
The Future of the **HR** Profession

Eight Leading Consulting Firms Share Their Visions

for the Future of Human Resources



The Society for Human Resource Management (SHRM) is the world's largest association devoted to human resource management. Representing more than 165,000 individual members, the Society serves the needs of HR professionals by providing the most essential and comprehensive set of resources available. As an influential voice, SHRM is committed to advancing the human resource profession to ensure that HR is an essential and effective partner in developing and executing organizational strategy. Founded in 1948, SHRM currently has more than 500 affiliated chapters within the United States and members in more than 120 countries. Visit SHRM Online at www.shrm.org.

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Introduction

Over the course of 2001, the Society for Human Resource Management (SHRM) conducted *The Future of the HR Profession* study to document perspectives on the changing nature of the human resource profession. This report represents perspectives from management consultants that work with HR professionals in multiple industries, both nationally and internationally.

Methodology

The following consulting firms participated in this study:

Accenture
 Arthur Andersen
 Hewitt Associates
 William M. Mercer, Inc.
 PricewaterhouseCoopers
 Resources Connection
 Towers Perrin
 Watson Wyatt Worldwide.

Each firm selected the individual consultants who participated in the study, based upon the range of their experience in the firm's HR-related practice groups. All participants responded to the same set of questions, as follows:

- What is the most compelling work in HR today?
- What skills/experience are necessary for the successful HR professional today?
- Within the next decade, what are the primary workplace issues and challenges facing the HR profession?
- Will the way in which HR work is accomplished change significantly in the next decade?
- What are the opportunities for forward-thinking professionals over the next few years?
- How will outsourcing play a part in the future of HR?
- Will the HR profession survive in the next decade? If not, how will it be replaced?
- What are the indicators (e.g., economic, technological, political, environmental) that support your firm's vision?

This document provides the full narrative response from each firm to individual study questions. However, the responses are blind, i.e., not attributed to specific firms.

Data Summary

Participating consultants provided SHRM with their insights about the human resource profession, based on their experience with numerous client companies. Collectively, these consultants have worked with hundreds of businesses in every stage of development—from some of the world's largest, most sophisticated organizations to venture-backed start-ups. They have also experienced the evolution of their own firm's practices to better align with changing client needs. All of these experiences provide considerable breadth to the study.

Study results indicate a clear consensus that there are two primary drivers of change in HR: technology and talent management. Specifically, continuous innovations in technology will fundamentally change the way HR work is accomplished. Further, talent management will become a critical priority for the nation's businesses—and the strategic purpose of HR's future role within organizations.

While there is consistency in the broader themes found in the study results, there are subtle differences as well. The highlights of the study are found in these differences, providing new insights about the profession and potential strategies for HR professionals in all stages of their careers.

A summary of the key themes is as follows:

- The impact of technology on HR's work cannot be underestimated. The three most important catalysts for change include 1) employee self-service through web-based portals, 2) increasingly sophisticated call centers and 3) aggressive new entrants into the outsourcing market. Technology not only frees HR from administration; it also provides the vehicle to leverage information about the workforce. Equipped with hard data, HR can know more, do more and be better business advisors.
- The need for effective talent management has enormous implications for HR professionals. Broadly defined, talent management is a company's ability to attract, retain and motivate employees. While talent management has always been part of HR's mission, a combination of demographic and market forces will bring new urgency to cultivating a workforce that offers true competitive advantage.
- The relationship between employees (their capability, commitment and satisfaction with the employer) and a company's

ability to gain market share has been an intriguing management topic for at least two decades. While several highly successful companies correlate their success directly to investment in employees, few organizations focus on the drivers affecting employee performance. Some employers now believe that a more powerful link exists between their employees and their brand identity than was ever possible to achieve through an advertising campaign—thus creating new relevance for HR's role in these organizations.

- There are outsourcing alternatives for every product and service now delivered by HR, including the option to outsource the entire function. HR must rigorously determine where it can add differentiated value by keeping a product or service in-house and where outsourcing offers a stronger product, delivered more efficiently. Yet, outsourcing decisions must be part of a company's overall people strategy. The delivery of HR services is one of the fundamental ways a company connects with employees. Companies need to be deliberate about reinforcing bonds with employees and not relinquish any important opportunities to vendors.
- Some of the most elusive work for HR has been finding a means to quantify its value and contribution in financial terms. In the absence of such measures, cost-cutting becomes the metric most typically applied to HR. Developing the measurements to quantify results in terms of impact to the bottom line is the only way for HR to shift the cost-cutting paradigm. When seen largely as a necessary administrative expense, HR will not get the investment dollars necessary to enhance the caliber of its people, technology or programs.
- The top HR slot is no longer reserved for the career HR professional. Increasingly, business experience, coupled with highly developed consulting skills, is the requisite background for senior HR roles. While there will always be a need for seasoned technical experts, in-house business partner roles require real business understanding and the ability to formulate and deploy HR strategies aligned with business objectives. Critical roles also exist for senior level finance and technology professionals within HR. Marketing professionals can play a valuable role on the HR team, applying marketing strategies to better understand and address the needs of employees.
- Where will the next generation of HR professionals come from? Most of today's professionals came up through the ranks of in-house HR departments, where training is largely "on-the-job." This environment has provided the opportunity for professionals to specialize in specific HR disciplines or achieve a level of mastery across disciplines. This career path is likely to disappear. As in-house HR departments outsource

more to specialty firms, the entry point for HR careers will be with vendors or consulting firms, creating more specialists than generalists, in the future.

- Among the key environmental factors identified as impacting HR's work are:
 - **Demographics**—An aging population, coupled with a shortage of qualified talent, particularly in hi-tech and the sciences.
 - **Technology**—The workforce will grow increasingly less traditional and "distributed" on a national and global basis. Connecting employees to the goals of the company is incrementally more difficult in this environment.
 - **Economics**—The relentless pressure for profitability will propel organizational change through continued mergers, acquisitions and strategic alliances.
 - **Globalization**—The growth of the world economy will create new competitors, new labor markets and require more sophisticated skills in managing and operating global businesses.

Conclusion

One of the questions SHRM posed to study participants concerned their view of HR's most compelling work. Based on the ease and energy with which this question was answered, it's evident there is no shortage of challenging work for HR professionals. From our consultants' perspective, HR makes its strongest organizational contribution in the following ways:

- *As Strategic Partners*, HR professionals are integrated within lines of business, working with executive teams to create people strategies that deliver tangible results.
- *Optimizing Total Rewards* is a way for HR to work with senior management to find the right combination of pay, benefits, environment and learning opportunities to engage employees and reinforce company culture.
- *Achieving Flawless Execution in Employee Transactions* is a primary role for HR. Outsourced administration or no—HR is accountable for the quality of service, accuracy and speed of employee-related processing and transactions.
- *Developing Metrics*, to quantify in dollar terms the value HR initiatives bring to the bottom line, is the best way to ensure future investment in the HR function.

Will human resources survive in an environment where new technologies replace many core functions and outsourcing vendors compete aggressively for HR roles once found solely within an organization? Right now, there are two things we know for sure: HR *issues* will always exist; and there will

always be a place for talented people who understand business, organizational dynamics and the levers to maximize employee performance.

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SHRM's *The Future of the HR Profession* study provides the views of management consultants who work closely with human resource professionals across all industries. This is an important constituency with a dynamic view of HR's changing role within organizations. SHRM would like to thank the following consultants for the benefit of their insight and experience.

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What is the most compelling work in HR today?

Firm 1

HR professionals who have the business acumen to contribute to business strategy at the highest organizational levels are leading the shift in the HR profession from administrators to strategic advisors. Those HR professionals who understand the language of business, who speak in financial terms and who express the value of their work in relation to its impact on the bottom line make HR a compelling component in strategy discussions. A CEO quickly connects with the head of HR who can present an investment and return, rather than an expense view of the function.

Currently, the only real metric established by HR to measure its work is cost-cutting. The “people” side of the financial equation is the last frontier and science of HR. Costs are easily measured, but the “soft” issues are much more difficult to capture. How does HR establish metrics to quantify the value added by the function? Doing so requires HR professionals not only to understand the business, but also to know how to develop strategy and to execute. How many HR leaders could answer, with precision and content, the following questions about their company:

- Where is the business going?
- What are the measures of success, i.e., business drivers?
- How is the business performing on these success measures?
- What are some of the key challenges faced in achieving success?

