

HR & TALENT ADVISORY

Reimagining HR for 2025

Preparing HR for a Changing Workplace

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KINCENTRIC A Spencer Stuart Company

Shifting Expectations, New Challenges

Over the past few years, companies have faced the difficult reality of balancing efficiency with innovation, costs, and growth. However, The Great Recession tipped this balance. Unpredictability became more and more ingrained into business processes: demand for short-term profits, an extreme focus on optimization, a drive for efficiency in all functions, and reduced investments across the board.

As we look toward 2025 and evaluate the seismic changes in the workforce, we are forced to reimagine and reinvent HR and the value it can provide to ensure that it remains a critical business partner. Given the controversial debates around splitting HR and the value of HR, HR's need to prove its important link to the business strategy continues to grow. As the CHRO of a Fortune 500 bank states, "We're relying more and more on our HR business partners to help drive strategy in the business units and to be the face of HR with our clients."¹

HR's Seismic Shift

The workforce is changing. Nearly every aspect of managing the workforce is shifting in new directions with technology leading the charge:

- **Learning and development.** With the advent of MOOCs (massive open online courses), cloud-based learning and development solutions, and mobile emerging as platforms of choice, learning is poised to become bite-sized and just-in-time. This may be the perfect time—a recent Microsoft study found that the average human attention span is 8 seconds, down from 12 seconds in 2000.² There is a growing emphasis across organizations on self-development and individual-driven learning. In combination with the pressure on learning budgets, this trend is challenging HR to move away from classic classroom training to multi-channel targeted learning models that optimize investment.
- **Recruiting/talent acquisition.** More and more people are reliant on their mobile devices (47% of Americans can't imagine a life without one),⁴ and they have become an essential part of the job search. In fact, 80% of job seekers expect to do part of their job search on a smart phone, and the majority (70%) are willing to apply for a job via a mobile device.⁵ In addition, new talent sourcing vendors trawl information from a variety of online sources such as blog posts, social media profiles, and forums to develop real-time labor market data and recommend potential candidates.⁶ The crowdsourcing of talent/leader profiles is leading to innovative and wider sourcing and is radically changing sourcing timelines.
- **Performance management.** As research continues to develop on the challenging effects of performance ratings and poorly and inconsistently delivered feedback,³ many organizations are modifying, redesigning, and, in rare cases, eliminating performance labeling processes. Regardless of the approach to managing performance, HR-led performance management is changing. The focus is on streamlining and simplifying performance management and upskilling people managers to coach and manage performance.

- **Employee-employer relationships.** Internal social networks create opportunities for employees from dispersed geographies and functions to easily share information. Content Shared on these sites allows for real-time analytics, enabling leaders to get out in front of emerging issues before they become a larger problem.⁷ This can include anything from employee engagement in remote locations to form simplifications within HR.
 - **Generation management.** As the baby boomers retire, millennials will have to develop leadership and management competencies to take their place.⁸ HR is being challenged to design new career paths, targeted capability development, and new ways of organizing work to retain and engage this demographic.
 - **Open marketplace for skills.** Temporary workers make up between 20% and 33% of the U.S. workforce, and 83% of executives say they plan to increase use of contingent workers. Thanks to advances in technology, organizations are better able to source and plan talent acquisition on a project basis, allowing for quick shifts in workforce capability.⁹ In addition, job sharing and remote work have made it easy for multiple part-time workers to take on the role of a full-time employee. HR is being asked to design innovative workforce models that optimize people investment. Managing global and virtual workforces is requiring dynamically different sets of capabilities from HR and people managers.¹⁰
 - **Data privacy.** As internal labor data reaches petabyte (1,000 terabytes) levels and data breaches become more common,¹¹ HR—in partnership with legal and IT functions—will have to determine the best ways to safeguard its data yet maintain its usefulness as a source for decision making.
 - **Changing nature of rewards.** The war for talent continues to be unrelenting, and companies must adapt by changing their reward and recognition strategies. Rewards will need to be tailored to the needs of employees and to focus on engaging and retaining valued talent.¹² HR, once designed to police pay and reward equity, is being challenged to pay “unfairly.”¹³

All the workforce changes we discussed above are having a significant impact on the HR function, compelling HR to reimagine its philosophy and tenets. Simultaneously, demands from the business are placing pressure on the traditional HR operating model.

