

HR QUARTERLY INDEX

HR Coach Research Institute

January Report 2009

Featuring:

- Executive Commentary
- National STAR Report© Extract
- Sensis® Business Index Comparative Data

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Report

The *HR Quarterly Index*, produced by the HR Coach Research Institute, is a national based research initiative reporting on the changing landscape of workforce and strategy and its impact on sustainability for the business sector. The HR Quarterly Index provides a snap shot of the research results in two key areas:

1. Internal Business Pressure on Strategy
2. External Market Analysis

The Index evaluates measurements of business and employee confidence, identifying the perceived impact on business performance.

The HR Quarterly Index provides businesses, HR Professionals, business advisors, industry bodies and government with insights into broad industry issues and the effects on the business sectors' ability to contribute to the Australian economy.

Methodology of Research

The *HR Quarterly Index* collates data specific to the SME sector through two sources of data.

1. Participant data of the Australian Employer of Choice Program, STAR Workplace, is used for the internal environmental analysis of both employer and employee confidence. Individual information is confidential and collated results are represented in the *National STAR Report*.
2. External scanning for environmental analysis

Research data is presented in three sections:

1. Executive Commentary
2. National STAR Report© Extract December 2008
3. Sensis® Business Index Comparative Data

Commentary

Each section provides information on the key data and commentary obtained from the independent review committee consisting of:

Dr. Polly Parker	-	Director of MBA Studies at the UQ Business School
Professor Marie Wilson		Head of Management and International Business - University of Auckland
Martie-Louise Verreyne		Lecturer in Entrepreneurship at the University of Queensland
Sandy Deans		Human Resources Strategist and Industry Representative
Louise Broekman		Human Resources Strategist and Founder of the HR Coach Research Institute

1. Executive Commentary

Employer Confidence- the Achilles Heel to Productivity

The January 2009 edition of the *HR Quarterly Index* provides a new and innovative perspective on pressures within Australian workplaces by capturing data on Employer confidence and satisfaction levels in tandem with employee satisfaction. This provides a total evaluation of the workplace engagement and clearly represents the issues facing the business sector.

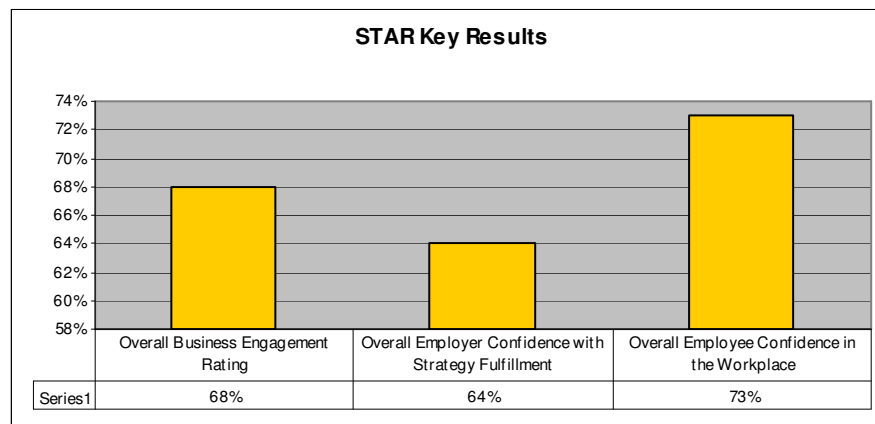
Louise Broekman, Founder of the HR Coach Research Institute, highlighted the key finding of the Index. "National Employer Confidence is only 65% which is a major concern for both the economy and individual businesses as these results were collected prior to the significant shift in global market conditions at the end of 2008."

"Employers in the business sector are the powerhouse of the Australian economy and their lack of confidence and satisfaction in their business strategy is keeping them awake at night. Although Employee Confidence is relatively high at 73%, we know that employers set the tone in an organisation and this may have a detrimental effect on ongoing employee confidence."

Results from the research indicate that there is a common link between key factors contributing to the lack of employer and employee satisfaction. Employers are most concerned with areas relating to strategic planning and implementation in their business, while employees are most concerned with knowing how the business is performing and future direction.

