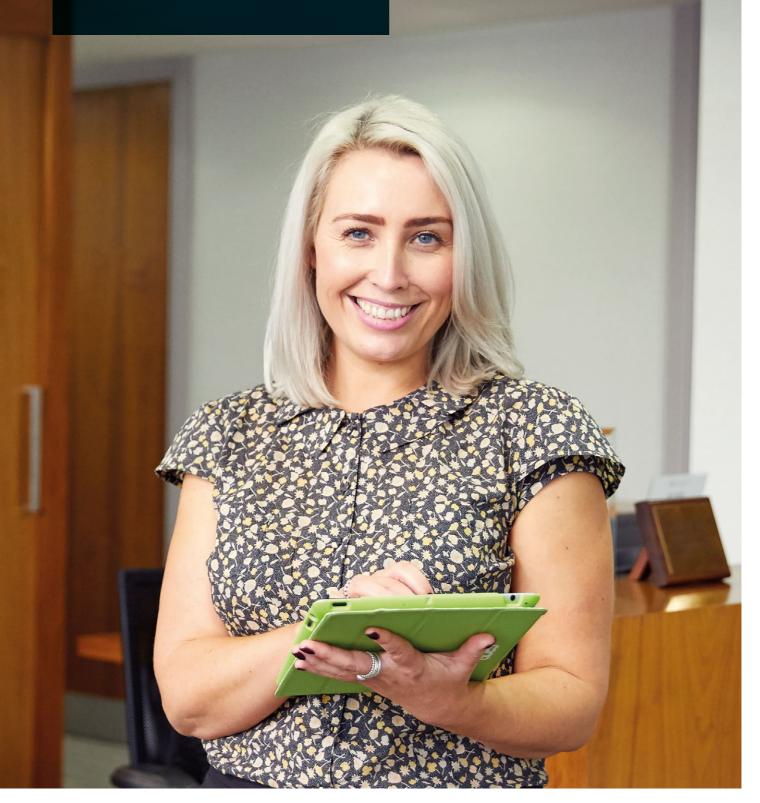


# The changing face of HR

HR and People leaders' report



# Executive summary The changing face of HR

# Embracing the HR to People transformation in the digital world of work

Seismic shifts in the way organisations operate, manage their people and work are occurring.

To understand these changes and the impact of them for HR teams further, Sage People **surveyed 500 senior** HR and People leaders in midsize organisations across the globe—and uncovered some revealing findings.

### **94%** HR is changing to 'People'

Just as Personnel evolved into HR in the 1980s, so now too it is changing into a 'People' function. **94%** of HR leaders anticipate changes in the next three to five years as part of this transition.

## **18%** The change from HR to People is a journey

Just **18%** of HR leaders feel they've made the transition from HR to People already. **86%** expect the transformation to take up to 10 years.

### 80% The way HR operates is changing

Our research showed over a third of HR leaders have already adopted new ways of working such as flexible working, data-driven decision making, and continuous performance management. **80%** expect to adopt modern People processes within the next two years.

### **69%** New expectations of HR and People teams

Workforce expectations of HR teams are changing too. A staggering **69%** of HR leaders expect employees' expectations of HR to completely change in the next three years alone.



Top priorities for HR and People teams are cloud and mobile technology, but just **43%** and **36%** of organisations have adopted them respectively, followed by analytics (**26%** adopted) and self-service (**24%**).



### **43%** There is still more to do

HR and People teams are showing early signs of experimenting with technologies such as AI and gamification, but there is still more to do. **43%** believe their organisation will not keep up with changes in technology over the next 10 years.

### 86% The role of HR is changing with new skillsets required

Fewer than one in three respondents would rate their HR skills and competency levels as expert today, with **86%** of respondents believing HR skillsets need to change.

### 82% HR roles will change beyond recognition

A whopping **82%** of HR and People leaders anticipate that the role of HR director will be completely unrecognisable in ten years' time.



# HR and People teams should be the face of change in organisations

These findings show how HR is responding to the ongoing changes in the workscape.

