The EY business-led people operating model

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The HR profession is at a crossroads in its evolution. The workforce served by HR is rapidly changing and is being driven by large generational shifts in the working population, combined with a growing population of nimble tech-savvy consumers. By 2020, baby boomers will represent only one out of four employees. By 2025, 95% of baby boomers will have retired from the workforce. Millennials and Generation Z will comprise three out of four employees. Both millennials and Generation Z, combined with their digital requirements, will begin to influence HR. In many ways, the changes have already begun.

Over the past decade, the focus for HR has been to “optimize” the HR function and gain efficiencies across people, process and technology. In parallel, HR legacy systems have been aging, while outdated processes and manual interventions are still impacting HR. Meanwhile, employees are expecting more from their work experience, from workplace flexibility to a renewed sense of purpose. In many ways, HR has not kept pace with these new expectations.

In many cases, HR operating models have not reached their ideal or intended state. While evolved, many of the traditional HR operating models, such as the standard HR Business Partner (HRBP), Centers of Expertise (CoE), and Shared Services Centers (SSC), still exist in most HR organizations today. Improvements to these structures focus on enabling HR to be more efficient and effective, more strategic and less administrative, more integrated and less fragmented. And while many organizations have seen incremental improvements in their first and or second generation HR transformations, the adoption and results of a new operating model have been mixed.

In today’s digitally enabled economy, the earlier generations of the HRBP, CoE and SSC operating model for HR are just not going to be enough to create the necessary employee value proposition to attract, retain and retrain the talent needed to stay competitive. As the rapid growth and usage of smartphones, connected devices and mobile apps has digitized service delivery and customer engagement in every sector, business and back office function, the HR operating model will have to change to keep pace for the business and its advanced consumers.

Embracing the digital revolution is the first step toward advancing HR to becoming more accountable for employee engagement and experience, as well as less burdened by the transactional drain of traditional HR functions. By freeing HR from the mundane tasks of procedural processing, technology can help HR get back to being a value-added, human first organization. With a few transformative steps forward and a fresh view on how HR should operate, the HR profession will take the lead for functions supporting the business. Get ahead of the curve and join us on a “business-led” journey to transforming the people (HR) function into the future of working.
One

EY’s business-led approach to transforming people

Organizations seeking more value and impact from HR often look to the business strategy for inspiration. The business is continually focused on growth, decreasing cost and improving the customer experience. The challenge of globalization, competition, outsourcing, new technologies and automation, regulatory compliance and the prospects of mergers and acquisitions only complicates the business environment. A well-equipped HR function will support the business in meeting those objectives and is also under the same pressure to run efficiently, reduce cost and improve the employee experience. To meet these objectives, an increasing number of HR organizations are turning to Solution Centers, often in conjunction with finance and IT counterparts that deliver global business services to the business with increased efficiency at lower costs. While many organizations find this internal approach successful, EY helps clients evaluate and tailor their delivery models to meet unique business needs and cultural priorities.

However, many HR organizations solely focus on how to reduce cost, believing that value to the business is measured by running a low cost operation. While cost minimization should certainly help guide decision making, EY helps clients justify HR investments by demonstrating clear linkages to enterprise objectives. On average, the HR function cost is approximately 1% of the business, so no matter how lean and efficient, the overall bottom line impact of HR will be limited. With that said, overall people-related expenditures represent about 80% of organizational costs, making it even more important for HR to run an efficient, business-led operation that prioritizes the employee experience.

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This employee experience must include challenging growth and developmental work experiences that build organizational loyalty. It must be technologically relevant and reflect the digitizing of almost every aspect of our lives. It must be collaborative and network-driven to benefit from the diversity of thought across organizational lines. It must be modeled by digital leaders that lead with empathy and a capacity for connecting with their teams, both virtually and in person. It must include spaces, both physical and Internet-based, that allow teams and individuals to collaborate and connect, to drive innovation through human interaction. As a result, the HR operating approach must be flexible, solution-oriented and supportive of the business to help grow, develop and retain the right talent.