After answering these questions, HR professionals should then frame their work as business partners as follows:

1. What are the business issues that require partnership from HR, i.e., the people implications of business strategy?
2. What is the HR strategy that addresses these business issues? What are the skills needed? Specifically, how do you do it?
3. How do you measure the impact of the HR strategy on the business success measures?
4. How will the strategy be executed?

Firm 2

There are a number of areas where HR is involved in compelling work, including the following:

- **Globalization**—HR is starting to become very involved in the globalization of companies. Previously, even those companies that had a truly global presence would focus on the

operational aspects of setting up international businesses. The question was: “How do I go into another country and operate?” or “What are the laws and regulations that I need to be concerned about?” Now, the questions are all about moving talent across borders and doing this successfully. Whatever is taking place in HR is now a global issue.

How do you define global HR? Does it simply mean policies for a specific tier of employees? Or is it strategies that have the power to add to the bottom line? Such strategies build a culture that pulls employees together, creating a brand that is consistent throughout the world. Right now, there are a few great examples of companies that have leveraged their “employee” brand on a global basis. These companies are distinguished by their human capital. Their employees’ values, culture and behavior create a highly consistent customer experience throughout the world. More typically, companies have tried to deliver the brand through advertising. But the real exponential impact comes when an organization’s people are the brand.

- **Flawless execution**—All of the transactional work that HR does is compelling. Transactions and processing related to employees are critical to an organization. These transactions have got to be done absolutely right—zero defect. Keeping things running well is a primary role for HR.
- **Strategic positioning**—In many HR functions, the focus is cost-cutting. HR not only facilitates the elimination of head count from business units but also continually takes costs out of its own function. HR is particularly adept at finding ways to do more with fewer people. The real challenge for HR is to break the cycle of cost-cutting by determining how to add recognized value to the organization.

To do so, HR must first transform itself operationally. This means making the right decisions about what to keep in-house, and what to outsource or do by using other delivery channels, such as shared services. All HR processes should be flexible. There also needs to be a shift from an internal to a business focus. For example, a critical HR initiative should be finding sources of future talent for the company.

There is a gap between HR’s functional perception and line management’s perception—a disconnect between what HR now does and what CEOs want. HR must do the organiza-

tional research necessary to drill down and find out where gaps exist—then identify strategies to eliminate them. HR functions that do not do this strategic work will continually default to transactional issues.

Firm 3

There is no shortage of compelling work for HR professionals in today's business environment. We see two primary factors shaping these opportunities: technology and talent management. Each demands a transactional and strategic response from HR professionals.

As all of us are aware, technological innovations for HR are moving at a rapid pace, with particular impact on shared service models and outsourcing options. The role that technology can play in helping HR professionals to capture and manage information—both mundane and strategic—is staggering. And we are only at the beginning. Think about the possibility of system triggers for information about the workforce. As technology becomes more advanced, it could create different triggers. For example, a manager just fired three people. The system could potentially give HR information on what to expect or change as a result of these terminations. Previously, success in HR meant either a valued coaching relationship with senior leadership or a strong administrative function. By leveraging technology in new ways, there is the potential to marry these functions and create an HR function that effectively services both the administrative and strategic needs of the organization.

The other primary force, the need for effective talent management, also has huge implications for HR professionals. At the heart of talent management is the process of defining and identifying the “valued employee.” While CEOs of large organizations tend to think of valued employees as senior management layer (the “top 200,” for example), our experience suggests that the focus should be much wider. In fact, we think of valued employees as meeting one or more of three key criteria (regardless of their level). Either they have critical skills (such as IT or product development), or they are high performers, or they are “high potentials,” which would include those who may be central to helping the organization meet its diversity objectives. Furthermore, the issue is not simply one of retention, which may become a less pressing concern in a down economy, but rather of true engagement and the notion that every employee is essentially a discretionary investor in the mission of the company. The challenge for HR, then, is how to help the line to stimulate the maximum possible investment from valued employees.

Once again, technology (chiefly, universal employee access to the Internet) presents both challenges and opportunities with

which HR must reckon. The Internet offers a low risk, low cost, confidential environment for employees to explore job opportunities. This is a new reality. And while it means that employers have access to a much broader group of potential employees, it also raises the stakes when it comes to retaining valued employees and delivering the “compelling offer” that will keep them engaged.

The good news is that there are a number of emerging tools that can help HR professionals rise to the challenge—each of which creates a compelling role for HR. This work involves quantifying how employee performance with customers impacts bottom line financial performance. It is determining the competitive competencies/skills that will translate into a different (and improved) experience for the customer. Once a company identifies these factors—whether they are embedded in programs, systems or messages (and usually they are a combination of all three)—it must then determine how best to “brand” them and inculcate them throughout the culture.

Another significant area is the package of benefits, pay, work environment, and learning and development programs that the organization offers. What is the optimal mix and company investment in each of the four areas that will motivate employees to, in turn, “invest” in the organization? What do employees really value and what trade-offs are they willing to make? And here again, web-based technology has helped to make the measurement systems for this type of analysis feasible and affordable for most organizations.

Ultimately, when it comes to rewards, it's clear we're headed toward a much higher level of “customization” than we've seen in the past, again because technology makes it possible to design and administer these increasingly complex reward schemes. As people get used to the kind of customization available on the web, employees will expect that they can craft a more individualized “deal” with their employer. This will be particularly true for younger workers.

All of which means extremely compelling—and vital—work for HR.

Firm 4

There is a great deal of compelling work going on in HR today, including the following:

- **Strategic opportunities**—As more Fortune 500 companies restructure, forming companies within companies, integrating new acquisitions and forming strategic alliances, many new HR models are being created to support these businesses. HR is playing a key role in setting up new organizations and applying the best of their experience to these new companies.

- **Partnering with executive leadership**—When HR personnel contribute at the strategic level, they become partners with executives in setting up the organization and its people strategies. While this tends to blur the lines between HR and the business, it promotes a new level of partnership between HR and management.
- **Technology**—Significant advancements in technology continue to free HR from the administrative role, providing more opportunity to focus on strategy. Increasingly uniform standards for systems language are being created, in large part, to enable companies to “plug and play” without major systems conversions. Even small companies could access sophisticated HR solutions through such developments.
- **Measurement**—For several years, HR has struggled to develop standard measures of its effectiveness, with limited success. The Internet now provides desktop access for benchmarking on a global basis. New management portals will give managers broad access to information about their workforce as well as the ability to compare this information with a multitude of performance indices—nationally and globally.

Effective measurement is essential in an era of outsourcing, where HR is at the “nexus of treaties.” This means having standard criteria to measure the value delivered by outsourcing arrangements. Further, the number of employees working on a contract basis or off-site, i.e., a “distributed workforce,” makes new means of performance measurement a necessity.

How does HR stay focused on the compelling work? It requires leadership from the top. The best HR executives have an agenda derived from the company’s business objectives. These executives focus on a few strategic priorities. HR leaders who are driving business results also marshal the efforts of their own senior team. When HR is organized into functional silos, e.g., compensation, benefits, training, etc., the HR executive can over-rely on balancing resources and priorities within the function. This is a trap. It takes real leadership to develop a business-based HR agenda and a high level of discipline to execute this strategy.

Firm 5

(Firm 5 conducted focus groups with a cross-section of the firm’s consulting staff to answer this question.)

Focus group results concluded that compelling HR work is:

- Being part of the “executive team”
- Developing HR strategy
- Developing performance metrics (HR and balanced scorecard)
- Building designs to link employees to business strategy

- Employee self-service
- Recruiting
- Vendor management
- Workplace portals
- Total reward competitiveness
- Linking HR designs to regular organizational sensing.

