

HEALTH WEALTH CAREER

# WHY HR NEEDS TO CHANGE



MAKE TOMORROW, TODAY



## IT'S TIME TO REDEFINE THE VALUE OF HR

In Mercer's recent Global Talent Trends Study, only four percent of HR leaders reported that HR is seen as a strategic partner in their organization. Furthermore, over 80 percent indicated that their talent processes need an overhaul. How did the gulf between what HR *intends* to be – a strategic partner – and how HR is *perceived* – an undervalued resource – get so big?

There are several talent trends driving the question around HR's value. The prevailing HR operating model, and how organizations have implemented it, also brings challenges. In this paper, we will examine these issues and provide Mercer's view on what HR can do to redefine its value in today's evolving talent economy.



## WHAT'S DRIVING A NEED FOR CHANGE?

For decades, employers and employees had an informal contract with implied expectations. Employees expected a job for life with certain guaranteed benefits, and employers responded with a system of rewards that matched these expectations. Today, a job for life, or even the assumption of working for the same employer for more than five years, is not common – and it's often not what fast-paced, globally networked workers even want.

In some parts of the world, employees are beginning to view a job as a short term affair. They want to gather as many skills, capabilities, feedback, and experiences as quickly as possible, and then move on to another organization. In other parts of the world, people are staying put for longer, but what they want out of their job has changed – they're seeking greater flexibility, more learning on the job, and increased autonomy as they move around the organization. For many workers today, the goal is to leverage experiences in multiple places (within or outside the company) as they carve out a memorable career path.

In this era of the individual, there is a growing trend towards “free agency,” and an acknowledgement that we are entering a talent-demand economy. This has been building up for some time, but many organizations' policies, practices, culture, and HR systems are not keeping pace, using dated employer-employee models.

### Pressures on HR to change include:

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

**Global, yet local:** Multinational companies struggle with setting global HR policies that are malleable enough to meet the needs of local business norms and regulations. Mercer's Global Talent Trends Study indicates that geography, not generations, is more likely to impact employee expectations around workplace practices.

**Analytics:** Metrics and analytics are helping organizations understand key roles, talent flows, obstructions to talent mobility, and costs. Having a robust internal pipeline and a fully-utilized contingent workforce requires a talent architecture that reports on patterns of talent flow and delivers insights about talent pool trajectories back to the business.

**Flexible workplace design:** Companies are redesigning the work environment and employee experience using people-centered design principles for increased collaboration, teaming, engagement, and innovation.

**Evolving role of the manager:** In this personalized work environment, managers are, more than ever, the key to a successful employee/employer relationship. Mercer's Global Talent Trends Study shows that managers' coaching and employee development skills need to improve to meet the challenge.

**Performance management:** Following the recent press coverage of new approaches to performance management, a wealth of fresh ideas has emerged. Employees and managers require more responsive feedback systems than the traditional once-a-year, backward-looking review. Many organizations are evaluating and redesigning their performance management practices to reflect these new expectations.

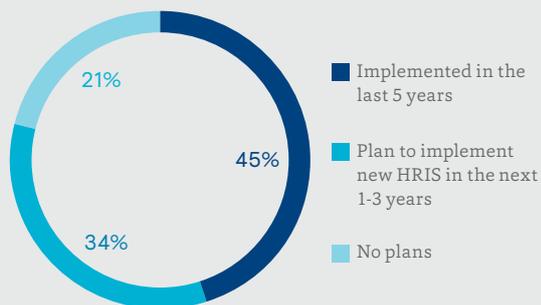
**Employee as a consumer:** Organizations are looking at how they are perceived in the marketplace – formally and socially – to make sure that they are catering to expectations for a consumer-grade experience at work. This is highlighting the role of how HR processes enhance or detract from the overall employment experience.

These trends are driving changes to each component of the HR operating model.

## HR TECHNOLOGY

One third of companies surveyed in Mercer’s global Workforce HR Technology Study plan to implement new technology within the next 3 years. Cloud-based or SaaS (“Software as a Service”) applications are the most prevalent, especially for organizations with larger employee populations, those in a stage of expansion, or those with a broader geographical footprint.

