

# *The HR challenges in business transformation in Luxembourg*



# Foreword

Where are Human Resources headed in this increasingly digitised world? What matters most for companies in Luxembourg? Are they ready to get their human capital management to the next level? At PwC, we believe this is a great moment to ask the right questions for people and organisations. So, we've conducted a survey among 30 Luxembourg cross-sector companies to understand and analyse the universe of human resources professionals in the Grand-Duchy.

This survey was a great opportunity for us to get an overview of the Luxembourg collection of HR practices and analyse their specific challenges, whether related to talent management or the organisation as a whole. It also enabled us to better understand how the HR function aligns with the company strategy, especially in the context of digital transformation.

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# Background and main objectives

In total, over 30 companies, representative for the Luxembourg economy, have participated in the HR Survey. Our sample covers several industries, with the financial services sector particularly well represented. We've interviewed companies of different sizes, most of them with over 100 employees. The HR function seems to be implemented differently across our sample: for two thirds of the companies the HR department has less than six people, and for another 24 % of companies the HR function doesn't have a dedicated manager yet. These figures depend on the company size.

## The main objectives of the survey

01

### *Identify and analyse HR issues*

Acknowledge the HR hot topics on Luxembourg companies' agendas.

03

### *Understand the issues within the HR function*

Contextualise the issues of the HR function according to the business strategy and its role within the structure.

02

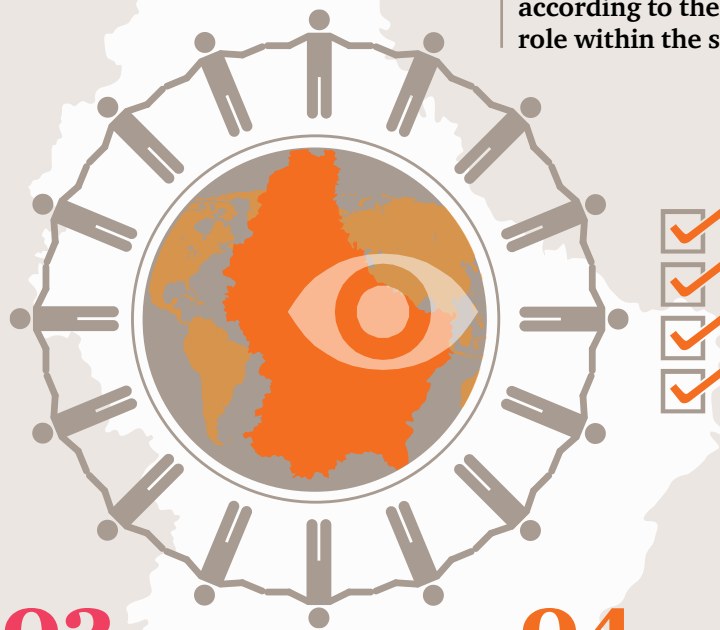
### *Understand the challenges in managing talents*

Understand the challenges of talent management and identify the priorities of the companies in Luxembourg, their perceived level of difficulty and the action plans in progress or to come.

04

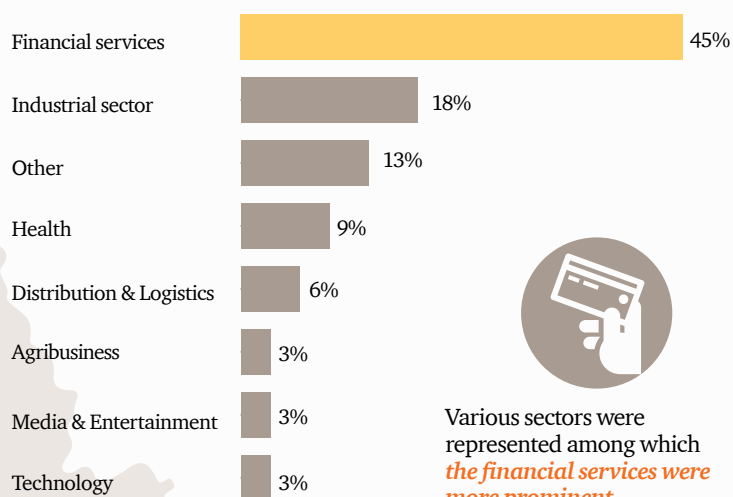
### *Come up with a national benchmark*

Interpret the results in a national perspective.

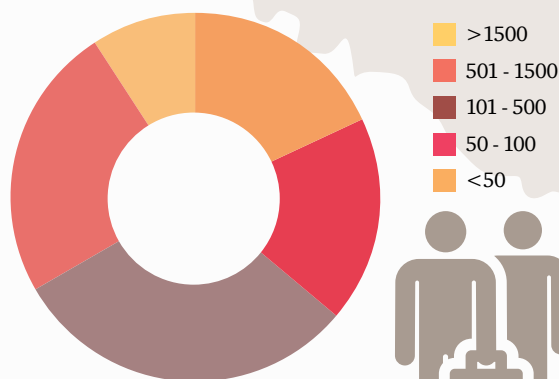


## Sampling

### Represented industries

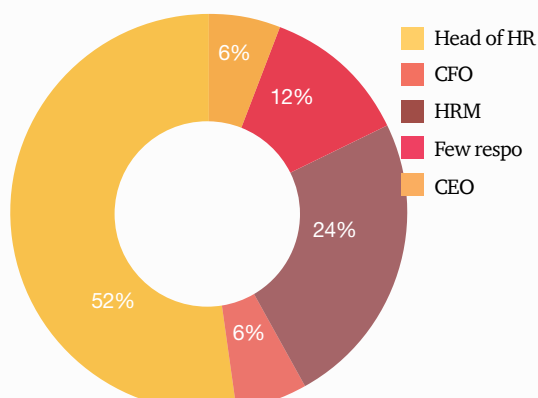


### Size of the companies



Companies of different sizes, most of them *with over 100 employees and above 500.*

### Person in charge of HR



For *76% of companies* the HR function *has a dedicated manager.*

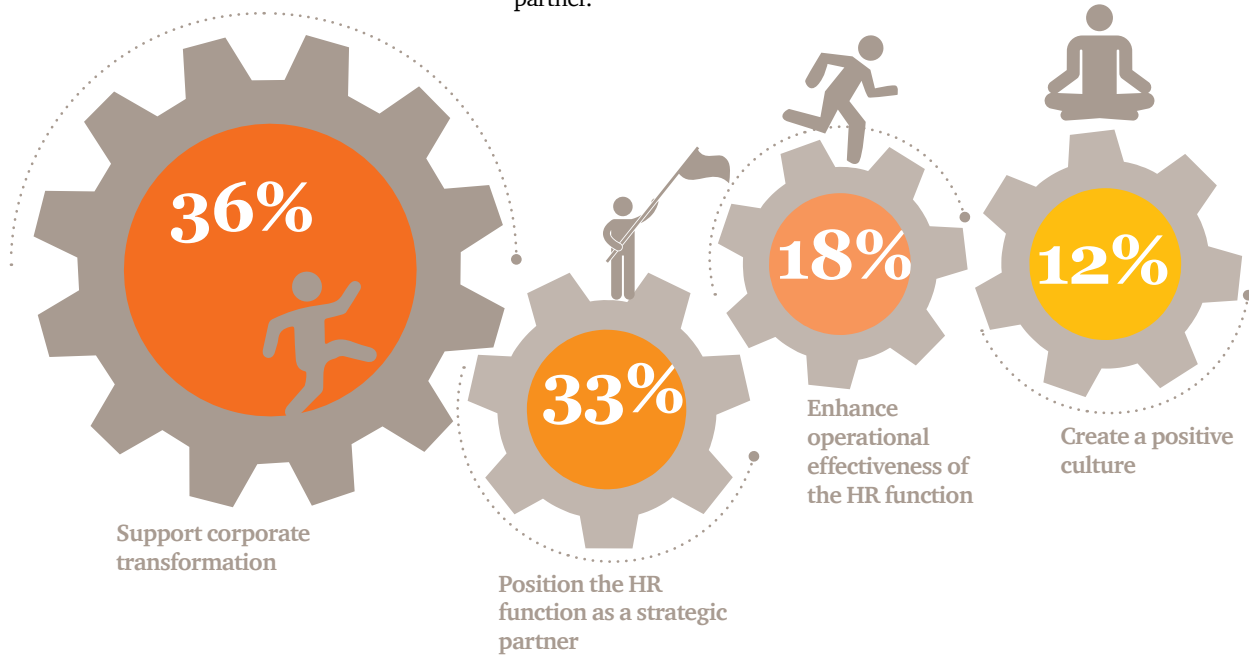
# *The main HR challenges*

1

*Talent management in Luxembourg is oriented towards employee development, but still underpinned by workforce planning and payroll. The HR function acts as a change operator, bringing greater efficiency and influencing companies' strategies.*

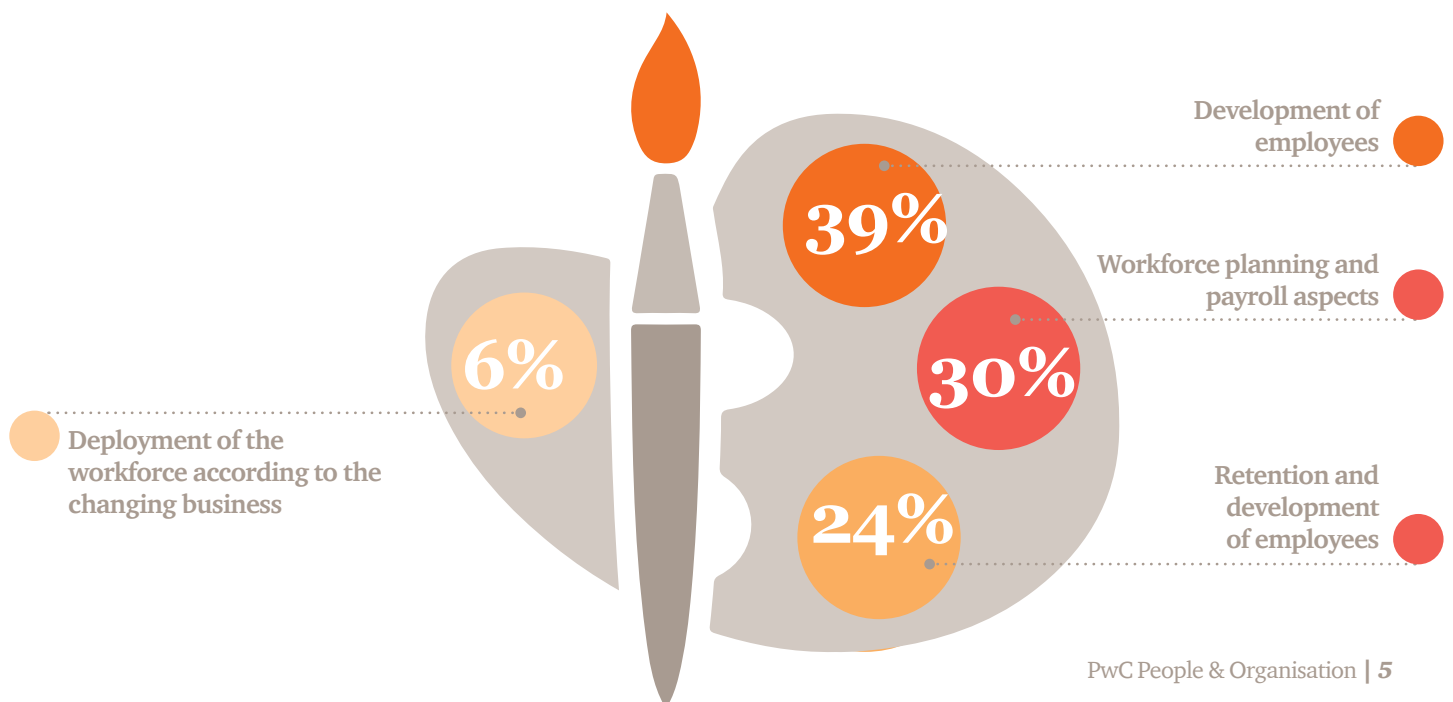
## What are the main challenges of the HR function in your company in 2016?

Companies interviewed in our survey are increasingly paying attention to ways in which the HR function can strengthen corporate transformation and position itself as a strategic partner.



## What are the main challenges in terms of talent management in your company in 2016?

Our participants focus their attention on the development of their employees in 2016, as well as on workforce planning and payroll aspects. The workforce deployment is the least important topic on their talent development agenda.