We believe HR needs to take a broader view in its role, driving employee experience and engagement. To meet this challenge and drive the next generation of HR operating model transformations, EY has developed the business-led people operating model.

The **EY business-led people operating model** is a multi-layered operating framework that is consumer and business-driven, agile, innovative, digital, and community-based. This model enables legacy HR organizations to transform the business holistically by structuring both an efficient, scalable organization (the 1%) and driving employee engagement, development and retention (for the 99%). Now let’s explore the key components of this fresh, new model and practical considerations for implementation.

**Key drivers of HR transformations**

**Is your current HR organization equipped to support the business in meeting these challenges?**

Due to the workforce changes and the renewed expectations of HR, many companies are evaluating their branding strategy and the meaning HR has within their organization as they transform into the digital economy.

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**Business Strategy**

- **1. Globalization**
- **2. Digital workforce engagement**
- **3. Regulatory compliance**
- **4. Mergers and acquisitions**
- **5. Outsourcing**
- **6. Competition**
- **7. New technologies/automation**
- **8. Cost pressure**
- **9. Growth**
While HR professionals are now putting greater emphasis on digitizing workforce information to improve talent utilization and employee experience, a good portion of today’s activities for the HR organization continue to be administrative in nature. The basic blocking and tackling of HR still need to get done regardless of any new, enlightened view of how to operate differently. Processing hiring, separations and transfer transactions can be revamped and made more efficient. HR process workflows in systems can enable managers to take ownership over manager-led transactions, thereby reducing HR effort on the backend. Employee direct access for cyclical processes, such as benefits open enrollment, has simplified HR administrative work through a real-time and stress-free online employee experience. Individual CoE silos have been stood up to provide centralized program expertise to the rest of HR and customers. The boxes on the HR organization chart have been shuffled and headcount eliminated to illustrate a leaner HR team on paper.

However, when reality sets in and you observe your HR team, you will likely still see frustration. HRBPs continue to perform administrative work that takes away time to be more strategic for the business. Confusion is prevalent on where processes begin and end in a centralized CoE model. Turf wars continue on which process owner performs the critical decision making and strategic activities for the HR functions. Turnover is high in many HR shared services organizations, because the work is not always fully optimized to include the combination of critical HR operational work with more innovative HR technology, analytics, vendor management and critical management reporting activities. Integration, communication and collaboration remain significant challenges and barriers for coming together as a team with a purpose. The HR technology that you spent two years implementing is potentially sub-optimized. The HR operating model was supposed to solve these issues!

This is not another view on how to marginally improve the HR Business Partner (HRBP), Center of Excellence (CoE), and Shared Services operating model.

“We predict that HR needs to leap ahead with a fundamentally new way of operating to keep pace with the future of work, a future increasingly defined by an entirely new employer-employee value proposition.”
The Corporate Leadership Team and Chief Human Resources Officer sets the mission, vision, and strategy and reinforces the business priorities to all employees. This inner core must exhibit leadership, inspire, engage, and reinforce the priorities in all of its messages to the workforce.

The next inner layer of the EY Business-Led HR Operating Model has three (3) components: Business Advisors, HR Solutions and Services (HRSS), and Communities of Practice (CoPs).

**Business advisors**

Business advisors represent the next generation of proactive, consultative and business-savvy advisors who have credibility with senior leaders and line managers. Chief People Officers (CPO) need to be selective in evaluating potential business advisory talent for their organizations.

One common criticism of today’s HR business partners is their lack of business knowledge and acumen. The reason is not a mystery; many of today’s HR business partners are typically HR careerists who rarely gain frontline work experience in the business. This creates an inherent potential gap for HR to relate to and have credibility with its business counterparts. Think of the profile of business advisor as a “people (HR) athlete”, an individual who can run both many marathons and sprints to provide timely leadership and advice to drive people consultative delivery.

