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# Workforce of the Future

## More Is Needed to Close Preparedness Gap

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# Workforce of the Future:
## More Is Needed to Close Preparedness Gap

Few issues are more important to a business than preparing its workforce for the future, and none are more challenging. Preparedness requires strategic focus, cross-functional collaboration, a deep understanding of emerging technology and how to deploy it, and a vision for talent development.

A Bloomberg survey conducted in September 2018 asked businesses if they were meeting these challenges, and where they might need to strengthen efforts to fully prepare for the future.

The research team surveyed almost 300 senior-level individuals, focusing primarily on organizational preparedness and strategy. The aim was to determine if companies are ready for the impact of expected change, and if leadership is organized and aligned to capitalize on it.
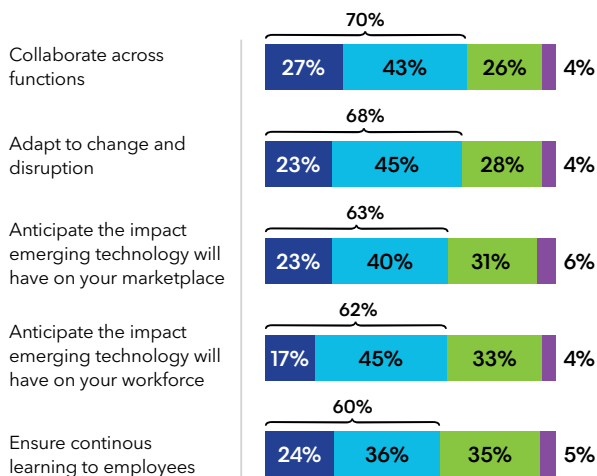
The survey identified several immediate issues with potentially serious consequences for business. First, a majority of respondents said their company does not have a formal strategy in place to specifically address the future of work. Second, human resource departments are playing a limited role in planning and decision-making. Third, only companies considered high-tech are keeping up with, and embracing, the rapid pace of change.

These issues put at risk the long-term health of organizations that are not actively preparing. In the presently strong U.S. economy, most companies are focused on current, rather than future, talent needs.

For workforce issues, though, the future is fast approaching. While some firms already are coming to grips with these challenges, all should be making preparedness a priority.

### Considering your executive leadership team, how well prepared are they to...

Legend: Well-prepared | Prepared | Somewhat prepared | Not at all prepared

| | Well-prepared | Prepared | Somewhat prepared | Not at all prepared | Total |
|---|---|---|---|---|---|
| Collaborate across functions | 27% | 43% | 26% | 4% | 70% |
| Adapt to change and disruption | 23% | 45% | 28% | 4% | 68% |
| Anticipate the impact emerging technology will have on your marketplace | 23% | 40% | 31% | 6% | 63% |
| Anticipate the impact emerging technology will have on your workforce | 17% | 45% | 33% | 4% | 62% |
| Ensure continous learning to employees | 24% | 36% | 35% | 5% | 60% |

*Base=All respondents (n=296)*

### Do you perceive your executive leadership to have a shared understanding of what the future of work (how work will be done in the future due to change such as advancing technology, changes in what is needed from the workforce, etc.) will mean to your company?

Legend: Yes | No | I don't know

| | Yes | No | I don't know |
|---|---|---|---|
| **Total** n=296 | 61% | 26% | 13% |
| **HR** n=91 | 60% | 27% | 12% |
| **IT** n=100 | (68%) | 18% | 14% |
| **Finance/ Operations/ Strategy** n=105 | 53% | (33%) | 13% |
| **High-tech industry** n=153 | (68%) | 19% | 12% |
| **Other industry** n=143 | 52% | (34%) | 14% |

Indicates % is statistically significantly higher than counterpart. Color coding is used when there are more than 2 groups being compared.
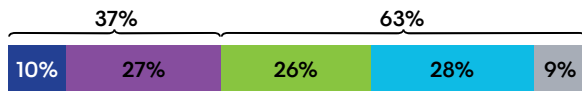
## Preparedness Gap

A majority of respondents believe their executive leadership teams have a shared understanding of the future of work's impact on their companies. Most feel their leaders are prepared to do what's expected of them during these disruptive times—foster collaboration across functions, anticipate the impact of emerging technology, and ensure continuous learning for their workforce.