"The mandate is clear," said Broekman, "employers need support in the articulation and implementation of their business planning. Without a plan and clear directives on implementation, employers can become the obstacle to productivity in their business. Employees need direction and open communication from the employer to ensure they remain engaged and productive within the business."

Consolidated Results	
Overall Business Engagement Rating	68%
Overall Employer Confidence with Strategy Fulfillment	64%
Overall Employee Confidence in the Workplace	73%



Employer Confidence

The data identifies that business owner's ability to define and manage strategy implementation is a key risk. The Sensis® Business Index identifies that businesses are concerned about the external environment and predicting a decline in profit and overall performance. The major risk is that they are not planning sufficiently internally. The *National STAR Report* identifies that the internal planning, communication and management of their business is weighing down employer confidence.

If this is not addressed within individual businesses, there will be increased downward pressure on productivity and key employee retention.

Productivity and Key Employee Retention

Productivity risk management and key employee retention are also strategic issues that the business sector must address. Business owner's planning skills and management focus may be at risk of letting their business down internally, states Louise Broekman.

"If the employer is experiencing pressure from the external environment and is not confident about the organisational direction and ability, they must question the organisation's sustainability and long term survival." Broekman said.

Employee confidence is generally a lag indicator of employer confidence. Shifts in employer confidence take time to significantly impact employee confidence ratings. It is important to note that what the employer does today, will impact on the employee confidence rating in the future-positively or negatively.

According to the *National STAR Report*, employers are not confident in the management controls in their businesses as represented in the top 3 issues:

- Following up to make sure tasks are completed
- Efficiency of the management team
- Linking strategy to the actions of individuals

The impact of employer's confidence (or lack of it) may be evaluated with the employee concerns as represented in the top three issues:

- Knowing how the business is performing and future direction
- Opportunities for advancement
- Remuneration and Pay

It is particularly important to note that other key issues concerning employees are:

- Efficient planning and decision making processes
- Formal communication processes

This highlights the link between employer and employee confidence within organisations. The lack of confidence by employers and employees will impact on the sustainability of the relationship of both parties. The current lack of employer confidence may impact on turnover of key employees in the long term, a threat to productivity and profit.

The Sensis® Business Index has identified that the business owners intent is to reduce their investment in future capital expenditure and wages with a reduction in profitability. How employers plan, prepare and communicate will be critical to business survival in the next twelve months.

2.National STAR Report© Extract December 2008

Strategic Action Model™

The STAR Workplace Framework is based upon the Australian Quality Framework and Business Performance. The HR Coach Strategic Action Model and measurement system is the underlying method of data analysis.

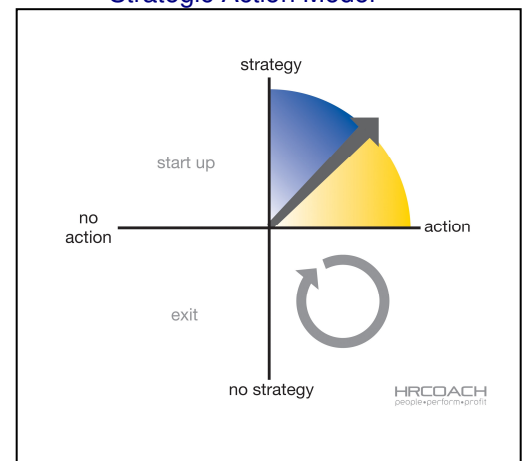
STAR Rating Productivity Factor Key

75%+ Probability of reaching productivity targets is Positive. Poised for achieving intent and growth. Factors indicate engagement.

50% - 74% Productivity Risk in relation to management of employee and employer expectations. Factors indicate frustration internally.

