

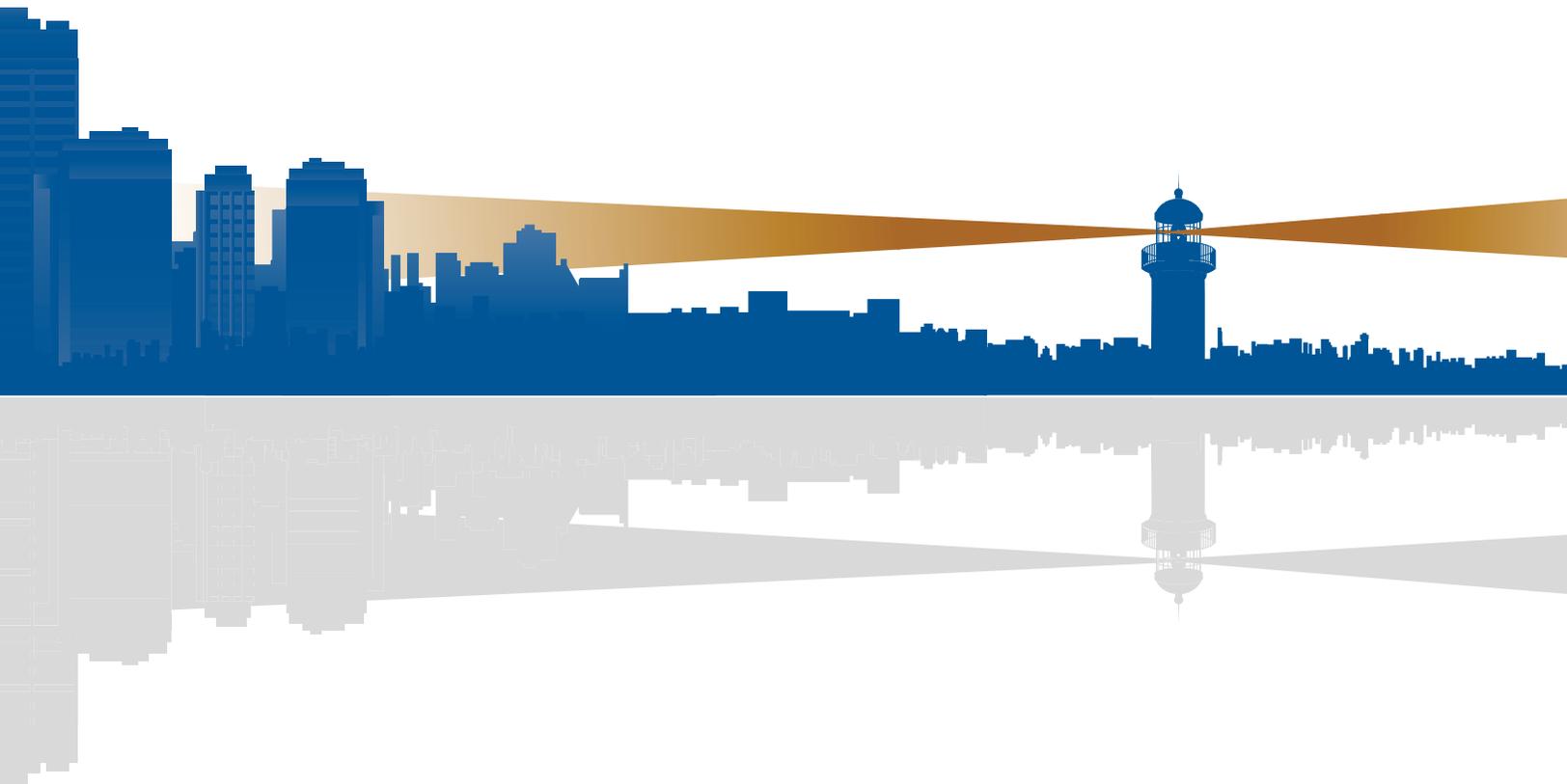


THE BEACON GROUP

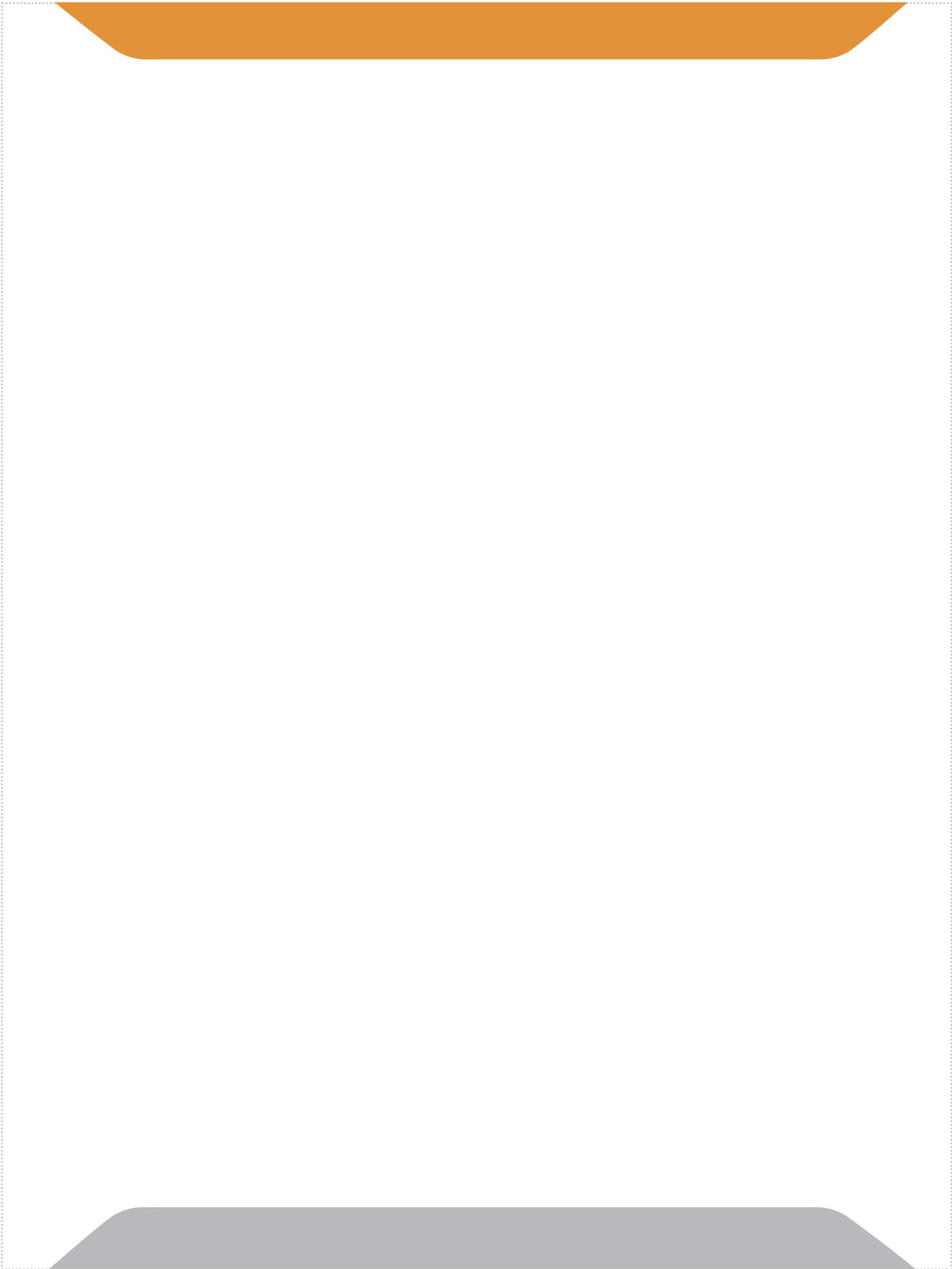
Navigate the Future™

"Defining the Human Capital Leader of Tomorrow"

Issue 5 – Volume 1
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Executive Report on Leadership & Business Strategy





In Our View ...

