

HR

For people-focused business leaders



The *Future* of HR

In partnership with

DACbeachcroft

Editor's note



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What is the future of HR – and, indeed, does HR have a future? These are questions we debate often at *HR* magazine HQ, and why we were delighted to have the opportunity to partner with law firm DAC Beachcroft to ask our readers how they see the function evolving.

This is an exciting yet uncertain time to work in HR. There is an increasing acknowledgment from leaders outside of the function that the value of an organisation, present and future, is reliant on the capability, creativity and discretionary effort of its people. From CEOs becoming more concerned about talent to chairmen focusing on the risk-mitigating aspects of good succession planning, from marketers realising that employee and customer experience need to match up, to investors actively looking for human capital measures when making company valuations, the opportunity for HR to add value has never been higher.

But with opportunity comes risk too, risk that unless HR practitioners can show their worth in these critical strategic areas, other functions may swoop in and claim them for themselves – finance taking people analytics, marketing taking employee engagement, for example – leaving HR with only operational responsibilities. It's up to HR leaders to seize the opportunity, and this research clearly shows the areas in which HRDs think they can most add value: in helping organisations deal with changing demographics, in redesigning career paths, in spotting and managing talent, and in steering their businesses and people through transformation, to name but a few.

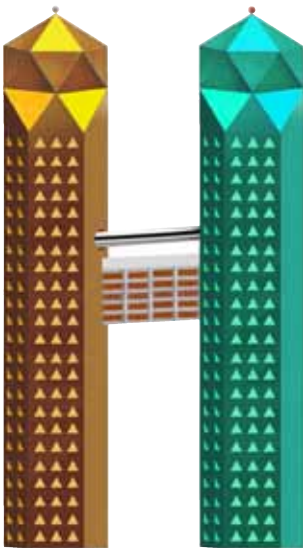
However, when asked what was holding them back from adding value, some of the answers were depressingly familiar. Aside from skills



shortages, HRDs say they are over-stretched and under-resourced, and 40% still feel they are not getting the buy-in and support they need from the senior management team. Worryingly, nearly four in 10 (39%) cite a lack of HR capability as a barrier. This is why we need a concerted effort in making HR a career of choice for bright talent, so that the phrase “I fell into HR” – one I hear all too often – becomes a thing of the past. And it's why HR needs to make sure its own function doesn't become the cobbler's children of the organisation – investing so much talent in other parts of the business that it neglects its own.

At *HR* magazine we are passionate about improving the standing – and the standards – of the HR profession. It's timely that this research and supplement coincides with our 25th anniversary edition of *HR* magazine. As the main issue of the magazine takes a look back at our past, this supplement allows us to look into the future. The opportunity is there for HR to grab, to ensure it has a bright future – one that is about adding sustainable value to the organisation, about ensuring business and people strategy are one and the same – rather than fading into a glorified administration function. I hope that it does seize that opportunity, and that we can work together to humanise organisations and the business world more widely over the decade to come.

Katie Jacobs
Editor
HR magazine



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Partner's welcome



Work and its activity plays a central role in the lives of so many of us. For individuals it can define who we think we are and how we want to project ourselves to the rest of the world. How often is the opening line at a party ‘what do you do?’ Full-time employees probably spend at least as much – if not more – of their waking hours in work or undertaking work activity. Part-time employees probably feel like they do.

For organisations, whether they are in services or manufacturing, what is – or should be – at or near the top of the agenda is ‘people’. HR professionals are overwhelmed with demands to wave a magic wand and solve the ‘war for talent’, the skills gap, the recruitment deficit, the reward disconnect and the myriad of other people-related problems. The reason that so much lands in their inboxes is because people are what will differentiate an organisation from its competitors, innovate and drive success. If only the HR wand could be better resourced and given greater prominence, much more could be achieved.

Us employment lawyers see things in a broader context. Employment law is where politics

meets economics meets social policy. Every political party has a policy on employment law and every government since the 1970s at least has affected the employment law landscape. In the last 20 years we have seen a huge expansion of rights and entitlements under the New Labour government, through to their curtailment under the coalition. The current government, for instance, is embarking upon reform of the law in relation to industrial action/ needless union and worker bashing* (*delete as applicable), and in the upcoming referendum to decide if we should stay or leave the European Union, we may see the biggest reform of employment law in a generation.

It is easy though to get caught up in the technicality of the law and its perceived impact. It seems clear to most that the introduction of fees for bringing employment tribunal claims and having them heard, has been the principal factor in accounting for the more than 70% reduction in claims – sustained year-on-year – since 2013. Claims have dropped, very broadly, from 200,000 each year to 50,000. We could argue about the rights and wrongs of such a policy: deregulation and encouraging enterprise, through to access to justice and encouraging good employers. The point here is that

there are over 30 million work relationships in the UK. Whether the number of claims is 200,000 or 50,000, the difference is between 0.16 and 0.6% of work. It is easy to focus on one narrow aspect and miss the rest.

In whatever direction HR and employment law develops, it is clear that both will generate debate and discussion. Professionals will continue to innovate and drive change in these areas, each with the goal of making the workplace better. What better looks like is likely to be as much a part of the debate as the route by which one gets to it. I hope that the research we have produced in conjunction with *HR* magazine and the findings we have arrived at, are a good reflection of what is both ‘better’ and ‘the route’, and will help inform the debate as to our collective next steps.

Alex Lock
Partner
DAC Beachcroft



The future of HR

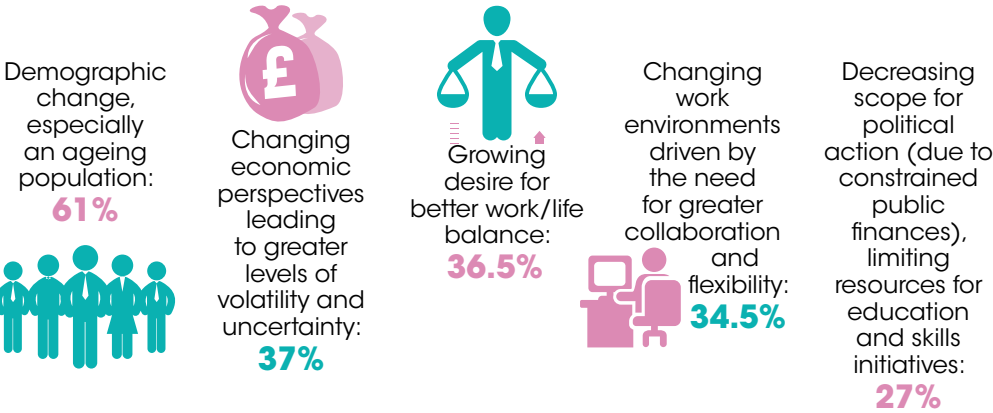
HR magazine and DAC Beachcroft surveyed 150 HR leaders about where the function is going. You'll find the results over the following four pages...

The macro picture

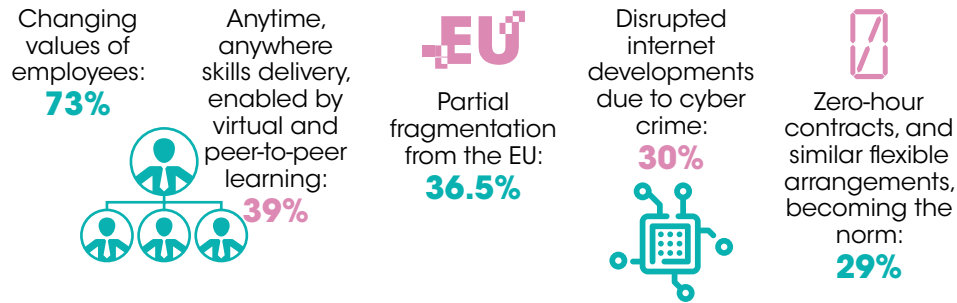
What world of work-changing trends are keeping HR directors up at night?

“We have been using the VUCA model (volatility, uncertainty, complexity, ambiguity) developed by the military in our executive talent lexicon to ensure we create leadership models to support people leading businesses in the future. There is always the potential for uncertainty, and at the moment a possible Brexit and global economic factors are a cause of uncertainty. We have to be successful in a dynamic environment”

Ann Brown, HR director, Nationwide



What potential ‘disruptors’ do HRDs see as having the most significant impact on their businesses?

