2019 HUMAN CAPITAL MANAGEMENT TRENDS

Perspectives on how technology
will shape the world of work

INTRODUCTION

The world of human capital management (HCM) is undergoing fundamental changes. As the tenets of HCM continue to evolve, digital technologies such as AI and predictive analytics are changing the way people work.

To help leaders navigate this evolving world, the Ceridian Market Perspectives team has identified the biggest trends of the coming year. These trends have been chosen based on continued market monitoring by the Market Intelligence team, including interviews and surveys of Ceridian's customers, interviews with industry experts within Ceridian, discussions at major HR technology conferences, interactions with leading industry analyst organizations, coverage of major industry developments, and analysis of the HR technology landscape.

C-suite and HR leaders need to understand these trends as they are likely to profoundly impact organizations in the years to come. Here, we explore these trends and how they affect companies in their journey towards a new age of HCM.

TOP TRENDS

A HOLISTIC APPROACH TO HCM

Holism – the theory that the whole is greater than the sum of its parts, and that those parts are deeply interconnected – will continue to gain popularity in the HCM world. Removing data siloes and taking a holistic, bigger-picture view of HCM practices is how leading organizations will drive long-term value.

The entire HCM spectrum

It's not a new concept that HCM is most powerful when siloes between its various areas – administrative HR, workforce management, and talent management, for example – are removed. But it's important to understand *why* it's important to have such a holistic HCM strategy.

Here are three key reasons:

1. Employees' needs and experiences at work often go beyond the boundaries of any single HR process. They expect HR services and technology to address their needs holistically, and not in a siloed manner (see "Consumerizing the employee experience" trend on p. 8).

2. The ability to access data across all HCM areas can be the basis of powerful and comprehensive analytics and insights.

3. Integrated talent management, unifying various processes such as recruiting, learning management, and performance management, is vital to drive employee engagement and productivity (for instance, providing employees with learning programs based on gaps identified in performance reviews).

Permanent and contingent labor

As the unemployment rate falls and the war for talent heats up, companies will increasingly find freelance talent attractive. In the midst of this transition, it's not wise to treat gig and permanent workers as separate entities.

A holistic approach to talent management across the contingent and permanent workforce will emerge as a winning strategy. With a single source of truth for the entire workforce and the skills they bring, leaders will have greater visibility and access to better data for smarter decision-making.

Global HCM

For companies operating on an international scale, visibility into the big picture is critical. They are dealing with elevated levels of regulatory complexity, and increasingly feel the need for HCM support (especially payroll support). It is no surprise that multi-country payroll (MCP) services are expected to grow rapidly in the next few years. Demand is rising for technologies that enable global HCM and payroll.

Three key drivers will continue to shape companies' holistic approach to global HCM and payroll:

EFFICIENCY

A single HCM and payroll solution can mean a single vendor or a single touchpoint across the globe. Employers are interested in removing the complexity that comes with managing multiple vendors, where that's possible.

VISIBILITY

All global payroll data is routed through a single platform, resulting in a complete view of data for reporting and analytics.

COMPLIANCE

A single vendor helps manage compliance complexity and supports the company in reducing risk.

INNOVATION THROUGH "ORCHESTRATED" HCM

Going forward, enterprises will increasingly look for holistic HCM solutions that also provide access to innovation.

Enterprises will continue to gain value from the comprehensive data and greater efficiency that holistic HCM solutions provide.

Increasingly enterprises must also look for solutions that, while being a single system of record for all HCM data, also provide access to a network of innovation, in areas of "edge" functionality.

Smart holistic HCM vendors are likely to respond to this demand for innovation by developing a network of partners, and providing easy access to that network. The vendor takes care of partner integration and pre-built integrators, developers' toolkits, single sign-on functionality, etc.

From a business standpoint, working with an end-to-end HCM platform that "orchestrates" this network of innovation provides more value and powerful insight than working with several point solutions. The data is up-to-date, and there's a single relationship to manage.