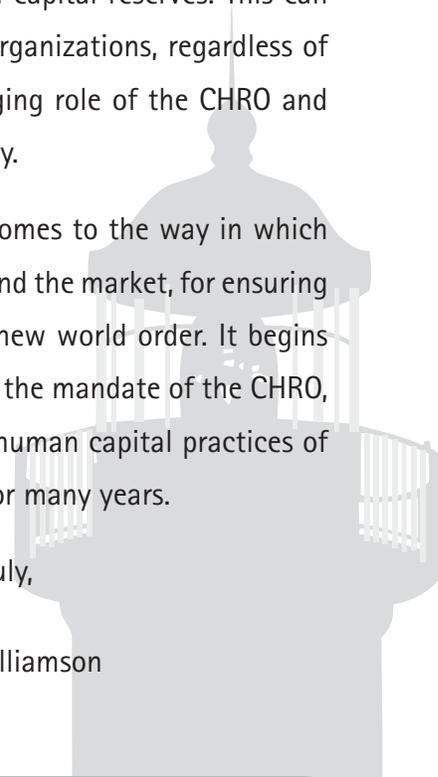
In recent years, and certainly since the late 1990's, we have seen dramatic changes in the role of the Chief Human Resources Officer (CHRO) and in their responsibility as the strategic stewards of human capital in the larger, multinational corporations. Unfortunately, the more progressive changes have largely been confined to a relatively few enlightened organizations. As a result, the gap in sophistication between these entities and the rest of the population has widened further. Given the structural challenges and current struggles of most western industrial economies, this means a rising percentage of all employers are actually failing to keep pace with the new and necessary competitive standards when it comes to attracting, incenting, leveraging and retaining human capital.

It's time to examine how, in the smaller and mid-sized organizations which are the true engines of job creation, we can begin to redress this imbalance in sophistication and its negative impact on our overall, long-term human capital reserves. This can only happen if the leaders, owners and managers of all organizations, regardless of size or sector, make it a priority to understand the changing role of the CHRO and take steps to shift its focus from administration to strategy.

It's time to lift the dialogue and demand more when it comes to the way in which organizations are held accountable by their shareholders, and the market, for ensuring their people practices meet the higher standards of the new world order. It begins with raising the enlightenment level of leaders, redefining the mandate of the CHRO, and implementing public disclosure requirements on the human capital practices of all enterprises, as we have done with financial practices for many years.

Yours truly,

R. Douglas Williamson
C.E.O.



The Business Case ...



The business case for fundamentally rethinking the way in which we conceive of the CHRO role has been made before, and it has been made by many. We claim no monopoly on the idea that improved human capital management has become one of the essential requirements of any modern organization wishing to remain competitive. In fact, Deloitte, Cornell University and The University of Michigan, amongst others, have done a commendable job of putting their own ideas forward. However, they have tended to frame their thoughts and recommendations through the lens of the larger, more complex organization. We believe the real concern should lie with the unique challenges of those further down the food chain. In a world where the quality of talent available to an organization represents a huge competitive advantage, we cannot marginalize those organizations that do not have the size or scale.

The free and ready access to a bountiful supply of human capital has become as big a barrier to growth and competitiveness in 2013 as access to financial capital was in the 1930's. The problem is, too many business leaders have not recognized the basic changes in the "people market". They continue to operate with a naive belief an adequate pool of trained employees will forever be available, while not recognizing the fundamental supply and demand equation has changed forever.

The blunt and uncomfortable reality is that we have a gross imbalance between what we need, in terms of qualified, talented employees, and the conditions we create, within our organizations, which would allow them to thrive. On the surface, this does not get fully appreciated because we believe higher levels of unemployment mean the supply is in excess. However, a much closer and thoughtful examination of the fact tells us the dilemma is in the mix of talent, not the sheer size of the available pool.

Cost, Consequence and Peril ...

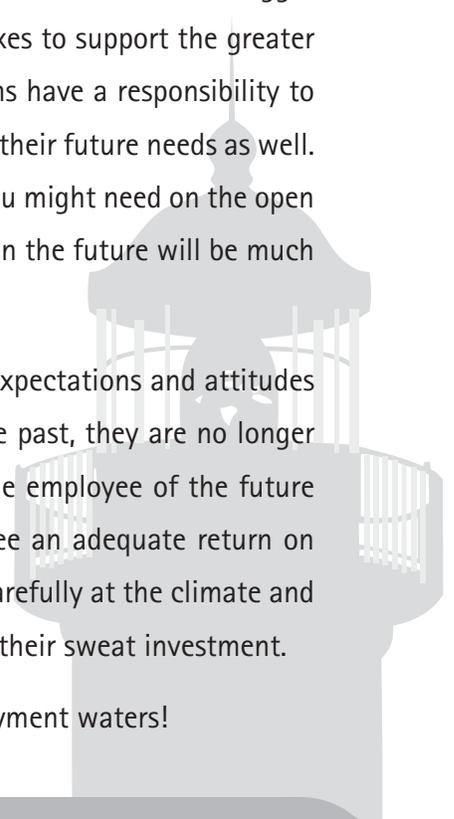
The problem or barrier many senior executives have with modernizing their view on the importance of human capital management is the very mindset they bring to the whole discussion. As individuals who have no doubt achieved disproportionate success in climbing the organizational ladder, they believe, consciously or otherwise, that Darwin was correct in his theory on survival of the fittest. They believe success could be achieved by anyone, if only they had the same drive and determination.