# *Employees' engagement*

# 2

*In 2016, business actors have realised how important is to measure their employees' engagement. The most frequent reasons why people leave their workplace are related to career development and managerial supervision. Our survey results show that the solution to improve employees' engagement is more related to individual values than collective ones.*

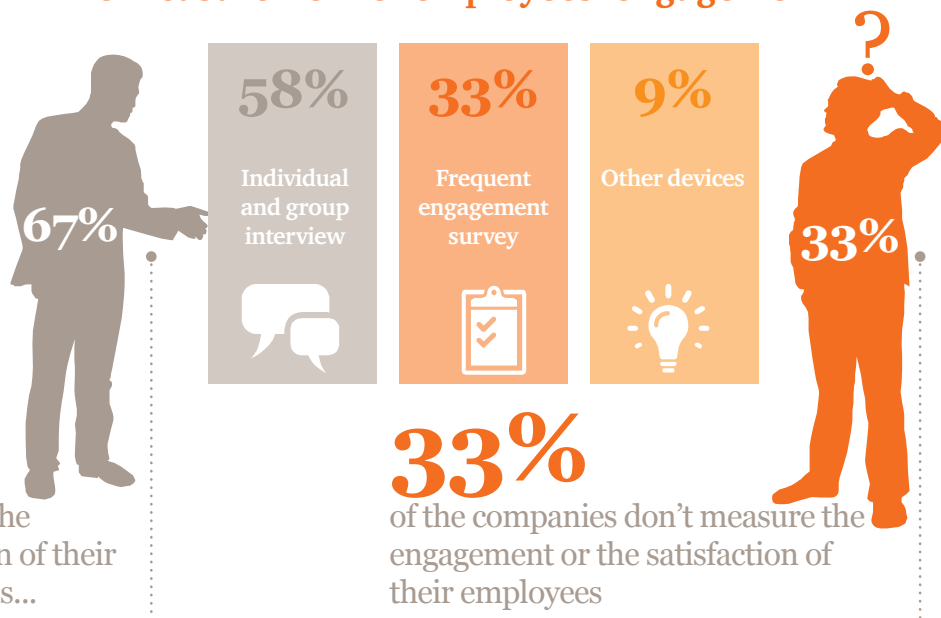


Q. What are the main challenges of the HR function in your company in 2016?

67%

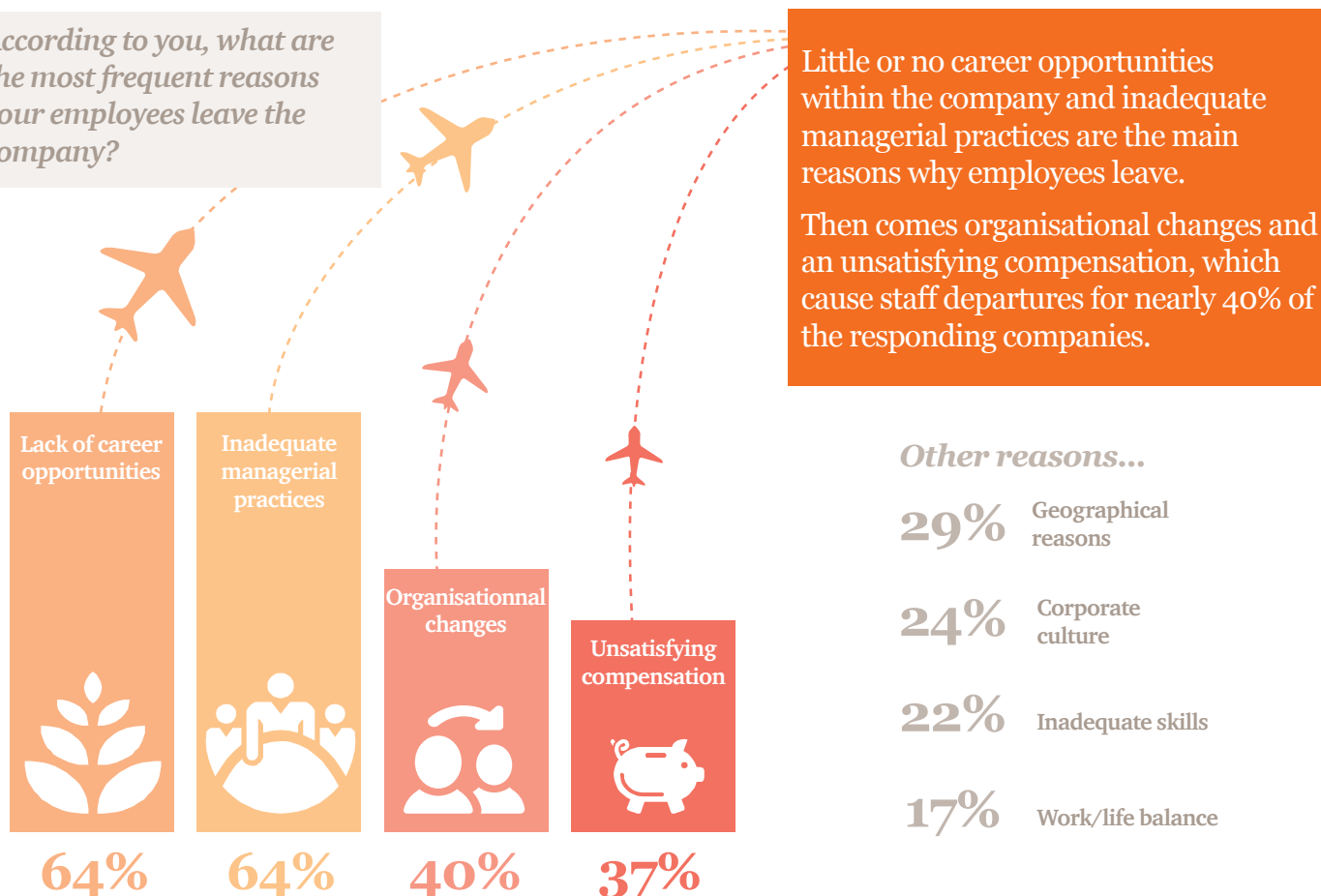
of the companies measure the engagement and satisfaction of their employees on a regular basis...

## The measurement of employees' engagement



## The reasons why employees leave

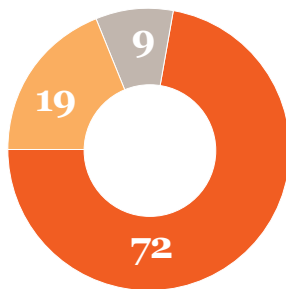
Q. According to you, what are the most frequent reasons your employees leave the company?



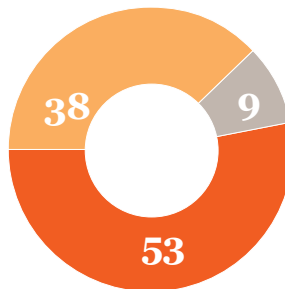
## Employees' engagement

Q. What is the importance of the main relevant triggers to improve the engagement of your employees in your company?

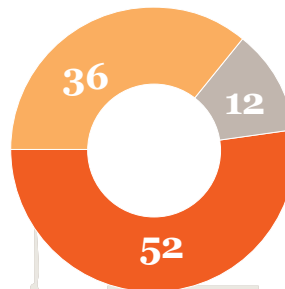
Empower employees/  
Expand the responsibilities



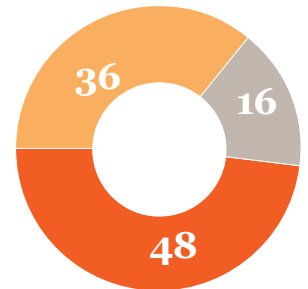
Restore purpose  
to the work



Improve work/life  
balance

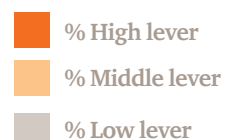


Encourage innovation  
and creativity

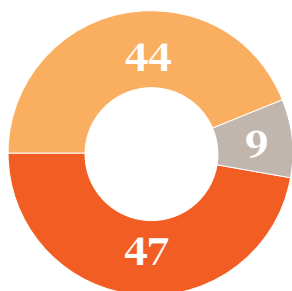


*The expansion of their responsibilities, **the search for purpose** and **a balance between private and professional life** are identified as the main drivers of employee engagement.*

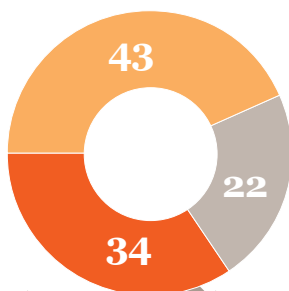
*Q. What is the importance of the main relevant triggers to improve the engagement of your employees in your company?*



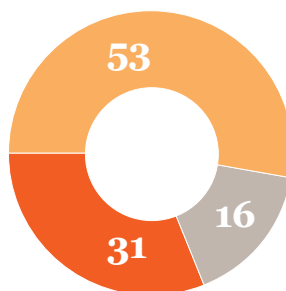
Offer attractive remuneration



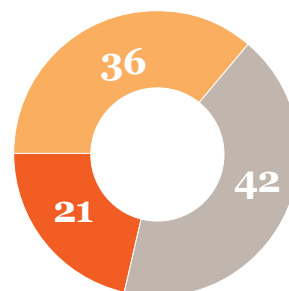
Promote equality and diversity



Strengthen social dialogue



Reinforce corporate social responsibility



*The **promotion of equality and diversity** and the **corporate social responsibility** are the least cited triggers for improving the employees' engagement.*

## *Employees' development*

# 3

*Performance management is generally considered as challenging. The development of managerial and behavioural skills, though considered difficult, are the priority for 2016.*

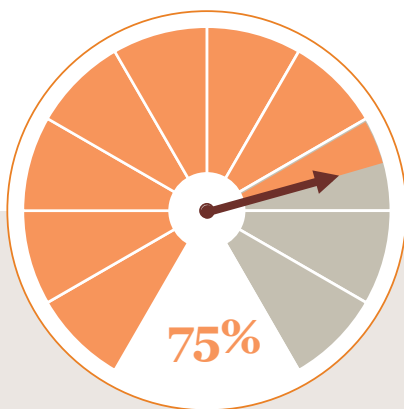
*Functional mobility opportunities offered to employees are unusual.*

*Two third of respondents haven't encountered any difficulty in retaining talents in 2015.*

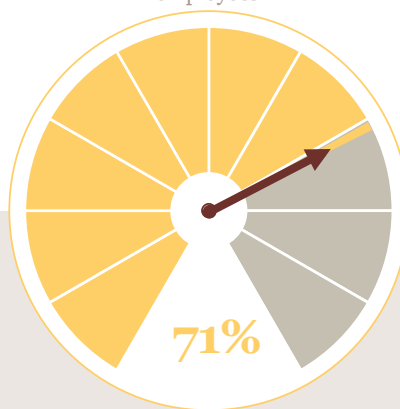
## Performance management

*Q. Concerning the performance management of your employees, which of the following topics are considered as the most challenging?*

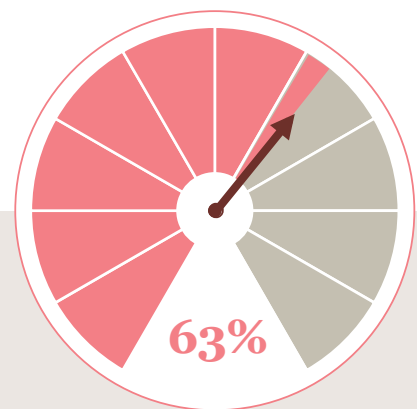
Train managers in evaluating their employees



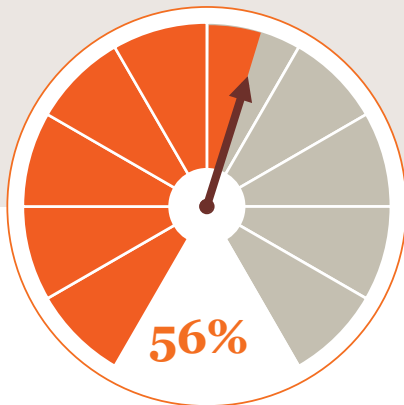
Ensure a fair treatment in evaluating the performance of employees



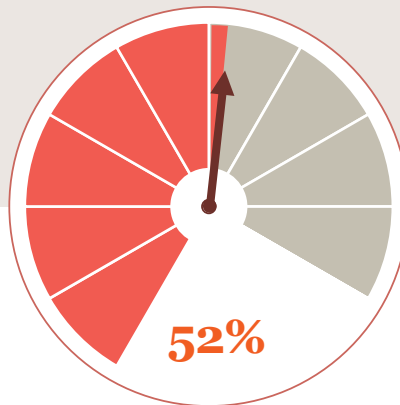
Link the process of performance evaluation to remuneration policy



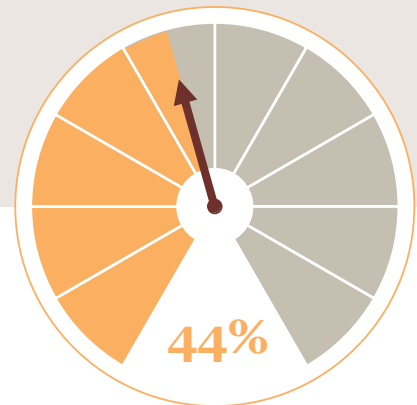
Manage underperforming employees



Define operational objectives



Evaluate the performance and the achievements of individual goals



*Performance Management is considered as a difficult topic by the majority of respondents.*

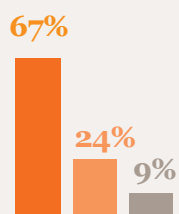
*Training managers in the evaluation of their subordinates, and ensuring a fair treatment in the evaluation of performance are perceived as the most difficult issues to deal with.*

## Development of priority skills and level of difficulty to strengthen them

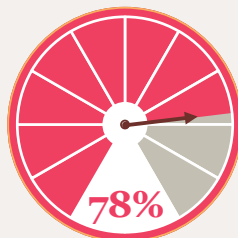
Q. What is the level of priority for the development of following skills and what is your perception of the level of difficulty for these topics?