In a business-led people operating model, business advisors will have both practical business and people experience to serve as effective strategic advisors. Business advisors will be multi-faceted and play critical strategic roles for the business. They will be critical thinkers, focused on proactive problem solving and solutions for people strategy, leadership development, coaching, mentoring, talent deployment and digital workforce engagement, as well as risk advisors for the business. Some of the best business advisors may come from the business in the form of rotational assignments to the people (HR) function.

For this critical role, it will be imperative to procure business advisors who can or have played multiple roles, ventured outside of the status quo HR credentialed career path and spent time in business.

“An energized, multi-dimensional business advisor is your best frontline asset with the business that can deliver instant credibility.”
People Solution and Services (PSS)

Over the past two decades, many companies have moved to a shared services model to deliver HR administrative services. The intended purpose of this HR shared services model is to transform the role of field HR to be more strategic at the corporate level and more cost-effective and consistent at the operational level. Payroll, recruiting, compensation, benefits, employee relations, onboarding, employee movement and leave administration are typical activities in a HR Shared Services Center (SSC). However, in most cases today’s HR SSCs have typically become the central processing and call centers for routine administrative transactions.

People Solutions and Services (PSS) will become the innovative environment that delivers next generation solutions and tools to improve quality, increase speed and decrease operating costs.

“The next wave of operational efficiencies in PSS will be focused on complementing future manpower with artificial intelligence and digital workforce.”

The digital workforce uses robotics process automation (RPA), built on rule-based process automation of human activity for high-volume activities, such as onboarding and payroll. The digital workforce acts as a virtual worker through the use of software to learn existing applications to process a transaction or complete a process. These virtual digital workers through RPA are trained using demonstrative steps, rather than programmed through code-based instructions.

Significant changes will also occur with traditional customer inquiry intake and call center operations. To reduce overall call volume and the size of PSS front line associates, case management solutions offer employees direct access to service by submitting tickets without any human interaction. Click to chat applications and chat bots, prevalent on many consumer product sites, is an essential service to further reduce service ticket volume by answering customer inquiries in real time. Employee direct access to click to chat and digital workforce will soon be the base level standard for an employee’s experience with their PSS teams.

As the workforce demographics shift over the next five years, very few PSS front line associates will be needed to service baby boomers and retirees who typically use call center phone numbers. Similarly, large populations of millennials and Generation Z employees more accustomed to on-demand, digital services through mobile devices will access chat services as their primary resource.

What is Robotic Process Automation (RPA)?

Why RPA?
Clear benefit for service improvement:
- Significant cost reduction for repetitive manual tasks
- Improved quality, consistency and reduced risk
- Tactical solution for automation and system integration where strategic programs have long lead times

What are the key features?
- Staff released from repetitive tasks
- Accelerated timelines
- Improved accuracy
- Support and operational agility
- Reduce pressure on IT roadmap
- No new source-system requirements
- Communities of Practice (CoP) link business and IT
- Support and operational agility
- Streamline critical processes
- Reduce process execution time
- Create artificial end-to-end processing
- Remove bottlenecks
- Full process audit tracking
- Support regulatory reporting
- Enhanced governance
- Increased business agility
- Scalability of the workforce during peak periods and mergers
- Virtual workforce operates in a 24/7 mode
- Reduced error rates increases confidence in data
- Improved productivity
- Reduction of re-work due to increased quality
- Enhance employee efficiency
- Process re-engineering potential
- Reduction in costs
- Cost reduction for high-frequency repetitive tasks
- PSS period can be as short as six to nine months
- Increase time spend on value add tasks

The PSS will be the catalyst of innovation, leading practices, process improvements, analytics and benchmarking. In the same way that the modern manufacturing centers will hire digital curators to tend the robots performing routine activities, so too will PSS need technologists to activate the next generation of digital workforce. The latest digital employee access innovations for the workforce will be created, tested, and delivered from the PSS. PSS will support all digitizing employee access initiatives and work closely with business advisors and communities of practice to deliver innovative people solutions for the business.
**Communities of Practice (CoPs)**