This view is as undeveloped in the human capital realm as are the beliefs that global warming and environmental stewardship are exaggerated overreactions, fueled by a group of eccentric voices, including Al Gore and David Suzuki. They are wrong!

In business and society, you have to thoughtfully balance short and long term obligations, and not rob one to pay for the other. Furthermore, you cannot ask governments to be either the guardians or the bankers for the future. Business has a much bigger national and community role to play than simply paying taxes to support the greater good. Indeed, as the "users" of the talent pool, organizations have a responsibility to develop the pool, not just for their immediate needs, but for their future needs as well. While you could traditionally buy or lease all of the talent you might need on the open market, the market itself has changed, and securing access in the future will be much more problematic and considerably more competitive.

One of major reasons for this is the marked change in the expectations and attitudes of employees. Having been treated as fungible assets in the past, they are no longer prepared to be seen in that way going forward. Instead, the employee of the future wants to be treated as any other investor. They want to see an adequate return on their investment as an employee, and they will look more carefully at the climate and conditions offered by any employer who is trying to attract their sweat investment.

Beware the rip tide below the surface of the modern employment waters!



The New Mental Model ...



In today's modern global economy, and even in smaller domestic economies, financial capital flows to the place of greatest relative opportunity. So it is with human capital, except we do not have the same sophisticated ways in which to gauge risk and measure return, nor do we have the well organized markets to help us "trade". However, change is coming and, while it may not be getting a great deal of press at the moment, there are faint signals from the periphery which are telegraphing the future, if we would simply tune into the right frequency.

The number one signal being broadcast by the future can be heard when listening in on any conversation among the 20-25 year old set. Unlike their parents or grandparents, the Vice Presidents, Directors and Supervisors of the future don't see working for a large, multi-layered corporate bureaucracy as the paved road to middle class success, prosperity and retirement. In fact, the more they enjoy the antics portrayed at Dunder Mifflin, in the hit TV series The Office, the more they mock institutional life amongst themselves. To make matters worse, when they happen to talk to those who are 10 years or so older, and who work in low level management jobs, all they hear about are "dumb bosses, mind numbing routines and corporate compliance rules" that leave far too many of our younger adults wondering what was so great about the world of Ozzie and Harriet.

The second signal from the future can best be seen in the phenomenon of social media, the way relationships and networks are formed and conducted, and the addiction to the present over the allure of the future. Unless we are about to be hit by a giant tsunami of nostalgia, we have every reason to believe that the youth of today (the employees of tomorrow) will be motivated by a whole different set of factors. The ambition of a nice house in the suburbs has more than likely been replaced by a thirst for adventure, spontaneity and freedom from routine, rules and restrictions.

The children of the hippie generation have gone back to the future!

The New Organizational Model ...

The implications of these silent forces, lurking just beneath the surface of our consciousness, are potentially game changing for employers who will find themselves not only in tough competition for talent, but in a competition guided by a new set of conditions and circumstances.

In the future, there will be three primary "classes" of employees.

The Creative Class – which Richard Florida has done a great job of describing in his many books and lectures, will place a premium on those who earn their keep through imagination, innovation and design thinking.

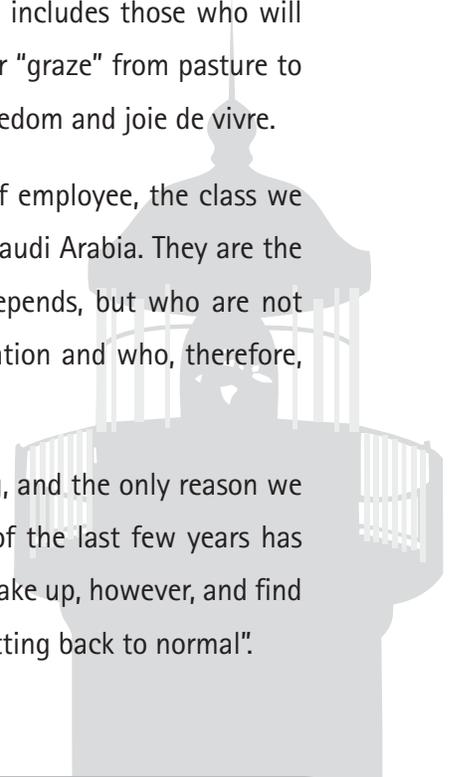
The Craftsman – which represents a return to the old days, where younger people will follow their passion and perfect their employment proposition as highly skilled, self-employed individuals, providing high value services to an eager wealthy class.