Firm 6

It really is all about “ARM”—Attract, Retain, Motivate. For the foreseeable future, there is a greater demand for talent than supply. Despite recent employment market trends, which have put more talent into the available workforce, companies are still challenged with attracting the “right” employees. Conventional thoughts of employee loyalty are not returning. However, once employers identify the “right” employee, they are working harder at retaining that valuable human talent. There is now a much greater appreciation for motivating, challenging and developing good employees. Why? Financial resources, quality and intellectual capital are lost in a revolving door. HR leaders are challenged with creating strategies to support the goal of retaining good people. It may sound easy, but it is difficult and deliberate work. It is also work that requires time—it is a process. There are many examples of companies that focus on developing their human assets or becoming an “employer of choice.” These companies put tremendous effort into the employment process and have a strong commitment to the continuous development of their people. These companies also tend to be the most successful.

Other compelling work for HR professionals is the role HR plays in M&A, integration and in making transactions successful. Combining two companies is much more than creating one streamlined cost structure. It is managing the integration of benefits, compensation, systems, etc., and, most critical, the homogenizing of multiple cultures into the new company. HR can’t accomplish this alone but should be an integral part of strategy development and planning. It is because HR is not at the table, and the impact of cultural issues is not fully understood and accounted for, that many mergers fail.

Finally, HR professionals must continue to be functional experts and deliver consultative-level services to their operations and businesses. In spite of proliferating automation and outsourcing, HR expertise is still critical to the effective running of any business and can only be delivered by the HR professional.

The partnership between leaders who are committed to their workforce and HR professionals who understand the

drivers of the business is incredibly powerful. It is this combination that creates compelling work for HR.

Firm 7

It is compelling and exciting when businesses step outside the box and take HR out of the box. In such companies, there is no longer an “HR Department”; it is more of a confederacy. HR is a shared responsibility where many people have HR as a component of their job.

As a result of technology and the Internet, the world is now made up of networks and alliances. There are endless possibilities for collaboration, consortiums and outsourcing. HR can leverage technology to enhance its ability to be business partners. HR need not be a separate function from the business, but can and should be physically part of the business.

For senior HR people, compelling work is getting the message through to business leaders that fundamentally, “every issue is a people issue.” HR professionals who actively coach executive leadership to understand that every decision is about “people” add real organizational value.

Two recent examples of innovative HR work include:

- A group of banks, all located in the same geographic area, had extensive hiring needs. Together, they formed an alliance and retained one search firm to handle the hiring for all of the banks. Although they were competitors for talent, they organized a unified, national search that met each organization’s needs and was efficient and cost-effective.
- Some organizations grapple with how to make the most productive use of contract or temporary employees. Increasingly, organizations opt for contract employees—but how do organizations treat these contractors, who are often highly skilled professionals? Firms are now “renting people” for periods of time. This is a real shift in the employment paradigm. Certain employers are recognizing the need to rewrite the employment contract to account for “renting” specific talent for a critical period of time.

Firm 8

HR has been evolving over the past couple of decades, but it still has a significant way to go along the continuum. While there are some notable exceptions, the most compelling work in most HR functions is cost management. HR administers employee transactions, ensures compliance with relevant laws and regulations, and works at cutting costs. In these cases, HR is necessary and important—but not particularly strategic.

More advanced HR functions are trying to add value directly to line business organizations. These HR groups rec-

ognize that the only differentiating factor in company performance is people—and are finding welcome roles as change managers within business units.

Following the terrorist attacks on September 11, HR played a therapeutic role within companies. HR is well positioned to help management get through this and other crises. HR has access to the kinds of resources that will help employees deal with these events on a personal and professional level—with the objective of getting people refocused on their work. A crisis such as September 11 has made management realize that people are fragile resources. HR should take hold of this opportunity to partner with management and translate these efforts into more and better ways of adding value to the business.

On a practical level, many people will be claiming disabilities related to the tragedy—some legitimate, some not. Dealing with these claims is not glamorous work; but it is important.

What skills/experience are necessary for the successful HR professional today?

Firm 1

There are five critical skill categories:

- **Business skills**—HR professionals must understand the dynamics of business and possess the financial acumen to assess and communicate how HR strategies impact the bottom line. Project and process management skills also fall within this broad category.
- **Leadership skills**—HR professionals must have the ability to create a vision and strategy and to ensure the alignment of the organization with the strategy and the ability to manage and motivate a team.
- **Consulting skills**—Truly effective HR professionals develop their consulting skills, with a focus on the ability to market their work within the organization. Cultivating an executive presence through progressive experience working with senior business leaders is also important.
- **Technology skills**—HR professionals must develop a proficiency in broad HR applications and their potential delivery systems. They must be able to apply this knowledge to the business-planning process.
- **Global mindset**—Business is increasingly global, requiring HR to understand the dynamics of the global marketplace. HR leaders should cultivate a staff that is multi-lingual and has direct experience working in other cultures.

Firm 2

Most HR professionals now work at the transactional level but are moving toward more strategic work. HR business partners have a real opportunity to contribute strategically when they understand business needs and priorities and can create the people strategies to deliver what the business requires. Business partnering skills are really consulting skills—which include active listening, asking the right questions and feeding back to the management team. This is a different level of behavior for HR and quickly begins to change the perception of the role.

Competencies for business partners include a passion for business, speaking the language of business and translating business needs into effective people strategies. The ability to challenge business leadership and to assume responsibility for directing people strategies is essential. Finally, HR must be able to effect and manage change.

How to build the skill set? This is a new dilemma for the profession. Junior HR people are now more likely to get their start in outsourcing organizations, where they will learn a very specific skill set. Companies looking for strategic HR talent are now beginning to compete for consulting talent. They are looking for people who can see across many areas. These broad consulting competencies include:

- Strategic orientation and capacity to visualize programs
- Business experience and understanding
- Ability to challenge and influence at the peer, management or board level
- Innovating practical solutions
- Leading and managing change.

Firm 3

There is not one model for the successful HR professional. Like the business itself, HR requires many different kinds of people with different skill sets. However, if we think again about the factors shaping HR requirements today—technology and talent management—there are several core skills that are perhaps the most important.

First—and this is in large measure a product of HR's successful bid over the past 10-15 years to gain a seat at the senior leadership table—all HR professionals must have basic business knowledge and skills. Fundamentally, they need to know how the business makes money. The role of HR, then, is to help answer the question of what role people play in making the business successful and, although it may sound crass, how best to improve the organization's "return on people." There must be a sound business reason for spending more on the workforce and it must be based on enhancing the top or bottom line. Of course, these skills are especially valuable to top HR leadership, but they also serve to enhance the credibility and effectiveness of the HR professional working side-by-side with the line.

Also critical are real consulting skills, which are very different from the traditional transactional skills. Consulting skills help the HR professional identify real organizational problems—the "root cause" that may underlie the presenting problem. Without this level of analytical rigor, HR programs and initiatives can be misdirected, failing to address the systemic issue and in some cases exacerbating the true problem.

Serving in the role of a consultant also means knowing how to negotiate and how to coach, a must-have skill when it comes to helping the organization drive and sustain change. In essence, it's about developing buy-in so that a project can move through the organization and have real impact.

For senior HR executives, leading HR can mean having the skills to move the HR function away from “customer service” toward “customer focus.” A customer service orientation is short-term: “What do I have to do to meet expectations today?” Customer focus means asking: “How can I move the HR function in a new direction over a period of time?” It is seeing the future first—thinking beyond the immediate needs—and doing it in the context of what will make the overall business more successful.

Of course, there remains a need for top HR staff to understand executive compensation and benefits. The senior HR executive often has accountability directly to the company's board of directors for compensation, benefit and equity plans. While this role is often highly transactional, for some it may also be a unique point of access through which the HR VP can share his or her vision for the strategic role of human resources.

There are also nontraditional skills that are becoming increasingly important for HR. Specifically, most HR groups now have people with deep technology experience. These individuals should possess skills on par with the best of the IT organization. There is a similar requirement for financial analysis skills. HR must have the capacity to go “one-on-one” with Finance.

Looking ahead, we also see opportunities for HR to capitalize on the learnings of other disciplines. For example, is there something to be learned from supply chain management about how to shorten the cycle time from new hire to an employee at full competency? Or what about marketing? Can we improve outcomes by applying market research and customer segmentation techniques to the HR product/service design process?

While these are merely examples, they make the point that the HR skill set—regardless of one's level within the function—grows increasingly broad.