A significant number of respondents, however, felt leadership was not as fully committed as it could be. More than a quarter feel their executive leadership does not have a shared understanding of what the future of work will mean, and 30 percent think their executive team is less than adequately positioned to address these challenges overall.

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## Does your company have a specific strategy to prepare for the "future of work," i.e., changes in how work will be done and preparing your workforce and workplace for these changes?

- ■ Yes, a specific strategy has been created
- ■ Yes, a specific strategy has been created and is currently being implemented
- ■ No, but a specific strategy is in development
- ■ No, but we're starting to have discussions among senior leadership on this topic
- ■ No, we do not see this as an area requiring a specific strategy

**Total** n=296

| 37% | | 63% | | |
|---|---|---|---|---|
| 10% | 27% | 26% | 28% | 9% |

**High-tech industry** n=153

| 52% | | 48% | | |
|---|---|---|---|---|
| 15% | 37% | 23% | 20% | 5% |

**Other industry** n=143

| 21% | | 79% | | |
|---|---|---|---|---|
| 5% | 16% | 29% | 37% | 13% |

◯ *Indicates % is statistically significantly higher than counterpart*

In addition, only about one-third of respondents said their companies have a formal workforce preparation strategy, and a notable proportion are only beginning to discuss the topic with senior leadership. And only about half feel their company is ready to incorporate new technologies that will emerge in the next five years.

Johnny C. Taylor, president and chief executive of the Society for Human Resources Management, is not surprised by this situation. "In the U.S. today, where you have a strong economy and a shortage of skilled people, the recruiting environment is intense, and most employers are simply trying to keep up. In that sense, they don't have the luxury of thinking about the future five or 10 years from now."

A new SHRM research report[1] makes clear that companies are experiencing a talent shortage, with eight of 10 HR professionals reporting high-demand workers and soft skills in particular in short supply. For the first time on record there are more open jobs than people looking for jobs.[2]

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[1] Society for Human Resource Management, "The New Talent Landscape," https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/SHRM%20New%20Talent%20Landscape%20Recruiting%20Difficulty%20Skills.pdf

[2] Department of Labor, Bureau of Labor Statistics, June 5, 2018, https://www.dol.gov/newsroom/releases/osec/osec20180605

## Which department is most responsible for developing the corporate strategy for the following:

- ■ Human Resources
- ■ Finance, Strategy or Operations
- ■ Information or Technology
- ■ Other department

Recruiting full-time or part-time employees

| 85% | 6% | 5% | 4% |
|---|---|---|---|

Workforce development, reskilling and training

| 71% | 13% | 10% | 6% |
|---|---|---|---|

Managing alternative workplace models

| 52% | 18% | 19% | 10% |
|---|---|---|---|

Automation and related technology investments

| 4% | 21% | 72% | 3% |
|---|---|---|---|

Technology roll-out and integration with the workforce
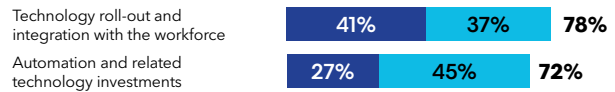
| 5% | 14% | 78% | 3% |
|---|---|---|---|
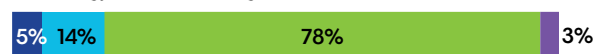
## HR's Limited Role

In this environment, human resource professionals largely remain in their traditional roles of recruiting and workforce development rather than taking the lead in setting future strategy and decision-making. HR in most companies has only a minor role in decisions about technology and automation, and how they are rolled out in the workforce. Instead, IT is usually the entity responsible for those strategic decisions, with significant input from finance, strategy, and operations.