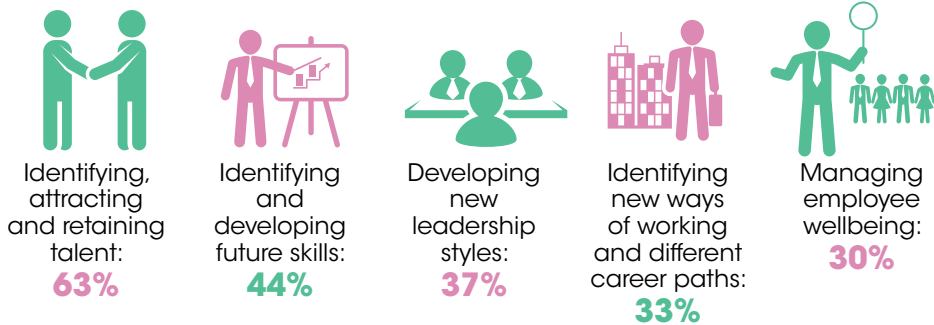


“Identifying, attracting and retaining talent, identifying and developing future skills and developing new leadership styles are key opportunities, not just for HR, but for the business as a whole. The key to HR supporting a business to be successful in these areas is to do just that: support the business”

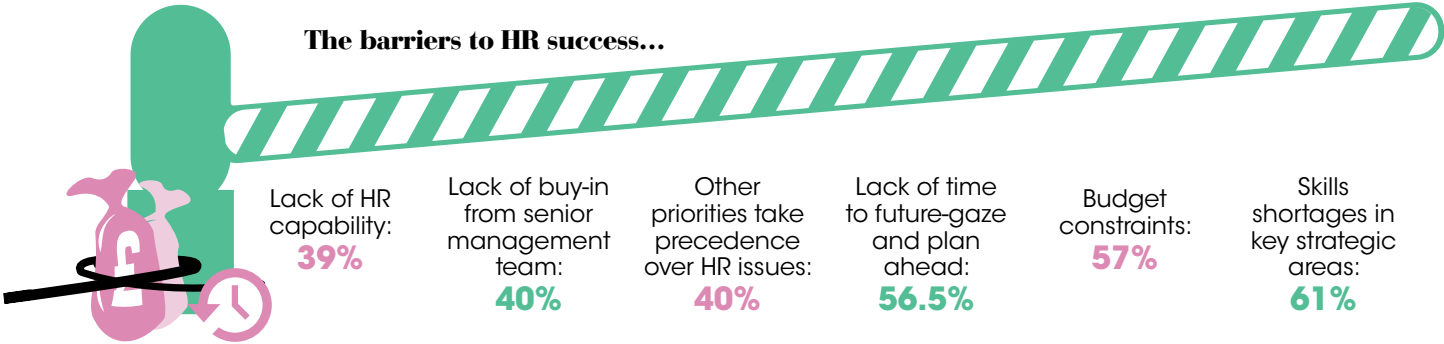
Fran Stott, head of HR, Story Homes

The HR picture

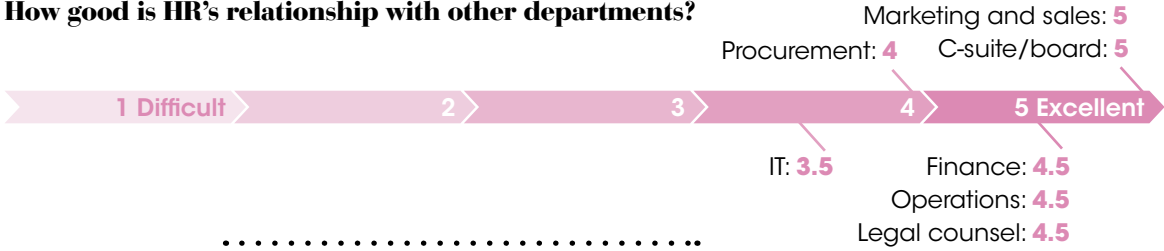
Where HRDs believe HR can most add value in the future world of work...



The barriers to HR success...



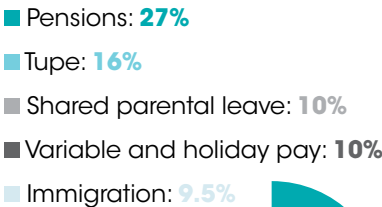
How good is HR’s relationship with other departments?



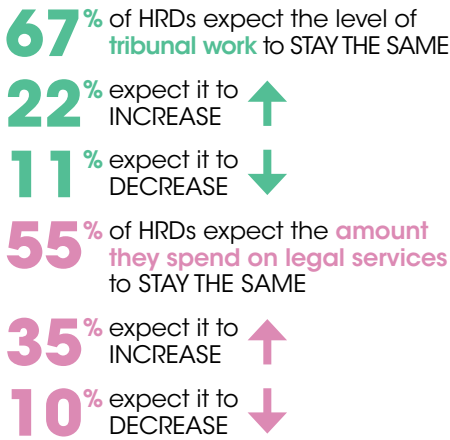
Legal issues

The legislation giving HRDs a headache...

Now:



Over the next five years:



And in the future:



“Expecting existing legal spend to stay the same is perhaps wishful thinking. We have some big-ticket things coming through, and there are costs to businesses to get them right. In the past, spend may have been taken up on tribunal claims, but we’re finding we’re now engaging more on strategic advice, which has a long-term beneficial impact”

Louise Bloomfield, partner, DAC Beachcroft

“I expect to outsource employee relations and envisage a UK trend in employee relations whereby any dispute in the workplace is managed by highly qualified external mediators and employment law specialists, which would maximise objectivity and fairness in an increasingly diverse workplace”

Grace Donegan, head of HR, UK and Ireland, in the pharmaceuticals sector

HR and technology

What technologies are going to have the biggest impact on your HR department over the next 10 years?



Mobile technology:
73%



Data analysis software/big data:
55%



Automation:
37%



Real-time tools:
32%

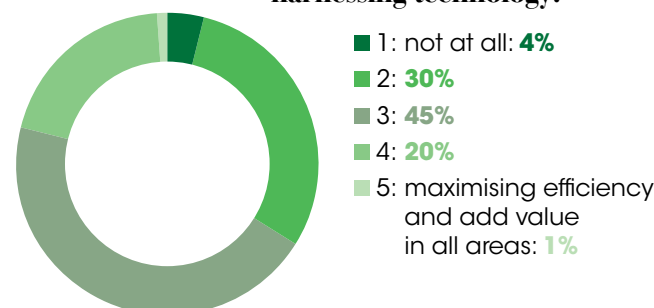


Cloud:
29%

“Social will continue to grow and collectively we all need to keep up, myself included. New forms of social media attract certain types of people and as long as they are the people you are looking for then harness its power. The analytics and targeting that can be utilised is incredible – if not a little frightening”

Steve Rockey, former head of people, The Big Easy

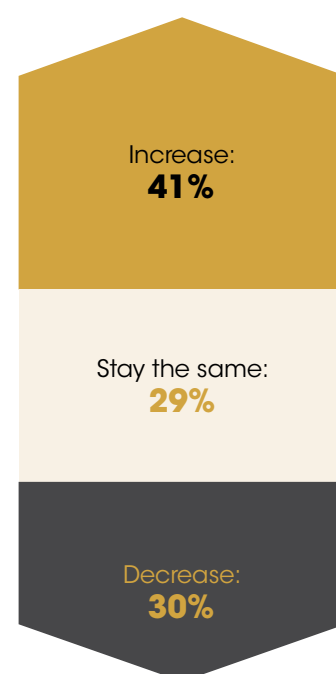
How well are HR departments harnessing technology?



