

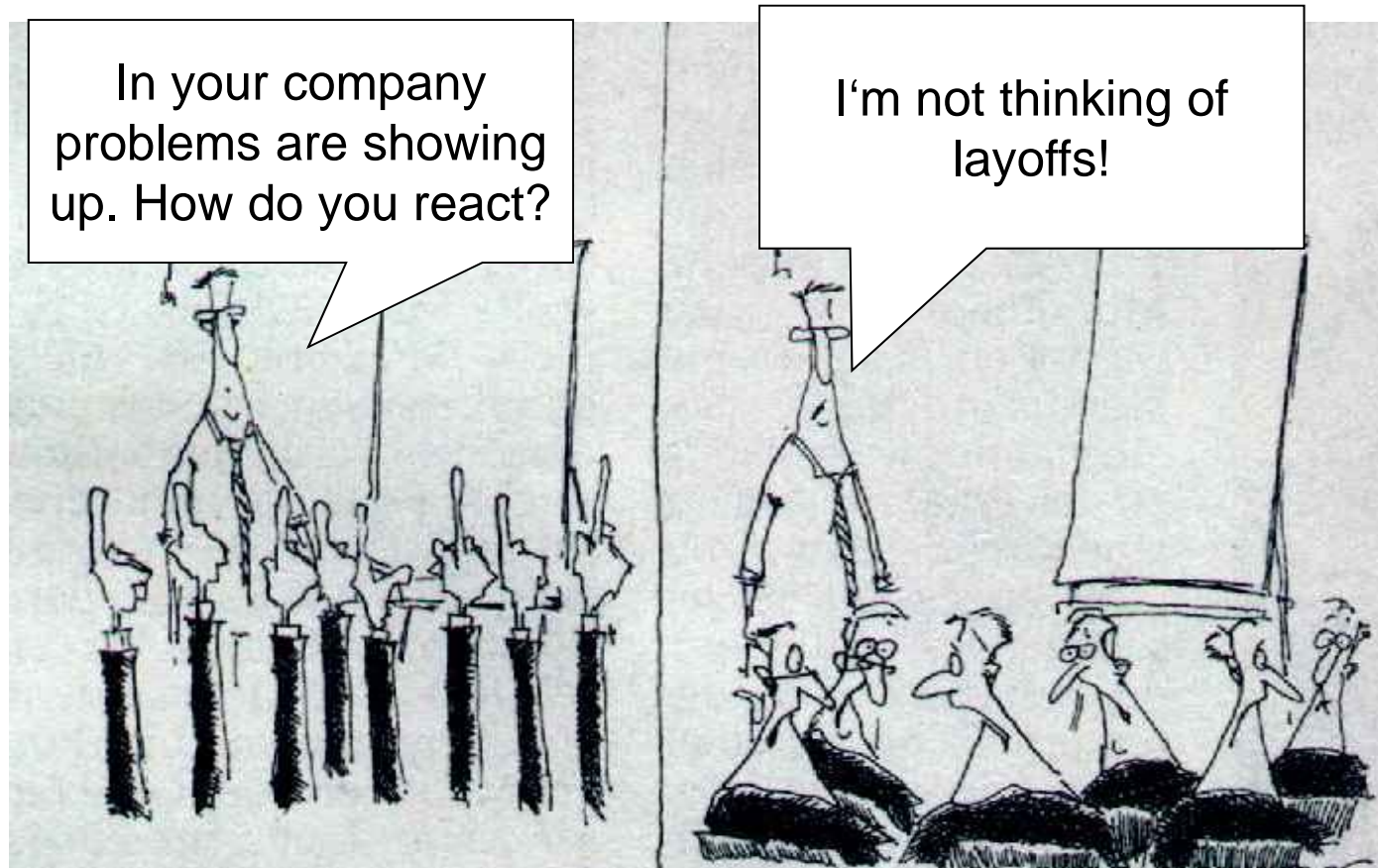
## Corporate Ageing -

A challenge to the future competitiveness  
of Corporate Europe

Dr Hendrik Garz/Tim Gerdes (H-Faktor)