### Should Human Resources be more involved in setting strategies around the following?

- ■ Already involved
- ■ Should be involved
- **Involved or should be involved**

**HR**

| | Already involved | Should be involved | Involved or should be involved |
|---|---|---|---|
| Technology roll-out and integration with the workforce | 41% | 37% | **78%** |
| Automation and related technology investments | 27% | 45% | **72%** |

**IT**

| | | | |
|---|---|---|---|
| Technology roll-out and integration with the workforce | 19% | 24% | **43%** |
| Automation and related technology investments | 16% | 24% | **40%** |

**Finance/Operations/Strategy**

| | | | |
|---|---|---|---|
| Technology roll-out and integration with the workforce | 18% | 36% | **54%** |
| Automation and related technology investments | 10% | 35% | **45%** |

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Most HR respondents believe they should be more involved in every aspect of the decision-making process, including technology-related strategies, and many non-HR respondents concur. In fact, about half of those surveyed in finance, operations, and strategy said HR should be involved in these strategies.

As one survey respondent pointed out, "These strategies ultimately affect the organization's employees and, as such, HR needs to be a party to them—offering counsel, guidance, and helping to identify priority areas, business case opportunities, and evaluating impact."

Another respondent—a senior finance professional—stressed that HR needs to be closely involved in any automation-related strategy. "HR is best positioned to thoughtfully lead on issues relating to the automation of people's work and how individuals can continue to add value in a more automated environment," he said.
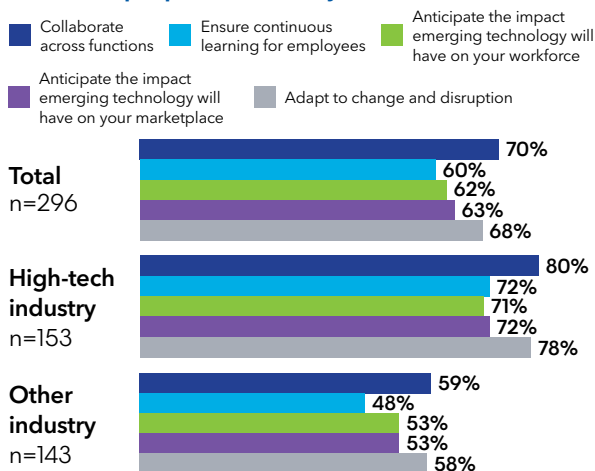
One prominent HR professional agreed and thought workers would be receptive if HR took on more of a leading role.

"I think business leaders seem to forget that their people are consumers too who are already using these technologies in their lives, so they're not scared of technology," said Ellyn Shook, chief human resources lead at Accenture. "I think some leaders are taking their own fears and concerns about the future and applying it to their people. They need to tap into the real feelings of their people and get to understand them."

"They also must think about the new leadership DNA their organization needs," Shook said. "They need to break down silos and create more agile organizations so that as the pace of change continues to accelerate—and velocity is already at an unprecedented rate—their organizations and their people are prepared to accept that change."

## Tech Sector Takes the Lead

### Considering your executive leadership team, how well prepared are they to...

Legend:
- Collaborate across functions
- Ensure continuous learning for employees
- Anticipate the impact emerging technology will have on your workforce
- Anticipate the impact emerging technology will have on your marketplace
- Adapt to change and disruption

**Total** n=296
- 70%
- 60%
- 62%
- 63%
- 68%

**High-tech industry** n=153
- 80%
- 72%
- 71%
- 72%
- 78%

**Other industry** n=143
- 59%
- 48%
- 53%
- 53%
- 58%

### How prepared is your company to incorporate technological advances that are likely to emerge in the next five years?

Legend:
- Well-prepared
- Prepared
- Somewhat prepared
- Not at all prepared
- I don't know

