

Facing future challenges

Transforming the HR function



Originally seen in 'Future of HR' published by Raconteur in The Times on June 30th 2016.

The pace of business change continues unabated, but should human resources professionals see this as an unwelcome disruption or an opportunity?

Digitalisation, including robotics, cloud and analytics, socio-economic changes, globalisation, greater focus on organisational purpose, agility and workplace culture are factors that add up to major changes within business, the workforce and, consequently, the HR function.

As Stuart Steele, partner in the People Advisory Services practice at EY, points out, HR can trace its origins back to the late-1800s when it focused on welfare, productivity and labour relations. However, the demands have changed significantly over the years. A critical analysis of many HR functions today would reveal between 60 per cent and 80 per cent of activity and associated cost remains focused on what are primarily transactional or compliance-based activities, suggesting the function may not be that different to what it was 30-plus years ago.

So is this a case of HR professionals stepping up to the challenges or do they risk becoming irrelevant?

Mr Steele says: "Transactional and compliance-based activities – HR operations – are necessary and will remain. However, we now have the opportunity to replace many of the people who undertake transactional activities with

robots, more specifically robotic software that can follow defined processes. For example, using systems, writing e-mails, cleaning and analysing data, making pre-defined decisions, we will see a significant reduction in the number of people in HR operations.

"Taking a conservative approach, we may look to one robot replacing the efforts of five people. However, there are already examples where this ratio is pushing closer to one robot replacing the efforts of 20 people. The use of robots and the scale of benefit realisation will only continue as technological capabilities increase over the next few years.

"When you look at the type of services typically delivered out of shared service centres, and factor in shift patterns and a 24/7 demand, the opportunity to further extend the robot/person ratio significantly increases the potential savings, even when considering lower-cost, off-shore centres. The adoption of robotic process automation by outsourced business service providers will also facilitate further cost reductions.

How HR professionals are perceived

A Development Dimensions International study of 1,500 HR professionals showed a perception gap ...

Reactors



Reactors comply with practices/policies and provide tools/systems for business needs



Partners



Partners openly exchange information, collaborating on mutual goals with business



Anticipators



Anticipators use data to predict talent gaps, provide insights on talent and business goals



“HR may be significantly smaller in the future, but arguably more important”

“As robotics and artificial intelligence technologies continue to evolve and enhance their capabilities, today’s cost-savings will soon look conservative. You may be forgiven for just thinking about reduced costs, however the benefits are broader and include improved speed, greater accuracy and auditability, and from a customer or colleague perspective, increases in the satisfaction with HR’s services.”

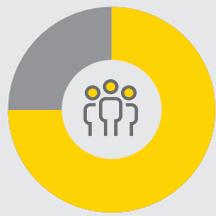
The impact of the robotics revolution on the workforce is not the only sobering thought for HR. The market has already seen the development in global business services (GBS), a model that combines all operations and functions within a business, such as finance, IT and HR, and drives synergies by combining them into one team.

Mr Steele says: “The subtlety here is that whereas GBS is about driving benefits through synergies, which in part includes reductions in full-time equivalents (FTEs), when coupled with the potential of robotics, the FTE required to deliver HR operational activities can be even smaller. It’s important to appreciate that we are not talking about the HR operations activity going away, rather it is likely to be removed from the HR function and classed as a core operations activity.”

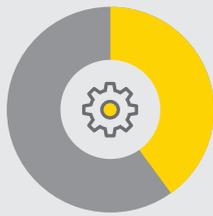
This transformation leaves most HR functions with two key groups. The first is a centre of expertise, consisting of HR practitioners with deep technical expertise in specialist areas such as recruitment, reward and talent management. They create policy and processes, deal with exceptions and help provide solutions to organisational people challenges.

Workforce economics

Automation and modern business practices are changing the face of HR



75% of an organisation's operating expenses typically consist of workforce costs



40% of today's workforce believes their current role will be fully automated before their normal retirement age



93% of HR operations time spent on repetitive tasks



65% of HR rules-based processes can be automated with robotics

2h/3m

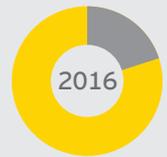
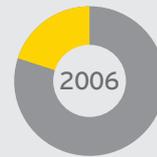
time to process (average) person/robot

50-70%

cost reduction to process (average) person/robot



Robotics can facilitate a refocus from 7% strategic and 62% tactical to 80% strategic and 20% tactical



A decade ago, 80% of an organisation's value came from tangible assets with 20% intangible; now that has been turned on its head with 80% intangible and talent topping the list

Source: EY

The second group, HR business partners, whose role is to team up with a division or business unit, understand their strategy and business plan, and design tailored people solutions that contribute to the successful execution of the plan.

"HR business-partnering is perhaps the area that business leaders often say they have been most disappointed with over last decade," says Mr Steele. "Business leaders have often assumed this is due to business partners having a lack of detailed knowledge about the division, business unit or sector they are operating in. Given this, we have seen a trend where business partners have been sourced from the business rather than HR. This allows for an interesting future scenario when, in ten years' time, HR operations could be robotised and transitioned into a GBS function.

"In parallel, business knowledge and context will be sourced directly from the business reducing the requirement for HR business partners. What remains in HR is a centre of expertise, with integrated teams of practitioners bringing deep technical expertise and consulting competence, teaming with the business in the development and execution of workforce strategies, directly connected to business needs and outcomes."

Independent forecasts predict that by 2030 up to half of the people in the workforce will be contingent workers, not employees; a group that many HR functions have traditionally not managed. The result is that the HR function may have fewer people in its purview; an outcome that reinforces the perspective that HR may be significantly smaller in the future, but arguably more important if the ownership of delivering against the people needs of an organisation remains vested in the function.

"Robotic process automation, global business services, HR business partners being sourced from the business are all real and happening today," says Mr Steele. "What we have not yet seen is many organisations adopting all these initiatives in an integrated manner, but it will happen. "HR has spent the last 40 years primarily doing operational activity and doing it well. There are exceptions, but in general the function still struggles to articulate in clear, business terms how its actions drive business value, and how it makes a material contribution to top or bottom line growth.

"HR functions may become significantly smaller, but there is an opportunity to be recognised as the best team to partner with the business to drive tangible business outcomes through its people. Ask most business leaders what the single most important contributor to business success is – the vast majority will tell you it's their people."

So is HR looking to the future through a lens of unwelcome disruption or opportunity?

For further information please contact:

Stuart Steele

Partner, People Advisory Services

ssteele1@uk.ey.com

Niamh O'Beirne

Partner, People Advisory Services

niamh.obeirne@ie.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

About EY's People Advisory Services

As the world continues to be impacted by globalization, demographics, technology, innovation and regulation, organizations are under pressure to adapt quickly and build agile people cultures that respond to these disruptive forces. EY People Advisory Services believes a better working world is helping our clients harness their people agenda – the right people, with the right capabilities, in the right place, for the right cost, doing the right things.

We work globally and collaborate to bring you professional teams to address complex issues relating to organization transformation, end-to-end employee lifecycles, effective talent deployment and mobility, gaining value from evolving and virtual workforces, and the changing role of HR in support of business strategy. Our EY professionals ask better questions and work with clients to create holistic, innovative answers that deliver quality results.

© 2017 EYGM Limited.
All Rights Reserved.

BMC Agency
GA 0046_06974

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com