Firm 4

Functional HR experience is no longer the direct route to the most senior HR positions. Increasingly, Fortune 500 companies are making nontraditional choices for the top people strategist. A track record of business success, based on developing creative and innovative human capital solutions, forms the most powerful resume. Why? Today's business requires

HR solutions that are without precedent. In this environment, a desirable skill set includes:

- Broad problem-solving ability
- Systems thinking
- Solid business background
- Technology understanding
- Comfort with ambiguity.

These skills, coupled with an ability to recognize the high leverage points for HR, predicate success for HR professionals.

How do people get these skills? There is no single answer. In general, the most relevant kind of training corresponds directly to seeking out complex problems and working as part of the business team that solves them. It is a combination of specialist and generalist experience. This is a way for HR professionals to really understand both the business and people pieces of a problem—and learn to pull it all together.

Outsourcing will change the nature of many HR positions. In some ways, HR has become bifurcated. Depth of professional knowledge may reside externally; while internal HR plays more of an “integrator” role. Some positions may become more operational, requiring HR professionals to routinely make technology decisions, understand process improvement and be skilled negotiators. Marketing skills would be desirable for the integrator role. It would be very helpful to have a marketing mindset when positioning a company to attract talent. Internally, marketing can mean creating an experience or environment that becomes a competitive advantage. There is also an opportunity to apply customer segmentation techniques in delivering value to certain employee sets.

Firm 5

Business acumen and the ability to translate business strategy into effective HR strategy are the skills most desired by business leaders of their HR partners. This direct experience validates focus group outcomes identifying the following capabilities:

- Leadership skills
- Business literacy—an understanding of the business
- Facilitation and negotiation skills
- Analytical skills
- Ability to design and administer programs from a client's perspective
- Continuous learning orientation
- Flexibility
- Ability to leverage technology and information systems
- “Bottom Line” thinking.

Firm 6

HR professionals need to be able to present the business case for HR. They must have a business orientation, understand and be conversant in finance, sales, marketing, manufacturing, etc., and know how HR fits into the business' strategic goals. All lines of business must be able to express their value through effective measurements—HR is no exception. So, knowing how to develop practical metrics to measure results and support HR initiatives is critical. Additionally, as HR evolves to more of an “internal service business,” the development of consultative/customer service skills is important.

Currently, there are few HR professionals who combine both business depth and functional expertise. This is a serious gap.

As shown below, HR professionals need to understand these interdependencies, including corporate governance, and their role in each aspect of the business.



HR professionals need to understand the dynamics of a global economy. Recognition of the varying laws, practices, cultures and styles of non-U.S. markets is important. Legislating “global best practices” from a U.S.-centric perspective is dangerous. Centralized, global HR staff should view themselves as a communications hub for international HR staff—rather than a policy or process setter. HR policies are best made at a local level in conformance with local competitive practice.

Fundamental systems knowledge and a technology orientation are also important skills. On an operational level, HR professionals should be able to evaluate transactional alternatives in running the function. Technology investment and outsourcing decisions are part of the job. Further, HR must be run like any other business—to do that you need facts and numbers. HR must have the systems capability to capture the data necessary to evaluate the effectiveness of the function and to conduct business planning. Without data, HR professionals cannot credibly participate in strategic discussions.

Firm 7

Clearly, there are new skills required to manage a new kind of workforce. The selection of HR people should be based on leadership skills as well as functional skills. Further, the best business partners are not just change agents—they are the navigators of change. *Navigators* are part of the small strategic team that directs the course of a business. To be a true business partner, you must have business savvy. HR needs to understand where the business' “mission critical” folks are and focus its efforts there. Important skills for HR professionals are:

- Business knowledge and the willingness to take risks
- Strong technology and Internet skills
- The ability to meet challenges where they are and the confidence to “mix it up” with clients
- Consulting and partnering skills
- Alliance and vendor management experience.

Firm 8

Today, the skills that in-house HR professionals need are generally compliance related. HR keeps the organization in compliance with the many laws and regulations associated with the workforce. HR also needs technical competence in specific disciplines like compensation, benefits or training. These skills have not changed a great deal over the years. The inherent problem is that it's possible to be successful in HR with these skills; yet still have no real understanding of business or the ability to contribute on a strategic level.

Within the next decade, what are the primary workplace issues and challenges facing the HR profession?

Firm 1

Never before has there been a greater respectability associated with the discussion of workplace issues. HR is a CEO/chairman's issue. Key topics for the next decade are:

- Attraction and retention of talent (including leadership development)
- Workforce planning and skills assessment
- Utilization of technology
- Globalization
- Customer satisfaction and its relationship to employee satisfaction
- Strategic alignment and operational efficiency in the operation of HR; including the ability to measure its impact on business results, i.e., measurements of "soft" issues in addition to cost measurement.

Underscoring these challenges is a key objective for HR to express its value added in terms of economic consequences to a business.

Firm 2

A few of the key challenges are as follows:

- **Competing for talent**—What is going to be successful in attracting, motivating and retaining employees? Money is just one piece of the puzzle. HR professionals need to help businesses get people to be successful within the organization and keep them focused.
- **Workforce planning**—HR plays a critical role in making sure the organization is clear on which people it needs, at the right skill level and location.
- **Compliance**—As organizations change, grow and become more global, employers must have ready access to compliance information related to their employees, e.g., employment and privacy laws. It's inefficient for a company to manage this in-house—it will need to find ways to leverage organizations that specialize in compliance.
- **Diversity**—Managing workforce diversity will be more complex. Companies are global; countries are not. There are bound to be diversity issues and resulting tensions. If companies are indeed going to try to manage people through loftier goals and values, then they must find ways to capitalize on employee diversity.

Firm 3

The primary workplace challenge in the next decade is talent management. It will be about strategic staffing and finding those "highly valued" employees. Once you have the talent, how do you manage and retain them? How do you motivate the types of ownership behavior most likely to drive high performance? And as always, how do you manage poor performers out of an organization?

Another challenge not to forget is the evolving nature of the relationship that employees want with their company. While there will always be a broad spectrum of employment "deals," our research suggests that an increasing majority of employees is committed to developing skills and advancing in the organization, but within the context of other life goals, such as family and personal passions. While organizations often talk a good game in this regard when it comes to recruiting, delivering this type of deal is a real challenge, especially in a down economy with employee productivity so critical to most businesses. HR will be at the forefront of crafting and executing this promise.

And, as we've said, technology will continue to reshape not only the HR function and the way services are delivered, but also the workplace itself. Despite continuing merger activity (which presents huge cultural and process integration challenges for HR), our sense is that, overall, organizations will need to become smaller and better focused, which will require that HR develop new methodologies for finding the right number of employees and ensuring that they have the right set of skills.

Firm 4

One of the primary challenges for internal HR is to stay focused on a deliberate strategy. HR functions that define their role within an organization and are focused on achieving—even aspirational goals—are best positioned to make an impact. Many HR functions are reactive—managing to budget pressures and the "noise quotient" in the organization.

At the very core, there are certain capabilities that every HR function must both maintain and grow. These include:

- Leadership development
- Delivery of training
- Organizational development capacity
- Change management skills

These capabilities are foundational to HR’s ability to provide organizational leadership for the following challenges:

- **Talent**—There is a talent shortage. Based on demographics, it will continue. Employees are also less loyal to employers. Thus, retention efforts will become increasingly important.
- **Employee engagement**—Companies will need to be excellent communicators at all levels to ensure that employees have their “head in the game.”
- **Management**—The art of management will become crucial as company structures become more complex. While there are ways to improve an employee’s ability to “self-manage,” there will always be a need for managers to provide strategic direction and coordinate activities.
- **Globalization**—Already a priority for many large organizations, globalization will become more visible to a greater number of HR professionals as technology leads to a truly global marketplace.

Firm 6

Workplace challenges in the next decade:

- **Changes in the workforce**—There is clear evidence that the demand for skilled workers exceeds the supply of qualified people. Today’s workers are smarter, more demanding and less loyal than their preceding generation. In this environment, employees can and will challenge their employers—with significant leverage.
- **Increased litigation**—The aging population will present new legal issues for HR. Legal experts predict that litigation around “wrongful termination” of older workers, while balancing succession planning of younger workers, will begin to outstrip all other legal issues associated with employees.
- **Pipeline of new workers**—The aging population presents pipeline issues at the other end of the spectrum. Where will the skilled workers come from to replace Baby Boomers?
- **Worklife balance**—Even in companies recognized as leaders in promoting worklife balance, there is an increasing skepticism

Firm 5

(Firm 5 conducted focus groups with a cross-section of the firm’s consulting staff to answer this question. Focus group results are presented in table format below.)