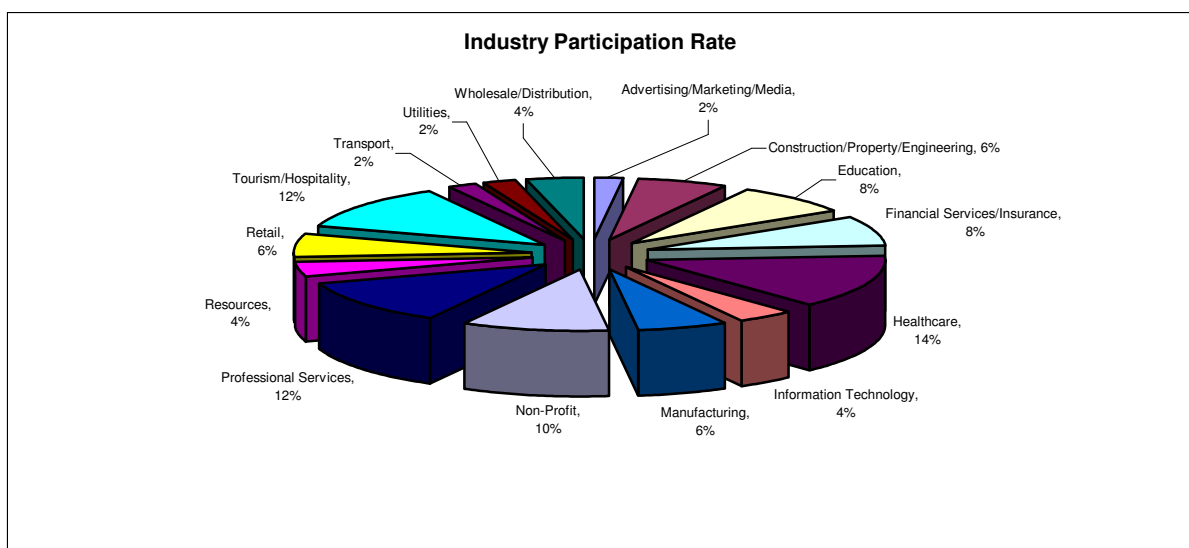
- 50% High Risk Factor in impacting negatively on achieving strategic intent. Factors indicate dissatisfaction.

Strategic Action Model™



Industry Participation

Participation by Industry was most represented by the Healthcare sector (14%), Professional Services sector (12%) and Tourism/Hospitality (12%)



National Summary

Key Findings

Employee confidence (73%) is greater in the internal business environment than employer confidence (64%).

The variance between employer and employee confidence is 9%.

Data Set

The overall combined Business Engagement rating employers and employees is 68%.

The key contributors to employee confidence included being trusted, flexibility in work arrangements and honesty and integrity of the team.

The key reasons for lack of employee confidence included knowing how the business is performing and future direction, opportunities for advancement and remuneration and pay.

The key contributors to employer confidence included the ability to “sell” during the recruitment phase and keeping staff in the first year.

The key reasons for lack of employer confidence included having to follow up to make sure tasks are completed, efficiency of the management team and linking strategy to the actions of individuals.

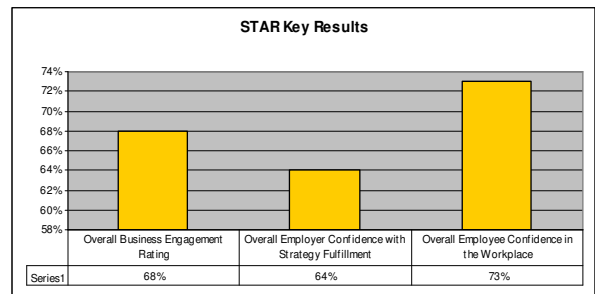
Notes on Data

The data set commenced in July 2008, prior to the shift in external economic conditions globally. The expectation is that employer confidence may continue to decline from this report over the coming year.

Independent Review Panel Commentary

Professor Polly Parker raised concerns for business owners. “Business owners are struggling and are time poor. If they are too busy to develop management skills outside of the workday, how will they learn them? This will be a priority for industry”.

Employer Results	
No Employers Participating	50
No of Sample Employees from Participating Organisations	611
Consolidated Results	
Overall Business Engagement Rating	68%
Overall Employer Confidence with Strategy Fulfillment	64%
Overall Employee Confidence in the Workplace	73%



Employer Confidence

Key Findings

Employer Confidence in the organisation's ability to achieve its strategy is 3% lower than their confidence in individual employees achieving desired results from performance.

Employer confidence in the organisation's ability to achieve its strategy is 64%.