FAIRE conference, 11-12 June 2007

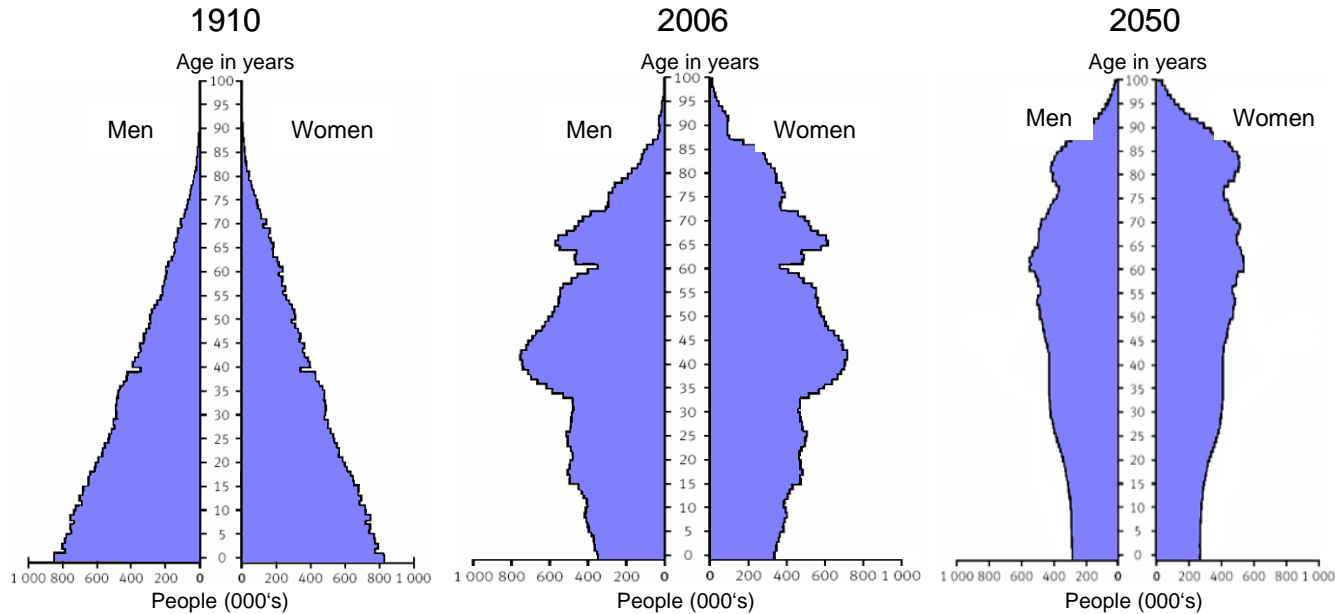




# Our FAIRE conference note – a working paper

- Our note, which we have prepared for the FAIRE conference 2007 in Paris, is the preliminary version of a more comprehensive study that we plan to publish before the end of Q3.
- This will include, besides a general descriptive analysis of the issue:
  - sector-specific rankings of European companies measuring their relative preparedness for the demographic challenge;
  - simulation analyses (case studies) based on the employee age profiles of specific companies;
  - snapshot evidence of the attitudes of DAX and MDAX companies to issues relating to ageing workforces in Europe (based on our survey);
  - examples of good practice, from which we will derive a catalogue of recommended management actions to make Europe's 'ageing companies' fit for the future.

# The demographic trap



Source Federal Bureau of Statistics, Wiesbaden (2006)

## ■ Ageing societies...

Declining birth rates combined with rising life expectancy is causing a continuous shift in societies' age structures

## ■ ...cause ageing workforces

# WestLB's „Human Capital Challenge Preparedness“ (HCCP) indicator

- Within our rating system HR issues are captured by indicators that reflect diversity issues, health and safety incidents, discrimination issues, conditions of employment, employee satisfaction and the intensity of staff training.
- To assess companies' approach to human capital we have developed a 'Human Capital Challenge Preparedness' (HCCP) indicator.

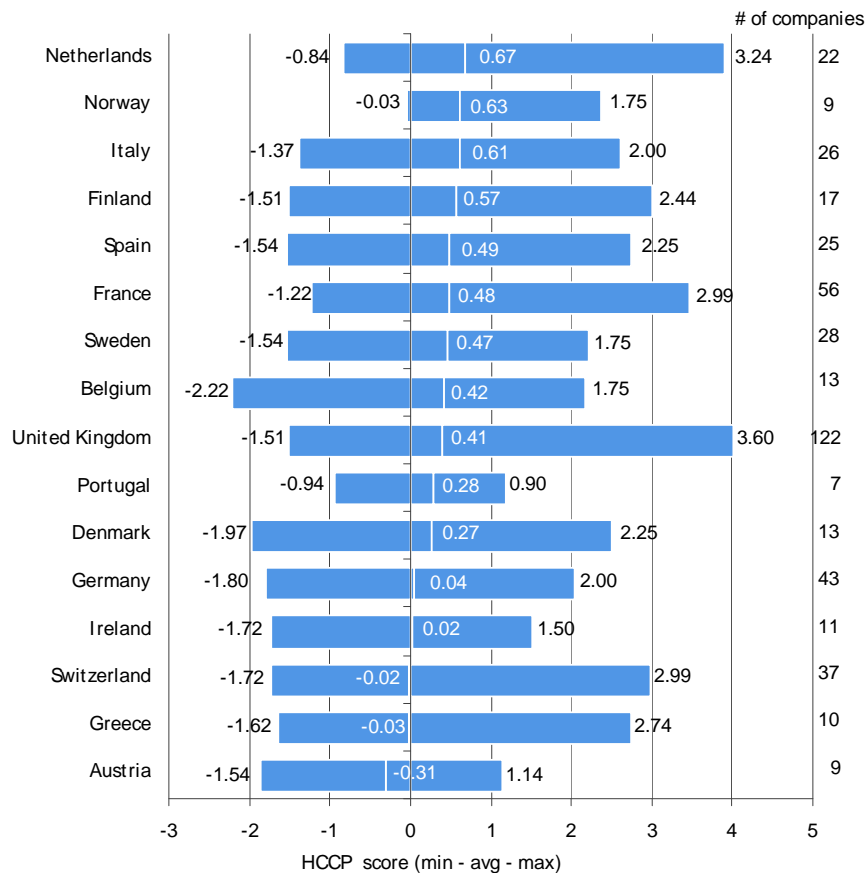
## HCCP indicator - best and worst companies in Europe (DJ STOXX600)

Rank	Company	ICB sector level 3	Country	HCCP score
1	HBOS	Banks	United Kingdom	3.60
2	Numico	Food Producers	Netherlands	3.24
3	Essilor	Health Care Equipment & Services	France	2.99
...				
453	Wincor Nixdorf AG	Software & Computer Services	Germany	-1.80
454	DSV	Industrial Transportation	Denmark	-1.97
455	UCB	Pharmaceuticals & Biotechnology	Belgium	-2.22

