

Transforming HR

Why a target interaction model (TIM) is the key to unlocking the employee experience



welcome to brighter

As the future of work arcs toward enhancing the employee experience – with organizations placing people at the heart of all they do – it's time for HR to shift gears, transforming from the standard target operating model to a target interaction model.

Transforming HR: It's time for TIM

To prepare for the future of work, organizations are increasingly investing in the employee experience, and for good reason: A positive employee experience improves the customer experience, supports attraction and retention, increases people's trust in the firm and drives workforce productivity.

As organizations commit to improving the employee experience, HR can play a critical strategic role by transforming from a target operations model (TOM) to a target interaction model (TIM). In the TIM, HR becomes a more people-centered function that places a premium on exceptional personal and digital employee interactions, with employee satisfaction as the key success metric. Targeting the desired employee experience as the starting point, and building on end users' needs, HR will naturally create a new people-focused design and governance. And research shows that organizations with an integrated strategy, both within the business and across HR, are more effective: High-growth firms are four times more likely to have an integrated people strategy.¹

Especially in this age of disruption, automation and rapid change, leaders, managers and individual contributors will increasingly count on HR to design and deliver outstanding experiences throughout the employee lifecycle, interacting with people in the way that matters most.

If organizations don't feel they can get the level of strategic transformation they need from traditional HR, they may look elsewhere. A survey of Fortune 100 companies discovered that only half of CHROs appointed in the previous three years had been a regional or divisional HR head. Increasingly, those with finance or general management experience are being moved directly into the top HR job.²

¹ Mercer. *Global Talent Trends Study: Connectivity in the Human Age*, 2019, available at <https://www.mercer.com/our-thinking/career/global-talent-hr-trends.html>.

² Guss M, Shah Paikeday T, Penfold A, et al. "Inside the Mind of the Chief Human Resources Officer," September 21, 2017, available at <https://www.russellreynolds.com/insights/thought-leadership/inside-the-mind-of-the-chief-human-resources-officer>.

A new HR model for a new future

The prevalent HR model over the past few decades was primarily designed to suit the way HR liked to organize itself.

When the target operating model emerged back in the 1990s, leaders were laser-focused on business efficiencies and cost savings; organizations leveraged a trinity of HR business partners, centers of excellence and shared services to streamline and outsource HR services. But over time, farming out HR processes to shared services created a fractured candidate and employee experience, and the cost benefit was never achieved.

It's a different work environment today. With a new emphasis on the employees who drive the organization, the future-focused HR function should collaborate with the C-suite on people strategy. This requires taking on greater responsibility than ever before while essentially returning to HR's original purpose — serving the company's people and organizing the workforce according to what the company needs to succeed.

In sum, current HR silos don't align with today's needs. Transformation for many remains an imperative given only 30% of executives describe their organizations as change-agile.³ Instead, HR can increase its impact by improving the employee experience across the firm — from the C-suite and business unit leaders to managers and individual employees — by adopting TIM through a multidimensional, independent and people-centric HR transformation.

According to executives, the top three talent investments that would make the most sizable difference to business performance are:⁴

1. Redefine jobs to better deliver value — 30%

2. Simplify talent processes — 29%

3. Enhance the employee experience — 27%

³ Mercer. *Global Talent Trends Study*, 2019.

⁴ Ibid.

Digitization, the employee experience and TIM

The people-centric TIM emphasizes the relationship with the end user and strengthens the connection to the business agenda.

This more business-integrated approach radically simplifies and digitizes core HR activities. However, research shows that in many cases, HR is far from being fully digital. Globally, three-quarters of organizations say they are still on the journey toward becoming digital internally. In Europe, in a recent evaluation of HR practice, companies scored just 2.9 out of 5 for providing digital HR services and 3.2 out of 5 for HR digitization, according to Mercer's HR Digital Transformation Index. The reasons for this lag include prioritizing the business's digital maturity over HR's — and when HR does digitalize, the main driver is efficiency, not the digital experience of employees and managers.⁵

Although HR is becoming increasingly critical to organizations, the function should be empowered to do even more and embrace new ways of working, such as collaboration, flexible working and communication — in effect, becoming a catalyst for digital transformation. Leading firms are looking to HR as the beacon of what digital working can be. HR needs to not only understand digital transformation but also be digital — leading the charge on new ways of working.