### Managerial skills

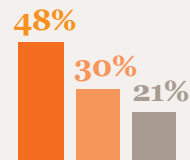


Priority

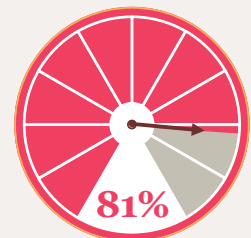


Level of difficulty

### Behavioural skills

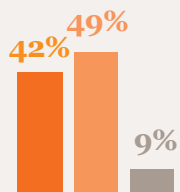


Priority

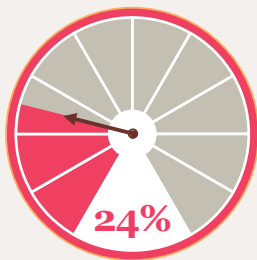


Level of difficulty

### Knowledge of business

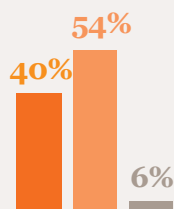


Priority



Level of difficulty

### Technical skills

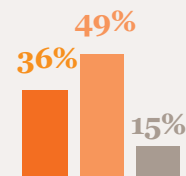


Priority

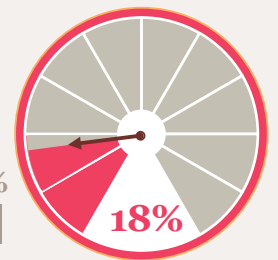


Level of difficulty

### Knowledge of business processes



Priority

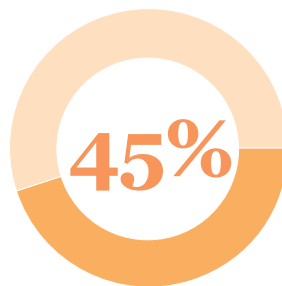


Level of difficulty

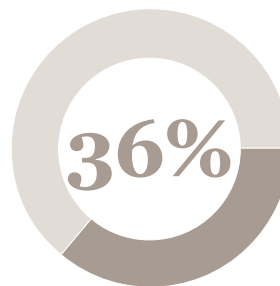
*The development of managerial and behavioural skills is considered a priority in 2016. These skills are also considered difficult to develop, unlike technical ones.*

## Technical skills and training plan

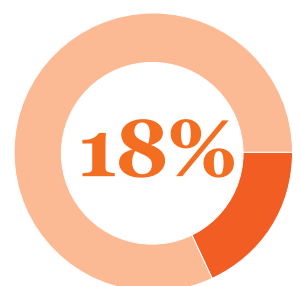
*Q. What is your level of visibility regarding the technical skills to acquire over the next three years?*



Medium visibility

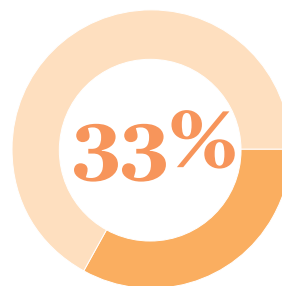


Low visibility

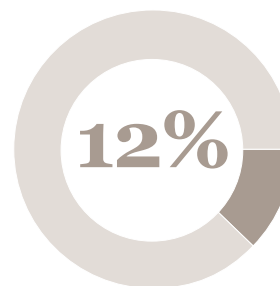


High visibility

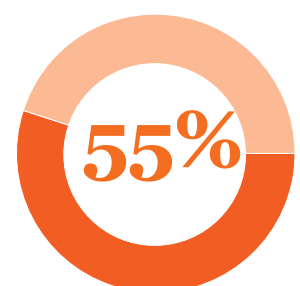
*Q. Does your training plan allow you to organise the increase of the skills and the training of your employees efficiently?*



Medium visibility



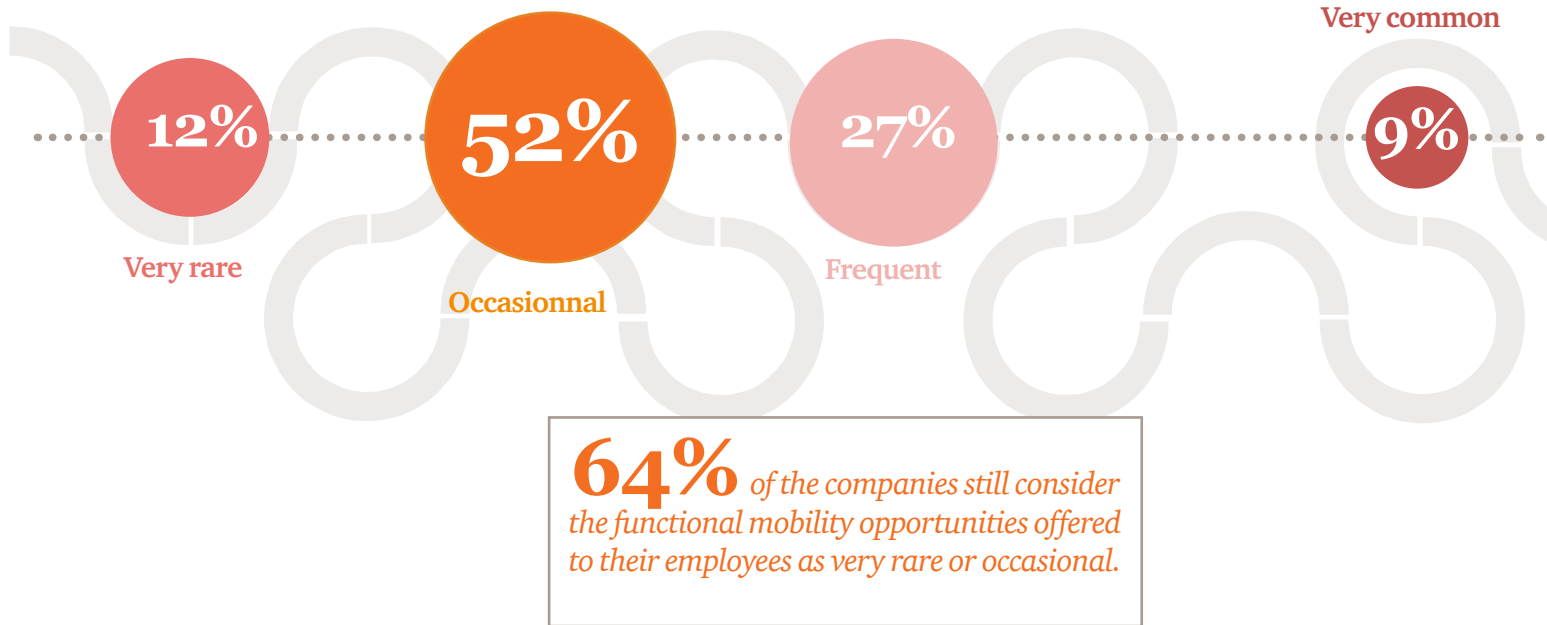
No



Yes

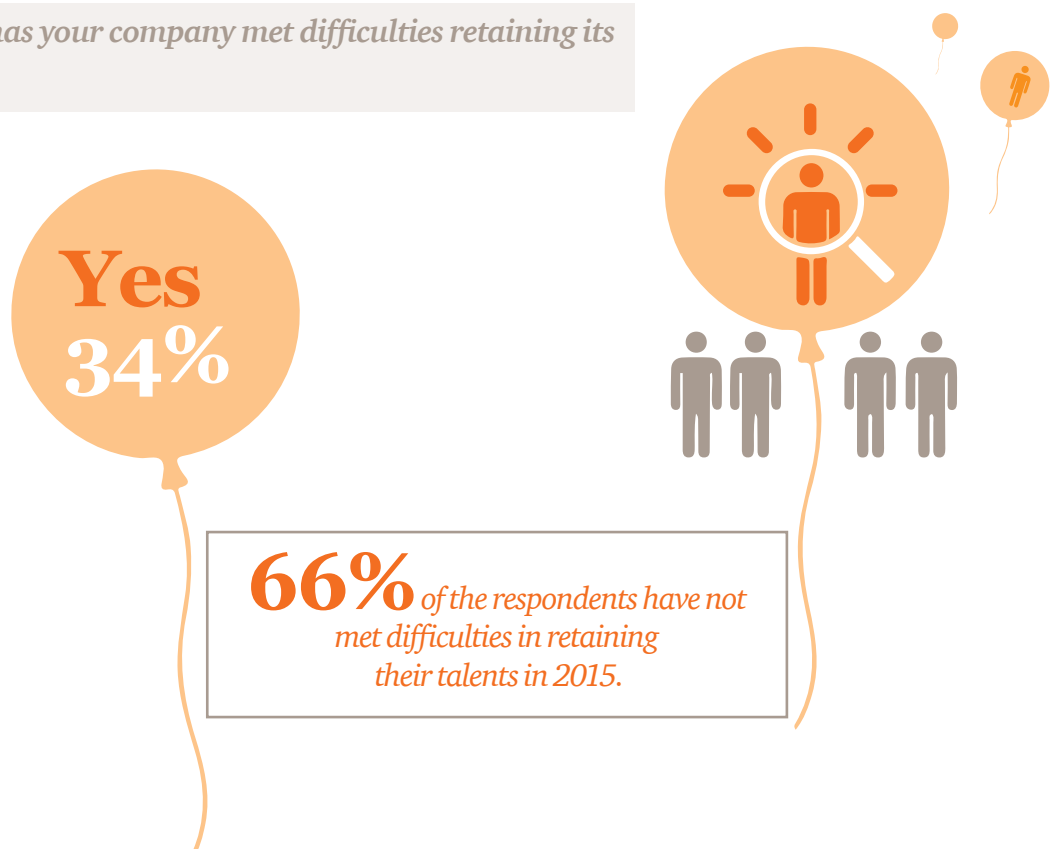
## The functional mobility opportunities