The Contractor – which may very well be the majority and includes those who will not even seek full time employment, but will rather "rove" or "graze" from pasture to pasture, balancing the need for income with the need for freedom and joie de vivre.

The net result of this will be the rise of yet another class of employee, the class we have already seen rise in countries like Russia, Mexico and Saudi Arabia. They are the employees who do the very basic jobs on which society depends, but who are not deemed worthy by a rising and entitled middle class generation and who, therefore, fall to a largely immigrant population.

The bottom line message here is that a revolution is brewing, and the only reason we have not been hit even harder is the economic downturn of the last few years has struck fear into everyone. Traditional enterprise is about to wake up, however, and find the second wave of crisis will hit them just as things are "getting back to normal".

The problem is – the new normal is different!



Human Capital Strategist & Architect ...

The Chief Human Resources Officer of the future will have to deal with all of this and much, much more. The implications are huge and the necessary adjustments are almost overwhelming. No longer will HR be about Payroll and Benefits, Hiring and Firing, Engagement and Empowerment. Those will make up the baseline transactional skill set in which there is no competitive advantage.

In the future, the CHRO will be required to:

Strategize - *when it comes to future talent, skill and competency needs*

Plan - *how to perfect the optimal mix of emerging talent*

Monitor - *changing conditions dynamically*

These are competencies which do not come naturally to the current breed of HR professional, who has become so comfortable at playing second fiddle at the executive leadership table, they see ordering coffee and muffins as the best way to curry favour with the CEO.

In the world of tomorrow, the CHRO will take their proper place alongside, if not ahead of, the CFO and CIO. However, being sober and realistic about this, we know the transition will not occur until the leaders at the very top (the CEO/COO), the owners and the Board begin to ask the piercing questions needed to hold the organizational leaders accountable for addressing the human capital management issues with the same vigour they do capital investment and operational process efficiency.

Any organization that does not demand the highest possible level of sophistication when it comes to workforce strategy, as opposed to workforce planning, will die a slow death of competitive disadvantage that will make compressed profit margins look like a cake walk by comparison.

Maestro of Organizational Effectiveness ...

In far too many companies, of all sizes, the organizational orchestra is led today by either finance or operations and occasionally, perhaps, by marketing or sales. In the future, the room for strategic advantage in those fields will be reduced to table stakes. As a result, the fifty plus year war on process improvement and efficiency will come to an end, and there will be no more gains to be had by tweaking (or re-engineering) the corporate engine.

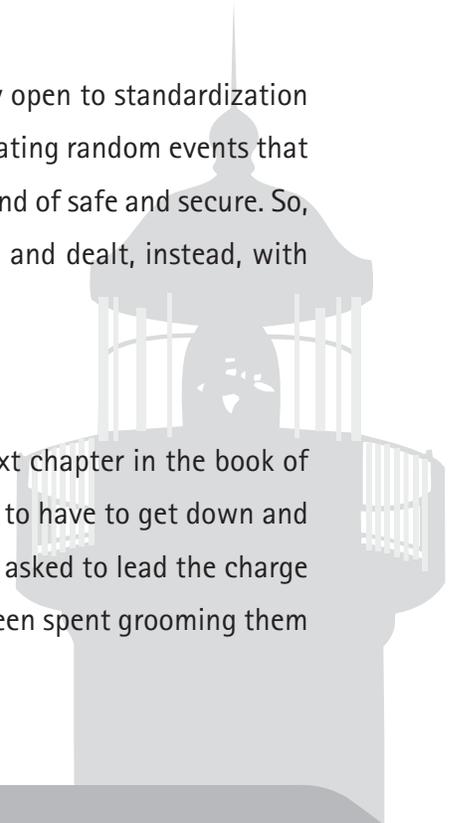
The baton will pass to a new and different set of challenges. The human challenges!

In the future, leaders will come to realize the performance improvements, which come from the effective harnessing of human capital and human potential, will far outweigh those gained through the policies, practices and programs aimed at oiling the operational efficiency machine. In our collective hearts, we have known for some time that people make a huge difference and that great people make all the difference. The problem is - people are problematic!

Unlike machines, they are unpredictable and not especially open to standardization and Six Sigma like programmatic solutions aimed at eliminating random events that disturb the equilibrium and distress those who live in the land of safe and secure. So, we have turned away from the tough challenge of people and dealt, instead, with the easier challenge of process.