HR models: Present and future

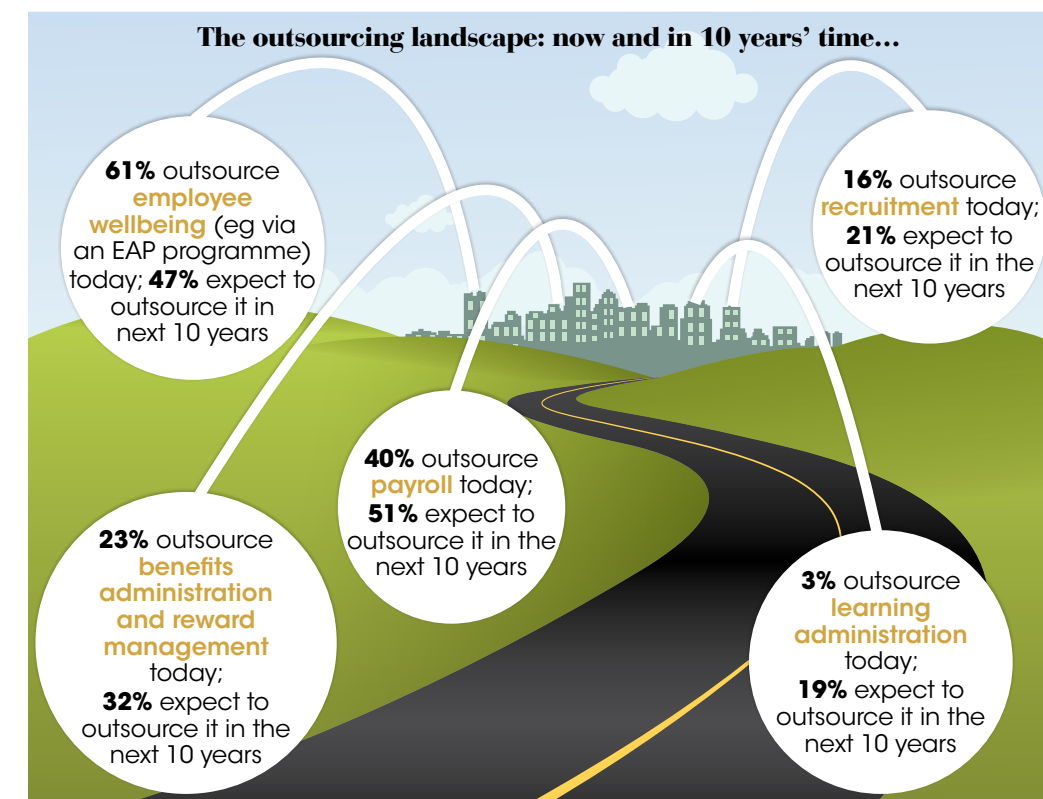


Over the next 10 years, HRDs expect the size of their HR department to...



“Future HR professionals will need to be able to play multiple roles, often at the same time. Change does seem to have become a constant and no-one can afford to be complacent about their business model any more. But it’s only by looking outwards rather than inwards that those of us in HR can use lessons learned by others to our advantage. It’s also vital that we can be trusted to be the eyes, ears and – to some extent – heart of our organisations”

Tim Scott, head of HR and OD, Brook



Research from the Center for Effective Organizations suggests four potential future models for the HR function...

Reaching out:

“By infusing talent from other disciplines such as marketing, finance, logistics and engineering, and bringing those disciplines to bear on HR issues such as EVP, leadership and talent.”

Venturing out:

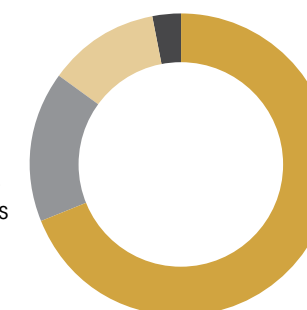
“By exerting influence beyond the traditional role of functional specialist, through direct interactions with constituents such as government, regulators, investors and global collective movements.”

Seeking out:

“By finding and skilfully surfacing unpopular or unstated facts or assumptions that can be debilitating if not addressed. Such hidden assumptions are often first visible among employees, and HR is in a position to ‘sense’ them early.”

Breaking out:

“By leading transformational change. Increasingly, change will be a constant, not a periodic, challenge. HR is uniquely positioned to be the repository of principles and skills for creating change-savvy and agile organisations.”



Which do HR directors most identify with?

- Breaking out: **69%**
- Seeking out: **16%**
- Reaching out: **12%**
- Venturing out: **3%**

“HR has had to become more adept at forecasting business needs, as well as showing a return on investment. I expect this evolution to continue over the next 10 years. By outsourcing some administrative tasks, HR can invest time in activities that add significant value and lead to more effective management. The team now spends more time on management development, helping our managers to deal with employee relations issues more effectively. This has provided far more benefit to the business, directly impacting employee engagement and retention”

AnnaMarie Petsis Jones, director of HR, Opus Energy

HR's role in a changing world

Economic volatility, an ageing workforce, changing employee expectations... HR directors need to face up to macro issues, and fast, says KATIE JACOBS



Remember business as usual? A time when things seemed stable, predictable... probably before the financial crisis that brought the world's markets to their knees. Because HR directors have long realised that business as usual is no longer an option. The HRDs who responded to our survey are dealing with a litany of macro-economic challenges, which are almost overwhelming in their diversity, with demographic changes, economic volatility, skills shortages and shifting work environments front of mind.

"HR has an exciting future if it chooses to get to grips with macro issues and starts to add value to business partners in helping them to think through the people implications of the ageing workforce, economic volatility and uncertainty, the impact of growing use of AI and so on," says Gary Miles, director of international operations at business school Roffey Park.

HR director of energy company SSE John Stewart agrees HRDs must make an effort to engage in the macro-economic trends impacting the world of work and beyond. "Spotting trends and planning how to respond to these is a real competitive advantage in HR," he points out. "Effective people strategies take time to build and deliver. They must be relevant, and they must mitigate key business risks and challenges. HR can be operational; make time to be outward-looking."

Overwhelmingly, the biggest concern for HRDs when it comes to the macro trends affecting the world of work is demographic changes, especially an ageing workforce (cited by 61%). Katrina Pritchard, senior lecturer in organisational studies at Open University Business School, says this could be because demographic change is "presented and perceived as something outside of our control". She adds: "It's happening, and there's nothing we can do about it, and HR directors are aware they have to respond."

And when you consider the stats around the UK's changing population profile – something which is reflected in other Western countries – it's clear why the potential impact is playing on HRDs' minds. "By 2030, the number of people aged 65 and over will increase by 42%," says Aoife Ni Luanaigh, senior research manager at the UK Commission for Employment and Skills (UKCES). "By comparison, the number of people aged 16 to 24 will only increase by about 3%."

Pritchard believes many HR people "don't have a handle" on demographic shifts yet, partly because the government has mainly managed this issue via "deregulation", removing the default retirement age and introducing pensions freedoms. "There are lots of regulatory things, and people aren't quite sure where to go," she explains.

“There is a need to be clever and skilful, getting older and younger generations to work together and learn from each other”

"There is a lack of holistic thinking. It's a holistic HR concern, but the way it's dealt with is not. It's often dealt with as a bookend issue – old and young people, for instance."

The good news is "we still have time to deal with these issues", Pritchard says. "Demographic change hasn't quite hit yet." And dealing with it needs to involve thinking differently about how work is designed, she advises: "We need work that is flexible enough for our extended lives."

Ni Luanaigh agrees: "If people are living and working for longer, we need to talk about how people can upskill throughout their working lives. How can we make sure people have the skills and opportunities?" And Miles adds: "There is a need to be clever and skilful, getting older and younger generations to work together and learn from each other."

It's an issue HRDs in all sectors are grappling with. Mandy Coalter is people director at education organisation United Learning, and a member of the Department for Education's working group on teachers working longer. "We think that the answers to managing this challenge will be promoting flexible working, enhanced wellbeing support, career planning, and education of leaders as to the benefits of an age-diverse workforce," she says.

For Stewart, the ageing workforce is a big concern, with about 47% of SSE's workforce

able to retire by 2023. "We've had to build strong recruitment pipelines, and we've looked to widen the talent pools as much as possible, looking at inclusive recruitment," he says. "We have a focus on feeder programmes, including work on gender diversity and social inclusion. It's not just the pipelines, it is about getting into schools and also getting these programmes seen as an investment."

