BCG and a coauthor of the report. Adds [Horacio Quiros](#), president of the WFPMA and another coauthor, “We’ve always believed that companies that have good people-management practices perform better. But we now have uncontestable evidence of this correlation.”

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Among the key differences the study found between highly capable and less capable companies:

- In *leadership development*, high-performing companies rely more on leadership models that clarify leaders' expected contributions and behavior. They also make people development a central element of leaders' job requirements, using incentives such as compensation and career advancement.
- In *talent management*, high-performing companies know that the talent pipeline must extend beyond the successors to top management. Consequently, they offer more development programs for a broader range of talent. They also try to attract more international talent. These companies are proactive with talent reviews and create ample career-advancement opportunities—including horizontal as well as vertical ones. They also do more to nurture employees' individual growth and keep them fulfilled professionally.
- In *performance management*, high-performing companies treat and track performance with transparency. They recognize the value of fair and transparent measurement and rewards systems in promoting a culture of meritocracy. They more often align and motivate their people with clear norms, expectations, and global standards. They reward behavior, not just results, to a greater degree than low-performing companies.

Excelling in leadership development, talent management, and performance management, however, is not enough. Being a people company means doing more across the entire spectrum of people management activities, from employer branding to employee retention. Furthermore, notes [Jean-Michel Caye](#), senior partner at BCG and a coauthor of the report, “It’s not enough to carry out people management activities in a linear and separate fashion. There is an integrated logic in how a company builds, for example, its talent-management, leadership-development, and performance-management efforts.”

The demonstrable economic benefits of people management have important implications for companies that may be weighing cutting back on the sorts of programs and activities that have a hard-to-quantify return on investment. As [Pieter Haen](#), secretary-general of the WFPMA and a report coauthor, cautions, “These findings should be a wake-up call for executives and HR people everywhere. As the talent crisis

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worsens, those who don't make a commitment to attracting, developing, and retaining talent put their future performance at risk.”

From Capability to Profitability: Realizing the Value of People Management is a preview of findings from the 2012 BCG/WFPMA global survey on people management. The full findings will be discussed in a larger report due out in October—part of the [Creating People Advantage](#) series that BCG has published annually since 2007, together with the WFPMA and the [European Association for People Management \(EAPM\)](#).

A copy of the report can be downloaded at www.bcgperspectives.com or at www.wfpma.com/research.

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About The World Federation of People Management Associations

The World Federation of People Management Associations (WFPMA) is a global network of professionals in people management. It was founded in 1976 to aid the development and improve the effectiveness of professional people management all over the world. Its members are predominantly continental federations, which are made of up of more than 90 national personnel associations representing over 600,000 people management professionals. For more information, please visit www.wfpma.com.

About The Boston Consulting Group

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 77 offices in 42 countries.

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