Guess what - the bell has rung!

No longer can we avoid the inevitable. As we enter the next chapter in the book of organizational performance effectiveness, we are all going to have to get down and dirty on the human capital stuff. The CHRO will be the one asked to lead the charge and, boy oh boy, don't you wish a little bit more time had been spent grooming them for the task at hand?



Conscience of the Organizational Brand ...

Brand matters in the world we occupy today. Everywhere, at every turn, in every way, brand penetrates our consciousness and guides the decisions we make. We live in a world where the search for brand harmony has become core to how we sell our products and services, and whether we buy or deny. Yet, in a rather strange way, the impact on brand of the way we govern, staff and manage our human capital has taken a back seat.

That day is about to end!

In the future, the CHRO will have as much voice when it comes to brand as the CMO. The way in which we go about our business, behind the walls of public scrutiny, and the behaviors, values and beliefs of the workforce impact the brand in ways we are only beginning to understand and appreciate. Someone other than the CEO needs to be responsible when it comes to the conscience of the internal brand proposition.

In our view, in the same way we have moved from Employee Satisfaction to Employee Engagement as the means through which we think about and assess organizational health, we are about to enter yet another era in which Employee Brand Impact will become the critical metric.

As we shift to this more advanced and enhanced state, someone will need to pick up the mantle of responsibility and it will be the reincarnation of the VP – HR who will be reborn as the CHRO and will, in that capacity, take on a much wider set of responsibilities having to do with being the executive owner of the governance and brand agenda.

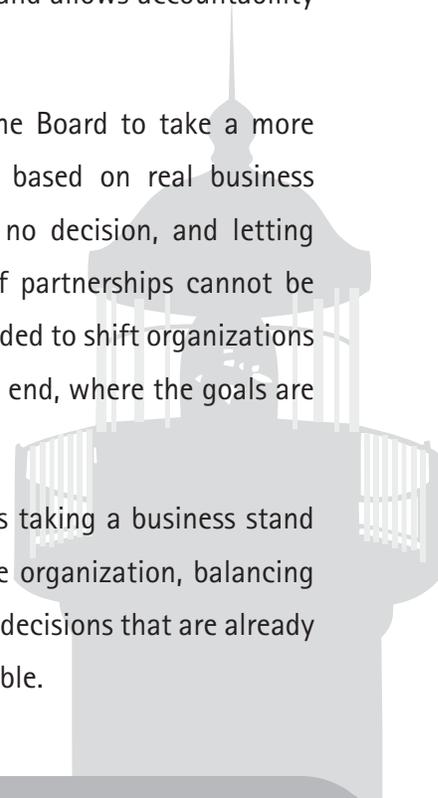
Delivering Better Solutions ...

The current HR executive has a vague and simple set of responsibilities when it comes to ensuring performance and financial effectiveness. They are asked to keep budgets down, outsource when it is cheaper and become the kings and queens of the RFP as a means to validate the worthiness of the services they need to provide to the organization. The trouble is, you get what you pay for and, as HR teams have come to rely upon the RFP as a means to ensure "value" they have, in fact, done exactly the opposite. They have committed themselves, and their organizations, to a commodity based solution in a world where value is the economic multiplier.

Going forward, the CHRO will have to take a more sophisticated point of view. If they cannot determine value and fair market price on their own, they should not be allowed to hide behind the protective shield of tendering for the important services attached to human capital management. The predisposition to such behaviour does nothing more than reveal a lack of professional judgment, and allows accountability to be shifted to the process, rather than the best decision.

In the future, the CHRO will be asked by the CEO and the Board to take a more courageous stand and to make real business decisions, based on real business disciplines, rather than hide behind the skirt of making no decision, and letting vendors do the bidding. In a world of value, the value of partnerships cannot be denied, and only smart partnerships will provide what is needed to shift organizations from the defensive end of the playing field to the offensive end, where the goals are scored and the victories won.

The CHRO must be a business person first, and that means taking a business stand on what is in the best economic and social interest of the organization, balancing both equally, and making the bold, strategic, differentiating decisions that are already demanded of the other executives around the leadership table.



Steps to Take :: Actions to Consider

The world of people has always been a challenging place in which diversity, emotion and personality collide in unpredictable ways. Going forward into yet another new period of change, we need to reinvent the position occupied by the CHRO in organizations large and small. The advent of a changing workplace, and the changing values and priorities of an emerging generation, require the CHRO to move from behind the desk to a front seat at the executive strategy table. This is an urgent priority directly connected to the competitiveness and performance of our organizations, institutions and communities.