TIM tip: Offer a customized, fully digital experience

When HR is primarily transactional and focused inward, human resource information systems (HRIS) tend to make talent processes more chaotic instead of streamlined. That's because many vendors sell one-size cloud solutions that don't account for variations among businesses or employees' roles. And most HR functions are still focused on digitizing HR administration processes.⁶

Solving the complexity of the employee experience calls for paying attention to how people experience work, including reducing the number of disparate systems that don't talk to each other and add to an increasingly crowded work experience. Further, implementing new systems with the change management, communication and training to make them successful drives adoption.

The following statistics support the movement toward offering a full, tailored digital experience for employees, managers and executives:⁷

- One in three employees say that with current technology it takes more than an hour to complete straightforward HR tasks.
- Only 13% of organizations offer employees a fully digital experience — one in which technology enables employees to access work documents remotely, carry out HR tasks intuitively, and easily collaborate and innovate with colleagues.
- The companies that do provide a fully digital experience are six times more likely to see HR as a significant business contributor.
- Employees who say they are thriving are almost three times more likely to say their organization provides the tools they need to do their jobs efficiently.
- High-growth organizations are twice as likely as moderate-growth firms to provide a fully digital experience for employees.

⁵ Mercer. *Benchmarking HR Digital 2019: Still Transforming or Already Performing?*, 2019.

⁶ Ibid.

⁷ Mercer. *Global Talent Trends Study*, 2019.

Reimagining the HR lifecycle

Only two in five HR leaders are included in the idea-generation stage of major change projects.

This number should increase. When HR expands its contributions beyond narrow work streams, the business benefits — 53% of high-growth organizations say HR is involved in kick-starting major change, compared to 39% of modest-growth organizations.⁸

To have the capacity to lead transformation efforts in the business, HR first needs to rethink the employee and HR lifecycles.

At a minimum, this requires focusing on the employee experience, adopting new technology (including direct access tools, artificial intelligence and chatbots) and embracing agile ways of working. Fortunately, nearly half (48%) of companies plan to increase the number of support staff per head to handle additional complexity.⁹ With a smartly designed TIM model, HR can deploy these extra resources to more value-adding activities.

HR transformation helps the business while breathing new life into the function itself; as HR professionals, we, too, prefer to own tasks from start to finish instead of controlling only parts of the process.

The digital + human equation

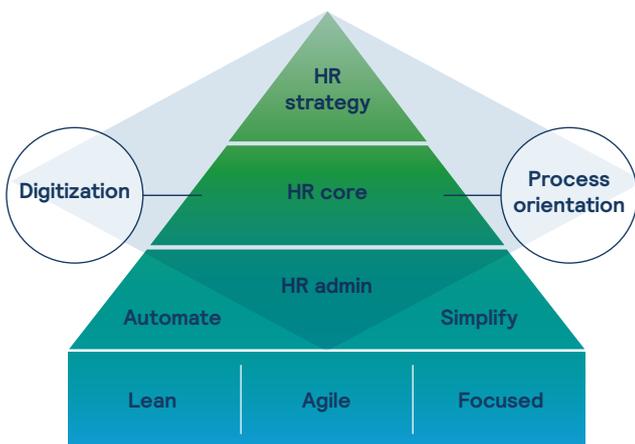
In a world defined by the intersection of artificial and human intelligence, it is vital that we invest in both — our people and our technology — to achieve sustainable growth. Although digital transformation helps a business grow, it only does so when deployed in the service of solving people’s problems. Done in isolation, digital transformation is a bright, shiny white elephant.

Human-led design techniques, rooted in design thinking, have revolutionized the customer experience and can be used to transform employee experiences. Design-thinking workshops deconstruct any event through the lens of personas (different workforce segments), map the interactions in the HR journey and help identify the fundamental roadblocks to a good employee experience.