Business/Workplace Challenges	Human Resources Challenges
<ul style="list-style-type: none"> • Aging workforce • Multiple generations in the workforce • Changing attitude about “work” 	<ul style="list-style-type: none"> • Recruiting—getting the right people • Controlling benefits costs • Managing differing expectations & needs • Retooling skill sets • Phased retirement
<ul style="list-style-type: none"> • Globalization • Moving from international to global • Blurring of organizational lines 	<ul style="list-style-type: none"> • HOW? • Helping employees deal with diversity • Creating “community-driven two-way communications” • Union issues • Culture management
<ul style="list-style-type: none"> • Employer–employee relationships • The virtual workplace • Balancing work–life issues 	<ul style="list-style-type: none"> • Continued flexibility in work arrangements • More temporary workers—related pressures for benefits • Guild concept for professionals • Tailoring of workplace to the individual • Branded employee experience • Office “rage” & how to deal with it
<ul style="list-style-type: none"> • Technology 	<ul style="list-style-type: none"> • Training/retraining • Collaboration tools • Information streams • Leveraging technology <ul style="list-style-type: none"> ▪ To administer HR programs ▪ To provide information & resources ▪ To create a dialogue ▪ To “brand” HR
<ul style="list-style-type: none"> • Continued M&A 	<ul style="list-style-type: none"> • Ensuring integration • Helping organizations find/optimize synergies
<ul style="list-style-type: none"> • Lack of leadership • Less tolerance on the part of boards re: leadership issues 	<ul style="list-style-type: none"> • Succession planning
<ul style="list-style-type: none"> • Finance/capital • Market volatility 	<ul style="list-style-type: none"> • Retirement income management

whether balance exists for employees. The same technological innovations designed to increase efficiency also enable work to pervade all aspects of an employee's life. Are corporate programs aimed at promoting worklife balance just public relations? Will "Generations X and Y" demand something more and different?

Firm 7

There are several challenges directly related to the speed of business and the changing workforce. Some key issues and thought-provoking questions include the following:

- **The definition of the workplace.** Where the activities of a company are performed primarily at client sites, is the client site the most logical location for HR resources, where HR can be a value-added component of the business team?
- **Renegotiating the workforce model.** The new workforce has a quickly shifting perspective on the definition of success. Companies need to recalibrate how work gets accomplished and the "contract" between employers and employees. This is not a single negotiation—it will be continuous.
- **Capability development.** How does one develop employee capability in a rapidly changing organization? Cycle time for the obsolescence of training programs has evolved from years to months.
- **The importance of diversity for HR.** How do people who think differently fit into teams and make the most creative, productive contribution?
- **Advising clients on managing the workforce.** In the new economy, junior people are often more technically competent than management. How does a leader handle reverse apprenticeships? Today's workforce values leaders with charisma; they value the "heretical" thinker. Supervisors and managers are critical in rapidly changing environments, but where do technical experts learn management skills?
- **The impact of contract and temporary employees.** Employers will become benevolent "renters" of service. HR professionals will need to both "attract and retain" and learn how to tap into a fluid base of talent. Can HR help companies become more adept about putting talent to work and then releasing talent at the appropriate time? The challenge for HR is to develop skills in counseling management about talent. In other words, understanding when to keep and when to churn.

Firm 8

There are many challenges facing U.S. businesses where HR could have major impact:

- **Cultivating talent sources**—The United States currently has the advantage in terms of numbers of professionals with the skills nec-

essary to do sophisticated work in hi-tech and the sciences. However, based on the number of students concentrating in these fields of study, an 80% shortage of professionals is predicted in the short term. This is a critical problem for U.S. industry and, indeed, for the nation's ability to lead future innovation. As one example of a solution, HR professionals supporting these industries could be working now with universities and secondary schools to create programs that will seed talent. This is innovative work of industrial and national significance.

- **Training/development**—Many companies acknowledge that skill levels among workers continue to drop. Basic literacy is just one problem. HR could begin to create the programs necessary to provide businesses with better-trained human capital. This alone would add significantly to the bottom line—and offer something of lasting value to employees who benefit more from additional education and training.
- **Retention**—Few companies cultivate employee loyalty, and today's professionals are both mobile and in demand. As the shortage of qualified talent grows, retention will become increasingly critical. Collaborating with businesses on the retention of valued employees is a leadership opportunity for HR.
- **Enhanced consulting skills**—Why is it that external HR consultants normally receive more respect than in-house HR staff? Given that in-house HR presumably has a deeper knowledge about the business and commitment to the company, HR should enjoy a higher level of credibility and respect. Perhaps in-house HR staff need to build their expertise as consultants. One way of solving this problem would be to provide exchange programs for internal HR professionals with consulting organizations. Doing so would give the internal HR professional a 6–12 month opportunity to develop stronger consulting skills. In exchange, the consulting firm may want to provide its consultants with in-house HR experience—thus creating a win-win for both organizations. These are the kinds of ideas that HR should be implementing to change its image and capability.

Will the way in which HR work is accomplished change significantly in the next decade?

Firm 1

There are two HR “strongholds” that will change dramatically over the next decade. The first is administrative/transactional work. This work will be done through increasingly efficient technology, which may or may not reside in HR. The second area (driven by such technology deployment) is the notion that, in the future, HR will no longer be a place. HR at the desktop will cause HR professionals to truly understand the differences between the manager as customer and the employee as customer.

The general direction is for HR to show the way to enable managers to manage HR. This leaves a much greater challenge for the HR professional—how to be an effective business advisor. Future HR professionals must understand different business models and the profit engines of their employers and how these are affected by a wide range of people and organizational dynamics.

Firm 2

The most significant change will be the impact of technology on HR services and employee self-service. There is a trend right now for companies to push the extreme in terms of technology and insourcing. Over the next decade, companies will find the right balance of technology and people. Increasingly, HR work will move into the line, with managers handling the majority of HR-related issues.

Firm 3

Technology-driven innovation, combined with aggressive new entrants into the outsourcing market, will fundamentally change the way HR work is accomplished. There are at least three important catalysts for change operating in the market now:

1. **Self-service**—Increasingly, employees will be able to conduct HR related transactions through self-service. Portals specific to management information will allow executives to access and customize much of the information currently provided by HR.
2. **Call centers**—The services provided through call centers will become more sophisticated. Most likely, employee relations work will be handled by call centers in the future.
3. **Outsourcing**—There are many outsourcing alternatives for companies, including the option to totally outsource HR. While it remains to be seen how successful these outsourcing arrangements will be over the long term, there is certainly

interest in the market for exploring the possibility of a totally outsourced HR function.

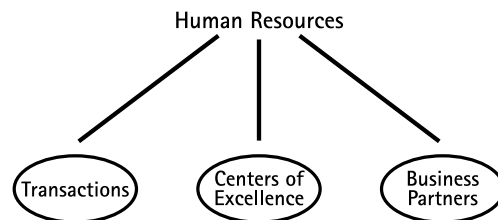
For HR, the promise of technological innovation is simply the opportunity to better leverage information. As we’ve seen in the consumer marketplace, the ability to easily capture and analyze data about customer behavior has had a tremendous impact on the ability of retailers to meet customer demands. The same is true for HR. Not only will technology allow HR professionals to do more (by being liberated from transactional work), but they’ll also be able to know more and, one hopes, make better decisions about how best to manage talent and stimulate performance.

Firm 4

The trend is certainly toward outsourcing. Today, most outsourcing arrangements are administrative in nature; but this is changing rapidly. There are now viable alternatives for outsourced HR expertise, such as compensation, training or recruiting. There also is the option of totally outsourcing HR.

Each company will need to determine its own optimal mix of what is outsourced and what remains in-house. However, the economics of outsourcing will prevail in the market. When a company looks at delivering HR service internally v. an outsourcing arrangement—outsourcing will always win on a pure cost basis.