Tim Scott, head of people and OD at charity Brook, takes a pragmatic view. "We know that the population is ageing," he says. "But as long as we approach things sensibly, using our ability to be flexible to meet the needs of individuals in the workplace rather than treating employees as a homogenous group, I don't think it needs to be a 'timebomb.'"

At the other end of the age spectrum, the HRDs who responded to the survey identified the changing values of employees, particularly 'Gen Y', as potentially having a significant impact on their business, with 73% saying it is top of their agenda. "We know that the expectations of Gen Y coming into the workforce are different, and the 'always on, always connected' employees make demands of the workplace which we have to address, or educate the business about," says Nationwide HRD Ann Brown.

Miles says Roffey Park research highlights that "the younger generations value working for organisations where they are doing meaningful work that contributes to society, and where the organisation is ethical in the way it operates, demonstrating ethical and compassionate leadership".

"Employee demands are changing and organisations need to be aware," adds Stewart. "You need to be inclusive in your offering, but

HRD View

Sarah Hopkins, director of HR, Wales and West Utilities

Wales and West Utilities provides gas supplies to a population of more than 7.5 million in Wales and the South West of England. Despite being a UK-focused business, its director of HR, Sarah Hopkins, explains that it is run by an international investment company, and global issues have an impact on her and the workforce of 1,300.

"The ageing population is a prevalent challenge for the utilities sector," she says. "In our organisation, for many people, this was a job for life and we have employees in their 70s. A lot of our roles are manual and in some cases, with our people no longer able to carry out the manual work but still hoping to work for us, we have a challenge in finding suitable positions."

"At the same time we are focused on our consumer base and the requirements of our older customers. One in three people will soon be over 100. We must be prepared."

Hopkins also recognises the challenge posed by the four-generation workplace. "We have people aged 16 to 70, with very different requirements," she says. "We have no trouble recruiting apprentices and our attrition rates are good, but there are questions about how this could change in the future."

"This generational diversity poses a challenge in terms of work-life balance – it's not just young people who require flexible working. Older people who would have previously retired want to work and have time with their grandchildren, and we want to offer flexible retirement. But this does incur a cost, as remote or home working is not an option in a lot of cases."

Hopkins is also mindful of the changing values of employees, anytime, anywhere skills delivery, and AI and robotics. Cybercrime is on her radar. "This could be a risk to us, so we are careful to monitor the gas network and the security of workers," she says.

She is just as vigilant for unknown disrupters. "The complex and volatile environment has an impact," she says. "We constantly expect things to change in ways we can't yet predict. It's important to keep talking and learning."



also segmented. The types of careers employees will want will vary by demographic, as will the types of benefits. It's HR's challenge to understand what's important to the different groups, and what motivates and engages them."

Others are sceptical about so-called generational differences. "For me, the 'Generation Y want different things from work' debate is a red herring," says Scott. "There have always been people who search for 'meaning' in what they do and others who turn up for the pay cheque. That doesn't have anything to do with when you were born."

Pritchard agrees "discourse around generational tension" could lead to stereotyping, but points out that however we frame it, talking about employee values can only be positive. "Considering the employee as more of a critical stakeholder is a good thing, but it's not tied to generations," she says. "This suggests a genuine change, treating employees as stakeholders."

"The role of HR is tension-filled and paradoxical," she adds. "It's about being an employee advocate, and adding value to the organisation – but it can't always be good for both and HR has to highlight the tension. Don't be afraid of the ethical and moral debate. If the moral and ethical status of HR isn't strategic, I don't know what is."

"The HR function will be needed in the new world of work more than ever," predicts Brown. "The attraction and development of talent, the value of work, policies, job design and reward will be just as necessary, if not more so." So while HR gets to grips with the realities of a volatile, uncertain, complex and ambiguous world, one thing at least is clear: the next decade will be anything but boring.

Why HR is all about talent

DAC Beachcroft and *HR* magazine’s research finds that identifying, attracting and developing talent is where HRDs think they can most add value in the future world of work. That’s no surprise, but the function still faces barriers to success, writes JENNY ROPER

Talent has long been high on HR professionals’ priority lists. And the survey confirms this is still the case, with 63% citing it as one of the top three biggest opportunities for HR to add value in their organisation.

It is a topic which has risen steadily to the top of leadership agendas too. PwC’s 18th Global Annual CEO Survey found that 61% of CEOs saw retention of skills and talent as a key issue over

the next five years, with the ability to acquire and manage talent cited as a critical capability for tomorrow’s CEO.

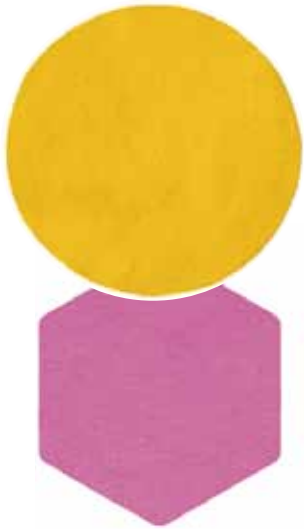
So, getting talent management right has never been more important. “Having the right people with the right skills is absolutely vital for any organisation to succeed,” says Metro Bank chief people officer Danny Harmer. “Clearly one of the key roles for HR is to ensure there

are the right approaches and processes in place for hiring, keeping and developing people to enable that success.” Confirming this is the fact that identifying and developing future skills was chosen by respondents as the second most value-adding HR task (44%).

Ben Bengougam, EMEA VP of HR at Hilton Worldwide, agrees: “The value HR adds to the business may vary by industry sector or by company, but talent, recruiting, retaining, developing and engaging the best people is still and will continue to be what HR people must be supremely competent at delivering.”

But the survey results suggest the function has a way to go in becoming ‘supremely competent’, with almost 40% citing HR capability as a factor that could impede progress. “This is also highlighted in other research,” says professor of HRM at Dublin City University David Collings. “We have a situation where the C-suite is pressing the talent agenda but HR is playing catch-up and not delivering to the extent that it would like to or is expected to.”

“We seem to still be admiring the problem and are short on creative ways to deal with it,” agrees interim group head of talent at Aviva, Keith Robson, warning that if more isn’t done, HR may lose its potentially most impactful remit. “Talent is ‘our’ core skillset and focus, and if it isn’t, we are all doing something very wrong,” he adds.



Is HR holding HR back?



Barriers cited by HRDs included being short of budget (57%), time (56.5%) and management buy-in (40%). But with 39% raising a lack of HR capability, does the function need to look closely at itself?

Paulina Roszczak-Sliwa, head of HR, Objectivity

“The HR function cannot be sidelined into a silo, left out from decision-making. HR is not just a people function any more. It’s also a numbers function where commercial acumen is crucial. Combining people orientation with HR analytics and business awareness is the only way we can be sure that HR won’t stand aside. Thanks to data access, HR teams are able to consult and provide insight into a wide range of areas. When companies integrate their HR function into all aspects they will start to see it reach its full potential.”

Danielle Lee, head of HR, Ventrica

“Many HR professionals enter into the field without a developed understanding or certification in business. Too few organisations invest in developing HR’s general business skills, or even impart industry-specific knowledge. The C-suite needs to appreciate that commercial acumen is essential to HR making a positive contribution to the overall running and future success of an operation. Without this fundamental knowledge, HR limits its potential to impact business strategy and goals, and is in danger of becoming too data-intensive and backward-looking.”

The answer as to why HR isn’t performing better here is a complex one, says Collings. “HR does not spend enough time on strategic issues and spends more time managing poor performers than top performers,” he says, highlighting that after skills shortages, the other top four factors impeding HR’s progress cited in the survey were all based around time and resource.

Another factor is the C-suite’s misguided interference in matters of talent, with increased interest a double-edged sword.

“HR is often following a talent agenda set by corporate leaders, as opposed to driving strategy and direction themselves,” he explains. “Clearly it is important that the C-suite is a key driver of talent strategy. The issue is that often the strategy is driven by misguided assumptions around talent and KPIs that often drive reactive and short-term talent decisions.

