Converging megatrends are reshaping how companies are structured and managed, the jobs people do, their motivations and perceptions of work and the organisations that employ them. Change is the defining characteristic of each of the megatrends; their other dominant attribute is a significant impact on people. The HR function is therefore uniquely positioned to help organisations adapt to these trends, and many HR professionals believe that the function is on the cusp of change. We agree, and believe that HR will look radically different by 2030. >>
On the cusp of change: The future of HR

Contents

Introduction 3
What are the megatrends? 4
The impact of change on HR 6
The current state of HR 8
Which organisations are leading the way in adapting to change? 12
What next? The future of HR 25
Introduction

The industrial revolution permanently reshaped the expectations and experiences of workers. It affected where they lived, the jobs they undertook and the skills they used. Mass production and paid labour changed lifestyles, altering what people bought, their ambitions and their political, social and cultural outlook.

A similarly significant shift is currently underway. Converging factors are reshaping how companies are structured and managed, the type of jobs people do, their motivations and perceptions of work and the organisations that employ them.

To understand these factors in more depth we undertook an extensive research project with Z_punkt, an international leader in strategic foresight analysis. The result was the identification of six megatrends that are predicted to impact the way we think about people, work and business.

HR will need to be at the heart of these changes and the function has a vital role to play in helping organisations and leaders adapt to ensure they are fit for the future.

“Change is the defining characteristic of each of the megatrends; their other dominant attribute is a significant impact on people.”
What are the megatrends?

Globalisation 2.0

Rapid urbanisation and a burgeoning middle class in emerging markets are opening up new commercial opportunities for Western firms. They are also creating new competitors with extensive and ambitious workforces, money to invest and large domestic markets to sustain overseas expansion. For business leaders, critical decisions need to be made about partnerships, joint ventures and collaboration in order to compete. Increasing interconnectedness also means global business is getting riskier.

Environmental crisis

Scarcity of natural resources, including water, food, metals and rare earth minerals essential to modern technology, are creating acute challenges in terms of supply chains, product development and behaviours. Forward looking organisations are reassessing their responsibilities and considering how they can encourage customers, partners and employees to operate more sustainably for both environmental and commercial reasons.

Individualisation and value pluralism

Changing values, expectations and motivations mean that customers and employees demand a more individual approach. They expect systems to flex to meet their needs and are happy to switch between brands or employers that don’t adapt.
The digital era

There is a greater transparency of corporate behaviour than ever before as a result of digital media. Customers and employees are able to endorse and build a brand or, conversely, publicly demonstrate their disagreement, placing demands on businesses to be more responsive, accountable and engaged. As digital data grows, questions of privacy and ethical behaviour in terms of employee or consumer information are also increasingly important for organisations and institutions to consider.

Demographic change

The definition of the working population is changing rapidly. Increased life expectancy and an ageing population means people can work for longer, which will change traditional career paths and jobs. Meanwhile, smart young talent is coming into the employment market and pushing the boundaries, policies and approaches of organisational structures and working patterns. Finally, the workforce is becoming more diverse as a result of globalisation and the level of employee mobility is likely to increase as a result. All of these factors are set to substantially change currently established demographics within organisations.

Technological convergence

Convergence between different technologies such as cloud computing, powerful portable devices, nanotechnology and biotechnology is rapidly creating new commercial opportunities. As a result, organisations need to tap into new markets, create new partnerships and enter into the spirit of big collaboration – sometimes with competitors – on research and development.
The HR function is uniquely positioned to help organisations predict and navigate the challenges ahead. However, a general consensus persists amongst business leaders that the HR profession has so far fallen short of making a real impact. And our recent research indicates that almost two thirds of HR professionals agree.
Change is the defining characteristic of each of the megatrends; their other dominant attribute is a significant impact on people. As a collective, the impact of the megatrends on organisations is predicted to be game changing – and every HR practice area will be impacted in the following ways.

