Lean and Smart HR: Transforming Work

February 2016
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The workplace has changed
Gone are the days of standard working hours, fixed office seating, inventory and stocking, annual performance reviews etc. The workplace is now an ecosystem of innovation, collaboration and a way to attract and retain top talent. Technology is changing the way people work, and is increasingly enabling machines and software to replace human effort. Enterprises and individuals who can seize opportunities offered by digital advances stand to gain significantly, while those who cannot, is likely to lose everything. Fuelled by the convergence of social, mobile, cloud, and big data and growing demand for “anytime anywhere” access to information, technology is disrupting all areas of the business enterprise, including the HR organization.

Within these pressured organizations, there is a need for the human resource function to step-up and play a critical role in helping organizations navigate through this transition. In order to play this role, HR will have to increase its real and perceived value.

The human resources function has been evolving over a period of time. The shift from “personnel” to “human resources business partner”, for example, was a key part of this evolution. This shift was accompanied by an ask of HR to become a strategic partner with the leaders of the business, contribute to significant business decisions, advise on critical transitions, and develop the value of the “resources”.

More specifically, HR can help deliver organizational excellence in four ways:

1. HR should become a partner with senior and line managers in strategy execution, helping to move planning from the conference room to the marketplace.

2. It should become an expert in the way work is organized and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained.

3. It should become a champion for employees, vigorously representing their concerns to senior management and at the same time working toward increasing employee contribution; this will increase, employees’ commitment to the organization and their ability to deliver results.

4. HR should become an agent of continuous transformation; shaping processes and a culture that together improve an organization’s capacity for change.

As we see it, several key trends will be shaping future agenda of the HR organization

1. **Digital disruption**

   IT in HR is disrupting the usual ways of managing work. Social media, cloud computing, mobility, Big Data etc., is likely to integrate talent management into “everyday” business.

2. **The distributed workforce**

   Increasingly HR is being challenged to attract talent, from a variety of pools such as contractors, outsourcing companies and other partners. The concept of the “employee” is definitely changing and stretching beyond the “company” as we have known it traditionally.

3. **Globalization of Talent**

   HR will need to adopt new recruitment strategies to tap talent beyond immediate geographies and across the world. With a mismatch between areas of supply and demand of jobs globally, companies will be composed of highly diverse workforces.

4. **‘Flexible & Agile’ organisations**

   HR will re-organize and reshape itself to enable new organization design around responsive and flexible talent. The world is becoming increasingly unpredictable and employers that can adapt to ever-changing business conditions will outperform the competition. Increasing use of hand-held computing devices is forcing HR organization to be innovative and adapt to changing business needs.

5. **Talent management priorities**

   The war for talent grows increasingly fierce, with increased workforce diversity providing competitive advantage. Employing and managing individuals with varying thoughts, approaches, skills, preferences and responses will be a key skill that HR may need to acquire or master.

6. **Social media**

   Social media at the workplace is making it easier for employees to exchange ideas and information in the real time. HR cannot avoid this or look the other way. HR will need to play a vital role in supporting this shift. It will need to look toward playing a role that allows for this interaction, knowledge sharing, innovation and engagement, without adding to the risk or at minimal possible risk.

7. **Privacy of employees information**

   The internet continues to break down information barriers. Moreover, in the process it brings a new set of challenges for employers. HR will likely adopt risk management strategies to protect confidential information and data and risks associated with critical talent.
Digital workplace – the changing HR ecosystem
The digital economy is creating waves with the introduction of new business models. This new wave of disruption is increasingly affecting the information, culture, communication and the use of digital technology in everyday enterprises. As organizations move away from just consuming information across a plethora of devices to generating content and disseminating it, a foregone conclusion is that new skills are needed to adapt to this changing economy.

This transformation of the enterprise is creating a whole new shift in the erstwhile human resource models. This explosion of information for the workforce and businesses require a more thoughtful approach of understanding the needs of this economy.

The term “Digital Workforce” can be defined as “the awareness, attitude and ability of the organization to appropriately use digital tools and technologies to identify, access, interact, transact, manage, analyze and synthesize digital resources to create, share or construct new knowledge in an enterprise”.

Impact of digital technologies

Rapidly changing digital technologies will continue to affect the nature and type of skills required in the future economy. Enterprises will need to focus on challenges of transforming the workforce in the new economy. Basic skill needs is expected to broaden and evolve from literacy and numeracy, to digital literacy, creativity, problem solving, critical thinking and resilience. The environment is continuously changing and prior experience and qualifications are no longer relevant or lasting. Lifelong learning, vocational skills and career reinvention becomes the norm. Not all jobs in the new economy will require university education – apprenticeships and on the job skills will become more critical and drive the organization forward.