Once identified, solving employee needs may involve digitization, but in moments that matter, human interaction may be a better fit. By being laser-focused on the “customer” (employee) experience and “human” needs, organizations can balance the digital + human equation to deliver seamless interactions for employees.

Figure 1: HR and transformation

The pyramid best illustrates what HR does today — spending more time on the operational aspects of HR at the bottom and less time on strategy. The challenge is to turn this into a diamond, transforming from a transactional to a strategic focus.



⁸ Mercer. *Global Talent Trends Study*, 2019.
⁹ Ibid.

Designing and implementing a TIM

Unraveling existing efficiency-based operational HR processes and moving to an interaction perspective requires significant change management, combining communication, reskilling and HR's participation in shaping this new world. Here's how:



1. Establish the target interaction model.

What does the perfect blue-sky HR model look like? What service portfolio will help the company achieve its business objectives while elevating the employee experience? Design-thinking workshops, design sprints and rapid prototyping help the function create a progressive TIM that serves as the North Star that guides HR transformation efforts. To identify the ideal model, start by answering these questions:

- What is the organization's overall business strategy?
- What people strategy is needed to execute on the business strategy?
- What does the future workforce structure need to look like to execute the people strategy?
- What new work expectations do employees have that should be factored into the people strategy?



2. Conduct a thorough, honest appraisal of where the function is today. Process should follow purpose.

Before articulating a new people-first proposition, HR should understand where it is coming from. Combine interviews, questionnaires, workshops and data to create a holistic view of the current HR service portfolio as well as its maturity, governance, level of automation, business impact and the current employee experience.





3. Establish a baseline user experience.

Shifting to an interaction model starts with considering the employee experience for different persona groups and examining the HR experience through their eyes to increase the chance of employee satisfaction throughout the interaction. For example, does the hiring process enhance the brand, or does it deter applicants? Does the rewards program motivate or frustrate employees?



4. Consider the interactions that will deliver the service portfolio.

What role will the organization's people leaders play? Will anyone need to shift from business rule enforcers to team coaches? From roadblocks to enablers?

- Which interactions should be personal and high-touch?
- What key roles are needed to deliver the service portfolio?
- What communication channels will be most effective in reaching your workforce?
- Do different workforce populations require different types of interactions?