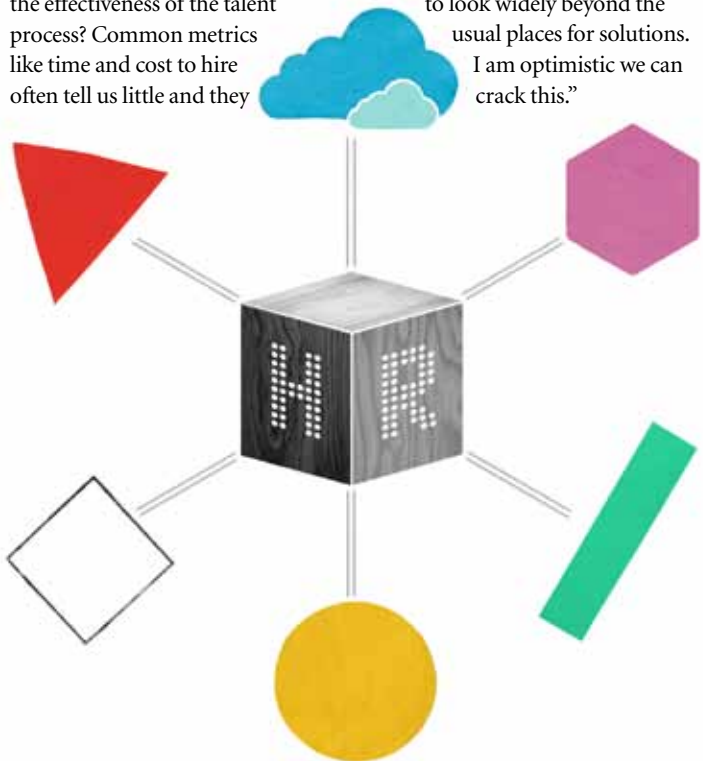
“How effective are the metrics the C-suite demands in explaining the effectiveness of the talent process? Common metrics like time and cost to hire often tell us little and they

focus the discussion on HR as a cost centre, not a driver of value.” He adds: “I am struck by how often senior leaders in the same organisation have very different views on what talent management means to their organisation.”

For Robson what’s needed is “boldness” and “creative thinking”, along with careful consideration of how to design and upskill HR teams to truly add value to their organisations and engage with the business world – and society – at large. “There will need to be more HR leaders capable of delivering the talent agenda using big data and technology; I don’t believe we have deep capability in leveraging data – or even producing the data we need,” he adds.

Robson is, however, confident that HR can rise to the challenge. Rather than fixating on what trendy tech firms are doing, he advises HRDs to look at “the big players who have continued year after year to deliver through good and bad times”. He adds: “We need

to look widely beyond the usual places for solutions. I am optimistic we can crack this.”



HRD View

Dan Grant, HR director, Dell UK

What are the biggest opportunities for HR to add value in the future world of work?

- **Talent management:** HR can add value by sourcing, attracting and retaining the very best talent internally and externally. Employers need to position themselves in a manner that drives attractiveness and remains consistent with corporate branding. The job market is recovering after the financial crisis and candidates are now being looked at by employers as consumers, whereby they can make choices and change preferences regularly.
- **HR analytics:** It’s all about data. Expanding HR’s analytical capabilities to improve decision-making and facilitate the discovery of Human Capital Insights will be key. The goal is to move from data being purely descriptive to being prescriptive, where it tells a story that enables you to make better data-driven decisions. The current HR analytical landscape of many companies will be complex, disjointed and un-user-friendly due to usability, outdated infrastructure and maintenance gaps.
- **Multi-generational workforce:** People are living (and working) for longer. HR leaders must become change-agents in creating a workplace that can get, keep and grow talent from all five generations.

What could impede your progress on...?

- **Talent management:** As HR professionals, we mustn’t take our eye off the ball. You need to work hard to keep your brightest and best and providing development and opportunities to continuously learn is key.
- **HR analytics:** Companies need to embrace the possibilities of technology and create the business case for change.
- **Multi-generational workforce:** A failure to develop a diverse and inclusive culture will impede progress and business growth. Employers need to move away from a one-size-fits-all approach to HR as the differences in values, communication styles and work habits of each generation are becoming increasingly pronounced. Difference and diversity are good because they will drive innovation, creativity and change.



The legal landscape

The next few months and years are set to be busy for HR professionals when it comes to getting to grips with new legislation. JENNY ROPER asked DAC Beachcroft lawyers for their top tips on how employers can rise to these challenges

Pensions

With pensions freedoms and auto-enrolment, it's perhaps unsurprising that 27% of respondents chose pensions as their most complex legislative area. Pensions have always been a challenging issue, explains DAC Beachcroft partner Neil Bahn, due to the fact that legislation has evolved in a somewhat ad hoc manner. There's also the fact HR professionals "have inherited pensions" despite often not being specialists. Seeking expert advice is paramount.

Top tips:

- ★ Avoid inadvertently offering financial advice. The biggest pensions-related concern employers have is opening themselves up to liability by offering pensions advice rather

“The biggest pensions concern employers have is opening themselves up to liability by offering advice rather than education”

than education, says Bahn.

- ★ Remember the risk of discrimination in offering pensions flexibilities.
- ★ Be mindful of the upcoming three-year auto-enrolment anniversary. For larger organisations, this will be a case of reassessing who opted out three years ago and ensuring the company is legally compliant in opting them in. "Legislation has changed on opt-outs," says Bahn. Smaller employers have the challenge of auto-enrolling for the first time. Bahn's advice is to take advantage of the fact that "the pensions industry has recognised that smaller employers need more support".
- ★ Don't assume pensions regulators will overlook SMEs. "You can't assume you're too small for the regulators to bother," Bahn says.

TUPE

DAC Beachcroft partner Georgina Rowley says TUPE is a challenge due to increasingly changeable and unpredictable legislation and case law. "It has a tendency to bring some HR officers out in a cold sweat because it is perceived to be complex and, if it goes wrong, expensive," she says. "Add a loss of control to the mix, and you can see why some HRDs feel outside their comfort zone. Legislation has been revised twice over the past decade and case law is always developing."

Top tips:

- ★ Identify and make contact with your HR counterpart on the other side. "The most challenging question is whether

TUPE applies in a particular situation. Depending on which side of the TUPE fence you sit, you are often operating in the dark because you can't be sure what the other employer is doing and what their motives might be," says Rowley.

- ★ Understand the commercial objective.
- ★ Think early about what information you need to ask for or provide. "When dealing with TUPE, the HR team will often be at the mercy of the business, which is often not [focused on] the ins and outs of legislation," says Rowley.
- ★ Figure out if employee consultation is needed.
- ★ Tot up the potential liabilities and tell the business.
- ★ Make sure the legal documents match the negotiated deal – involve your legal adviser early.

National Living Wage

The National Living Wage (NLW) of £7.20 for over-25s (rising to £9 by 2020) means higher wage bills, with many forced to consider redundancies, removing benefits and reducing overtime premiums.

It also presents legal concerns. Employers who default are liable not only for employee action but criminal proceedings. DAC Beachcroft partner Louise Bloomfield describes the penalties as "pretty draconian".

"You can be fined up to £20,000 per employee, and arrears can be double what you owe the employee," she says, adding that directors can be disqualified for 15 years and that naming and shaming could be likely.

Top tips:

- ★ Ensure payroll systems will automatically adjust pay when someone turns 25.
- ★ Consider the ramifications on your entire pay structure. "You might have a supervisor who's under 25 supervising over-25s, so how are you going to distinguish between the roles?" asks Bloomfield.
- ★ Don't assume you can employ under-25s to get around the law. "This opens you up to age discrimination, but it's also unpractical as everyone ages," says Bloomfield. "If you provide overtime and choose the under-25s, that presents a discrimination risk."
- ★ Consider creative ways of restructuring your employment model to save money, engaging with an emerging talent system.
- ★ Think of ways you might be able to channel resource to boost productivity.

Gender pay gap reports

From April 2018, employers of more than 250 employees will be obliged to disclose how much they are paying in salaries and bonuses to male and female staff. Khurram Shamsee, partner, employment and pensions group at DAC Beachcroft, points out that sanctions for not publishing are relatively light, reflecting the government's principal aim of "getting businesses talking about this", rather than of establishing league tables.