The increasing reach of digital and mobile technologies will continue to enable opportunities for enterprise workforces to challenge mature businesses and respond with similar entrepreneurial and innovative skills..

The move to a more digital workplace is forcing traditional collaboration technology to change and the chart below gives a high-level look into digital workplace or digital HR technologies for enterprises.

**Enterprise Social Network (ESN)**

Collaboration solutions that offer web-based and mobile enterprise-wide social interaction through active streams, blogs, wikis, interest groups, discussion boards microblogging, individual profiles, tagging and other social features.

**Popular solutions**: MS Yammer, Jive, IBM Lotus Connections

**Enterprise Content Management (ECM)**

Solutions that offer web-based content hosting and collaboration capabilities such as document storage, check-in/check-out of records, metadata tagging, enterprise search, portals, and workflow based automation.

**Popular solutions**: MS SharePoint, IBM Lotus, Quickr, Jive, Chatter

**Team focused collaboration**

Solutions that provide project teams and department capabilities to collaborate on project management and team based activities. These activities include issue, risk, task tracking, team calendaring, real-time brainstorming, real-time surveys, project reporting.

**Popular solutions**: MS SharePoint, IBM Lotus, Quickr, eRoom, ThinkTank

**Email and calendar**

Applications that integrate enterprise access protocols with shared enterprise directories. At the core these applications feature mail messaging, group calendar and scheduling functionality.

**Popular solutions**: MS Outlook, IBM Lotus Notes

**Instant Messaging (IM)**

Applications that provide two or more individuals the capability to exchange messages and/or content, while indicating the real-time presence of the individual (Rich Presence). Often directly integrated with Screen Sharing.

**Popular solutions**: Cisco Jabber, MS Lync

**Web conferencing and screen sharing**

Applications that provide a real-time connection between individuals for viewing, exchanging or sharing of content/information in real-time.

**Popular solutions**: Cisco WebEx, GoToMeeting

Source: EY analysis
**What does it mean for the HR organization**

There must be a sense of digital readiness to ensure that employees are appropriately skilled and have the capability, flexibility and adaptability to participate in the workforce of the present and the workforce of the future. Special consideration must be given to actions that motivate and assist long-term initiatives, so that the larger populace or workforce can be gainfully engaged.

HR organization has a role to play in delivering practical, actionable and measurable solutions that:

1. Maximize the job creation potential of the enterprise.
2. Build adaptable and resilient skill sets aligned with future workforce and economic needs.
3. Improve alignment of people, skills, jobs and locations.
4. Increase organization and workforce adaptability and flexibility.

A learning ecosystem that is responsive and adaptive to allow individuals to be equipped with sought-after skills and be enabled to continually learn and retrain throughout the lifecycle of employment. Unlocking an organizations and individual’s adaptive capacity is vital to make this shift and every enterprise must better prepare the workforce to be gainfully utilized by enabling individuals to have highly transferable skills.

Currently, any enterprise grapples with typically two major challenges in the HR domain,

1. Building a connected workplace or a social enterprise
2. Talent management in the digital world

Both of these are tightly coupled and require enabling the workforce digitally to bring strategic and operational advantages to the enterprise. The digital workforce of the future will lean heavily on social learning, innovation and gamification of content in the enterprise, which will lead to managing talent in a very disruptive manner. At the same time the workforce will evolve into communities and depend largely on mobility and analytics to better drive operational efficiencies for the HR function.

Achieving the above two challenges will create and redefine the digital workplace in an enterprise. The HR function will get an integrated view of the enterprise and will help strategically align all operational execution. The digital enablement of the workforce will also create a 360 degree view of the employee creating a holistic analysis of talent management and enhanced employee experience.

For the digitally enabled employee, it will mean better time management, outcome-based utilization, virtual collaboration, social learning and more transparency in the process. For the HR function to build the foundation blocks to achieve this, there must be a concerted effort to strategize, execute and measure digital readiness. The success factors for any digital workplace are strategy, commitment, change management and staying on the transformation course.

**Making HR organization ready to enable this shift**

It might be called “Digital Workplace”, “Workplace of the Future”, “Connected Workforce”, or others, but the name does not matter. For CHROs, the journey to a digital workplace has just begun. What an HR organization needs to do to enable the digital workforce (no matter how it is defined) is a moving target. The classic “roadmap” may provide structure, but it is also a liability, keeping projects on track and on budget, at the expense of staying on or ahead of the curve.

Organizations need a more agile, continuous approach to innovation and digital. There are two important nuances to cover here.