If HR teams can rise to these challenges and be the face of change in organisations, then they have an unprecedented opportunity in today's world of work.



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# Introduction **The world of work continues to change**

### Change is the only constant

HR leaders must keep up with constant changes every day, from juggling stakeholder demands to managing the needs of the company. On top of this, they must dilligently support their company's biggest assets - their people.

Fundamental changes are also afoot in workplaces and how people work. No sector is feeling this more right now than HR.

#### The world of work continues to change at speed

The make-up of a company's workforce and how, when, and where it works is changing at a phenomenal pace—and today's workforce is more diverse, mobile, and technologically-enabled than ever.

Engagement and productivity remain stubbornly low. Employees admitted to being productive for less than 30 hours a week. That's a whole day each week that they're in work, but not actually working.

For the first time, the workforce is comprised of five different generations, all working side-by-side, and all bringing varying expectations of work and workplaces.

The contingent workforce is growing to include agencies, freelancers and gig workers, presenting challenges to the way leaders manage their teams and track performance.

Low unemployment and the war for talent have given people choice, and organisations must work harder to attract and retain the best.

### There's a sea change within the HR sector

First Personnel, then HR, now 'People'.

HR and People leaders must find new ways to attract—and retain—top talent as companies compete for the best.

HR compliance is increasingly complex as a result of new regulations such as the GDPR and CCPA, in response to growing concerns about who has access to personal data and how it's used.

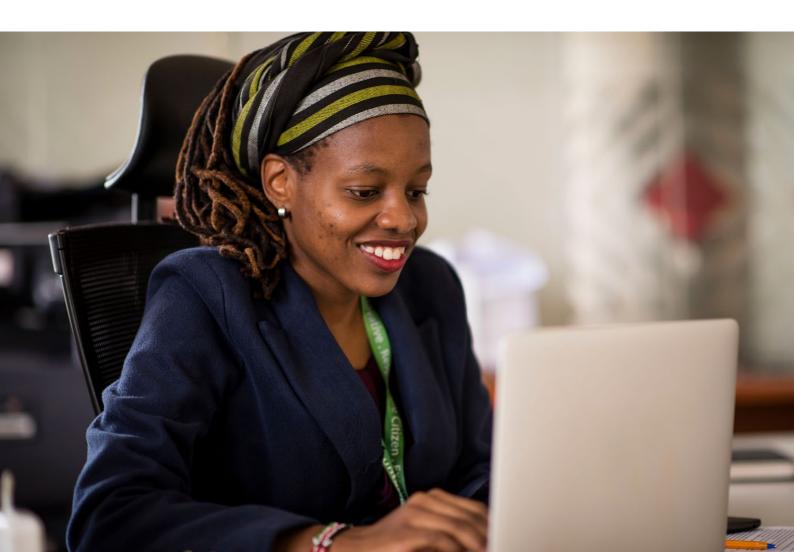
As a result, progressive HR and People leaders are shifting focus to building great employee experiences, something that **92%** of employees told us is important for getting them productive at work.

People leaders are also constantly trying to raise the profile of HR, as the function moves from the backroom to the boardroom, by elevating the importance of effective people-focused HR strategies in business growth.

This is a tremendous amount to deal with and, with these rapidly shifting dynamics, HR teams and companies find themselves at a crossroad.

Either they focus on one of their biggest assets for growth—their people—and put them at the heart of their business strategy. Or, they continue business as usual, and risk losing out not just in the war for talent, but in company growth and success.

### Our research set out to find out what these changes mean.



### In this research report we set out to find out how HR is responding, re-thinking and re-imagining itself in this transformation from HR to People.

Sage commissioned an independent survey of senior HR professionals representing 500 mid-sized organisations, from a range of industries in five different countries.

We wanted to understand if HR leaders believe this transformation to People to be real, and how far along they felt they were in their journey. How has it changed how HR is operating? What has been the business impact? What are the HR skills gaps and how are leaders planning to address these so that their organisations can thrive?