The History and Challenges of the Traditional HR Operating Model

HR has come a long way from its role as a depository for administrative and legal requirements and a functional cost center, thanks to the redesign of the HR function into three pillars: centers of expertise, shared services (to manage HR operations), and HR strategic business partners (a.k.a. “The Three Pillar Model”). In the 1990s “The War for Talent” began, and the rise of international mobility and technology created an opportunity for the function to grab a seat at the C-suite table, help steer the business, and become a genuine value-added partner. As the business changes, HR should not only reassess its environment, but also reimagine its roles and responsibilities as well as its critical capabilities. The need to update the Three Pillar Model is a result of businesses changing at an ever-increasing pace. As HR structures are reconfigured to adapt to the new business environment, some issues have proven to be challenges to the original model:

Costs, Maintenance, and Effectiveness of Service Centers

Some HR organizations are unable to invest in service centers and often struggle to realize promised efficiency and superior customer service.

Regulatory and language restrictions can deter HR Service Centers from absorbing all transactional work.



Talent gap continues to widen for HRBPs

HR Business Partners (“HRBPs”) are being relentlessly challenged by growing demands from business leaders and an ever-expanding list of expectations.

They are often still accountable for basic transactions that make more strategic work difficult.



COEs struggle to partner with HRBPs

COEs lack synergy and alignment with business leaders, and often compete on how to best control implementation of HR strategy.

This is due to the fact that key strategic initiatives don’t have owners in the traditional Three Pillar model, causing role ambiguity between COEs and HRBPs.



To effectively answer these challenges, the following section details new models that could better serve HR strategy.

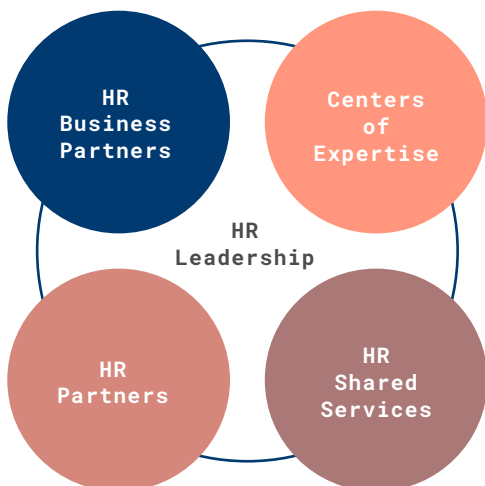
HR Operating Models: Getting Ready for 2025

The strategic work of HR will change considerably, Eric Schmidt, former CEO of Google, has stated, "Innovation and data are at the core of who we are at Google...and [we are applying] those same principles to HR."¹⁴

At Kincentric, we are already seeing changing HR models oriented toward supporting the business in its next iteration. We work with clients to help redesign their models in the face of shifting demands and have found the following models to be quite effective depending on the structure, culture, goals, and execution strategies of the organizations. These new models can stand alone, acting as a basic operating model, or they can enhance the design of how work gets done in HR.

1. Expanded Competency Model

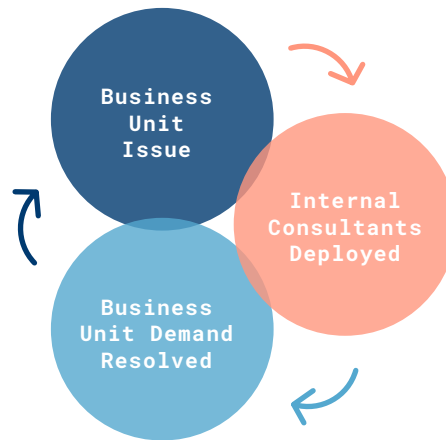
This model enhances the traditional model through the additional role of an HR partner. HRBPs and COEs provide strategic direction to initiatives, while HR partners and HR shared services handle the day-to-day work required to run initiatives successfully. This model works well for large, global organizations that have several large locations, where service centers operate in key hubs. However, not all transactional work may be amenable to standardization and migration to the centers.



This model ensures that HRBPs function at a strategic level. It also ensures that some of the local transactional work that cannot always be handled by a service center—such as local employee relations, engagement, and community building—is managed by creating the role of an HR manager.

2. Internal Consultant Model

In this cyclical model, HRBPs are embedded into the business organization. Enterprise resources, based within the COEs, operate as internal consultants and are available to respond to specific BU needs on a project basis. For example, there are compensation specialists for sales incentive design and talent management specialists for learning and development initiatives.