- First, employees do have a choice, especially with this new generation of digital tools, such as collaboration platforms. Adoption is not mandatory, so utilization has to be earned – it is not good enough that they know how to use a platform, they have to know how to “get value” from it, and on a continuous basis. This is not about training, but inspiring.
- With a system-wide failure of most organizations to be more agile and user-centric with workplace technology, employees are running to the light – a super nova of cloud-
Based productivity tools and DIY platforms engineered in every way too easy to use, easy to procure and easy to adopt. The result is almost a “maker movement” within the workplace leading to employees solving their own problems through IT but without the IT department. Digital IT enablement, in effect, is being replaced by digital self-empowerment.

While mobile innovation and cloud technologies are only one facet of the digital enterprise, of course, it is one of the more obvious starting points, and companies are helped by a relatively mature vendor and advisory market on standby to provide solutions and roadmaps to find their way to this “third era.” Finally, there is compelling evidence that making investments here will pay off.

Knowledge and skills gap are often a default switch at the enterprise level that leaves digital innovation in the passionate hands of managers several levels below the C-suite. Fearing that a launch pad will become a bottleneck, many organizations opt for a “let's stay out of its way” formula, hoping for the romantic notion of innovation organically sprouting up at work.

The key is balance, finding middle ground in that power struggle between organizations and the employee, and avoiding the lure of over-governance. There is no right or wrong starting point on this journey, but inaction has a predictable outcome. With each step taken to accrue domain knowledge of and management expertise in enterprise innovation and digital technology, an organization moves closer to implementing the transformation needed to activate the business value of a consumerized enterprise. At a high level, the more innovations prototyped to enable the digital workplace the better; however, a bloated portfolio of experiments does not equal value. Ideas must not only be created and incubated, but translated into solutions that are adopted and continuously activated to deliver business results, which requires discipline.

In conclusion, digital workplaces will only flourish and be successful if technology can create an increased impact on human resource processes to narrow the digital divide and the chasm in skills, development, talent management and a connected enterprise.
Evolving HR operating model: shared services
Accelerated pace of globalization and rapidly changing business landscape is challenging existing business models and forcing organizations to innovate. Employees are considered as “assets” but during uncertain time, workforce is often treated as “costs”. To compete and sustain, organization are increasingly focusing on improving productivity, consistent operations and controlling costs. Organizations, which have shared services, are better placed to respond to these uncertainties as shared services can easily be scaled “up” and “down” according to the organization’s need.

There is a trend toward integrated business services for many HR activities. Organizations across the globe are trying to create a uniform, high-quality service delivery approach and shared services have become a “need to have” component. With a focus on increasing employee experience and engagement, from outsourcing to setting up an in-house shared service center, organizations are making all efforts to create a “one company experience”.

Leading organizations are moving from traditional shared service delivery model to create a centre of excellence by continuously improving processes and implementing new technologies. Only the strategic component of HR seems to be retained with corporate HR while rest of the sub-functions such as learning development, succession planning, performance management and others operate in a centralized manner.
The decision to set up a HR Shared Services organisation is driven by key operational indicators. Digital tools assist in this decision making by providing appropriate information/visibility about the key metrics.

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<th>Indicator</th>
<th>Role of technology as an enabler</th>
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<td>Costs and profitability</td>
<td>Low: Organizations can slice and dice the data according to need.</td>
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<tr>
<td>Service levels</td>
<td>Low: Service levels are continuously monitored and reported out.</td>
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<tr>
<td>People and competencies</td>
<td>Low: Skills and competencies are still managed by the people organization but records are maintained and monitored through systems.</td>
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<tr>
<td>Knowledge Management</td>
<td>Low: Integrated technology architecture enables continuous knowledge creation and retention.</td>
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<tr>
<td>Compliance and Quality check</td>
<td>Low: Best of the breed tools enabling robust governance around data management.</td>
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Source: EY analysis
Embedding the technology into HR shared services
Globally integrated HR technology is a critical aspect of achieving this operating model and shared service delivery optimization. Progress in web-based technologies and workflow-enabling technologies have been fundamental building blocks for shared services implementations. The application of various software and tools in HRSS is increasing, resulting in seamless delivery of HR services to the employees with reduced cost and effort. HR Technology has evolved from basic administrative application to fully integrated solutions that drive strategic business objectives.

High performing companies are moving from a siloed approach to shared services, separate units for individual functions and geographies to a more integrated global business services model and technology is driving this consolidation. Multifunctional shared services are built upon the principle of a single service management framework leveraging cross functions’ best practices leading to a unified face to end customers.

Technology is increasingly being viewed as a key enabler to increase productivity and enhance scalability of operations. Mobility and cloud-based solutions have given power to end customers to work from anywhere anytime forcing shared services for rapid response time. To achieve consistent and improved employee experience, leading shared services organizations are adopting cutting edge technology platforms.