We'll reveal how HR and People teams are dealing with these challenges day-to-day, and what their biggest priorities and concerns are. We'll also present practical advice on takeaways to evolve your own HR team, drive forward the people agenda, and lead transformation in your own organisation.

Find out what it means for you, personally, right now — today.

# **Research findings**

- **09.** HR is transforming to People
- **13.** The way HR operates is evolving
- **25.** Technology used in HR is changing
- **29.** The role of HR is shifting, and new skillsets are required



# Research findings HR is transforming to People

### The HR to People transformation is real

An overwhelming **94%** of HR leaders we polled anticipate HR to People transformation changes in the next three to five years, with nearly half (**47%**) expecting these changes to be significant.

This transformation is a journey, though, and companies are at varying different stages of this.

Just **18%** of HR and People leaders feel they've made the transition from HR to People already. **Two thirds** of respondents feel they've observed little or no change in the last three years so far.

Worryingly, **14%** of HR leaders said their HR team will never evolve to become a People function.

**86%** of respondents said they expect the HR to People journey transformation to take up to 10 years.

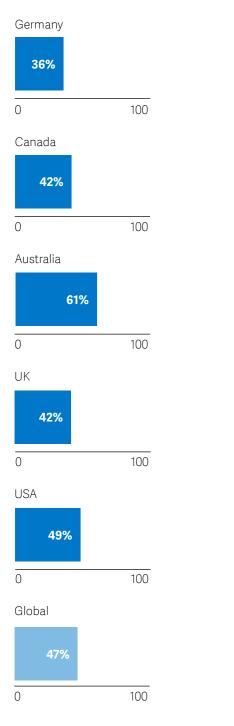
Furthermore, nearly half (**43%**) of organisations fear they will lag behind in the next 10 years when it comes to keeping up with changes in HR technology.

These findings do vary across regions, however, with Australian HR and People leaders expecting the biggest changes ahead; **61%** of Australian HR leaders said they expect significant changes in the sector in the coming three to five years. They were followed by the US (**49%**), Canada and the UK (**42%** each), and then Germany anticipating the least change (**36%**).

94%

of companies predict HR to People transformation changes over the next three to five years, with 47% saying they expect this change to be significant

## How the regions vary: how many HR leaders we polled anticipated change



### The HR to People journey

Just as Personnel evolved into HR in the 1980s, it is now changing into a 'People' function—but what does this mean?

A People team is often found in fast-growth organisations where business leaders know the critical importance of investing in their people, and attracting and retaining the best, in order to drive company growth.

We call companies that do this 'People Companies'. Typically, they've embraced new technologies and ways of working and may have a Chief People Officer leading the charge.

People Companies and progressive People teams have shifted from being largely focused on low value, manual policies and processes, to a more strategic team generating business value, and able to proactively build great experiences for their people that keep them motivated, engaged, and productive.

In People Companies, HR leaders and teams have embraced new skillsets and roles and responsibilities, such as People Scientists, and roles in employer branding and People marketing.

Companies that have made significant progress in their HR to People journey know that becoming a People Company isn't just a nice thing to do it's vital in creating a successful business in the digital economy.

# Employee experiences rated the biggest internal driver for change

**"Forget engagement—it's all about experiences.** For too long companies have focused on engagement. Yet it is not the cause, but the effect. 92% of employees told us a great workforce experience was the single biggest driver for productivity.

Great workforce experiences drive engagement, which improves performance."

Paul Burrin, VP, Sage People

"It's clear that job seekers are seeking more meaningful workplace experiences. They want to be paid fairly but they too want to work for a company whose values align with their own, and whose mission they can fully get behind."

Christian Sutherland-Wong, Glassdoor President



### What are the most powerful drivers of this change?

### **External drivers**

### Digital technology

79% of HR leaders ranked technological changes and its impact on the workplace as one of the drivers for these changes.

### Rise of the gig economy

75%

also consider the rise of the gig economy as a major influence.

### The war for talent

74%

of HR leaders continue to see the war for talent as a driver.