- The multiple and varied ways in which organisations will need to attract, recruit and retain their people.
- An increasing need for integrated workforce planning and composite resourcing models.
- Changes in the way performance is managed and people are rewarded as a result of an increasingly diverse multigenerational and multicultural workforce, with a vast array of intrinsic and extrinsic motivators.
- The way in which learning and development is delivered given the different learning styles of increasingly diverse employees.
- How talent is managed within the organisation given the increased need for individualisation and the potentially subsequent desire for increasingly fluid careers.
- How organisations relate to, engage and communicate with their existing, future and ex-employees and contractors, likely requiring a range of multimedia approaches, encompassing multiple social media channels.
- How change is predicted, driven and managed and how the organisation develops as a result, particularly given the myriad of emerging business models and an unprecedented requirement for collaboration.
- How employee data is gathered, stored, accessed and used to both create insight and inform key business decisions.

The HR function is uniquely positioned to help organisations predict and navigate the challenges ahead. However, a general consensus persists amongst business leaders that the HR profession has so far fallen short of making a real impact. And our recent research indicates that almost two thirds of HR professionals agree.
The current state of HR

“Seizing the opportunity to help their businesses adapt to these megatrends requires an honest appraisal of where the HR profession is today.”
We interviewed 30 HR leaders and surveyed HR professionals at 86 organisations in the public, private and third sector. The research spanned organisations with less than 100 to over 50,000 employees and asked respondents to rate their organisation in terms of the quality of their current HR practices, with some interesting results.

How would you rate the following HR practices in your organisation?

<table>
<thead>
<tr>
<th>Basic</th>
<th>Progressing</th>
<th>Advanced</th>
<th>Cutting edge</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>7%</td>
<td>63%</td>
<td>30%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>22%</td>
<td>62%</td>
<td>15%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>21%</td>
<td>62%</td>
<td>15%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>19%</td>
<td>56%</td>
<td>23%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>35%</td>
<td>56%</td>
<td>7%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>14%</td>
<td>56%</td>
<td>29%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>21%</td>
<td>59%</td>
<td>19%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>29%</td>
<td>50%</td>
<td>20%</td>
<td>1%</td>
<td>0%</td>
</tr>
</tbody>
</table>

How fit for purpose are your HR practices to deliver your organisational strategy?

<table>
<thead>
<tr>
<th>Requires more focus/investment</th>
<th>Fit for purpose</th>
<th>Could do less</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>55%</td>
<td>43%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>57%</td>
<td>41%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>56%</td>
<td>42%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>55%</td>
<td>41%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>67%</td>
<td>28%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>43%</td>
<td>55%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>57%</td>
<td>41%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>41%</td>
<td>55%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>
From our research we found that the majority of HR professionals rated the HR practices within their own organisation as ‘progressing’ and felt more focus or investment is required across almost all functional areas. Digging deeper into the results, the following themes emerged:

**Alignment with business strategy**

Notwithstanding organisational size or sector, alignment with business strategy is critical if the HR function is to maximise its contribution to business performance.

In addition, the pace of change is faster than ever before and HR teams have an important role to play, not only in facilitating change, but also leading it.

**Views of HR vary widely across organisations**

Where HR is working well, it is credited with being more commercial, professional and delivering more value than ever before.

Elsewhere, however, the function is still seen as the ‘can’t do department’, being too slow, too hard to influence and not brave enough.

**Juggling multiple roles**

HR is being asked to perform a number of functional roles, including delivering transactional services, engaging employees, developing leaders and building organisational capability, as well as providing a level of pastoral care reminiscent of a more traditional ‘personnel’ function.

An increasing number of HR leaders also feel they have a role as an agitator of change within their organisation and a need to act as the organisation’s conscience or ‘moral compass.’ Clarity on the relative importance of these roles to enable HR to prioritise and structure the function accordingly will be critical moving forward.

**Internal focus**

There is a sense that many HR teams are somewhat internally focused on the current activity within their own organisation. This comes at the expense of determining the potential implications and commercial impact of changes in the external business environment and responding accordingly.

In some cases, this internal focus also applies within the HR function itself, as team members define themselves by their dominant role or centre of expertise, thereby perpetuating a siloed approach to HR service delivery.
Progressing or progressive?
Our survey respondents rated their organisations as ‘progressing’ in most areas, with fewer examples of ‘advanced’ or ‘cutting edge’ practices. Interviewees commented on a lack of innovation generally within the function and a slight majority of survey respondents felt more focus, and/or investment is required across almost every area of HR. Nearly 40 percent of respondents, on the other hand, felt their current HR practices are fit for purpose. The question remains, however, whether those practices that are deemed to be fit for purpose now will be sufficient for the organisations of the future.