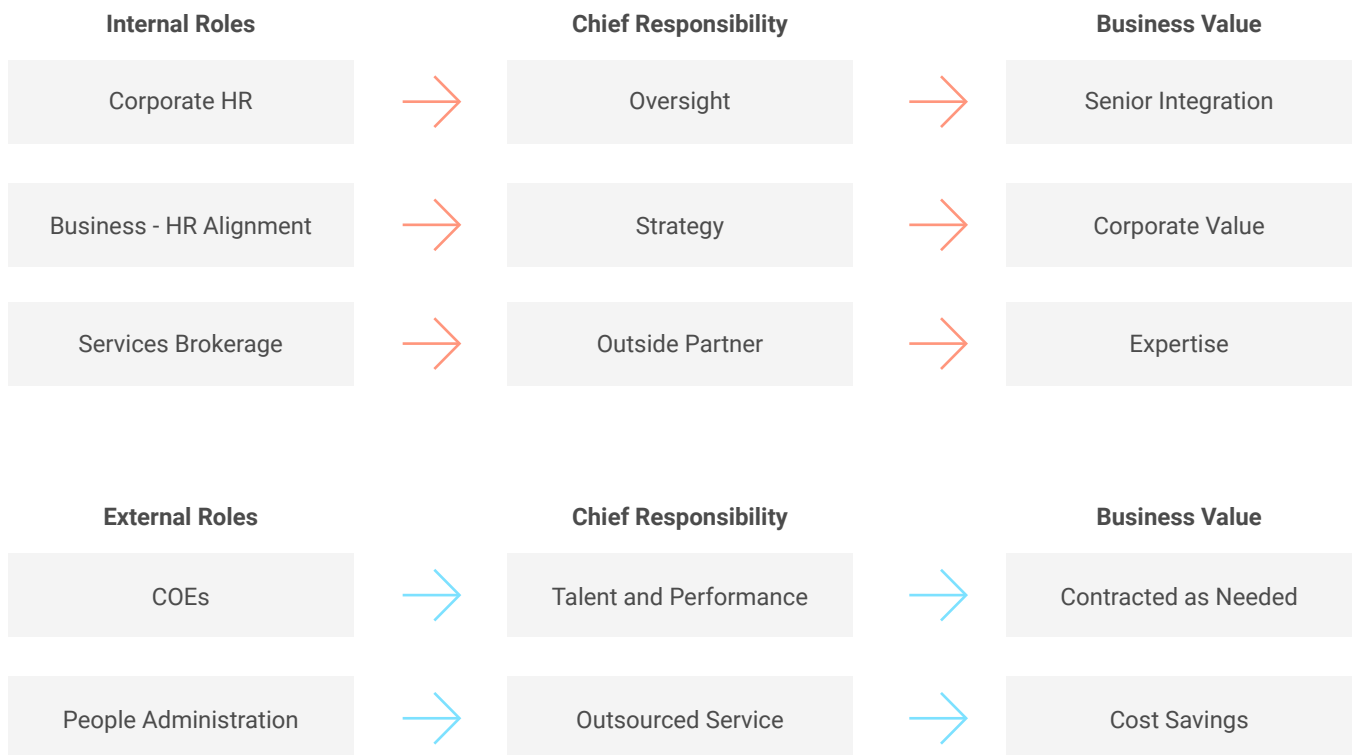


These internal consultants are directly responsible for project delivery and providing results for the business. They are called upon again when new business unit issues arise. This model is specifically relevant in organizations that tend to operate as large, global federations of fairly autonomous business units. In these organizations, there is significant expectation for business acumen both from business partners and COE design specialists. There also tends to be an emphasis on BU-specific program design.

3. External Leverage: Maximum Outsourced Model

This operating model is a variation on the traditional model. It is composed of the business partners, centers of expertise, and service center, but the difference here is that the centers of expertise operate with extremely slim resources. These centers focus on strategy internally while outsourcing event-driven work (e.g., merger integration, change enablement, recruiting for seasonal needs) and contracting talent from outside as needed (contractors and consultants) to meet BU needs. This model also significantly leverages an outsourced provider to operate its service centers.

The focus is on simple processes and low-cost delivery. This way, HR reduces the fixed cost for the organization while maintaining support for HR initiatives when the business calls for those initiatives to be created and carried out. This model is specifically suited for low-margin and stable organizations that operate largely within one country. Organizations that operate at a smaller scale may not be able to justify significant ongoing design work or staffing within centers of expertise.



As the workforce transforms and business needs change, the human resources organization needs to respond to these evolving needs. In designing HR operating models for our clients, we have found that following the lead of the business is a critical success factor. Examples include lowering the fixed costs of HR, designing business-specific programs, or playing a large role in location-based employee relations.

Along with changes in the operating model, the HR capabilities needed for making these models successful are also evolving. For a deep dive into HRBP capabilities, please refer to Kincentric’s white paper, “The Secret of Transforming HR: Focus on the HR Business Partner.”

Let us continue with some research on HR leadership roles.