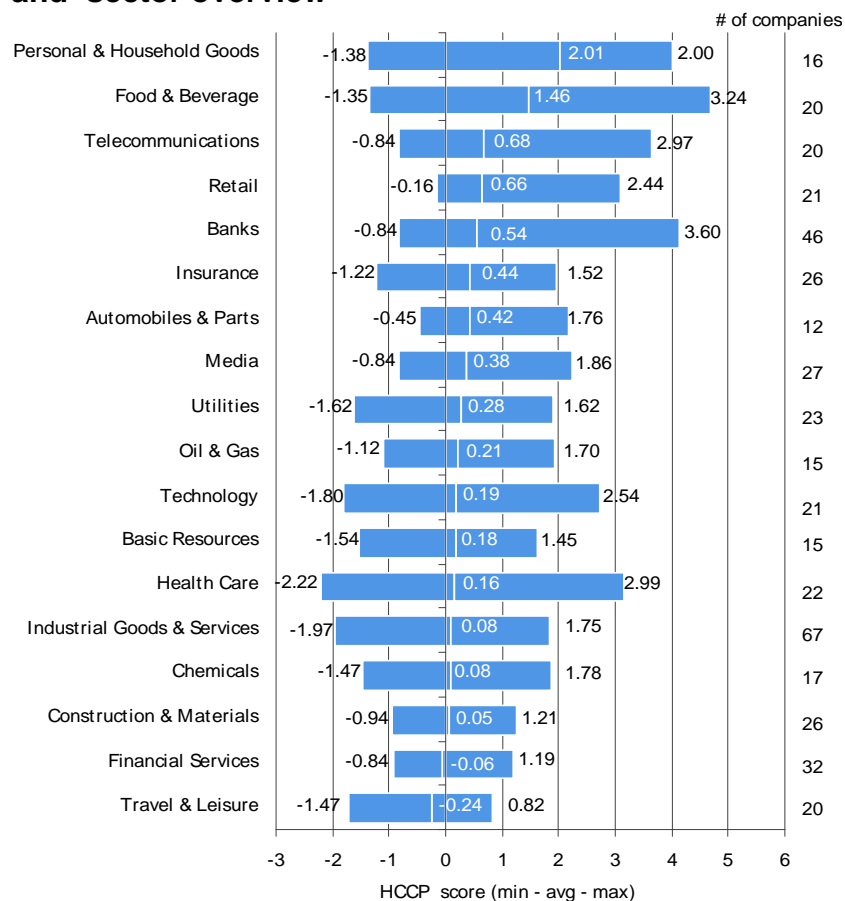
Source WestLB Research, SiRi

# HCCP indicator – country and sector overview

## HCCP indicator – country overview...



## ... and sector overview

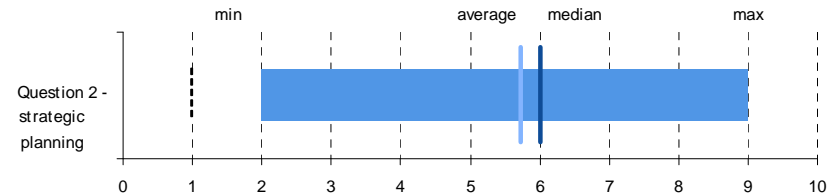
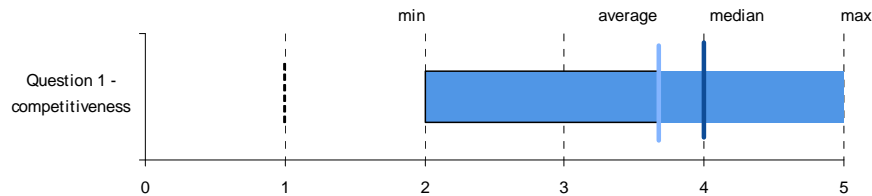


Source WestLB Research, SiRi

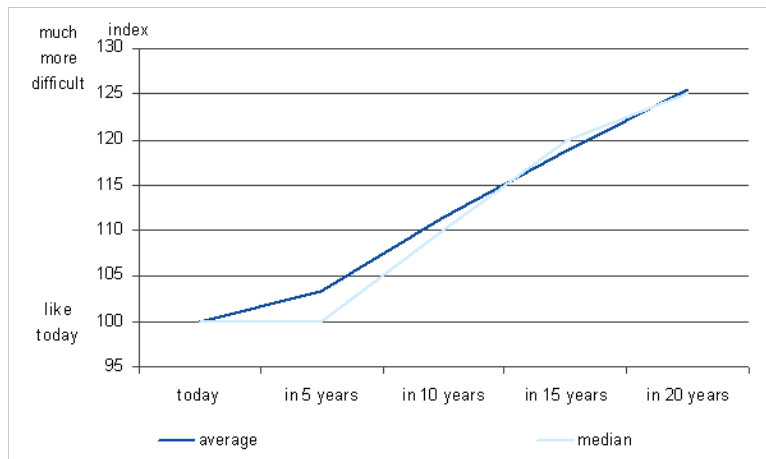
# Company survey: 'corporate ageing' – the results (1)

- Striking result: There seems to be a significant gap between perception and awareness on the one hand, and careful consideration and implementation on the other.

## Significance of the issue of 'corporate ageing' for competitiveness and strategic planning

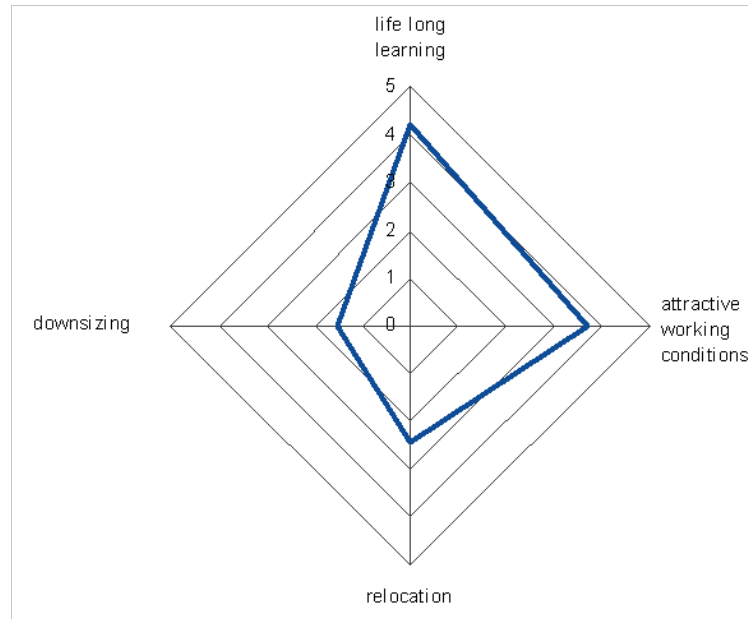


## Companies' estimates of their ability to recruit – trends and frequencies



# Company survey: 'corporate ageing' – results (2)

## ■ Addressing the demographic challenge in HR management



Source WestLB Research

- Companies give the politically correct answer, but are they actually delivering on it?
- And anecdotal evidence and our 'Human Capital Challenge Preparedness' (HCCP) indicator leave us with some doubts about the adequacy of programs in place.