Integration
Apart from performance management and reward, our analysis found little integration across HR practices, resulting in the absence of either a cogent roadmap to enable capability development within the business, or a compelling value proposition for employees.

There are clearly some structural issues at play here and our research also indicates a deeper behavioural change may be required if the function is to meet its true potential.

The HR function is on the cusp of change
Many share the view that previous generations of HR transformation haven’t delivered as promised: ending up too big, too expensive, too standardised or too systems driven. Perhaps as a result, many HR professionals believe that the HR function is on the cusp of change. We agree and believe that the HR function will need to look radically different by 2030.

“Many share the view that previous generations of HR transformation haven’t delivered as promised: ending up too big, too expensive, too standardised or too systems driven. Perhaps as a result, many HR professionals believe that the HR function is on the cusp of change.”
Which organisations are leading the way in adapting to change?

“...The megatrends are driving, and will continue to drive, a greater focus on people at the executive level. This, together with the increasing pace of change, presents the perfect opportunity for HR to demonstrate the value it can add to the business.”
As part of our analysis, we’ve examined which organisations are leading the way in adapting, and are therefore delivering innovative and high quality HR practice as a result.

Attraction, recruitment and retention

Employer brand is increasingly recognised as central to attraction and recruitment drives and organisations such as Enterprise, Verizon and BSkyB have moved core recruitment activity in-house in order to drive employee brand recognition, take control of the recruitment experience and better manage recruitment costs.

Investing in a strong employer brand pays dividends. In a single week in 2011, Google received 75,000 applications in response to a recruitment campaign, illustrating how the power of brand helped them grow from 25,000 to 45,000 employees within a two year period to support the organisation’s aggressive growth strategy.

Financial services company, Liverpool Victoria (LV) has pioneered innovative recruitment techniques, such as using IP recognition to direct visitors to local recruitment information on its website. Candidates can also interact directly with the internal recruitment team through social media. Such interventions have doubled the number of roles filled – at half the original cost.

With respect to retention, insurance and re-insurance brokers Jardine Lloyd Thompson (JLT) is doing some progressive work around preventative retention. By calculating what they call the ‘individual career equation’, JLT examines both the intrinsic and extrinsic benefits that engage employees at an individual level. This helps to assess the level of alignment between the individual’s ideal and current circumstances, identify potential flight risk and predict what it will take to retain key talent in advance of escalating issues. The career equation is also used to assist with job design and longer term career planning.

30 percent of respondents felt their attraction, recruitment and retention practices are advanced.

55 percent of all respondents felt more focus and/or investment is required in this area to support delivery of the business strategy.

We manage candidate attraction and executive search internally – our Talent Acquisition team is directly connected with the business and so has an unrivalled understanding of their specific requirements when recruiting.

Jane John, Senior HRBP UK&I, Verizon
Resourcing and workforce planning

Many organisations, particularly those with a Science, Technology, Engineering and Mathematics (STEM) dominant workforce, are investing proactively in the area of resourcing and workforce planning. Aerospace company, Boeing\(^2\) established a Strategic Workforce Planning team as far back as 2006 that continually evaluates the need for short and long term skills using web-based workforce planning tools.

Energy transmission and distribution company, National Grid is taking a strategic approach to forecast future demand and supply scenarios based on business growth and an ageing workforce. The National Grid workforce plan identifies gaps over a three to five year timeframe, which are then translated into shorter term recruitment and development plans to meet staffing needs and maximise return on investment.

A broad range of organisations are beginning to follow suit across a range of sectors. Starbucks\(^2\), for example, has placed strategic workforce planning at the heart of the organisation through the creation of a dedicated team working within a global remit. The team’s primary goal is to help business leaders think beyond short term ‘reactionary staffing’, focusing on medium term forecasting and analysis (six months to one year), to longer term planning (one to three years) in response to the overall business strategy.

