WHY HR NEEDS TO CHANGE

MERCER RESEARCH AND INSIGHTS ON WHAT'S NEXT FOR THE HUMAN RESOURCES FUNCTION

July 13, 2016
TODAY’S SPEAKERS

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01 HR has made significant progress

02 But emerging workforce trends are driving more change

03 And the evolving HR technology landscape

04 Is driving even more change for HR
OUR PERSPECTIVE IS BASED ON SIGNIFICANT RESEARCH AND OUR EXPERIENCE WITH CLIENTS

NEW MERCER POV PAPERS

RECENT RESEARCH STUDIES

Future-Proofing HR
Mercer’s 2016 Global Talent Trends Study
- 1,730+ HR Leaders
- 4,500+ employee opinions
- 17 countries
- 10+ industries

The Journey to Digital HR
2016 HR Technology Survey
- 500 HR Professionals
- 19 countries
- 10+ industries
HR HAS MADE SIGNIFICANT PROGRESS

01 Getting closer to its customers

02 Organizing and staffing more effectively

03 Getting the right work in the right place

04 Working as one HR

05 Making better use of technology
HR IS GETTING CLOSER TO ITS CUSTOMERS

BUSINESS STRATEGY
What strategic business imperatives will drive organizational success?

PEOPLE STRATEGY
How will the organization manage and motivate a workforce that can execute the business strategy?

HR FUNCTION
- How will the HR function prioritize requirements while allocating and aligning limited resources to deliver HR services that contribute to the business and people strategies?
- What are the most effective delivery channels for HR services and the related service-level expectations?

HR OPERATING MODEL
- SERVICE DELIVERY
  What activities will the HR function do in-house? What can be outsourced?
- INFRASTRUCTURE
  What internal capabilities are needed to fulfill the HR function strategy?
  - Structure
  - HR Talent
  - Process
  - Technology
- GOVERNANCE MODEL
  How will the function be led and how will related investments be managed?
  How will success be measured?

PERFORMANCE MONITORING: METRICS AND BENCHMARKING
ORGANIZING AND STAFFING MORE EFFECTIVELY

HR LEADERSHIP TEAM
Providing HR strategy and execution to the business and ensuring the success of the HR operating model

HR BUSINESS PARTNERS
Acting as a strategic partner and liaison between the business and centers of expertise
FOCUS: strategic alignment

TECHNOLOGY ENABLED
HR portal
Telephony
Case management
Knowledge management

HR CENTERS OF EXPERTISE
Designing appropriate HR strategies, programs, policies and processes
FOCUS: program design

HR SERVICE CENTER
Delivering customer service and administration of HR programs with a focus on efficiency, data and technology
FOCUS: operational excellence
WORKING AS ONE HR

PARTNERSHIP
HR Business Partners

COLLABORATION
HR Service Center

ALIGNMENT
Centers of Expertise
**MAKING BETTER USE OF TECHNOLOGY**

**ADMINISTERING HR PROCESSES**
- Core HRIS
- HR administration
  - Payroll administration
  - Benefits administration
- Workforce management
  - Time and attendance
  - Absence management
  - Budgeting
  - Scheduling

**MANAGING HUMAN CAPITAL**
- Workforce planning
- Talent acquisition
- Performance management
- Career planning and development
- Learning management
- Succession planning
- Compensation management

**DELIVERING HR SERVICES**
- HR/Enterprise portal
- Self-service and workflow
- Service center technologies
  - Call management
  - Case management
  - Knowledge management

**SUPPORTING MEASUREMENT AND DECISION-MAKING**
- HR data warehouse
- Reporting and analytics
- HR scorecard

**INTEGRATING MECHANISMS: PEOPLE, PROCESS AND GOVERNANCE**

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Emerging Workforce Trends Are Driving the Need for More Change

Role of the Manager
Managers are the key to a successful employee/employer relationship, AND managers’ coaching and employee development skills need to improve.

Workforce Analytics
There is an increasing demand for metrics and analytics to understand key roles, talent flows, obstructions to talent mobility and the cost of not getting it right from business and talent perspectives.

Digital Workforce
Technology is transforming how people access, retain and apply information. Demand is on the rise for continuous, just-in-time access using digital, mobile, and social platforms.

Branding & Employee Experience
Organizations are taking a close look at how they are perceived in the marketplace — formally and socially — to ensure that they are meeting the “employee as consumer” expectations.

“Glocalization”
Global and multinational companies struggle with setting global HR policies that can also be flexible enough to meet the needs of local lines of business, regulations and employee expectations.

Boomer/Millennial Transition
The loss of institutional knowledge combined with changing expectations and work styles will create significant talent management challenges across every industry.