Q. What is the frequency of functional mobility opportunities within your company?

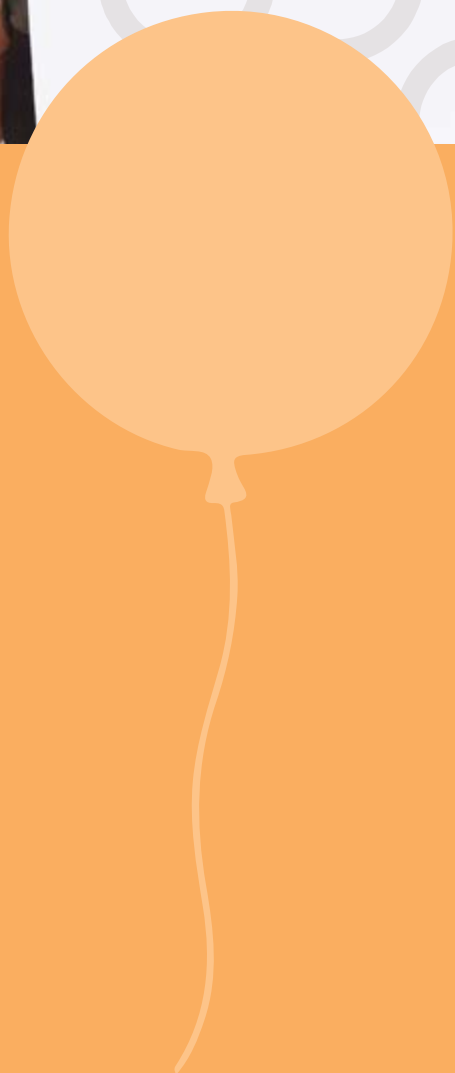


## Talent retention in 2015

Q. According to you, has your company met difficulties retaining its talents in 2015?







# 4

## *The role of the HR function*

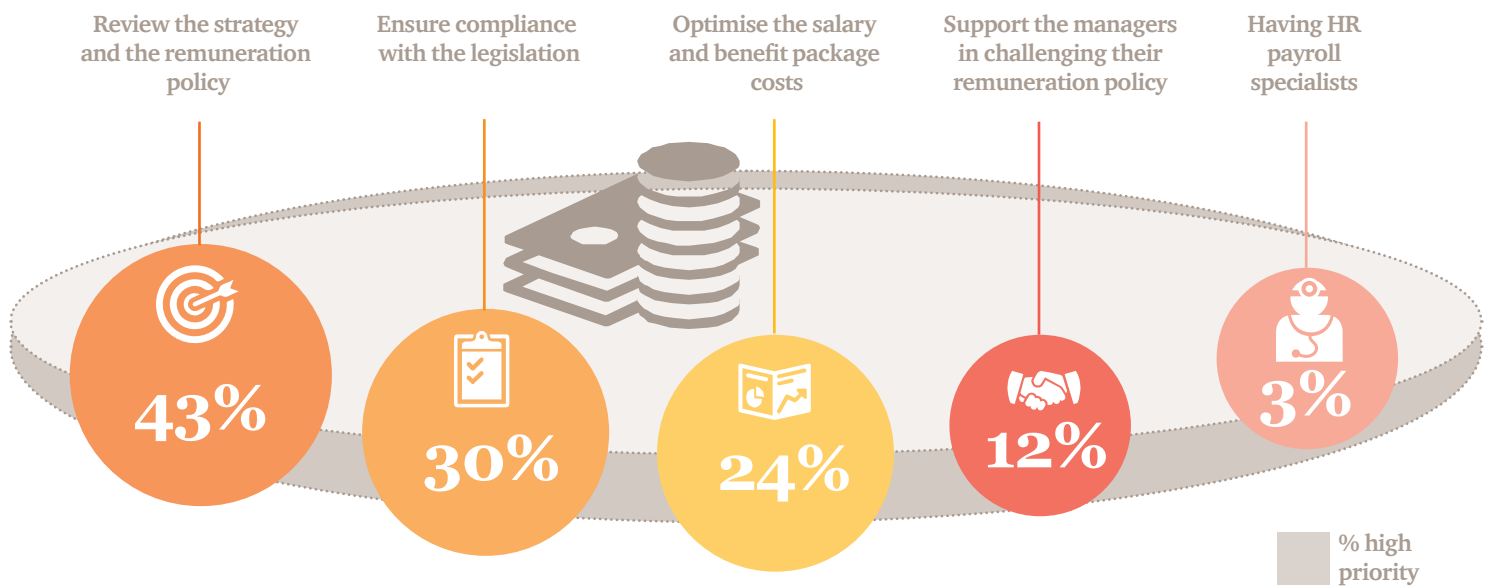
### *The administrative role of the HR function*

*The strategy, the remuneration policy that results from it and regulatory compliance are top priorities in terms of remuneration.*

*Projects on organisational optimisation around payroll, such as outsourcing or digitalisation are more relevant than ever.*

## Remuneration

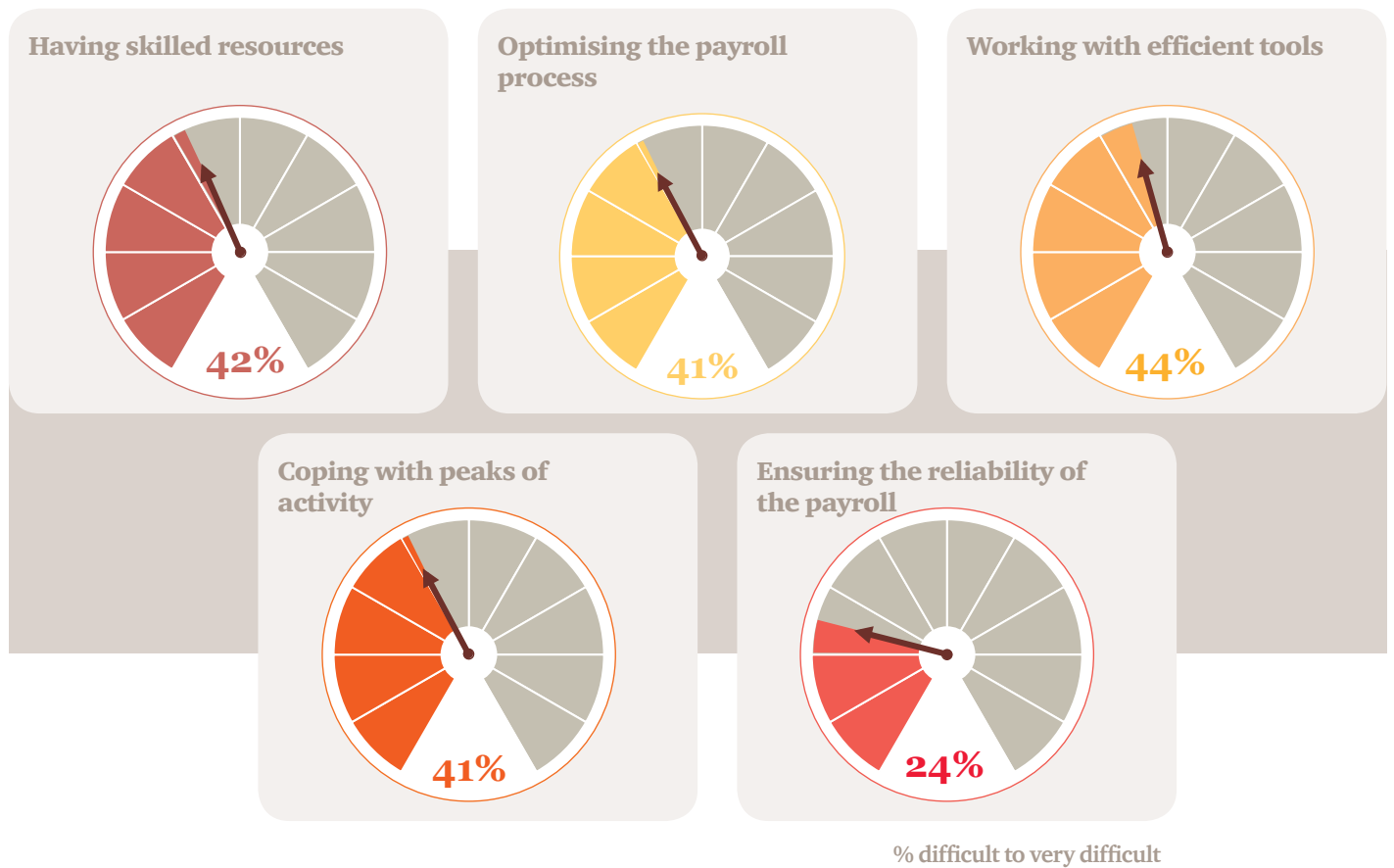
Q. What are your priorities in terms of remuneration for 2016?



*The two main priorities for companies in terms of remuneration are the review of the strategy and subsequent remuneration policy, but also the compliance with legislation.*

## The difficulties regarding payroll

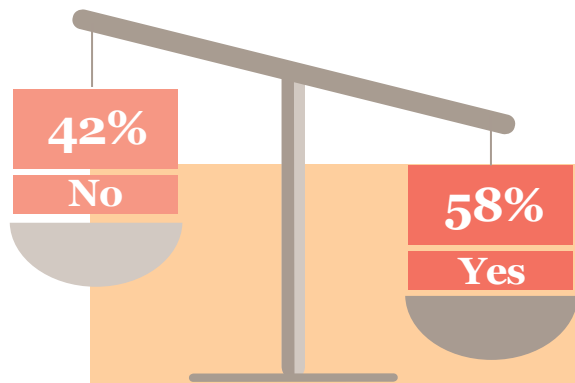
Q. Regarding payroll, what is the level of difficulty you perceive in following fields?



*A great part of the responding companies have difficulties in accessing efficient tools and in the organisation of the payroll business (to have competent resources to cope with peaks of activity and optimise the payroll process).*

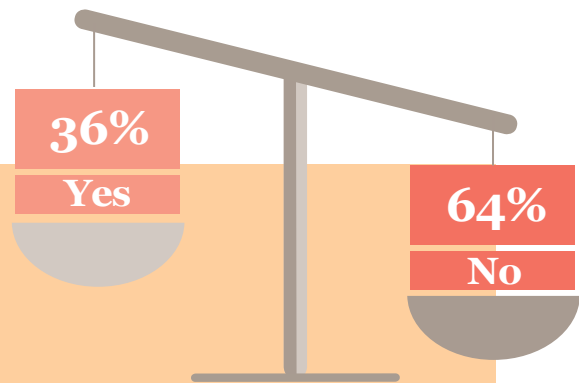
## Outsourcing and digitalisation of the payroll

Q. Is your payroll outsourced?



*The majority of companies in the Grand Duchy of Luxembourg has outsourced its payroll. However, only a few of them have digitalised their payslips. Nevertheless, the trend for the years to come moves towards digitalisation.*

Q. Have you implemented a solution to digitalise payslips?



**24%** of the companies with “no” as an answer are thinking about digitalising their payslips.

\* Among these, 18% of companies have an ongoing digitalisation process.

## *The HR function, a guide for career paths*

*The trend of workforce transformation is rising in 2016, particularly for the financial sector.*

*Access to emerging or rare skills is a real challenge for the recruiting business.*

*To access new skills, companies focus on training and external recruitment.*

*To meet the need for flexibility, the use of fixed term contracts remains the most common.*

*Companies continue to have difficulties in understanding the skills management strategy and its implementation.*

## Evolution of jobs in the next three years

Q. What is your view on the transformation of the jobs in the three coming years?

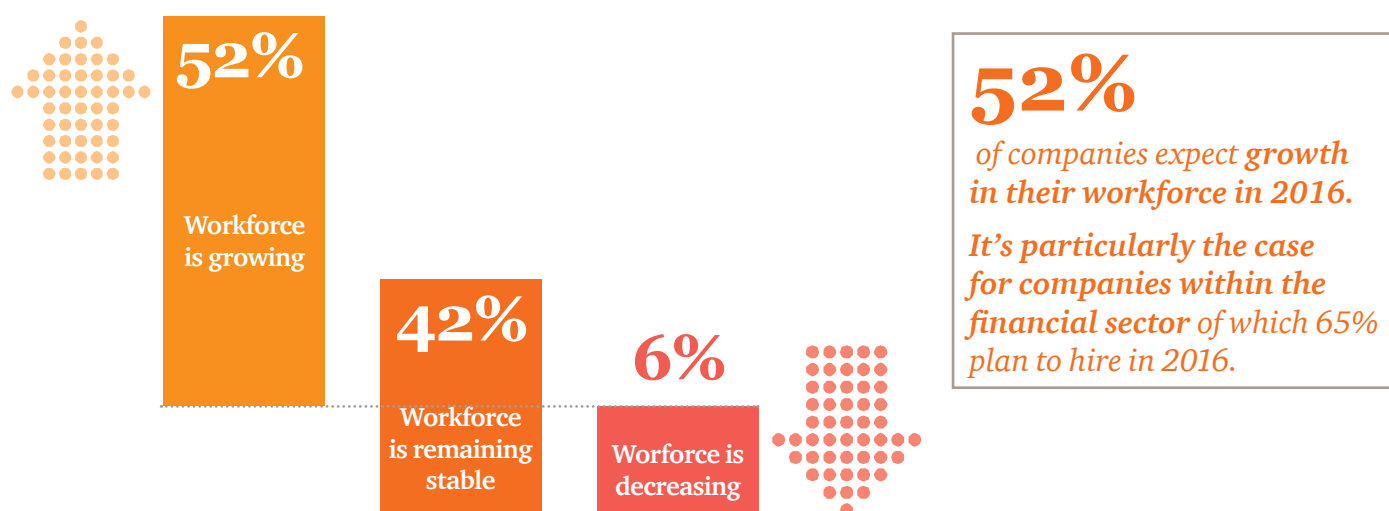


**78%** of the respondents anticipate an evolution of jobs over the next three years.

**39%** of them anticipate a faster transformation of jobs, which will be at odds with previous years.

## Evolution of the workforce in 2016

Q. What are your expectations concerning the development of your workforce in 2016?





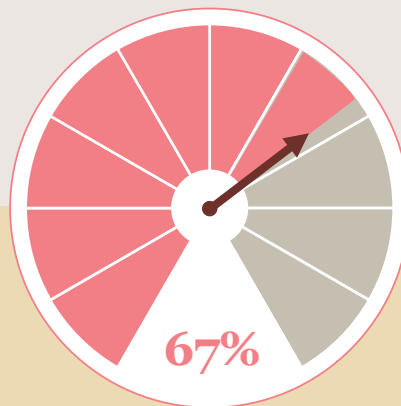
## Difficulties in terms of recruitment

Q. Which of these topics do you consider difficult?

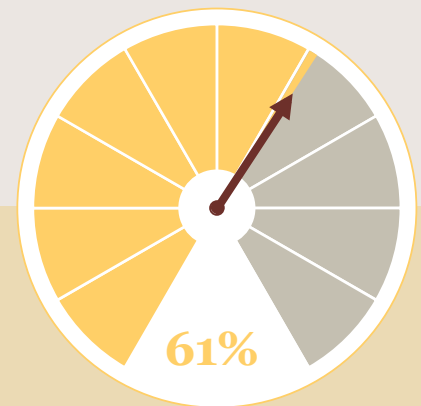
Access to rare, specific or emerging skills on the market