### **Internal drivers**

### Employee experiences

62%

of respondents feel that workforces' expectations of their employer are a driver for this HR to People shift.

### Competitive advantage

61% of HR leaders see the C-suite's recognition of the role of top talent in delivering competitive advantage as a major driver for change.

### Operational excellence

59% feel the need to manage cost and productivity across the organisation is increasing, evidence that HR is now recognised for its contribution to the bottom line.

noted the importance of social media and sites such as Glassdoor as having a strong influence over HR policy

# Research findings **The way HR operates is evolving**

### New ways of working are being adopted—and there are more plans ahead

Over a third of HR leaders have adopted new ways of working—such as flexible working, data-driven decision making, and continuous performance management.

Surprisingly, our research showed certain ways of working weren't being prioritised over others—with all aspects of modern People processes given relatively equal weighting by respondents as a priority now, and over the next year (see charts overleaf). Change is happening across the board.

Interestingly, a huge **95%** of HR and People teams are either already offering flexible working—or plan to in the next two years.

Changing employee expectations are also driving some of these operational changes as HR teams continue their HR to People journey. **69%** of respondents said they expect employees' expectations of HR to completely change in the next three years.

With an enormous **94%** of respondents expecting further changes in the sector over the next three years, it's encouraging that over a third of HR and People leaders are adopting new ways of working across the board—but also that many know there is more work to be done.

Over a third of HR leaders have already adopted new ways of working, such as becoming more agile through continuous conversations and coaching as part of performance management.



# 69%

of respondents said they expect employees' expectations of HR to completely change in the next three years

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# Talent acquisition: A third of HR leaders are changing how they hire

Seamless hiring and onboarding, great candidate experiences and the potential of new technology such as AI are becoming important.

Our research found that a third (**33%**) of respondents are looking to build better candidate experiences for applicants, on-boarders, and new joiners, as the focus on workforce experiences in the war for talent intensifies.

A seamless candidate journey from recruitment to onboarding is a vital part of this, something that **38%** of HR and People teams are reflecting in their talent acquisition programs today. Although a smaller number of companies (**24%**) are using Al for talent acquisition in the form of automation, there is growing interest in new ways of solving problems such as interview bias.

"Gone are the days when companies could simply post vacancies on a job board and wait for the applicants to come rolling in. With the ongoing skills shortage and war for talent, progressive organisations that want to attract the best need to go further."

Amanda Cusdin, Chief People Officer, Sage

33%

are building better candidate experiences

### **Talent acquisition**



Recruitment and onboarding integrated seamlessly





Recruitment processes delivering enhanced candidate experiences

33% Adopted now





Recruitment using new automation/Al technology



Adopting in 1 year

### Analytics and People Science: Half of HR leaders plan to adopt real-time analytics within a year

Actionable insights are vital for effective and strategic people decision-making.

### Data, analytics and People Science



HR is fully automated; we have a single system of record

33% Adopted now





People decisions are data driven

42% 41% Adopted now Adopting in 1 year



HR data and insights are easily accessible in real time



51% Adopting in 1 year



# 51%

of HR leaders are planning to access data in real time within the next year

### A third of HR leaders have a single source of truth for people data

Companies have a wealth of information about their consumers at their fingertips. Imagine the impact on company performance if you knew your employees as well as you know your customers.

HR and People leaders we polled have made similar advances in people analytics and data as they have

in people-focused approaches in recruitment; a third (**33%**) have a single source of truth for their people data, and over **40%** make people decisions based on data.

Within the next year, a further **51%** of HR leaders are planning to easily access data in real-time.

Staggeringly, almost one in ten (**9%**) of HR leaders said they had no plans to adopt data-driven decision making or considered it important.

### What is People Science?

People Science adopts approaches from data science in managing and using your people data. It means applying data-driven approaches to improve workforce visibility in how you manage and engage your workforce, in order to gain more actionable insights for better business decision-making. It's more than just people analytics. It means not just collecting data and reporting it—but analysing it and testing hypotheses to identify solutions.