What shouldn’t be outsourced? A typical model for HR is shown below:



Assuming this model reflects most HR organizations, the business partner role should not be outsourced. To capture the full potential of this role, a business partner needs to be an employee—developing HR solutions unique to the company’s culture.

Firm 5

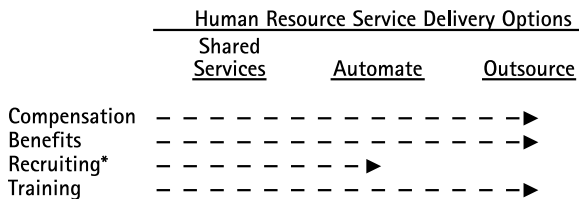
Existing and developing technologies will dramatically change the way HR work is done. These technologies will

change the structure of HR’s interface with employees, bring a high degree of choice and self-service to employee transactions, and create a different venue for training and development. The opportunity to outsource will fundamentally change the structure and purpose of an “internal” HR function. A particularly critical change will be the delivery system for training, with an almost total shift to online or eLearning available to employees. A selection of new technologies that are sure to impact HR include:

- ASPs and technology outsourcing
- Voice recognition
- eLearning
- Virtual shared service centers
- Web portals
- Streaming desk-top video
- Mobile web
- E signatures.

Firm 6

The graphic below illustrates the possibilities for change in the way HR work is accomplished. A business could opt to be anywhere along the continuum in each of these functional aspects of HR. Shared services represent centralized HR functions at the corporate level. As indicated, greater automation and outsourcing present more service delivery alternatives. Individual companies need to determine the right mix of in-house HR, automated services and outsourcing arrangements. It is highly unlikely that companies would choose to outsource all of the functional aspects of HR. Doing so would mean a loss of both company culture and control.



* Outsource Research

Two areas that will continue to be housed inside the company are organizational development and employee relations. These are functions that must have true cultural fit within the organization. These functions also require proactive leadership on the part of HR professionals as well as highly developed consultative skills.

However, the ability to outsource HR functions has not been lost on the business community. (Firm 6 cites several examples of companies in industries not traditionally associated with HR

that are now developing HR products and services for the marketplace. These companies view HR service delivery as a tremendous business opportunity.)

Firm 7

There are many drivers changing the way HR work is accomplished. Three of the most important drivers are technology, globalization and outsourcing.

There has been a progression in the way HR has employed technology, beginning with online policies, moving to employee transactions and then to a more sophisticated analysis of workflow and productivity. The challenge is how to fit all of these together into meaningful and actionable metrics. Also, Internet-based centers of excellence will exist enabling broad access to the best HR solutions, wherever they are in the world. HR will no longer be the proprietor of “best of breed” HR information—this will be readily available to the business.

Globalization is here. For example, there are global work teams that “follow the sun,” i.e., the work begins in Asia, moves through Europe and finishes the 24-hour cycle with a project team on the West Coast. The speed and collaboration required in this environment creates a new set of challenges for HR.

Outsourcing HR’s transactional and administrative work to “HR Companies” will change the definition of an internal HR function.

Firm 8

The next decade will be pivotal in the evolution of the HR function. As web-based technologies become increasingly sophisticated, more of HR’s work will be handled through a self-service delivery channel. These same technologies bring the capacity for increasing customization of the information and services available from HR. However, the impact of outsourcing, beyond straightforward benefits/transaction processing, remains a question.

There is a real opportunity for HR to increase its role and visibility within line businesses, should HR professionals become better business people. To do so, it’s not enough to bring HR functional skills to the table. There must be a foundation of business experience as well. The most successful HR professionals will be those who can quantify, in financial terms, their value to line organizations.

When HR’s primary organizational contribution is compliance focused and administratively based, HR is vulnerable. The best-positioned HR professionals are those who tap into an organization’s longer-term strategies and develop an agenda based on meeting the company’s future needs.

What are the opportunities for forward-thinking professionals over the next few years?

Firm 1

One of the key opportunities for forward thinking HR leaders is to develop the capability within their functions to meet the challenges presented by business in the future. Some companies are adopting a “migration strategy” to build capability within HR. This strategy typically requires 1) having a clearly articulated strategy/business design for the HR function; 2) identifying the operational infrastructure requirements; and 3) ensuring that staff have the skills, knowledge and competencies to flawlessly execute their re-defined roles. In some cases this may mean recruiting and hiring for business, consulting, sales or systems skills and then providing training in the technical HR disciplines.

Firm 2

The most powerful opportunity for HR professionals is to develop the strategies that can build a company’s brand through its people. When you think about it, there is nothing that can’t be copied—whether technology, product or strategy. The only thing that can differentiate Company A from Company B is a common set of values delivered through people. People will become the critical differentiator.

Currently, most companies rely on advertising to build a brand, viewing the branding process as an ad campaign. There are big budgets available to create more and slicker ads. But you can’t measure the results from advertising. There is no proof that advertising makes customers more loyal or has an impact on behavior. However, there is a proven link between employee satisfaction and customer satisfaction. People have a greater impact on customer loyalty than advertising. Imagine if HR was given the company’s advertising budget to spend on people. It could help create a corporate culture where people understand the company’s values and begin to behave in a way that builds customer satisfaction and loyalty.

Another critical opportunity is to help change the landscape of business organizations. Resulting from the growth of technology and a host of workplace and team configurations, the boundaries on organizations are changing dramatically. In this environment, HR can help determine what it is that people need and strive for in order to feel connected to a larg-

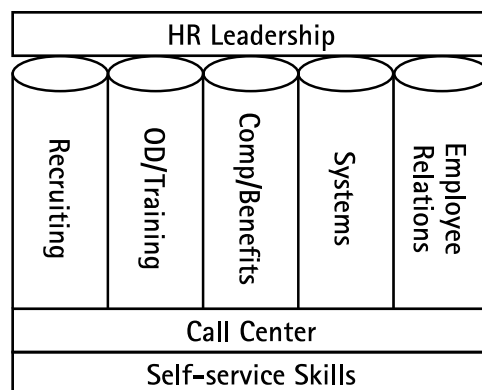
er mission and organization. What is it that will replace “Main Street” and the “water cooler”?

HR can help develop the strategies that will pull organizations together. Not only do organizations have to find that “glue,” employees need it too. The organization must tap into people’s aspirations. Where do employees find meaning in their work?

There is always focus on process, efficiency and technology. How do you factor in the human piece? What is it that gets employees to willingly focus their efforts more immediately on their work? How do you get employees to maximize their discretionary time? Where this works best is when there is a link between individual aspirations and organizational aspirations. HR plays a key role in both helping the organization to select the right people and providing the flexible kind of environment in which they can thrive.

Firm 3

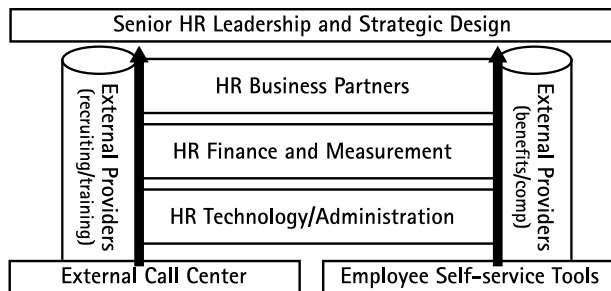
There are always opportunities for forward-thinking people. In thinking about the future for HR professionals, it helps to look at the career path that exists now and how it is likely to change. The graphic below illustrates typical career paths for HR professionals.



Traditionally, the career path for an HR professional was to enter the field in some type of administrative capacity, gain expertise and knowledge among one of the “functional tubes” and progress to the leadership level. Design roles could be within the functional tube, e.g., a senior compensation person in a company, or at the leadership level, designing HR solu-

tions across the organization. Often, HR professionals would develop a level of proficiency in several functional specialties.

Over time, we think the picture will look quite different. To a greater or lesser degree, all of the professional tracks will be outsourced. Where once HR professionals developed functional expertise within organizations, this may no longer be possible. Outsourcing companies and consulting firms may be the new environment for those who want to pursue deep HR expertise.