# Company survey: 'corporate ageing'

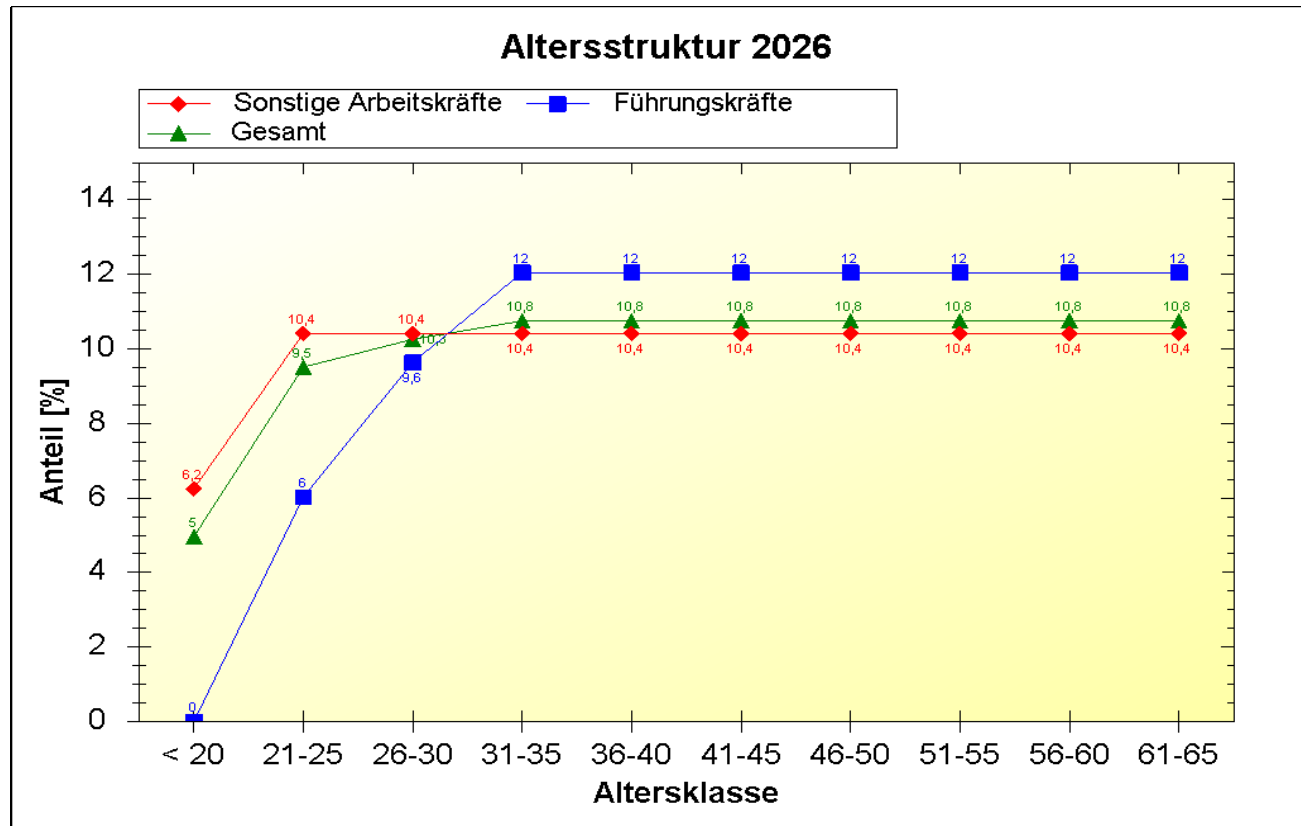
- What do the employee age profiles of listed companies look like? Can we confirm that they are distorted? How do HR managers assess future developments on the recruitment front? What strategies do they have to meet the demographic challenge?
- To get the answers we have conducted a survey of exchange-listed German large- and mid-cap companies (DAX and MDAX).
- 15 of the 67 companies have answered our detailed questionnaire on the age profiles of the local workforces.
- 17 companies (a 25.4% response rate) gave us answers to the five qualitative questions on the subject of corporate ageing and HR management.

# Forecasting & managing employee age structures – a simulation approach

- Does the age structure of a company have measurable effects on the competitiveness and the value of a company?
- If there are effects, are these rather opportunities or risks?
- Can we define types of age structures and if so what actions are to be taken on each of them?
- Is ageing a threat to the competitiveness and the value of a company?