The implication for leaders? As the creator of your HR technology strategy, you are responsible for keeping the doorway to innovation open as your organization continues to evolve. As you think about what your HR practice looks like going forward, don't discount the importance of an end-to-end solution that, while providing a single source of HR truth, also provides access to innovation.

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THE EVOLUTION OF TALENT MATCHING

The process of matching candidates to jobs will become more refined in the future, thanks to innovative use of technology.

The problem of matching prospective talent with the right opportunities continues to be a thorny one.

Leading organizations are starting to leverage new technologies such as machine learning to improve specific areas of the talent matching process. These include optimizing job descriptions, enhancing the candidate experience, expanding the sourcing pool, improving effectiveness of internal sourcing, and eliminating bias in the recruiting process.

These efforts are being backed by innovative technologies such as candidate video assessments, social sourcing tools, chatbots (for example, to walk candidates through the application process), and predictive analytics to assess fit.

This supports the notion that skills are becoming the currency that drives performance and business outcomes.

In the future, HR practices could see talent matching evolve into a cloud-based, global talent marketplace, in which skills are categorized and standardized, and candidates are matched with the greatest efficiency using machine learning.

Not only would this reduce redundancies in identifying skills, but employers will be able to better engage and apply skills in their existing workforce.

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CONSUMERIZING THE EMPLOYEE EXPERIENCE

Consumerization in HR is about providing employees an experience at work that is comparable to their experience as consumers. Providing a consumerized platform to employees is no longer a "nice to have" – it is considered table stakes, and this trend is expected to accelerate in the coming years.

From a process and technology investment perspective, leaders need to elevate the employee experience so that it is:

INSTANTANEOUS

In this age of instant gratification, HR services should be instant – unnecessary waiting periods need to be removed. On-demand pay is a key example of how this element of consumerism is coming to life in the market.

PERCEPTIVE

Employees should be given a voice and their opinions should be respected. Tools and processes that allow for feedback to be submitted, received, and acted upon will gain popularity.

PERSONALIZED

HR's approach to employees shouldn't be one-size-fits-all. Personalizing HR, or as Gartner defines it, creating relevant, individualized interactions, enhances the employee experience. The experience should be relevant and responsive to changes in each employees' situation, recognize their unique needs, and use knowledge about them to personalize their experience.

INTEGRATED

Provide a technology experience that is employee-centric, not process-centric. If an employee needs to, for example, apply for leave, it may affect several different process areas. But employees shouldn't have a disjointed experience of logging into different systems or speaking to different helpdesk agents to accomplish what they need.

INTUITIVE

Consumer brands are successful when they understand their customer journey, and make it easy for customers to interact with their brand across channels. The same thinking applies to HR. User experience matters. Tools and user interfaces should be user-friendly, and easy for employees to consume.

ACCESSIBLE

Simply, employees should be able to access HR services and technologies easily, especially via mobile devices. Removing barriers to accessing information, which makes the experience seamless for employees, also promotes a more inclusive workplace culture.

ELEVATING EMPLOYEE ENGAGEMENT, WELLNESS, AND PRODUCTIVITY

Employers will seek to understand the ROI of engagement and wellness, and the connection between wellness and productivity. To do this, they will prioritize establishing clear definitions and measurable metrics for these terms.

Elevating employee engagement, wellness, and productivity is quickly becoming one of the primary objectives of HR.

Per Gartner, employee engagement is the state of mind of an employee in which they are both rationally and emotionally committed to their work as a result of their past events, present experiences and expectations about the future with their organization.

This state motivates them to put energy and effort into their work beyond the minimum level required to "just do their job" and stay longer with their organizations. Clearly, better employee engagement leads to better productivity and retention, and hence, better business results.

We will see leading organizations trying to measure and improve employee engagement. Tools and solutions that enable this, such as survey tools, continuous performance management solutions, sentiment analysis solutions, and organizational network analysis (ONA) tools, will see rising adoption.