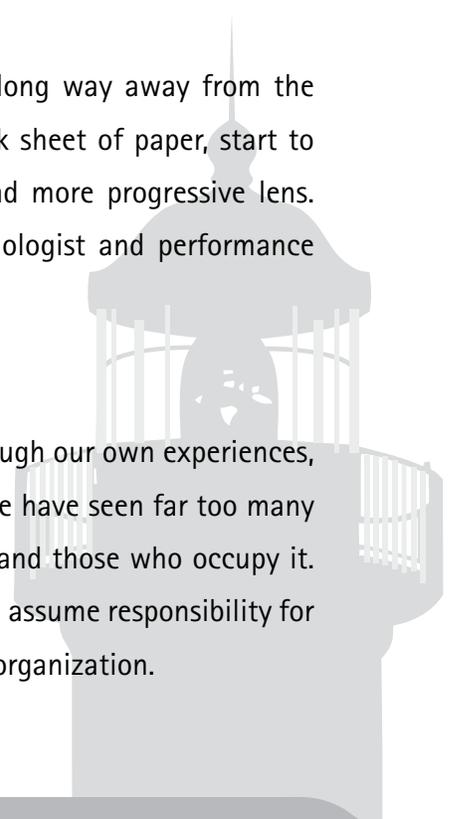
We have a long way to go, but some of the actions you can take beginning right now have been listed below.

Crown the King or Queen

Chances are the mandate for your current HR lead is a long way away from the mandate of the modern CHRO. So, beginning with a blank sheet of paper, start to formulate these responsibilities through a new, bolder and more progressive lens. Imagine the CHRO as the talent scout, soothsayer, psychologist and performance enhancer.

Reposition the Position

We are all guilty of valuing people, and their positions, through our own experiences, which are often distorted and narrow. In the case of HR, we have seen far too many executives whisper under their breath about the function and those who occupy it. Once the mandate has been re-crafted, the CEO will have to assume responsibility for positioning the new role and socializing it throughout the organization.



Model the Future

It is essential, as part of a revamped and upgraded Strategic Planning process, that organizations have a dynamic model of the way in which the workforce will change, and the impact this will have on the required skill sets and competencies on one hand, and the business drivers on the other. If advantage comes through innovation and service excellence, both will be driven by people. Better people. Different people.

Emphasize Social Studies and Demographics

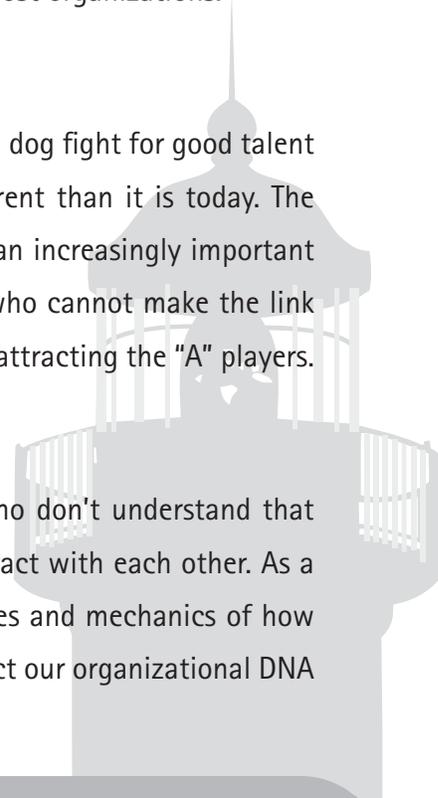
The world of people studies, and the social environment in which we ask them to work, is a science leaders will need to become more interested in. The black hole of understanding will need to be filled by a CHRO who acts more like an economist than a kindergarten teacher. The demand on the CHRO should be for a level of forecasting that is space age by comparison to what we see today in most organizations.

Work on the Brand

The hypercompetitive organization of the future will be in a dog fight for good talent in an environment where the "employment offer" is different than it is today. The organizational human capital brand component will have an increasingly important impact on the overall brand of the enterprise, and those who cannot make the link will come to see how dry the well can be when it comes to attracting the "A" players.

Fix the Intake Valve

Corporate culture can be a quagmire for those leaders who don't understand that culture arises from the way people choose to act and interact with each other. As a result, we all need to improve the criteria, means, processes and mechanics of how we recruit, and how we orient the fresh blood that will infect our organizational DNA for either the good or the bad.