Employer confidence in its employee's ability to achieve results from their performance is 67%.

Data Set

Employers are more satisfied with the skills and knowledge of employees (77%) and ability to satisfy customer service requirement (78%) than the financial results of performance (58%) and the processes to make strategy happen (62%).

Employer dissatisfaction is reflected in the top 10 indicators (see table). Productivity of employees and management effectiveness are key issues for employers.

Process improvement priorities for employers include functional HR processes such as Orientation Programs and Workplace Policies. These are followed by strategic business improvement and planning.

Independent Review Panel Commentary

Sandy Deans, Human Resources Industry Representative, suggests the results have highlighted that quality of communication and openness in dialogue is critical at this time. "Unfortunately in the good times, businesses do well irrespective of the market. In tighter economic climates, it highlights the weaknesses in our ability to be agile, to manage and to lead – everyday".

Employer Summary

Strategy	64%
Results from Performance	67%

Employer Most Dissatisfied with TOP 10

1. Following up to make sure tasks are completed
2. Efficiency of the management team
3. Linking strategy to the actions of individuals
4. Accountability of individuals
5. Finding quality applicants
6. Employees achieving the results they need for their job
7. Looking for new ways to reward staff
8. Internal succession planning
9. Employee productivity measurement
10. Gaps in knowledge, skills and capability

Employer Process Improvement Request TOP 10

1. Orientation Program
2. Workplace Policies
3. Formalised induction process for first week
4. Interview Guides for all roles
5. License and Dates Tracking
6. Legislation Policies
7. Continuous Improvement Program
8. Involvement of employees in plan setting
9. Regular Staff Feedback Meetings
10. Strategic Business Plan

Results of Performance

Accountability to Financial Results	58%
Compliance with Policies and Procedures	62%
Technical Ability of Employees	74%
Skills and Knowledge of Employees	77%
Ability to provide Customer Service	78%

Employee Confidence

Key Findings

Employee Confidence (73%) is 9% higher than employer confidence (64%)

The findings demonstrate that employees are more satisfied generally than employers.

Data Set

Employees are most dissatisfied with the communication provided by employers both formally and informally on knowing how the business is performing and future direction.

This is followed by opportunities for advancement and remuneration and pay.

The results did not vary significantly by industry sector.

Notes on Data

The results show a common theme for businesses in relation to communication and planning.

Of particular interest are the results for opportunities for advancement and training and development. This should be reviewed carefully in the future for small and medium businesses, where job succession may not be possible.

The employee dissatisfaction factor results should also be reviewed with the Internal Priorities section to assess the relationship with employer factors.

Independent Review Panel Commentary

According to panelist, Martie Louise Verreyne of University of Queensland, the research may be indicating a shift in the internal environment needing to occur to relate to a new economy. "Currently what happens inside organisations was relevant to an old economy that does not exist anymore. What we do know from our research at UQ is that businesses that use ideas from staff are better performing." Verreyne said.

Employee Summary

Overall Business Engagement Rating	68%
Employee Confidence	73%

Employee Most Dissatisfied with TOP 10

1. Knowing how the business is performing and future direction
2. Opportunities for advancement
3. Remuneration / Pay and bonuses
4. Efficient planning and decision making process
5. Formal communication process
6. Professional development in my job
7. Training and development for my job
8. Quality of planning and being organised
9. Good quality communicators
10. Receiving constructive feedback on my performance

Internal Priorities

Key Findings

Employers are most confident about their structures of recruitment and employment frameworks, particularly focused on the first year of employee relationships. Employers are least confident about management and planning disciplines in their businesses.

Employees are most confident about the level of trust in the workplace and flexibility in their work arrangements. Employees are least confident about the communication provided by employers, opportunities for advancement and rate of pay.

Data Set

Both employers and employees are dissatisfied with communication and management controls within the business.

Employers and employees are also dissatisfied with the communication process in managing expectations. Employers are generally satisfied with the framework of employment in relation to rates of pay, however the employees are not.