Employers have also realized that a healthy workforce is a productive workforce and are increasingly prioritizing employee well-being in their HR strategies. In coming years, in order to make the idea of "wellness" tangible and to understand the ROI of wellness programs, employers will focus more closely on tracking the connection between employee wellness and productivity.

Technologies that enable wellness and measure its impact on productivity will therefore be popular. These include tools and systems to measure, monitor, and improve health parameters (a potential area of application for Internet of Things or IoT), self-assessment tools, coaching programs, etc.

To further bolster productivity, organizations will put a greater focus on tools to support better team collaboration (see "The rise of teams" trend below), such as flexible and real-time communication and consumerized mobile interfaces (see "Consumerizing the employee experience" trend on p. 8).

GROWING FOCUS ON DIVERSITY, INCLUSION, EQUITY, AND PRIVACY

Diversity and inclusion in the workplace will only continue to grow in importance for organizations, as it becomes not only an HR program but a business strategy.

Diversity has been proven to not only enhance an organization's innovation, but also improve its financial performance.

With related social and cultural movements gaining strength, companies are looking for ways to recruit and retain diverse talent and incorporate inclusive talent management practices as part of a larger organizational strategy that impacts business outcomes.

Technologies that can enable companies to achieve this objective are gaining popularity in the market. For example, startups such as mobile job matching app Blendoor and diversity and inclusion platform TalVista got considerable attention during the Pitchfest at HR Tech Conference 2018.

Many employees also expect companies to do more than simply adhere to regulations in the workplace, with some employers committing to take the extra steps to ensure they achieve equity in the workplace.

Companies will increasingly focus on measuring and closing wage gaps by gender, race, etc., by leveraging the right technology and adopting the right compensation practices.

Further, employees also expect companies to take their data privacy, stewardship, and security commitments seriously.

As regulations tighten (e.g. GDPR), companies will need to shift their focus from complying with individual laws to a broader approach related to overall privacy compliance. They will need to continue building on their privacy programs as more countries develop requirements in this area.

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THE RISE OF TEAMS

Two key things are driving the rise of teams: the way employees' work is changing, and companies prioritizing agility and rapid innovation. To support this, organizations are redesigning their structures to be built around teams.

According to leading HCM industry analyst Josh Bersin, the team is now the fundamental organizational design principle of a company, replacing traditional hierarchical structures.

To meet the changing demands of a volatile business environment, many organizations already have teams coming together for a project, collaborating across departments, and then disassembling after completion.

Companies are, increasingly, feeling the need to support and enable these team dynamics and improve collaboration – and technology with these functionalities is therefore critical at this point.

HR leaders will play a key role in enabling and improving team collaboration by understanding how workplace factors shape team processes.

With this in mind, organizations will need to focus on establishing a quick and easy onboarding of permanent as well as contingent workers onto new project teams, managing new learning requirements for projects, managing project team disassembly, etc.