Reference: Mercer Global Talent Trends Study 2016 findings
MERCER RESEARCH: HR NEEDS TO BE MORE STRATEGIC

ORGANIZATIONS

“HR is not viewed as a strategic business partner”

Only 4% of HR professionals say HR is a strategic partner

EMPLOYEES

“It’s hard for me to get good answers and information from HR”

Gaps in HR service delivery and lack of key data impacts perceptions of HR
WHAT’S CHANGING NOW?
HR BUSINESS PARTNERS

ORGANIZATIONS HAVE FACED DIFFICULTY TRULY IMPLEMENTING HRBP...

But changing now

1. More HRBP training/upskilling
2. Businesses rotating line managers into the HRBP role
3. HRBP serving as more of a talent consultant
MERCER RESEARCH: SOME EMPLOYERS ARE WORKING ON UPSKILLING HR, BUT MORE CONCRETE PLANS ARE NEEDED

36%

We plan to invest in training/HR development in 2016

13%

We have a systematic curriculum for developing HR professionals
ORGANIZATIONS

“Our Talent processes need an overhaul”

Over 80% of HR respondents believe change is needed

EMPLOYEES

“Our HR processes fail the test of being simple and efficient”

Only 4% of employees believe their company’s HR processes are state of the art
WHAT’S CHANGING NOW?

CENTERS OF EXPERTISE

WHAT’S CHANGING?

1. More global focus
2. More talent strategy and development focus
3. Local COE deployment is shifting to employee service centers or technology-enabled self-service

86% have concrete plans to change their people strategy, talent acquisition, HR technology and performance management processes in 2016.
EMERGING CENTERS OF EXPERTISE

NEW COES ARE ADDRESSING THE CHANGING ROLE OF HR AND HOW IT ADDS VALUE TO THE BUSINESS

WORKFORCE ANALYTICS & PLANNING
Deliver on the promise of deep analytic insights and predictive modeling

WORKFORCE STRATEGY
Connect workforce data and drive business results through people

MERGER & ACQUISITION MANAGEMENT
Rapidly assess and digest newly acquired companies

WORKFORCE AND REWARDS OPTIMIZATION
Create segmented rewards and performance strategies for pivotal roles

WORKFORCE INNOVATION STRATEGY AND EXECUTION
Create tools and processes to drive an innovation culture

CONTINGENT WORKER SELECTION AND OPTIMIZATION
Enable a flexible workforce based on business conditions
WHAT’S CHANGING NOW: HR TECHNOLOGY

INCREASED USER ADOPTION: Systems like Workday and SAP SuccessFactors have a simple, user-friendly interface designed to make manager and employee self-service personalized and easy to learn.

BUSINESS INVOLVEMENT AND FLEXIBILITY: Self-service tools and dashboard/reporting options offer flexibility in data access and data analyses, bringing information directly to business leaders and managers without going through HR.

CLOSER PARTNERSHIPS WITH OTHER FUNCTIONS: HR is increasingly partnering with legal, cybersecurity, IT and risk/compliance functions to protect sensitive data, mitigate business risk and leverage key analytics to provide a holistic view to the business.

MOBILE AND REAL TIME: Talent apps, especially those on mobile devices, allow for convenient and immediate HR processing and data access anytime/anywhere by leaders, managers, employees and HR. Real-time data retrieval and reporting can help support data-driven business decision-making.

CONTINUOUS TECHNOLOGY UPDATES: Many HR technology providers release multiple updates to their solutions every year. This allows organizations to take advantage of the most recent functionality; however, it also requires testing and fixes to the solution to ensure optimization and effectiveness within the company environment.
WHAT’S CHANGING NOW?

HR SERVICE CENTERS

WHAT’S CHANGING?

1. Tier 1 is shrinking and being replaced by self service and HR Portals
2. Increased reporting, analytical and data interpretation skills
3. Increased flexibility to support peak call periods AND support peak periods of the HRBP and COE teams with project management, data analytics and analysis
WHAT’S NEXT: HOW HR WILL CHANGE

LEANER: Employee service centers, self-service and enhanced technology — along with increased outsourcing of operations, strategy and design activities — will decrease the size of the HR function as organizations are pressured to do more with less. We will see smaller staff sizes with clearly defined roles. Investments in HR will focus on closing the skill gaps in key areas.

TALENT STRATEGISTS: HR management will lead the strategic identification, development and retention of talent with simple and streamlined processes and systems. HR will guide managers in talent decisions, equipping them with a clear understanding of their key players through pulse metrics and helping them determine the best course of action by modeling possible interventions and their implications. Data-driven insights will underpin success in this area.

INNOVATIVE: HR will position itself to anticipate how work and employee relationships are changing, and will be the first to adapt and respond. HR leaders will change policies/programs and leverage strategic partnerships and technology to support the business.

