

Rethinking human resources in a changing world



The value of the Human Resources (HR) function elicits sharply contradictory views within organizations. On the one hand, in today's competitive global markets, the "war for talent" is understood to be crucial to almost every business. On the other hand, the HR function is often dismissed as non-essential or ineffective.

Respondents to a study commissioned by KPMG International, give similarly mixed messages. About eight in ten (81 percent) respondents say that putting in place the most effective talent management strategy will be key to competitive success. Some six in ten (59 percent) believe that HR will grow in strategic importance. But just 17 percent maintain that HR does a good job of demonstrating its value to the business. Meanwhile, the forces of globalization, talent constraints and new technology are driving rapid change to the HR function. Fifty-five percent of survey respondents believe the metrics that define success in HR today will fundamentally change over the next three years.

"Rethinking Human Resources in a Changing World" examines the nature of the challenges facing the HR function and its future direction. The report's main findings include the following:

Global workforce

HR is struggling with the challenges of managing a global, flexible workforce. The global workforce has become increasingly integrated across borders while simultaneously growing more virtual and flexible. These developments have made the retention of key talent and building workforces in new markets the top priorities of HR departments over the last three years. Survey respondents expect little change in the next three years. Yet only about one

in four respondents say that HR at their company excels at core issues such as sourcing and retaining key talent globally, supporting a virtual and flexible workforce, and supporting the greater globalization of the business.

Employee engagement

Finding ways to engage with workers will help address the challenges of this global, flexible and remote workforce. Insights from interviewees for this report point toward improved employee engagement as the way to address many of these problems. This will involve creative solutions, such as the development of HR policies and approaches that have global application but can be made relevant to local conditions. It will also require new ways to engage meaningfully with a workforce that is less committed to the organization.

Powerful technologies, emerging in times of heightened financial constraints, present a rare opportunity for HR to enact long-overdue reinvention.

Streamlining through ICT

Technology has already transformed HR and the application of data analytics will foster even more profound

change. Sixty-nine percent of companies surveyed say it is more common for the HR function to provide web-based and/or mobile HR platforms (e.g. benefits, payroll) than it was three years ago; only three percent of respondents have cut back on these technology enhancements. These have already enabled HR to do its basic, administrative work faster and more efficiently. They have also provided employees with more flexible and tailored training opportunities while creating a positive culture for communication.

Data analytics

The advent of data analytics – the most commonly cited area by respondents for IT investment in the next three years – will lead to the next technological quantum leap for HR. Interviewees explain that the application of analytics, if done properly, will enable a more robust understanding of employee-related needs and opportunities. For example, 57 percent of respondents say that data analytics is already helping to identify future talent gaps.

Technology and economy

These are the twin catalysts for HR transformation. Powerful technologies, emerging in times of heightened financial constraints, present a rare opportunity for HR to enact long-overdue reinvention.

Conclusion

Looking ahead, HR needs to:

- develop greater confidence,

leadership and credibility, so that HR heads can deservedly insist on a place in strategic conversations at the highest levels

- develop closer partnerships within the company, especially with line managers who will inevitably use technology-driven HR services to play a greater role in employee management
- recast its strategy so that it begins from a whole-business perspective and is aligned with the needs of the entire company, not just the HR function.

About the study:

Between May and June 2012, the Economist Intelligence Unit conducted a global study of 418 executives. More than one-third (37%) of respondents identified themselves as C-level executives; the remainder are at the management level up to senior vice-president. More than one-half of respondents (58 percent) primarily serve an HR function; the remainder (42%) represents a wide range of other functions.

The respondents are based in Asia-Pacific (32%), Europe (30%), North America (28%) and Latin America (10%). A wide range of industries is represented, including manufacturing and energy & natural resources (both at 12%), IT, financial services, and health-care & pharmaceuticals (all at 11%). More than one-half of the companies surveyed (53%) boast more than 10,000 employees – 22% have over 50,000; the remaining 47% have between 1,000 and 10,000 employees.