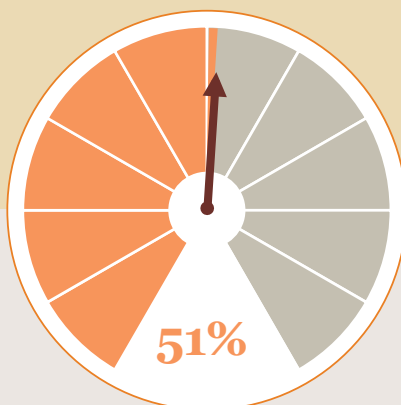
Offer attractive perspectives for career development to potential candidates



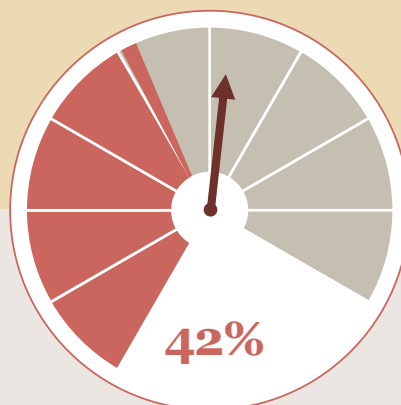
Access to candidate who meet the business requirements



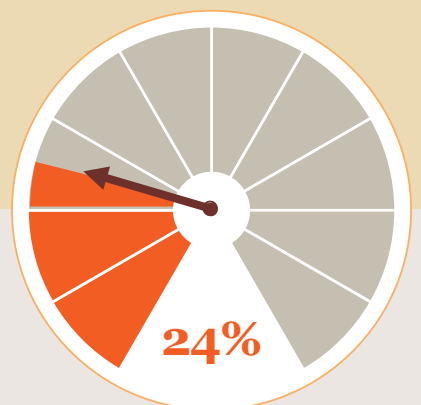
Establish an efficient, fast and reliable recruitment process



Having an attractive employer's branding



Offer a workplace in an attractive area



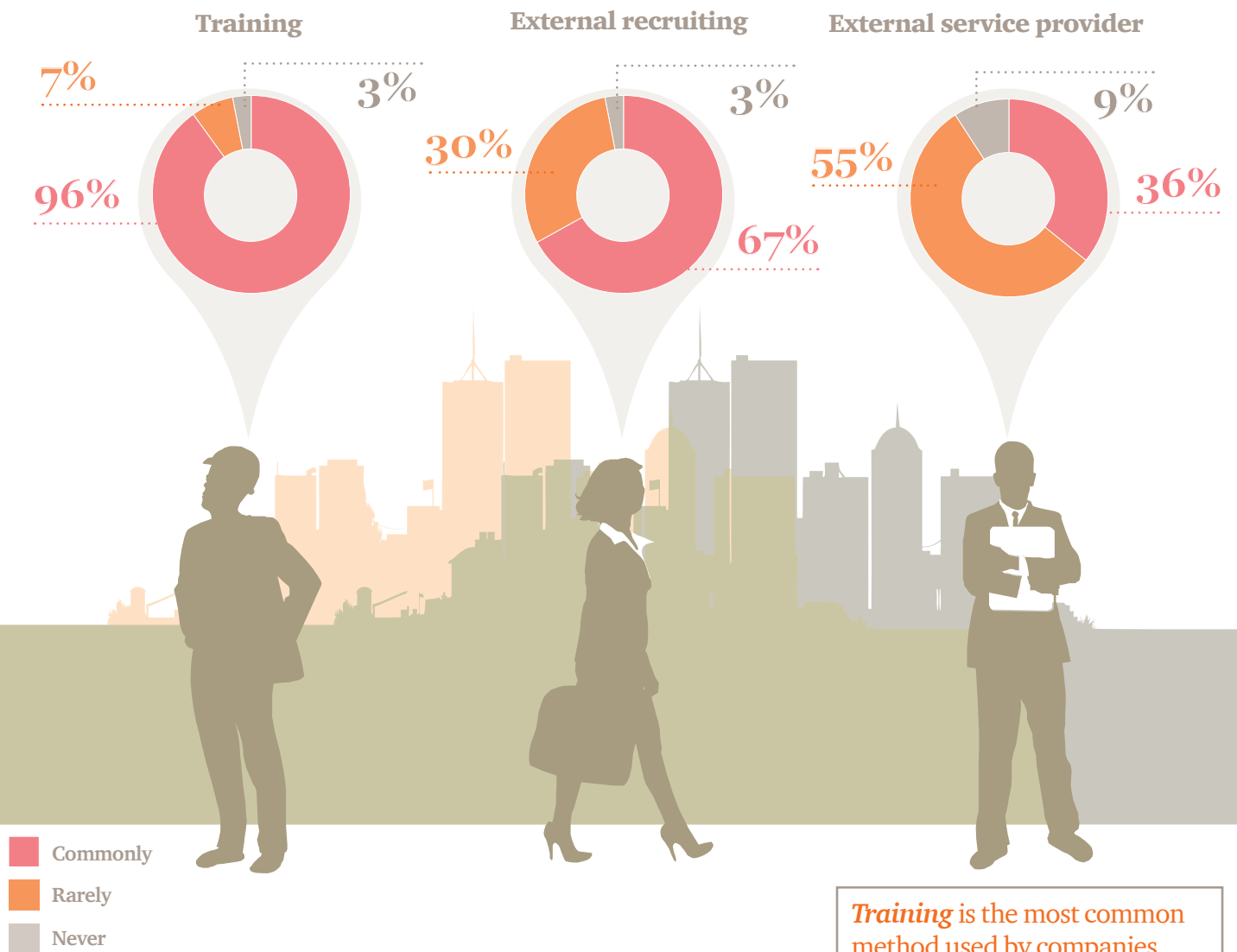
Almost all companies (96%) faced difficulties in accessing rare, specific or emerging skills.

**2/3**

of the respondents have difficulties in offering **career paths and perspectives** to potential candidates.

## Acquiring new competencies

Q. In order to acquire new skills, which method do you prefer?

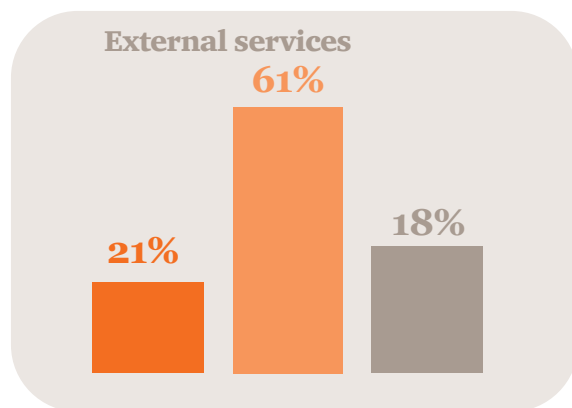
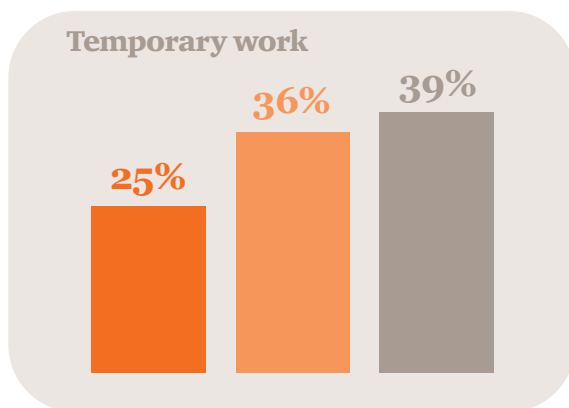
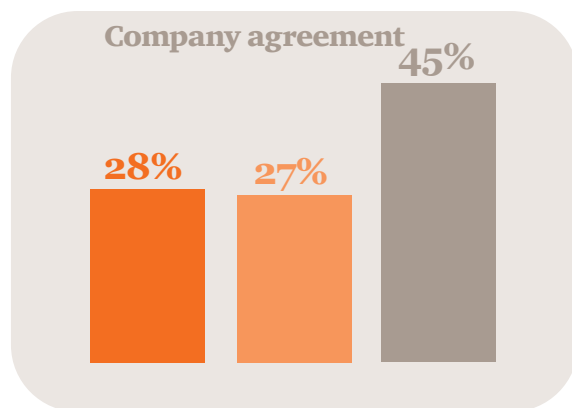
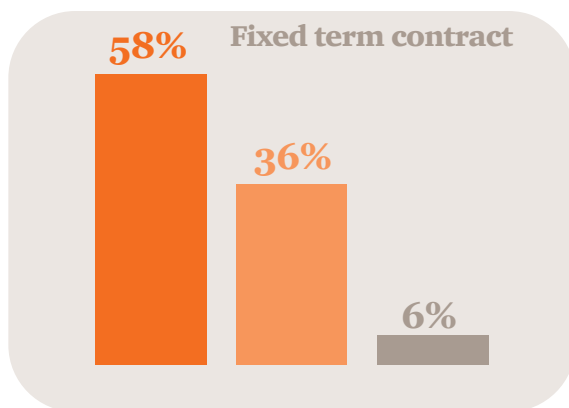


**Training** is the most common method used by companies to acquire new skills (used by **90%** of respondents).

Then comes the **external recruiting** (**67%**) and the recruitment through **external service providers** (**36%**).

## Employment flexibility

Q. To meet the flexibility requirements in terms of workforce, which type of employment do you prefer in your company?



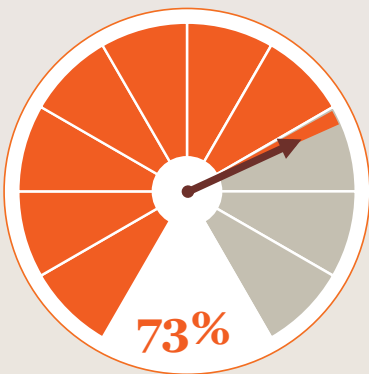
*The use of fixed term contracts is the most common type of employment for temporary workforce requirements (58%).*



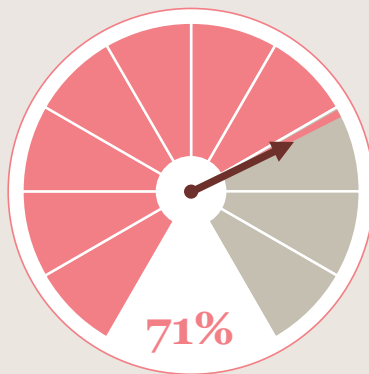
## Difficulties in terms of competency management strategy

*Q. Concerning the skills management strategy, what is the perceived level of difficulty of each of the following?*

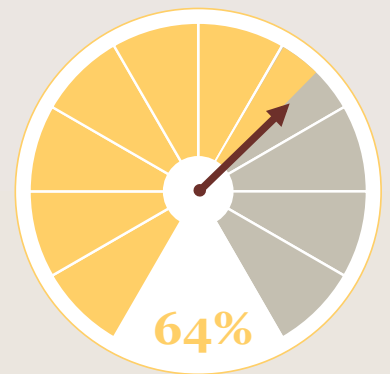
Setting adequate guidelines and a methodology



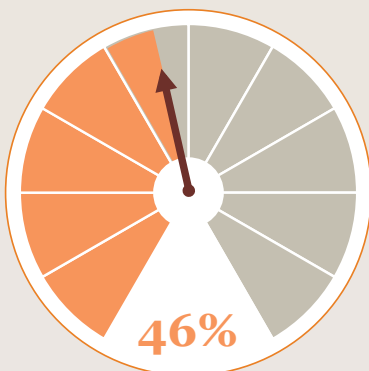
Identifying business priorities and translating them into target skills to be developed in the future