However, as this revised model suggests, there are still important roles within organizations for HR professionals. Someone must integrate the various outsourced products to create a unified HR delivery system—not to mention to manage service quality and delivery from vendors. The utility of an MBA for HR professionals will become increasingly important, as businesses demand precise measurement and management of people costs. Finally, when it comes to HR as a business partner to the line, there will always be a need for professionals with great interpersonal skills, who have an in-depth understanding of people issues. Building the career path to these roles is the new frontier in HR. Finding experiences that lead to understanding the people dimension of an organization and developing the skills to guide organizational change is the challenge.

Firm 4

The best preparation for the future is diversity of experience—both on the business and HR side. It means continually seeking complex assignments and working on the corollary people issues. And it means loving HR work. For those who want to go deep into the profession, consulting firms or outsourced service providers may be the place to begin an HR career. For HR professionals with a broad experience base, there are leadership opportunities in companies that have chosen to outsource the majority of HR work. It will require innovation and organizational skill to bring all of the pieces of HR together in

an integrated fashion—thus creating new models of HR for the future.

Firm 5

Future HR professionals require not only an expanded skill set, but also a broader business orientation. Suggestions for HR professionals include:

- Demonstrate financial benefit/value-added
 - develop metrics re company human capital
 - become a profit center
- Increase business focus
- Be problem/conflict solver
- Be facilitator of change
- Leverage technology
 - to automate administration
 - to enhance accessibility & information to workforce
- Kill the bureaucratic image
 - increase visibility
 - be seen as “go to” person for business issues
 - learn from the marketing and sales function.

Firm 6

First, overall opportunities for forward-thinking HR professionals are endless. There just aren't enough of them today. One caution, however, is to not lose sight of the fundamentals. If the basic functions of HR are not working properly, receptivity to new ideas will be low.

In addition to developing new processes and service delivery models, forward-thinking HR professionals should begin to seek opportunities to influence companies at the board level, e.g., on the HR Committee or Compensation Committee of the board. Many of the people who serve on HR committees of the board have no real depth in human resources; yet, they control 40-80% of a company's revenue. Imagine the impact if board members were more learned about HR matters. There is a valuable role for HR in the boardroom.

While securing a place on the board of a Fortune 500 company may be difficult, HR professionals should seek roles as board advisors in eBusiness, dot.coms and start-ups. This is great exposure for HR and another way to become fully integrated into the business.

Firm 7

Developing the metrics to measure HR's impact and value to an organization is a key opportunity for HR professionals. Business leaders often say that “talent” is at the top of their agenda in terms of its importance. Yet, few measurements

exist that enable an executive to strategize about this facet of the business. This is decidedly different from other business functions—whether sales, marketing or finance. In these areas, an executive has information at his/her fingertips about the key drivers of the business. It is also extremely difficult to look at retention statistics. HR should be able to provide management with information to answer questions like these:

- Why do people leave this organization?
- How do we communicate with people at critical junctures in their careers?

Ideally, HR professionals could get to the point where they knew ahead of time why valued people would consider leaving the organization.

Why can't people and talent issues be run more like a business? Where are the metrics? Too often the metrics associated with HR are related to efficiency, not value. Until HR has the metrics to prove value to the business, it will continue to be squeezed for cost savings. HR professionals should seek the tools that would enable them to work with business executives based on real content, providing access to information and metrics aligned with the language of business.

Firm 8

The two greatest opportunities for HR are to develop business partner skills and to change HR's image. To become strategic business partners, HR professionals must have stronger financial skills and be able to act as process consultants, with particular expertise in leading and managing change.

How will outsourcing play a part in the future of HR?

Firm 1

Every organization should have a unique HR strategy that is tied to a well-articulated and executed human capital strategy. To be truly effective, HR strategists will need to be resident within the company and part of the existing culture.

This is why the HR function most likely will never be totally outsourced. You can perhaps outsource 75% of your administration. You can also outsource some of the deep technical content associated with HR. The outsourcing decisions an organization makes must always align with strategic HR decisions—rounding back to the uniqueness of the human capital strategy. No outsourcing arrangement can ever be an effective surrogate for a company culture—this is why HR needs to be a vital part of the organization.

Firm 2

It is too soon to tell whether outsourcing in HR is a trend or a long-term solution. Outsourcing has yet to be proven a viable business. Can HR outsourcing be a profitable business over the long term? Equally important—will HR outsourcing offer value to organizations?

Although outsourcing is new to HR, it is not new in other industries, such as health care. In these industries, a pattern has emerged. Companies go to outsourced vendors to save money. These companies work hard to drive down costs associated with outsourcing and soon the vendor can't make the business viable. As HR outsourcing vendors encounter this same squeeze, it will be interesting to see what happens. Additionally, one must factor in the employee impact of outsourcing all or the majority of HR services. Does the organization lose a connection with employees by outsourcing these services?

Single process outsourcing, such as benefit administration, is fairly well established and is likely to survive. Although there is always pressure to cut costs, in the end, quality will win the day. HR organizations should make carefully considered outsourcing decisions, based on their organizational and people strategy.

Firm 3

There is a direct relationship between outsourcing and the HR profession. Look at the economics of outsourcing. Companies who make the decision to outsource some or all of HR function-

ality do so, in part, because it's cost-effective. Outsourcing companies, because of the volume they manage, can make technology and people investments that individual companies cannot justify or support. So, by its very structure, outsourcing means fewer HR jobs in stand-alone companies than exist today.

The challenge for HR is not to be fearful of this change. Outsourcing brings the function an opportunity to reposition itself within organizations and to redefine HR careers. This is a period of real ferment for HR—and outsourcing should be viewed as an opportunity for HR to enhance the caliber of its professionals and its role within an organization.

Firm 4

The self-service capability brought about through technology will change things from both a design and delivery perspective. Because of the accessibility of information and the ease with which employees can navigate the Internet and other systems, employees are more educated and will want a greater degree of choice in employer-sponsored programs, such as employee benefits. This same self-service capability will enable employers to “separate” from benefit programs. Employees will make independent choices about their benefits and create their own benefit design.

Buyers of outsourced services will begin to view outsourcing as a commodity business. They will look for opportunities to bundle products and services and leverage relationships with vendors.

HR should not consider outsourced service providers as the competition. There is a real strategic opportunity for HR through effective alliances and collaboration. Outsourcing can provide the means to deliver higher quality products and services more efficiently and cost-effectively.

Firm 5

Outsourcing will clearly play an important part in the future of HR. Ultimately, all HR processing will be outsourced or automated, including benefits enrollment and orientation as well as compensation. HR is now in the process of optimizing the “transaction” through automation and integration, creating a perfect environment for outsourcing. Further, BLS statistics indicate that HR jobs will grow substantially

between 1998 and 2008, reflecting strong growth among firms involved in management, consulting and personnel supply, as businesses increasingly contract out personnel functions or hire personnel specialists on a temporary basis.

Firm 6

For HR to position itself strategically, it will have to learn “what” and “how” to outsource. Outsourcing presents opportunities for companies to look creatively at the resources available to them. One way to conduct workforce modeling is to consider resources as permanent or nonpermanent, as defined below:

“Permanent” resources:

1. The company’s actual employees.

“Nonpermanent” resources include:

2. Consultants
3. Contract professionals
4. Systems/administrative outsourcing.

Companies should become increasingly adept at using all four kinds of resources. Clearly, businesses should pursue efficiencies through administrative outsourcing. They should also become adept at adjusting for business cycles by supplementing employees with consultants and contract professionals. As a strategy, companies should keep their permanent resources very lean—thus avoiding the need to lay off “permanent” people.

Firm 7

Outsourcing offers an increasingly attractive option to the traditional HR function. In the future, a core of HR is likely to be part of the business and all of the administrative and transactional aspects of HR are outsourced. This will lead to a shift in the profession where HR professionals who are part of a business will have less depth in “traditional” HR functions, but more breadth of skills and deeper knowledge about the business they support. HR professionals working at companies delivering outsourced services will have technical depth, but are not likely to have as much breadth.

Firm 8

Companies make the decision to outsource primarily as a means of reducing costs. There are two key questions concerning outsourcing HR functions. First, can outsourcing vendors maintain a viable business? Several firms have tried and failed to make outsourcing profitable. The only successful vendors have been those who stick to a very “vanilla” product. Experience has shown that once a vendor tries to customize the product, costs go up and efficiency goes down.