A New Era of HR Leadership

In our “Learning to Fly” study, Kincentric interviewed 45 CHROs from across the globe to determine their career trajectories and their thoughts on how best to lead in uncertain times. We uncovered six major themes that CHROs (and HR in general) should start focusing on as they look to the future.¹⁵



1. Data-enabled decision making.

New technologies such as SaaS-based HRMS platforms and internal social networking software have broadened the depth and breadth of the employee information readily available to HR professionals.



2. Architecting and assessing organizational culture.

It is essential that HR functions take an objective view to determine if their organization’s processes and leaders are moving in the right direction. HR processes and programs should be closely aligned to this direction.



3. Identifying organization capability needs.

CHROs and HR functions must understand macroeconomic trends and their impact on people and the business at large. Capability and skill gaps must be identified and predicted to determine how best to anticipate future changes in the workforce.



4. Acting as an internal and external talent scout.

HR professionals must be able not only to identify gaps, but also find talent to fill those gaps and enable a strong culture. HR must have the ability to conduct assessment, geographical capability mapping, and demographic segmentation, as well as act on intuition.



5. Technological impact.

As technology continues its frightening pace, more HR transactions will become automated over time. CHROs and the HR function must adapt and morph into more consultative roles.



6. Business-specific considerations.

Trends and “best practices” can be helpful, but not all market insights are true for all organizations. CHROs and HR functions must be able to identify organization-specific questions rather than simply follow the herd.

Future HR Roles to Navigate Into 2025

We have explored how new HR operating models and HR leadership styles are needed to stay agile and adaptive to the new workforce. Furthermore, as HR's mandate in organizations is changing, we propose that there are four fundamental roles to consider when aligning HR strategy with business strategy:

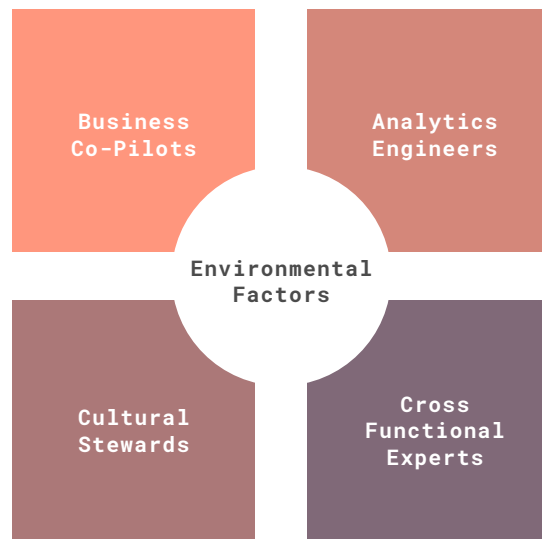
Business Co-Pilots. Strategic resources that work with key business leaders to identify and understand organizational issues: talent, capabilities, team dynamics, decision making, and restructuring. They are problem solvers and crisis managers.

Analytics Engineers. Experts who can analyze data and drive insights and program designs to manage people outcomes with predictive analytics for every element of the HR lifecycle. They use people data to optimize decisions on how to reward, whom to promote, how to engage, and which are the optimal tools to stem turnover and correct other human capital issues.

Cultural Stewards. Advocates who move past the theoretical and lead the business to define organizational culture and build it to sustain capabilities that advance the organization. They answer questions such as, "How do you build innovative organizations?" "How do we achieve sustainability in our organization?" "How do we embed inclusion in our organizational processes?"

Cross-Functional Experts. Individuals who have broad skill sets and experience across a range of HR functions, can diagnose business issues from multiple perspectives, and can design seamless solutions. They manage projects such as transforming the workforce in response to the movement of banking and retail businesses to omni-channel models, or in response to businesses entering a new market/product area or reorganizing complex portfolios.

The role of HR will shift dramatically over the next decade. It is essential for organizations to take a look at their current structures and make the necessary changes in how work is filtered. Organizations must also determine the right infrastructure to address the current and anticipated talent criteria that attract, retain, and develop the right talent for the organization. The HR function has a unique and necessary opportunity to align with the business and delivery services. In this way, they must build and maintain the agility required for the dynamic fluctuations of the business environment and shifting demands of the workforce.



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About Kincentric

Kincentric, a Spencer Stuart company, approaches human capital differently — we help you identify what drives your people so they can drive your business. Formerly a part of Aon, our decades of expertise in culture and engagement, leadership assessment and development, and HR and talent advisory services enable us to help organizations change from the inside. And our global network of colleagues, our proven insights and our intuitive technologies give us new ways to help organizations unlock the power of people and teams — fostering change and accelerating success. For more information, please visit kincentric.com.

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