Top tips:

- ★ "There's a generous period of time within which employers can assess their position, crunch the numbers and publish," says Shamsee. But employers should start now. He points out the requirement to publish pay information specifically relating to April 2017, rather than yearly

HRD View

Julie Welch, HR director, Wincanton

"Zero-hours contracts have hit the headlines, with strong opinions on both sides. It's important all our people feel engaged and part of the team. Communication is so important. Contracts such as these need to be used wisely, balancing the needs of the customer and those of the employee.

"New draft regulations could mean employers will be prevented from using exclusivity clauses in zero-hours contracts. This development will hopefully prevent them from being abused. Last October the government also published new guidance for employers, including information on employment rights, alternatives and best practice.

"As an industry, the logistics sector is highly adept at responding to seasonal peaks and troughs, one of the examples given by the Department for Business, Innovation and Skills as appropriate use. This does not come without its challenges, however.

"The sector is struggling with a shortage of trained

drivers. The cost to train – upwards of £2,000 – is prohibitive to many young people looking to start their career. Wincanton invests in training as far as possible, but to address the wider industry shortage, our industry bodies are calling on the government to fund driver training.

"We have the scale to cope with a skills shortage such as this, but it's also important we use our resources wisely at all times. One of our solutions is to make use of counter-peaks. For example, at Christmas we use drivers from our construction side – traditionally quiet during the festive period – to make sure our retail clients can meet demand.

"The National Living Wage means employers will have to ensure that applicants under the 25-years threshold are not given preferential treatment, while jobseekers over 25 could find themselves job hunting for longer.

"It's important the government continues to focus on training and apprenticeship schemes to help younger workers find the right career path."



averages, makes data collection more complicated, and that now is the time to assess how onerous the process will be.

- ★ Legislation requires all aspects of pay to be factored in, including bonus, commissions, stock options, real shares, maternity pay and sick pay.
- ★ One way of simplifying things, and ensuring bonus payments don't mean a firm compares unfavourably with another, is to consider changing when bonuses are paid in 2017.
- ★ Look beyond the bare minimum of publication requirements and start thinking now of the story you'd like to tell. "Those who want to get ahead should try to calculate the gap now, and think what they're going to do about it," says Shamsee.

Apprenticeship levy

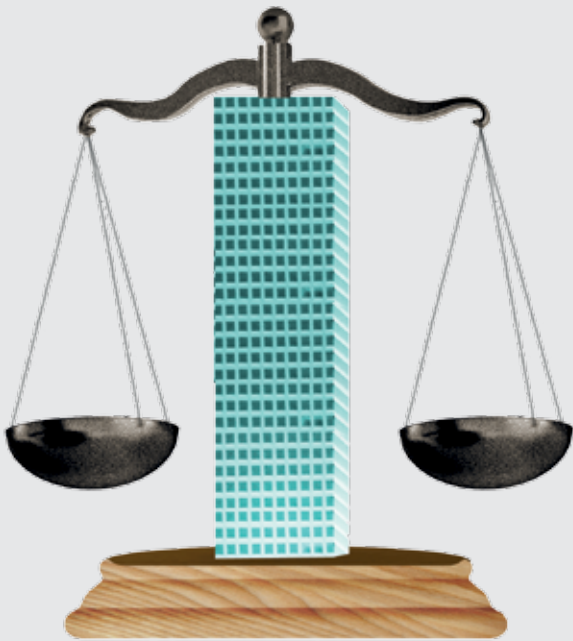
Introduced in April 2017, the levy will be set at 0.5% of an annual wage bill where it exceeds £3 million. Concern arises from the fact that many businesses who don't see apprenticeships as right for them will still be 'taxed', potentially undermining other training activities, says DAC Beachcroft partner Deborah Hely.

Top tips:

- ★ Investigate the possibility of rebranding training activities. "People should think about their business and how they can create an apprenticeship framework that is proportionate to their needs," Hely says. "Examine your training, what you're spending money on. Establish whether some roles

could fit within an apprenticeship framework."

- ★ Hely points to the strict definitions laid out by the Approved English Apprenticeship framework and the government's Trailblazer Programme as important to get to grips with.
- ★ Ensure all apprenticeship contracts and arrangements are watertight. As businesses take on larger numbers of apprentices, there is a higher risk of disputes. Employers will typically need legal advice on ensuring contracts are clear on what happens in case of performance management issues, termination of employment during the apprenticeship, and what happens when the apprenticeship finishes.



The HR technology puzzle

Technology could radically change the HR function, but practitioners don't appear to be as tech-savvy as they should be, discovers DAVID WOODS

HR is about to be 'Ubered.' At least, that's according to HR leader Graham White.

White, head of HR at the Agrifoods and Biosciences Institute and former HR director at Westminster City Council, explains: "As technology continues to infiltrate our lives, today's people-savvy line manager is building a lasting relationship with 'eFriends' and 'eAdvisers'. Skilled at all aspects of social media, these WhatsApp-friendly managers are embracing the changing social expectations of their staff and are now engaging better than any HR professional. In short, managers choose Google and YouTube rather than contacting HR."

If this is to be believed, it's a sad indictment of the situation facing HR directors.

But given the fact that the global spend on HR-specific technologies is already in excess of \$10 billion – and growing – are HR directors falsely investing, wasting their money, falling behind the curve and – crucially – missing the trick when it comes to HR technology and software?

Our study asked how well respondents believed they were harnessing technology on a scale of one to five (one being not at all, five being using technology to maximise efficiency and add value in all HR areas).

A huge 74% gave themselves a one, two or three, and less than 1% chose five. In fact, the study

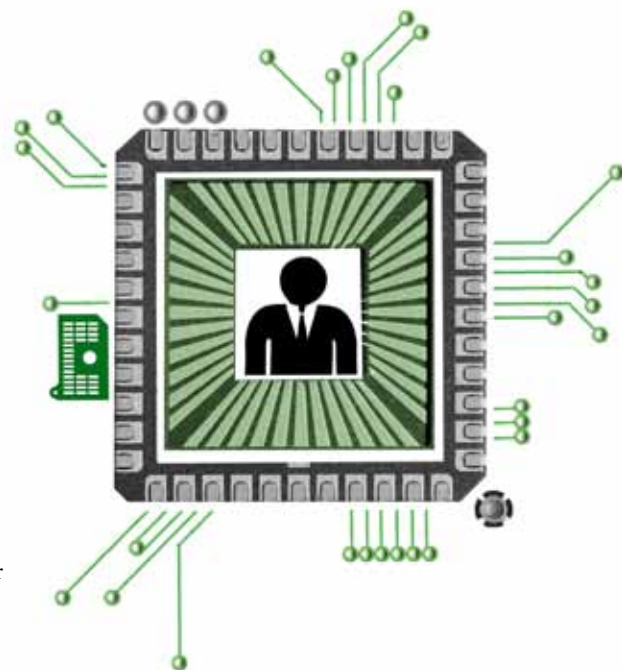
shows that 3% of HR directors do not use technology at all for their people strategy.

Isabel Naidoo, VP of HR at banking software provider FIS Global, explains this disconnect is probably because it takes investment and time to get the return on that investment, so firms can be reluctant to commit.

"Even with a cloud-based solution, implementation of an HRIS can be highly complex and time-consuming," she adds. "Most HR departments are run on a shoestring and don't have the luxury of being able to take the time needed to implement a new system. There may also be some fear of the unknown."

Respondents were also asked what technologies they expected would have the biggest impact on their HR departments within the next 10 years, and top answers included mobile technology (73%), big data and analysis (55%), automation (37%) and external social networks (27%).

Guy Pink, HR director at Addaction, isn't surprised by the findings. "Within the next 10 years, instant access to real-time information, powerful analytical tools and more functions being automated such as recruitment and payroll will occur," he says. "Workplaces must change. Virtual technology will take over, allowing people to be together yet miles apart. Nine to five will seem so outdated given global workforces."