Today’s HR CoEs are mini-silos often organized around a one-dimensional functional purpose (e.g., benefits). HR resources assigned to a CoE typically have deep but narrow expertise and limited multi-dimensional capability to serve in a different organizational capacity. By design, CoEs typically dictate corporate HR processes and policies to the business. CoEs are internally focused and do not easily facilitate networking or collaboration within HR and across the business.

Based on our experiences in the market, "Centers of Expertise are evolving into Communities of Practice in a business-led people operating model."

CoPs are groups of people (HR) professionals with business acumen who share a concern, a set of problems and a passion about a topic, and who deepen their knowledge and expertise in this area by networking and interacting on an ongoing basis to facilitate process integration and harmony.

Within the people function, CoPs will consist of multi-dimensional practitioners across all aspects of global talent, mobility and rewards, and strategy and planning, as well as key business stakeholders with the goal of improving people practices and strategies across the enterprise. CoPs teams will also be made up of collaborative, multi-dimensional disciplines, such as IT and finance, bringing leading practices to create a more holistic employee experience. High performing CoPs teams will proactively seek opportunities to integrate and collaborate across communities and business functions.

The nature of CoPs will facilitate networking across traditional organizational boundaries and drive connections with individuals who may not typically interact on a regular basis. CoPs will deliver strategic insights with the CPOs and business advisors in conjunction with educating the business on people strategies.

While the inner core roles are typically resourced with full-time employees, the strategic use of total workforce optimization (contingent and digital workforce) represents an ideal way to reduce costs while, at the same time, securing skilled and efficient talent and automated labor. A contingent workforce refers to a group of individuals who are employed by a body on a nonpermanent basis and may include freelancers, consultants or contract workers on temporary agreements. In many large companies, contingent workers are between 25% and 35% of the workforce spend and are predicted to rise to 50% of the total US labor force by 2020*. Contingent workers will become the next generation of agile market resources “on demand” that can hit the ground running. This will provide HR with the opportunity to continuously test and rotate in fresh HR talent from the market before making any long-term employment commitments. We predict that this will be a great place to find future leaders of the people function in business advisors, CoPs and PSS delivery roles.

To accommodate this trend, people functional leads will need to think differently about their support needs and design work more on a project basis to realize potential cost savings that takes advantage of the best available people talent in the market. New teaming models based on adaptations of the broader sharing economy allow more rapid completion of work. Combined with a pre-identified, fully vetted people talent pool, communities will give companies a place to go for qualified, proven talent — usually grouped by skillset, geography or background — that can hit the ground running. This will provide HR with the opportunity to continuously test and rotate in fresh HR talent from the market before making any long-term employment commitments. We predict that this will be a great place to find future leaders of the people function in business advisors, CoPs and PSS delivery roles.

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*Is the gig economy a fleeting fad or an enduring legacy?, EY, 2017
The supporting outer layer

Technology solutions available today automate people processes, provide direct access to information and free up valuable time for management to focus on other aspects of the people function. Though tools and technology play a vital role in advancing key transformational activities, they should be used solely to complement the people operating strategy, and not dictate the transformation agenda. Business-led alignment of technology capabilities to the people operating model is critical to successful adoption of new solutions and high return on investment realization. When implemented successfully, people tools and technologies can empower the people function to make better informed decisions through enhanced user experience, real-time data insights and digestible system-generated dashboards and reporting.

Governance and controls promote accountability, prioritization and stakeholder engagement to support operational decisions and sustain long-term success of the overall people operating model. An effective governance framework addresses the changing complexities of the organization over time through people, process and technology. Governance activities include strategy and planning activities, clearly defined roles and responsibilities, regular meeting and communications cadence, status reports, risk and issue logs, and scorecards. Controls enforce both policies and procedures by clearly defining activities related to mitigating exposure to risk across the people organization. Control ownership, frequency, risk exposure and mitigation strategies should be clearly defined and communicated across the people function.