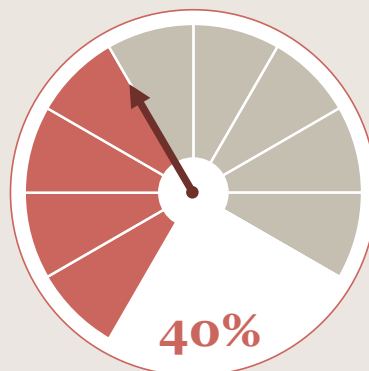
Involving managers in the skills management strategy



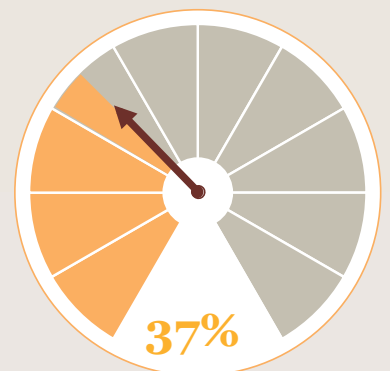
Having up-to-date job descriptions (including description of associated skills)



Evaluating the current skills of the employees



Getting the social partners to join the skills management strategy



*Regarding the skills management strategy, respondents generally face difficulties in defining the strategy (setting the guiding principles and a methodology, identifying business priorities and translating them into target skills to be developed).*

*To a lesser extent, they also face operational difficulties (involving managers and social partners).*

## *The HR function, an enabler of business transformation*

*The HR function is activated as needed, rather than being considered a major actor of change.*

*Despite important issues around the digitalisation of HR processes, as well as the reliability and quality of HR reporting, only a few companies come up with innovative digital solutions.*

*In addition, 60% of the responding companies don't have a digital agenda.*

*This means that the HR function has more than ever the opportunity to assert its role in enabling cultural, organisational and technological change.*

## HR function and strategic projects

*Q. How did the HR function support the latest strategic projects (e.g. reorganisation, new product launches, strategic plan)?*



**3%**

The HR function has not been involved in projects

**15%**

The HR function has been little involved in projects

**46%**

The HR function provided a support according to the need

**36%**

The HR function has been a change actor and initiated the projects

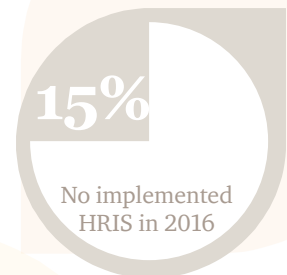
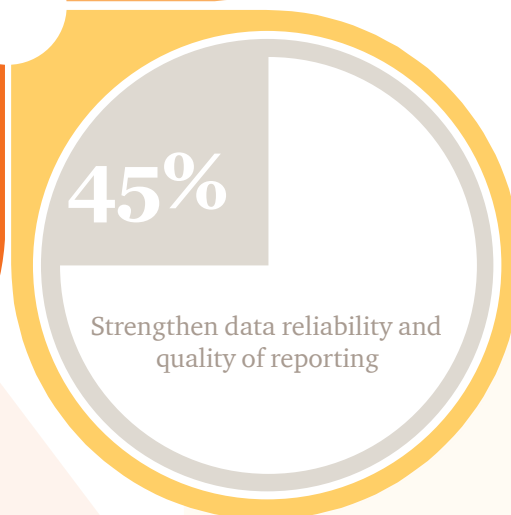
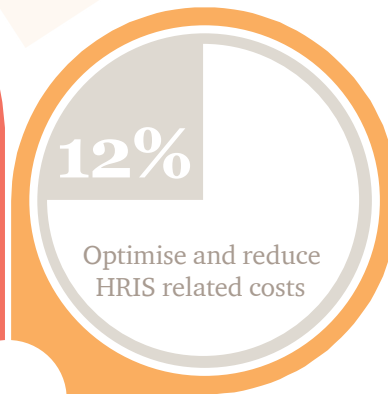
**Over 80%**

*of the respondents were involved in strategic projects.*

*The HR function is increasingly positioning itself as a major actor of change.*

## HRIS in 2016\*

Q. What are the main challenges of your company concerning HRIS in 2016?



**15%**

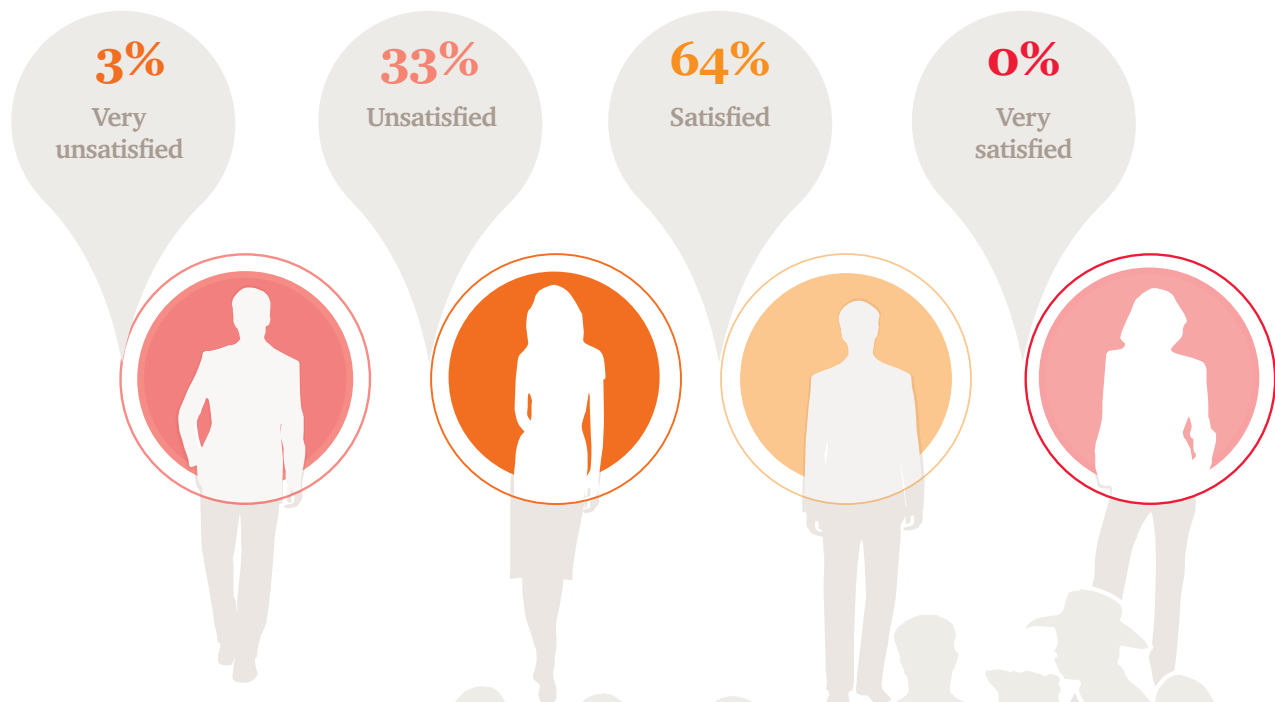
*of responding companies have no HRIS implemented for 2016. For the rest, priorities include the **use of more tools for the HR processes and strengthening data reliability and quality of reporting.***

\* % Of respondents perceiving high priority to the issue listed

\* HR Information System

## The company's overall satisfaction level of their HRIS

Q. What is your overall satisfaction level of your HRIS?



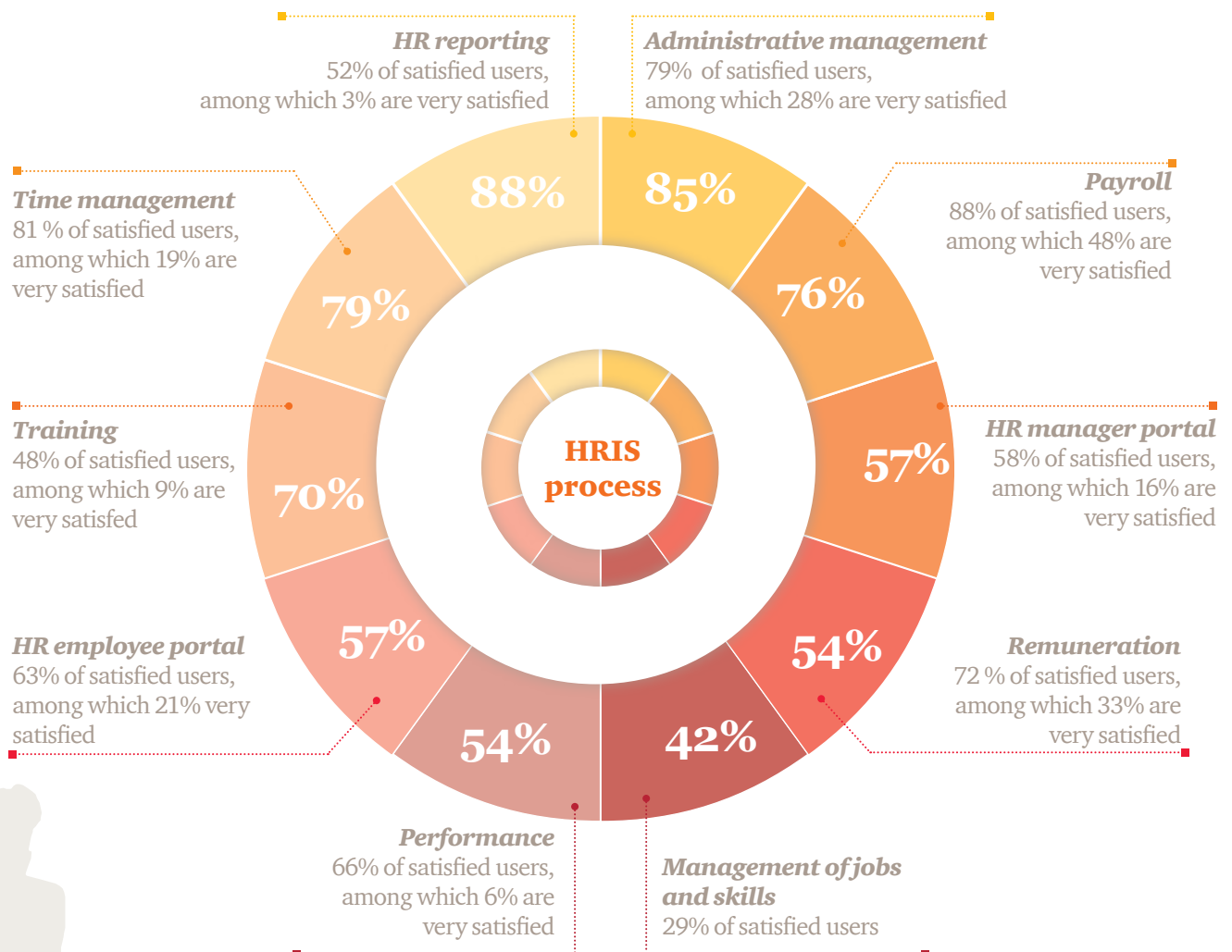
*Most respondents claim to be satisfied with their HRIS. However, none of them is **entirely satisfied** with it.*

*On the other hand, 36% of the respondents appear to be unsatisfied with the HRIS in their company.*



## Scope and satisfaction of the process covered by HRIS

Q. What is your level of satisfaction with the performance of the HRIS on the following process?

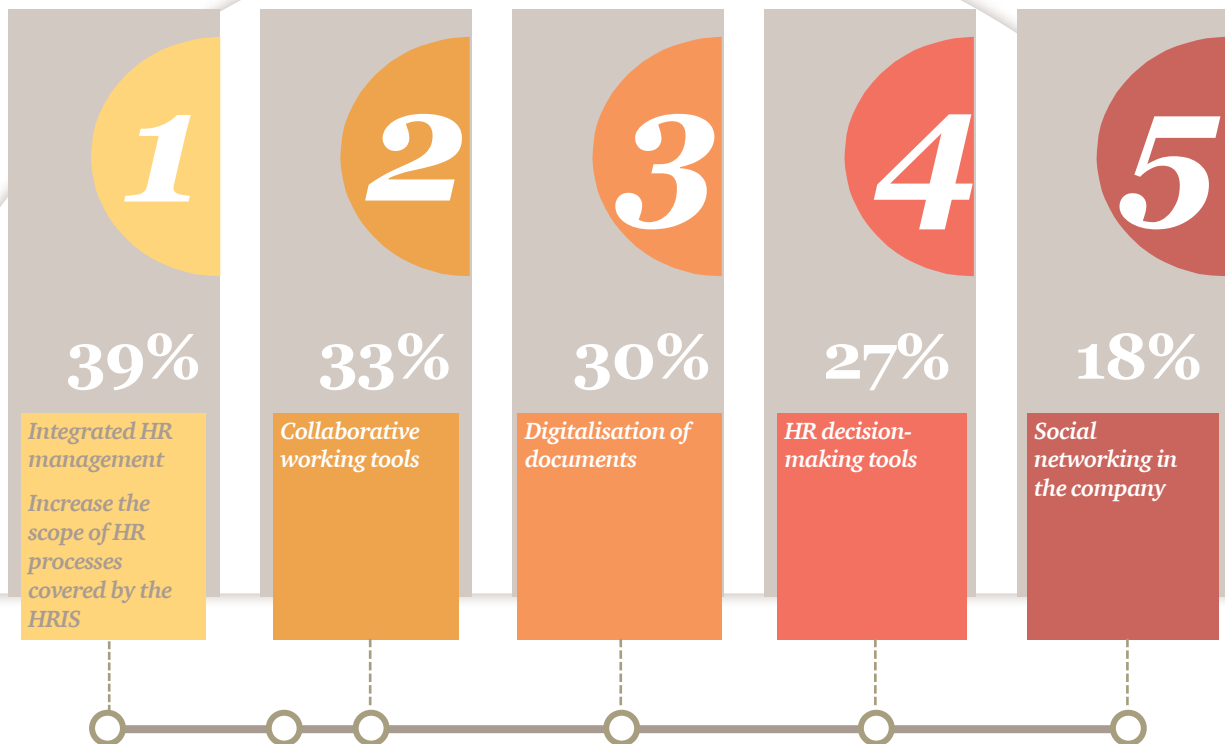


The respondents are mostly satisfied with the process traditionally covered by the HRIS (administrative management, time management, payroll, HR reporting, payroll, etc.).