**EXHIBIT 1: TECHNOLOGY IMPLEMENTATION PLANS**  
WHERE IS YOUR ORGANIZATION IN THE PROCESS OF IMPLEMENTING AN HRIS?



Source: Mercer Workforce HR Technology Survey, 2015

Many organizations are moving beyond traditional Enterprise Resource Solution (ERP) solutions to more modern cloud-based HR platforms.

The most in-demand features include:

- Storage of all employee data on a single platform
- Improved data integrity and standardization
- Easy retrieval of workforce data for reporting
- Robust, future-focused analytics

Today organizations expect HRIS solutions to help improve overall HR productivity and to enable HR to provide greater value to the business.

### The HR function is adapting its operating model based on the following trends in HR technology:

**Increased user adoption:** Systems like Workday and SAP SuccessFactors have a simple and friendly user 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. This real-time data retrieval and reporting can help support data-driven business decision making.

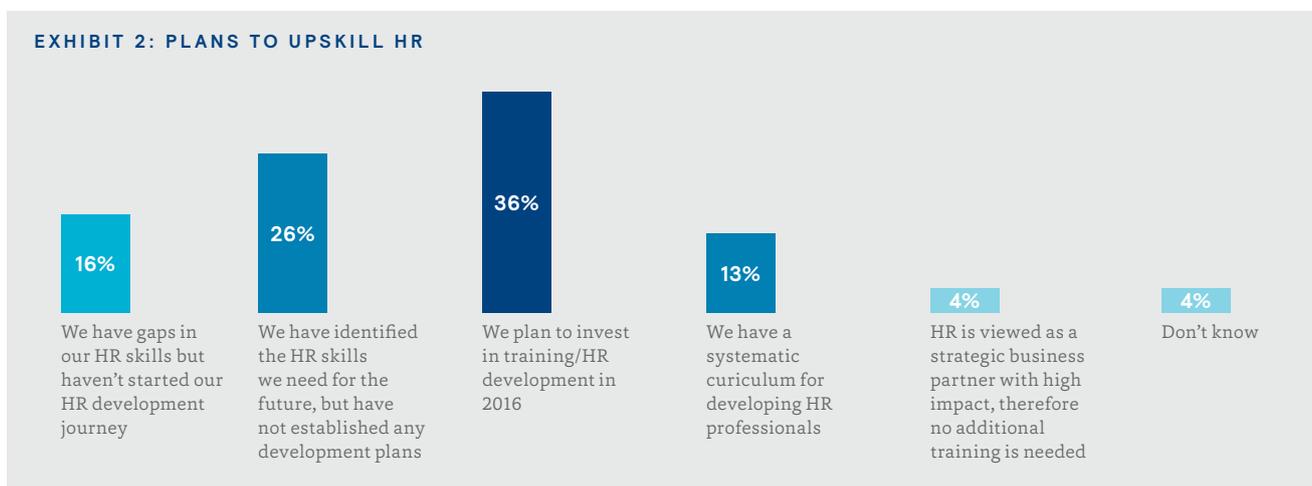
**Continuous technology updates:** Many HR technology providers release multiple updates to their solution every year. This allows organizations to take advantage of the most recent functionality; however, it also requires testing and fixes to the solution to ensure optimization and effectiveness within the company environment.

## HR BUSINESS PARTNERS

The HR Business Partner (HRBP) model remains popular, despite many organizations reporting challenges with its execution. The HRBP position was originally designed to add business acumen and consultative skills in HR, requiring the gravitas of a skilled business professional combined with line of business (operational) experience, financial prowess, and HR acumen. But too often, organizations implement the HRBP role with little more than a title change and without:

- Discussing how generalists can acquire the skills needed to take on new responsibilities
- Removing existing administrative tasks from their job

Sometimes, companies have acknowledged they need to improve the skills of HRBPs, but do not have the resources to do so. In Mercer's Global Talent Trends Study, only 13% of organizations reported having a systemic curriculum in place for the development of HR professionals. The good news is that over one third plan to invest in HR development in the next year.



### Companies have taken the following approaches to help improve the effectiveness of the HR Business Partner model:

**Directed HRBP training:** Organizations are providing more intensive training to develop leaders with the particular skill set to take on this pivotal role. Strategic partnering, analytics and predictive modeling, telling a story with data, and change management are key skill sets required for successful role execution – and are the focus of experiential workshops and other hands-on learning interventions.