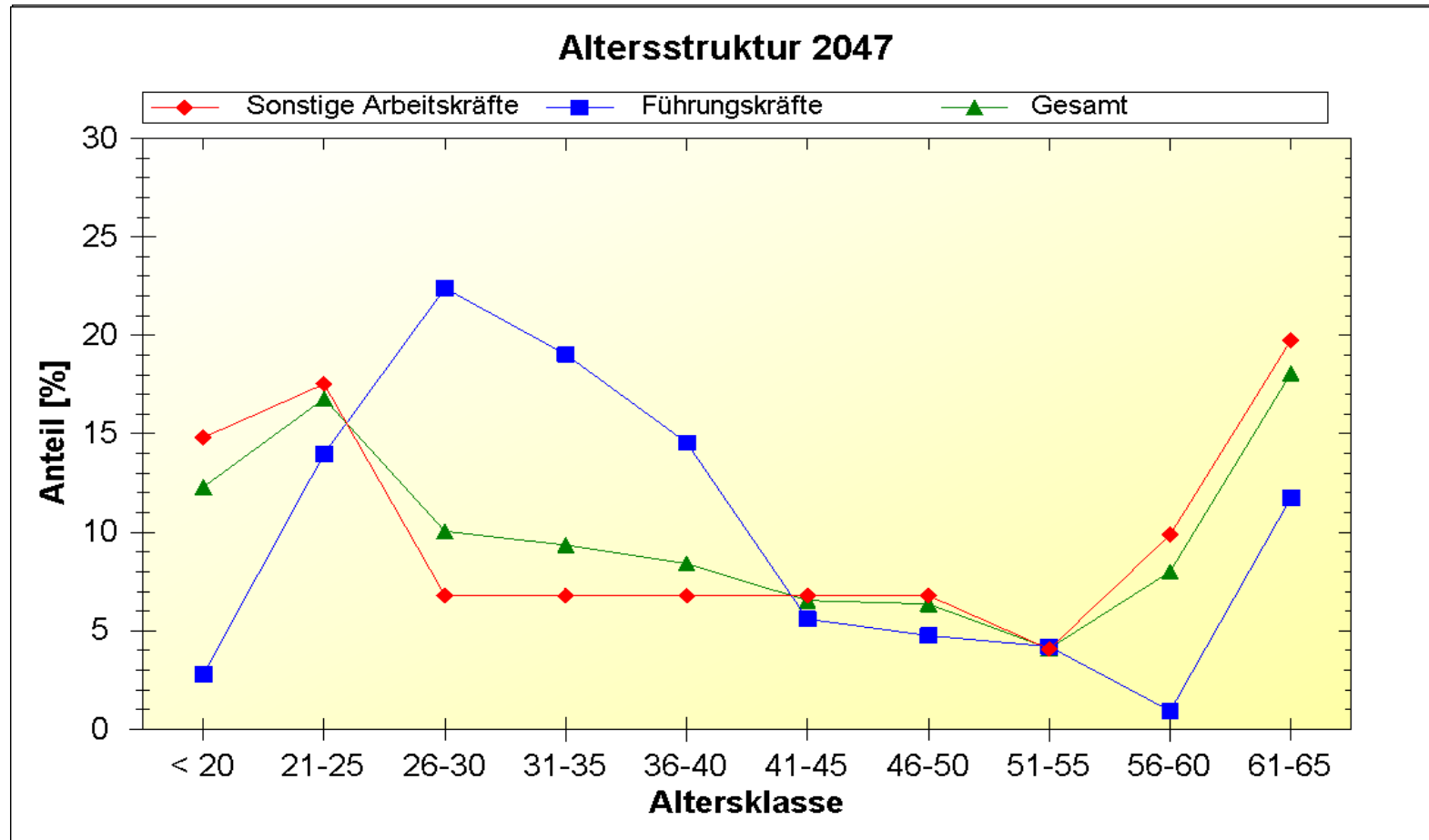
# Defining basic age structure types

## 1. **Balanced structure:** pretty boring, but ...



# Defining basic age structure types

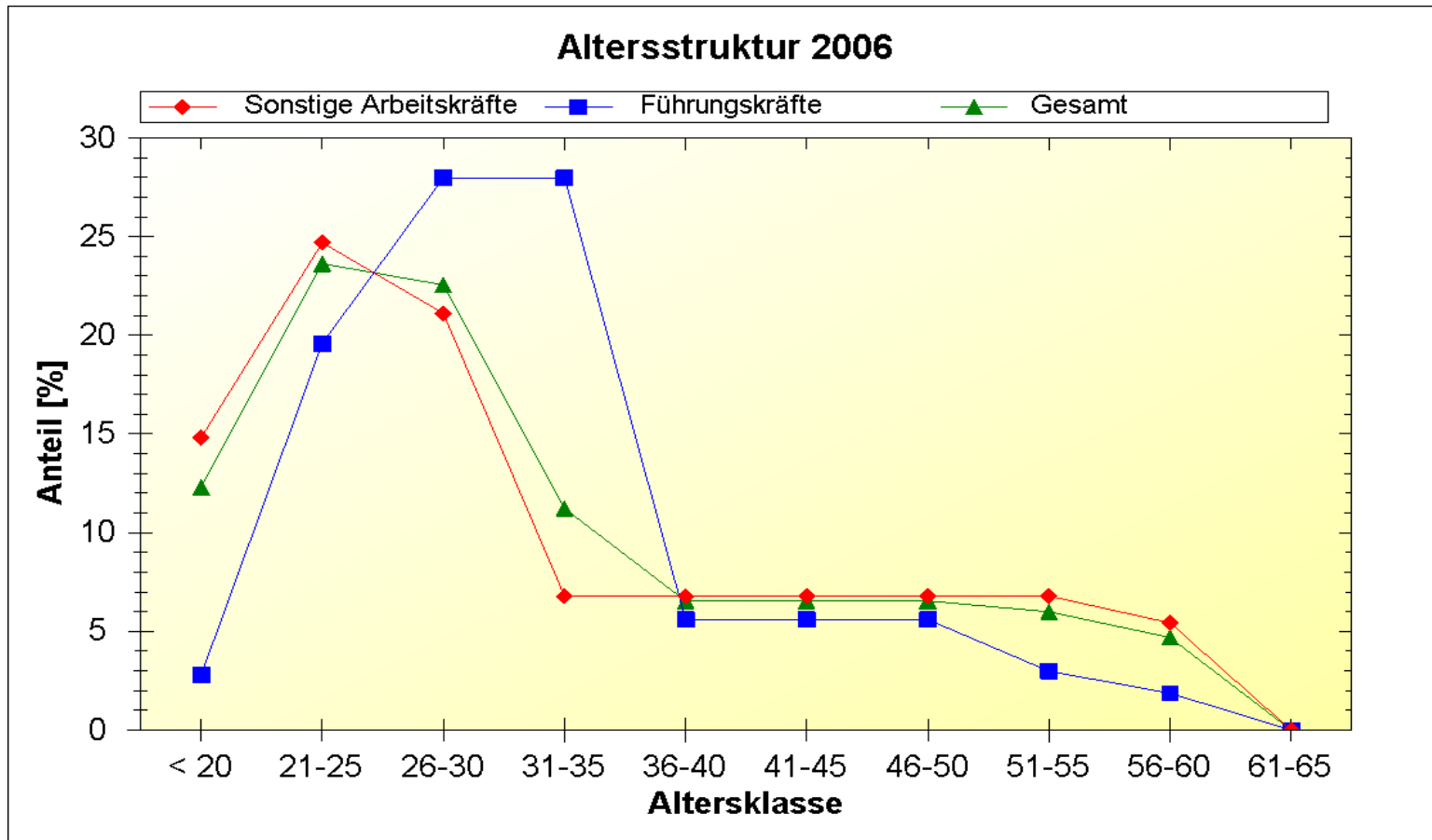
2. By far more thrilling, because constantly changing, the **unbalanced Structure**:



# Unbalanced age structures

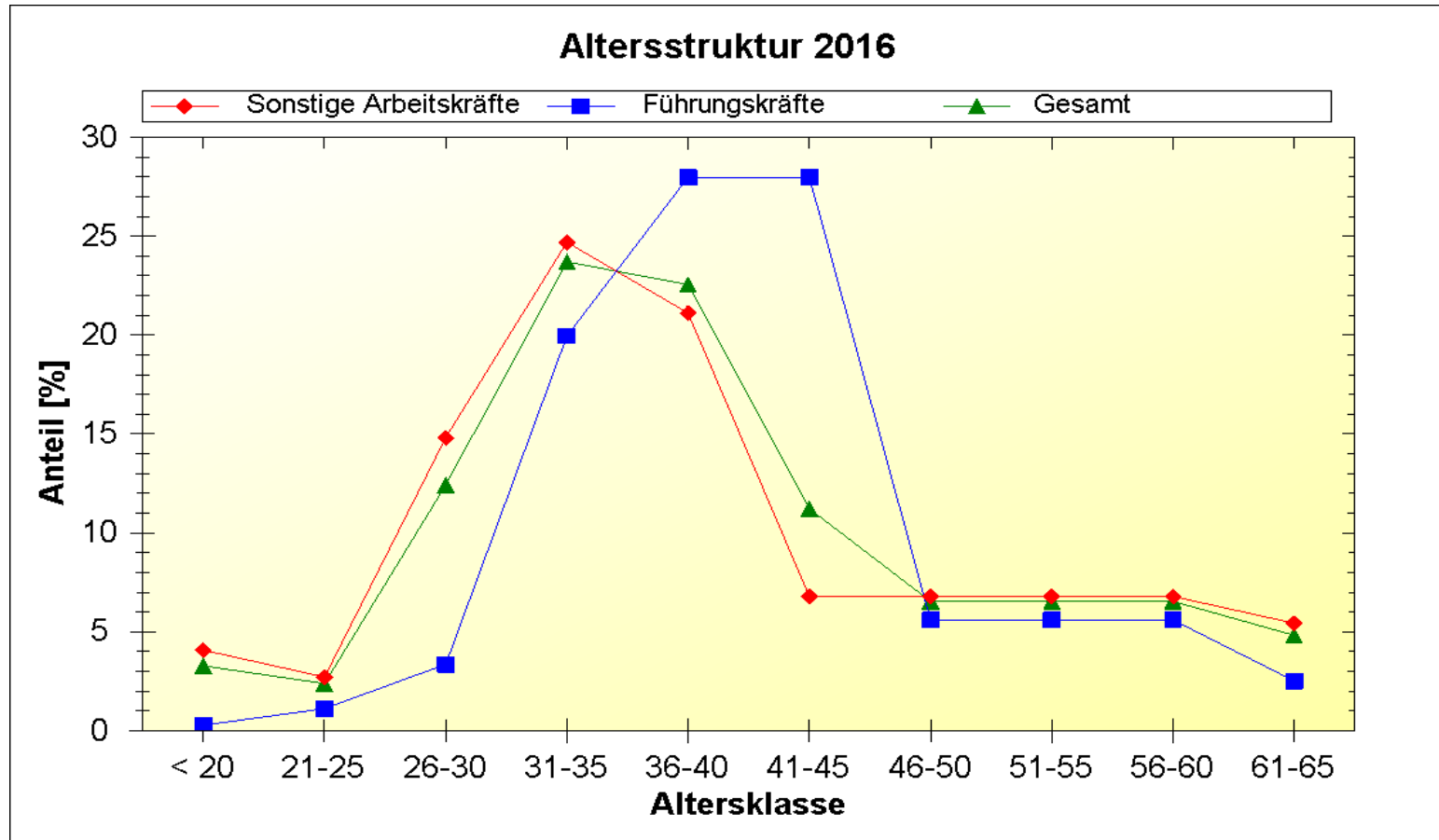
## Running through a typical age structure (life) cycle:

Four major states - (1) Youth clustered



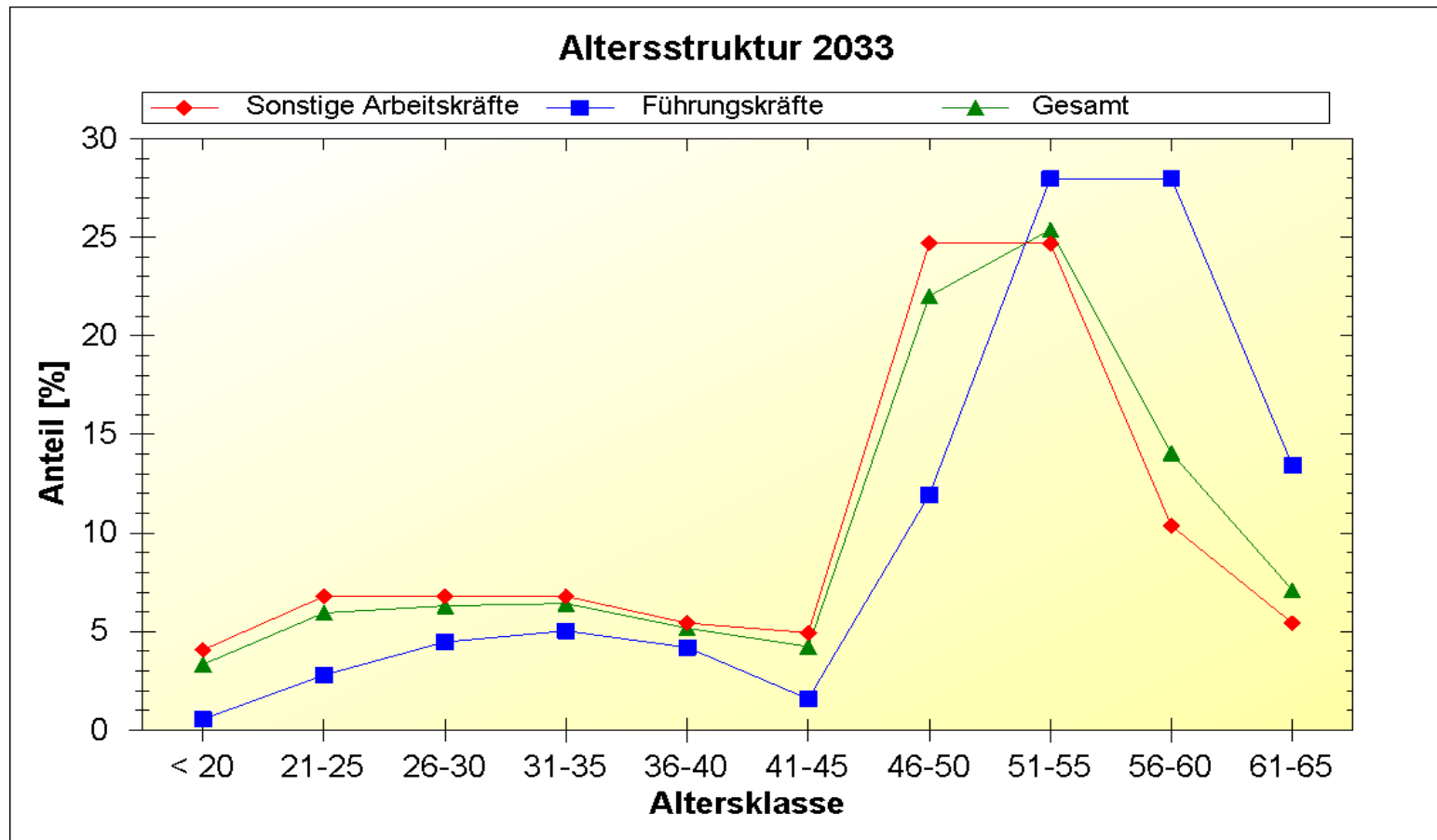
# Unbalanced age structures

## (2) Middle-age clustered



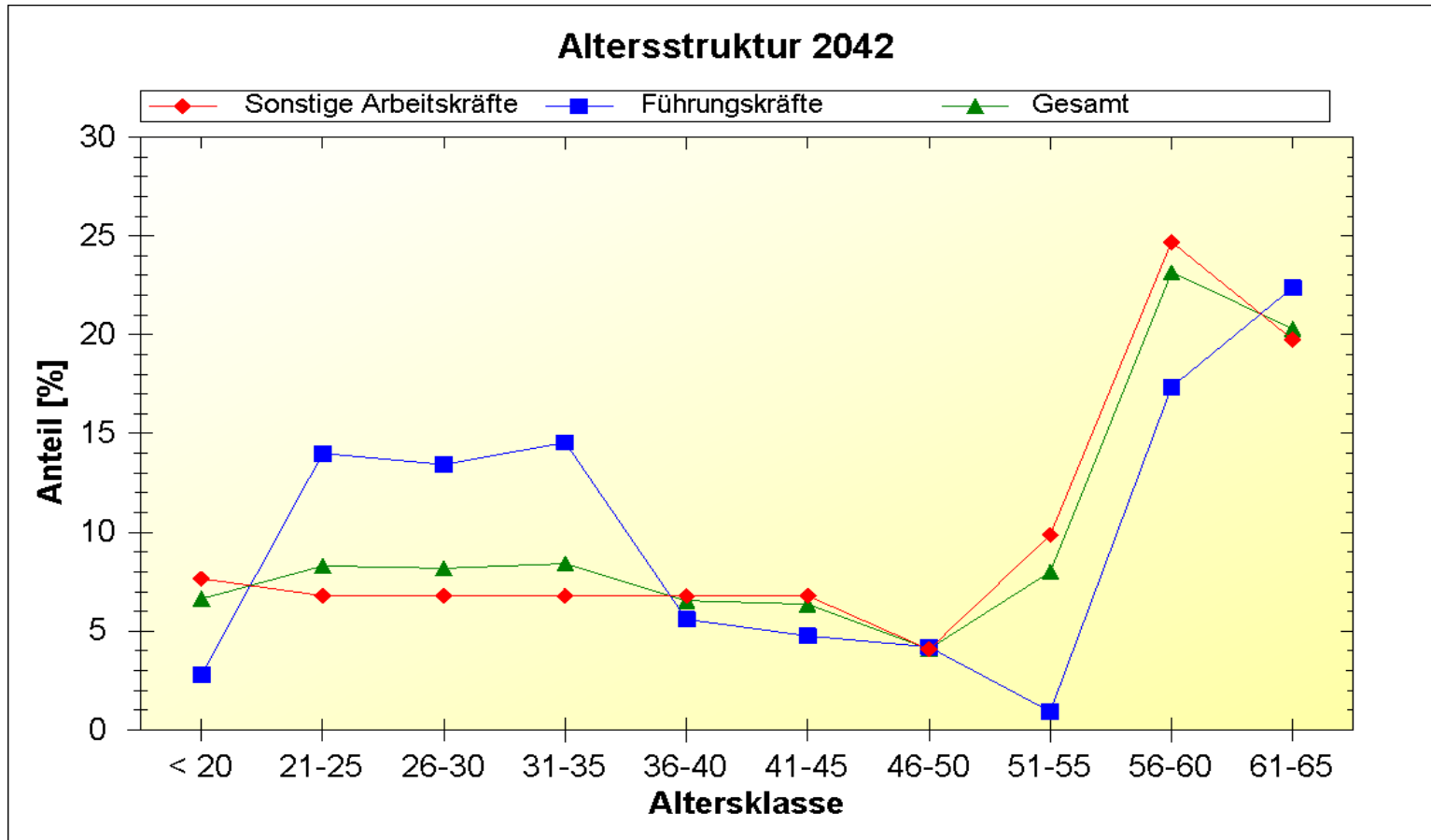
# Unbalanced age structures

## (3) Old-age clustered



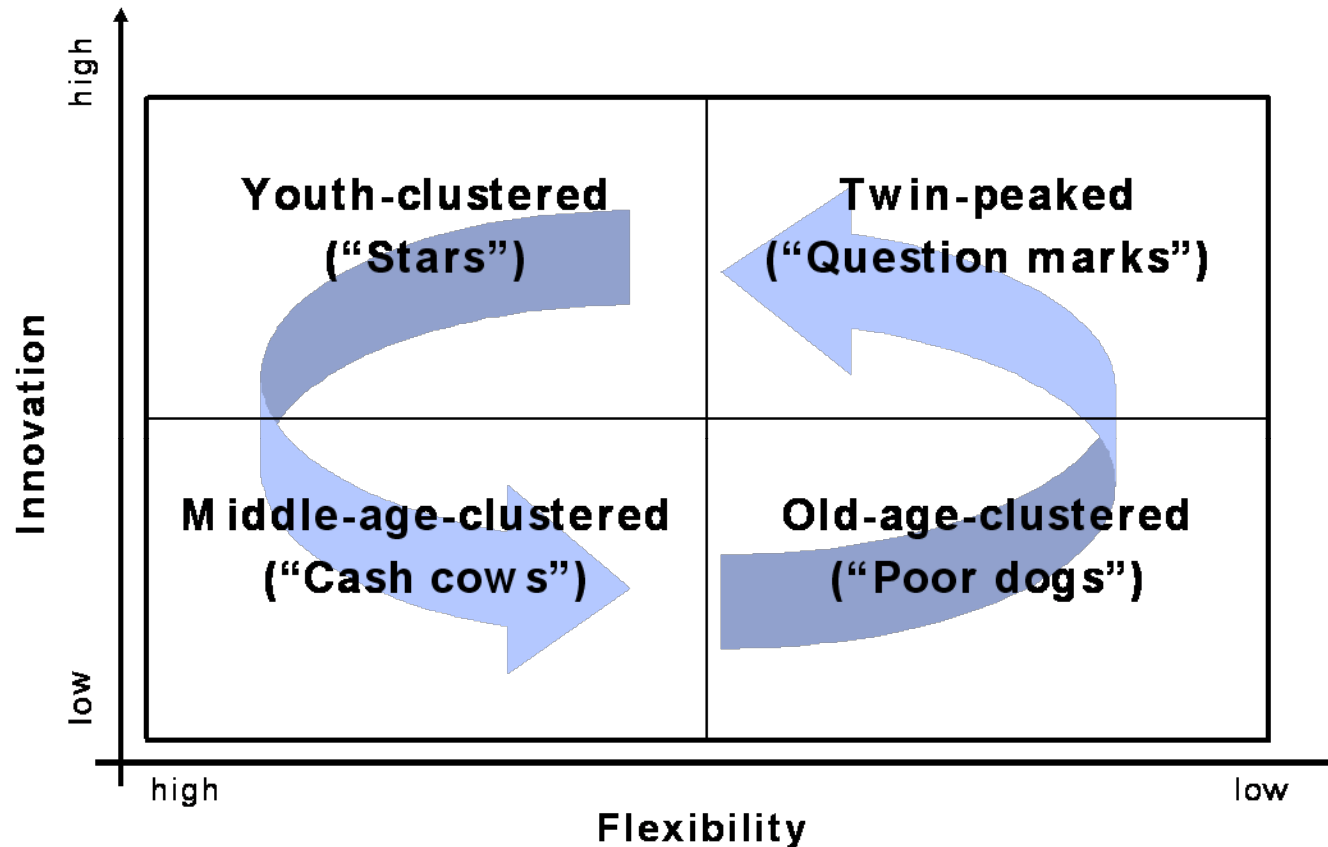
# Unbalanced age structures

and (4) Twin Peaked





The BCG product life cycle matrix, applied to the typical age profile cycle of 'unbalanced companies'



Source H-Faktor, BCG, WestLB Research

## Characteristics of the four types of age profiles, and the challenges for HR management that they imply

Type	Features	Need for action by HR management
Youth-clustered (‘stars’)	<ul style="list-style-type: none"> <li>Highly up-to-date know-how</li> <li>High level of flexibility</li> <li>High level of commitment</li> <li>High level of mobility (including external)</li> <li>Career-orientated</li> </ul>	<ul style="list-style-type: none"> <li>Prevention (use of personal protection equipment)</li> <li>Horizontal career planning</li> <li>Implementation know-how</li> <li>Target-based commercial activity</li> <li>Frequent short-term absence due to sickness</li> </ul>
Middle-age-clustered (‘cash cows’)	<ul style="list-style-type: none"> <li>Balance between up-to-date knowledge (e.g. new technology) and implementation know-how</li> <li>High level of efficiency and willingness to perform</li> <li>Balance between performance requirements and performance capacity</li> <li>Very good health statistics</li> </ul>	<ul style="list-style-type: none"> <li>Growing need for training</li> <li>Assurance of flexibility by way of changing requirements</li> <li>Growing need for health prevention</li> <li>Avoidance of failure to use full individual potential due to the pure routine nature of work</li> <li>Alternative career paths</li> </ul>
Old-age-clustered (‘Poor dogs’)	<ul style="list-style-type: none"> <li>Good routine knowledge</li> <li>Often have expert knowledge in highly specific fields</li> <li>Pronounced and strong informal contacts</li> <li>Tendency towards ‘experience-based know-how’</li> <li>High level of loyalty to employers</li> </ul>	<ul style="list-style-type: none"> <li>Avoidance of productivity reductions</li> <li>Performance-appropriate deployment</li> <li>Protection and use of informal knowledge</li> <li>Transfer of expert knowledge within the organisation</li> </ul>