5. Deliver the TIM service portfolio holistically across the organization.

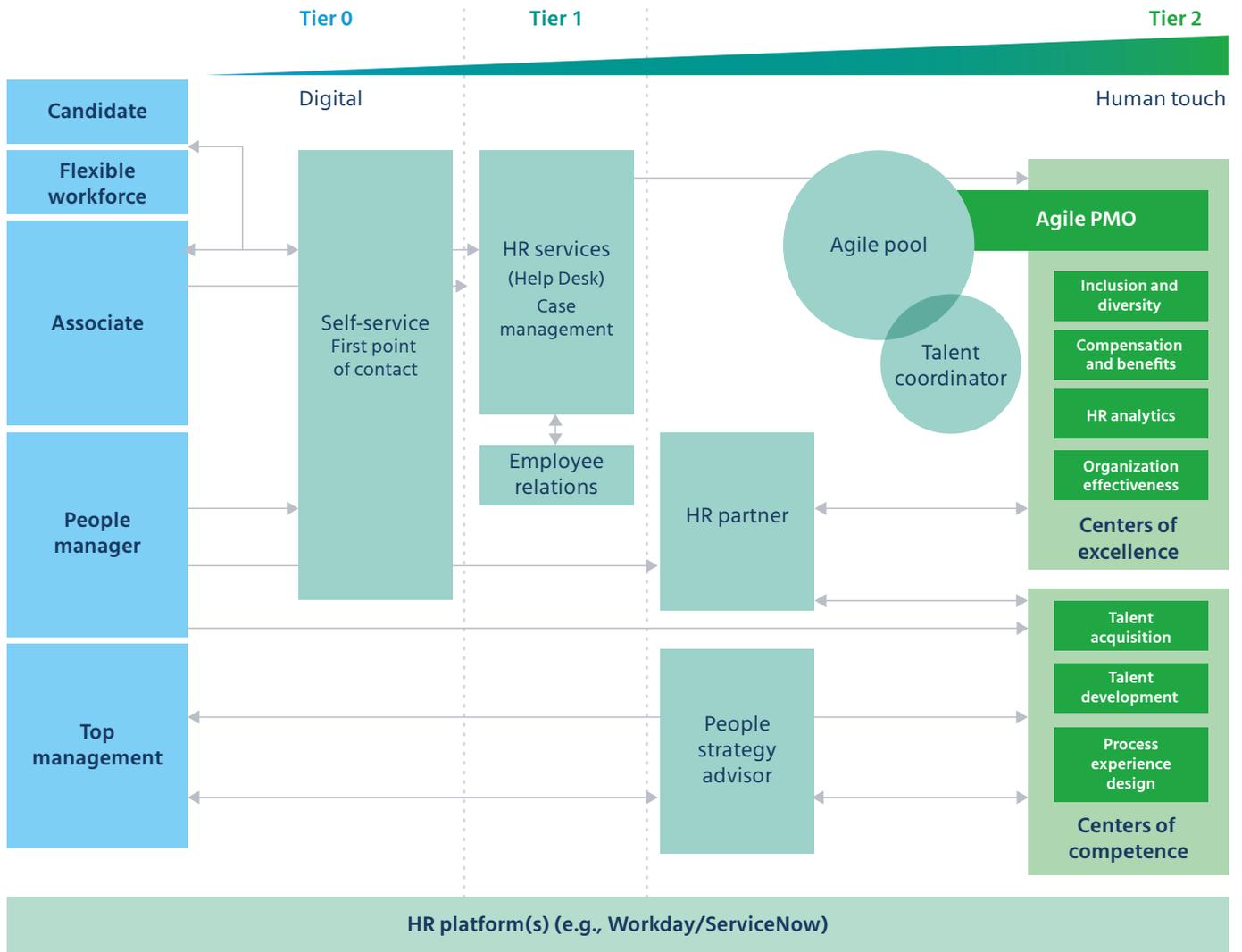
Successful transformations get the design of four key dimensions right: processes, systems, content and organization. The very nature of HR can be transformed by rethinking and transforming each dimension, leveraging technology to simplify tasks and increase the impact of results. All four dimensions should be transformed simultaneously. When transformations are approached piecemeal, they may fix a system problem while creating systemic issues elsewhere.

TIM tip: Change traditional mindsets

To pave the way for a more interactive, employee-friendly TIM, it's important to get the business thinking differently. For instance, some companies say they are already employee-focused, but they are referring only to whether the leader, manager or individual is happy with the outcome of an HR transaction. Instead, the business should become invested in whether employees say that HR interactions, from start to finish, enhance their work experience. This is where design thinking comes in to unlock today's shackles, and to reimagine how to do things in the future.

To change mindsets about HR, shine a light on the function's evolving role and the value the function delivers. For example, learning and development leaders have moved away from delivering a product or service to being more talent-led in what they deliver through curation and collaboration. In fact, curating content is an emerging competency across the HR function. How findable is information today? How easy is it to respond to employee or customer interest in a key topic and translate that into action? Intelligent systems that push curated content are part of the modern world of interaction.

Figure 2. Exemplary target interaction model



To measure TIM's success, look from the outside in

Although past HR transformation metrics centered around efficiency (such as the ratio of managers to employees) and cost-effectiveness, TIM calls for HR to measure its effectiveness in new ways.