1. Increased usage of new technologies such as “Cloud Computing,” SaaS (Software-as-a-service) is enabling reduced spend, improved utilization and increased consistency across enterprise.
2. Automation through self-service tools maximizes efficiency as well as reduces cycle times through real-time based exchange of data.
3. Increased application of business intelligence and customer relationship management software for HR processes is opening up the possibilities for organizations to offer more customized services.
4. Increase in use of intranet or automated kiosks with self-service functionality for delivery on aspects related to compensation, employee data updating, etc., has led HR shared services to move up the value chain and deliver value-added tasks.
5. Instead of focusing only on administrative aspects of recruitment and employee exit management, leading HR shared services are also using HR analytics tools to drive recruitment decisions and perform attrition analysis.
6. Rewards and recognition programs are now being managed by HR shared services through automated interfaces on the company portal.
7. Robotics Process Automation replicates human behavior and execute non-judgmental sequence of activities across applications enabling organizations to automate existing user actions resulting in major cost savings, rapid processing and reduced error.
The call for More Strategic HR: How its Leaders are Stepping up to the Plate: HBR - EY Report
http://www.ey.com/Publication/vwLUAssets/ey-the-call-for-a-more-strategic-hr/$FILE/ey-the-call-for-a-more-strategic-hr.pdf

Megatrends that will shape our future - EY Report
Notes:
EY offices

Ahmedabad
2nd floor, Shivalik Ishaan
Near, C.N Vidhyalaya
Ambawadi
Ahmedabad-380015
Tel: +91 79 6608 3800
Fax: +91 79 6608 3900

Bengaluru
12th & 13th floor
“U B City” Canberra Block
No.24, Vittal Mallya Road
Bengaluru-560 001
Tel: +91 80 4027 5000
+91 80 6727 5000
Fax: +91 80 2210 6000 (12th floor)
Fax: +91 80 2224 0695 (13th floor)

1st Floor, Prestige Emerald
No.4, Madras Bank Road
Lavelle Road Junction
Bengaluru-560 001 India
Tel: +91 80 6727 5000
Fax: +91 80 2224 4112

Chandigarh
1st Floor
SCO: 166-167
Sector 9-C, Madhyya Marg
Chandigarh-160 009
Tel: +91 172 671 7800
Fax: +91 172 671 7888

Chennai
Tidel Park
6th & 7th Floor
A Block (Module 601, 701-702)
No.4, Rajiv Gandhi Salai
Taramani
Chennai-600113
Tel: +91 44 6654 8100
Fax: +91 44 2254 0120

Delhi NCR
Golf View Corporate
Tower - B
Sector 42, Sector Road
Gurgaon-122 002
Tel: +91 124 464 4000
Fax: +91 124 464 4050

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity New Delhi-110003, India
Tel: +91 11 6671 8000
Fax: +91 11 6671 9999

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
NOIDA-201 304
Gautam Budh Nagar, U.P. India
Tel: +91 120 671 7000
Fax: +91 120 671 7171

Hyderabad
Oval Office
18, iLabs Centre
Hitech City, Madhapur
Hyderabad - 500081
Tel: +91 40 6736 2000
Fax: +91 40 6736 2200

Kochi
9th Floor “ABAD Nucleus”
NH-49, Maradu PO
Kochi - 682 304
Tel: +91 484 304 4000
Fax: +91 484 270 5393

Kolkata
22, Camac Street
3rd Floor, Block C”
Kolkata-700 016
Tel: +91 33 6615 3400
Fax: +91 33 6615 3750

Mumbai
14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (west)
Mumbai-400 028, India
Tel: +91 22 6192 0000
Fax: +91 22 6192 1000

5th Floor Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai-400 063, India
Tel: +91 22 6192 0000
Fax: +91 22 6192 3000

Pune
C-401, 4th floor
Panchshil Tech Park
Yerwada (Near Don Bosco School)
Pune-411 006
Tel: +91 20 6603 6000
Fax: +91 20 6601 5900

Our team

Milan Sheth
Partner
Shared Services Advisory
Milan.Sheth@in.ey.com

Arvind Usretay
Executive Director
People Advisory Services
Arvind.Usretay@in.ey.com

Rajiv Krishnan
Partner
People Advisory Services
Rajiv.Krishnan@in.ey.com

Srinivas Yelandur
Director
Digital Advisory
Srinivas.Yelandur@in.ey.com

Nikhil Sharma
Executive Director
Shared Services Advisory
Nikhil.Sharma@in.ey.com
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EYN1602-010

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