A number of organisations are also exploring more agile ways of delivering major programmes of work by implementing flexible resourcing models. By using a mix of both onshoring and offshoring and hybrid physical and virtual teams, such organisations are able to respond more quickly to fluctuating demand for resources arising from peaks and troughs in business activity.

“Resourcing and workforce planning is a priority for businesses over the next few years.”

Richard Wells, Chief Human Resources Officer, Gate Group

57% Of respondents cited resourcing and workforce planning as an area that requires more focus and/or investment

As one interviewee stated “we’re trying to do more than just post and pray”.

---

\(^2\) Source: American Productivity and Quality Center (APQC)
Perhaps because of a closer integration between performance management and reward, attitudes seem to be changing regarding the real impact of performance related pay on individual motivation and business performance. What is clear is that in well designed incentive schemes, linking the two can be very effective at improving motivation and performance. The reality, however, is that there are quite simply not enough well designed schemes. This is certainly an area under the spotlight at the moment and more evolutions in practice and thinking can be expected in the coming year.

In the meantime, Supergroup, one of the fastest growing companies in the UK, has taken a more holistic view of performance management, creating a simple, consistent framework for performance management which moves away from standalone reviews and annual ratings.

Supergroup’s approach uses an ABCD model (Achievements, Benefits, Concerns, Do Next) with a focus on conversations to emphasise continual improvement and encourage a culture of performance, proving that great practices don’t have to be complex or expensive. Indeed, the most effective schemes have a simple consistent framework aimed at reinforcing the company values and helping to embed the desired culture.

In keeping with the megatrend of ‘individualisation and value pluralism’, companies like GSK, the pharmaceutical and healthcare company, and technology and entertainment corporation, Sony, have moved to a wider range of flexible benefits and are working to accommodate individual’s motivations.

Jardine Lloyd Thompson and BSkyB meanwhile are continuing to evolve the scorecard concept and including more sophisticated and actionable behavioural objectives.

Performance management and reward was one of the few areas where respondents rated their organisations as cutting edge – albeit 2 percent. A further 15 percent rated their organisation as advanced.

HR has provided the line managers with a useful toolkit for handling performance conversations themselves, without resorting to seeking extensive advice from HR.

Andrea Cartwright, Group HR Director, Supergroup Plc
Perhaps as expected, most organisations have a fairly mature learning and development (L&D) offering, though there is a sizeable gap between reality and the aspiration of 70/20/10 which many hold as being best practice (70 percent of professional development coming from experience on the job, 20 percent from independent or social learning and only 10 percent from formal learning).

Learning effectiveness is also rarely measured over the medium or longer term, and learning interventions still tend to comprise of standalone ‘menu selections’ rather than sequenced and integrated development plans in line with career paths. It is also apparent that L&D is not as integrated as it could be with performance management, talent development and organisational capability requirements.

Some organisations, however, are demonstrating real innovation in the L&D space. Tesco, for example, has taken the initiative by creating a new learning academy in Korea, designed to be a hub of expertise for the 100,000 staff in Asia – a vital growth region for their business. Given increased awareness of environmental factors, the academy uses zero carbon, sustainable building design, SMART technology and has a strong focus on employee health and well-being. At the other end of the cost spectrum, Tesco is also using a range of short multimedia learning bursts such as skill pills to engage in-store colleagues.

Many organisations also have sophisticated L&D for leaders, however Jardine Lloyd Thompson’s management development programme stands out. Run in partnership with Cass Business School, the programme incorporates robust assessment for development, incorporating a range of psychometrics delivered in a consistent way by an internal occupational psychologist.

In the public sector, the NHS has created the NHS Leadership Academy to work on a national level with leaders in a time of significant political, economic and organisational change. The Academy helps leaders gain a clear understanding of their capabilities and competencies, the working climates they create and their impact on the performance of their staff.

“We have a very clear competency framework at the bottom which mirrors those competences at the top.”

Leigh Lafever-Ayer, HR Director, Enterprise

There is also a trend towards holistic development as an increasing number of organisations are including a broadening range of personal development and CSR opportunities as a means of attracting, retaining, motivating and developing top talent. Vehicle rental company, Enterprise, for example is passionate about ongoing personal development and offers ‘life skill’ workshops such as financial management and nutrition to all employees.