The most recent processes (management of forecasted jobs and skills, compensation, HR portal, performance) are more controversial.

## Implementation priorities of HRIS

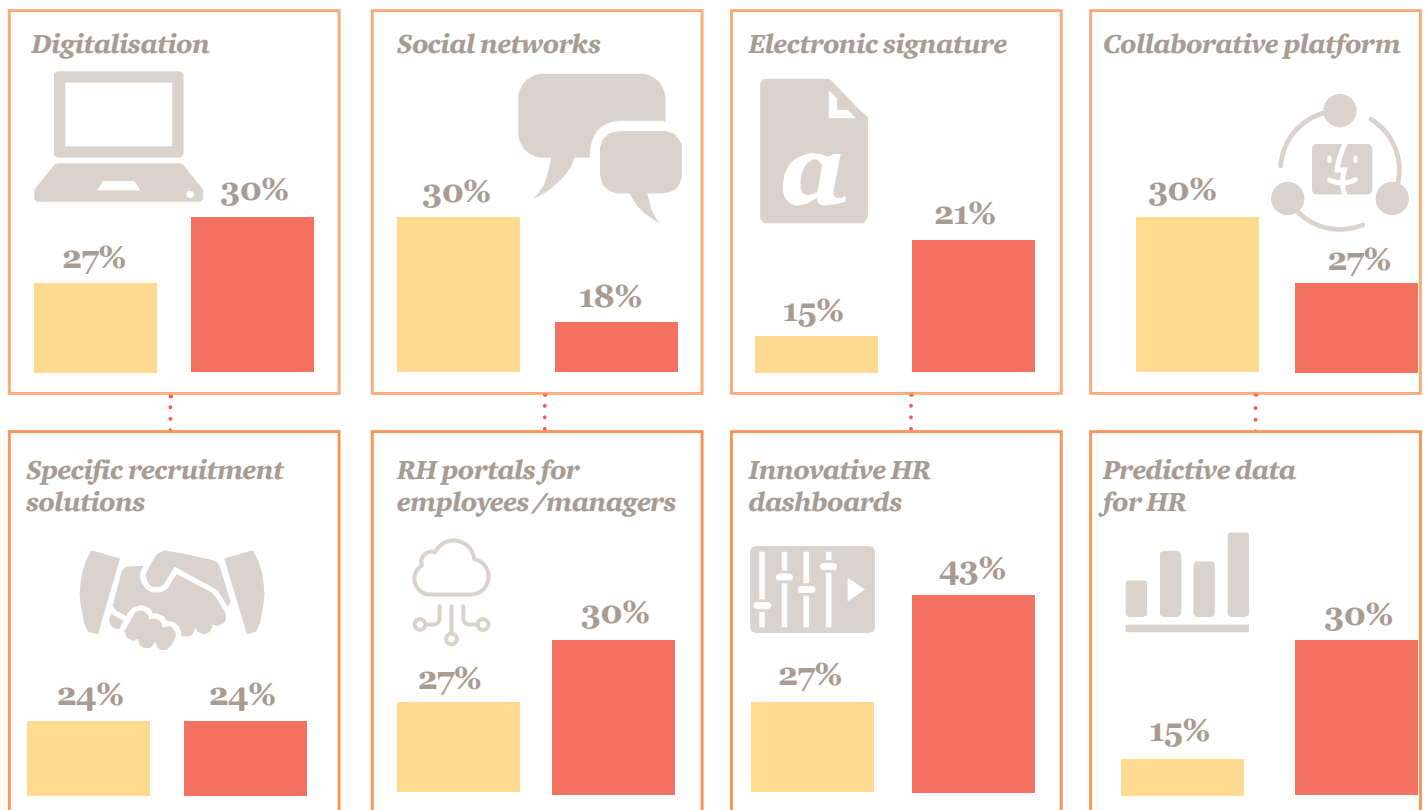
Q. What are your priorities for the implementation of HRIS in the next one to three years?



*The implementation of companies' priorities regarding their HRIS are fairly homogeneous, from the **integrated HR management**, increasing the scope of covered HR processes, to **collaborative tools** and **digitalisation**.*

## Innovative solutions companies are using or planning to use

Q. Among the innovative and digital solutions, which ones do you use already, or are you planning to use?



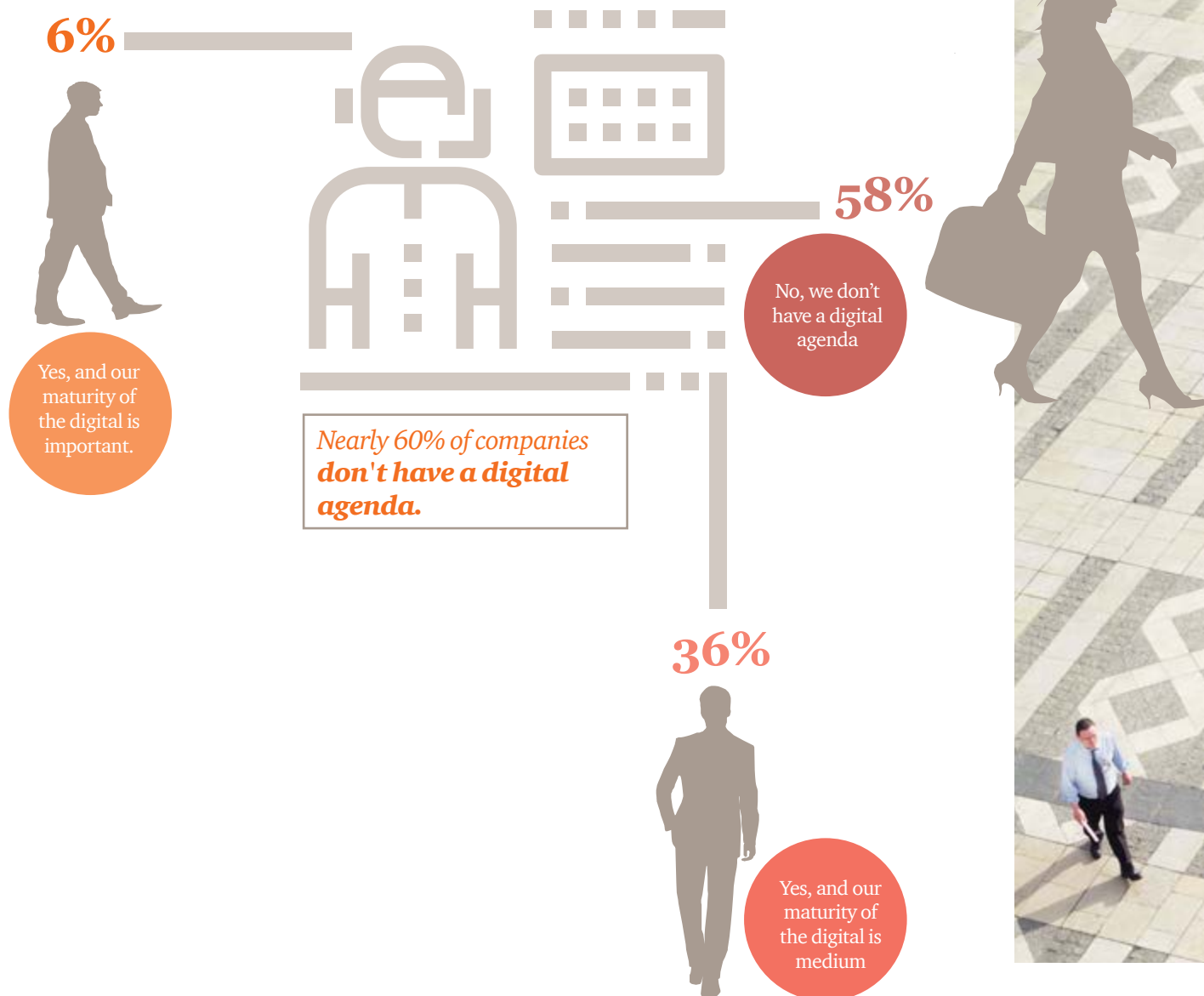
**Few companies are using innovative and digital HR solutions, but many of them are planning to use them in 2016.**

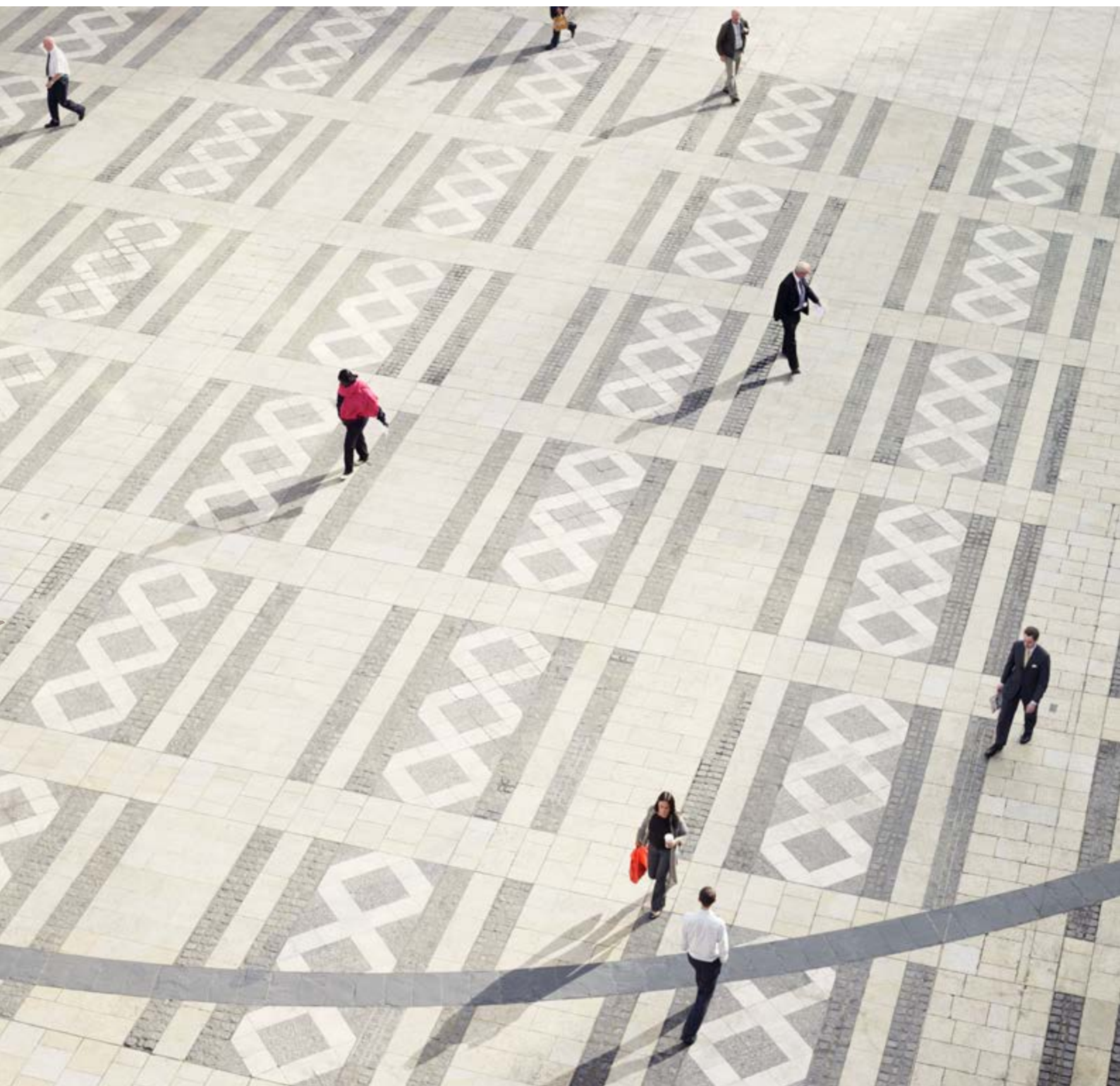
For those that plan to use them, they focus on HR dashboards, digitalisation of documents, predictive data and employee/manager HR portal.