The Beacon Group is ...

We are a Canadian-based professional services firm supporting clients throughout North America and around the world. We work with organizations in all sectors and industries in the development of their business strategies and in helping them leverage their investment in human capital.

Our goal is to support senior leadership teams in their efforts to:

Optimize - strategic positioning and market opportunities

Maximize - long-term organizational effectiveness

Develop - leadership competency and fitness

Create - superior levels of performance

Our practice is divided into four main areas of expertise:

Strategy | Culture | Talent | Leadership

When integrated, this broadly based expertise provides our clients with a comprehensive Organizational Health and Business Performance System.



Our Core Values

We believe ... mindset, attitude, character and behaviour matter. It is vitally important to be clear, consistent and authentic. This is especially true when serving as a "trusted partner" to the organizations who work with us.

We commit ... in all aspects of our client relationships, to being:

Progressive - forward thinking, ambitious and pragmatically radical

Thought Leaders - innovative, audacious and imaginatively bold

Passionate - loving what we do and creating passion in others

Customer Driven - dedicated, involved and fully committed

Responsive - fast acting, intense and able to anticipate

Agile - enthusiastic, nimble, adaptive and courageous

Our Approach

We support ... progressive leaders and ambitious organizations in developing relevant Business Performance and Human Capital strategies that have an immediate impact.

We partner ... with them to create and implement robust strategies, solid frameworks and pragmatic solutions, allowing them to lead with confidence and deliver results.

We achieve ... this through a commitment to:

Providing - a comprehensive, integrated set of organizational effectiveness tools

Focusing - on building customized solutions to meet performance challenges

Supporting - mission-driven leaders with their transformational agendas

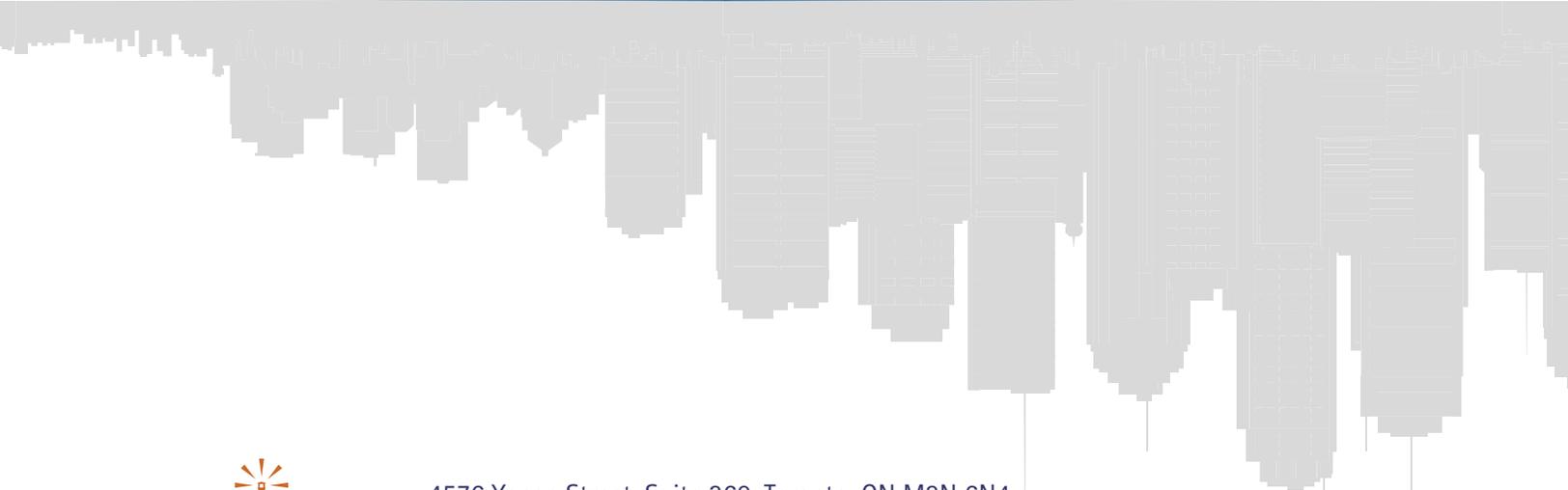
Appealing - to those with a pragmatic, no nonsense approach

Executing - our work with punch, panache and know-how

Delivering - results that make a difference



Strategy | Culture | Talent | Leadership



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