



HR Transformation in the Experience Age

joshbersin

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HR organizations are dealing with a lot of change: new technology platforms, agile organization models, a competitive labor market, and a never-ending set of demands from employees for career growth, benefits, and a more meaningful work experience.

While this all sounds inspiring to HR teams, their organizations have a tough time delivering. HR professionals have to hire people in a tight labor market, train and develop people on a continuous basis, deal with a myriad of payroll and compliance issues, and serve as a business consultant to leaders. And while they do this they are expected to deliver a flawless employee experience in a productive and enjoyable work environment. Is it any wonder 40% of all HR departments are going through some type of transformation, and almost every one is in a state of continuous reinvention?

The idea of an HR transformation is to take an HR team's organization, structure, content, and operating model and redesign the function to make it more agile, relevant, and efficient. This often means upgrading HR technology, reorganizing people into centers of excellence, changing the role of local business partners, and creating a cohesive set of programs that drive strategies like strategic recruiting, performance, wellbeing, and other CEO-level initiatives.

While this seems like a "big project" a company needs to do, it now happens on an almost-continuous basis. HR departments need to become more agile; they need to adopt design thinking; the teams need to work in cross-functional teams and co-design solutions with the business; and HR professionals need more development and job rotation.

Many HR transformations are fueled by a major cloud HCM implementation. When the company decides to implement a new Workday, Oracle, SuccessFactors or other system, the entire HR department goes into shock. It needs to harmonize and redesign business processes, create new job models, set up new self-service delivery systems, and rationalize lots of disparate data to develop good dashboards and analytics. If it goes well, HR becomes more "data-driven" and self-service and employees have better self-service across HR functions.

As I like to put it, HR departments also have to "transform from the inside out." Organizations can't just buy a new platform and turn it on, expecting everyone to use it effectively. They have to rethink roles, reskill HR professionals, and design new ways to serve employees.

Experience Design: Moving From Processes to Interactions

Many consultants help companies through these kinds of transformations. But each does it in different ways.

Historically, HR organization design was focused on "organization, governance, and process." In other words, we look at the local and distributed functions needed, design an organization structure, and build a set of talent processes. Much of this design is focused on efficient and aligned service delivery, following the model of IT.

This results in a very traditional model: we create Centers of Excellence (recruitment, talent management, compensation, employee relations) where specialists work; we set up Service Centers (employee services, management services, workplace design, or labor relations services) to serve employees; we build some sort of self-service portal for managers and employees; and we put in place local HR teams (HR business partners) embedded into business units.

This is a fairly simple design, but the complexity is in the details.

- How will talent practices be designed? Will they be built in a cross-discipline way with business input? Or will HR design a new process and push it onto the organization?
- How will decisions be made? Will local HR leaders have the authority to do their own hiring, training, compensation, and rewards and benefits programs? Or will these programs be determined by a centralized organization? Or will there be multiple councils to make these decisions?
- How much technology will we buy? Will we try to rely on one global platform or will we let local countries adopt local tools relevant to their employee and cultural needs?