---

Only 3 percent of respondents felt their organisation could do less in the area of learning and development without adversely affecting delivery of business strategy.

55%

Over half of respondents felt more focus and/or investment was required whilst 41 percent felt their current L&D offer was fit for purpose.

We are proud of the learning opportunities that have been created for employees that are outside of direct job scope such as language classes.

Andrea Cartwright, Group HR Director, SuperGroup Plc
Talent management

To work effectively, talent management relies on integration with many other HR practice areas, such as performance management, workforce planning and learning and development. This interconnectedness perhaps explains why many struggle to manage talent effectively, despite the critical importance to organisations.

There are, however, a number of examples of organisations implementing new approaches. One central government department is focusing on the transition of staff from middle management to senior positions by redefining its criteria for assessing potential, introducing a new 360 review process and setting up coaching between line managers and direct reports with the support of third party facilitators.

Local government agency, Transport for London, has introduced a common framework for career progression for staff including detailed career paths for critical roles in engineering, project management, communications and transport planning. The benefits are both short term resource flexibility and long term succession planning for the most critical areas of its business.

Energy company, GDF Suez, and engineering consultancy, Schlumberger, have introduced global strategies for identifying talent at multiple levels, and are taking an integrated approach across HR practice areas. Centralised storage of data also helps to track progress in terms of diversity and inclusivity which will become increasingly important moving forward.

Enterprise now assesses every employee against their ability to grow talent across all parts of the business. Developing talent is viewed as being on a par with customer service, growing the business and making money, showing the commercial value the business places on this area. As a result, over 99 percent of management talent is home grown and over 40 percent of the board are women.

Finally, Novartis, a world leader in medicine, is seeing big improvements in developing internal top talent through the implementation of a focused and rigorous Accelerated Development Programme (ADP) for leadership roles. Through focusing on a combination of where and how their leaders add value and understanding development gaps, as well as individual aspirations, the company has seen drastic improvements in managing succession – 70 percent of the top 350 roles in the company can now be filled by internal talent (up from 20 percent before the ADP programme).

\(^4\) Source: APQC
I’d like to see more organisations taking more risks, with more cross divisional movement of talent and putting people into stretching roles with the right support and seeing them grow.

Helen Maye, Chief Human Resources Officer, Smith & Nephew
Employee relations, communications and engagement

When done well, the results of good employee relations, communications and engagement speak for themselves. The London Organising Committee of the Olympic and Paralympic Games was rightfully lauded for its ability to attract, select, mobilise and engage 70,000 volunteers to deliver eight million unpaid hours of work.

Whilst involvement in the Games itself was clearly a strong motivator, the level of forethought, systematic and detailed planning required should not be overlooked – both to engage those Games Makers who were selected and to manage the disappointment of those who weren’t.

The majority of larger organisations employ some form of employee survey to understand the level of workforce engagement, although many are limited to an annual event with an absence of actionable and sustained plans and ongoing communications. BSkyB, however, carry out an employee engagement survey every four to six months.

In the same way that the organisation measures external customer feedback continuously, there is a desire to keep current with employee feedback and keep pace with employee expectations and preferences. Results are then fed back, including an explanation of any changes being made as a result of employee feedback. Plans are then updated accordingly.

We know from our extensive analysis of high performing organisations that it takes a combination of both engagement and enablement to have an effective workforce. However, many organisations measure engagement levels without assessing levels of enablement (whether employees feel they have the tools, skills and collaboration necessary to get the job done).

Our research with hundreds of companies and millions of employees shows just how powerful engagement can be to an organisation’s success when combined with the appropriate levels of employee enablement.

This applies both at the individual level, with highly engaged and enabled employees being 50 percent more likely to outperform expectations; and also at a business performance level. Organisations in the top quartile on both engagement and enablement typically exceed industry averages on five-year return on assets, investment and equity by 40 to 60 percent.

There is also a strong impact on attrition - organisations that both engage and enable employees demonstrate significantly reduced voluntary turnover rates which will become increasingly important as competition for talent becomes increasingly tough.

“HR has a role in clarifying and translating the strategy into a meaningful and tangible story that every employee can understand.”