Key Results Index	
Dec-08	
Employer Confidence - Top 5 <ol style="list-style-type: none"> 1. Ability to "sell" during the recruitment phase 2. Keeping staff in the first year 3. Framework for correct rates of pay to reward and keep staff 4. Compliance with legislation 5. Staff pay rates and remuneration 	Employer Lack of Confidence - Top 5 <ol style="list-style-type: none"> 1. Following up to make sure tasks are completed 2. Efficiency of the management team 3. Linking strategy to the actions of individuals 4. Accountability of individuals 5. Finding quality applicants
Employee Confidence - Top 5 <ol style="list-style-type: none"> 1. I am trusted 2. Flexibility in work arrangements 3. Honesty & Integrity of Team 4. Ability to satisfy customer needs 5. Interesting challenging job 	Employee Lack of Confidence - Top 5 <ol style="list-style-type: none"> 1. Knowing how the business is performing and future direction 2. Opportunities for advancement 3. Remuneration / Pay and bonuses 4. Efficient planning and decision making process 5. Formal communication process

Notes on Data

Of particular note is the employer lack of confidence in the management functions of the business and employees ability to achieve the financial results in the Employer Confidence section.

The factors most enjoyed by employees in relation to flexibility, interesting job and meeting customer needs are strengths and benefits for employees working in the business sector.

Independent Review Panel Commentary

According to Louise Broekman, "these findings identify common themes across all industries and provide a framework for businesses to focus on what really matters in terms of opportunities for growth and risk minimisation."

Subset Results

Key Findings

The Advertising, Marketing and Media sector (78%) is the most engaged in workplaces and the Wholesale/Distribution sector (61%) is the least engaged.

Employee engagement did not vary greatly between age demographic, gender and employment status.

Data Set

Advertising, Marketing and Media is the most satisfied industry sector (78%), followed by Non Profit (74%), Information Technology and Resources Sectors, both at 72%.

The least satisfied is Wholesale/Distribution (61%) followed by Healthcare (64%) and Construction/Property and Engineering (65%).

Businesses within 4000 postcodes are most engaged (69%). Businesses within the 6000 postcodes are least engaged (58%).

Managers and Baby Boomers are the most confident in the employee subsets.

Notes on Data

This result may vary over time as the data set continues to grow with the study.

See also summary table attached.

Independent Review Panel Commentary

According to Sandy Deans, the generational data was not a surprise. "People are people. The issue is more that managers don't know how to manage the relationship with their employees – no matter what the age group is. The employer confidence rate demonstrates that they need help and are not confident in dealing with people. Communication is the key."

	Overall Business Engagement
Total	68%

Industry

Advertising/Marketing/Media	78%
Construction/Property/Engineering	65%
Education	66%
Financial Services/Insurance	69%
Healthcare	64%
Information Technology	72%
Manufacturing	64%
Non-Profit	74%
Professional Services	66%
Resources	72%
Retail	67%
Tourism/Hospitality	69%
Transport	68%
Wholesale/Distribution	61%

Region

Postcode Region in 2000	66%
Postcode Region in 3000	64%
Postcode Region in 4000	69%
Postcode Region in 6000	58%

Employee Confidence Subset Groups

Position

Managers	73%
Staff	70%

Generation

1929 - 1946	74%
1978 - 1988	71%
1946 - 1964	70%
1965 - 1977	71%

Gender

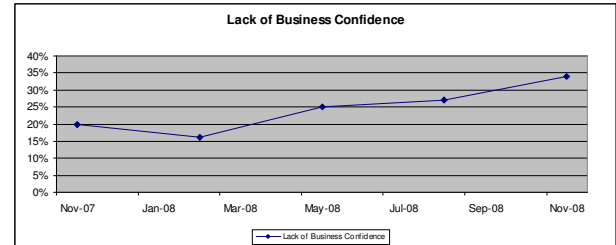
Female	71%
Male	70%

3. Sensis® Business Index Comparative Data

Key Findings

Sensis Consumer Report author Christina Singh identified the following indicators in the latest Sensis Report on Business Confidence