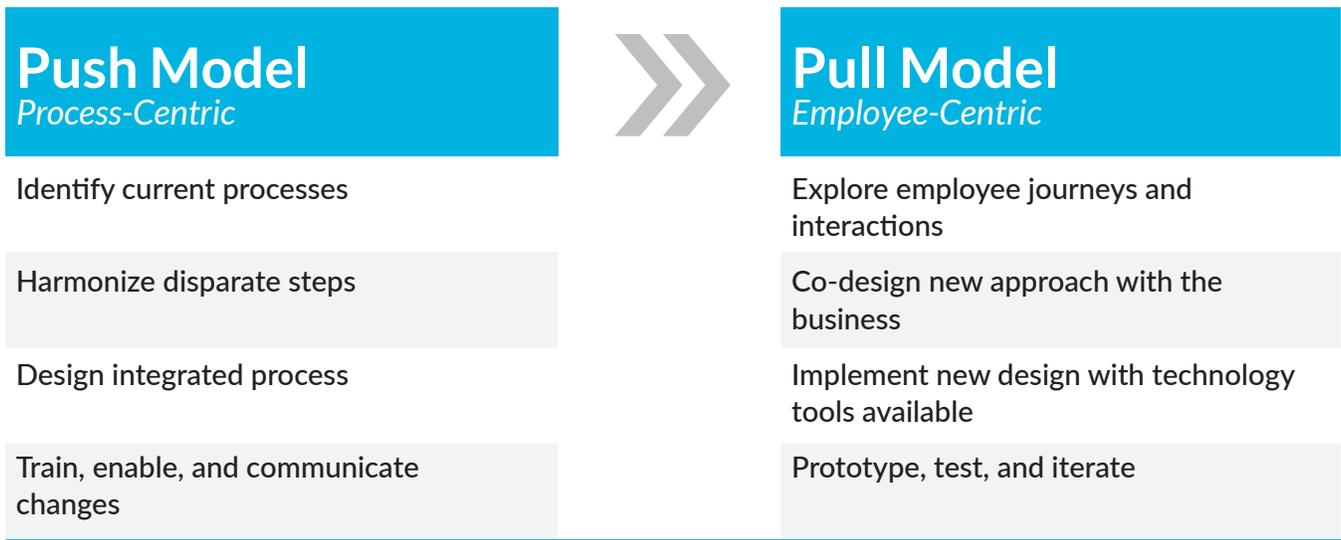


Figure 1

- How much central control will take place? Will all business units have to wait for corporate to select technology? Or will they be empowered to buy what they need, and ask IT to integrate it with other corporate systems?
- And perhaps most importantly of all, what is the talent model for HR itself? How will HR staff be organized and deployed? Will we cross-train and move HR professionals from place to place? How will we upskill the HR teams and keep them up to date on new analytics tools, AI tools, recruiting and learning tools, and other platforms the company decides to buy?

This traditional approach, which goes back 20 years or more to ERP rollouts, involved “pushing change” onto the organization. A consultant-led team designed the change, and we trained and communicated to employees to execute the change across the enterprise.

This made sense in a world where technology was designed to automate our work. Today, as we use technology to augment and facilitate our lives at work, this process feels archaic. Our research shows that pushing out processes often fails because employees are so busy and distracted with other things they don’t adopt the new process until they need it. Even then, they fall often back on asking the HR manager for help, and the system adds less value than hoped.

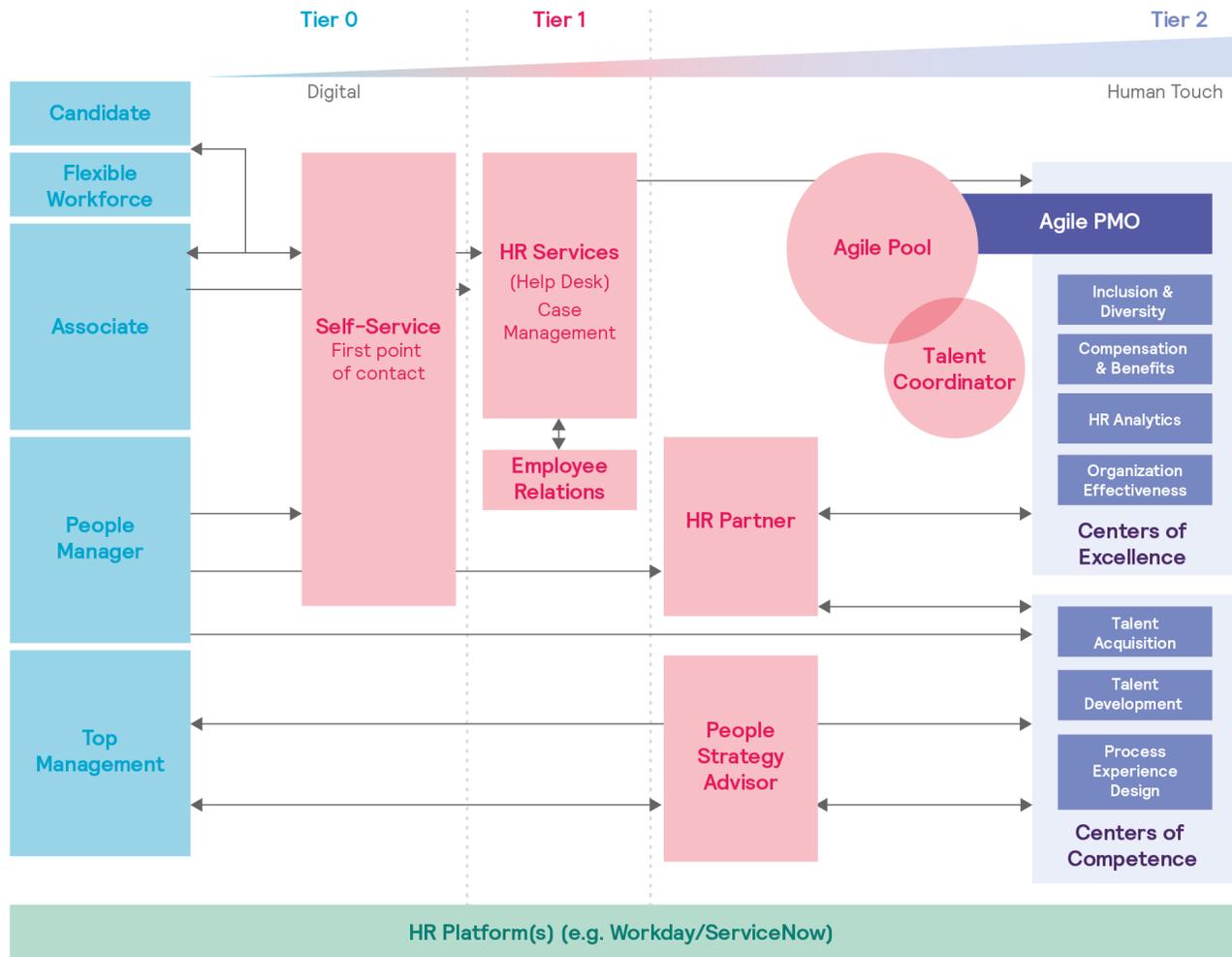
Designing for Employee Experiences: A New Approach to HR Transformation