Rik de Buyserie, Group Human Resources Director, GDF Suez
We work hard at meeting our four promises to our people (to be treated with respect, to have a manager who helps them, to be given opportunities to get on, and to have an interesting job) and we employ a range of feedback mechanisms from interactive touch-screen pads that ask workers whether they’ve had a good day to ‘idea trees’ in canteens, where staff can share ideas on what more Tesco could be doing to help the environment.

Therese Procter, HR Director, Tesco
Managing change

Academic publications, business school curricula and the media are littered with examples of organisations that have learned the hard way that failing to drive, predict or manage change effectively comes at a high price. Less commonly cited though are those organisations that are navigating the rapidly changing business environment with assured poise. More rarely still are examples of organisations wherein HR is seen to have played a leading role in successful business transformation.

Yet taking the lead in managing change can be one of the most strategic, effective roles HR can play. Public services provider, Amey, for example, was recognised by the HR Excellence Awards as ‘The Best HR Team in the Private Sector in 2013’ for its approach to driving change across the business, improving performance and promoting growth via a series of dedicated projects as part of a company-wide efficiency programme.

In addition, an increasing number of organisations such as Standard Chartered Bank and media and information firm, Thompson Reuters, are setting up dedicated, and in some cases significantly sized, change teams to bolster capability. In the case of Thomson Reuters, their centralised organisational development team works across the full spectrum of change management, from developing new teams to supporting business units going through significant restructures, to full scale organisation-wide change programmes. Working through a consultancy model, the team can be deployed across the business, enabling focused and expertise-led change management and implementation and thereby freeing up HR business partners to focus on the core strategic issues.

Following the right values and behaviours is crucial. Our values are:
1 No one tries harder for customers
2 Treat others how you like to be treated
3 Use our scale for good.

 Therese Procter, HR Director, Tesco

57%

The defining feature of the megatrends is change and whilst there are examples of organisations with strong change management capability, 57 percent of organisations indicated that more focus and/or investment is required in this area to deliver their business strategy.
Elsewhere, other organisations are attempting to put change management at the heart of their culture. For the John Lewis Partnership, the advent of online shopping, intense competition from other retailers and keeping the ‘never knowingly undersold’ promise are just some of its current challenges. In response, the company is embedding a philosophy of constant but discrete innovation, referred to as ‘logical incremental’. In this way, change is implemented systematically – each step is examined to generate lessons learned which are actively incorporated into the next. This allows the partnership to learn as they evolve, keep on top of consumers’ changing needs and manage some of the risks and impacts of change effectively.

Similarly, a proactive approach to change is built into the Nestlé culture. The company invests more on research and development than any other food manufacturer in the world in order to anticipate changes in consumer buying trends. Currently, in response to extensive market research and the worldwide push for healthy foods and a balanced diet, the company is implementing a ‘Wellness’ strategy that’s geared to delivering to customers what they now clearly want; higher nutritional value and positive contribution to their general wellbeing.

Nestlé is also strongly people orientated from a cultural perspective, as evidenced by the consistent appearance within the top 20 of Hay Group’s annual Best Companies for Leadership study. This people focus also extends into the community where significant contribution through various CSR programmes indicates a clear recognition that creating shared value will become part of an organisation’s ‘licence to operate’ moving forward.

“HR has a role to play in being the conscience of the organisation and needs to be comfortable challenging the status quo.”

Ernestine Harris, HR Director, GSK
Managing employee data

Whilst there are examples of cutting edge people analytics within organisations such as Google, many HR leaders we spoke with would settle for an accurate, accessible, global source of employee data which is integrated across HR practices – getting this right is seen as fundamental and there is significant reputational impact associated with getting this perceived ‘basic’ wrong.

Data privacy and protection also continue to be considerations as more extensive data becomes available, and integration between HR practices and multiple, disparate systems and data sources in many organisations make managing employee data challenging. However, the arrival of more intuitive cloud-based systems are making it easier than ever before to put quality data in the hands of HR, line managers and employees, and a number of organisations we interviewed are in the process of implementing some form of next generation HR system.

Even with improved technology, keeping data current can be a challenge. Verizon’s global system for managing employee data self-service, however, includes metrics which monitor how effective line managers are at keeping employee data current, which is a good way to ensure accuracy.