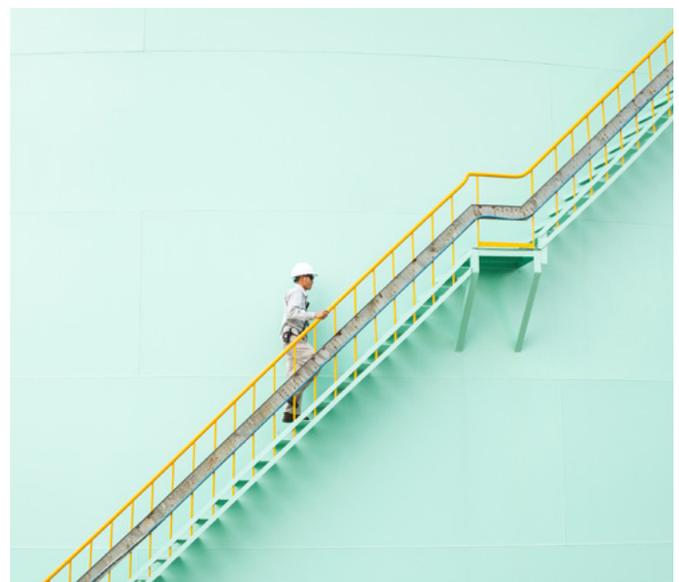
First, HR can assess utilization — how employees participate in new processes and systems. For example, how many employees use a new digital channel such as Workday or ServiceNow for its intended purpose, and how many bypass the system and seek help from HR instead? By examining adoption rates, HR can see what's working and what may need greater attention.

A second important metric is employee satisfaction. Measure the employee experience through internal data, such as frequent, fluid engagement pulse surveys or an employee-listening program that captures deep insights. Also consider external data, such as information on Glassdoor and Quora that provides a window into current and exiting employee sentiment.

TIM tip: Make technology a positive employee experience

As the number of employee-facing systems has proliferated — with new human capital management, productivity, and collaboration tools and apps flooding the market — so has employee stress. To positively impact the employee experience, apply technology judiciously and align it with how people actually work.¹⁰ Consider how to:

- Deliver an integrated experience that shields people from multiple complex back-end systems.
- Ensure that touch points are intuitive and available on the devices people use every day, such as mobile.
- Make work flow seamlessly across functions, including IT, HR, finance and facilities.



¹⁰ ServiceNow. "How to Deliver the Next-Generation Employee Experience with Technology."

HR roles: Trending toward the employee experience

The transformation to TIM is supported by the following trends in HR roles:

<p>▲ Going up</p>	<ul style="list-style-type: none"> • HR strategic advisors represent the service portfolio, providing insights and advice to senior executives on how the workforce supports the business strategy. • Collaboration experts are excellent communicators and organizational psychologists who facilitate the flow of information, skills and capabilities between workforce populations, helping employees learn and adapt to change. • Employee experience designers create an intuitive and fuss-free employee experience (similar to user interface and user experience designers in tech companies), often for specific personas, like new hires, or business/function groups.
<p>Staying put</p>	<ul style="list-style-type: none"> • Center-of-excellence experts design the organization's global talent philosophy in collaboration with the C-suite, conceptualizing services from rewards and performance management to talent succession strategies and future-of-work metrics. • Center-of-competence experts execute an HR process, such as talent acquisition or talent mobility, in alignment with specific geographies or business lines, delivering on concepts developed in centers of excellence.
<p>Going down ▼</p>	<ul style="list-style-type: none"> • HR business partners operate in a micro-environment to support the HR operational needs of a pivotal people leader. This might not be a strategic business partner — and could even be a scrum master. They should be aligned to where they add value. This challenges the effectiveness of their much-touted transition into strategic partners. • HR shared services are being digitized and automated rather than outsourced. Nevertheless, HR service consultants will handle exceptional cases and special requests from employees, and they may be segmented by persona to deliver on a differentiated value proposition.

Of course, critical HR players will differ by organization, depending on business needs. For example, if recruitment has a significant impact on business performance, the organization may need a center of competence that specializes in hiring. If well-designed HR service management is a priority, it makes sense to have a process experience designer.

A successful transformation to an employee-focused target interaction model calls for a fundamental shift in mindset — one that HR leads, the C-suite supports and the entire organization embraces. This shift will succeed when HR makes decisions and transforms the function with a primary goal of positively impacting the employee experience — committing to a human-centric approach now and well into the future of work.

For more on Mercer's HR transformation work,
please email mercerasia@mercer.com.