Enter the world of employee-centric or employee-experience focused design. In the new world of HR, we think about employees first. We study their work needs, survey and interview them for desires and aspirations, and co-design solutions that make their work better. The HR organization creates a cross-functional team, partners with business units, and interviews employees and managers to prioritize the problems to fix. HR teams then prototype new designs, study and monitor feedback, and iterate to continually improve. The entire focus is on employees’ needs, not the process design itself.

Mercer is pioneering this new approach with what it calls the Target Interaction Model, an idea I found very compelling when I learned about it. Through the acquisition of Promerit, an HR consulting firm originally headquartered in Germany, Mercer has built an approach that helps HR teams identify their particular workforce needs (interactions) from various parts of the organization, and then sets up cross-functional service teams to handle these interactions. One of the early implementations of this was in recruiting, where candidate interactions are highly variable and difficult to manage.

As you can see from Figure 2, this approach has several innovative elements:

TARGET INTERACTION MODEL, CLIENT EXAMPLE



Source: Mercer, Transforming HR: Why TIM (Target Interaction Model) Is the Key to Unlocking the Employee Experience

Figure 2

- HR services are designed around real user personas, not job roles. Rather than looking at what services need to be delivered by job role (which many consultants do), Mercer uses surveys and analytics to identify problems and find clusters of employees with similar characteristics. This helps the HR organization identify major opportunities to improve the employee experience without trying to “boil the ocean.” (Consider, for example, a company with many people near retirement in a certain geography. This may warrant a service center focused on retirement planning.)
- Second, Mercer helps HR operate in an agile, consultative way. This is a significant existential change taking place in the HR profession. Solutions are being continually improved, and all HR roles are becoming hybrid and cross-functional. We now need to facilitate what Mercer calls agile talent pools that allow people to move from project to project without keeping them siloed into one geography or area of expertise.
- Third, Mercer’s model articulates a series of new roles for HR business partners. We have been studying this role, and it’s clear from client discussions that HR technology is rapidly

forcing HR generalists to become consultants, business advisors, experience designers, and analysts. This shift is built into the model.

- Fourth, Mercer has deep expertise in HCM technology implementation, including the design of job models, talent and reward programs, D&I practices, and pay practices. Unlike consulting firms specializing in technology implementation and change, Mercer is an end-to-end, deeply skilled HR consultancy. So the company can bring experts to help with every part of the process redesign needed in a new technology implementation.

A Company of Deep HR Experts

As an analyst, I spent time getting to know many Mercer partners and other professionals. The company plays an important role in the HR and employee services market. While many consultants specialize in various HR domains, Mercer's combination of services is unique.

First, the company covers virtually every talent topic with specialized partners. The company's HR-related business areas include expertise in HR operations, HR technology, talent strategy, employee experience analysis and solution design, total rewards (including benchmarking, rewards design, recognition, and rewards communication), benefits and wellbeing program design and implementation, digital app

development and analytics, employee engagement, executive rewards and compensation design, retirement and actuarial consulting, talent mobility and career management, diversity and inclusion, and employee communications.

Each of these domains is complex and requires specialists, unique technology solutions, and industry expertise. Rather than solve these problems with a single generalized human capital consultancy, Mercer acquires and builds deep expertise. For example the company acquired Sirota for employee engagement and Mettl for employee assessment. It also partners with Fuel 50 for careers, and CrunchHR for analytics and employee segmentation. The company has a myriad of partnerships in learning, diversity, and other areas.