- Business confidence is the lowest in 15 years
- All performance indicators fell, with Sales Performance being the largest fall
- Top three issues for business remain the same as last quarter. 1. Sales; 2. Economic Climate; 3. Cashflow
- 30% of businesses report no problems currently in their business
- Medium businesses again are more confident than small businesses
- Regional businesses are more confident and reported higher performance than Metropolitan businesses
- Confidence was highest in the finance and insurance sectors
- Confident businesses rated high customer relations as their key contributor to confidence
- Lack of work or sales is the main barrier to taking on new employees



Sample Productivity Risk Factors	Nov-07	Feb-08	May-08	Aug-08	Nov-08	Qtr Var
Lack of Business Confidence	20%	16%	25%	27%	34%	7%
Ability to Find and Keep Staff	15%	15%	14%	10%	9%	-1%
Expect Increase in Wages Bill	38%	41%	35%	29%	13%	-16%
Expect Increase in Size of Workforce	19%	21%	18%	10%	4%	-6%
Expect Increase in Value of Sales	50%	53%	38%	22%	4%	-18%
Expect Increase in Profitability	44%	46%	27%	14%	-2%	-16%
Expect Increase in Capital Expenditure	12%	16%	4%	1%	-10%	-11%

Notes on Data

The internal pressure on Business Confidence or Productivity Risk Factors are highly complex.

For the second quarter, employee attraction and retention are not within the top three issues for businesses.

Independent Review Panel Commentary

According to Louise Broekman, the environment for employers has become more complex. "The Sensis® Report demonstrates the lack of confidence which, if left unaddressed, will stall business growth" Broekman said.

4. Subset Report Summary Table

The report below refers to the *National STAR Report* Subset results, evaluated in the four key areas of data:

- Overall Business Engagement
- Employee Confidence in Workplace
- Employer Confidence in Strategy Implementation
- Employer Confidence in Employee Performance

	Overall Business Engagement	Employee Confidence in Workplace	Employer Confidence in Strategy Implementation	Employer Confidence in Employee Performance
Total	68%	73%	64%	67%

Industry

Advertising/Marketing/Media	78%	83%	94%	74%
Construction/Property/Engineering	65%	70%	60%	65%
Education	66%	69%	61%	66%
Financial Services/Insurance	69%	76%	60%	69%
Healthcare	64%	72%	53%	65%
Information Technology	72%	78%	74%	56%
Manufacturing	64%	67%	61%	63%
Non-Profit	74%	68%	74%	73%
Professional Services	66%	67%	65%	67%
Resources	72%	73%	72%	71%
Retail	67%	72%	57%	68%
Tourism/Hospitality	69%	79%	63%	67%
Transport	68%	72%	66%	67%
Wholesale/Distribution	61%	65%	62%	59%

Region

Postcode Region in 2000	66%	69%	62%	65%
Postcode Region in 3000	64%	71%	57%	64%
Postcode Region in 4000	69%	74%	65%	69%
Postcode Region in 6000	58%	67%	50%	58%

More Information

About the STAR Workplace Program

Using extensive research conducted by the HR Coach Research Institute, the STAR Workplace Program is a survey of both employees and employers to understand the internal environment of their business. The program provides objective data allowing organisations to gain a perspective from both sides of the employment relationships by measuring the link between Strategy requirements and what people do everyday.

This relationship is what HR Coach calls Strategic Action and is a key component of an organisations success.

The data collated through the STAR Workplace Program is reviewed by an Independent Review Panel. National Trends and emerging issues are explored and analysed. This information is provided back to participating organisations, industry groups & government bodies.

Ongoing participation in the research from a wide range of businesses across Australia is encouraged to continue to measure, analyse and understand the direct internal pressures experienced by Australian Businesses.

For further information on how to participate, please contact the HR Coach Research Institute or a Member of the HR Coach Network.

Disclaimer

HR Coach Pty Ltd ("HR Coach") has collated the information contained in the *HR Quarterly Index*, using data collected from public records, interviews conducted by members of the HR Coach Network and focus groups, in which to the best knowledge of HR Coach, was current and accurate as at the date of this report. Any harm or loss arising from use or otherwise of the information provided is disclaimed of responsibility by HR Coach. All warranties, express or implied, statutory or otherwise are excluded to the extent under the Trade Practices Act 1974 which is permissible and any other relevant legislation.

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