Additionally, web-based technology is making it cheaper and easier for companies to keep self-service HR transactions in-house. Web-based portals allow employers an incredible level of opportunity to customize the self-service experience for their employees. The economics of these portals may make outsourcing a more expensive alternative.

When a company outsources all or most of the programs that touch its workforce, it loses an opportunity to connect with employees. Does outsourcing HR do anything to engender loyalty or enhance a personal bond between the company and the employee? Are companies who outsource all or most of HR losing something important—and unintentionally sending a message about the employee’s value to the organization? The decision to outsource, or not, should be part of a larger people strategy.

Will the HR profession survive in the next decade? If not, how will it be replaced?

Firm 1

HR is, and will remain, one of the glues that ensure that the enterprise can operate as a cohesive whole. The line of sight should be focused on assisting the function in understanding, managing and improving the “business” of HR. This has everything to do with the profession attracting individuals who have the capacity to understand business, to think conceptually and strategically, and to express themselves as business people. Where HR cannot deliver at this level, the function could be in danger of having its influence significantly reduced to something less than a true business partner.

Firm 2

There is no question whether HR will survive—the only question is in what form. Where is HR going to be sitting and how will the function be designed? A critical question for the profession is what is the skill set required of HR professionals? Right now, anyone can claim to be an HR person, and this dilutes the credibility and, indeed, the survival of the profession. *What is the HR skill set?* When you think about a professional designation—you think about a specific course of study, perhaps licensing requirements and also a limited number of people who have these skills. The HR profession does not have any of these requirements.

Thus, if anybody can be an HR person, then why can't the function be replaced by business leaders who have people impact? Every business person, every profession, should have a clearly defined skill set. If the HR profession can accomplish this, its survival is assured—because there will always be room for those who are absolutely proficient in how to work with people.

Firm 3

HR will certainly survive the next decade, but it will be morphing. Lower-level skills and transactional skills will be replaced by technology. At the same, talent management needs will drive the demand for strategic, business-focused skills, further blurring separation between HR and line management.

HR needs to look hard at present dilemmas and to harness the power of technology in general and of outsourcing specifically. There is a tremendous opportunity to create real change as we move along the continuum from internal, manually based,

administrative HR functions to blended (internal/external), technology-driven and strategic HR functions.

Firm 4

HR will certainly survive the next decade but will continue to transform. The traditional functions within HR—compensation, benefits, training, employee relations—are still here and will remain. However, taking a look at HR as it was 10 years ago, there is a vast difference today—and the same will be true again in 10 years.

Future HR functions will likely be smaller and more impactful. There will be a greater reliance on technology, delivered through internal and external sources. Finally, the line will continue to blur between HR and line management, as HR becomes more integrated into the managerial role.

Firm 5

HR issues will always exist. How these issues will be managed, however, depends on HR's ability to position itself as an invaluable asset to business and, in fact, manage itself onto the line.

Human resources has progressed from personnel administrator, to architect and partner to the business. The next evolution may be a structure where the COO orchestrates all resources—and/or HR becomes integrated into all leaders' responsibilities.

Firm 6

HR must survive. It's too important to the business. Also, there are real success stories for businesses that have effective human resources. However, the profession needs to cultivate HR professionals focused on making businesses successful.

HR also needs to set performance standards for the profession. There is a real opportunity for HR's largest professional organizations to collaborate in setting standards and increasing the impact and visibility of HR.

Firm 7

HR will not disappear, but it will be recast. There will be great opportunities for great people. Most likely, HR will migrate to the line, with a drive to put more HR activities in direct control of the line. Outsourcing will be a key component in this

transition. For broad policy issues, a small HR unit will exist at the corporate level.

HR will also develop greater sophistication in its relationships with clients, adopting more of a customer relationship management model. HR will begin to segment customers, understanding different client needs and becoming very proactive in customizing solutions.

Firm 8

HR will not survive as it is today. In the future, HR will own specific processes related to employees. Potentially, HR professionals could become true strategic partners within business lines. However, doing so requires HR to demonstrate real value. This means being able to quantify return on investment in a way that can be discussed at the board level. HR can also play an important role as experts in change management. This expertise is relatively rare, but a critical skill and recognized need by most businesses.

What are the indicators (e.g., economic, technological, political, environmental) that support your firm's vision?

Firm 1

There are four primary indicators:

- HR professionals need to be equally adept at managing business and people.
- HR is at the beginning of its understanding of the power of technology to change the way the HR work is traditionally done.
- HR professionals need to operate as broadly skilled consultants.
- HR professionals must understand the impact of globalization on business and HR and develop the capacity to work effectively on a global basis.

Indicators cited to support these points are demographics that show a very low unemployment rate, coupled with a shrinking pool of 35- to 45-year-olds. There is a shortage of the right kind of talent, as evidenced by the nontraditional recruiting strategies being used to tap skilled talent. Finally, globalization as well as the impact of technology and e-commerce are just beginning to be felt in a landscape of continual merger and acquisition activity. All of these factors promise that the HR function must change significantly over the next decade.

Firm 2

The vision for the future is based on the real need to measure the link between investing in people and the bottom line. We need to find ways of proving and quantifying this link.

The business environment—which requires better and faster but never cheaper—is driving change and better models. These dynamics are relentless and demand an answer to the question “What is a better way?” There will be new ways of working and different kinds of work environments. The environment also presents a challenge in the way people are managed and whether or not they identify with a company or a team.

There is also a relentless drive for profitability. With the recent economic downturn, there is tremendous pressure on organizations to regain value—and get higher returns. No matter what the circumstance, the bottom line remains the bottom line.

Demographics also present an important dimension. With people living longer, there is stress on public systems like Social Security. Ultimately, this pressure will be felt by the private sector. Private companies will become engaged

in the issue, providing a socio-economic response within their communities.

Firm 3

The primary forces we believe will drive change in HR are technology and the need for highly qualified and engaged talent, both of which are heavily influenced by the economy.

As technology advancements make it easier, faster and cheaper to deliver customized HR services, the economies of scale will drive an outsourced delivery model for HR.

At the same time, the increasing complexity of recruiting, retaining and motivating valued employees in a business environment that is likely to continue on a path of mergers, acquisitions and strategic alliances will fuel the continued growth of strategic, consultative services from HR professionals.

Firm 4

- **Demographics**—Aging population and concurrent shortage of qualified talent.
- **Economics**—Continual cost pressures on organizations.
- **Globalization**—Growth in the world economy.
- **Technology**—Increased outsourcing; including offshore delivery of services. The Internet will facilitate benchmarking around the world. There will be more of a “distributed workforce,” requiring new ways to engage workers in company goals and vision.

Firm 5

Key indicators include:

- Hyper-competition
- Globalization
- Customer focus
- New technologies
- Shareholder orientation
- Workforce mobility
- Demographics.

Firm 6

Key indicators include:

- **Economic**—The demand for talent in the United States is currently at 14.5%, with the supply at 12%. The unemploy-

ment rate for skilled labor is less than 1%. One no longer hears employers saying: “They (employees) are lucky to have a job.” Now, former employees are more likely to be called “alumni” of an organization—and considered a valued candidate pool.

- **Technology**—Without question, advancements in technology will impact the way HR is managed in the future. Automation will continue to increase efficiency and cut costs.
- **Political**—The aging workforce and the impact on the Social Security system are vital concerns. The government should be actively developing plans to manage the strain that will be placed on the Social Security system by aging Baby Boomers.

Firm 7

The key indicators cited as contributing to HR’s changing role are as follows:

- E-commerce

- Technology
- Globalization
- Workforce demographics.

Firm 8

Indicators include:

- **Technology**—The ability for employers to create customized, self-service portals for employees will have an impact on the trend toward outsourcing.
- **In-house HR**—Continuing pressure on the bottom line will force HR functions to evolve in a way in which they can clearly quantify their economic worth to the business.
- **Globalization**—Companies will continue to seek the highest value for the lowest cost. Enabled by technology, more services will be provided by foreign nationals. Based on demographics and issues related to quality of education, it may be that the search for highly qualified employees becomes global, rather than national.



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