HR leaders will play a key role in enabling and improving team collaboration by understanding how workplace factors shape team processes.
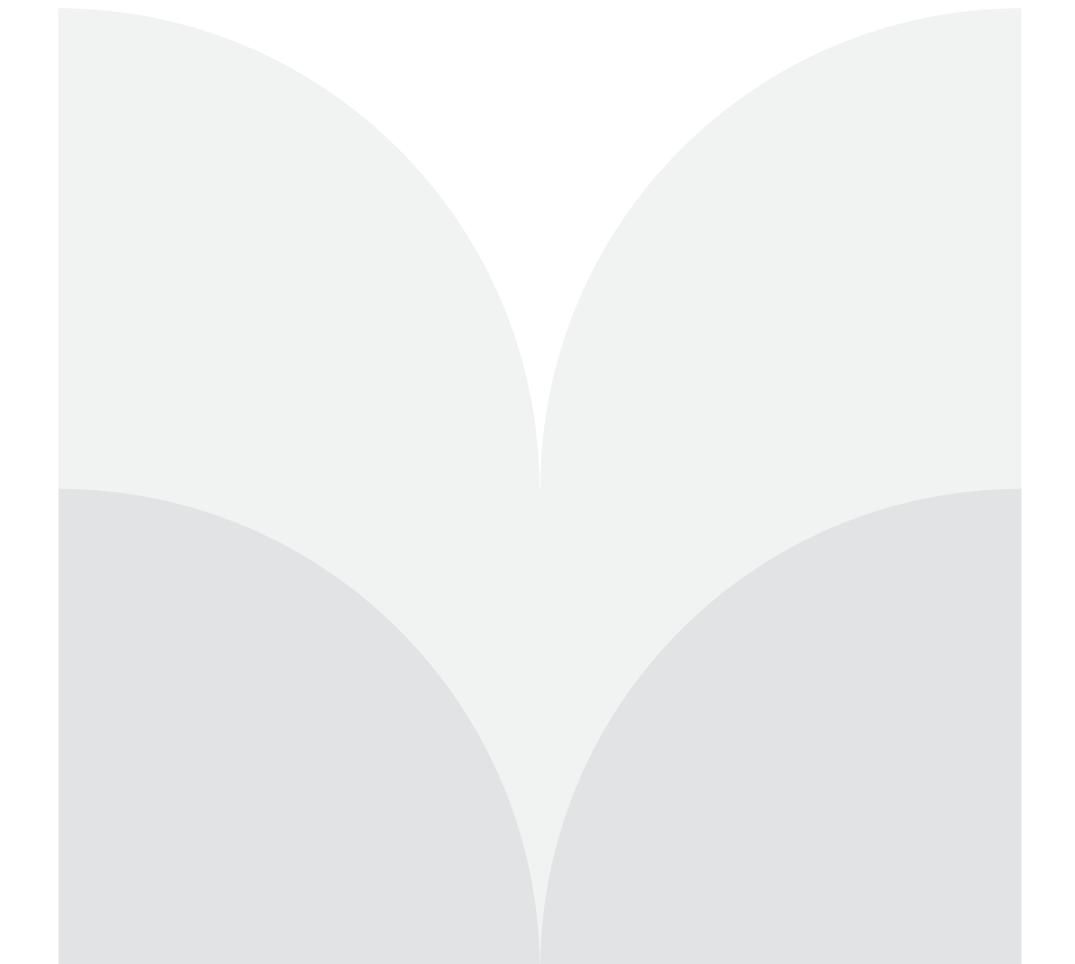
AN ELEVATED EMPLOYEE LEARNING EXPERIENCE

Today's employees want a learning experience similar to that of their content consumption experience (for example, YouTube or Netflix), and more traditional learning management systems (LMS) were not designed for this kind of use. In a bid to improve engagement and the effectiveness of their employee learning programs, companies will increasingly shift to a new kind of platform.

A new category of software for employees is emerging, called the Learning Experience Platform (LXP), which features the following key characteristics:

Content creation, curation, and aggregation

Curates and recommends content based on role, experience, goals, and interests.

Social and experiential learning

Lets employees publish, share, and discuss content they find useful, and encourages collaboration and knowledge-sharing.

Smart technology

Uses data, AI, and machine intelligence to recommend, nudge, and push content to people based on the skills they want (or need) to develop.

Trigger-based learning

Suggests learning based on need. For example, when an employee gets promoted, changes roles, or joins a new project team, LXP suggests learning that can bridge his or her skills gaps.

Micro-learning

Provides learning in short bursts as opposed to long courses, and only surfaces the content that is needed at that point, often within the flow of work.

Integration with performance management

Identifies skill or knowledge gaps based on performance reviews and recommends learning programs.

Gaming-based learning

Provides an experience based on Virtual Reality (VR) or Augmented Reality (AR).