**Total** n=296

| Well-prepared | Prepared | Somewhat prepared | Not at all prepared | I don't know |
|---|---|---|---|---|
| 12% | 36% | 42% | 8% | 2% |

**High-tech industry** n=153

| Well-prepared | Prepared | Somewhat prepared | Not at all prepared | I don't know |
|---|---|---|---|---|
| 16% | 43% | 33% | 5% | 3% |

**Other industry** n=143

| Well-prepared | Prepared | Somewhat prepared | Not at all prepared | I don't know |
|---|---|---|---|---|
| 8% | 28% | 52% | 11% | 1% |

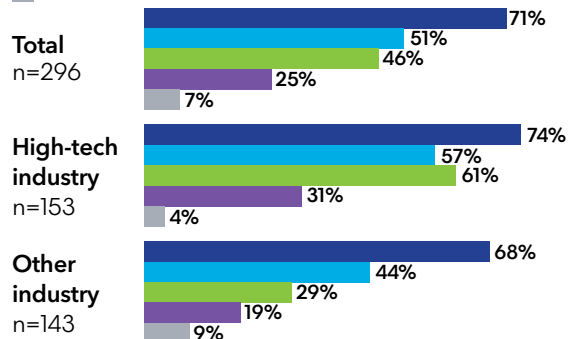### Identify your company's top technology investments for 2019

Legend:
- Internet of Things/connected devices
- Robotics
- Artificial Intelligence
- Computational power/data analytics
- Other

**Total** n=296
- 71%
- 51%
- 46%
- 25%
- 7%

**High-tech industry** n=153
- 74%
- 57%
- 61%
- 31%
- 4%

**Other industry** n=143
- 68%
- 44%
- 29%
- 19%
- 9%

High-tech companies are the most forward-leaning in thinking about the future of work. More than 50 percent have a future workforce preparation strategy or are in the process of implementing one, with another 23 percent having a strategy in development.

These companies are on top of all the key readiness elements, from collaboration to adapting to change and disruption to anticipating the impact of emerging technologies on their people and market position.

High-tech company management teams share an understanding of the future of work's potential impact on their organizations and they are more prepared to incorporate technologies likely to emerge in the next five years than companies not considered to be high-tech. They are also more committed to strategic tech investing, especially in areas such as connected devices, artificial intelligence, and robotics.

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The technology industry is ahead of the curve for several reasons. With many having been "born digitally," they're less encumbered by legacy systems and processes and better able to implement emerging technologies. And they tend to be less hierarchical, offering more opportunity for individuals to drive change, including the human resources team.

Culturally, they're also more open to disruptive forces. They are in the innovation business, and that spirit informs their approach to talent development and management. "Tech is always striving for a better way to do things and this mindset of constantly improving can be a positive for individual growth and development as well," said Kristen Robinson, chief human resources officer, Pandora.

Tech firms also tend to be better at driving change. They facilitate and operationalize transformative culture through pilots, industry-wide "sprints," and agile methods that counter the linear "waterfall" model. This "fail fast" approach is less expensive and ultimately more productive than a top-down effort.

## The Future Is Now

All companies can take a cue from the tech industry to recognize that the future of work is now. "We don't have a choice," said Taylor of SHRM. "All companies have to make this a priority, and it's not an either/or proposition. Companies have to invest for current needs. At the same time, they need to invest in thinking about the future."

The need for urgent attention stems from both competitive and demographic factors. Winning companies already are solving a number of key workforce issues, so firms without a strategy risk falling behind.

The larger workforce picture, though, has to do with the declining birthrate in the U.S.,[3] Taylor said. "The birthrate has been slowing for many years, which means the pool of talent is getting smaller. However, we now have a pent-up demand for skilled workers that is not diminishing. This combination of strong demand and limited supply means we need to be working urgently on this issue right now."

What's needed, Taylor said, is a broader discussion about the future of employment. This discussion should cover three areas: the work, the worker, and the workplace.