This end-to-end, specialized approach brings great value to HR organizations. As I spend time with hundreds of companies, I find that each organization has unique and particular HR and workforce needs. While many HR approaches are common, individual companies prioritize what is important to them at a particular time, often looking for a world expert in a single topic (e.g., gender pay equity, sales onboarding, retention analytics). Rather than shop among thousands of individual consultants to find the expert they need, clients can come to Mercer for an expert who specializes in the particular area. This means a CHRO can go to Mercer for expertise in many deep domains, saving time and energy looking for specialist firms on their own.

The entire HR profession is going through radical change and innovation. Companies are rethinking all elements of their employee experience, reinventing how they manage performance, careers, and learning. And they are flooded with new technologies to consider, often building an ecosystem of applications rather than trying to consolidate with one vendor. Mercer's consulting model and network of partnerships is perfectly suited for these challenges.

As part of this effort to understand Mercer's strengths, I talked with a variety of clients. Let me briefly discuss two of Mercer's successful and ongoing engagements, to give you a sense of how the company operates.

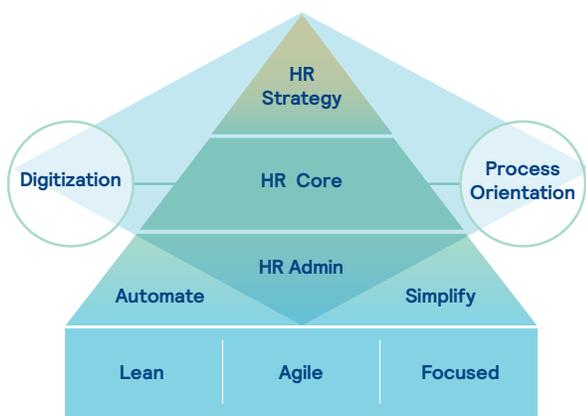


Figure 3. HR transformation revolves around a shift in which less time is spent on the operational aspects of HR (bottom of pyramid) and more time is focused on the strategic aspects of HR.

Bottom Line: A New Model for HR Has Emerged

Over the last few decades HR has gone through a tremendous amount of change. Once viewed as an administrative function focused on control and process, today's HR organizations now have to design and deliver delightful and productive employee experiences that help companies grow. They have to listen to candidate and employee needs and react quickly to change. And they need to be strategic talent advisors to senior business leaders throughout the world.

This shift, from administration and process to one of agile design and experience delivery, requires a new approach. Mercer's deep domain in HR itself, coupled with the company's innovative approach to targeted interaction design and technology implementation, is well suited for the new world of HR today.

PVH Corp.: Using a Technology Implementation to Rethink HR

PVH Corp., formerly known as the Phillips-Van Heusen Corporation, is a global clothing company which owns brands such as Van Heusen, Tommy Hilfiger, Calvin Klein, IZOD, Arrow, Warner's, Olga, True & Co., and Geoffrey Beene. PVH Europe, which operates retail and apparel for Calvin Klein and Tommy Hilfiger, is a geographic subsidiary located in the Netherlands with 11,000 employees doing business in 20 countries across Europe.

Prior to its HR transformation (3.5 years ago), PVH Europe had very little HR infrastructure, and consisted of a network of generalists doing recruitment, payroll, employee relations, and training in their own geographic centers. Countries had their own HR teams with full autonomy, reporting to the local general manager.

Analia Mac Laughlin, the new senior vice president of HR, joined in 2015 and was hired to bring this together into an integrated, high-performance operation aligned with the global HR transformation. At the time, the European organization was implementing SuccessFactors, but as you may expect, with little central control its usage was spotty. She was frustrated by the company's low utilization of the HR platform and a general lack of alignment, direction, and unified talent vision.

In 2016, PVH Corporate began adopting Workday globally as part of the global HR transformation. The project started with a rollout in North America, followed by a rollout in Asia and Latin America. Workday is now being implemented in Europe. Analia realized that she could use this opportunity to execute her HR transformation. Her vision was to move from HR as a service provider to a focus on the employee experience, thereby creating a much more strategic HR function that could partner with the local business leaders.

As Analia started the transformation she looked at various consulting firms that could help. She met with a variety of consultants, but when she met with Mercer | Promerit (the strategic HR transformation consulting team within Mercer), her eyes were opened. Rather than just a system implementation project, she saw the vision for a focused employee-experience effort and decided to hire Mercer.