Twin-peaked (‘Question marks’)	<ul style="list-style-type: none"> <li>Polarisation of the workforce between young and old</li> <li>Mix consisting of the features of both groups (see above)</li> </ul>	<ul style="list-style-type: none"> <li>Team-building measures</li> <li>Protecting know-how and inter-generational transfer of know-how</li> <li>HR recruitment at a high level that will decline in the course of the next five to 10 years</li> </ul>

Source H-Faktor, WestLB Research

# Results

For all companies analyzed in this study as well as for all companies we analyzed in our consultancy projects we can say:

- All companies we know do have this order of cyclic changes
- Which means in reverse, of course, that no company was balanced.

# Results

## Noticeable:

- These cycles show a strong similarity to the Product-life-cycle theory (PLC) of the Boston Consulting Group.
- We did find in reality that there is a frequent connection of the State of the age structure a organizational unit is in with the state of the PLC of the product / service, this unit is dealing with.

# Conclusions

## Balanced Model:

- From the structural analysis' point of view extremely boring
- From the economics' point of view very interesting
- One stable State. The age structure becomes a ceteris paribus condition as well as the related processes
- The company gets the chance to ride the learning curve very effectively

# Conclusions

## Unbalanced Model:

- We did find cycles of typical states.
- These states can be predicted.
- There are typological states of the age structure and typical actions that fit these states.

# Conclusions

## Notice:

- Actions and initiatives taken in human resource management need at least five years to come to effect.
- You have to act proactively.
- Ageing is a process that is not a thread but a determining factor. You can take influence on the age structure of a company as well as on the fit of the organizational structure and processes to deploy the age structure

# Thank You!



# WestLB Extra-Financial Research

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