TECHNOLOGY LEADERS: HR leaders will understand and embrace technology with a willingness and ability to use data to drive business decisions. HR will be ahead of the HR technology market and play the HR technology strategist role in close collaboration with IT.
WHAT CAN YOU DO AT YOUR ORGANIZATION?

- Assess and design the right HR operating model and organizational structure to best fit your business.
- Evaluate current technology and create an HR technology strategy.
- Assess HR staff competencies and fit with the future operating model requirements.
- Enhance HR staff strategic skills.
- Acknowledge that HR needs to change and adapt to meet today’s realities for the function of Human Resources.
Join us on July 27 at 1:00 ET for a deeper dive into the results of: The Journey to Digital HR 2016 HR Technology Survey

- Talent trends challenging HR to modernize
- The impact of the Cloud on HR Technology
- How organizations are effectively managing their HRIS implementations

Study includes:
- 500 HR professionals
- 19 countries
- 10+ industries

Register at: http://www.mercer.com/events/webcasts/digital-hr-research-tells-us-about-implementing-hris.html
**PREVIEW: WHY ARE ORGANIZATIONS IMPLEMENTING NEW HR SYSTEMS?**

<table>
<thead>
<tr>
<th>Status of HRIS:</th>
<th></th>
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<tbody>
<tr>
<td>Implemented in the last 5 years</td>
<td>21</td>
</tr>
<tr>
<td>Plan to implement new HRIS in the next 1-3 years</td>
<td>34</td>
</tr>
<tr>
<td>No plans</td>
<td>45</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Contexts for Implementation:</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single system of record for all HR data</td>
<td>66</td>
</tr>
<tr>
<td>Reliable, consistent reporting for compliance and legal obligations</td>
<td>55</td>
</tr>
<tr>
<td>Integrated HR data system to perform workforce analytics</td>
<td>54</td>
</tr>
<tr>
<td>Standardize HR data across multiple geographies and/or business units</td>
<td>52</td>
</tr>
<tr>
<td>Move away from a legacy system that was not meeting organizational needs</td>
<td>49</td>
</tr>
<tr>
<td>Facilitate and support a broader HR operating model optimization/evolution</td>
<td>43</td>
</tr>
<tr>
<td>Reduce costs</td>
<td>21</td>
</tr>
<tr>
<td>Our contract was ending</td>
<td>12</td>
</tr>
<tr>
<td>Our support was ending</td>
<td>10</td>
</tr>
</tbody>
</table>

Mercer’s 2016 HRIS study

All results in percent
### Preview: What Applications are Purchased with Core HRIS?

<table>
<thead>
<tr>
<th>Application</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core HR</td>
<td>88%</td>
</tr>
<tr>
<td>Compensation and Rewards</td>
<td>60%</td>
</tr>
<tr>
<td>Performance Management</td>
<td>58%</td>
</tr>
<tr>
<td>Recruitment and Hiring</td>
<td>51%</td>
</tr>
<tr>
<td>Talent Management</td>
<td>41%</td>
</tr>
<tr>
<td>Analytics</td>
<td>39%</td>
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<tr>
<td>Workforce Management</td>
<td>38%</td>
</tr>
<tr>
<td>HR Content Portal</td>
<td>37%</td>
</tr>
<tr>
<td>Onboarding</td>
<td>36%</td>
</tr>
<tr>
<td>Learning and Development</td>
<td>27%</td>
</tr>
<tr>
<td>HR Case Management</td>
<td>11%</td>
</tr>
</tbody>
</table>
PREVIEW: WHAT OTHER INITIATIVES ARE TIED TO AN HRIS IMPLEMENTATION?

55% OF ORGANIZATIONS ARE REDESIGNING THEIR END-TO-END HR PROCESS CONCURRENTLY WITH HRIS IMPLEMENTATION

NEW ORGANIZATION GRADE STRUCTURE
NEW JOB CODED SYSTEM
NEW ORGANIZATION-WIDE JOB CATALOG
NEW JOB DESCRIPTIONS

REWARDS AND BENEFITS
REFINED SELECT BENEFIT PLANS
HARMONIZED LONG-TERM INCENTIVE PLANS
HARMONIZED SHORT-TERM INCENTIVE PLANS

ALL RESULTS IN PERCENT
IN SUMMARY

HR has made significant progress, but emerging workforce trends are driving more change and the evolving HR technology landscape is driving even more change for HR.
QUESTIONS?

QUESTIONS
Please type your questions in the Q&A section of the toolbar and we will do our best to answer as many questions as we have time for.

To submit a question while in full screen mode, use the Q&A button, on the floating panel, on the top of your screen.

FEEDBACK
Please take the time to fill out the feedback form at the end of this webcast so we can continue to improve. The feedback form will pop-up in a new window when the session ends.