The next challenge for the HR function may be what to do with the data – just as finance has gone through the transition from reporting numbers to providing insights and informing decision making, HR is likely to have a similar journey ahead.

In recognition of this future need, Hay Group, has recently launched ‘Activate’, a powerful suite of mobile apps and an industry first in terms of empowering line managers by delivering data on pay and job definitions as well as leadership culture and styles information. The intent is to enable line managers to make decisions themselves whilst freeing HR up from routine tasks, creating space to focus on more strategic issues.5

5 Bringing The Line to Life, Hay Group (2013)
What next?
The future of HR

“Really good HR needs to be highly responsive, solutions focussed, and proactive, with hard business acumen, looking not just at the short term, but one, two or three years ahead.”
Whilst it is clear that there are some striking examples of leading practice, our research indicates that the majority of HR professionals believe there is more to be done. In addition, the megatrends we identified are already starting to reshape business and will continue to have an impact on organisations and people.

So what should HR be considering moving forward? Based on our knowledge and client experience, we have developed the following six principles which collectively provide a framework for HR to position itself, as well as the broader organisation, to become fit for today and for the future.

**Becoming fit for the future: the six principles**

**Aligning with the business strategy**

1. Close alignment with the business strategy has never been more important, and a systematic approach is required to translate the strategy into those tangible capabilities the organisation needs in order to deliver results. Similarly, the pace of change is increasing, and the megatrends bring with them a series of challenges which only serve to shorten the strategic planning time horizon and increase the need for organisational agility.

   In response, the HR function must ensure that it continues to be aligned to the changing needs of the business on an ongoing basis and also embraces flexibility and responsiveness as fundamental operating principles.

**Focusing on the right things, and doing the right things well**

2. An organisation’s capability requirements need to be translated into specific HR practices, including determining where the HR function can afford to be ‘lean’ and provide a basic service and where additional investment is required to successfully deliver the business strategy. This helps to provide a roadmap for change and also supports the development of a compelling proposition for engaging and retaining the right people.

**Getting the balance right between standardisation and differentiation**

3. In light of increased organisational complexity and globalisation, there is a growing need for many organisations to have different levels of HR service across diverse employee groups, business divisions and geographical locations. One way of managing this effectively in practice is to start with a common, minimum standard HR offer and assess the need for any differentiation based on a demonstrable business case.
Integrating the operating model and organising around the customer needs

The HR operating model should include everything from process and policy, capabilities and structure, data and technology, and governance and performance management. Of equal importance is how well the various elements are designed to work in symphony; and integration across areas of expertise in particular is key.

Finally, the operating model should be designed to be fit for purpose now and also have the flexibility and scalability to cater for the future.

Pragmatic and sustainable implementation

When it comes to implementation, the scope of any programme of work or project is necessarily shaped by available budget, resources and competing priorities. In addition, change is more of a constant than ever before. As a result, the interdependencies between HR practices, processes and products have to be factored into any large scale HR change programme (and even into smaller projects which at first appear to be discrete) if value is to be sustained in the longer term.

Building the right HR capability

Technology is providing more data than ever before and an opportunity to provide deeper insight to the business. This requires HR to have and demonstrate an unprecedented level of analytical capability, technological savvy and business acumen. The changing nature of the HR function also necessitates the development of a new set of technical capabilities, together with more boldness and professional confidence, in order to deliver a higher value service.

Conclusion

The relevance and organisational impact of the megatrends will be unique to every organisation. Universally, however, it is clear that HR needs to be highly responsive, solutions focused, and proactive, with hard business acumen, looking not just at the short term, but one, two or three years ahead.

The challenge for the function is how to simultaneously play a leading role in the transformation of the organisation whilst managing its own evolution. As the framework above demonstrates, an integrated, systematic, and pragmatic approach is required to ensure that HR is fit for purpose and cost effective today, as well as agile enough to respond to the changing needs of tomorrow.
For more information
If you would like to discuss our research in more detail or create a ‘Blueprint for HR 2030’ for your own organisation, please contact:

Natasha Dillon
Associate Director

+44 (0) 20 7856 7157
natasha.dillon@haygroup.com
+44 (0) 7718 042 771