**Rotating line talent into the HRBP role:** For some organizations, the HRBP role does not always sit within HR. Instead, they create rotation programs that bring in internal talent with the right mix of skills and capabilities – often loaned from the business into temporary

strategic talent assignments. Non-HR leaders not only help improve the skills and business comprehension of the HRBP role, but can also help turn leaders into champions for the value of HR. Successful execution of these rotation programs does requires a shift in management expectations – unless the role is viewed as a career growth opportunity, it will not attract the best talent and fail to have impact.

**HRBP as Talent consultant:** Some organizations are helping HRBPs realize their potential by expanding their responsibilities into a business consulting role in all areas related to Talent. This enables HRBPs to diagnose problems and apply process consulting to put forward and implement broad, value-adding solutions.

## CENTERS OF EXPERTISE

The prevailing HR operating model relies on Centers of Expertise (COEs) — centralized teams staffed with HR experts — to provide program design and consulting services to the business. Traditionally, COEs designed global programs at the corporate level, which were then adapted or redesigned to meet local requirements. In practice, we have seen a shift in how COEs operate in organizations:

**Increased global focus:** Organizations are increasingly focused on ensuring that their workforce adopts and executes with a global mindset, and this applies to their HR team as well. This approach can promote ease of movement for employees across the organization. And even without physical movement, collaboration technologies are enabling COE employees to connect virtually to each other — and to their local HR counterparts and business clients — to ensure global directives and local challenges remain in focus.

**Changing Local COE structures:** With more robust service center capabilities and automation, in-country COEs are becoming obsolete. In the future, the in-country HRBP and COE roles may merge into one, providing both business partnering and local program execution (but not HR administration work).

**Integrated with the business:** To avoid siloed operations, some organizations are aligning their COEs more closely to the daily functions of managers to ensure commitment to new and evolving talent practices.

EXHIBIT 3: 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

## EMPLOYEE SERVICE CENTERS

Employee Service Centers are experiencing a tremendous amount of change. In the tiered model, Tier 1 traditionally handles the “first line” of inquiries — the basic questions. Tier 2 handles the more complex cases that require more research. When implemented properly, technology and knowledge management enables tiers to work seamlessly, and may even disrupt the tiered model in several ways.

**Tier 1 & 2 combine:** Tier 2’s skilled researchers remain of critical importance — HR relies on these professionals to solve the critical escalations that cannot be automated or outlined in a knowledge base. Tier 2 agents may effectively become Tier 1, as Tier 1 as we know it disappears into the “cloud.” Digital natives expect a technology-enabled solution, but even older working populations and retirees are catching on to self service and using HR Portal technologies rather than a phone call.

**Employee Service Centers become multi-skilled:** Organizations are consolidating Employee Service Centers across disciplines, often in an effort to control costs. We may

see the same agents servicing HR, Finance, Procurement, and Logistics.

**Employee Service Center enhances analytical capability:** By increasing the analytical and data interpretation skills of Employee Service Center staff, HR can offer increased value to the business and shift more administrative work away from HRBPs and COEs.

**Shared Service increases its flexibility and range:** Traditional Employee Service Centers have flexed up or down during peak call periods (such as payroll processing cycles). Now they are also supporting the HRBP and COE teams’ peak periods with support of project management, data analytics, and analysis.



## WHAT'S NEXT FOR HR?

It's time for HR to redefine its value. The new HR operating model needs to:

- Embrace the new work equation including the new digital workforce, a flexible workplace, and employees as consumers
- Understand and champion the role of the manager and new ways of driving business results through performance management
- Articulate a compelling employee value proposition that is globally consistent but locally relevant
- Infuse technology, data, and analytics into all that HR does

**To meet these challenges, in the future HR must be:**



**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 a smaller staff 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 modelling 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.

The role of HR is already evolving. The HR profession of tomorrow will have defined competencies, new skills, and clear expectations for all its roles, from *data scientist* to *virtual collaborator and innovator* to *technology strategist and talent partner*.

To our learned HR colleagues who are eager for change – **gather up, skill up and look to the future!** HR is a discipline evolving at break-neck speed, and you have a unique opportunity to shape the next chapter.