Beyond legal implications, non-compliance of control activities can lead to negative financial or reputational consequences. Effective management of programs, policies and procedures will minimize negative downstream impacts to dependent parties, including both external and internal customers. Developing a formal steering infrastructure composed of a core people team and cross-functional leaders from the business will help maintain stakeholder engagement and achieve the collaboration necessary to drive consensus for operational decisions.

Decision analytics can provide evidence-based insights to cope with uncertainty inherent in many decisions that people leaders face today. More than just visualization, analytics delivers insights that the people function can use to drive and even predict business outcomes. For this reason, decision analytics must be business-led.

"Make life easier for employees. Customise their experience based on their preferences and patterns. Engage the workforce differently and you will notice that the positive perception of HR will continue to evolve."

"Posing targeted, result-oriented questions will help guide people leaders to find data-driven, evidence-based solutions throughout their decision making journey."

While many factors drive people outcomes – such as turnover or team performance – only some of these factors can be influenced by the organization. Nevertheless, external factors beyond the organization’s control need to be explored and their impacts clearly understood to effectively manage risk. Identifying the levers that can be pulled to achieve desired business outcomes and estimating the optimal mix of actions across those drivers is critical to making informed business decisions.

With greater adoption of advanced technology solutions comes greater opportunity to leverage employee data for operational decision making. However, people organizations should not stop there; an abundance of data sources that traditionally sit outside the purview of the people function are available throughout the business, including social media networks, customer surveys and financial and operational reports. By leveraging this data, the people function can have a holistic “business-centric” view into the organization to help make informed people operations and workforce management decisions, while minimizing operational risk.

External factors influencing the EY business-led people operating model

Lastly, there are a number of key external factors that influence the EY business-led people operating model. People operating Models must consider and adapt to changing market and industry trends to be sustainable long term.

External communities provide the industry perspectives and networks in the market for people practitioners who actively participate in CoPs.

Big data is continuously pushing the people function to be more analytical and consultative for the business. The value of big data for the people function is the ability to predict and make better talent management decisions to support the business.

The intersection of professional and social networking tools has changed the way talent acquisition professionals proactively source and interact with prospective candidates to accelerate the hiring process. The combination of new technology and mobile devices with social media tools has transformed how the people function needs to communicate to a multigenerational workforce.

"External factors beyond the organization's control need to be explored and their impacts clearly understood to effectively manage risk."

The people function’s ability to keep current with legislation affecting national or federal, state and local, as well as country-specific legal and regulatory requirements is critical to ensure the business remains compliant and avoids costly penalties.

With the significant growth of the gig economy expected over the next three to five years, HR will need to develop a contingent and digital workforce strategy to effectively manage and engage this expanding and complex workforce.
Changing operating models can be a large undertaking for some organizations who have not recently embraced change. For other organizations, the business-led approach is a natural strategic step in their company’s evolution. Regardless of an organization’s starting point, below are practical considerations for implementing a business-led people operating model:

**Three Practical considerations for implementing a business-led people operating model**

- **Develop a defensible case for change** to support digital innovation and investment in people tools and technology to engage the future workforce in a dramatically new way.
- **Develop a people strategy** that aligns to the business strategy and that places the people function firmly at the center of creating the employee value proposition.
- **Challenge the people function** to upskill its business advisors to be more involved in the business, serving as ambassadors to leadership selection and teaming.
- **Embrace the artificial intelligence and digital workforce revolution** and deploy RPA to remove routine tasks from the business advisor mandate to enable more people with leadership opportunities.
- **Expand the Communities of Practice concept** to include other disciplines, such as IT and finance, to round out the critical participants in the employee experience.
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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.

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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.

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