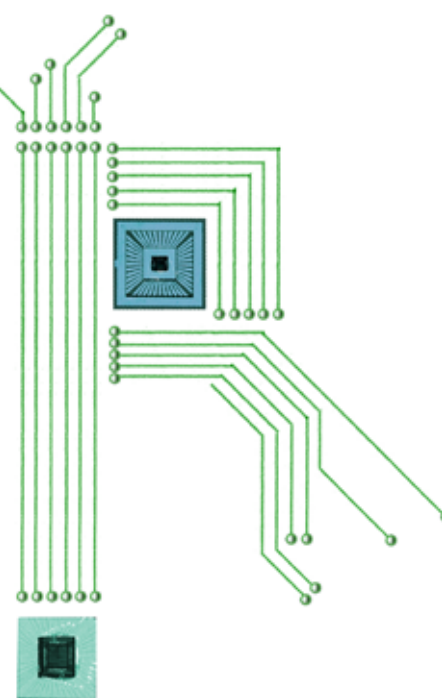


Data is "everywhere", but shouldn't be the be all and end all, according to Steve Rockey, previously head of people at restaurant chain Big Easy. "My view is that it needs to be used as part of any decision, not the reason to do or not do something," he says. "People are inherently intangible and an algorithm isn't going to be right, that's our job."

But he continues: "Cloud-based training and development [seen as having an impact on HR by 29% of respondents] will be a real game-changer for people teams – allowing the business to effectively train and develop at all times, saving time and money on training venues, and the whole concept of stand-up delivery will take a new form. There will always be courses because people learn from people and you always get more from being part of a group. However, most information can be a few clicks away."

Rockey also believes virtual reality (VR) could end up having a big impact on HR. "I love the idea of VR to help people learn and grow," he says. "In the sailing world, teams are using VR so they can simulate scenarios, train, try new stuff out without being on the water when the conditions aren't right. This

“To remain viable and not just protect our future, HR needs to tap into society's expectations and stop focusing on outdated HR methods”



means teams can learn in a safe environment and, if things don't work out, it's OK."

You'd be hard-pressed to find an HR expert who didn't agree that technology will have a major impact on the future of HR, but the survey results and qualitative interviews do expose something of a disparity between hype and reality. HRDs agree technology is impacting the industry, but many have not harnessed the power of it themselves. Why?

Vlatka Hlupic, professor of business and management at the University of Westminster and CEO of The Management Shift, explains: "There is a discrepancy between what technology can do and what mindset, organisational culture and organisational design businesses have. We often have intelligent IT but unintelligent organisational design."

"If management is poor, and the website programmers are not communicating well with product designers and the marketing guys, the atmosphere in the workplace will be tense and the customer experience patchy, at best. To get the most out of technology, we need a mindset focused on collaboration, purpose, transparency, openness, people development, communities, interaction, ubiquitous communication, and distribution of power and decision-making. Companies that get this will get the most out of technology too."

But she admits: "Breakthrough discoveries on organisational dynamics and performance are potentially some of the most valuable of the late 20th and early 21st centuries, but they are not so easily demonstrable as a shiny new aircraft or a tablet computer."

Naidoo adds that the lack of tech savvy in the HR sector in general could be because the

industry is failing to attract, retain and develop people to champion HR technology; however, she does believe the tide could turn.

"I don't think many technology graduates go into HR right now," she says. "I predict that ratio will shift dramatically going forward as the business of HR shifts to automated processes and the role of HR and the department itself changes. It's time to find technology champions in the business and enlist their help."

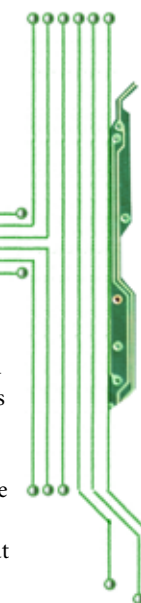
"We are lucky enough in our business to be surrounded by smart folk with great ideas who are keen to innovate. Every organisation has them, to a greater or lesser extent – we just need to find them."

Rockey agrees. "We are only starting in HR on this stuff," he says. "The investment into something like VR is substantial but the reward in the end is mind blowing. This is where we need to harness the tech-savvy start-ups to help us out; as a profession we're not the best at keeping up and being cool, so we should recognise that and find those who are."

Our study demonstrates the importance HR professionals place on HR technology in spearheading their development plans – but also a definite need for HRDs to empower themselves to embrace these technologies before the opportunity to use them to their full potential has passed.

White concludes: "To remain viable and not just protect our future, HR needs to tap into society's expectations. We need to stop focusing on outdated HR methods of delivery and focus on delivering technology-based solutions that add tangible, quantifiable business benefits."

"HR needs to stop designing eForms and start producing user-friendly apps."



HRD View

Evelyn Thurley, HR director, Deutsche Telekom UK

"Mobile technology is key. HR teams need to ensure mobile devices are integrated with other platforms. Now, when we think of many HR operational tasks, many teams tend to design processes which cannot be completed on mobiles – this has to evolve."

"More and more people are becoming comfortable merging their work and their personal worlds together in the cloud. As a result there needs to be a heightened focus on security. As people's worlds collide, there similarly needs to be a more focused approach on mindfulness and flexibility, to ensure work-life balance is maintained."

"Virtual reality will rise in prominence. Artificial intelligence will be another huge trend to observe. This could involve further automation of customer service functions or automation of first-level selection HR processes, such as recruitment. There will be niches where this can be applied depending on the organisation or individuals, and also some areas where it should not apply – performance management for example."

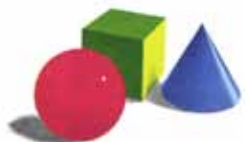
"For the younger generations, everything is instant. Our workplaces have to adopt technology and adapt so they can give these generations information in real time. Some organisations are investing much more in this technology than others, but I think it has to be on the agenda of all HR teams."

"At Deutsche Telekom UK, we are well on the way to ensuring that every technology platform we have can be used on all devices. We want employees accessing HR self-service to be able to do so from laptops, PCs, mobiles and tablets. Self-service technology has to be accessible for employees and line managers. In learning and development, we've already made learning modules available for people to download on a variety of devices. This puts the individual in control of their own learning."

It's important to use technology to empower people.

"We're a long way down the track in terms of enhancing our HR processes with digital technology, but with all the constant advancements, I don't think anyone will ever be at the end of the journey."





Breaking the mould

How HR is structured can make a big difference to the value the function adds to organisations, and things are transforming fast – but is there too much focus on change?

Economic uncertainty, global power shifts, automation, climate change... the world of business – and the world at large – is facing some pretty major challenges. So what kind of business and HR models can best add value to organisations?

“There’s never going to be a steady state in the future – we need to get better at continuous improvement,” believes Melanie Steel, interim people change director at Boots Optician and former HR director at the Cabinet Office. “We need to make things fleet of foot and more flexible. The people stuff has to be really bendable. Allow flexibility but also continuity, so people feel it’s fair. The HR model has to be able to respond [to external changes].”

“HR [needs to be] at the front of transformational change,” agrees AnnaMarie Petsis Jones, director of HR at Opus Energy. “No longer can we simply react to change; HR needs to lead this charge by anticipating business needs and presenting creative solutions to enable business advantage.”

Our research asked HR leaders which of the four scenarios of the future HR function as identified by the Center for Effective Organizations, part of the University of South Carolina, they identified with the most. These four models are:

- ★ Reaching Out – By infusing talent from other disciplines such as marketing and finance, and bringing those disciplines to bear in solving HR challenges.
- ★ Venturing Out – By exerting

influence beyond the traditional role of HR functional specialist through direct external interactions with constituents such as government, regulators, investors and global collective movements.

- ★ Seeking Out – By finding and surfacing unpopular or unstated facts, assumptions, and truths that can be debilitating to organisations if not addressed.

- ★ Breaking Out— By leading transformational change,

because HR is uniquely positioned to be the repository of principles and skills for creating agile organisations. The results were conclusive: 69% of HRDs chose the ‘breaking out’



The evolution of HR models

We asked: What impact would changing HR’s operating model have on your business?

Here’s what some of you said...