"The work is always going to evolve, but we know it's going to be done," he said. "What's not clear is who's going to do it. Will it be contractors? Will they be employees? Will they be robots or computers in the case of autonomous vehicles, for instance?

"And then, of course, we have many questions about the workplace," Taylor said. "How is the work going to be done? Do people come to an office? Is it primarily flexible arrangements?"

## Taking a Holistic Approach

Getting to the answers about the future of employment will require a holistic approach, bringing together all the players, Taylor said.

"All the stakeholders need to join forces on these issues," he said. That means policy makers, business leaders, elected officials, and the key support functions, especially HR and technology. "They need to work out, together, the vital issues around the work, the worker, and the workplace."

## Conclusion

Executives must prepare their organizations for major and ongoing change with strategies that span process, learning and development, technology, and culture change. If firms are prioritizing current needs at the expense of preparing for the future—and these survey results suggest they are—they need to balance their efforts.

Certainly, HR needs to use its particular insights to help drive this process for the good of their organizations and the people who work in them.

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[3] National Center for Health Statistics, "Births in the United States, 2017," https://www.cdc.gov/nchs/data/databriefs/db318.pdf

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# alight

Chris Michalak is CEO of Alight, a provider of technology-based human capital solutions. His decades of experience inform his perspective on human resources—how the function is transforming itself, and how it can help prepare organizations for the future.

"The HR function is transforming dramatically. I see it every day," he said. In particular, HR leaders are making strides in the technology arena. "From my perspective, HR is leading the way in cloud-based technologies. And my clients—the heads of HR—are the most significant decision makers in terms of these technologies, along with the CIO."

Recently, Michalak had an opportunity to host a group of HR executives in a day-long workshop focused exclusively on technology. He also attended a major HR technology conference in Las Vegas showcasing a proliferation of HR solutions coming to market.

"What's significant about what I've heard from these executives is you can see how quickly they're gaining tech competency," he said. "And the technologies and solutions themselves are very powerful. Not only do they reduce costs for an organization, they offer a better user experience."

In addition, these technologies provide better data about the workforce, Michalak said. "These tools are putting better data in the hands of individual managers so they can make better decisions in terms of leading their teams and making smart business decisions."

Ultimately, this elevates HR practitioners as business leaders, he said. "They're gaining the tools and the data they need to help shape the workforce of the future. The next step is to continue to develop their business acumen: "What are the issues driving the business, and how do I contribute to that?"

The combination of tech competency, a mastery of data, and business savvy will help position the HR leader as a true strategic partner in the C-suite. "I believe they can and will rise to the occasion," Michalak said. "Change is coming quickly, and HR is at the center of it."

## ABOUT ALIGHT

As a leading provider of human capital solutions, we help our clients and their people navigate the complexity of health, wealth and HR. We combine data-driven, consumer-centered technology with personalized care and service to deliver a superior customer experience.

Our dedicated colleagues across 19 global delivery centers help more than 22 million people and their 18 million family members simplify work and life, both now and in the future.

At Alight, we are reimagining how people and organizations thrive.

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# THE CULTURE OF THE FUTURE:
## ENGAGEMENT ALONE ISN'T ENOUGH

Digital disruption is slated to increase, and the war for talent will further intensify. This means that in the organization of the future, culture will become more complex.

Currently, most people think about culture as employee engagement—with good reason. A CultureIQ study of over 100 organizations found a company's average level of employee engagement predicts higher profit, customer satisfaction, and brand reputation a year later.

However, not all companies with high engagement perform well. Many of the companies with high engagement but low performance are in industries that are becoming more complex and thus matrixed and distributed. Already 57 percent of workers say they are dealing with colleagues in multiple locations, with 60 percent saying they need to coordinate with 10 or more people to get their work done. As this increases, engagement alone will not be enough.

Instead, agility and alignment will join engagement as hallmarks of thriving companies. Research by CultureIQ, McKinsey, and Bain shows agile organizations have the greatest customer centricity, quickest time to market, increased revenue, and lower costs.