NEW AND MORE POWERFUL USES FOR PEOPLE ANALYTICS

Many organizations have crossed the pilot phase of people analytics, and are planning scaled deployments of powerful new programs.

Newer forms of analytics are gaining ground, which include:

PRESCRIPTIVE ANALYTICS

Not only predicts key HR parameters such as attrition levels, candidate fit, learning requirements etc., but also suggests actions managers could take in response.

BENCHMARKING ANALYTICS

Some HCM vendors are using their customers' real data in their platforms to provide contextualized (and anonymized) benchmarks to customers, as opposed to relying on third parties for reported data.

EMBEDDED ANALYTICS

Users can access analytics within their HR system – they don't need to leave their workflow and access a separate, complex Business Intelligence (BI) system.

SENTIMENT ANALYTICS

Measuring emotions of employees by analyzing various sources of data such as emails, intranet, performance conversations, etc. and using them as inputs to employee engagement measurements.

ORGANIZATIONAL NETWORK ANALYSIS (ONA)

Per Deloitte, ONA is a structured way to visualize how communications, information, and decisions flow through an organization. ONA can help leaders build more collaborative organizations, identify roles and people that have a disproportionate impact on the organization's performance, and use talent more effectively.

People analytics is most powerful when it is pervasively used in an organization. So, HR needs technology that encourages voluntary, uncoerced usage among managers, through personalized nudges or recommendations.

We'll also see HR leaders thinking more deeply about the challenges associated with people analytics, for example:

How do you manage privacy challenges? How do you upskill the HR team to leverage gains from analytics (such as asking the right questions, interpreting results accurately, etc.)? How do you make sure that overheads (e.g., obtaining and cleaning data) do not inordinately burden the team? How do you measure return on investment (ROI) for your business?

ARTIFICIAL INTELLIGENCE IN HR

There's been much conversation in recent years about the opportunities and potential challenges associated with AI in HR, and it will continue to be a major force in HCM transformation.

AI is reshaping the way companies manage their workforces and make HR plans.

Though General AI – human-level intelligence that can experience consciousness and act across broad situations – will likely be the stuff of fantasy for years to come, Narrow AI – human-like intelligence and understanding in a specific area – will see significant uptake this year.

The greatest impact in the near term appears to be AI used to augment the actions of humans, rather than to replace them. AI has the potential to dramatically improve HR effectiveness, helping employees do their jobs easier and faster, helping managers make smarter decisions, and predicting and recommending future courses of action.

Applications of AI across the HCM spectrum are far-reaching, for example: using AI-powered predictive analytics to improve payroll accuracy; providing smart decision support for employees as part of benefits administration; improving HR service delivery (such as help desk and case management functions) through smart chatbots or conversational user interfaces; or accomplishing workforce management functions such as approving/rejecting timesheets and leave requests without manager involvement.

HR practitioners have recognized that simply pursuing "the next big thing" isn't going to better the employee experience or drive business performance. A sign of rising maturity around the treatment of AI is the growing understanding that AI needs to be adopted with care.

Some key challenges HR leaders may deal with? As AI involves large amounts of data, if that data is inaccurate or tainted with bias, the AI's output will reflect those shortcomings.

Additionally, many current AI solutions are black boxes – it is hard for human users to understand exactly how they create their outputs. That creates challenges in making corrections and assigning accountability. Investments to make AI effective, bias-free, and explainable will likely grow significantly to address this challenge.

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LOOKING TO THE FUTURE OF HCM

These powerful trends are changing the way HR works. There are significant upsides to tackling these changes, but also massive risks to getting caught unaware.

For future HCM success, it's imperative that organizations take key steps to be more strategic. Critical actions include accessing holistic HR data, enhancing employee engagement with smart and personalized technology, and reshaping the fundamentals of HR processes.

As these trends shape the future of HR, a strategic approach to HCM that connects HR outcomes to business results, powered by technology, is likely to help companies win the war for talent and gain a competitive advantage.

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