- ▶ “It will be less about ‘human resources’ and more about people and humanity.”
- ▶ “CEO succession planning in future will include the HRD.”
- ▶ “Functional specialists increasingly working as one team and streamlining senior reporting.”
- ▶ “Harnessing the factors that lead the financial indicators.”
- ▶ “The ability to flex and adapt for future business strategy.”
- ▶ “Multi-skilled and multi-disciplinary teams, and blurred organisational boundaries between functions.”
- ▶ “I see HR as eventually reporting as an operational arm to our OD and wellbeing group, who handle all strategic HR within the people plan and do all people management reporting.”
- ▶ “HR becomes an enabler and less hung up about owning a process. All focus moves to the end goal with shared drive to achieve it across all functions.”
- ▶ “HR will have two roles: change management, but also providing consistency and transactional support to employees.”
- ▶ “We will need more business-orientated, skilful professionals in HR, who are capable of making the connections with many different pieces of information, and integrating this into our strategy.”



model, with just 16% opting for ‘seeking out’, 12% ‘reaching out’ and 3% ‘venturing out’. We asked the Center for Effective Organization’s Ian Ziskin and John Boudreau to comment on the findings. Here’s what they had to say:

“The novelist William Gibson said: ‘The future is already here; it’s just not evenly distributed.’ In our work studying and reshaping the future of HR over the past five years, we have come to understand there is an uneven distribution of how HR and operating leaders see the future of the profession, as well as a too-frequent lack of awareness of the trends revolutionising how work gets done. HR must rethink the capabilities and operating models required to be relevant in the future.

“In the research, we were not surprised that Breaking Out was so popular. Rather, we were concerned that the other three future roles were not. While there are no right or wrong answers to the question, we would also caution that these four future roles are not mutually exclusive. Rather, they are complementary and inextricably linked, and need to be integrated.

“These HR leaders seem to have enthusiastically embraced their identity as the facilitators and repository of principles and skills in change management, with almost 69% choosing this future model. The open-ended responses suggest that these HR functions are making progress integrating change-focused elements of organisation design, development and strategy. Indeed, some suggest that today’s HR will be encompassed in a function focused on change and organisation

development. That’s good, but our work with future-thinking HR leaders suggests that without the other three capabilities, a profession adept at change may not reach its full potential.

“The very best HR leaders recognise that HR is increasingly becoming multi-disciplinary, cross-functional and influenced by external forces of change that we do not always control but must better understand and shape. In addition, we cannot drive transformational change unless we recognise the need for it, wake up leaders and organisations that do not acknowledge or embrace it, and champion the cause of more agile and fast solutions to make required changes more sustainable. Increasingly, those solutions reside in an orchestrated collaboration between HR and disciplines such as marketing, engineering, finance and operations – collaborations that often require HR leaders not to be experts, but to attract and engage professionals from these disciplines to ‘cross over’ and apply their unique skills to the dilemmas facing work and workers.

“So, while HR’s role in Breaking Out is essential and quite relevant, we encourage a holistic view that acknowledges the increasingly integrated nature of large, complex organisational issues that must be addressed through multi-disciplinary and externally focused thinking.

“One survey participant perhaps said it best: ‘We will need more business-orientated, skilful professionals in HR who are capable of making the connections with many different pieces of information, and integrating this into our strategy.’”

HRD View

Louise Fisher, EMEA HR director, Xerox

How will the size of your department change?

We’ll be rolling out technology that will enable us to move lower-value activity offshore, so this will have an impact on the size and focus of the team, as we focus on value-add activity.

What HR tasks do you outsource?

In principle, we outsource where it is cost-effective to do so and where we’re guaranteed better quality work, and technology. The culture of HR is constantly evolving but its strategic function remains to define, develop and deliver a top-notch workforce. How and where we outsource will be intended to focus on improving the processes and technology we already have.

Which of the four models do you most identify with?

‘Breaking out’. This is where we are focusing HR, as we separate and transform the organisation. HR must embrace change. As HR professionals, we are business people first and HR people second and will never add value by sitting in isolation.

The ‘reaching out’ model is also critical. The global HR function can now be integrated across multiple business lines, with each unit given enterprise-wide decision-making power and a focus on the global workforce.

What is the impact on your business model?

The key impact is a mindset for change. Standing still is not an option. Teams need to be adaptable, agile and ready to innovate.

Our business model allows us the resources and time required to enable ongoing investment in R&D and new technologies, which continues the enhancement of employees’ skills, enabling a longer-term focus on innovation that allows staff to shape their future. We recognise people have choices in their careers and it’s our job to listen to and help them to shape these ambitions.

Our focus on wellbeing will remain critical. We recognise that change needs to be well managed so that people feel engaged and thrive in that culture.





Brave new world

Seven HR directors tell DAVID WOODS what they think the HR function of future will look like



Claire Fox,
global HR director,
Save The Children

"The future of HR looks agile, digital and fast. HR needs to take the lead, ensuring we are at the heart of enabling organisational success. We need to become experts in agility, and I don't just mean agile ways of 'working'; I mean agile ways of 'operating'. We must help leaders identify future market, customer and talent trends and enable them to capitalise on them. This is more than adapting their strategic thinking, it is constantly evolving their organisation and processes, and critically their ways of working, leading, managing and rewarding people. The future is 'agile working', and HR has the opportunity to lead the way."



Jamie Homer, international
business development and
talent director, Urban Outfitters

"The future of HR rests entirely on the shoulders of the HR professional. In order for HR to become more credible, forward-thinking and a part of the overriding strategic direction of any business of any size, the HR director must inject him or herself around the decision-making table before any decisions are made. This will provide not only a people and talent perspective, but a well-thought-out, educated and well-rounded commercial, long-term perspective, which will be essential to a business's success. Ultimately this is the only way for the HR function to add value and play a proactive, not reactive, role in any company's growth and day-to-day operation. Otherwise why not just outsource the function entirely?"

David Frost, group HR and
organisational development director,
Produce World Group

"The function currently known as HR will evolve into two distinctly different elements; core people services and organisational architecture. Core people services will be combined with the essential services such as business reporting, and information systems and leaders in this area will be process and service experts, delivering lean and

efficient digital solutions to decision-makers. Organisational architecture will provide strategic leadership in the areas of structural design, people engagement and organisational capability. As a profession we therefore need to focus increasingly on developing a new generation of truly commercial 'HR' leaders with the broadest possible expertise in cultural development, building talent and understanding the complex nature of people, culture and process interaction."



Stephen Moir, chief people officer,
NHS England

"HR will become even more evidence-based and insight-led in the future. As a consequence, we'll be much better placed to articulate the value, impact and positive contribution to our organisations that great HR can make. To get there, we'll need to collectively expand and enhance our approach to metrics and analysis, particularly predictive analytics. After all, there isn't much point in continuing to look at what's happened, we need to forecast what's going to happen and scan the horizon more effectively. The future for HR is a positive one where at last we become data-savvy and use insights to drive organisational improvement."



Mike Williams,
people director,
Byron Hamburgers

"As the employer brand and business brand become one over time, HR will need greater skills as marketers and drivers of culture, ensuring that it is aligned with its external image. We are facing increasing pressure to do the right thing for our people. HR will play a greater role in influencing leaders and coaching performance from its uniquely placed position. More businesses will need to take the people bit as seriously as the other drivers of performance. We will as a profession need to think what we can do to drive business performance as a whole, not just in our own discipline."



Guy Pink, HR director, Addaction

"Within the next 10 years, instant access to real-time information, powerful analytical tools and more functions being automated such as recruitment and payroll will occur. Workplaces must change. Office space is a waste unless used smarter, and remote and home working will become the norm. Virtual technology will take over, allowing people to be together yet miles apart. Nine to five will seem so outdated given global workforces. And HR must not lose the human element. In an automated age social contact will be so important and our role will be to create the culture in which this thrives through our leaders and behaviour-change gurus, who will have replaced HR business partners."

Andrew Parker,
people and culture
leader, LifeSEARCH

"I'm proud of how our business has evolved to engage and excite millennials. It won't be long until those born in the 2000s will be employable, and a big HR challenge for the coming years will be to connect with and stimulate that generation. Technology, fast-

moving careers, education, exciting reward ideas, community payback and frequent role mobility are at least some of things HR will need to deliver – and all at once. HR professionals will need to find ways to connect on a human level with this group and be growing future HR leaders who really 'get' what it's like to be 18 today."





For people-focused business leaders

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