One of the key elements identified in highly agile organizations that they have a unifying north star. This means there is not only a clear mission and vision, but that the organization is aligned around the strategy.

## WHAT YOU CAN DO TODAY

Now is a good time to think about what capabilities your organization needs to thrive in the future. Is it more rapid innovation? Greater customer centricity? Or brand excellence? Once you determine that, you can start measuring your culture to see if you are creating those capabilities as well as building an engaged, agile, and aligned workforce.

In addition to what you measure, you'll need to think about how often you listen to employees. By the time you do an annual survey, you may have already missed key insights or signals that could indicate your culture is veering off course, or top talent is dissatisfied. Instead, you'll need an enterprise listening program that incorporates pulse listening followed by quick action.

Finally, you are getting all sorts of data from your employees. However, it may be in many different tools in many different places. This makes insights across the entire employee lifecycle difficult. We had one company unearth a key issue from a facilities survey that was affecting turnover. If those surveys had been in different places, the correlation would have been missed. Therefore, look for a platform where you can measure what matters—all in one place—and a partner who can help you design a program for your future needs.

## ABOUT CULTUREIQ

CultureIQ is a global culture management company and works with over 25 percent of Fortune's Most Admired Companies and 33 percent of the Fortune 500. The CultureIQ approach combines global research and benchmark data with a powerful technology platform delivered by a team of organizational psychologists, data scientists, and business strategists.

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# PREPARE FOR THE FUTURE OF WORK:
## THREE STEPS TO GETTING STARTED

Brian Baker, partner and U.S. Digital Workforce leader for Mercer, is familiar with the view that companies are not fully prepared for the future of work. He has heard the concerns that the human resources function is not always a full-fledged partner in strategy and decision-making.

However, Baker has a somewhat different perspective. "From my vantage point, we see a lot of traction and a lot of excitement about the future," he said. "Companies are engaged in imagining the future. We are having some extensive discussions about it. But right now, there is a lack of action when it comes to building workforces for the future."

The primary challenge, Baker said, is that many organizations are not sure how to get started. They lack an implementation plan. He often advises a three-step process for getting organized and taking action.

**Step one** is to help the leadership team align around a shared vision defined by the organization's strategy. "Leaders need to agree to a vision of the future," Baker said. "It's critical that all the leaders are backing up that vision, and it's essential that everyone on the team is engaged in the process—no one can opt out."

**Step two** is an "X-ray" of the organization's current state. "Get an accurate picture of the skills you have now, and based on your business strategy, figure out where you think you need to be in three to five years—what your organization will need to look like and the skills you must have," he said. He recommends applying data models and advanced analytics to make this prediction. "This X-ray shouldn't just be limited to skills, but also to gaining other strategic insights around the external labor market, internal talent mobility and other key elements needed for success, like change readiness, a culture of feedback and coaching, etc."

**Step three** is to help ensure the HR team is positioned to help the organization deliver the business outcomes it is striving for—that it has the authority and influence to help move an organization from its current to its future state.

"I know there is a perception that HR is not a true strategic partner, that it doesn't have a seat at the table or isn't ready to be in that position," Baker said. "We think that's not right. We think HR is ready to have a seat at the table. We see it at Mercer's clients—leaders who are leading massive HR transformations into digital enterprises. And those are often being led by the chief people officer.

"Here's how we think about it: It's not about having a seat at the table, it's about having a voice of influence, and the accountability for designing what the future workforce will look like for that company. That means giving HR the capacity to better understand the talent and skills that they will need for the future, and the technical skills to operationalize it."

Ultimately, Baker said, "It's a human-led, technology-enabled workforce strategy that will lead to success."

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Mercer enables companies and employees to succeed in the future of work by delivering strategic advice and technology-driven solutions that help organizations improve the health, wealth and careers of their employees and build a workforce for the future.

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