We have such a tool  
 We plan to use such a tool

## Digital agenda

Q. In the context of the rapidly changing business by technology (3D printers, robotics etc.), has your company developed a digital agenda?





# *Steering the HR function*

5

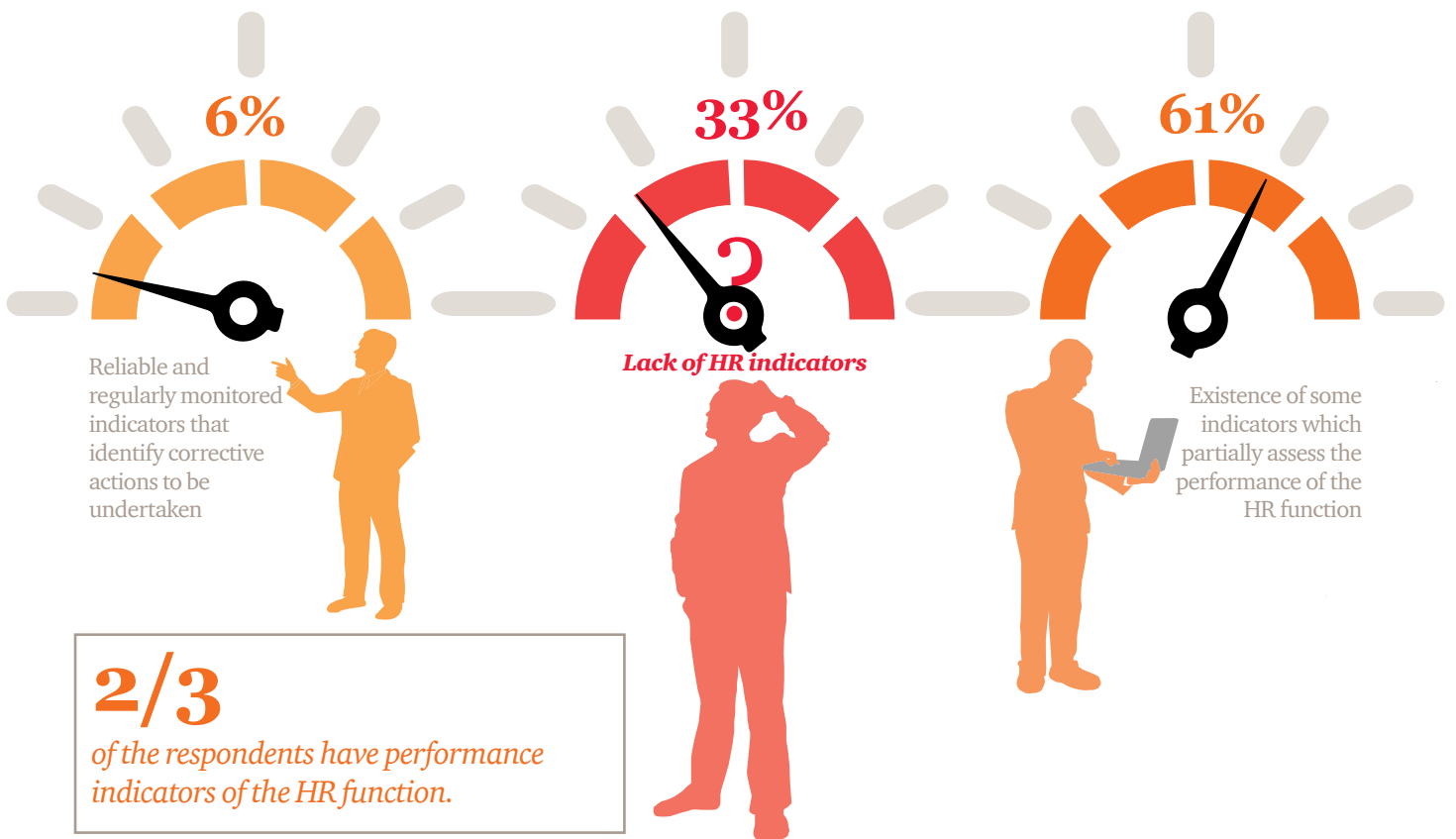
*The maturity of companies in terms of performance indicators for the HR function is very disparate.*

*67% of the companies have HR indicators, but 61% of them believe that they only allow them to partially assess the performance of their HR function.*

*For the majority of the responding companies, improving the overall performance of the HR function requires the involvement and accountability of the management team as well as the optimisation of HRIS.*

## Performance of the HR function

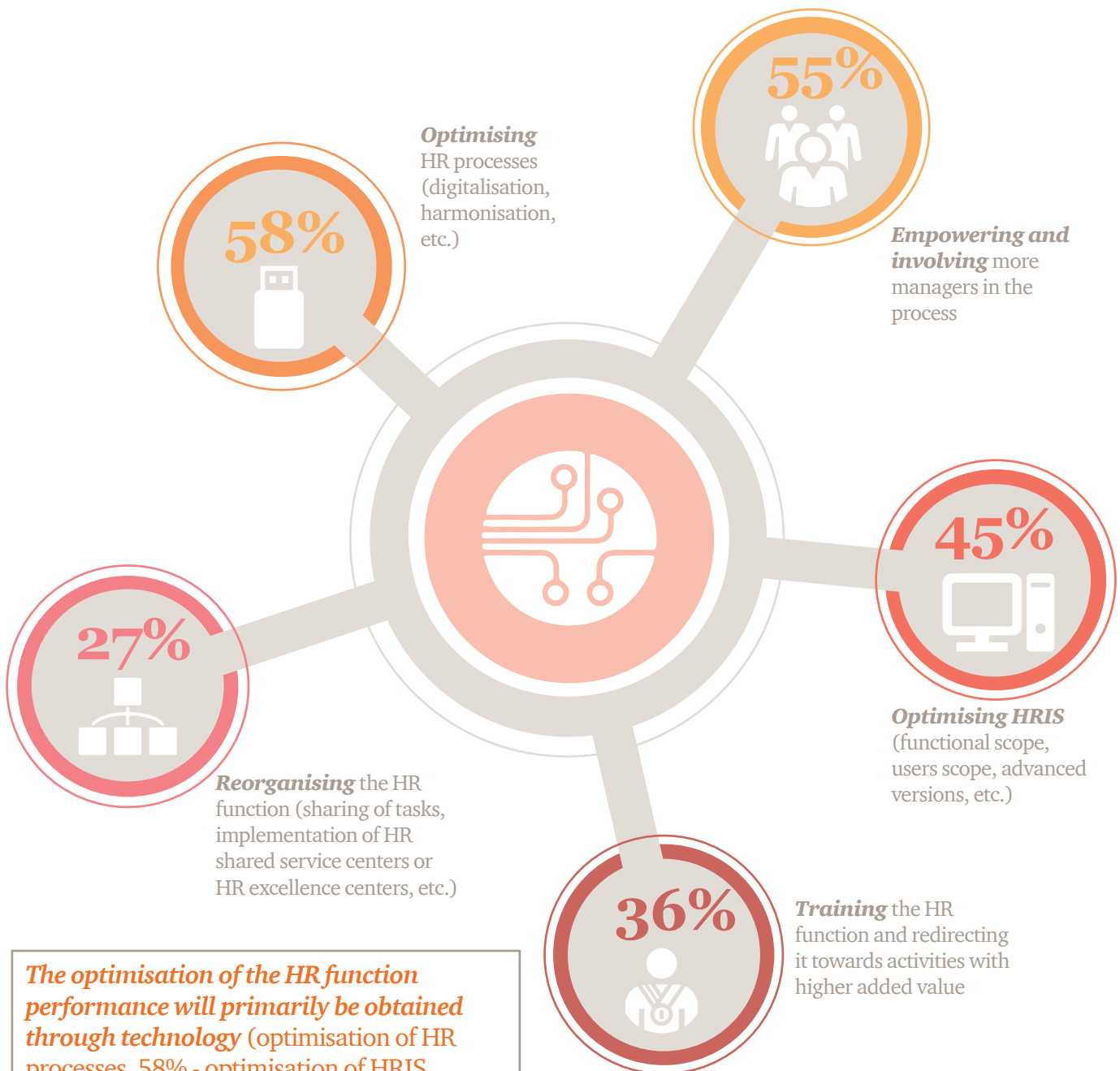
Q. What is your level of maturity on the performance indicators of the HR function?





## Performance of the HR function

Q. In 2016, which triggers optimising the performance of the HR function do you plan to implement?







## Conclusions

*Over 30 companies, representative for the economy of the Grand Duchy of Luxembourg answered our HR survey. Most of them have over 100 employees and the financial services sector is particularly well represented.*

*The participants understand the HR function in different ways. Despite significant changes over the years, the positioning of the HR function as a strategic partner for the business remains one of the biggest challenges.*

## Employees' engagement

Companies have come to realise how important it is to measure the engagement of their employees. Two thirds of them regularly measure the commitment and satisfaction of their employees through individual/group interviews and regular satisfaction surveys.

These surveys allow them to identify, understand and, above all, prevent potential causes for departure. For over 60% of the respondents, a lack of career opportunities within the company and the managerial practices are the most frequent reasons why employees leave.

## Priority to the development of managerial skills

Performance management is generally perceived as difficult for most companies. What's really challenging (for nearly 75% of the surveyed) is training managers in the evaluation of their employees' performance to ensure a fair treatment during this process.

Being perceived as difficult to achieve, the development of managerial and behavioural skills is the priority for 2016. In contrast, technical skills appear to be less difficult to develop.

As we've seen it throughout the survey, the HR function is considered increasingly strategic. Yet, it keeps having an important administrative role.

The two main priorities for companies in 2016, in terms of remuneration, are the review of the strategy and the remuneration policy that results from it, but also the regulatory compliance.

Projects on organisational optimisation around the payroll such as outsourcing or digitalisation are growing high on the agenda, as well.

“

After a few challenging years, the trend of workforce transformation is rising in 2016, particularly in the financial sector. ”

We've noticed that companies still find it hard to understand the skills management strategy and its implementation.

In terms of reporting, 67% of companies claim to have HR indicators, but 61% of them believe that these indicators only partially allow them to assess the performance of the HR function.

## A change actor?

The HR function is mainly activated as needed and doesn't necessarily appear as a major agent for business transformation. In addition, despite important issues around the digitalisation of HR processes, as well as the reliability and quality of HR reporting, only a few companies come up with innovative digital solutions. As a matter of fact, 60% of the responding companies don't even have a digital agenda.

This means that the HR function has more than ever the opportunity to assert its role of enabler of cultural, organisational and technological change.

## New challenges, new reflexes

The survey also shows that many companies have undertaken or wish to undertake change initiatives. These transformation projects address various issues that have some consequences on human capital. The Head of Human Resources now needs to anticipate and support these changes. For this, the HR function must become a real partner for business leaders and offer them an HR strategy that addresses the challenges of the organisation and enables an efficient human capital management.

This difficult task requires developing new reflexes. Complex project management, "strategic thinking", change management: the HR function needs support in the acquisition and implementation of these skills. HR professionals need assessment tools and coaching/mentoring programmes that are appropriate for their situation.

As the digital agenda and the digital strategy are increasingly at the heart of debates and business concerns, the HR function has a great opportunity to reposition itself as a guide and accelerator of transformation, allowing companies to:

- **Build a digital strategy and develop a strong employer brand;**
- **Develop innovative recruitment strategies;**
- **Develop career paths that "infuse" the digital world within the organisation;**
- **Build tools and new models of collaboration within the company;**
- **Be the heart of the digital transformation programmes (including through training);**
- **Digitalise all HR processes;**
- **Modernise HR management.**



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