Mercer was already engaged with the global Workday transformation, so the decision felt right.

As with TripAdvisor, Analia talked with many leaders and found that many of the HR professionals hardly knew what others were doing. To bring the function together, she spent time with Mercer | Promerit developing a strategy for change.

First they deployed the values and effectiveness survey across HR and the employee population. This gave PVH a sense of the current state, and enabled the team to conduct an inspirational session with local business and HR leaders to create a vision for the future. It then developed a series of cross-functional workshops focused first on what was not working today, followed by another set of workshops to create a common dream for the future.

This effort produced three major outcomes:

- 1. A set of design principles.** These principles help PVH bring vision into practice. They encompass topics like consumer centricity, simplicity, digitalization, and focus on employee experience.
- 2. A model for overall governance.** Coming from a highly distributed organization, the company needed to decide what decisions are made where. This involved deciding what is global, what is local, and what is hybrid and setting up committees to govern these decisions going forward.
- 3. Prioritization.** Where do we start? What is our roadmap for implementation?

Once these priorities were clear, PVH created cross-functional and cross-geography working teams that started process and organization design by area (such as talent acquisition, succession, onboarding). Since team members now knew each other well and had a common vision, these sessions went quickly.

These teams included global HR functional heads and local subject-matter experts with deep domain knowledge in a particular country. Business leaders from each market were involved and the company deploys surveys every 30 to 60 days to let people could give feedback and let teams stay aware of what other teams were doing.

PVH Corp., Con't.

PVH has been thrilled with the progress. In only six months, the transformation is well underway, and PVH is using Mercer's target interaction model to decide who the audiences are and how various teams will provide services to these candidates and employees. PVH is developing an operating model and organization chart for the future and is upgrading the role of senior business partners as well as business leaders. Rather than simply going to the local HR manager for help, business leaders at all levels now have a defined set of tools and places to get support.

According to Ann Marie Phillips, senior vice president of compensation, benefits, and HR systems at PVH, the Workday implementation has helped the company dramatically streamline its entire operation. Retail staffing and hiring is now done in an integrated way (it was totally decentralized and manual before). The company now has self-service portals for managers and employees, and PVH University, an award-winning corporate learning center, is now being integrated into Workday Learning. Mercer's deep understanding of Workday has helped PVH successfully implement Workday, transforming its HR function in the process.

TripAdvisor: Transforming HR to Better Serve Employees

TripAdvisor is a travel platform, helping nearly a half billion travelers each month plan trips, book hotels, find a restaurant, book a flight and more. The company spun off from Expedia in December 2011 and has grown through a series of acquisitions (over 25 in about seven years) to bring new web properties and services under its umbrella. Today, the company offers a range of offerings across many travel categories and has over 3,000 employees (plus contractors) and more than 100 people in HR.

As you can imagine, fast-growing companies like this struggle to keep their people practices, HR systems, and data platforms in sync. For many years the company did not have a CHRO, so various business units and geographies managed people in their own unique ways. This started to have a negative impact on the company's employee experience, so in 2015 TripAdvisor brought in Beth Grous as its new chief people officer.

Based on the team's experience with Mercer, the company immediately took advantage of Mercer's HR value and effectiveness survey (administered to employees and HR) to understand how things were going. As one could imagine, the survey identified a series of areas to focus, the biggest being the need to transform and integrate the HR function and upgrade the technology to more modern platforms. (This is a common problem in many fast-growing companies, especially when they grow through acquisition.)

Jeff Seitz, the senior director of People Technology and Analytics, has been using Mercer to identify the most important talent practices to improve, identify the target

interaction model to serve employees, and redesign the team to provide scalable, high-value services under a new operating model.

The new People function at TripAdvisor is focused around the theme "HR For and With Employees." It has segmented the workforce into major groups (such as executives, managers, employees, contractors, candidates, and former employees). It's interesting that former employees are a focus: TripAdvisor, like many consumer companies, realizes that every employee who leaves is a customer and brand ambassador, so part of its new strategy is to take care of alumni as well as current employees and contractors.

While the HR redesign is still ongoing, the team confided in me that the company is already seeing improvements in employee engagement and is now better able to attract technology staff in the highly competitive Boston market. Jeff believes the two most important things Mercer brought to the process were Mercer's deep domain expertise and end-to-end HR mindset, as well as its agile and flexible way of addressing TripAdvisor's issues. Rather than try to sell an off-the-shelf solution to address TripAdvisor's particular set of issues, Mercer's consultants have rolled up their sleeves and are helping the company reinvent its entire HR and talent operation.