Mercer can help your organization create a future-focused HR function. You can ask us to:

- Assess and design the right HR operating model and organization structure to best fit your organization
- Evaluate current technology and create an HR technology strategy/roadmap
- Assess HR staff competencies and fit with future operating model requirements
- Evaluate HR process design and identify potential areas for efficiency and automation
- Enhance HR's strategic skills through our 2-day experiential learning program: *Strategic Partnering for HR*
- Elevate overall professional skills in HR staff through the comprehensive *Mercer Online Learning* curriculum
- Develop communication content and employee portals to bring your employee value proposition to life







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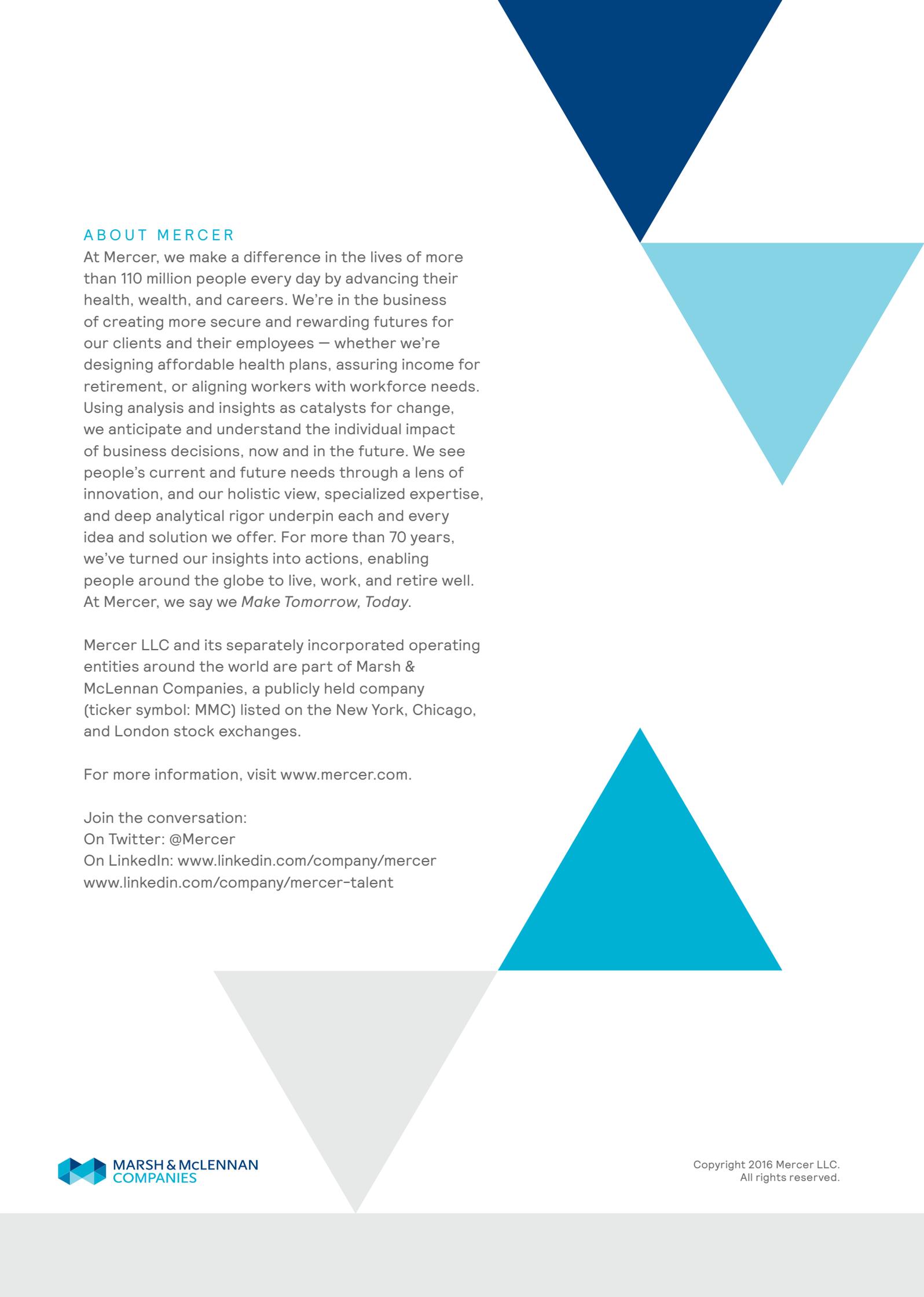
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## ABOUT MERCER

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