# Workforce experiences: Over a third of HR leaders have developed enhanced experiences

Workforce experience management has started to feature in many organisations' plans.

The importance of great workforce experiences throughout the employee journey now appears to have gained increasing recognition; **38%** of HR leaders surveyed said they've developed enhanced workforce experiences for all employees.

Furthermore, almost half (**47%**) of HR leaders polled said they have plans to adopt new ways of working in the next 12 months that focus on employee experiences.

Appreciating the need to gather and act quickly on employee sentiment and feedback was also evident. **40%** of HR and People leaders are using pulse surveys to monitor employee engagement, with a further **44%** planning to adopt this in the next year.

# 40% of HR and People leaders are now using pulse surveys to monitor employee engagement



### **Workforce experiences**



Enhance workforce experiences are designed for staff







We monitor employee engagement through regular pulse surveys

40% Adopted now



Why your workforce isn't working

Employees want better workforce experiences.

That's what 3,500 workers told us in our previous research report 'Why your workforce isn't working'. **78%** of employees said a great workforce experience will have a huge impact on their productivity. This jumped to **92%** for younger generations such as millennials—a generation which make up almost half of today's workforce.

### Performance and rewards: 40% of organisations continuously collect feedback data

Companies are using a range of different approaches to optimise people management.

Traditional approaches such as the annual appraisal aren't quite dead—but it seems they may be soon. **40%** of HR and People leaders we polled said they continuously collect performance feedback data right now, with a further **47%** planning to within the next 12 months.

Currently, over a third (**36%**) of HR and People leaders are transparent about organisational and personal goals across the business, with a further **52%** of leaders planning to adopt this in the next year. The focus on employee experiences continues in performance and rewards. **38%** of HR and People leaders offer personalised rewards tailored to employee preferences. A further **48%** plan to offer this in the next 12 months.

Wellbeing is seen as an area with increased focus, but HR leaders we polled weren't necessarily prioritising wellness programs over other areas. **37%** of respondents said they offer holistic wellness programs today, with a further **47%** looking to within the next year.

40%

of organisations continuously collect performance feedback data

### **Performance management**



Continuously collect performance feedback data





Transparency of organisational and personal goals across the business

36% Adopted now



Adopting in 1 year

### **Rewards management**



Provide personalised rewards tailored to employee preference

> 38% Adopted now

**48%** 

Adopting in 1 year



Offer holistic wellness programs like health and financial wellbeing

37%

Adopted now



Adopting in 1 year



Flexible and remote working options are available to as many employees as possible

> 38% Adopted now

**49%** Adopting in 1 year

### Learning and development: Over 40% of HR leaders plan to adopt employee-driven learning in the next year

New ways of learning are increasingly coming to the fore.

As the way people work continues to evolve, so too does the way they learn—and the way in which companies offer learning and development, as a result.

**43%** of HR and People leaders we polled said they offer employee-driven learning, with a further **44%** planning to offer this within the next year.

It's a similar pattern when it comes to flexible career paths. **41%** of HR and People teams currently offer this, with a further **44%** planning to in the next 12 months.

Micro-learning is also on the agenda. **32%** of HR and People leaders see it as important as formal company training right now. Over the next year, a further **52%** of HR teams plan to adopt it further.

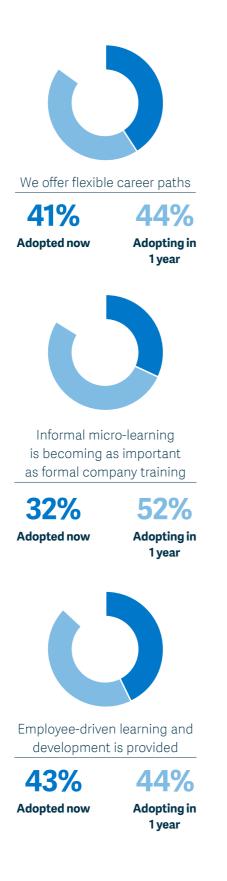
As HR teams transition to new ways of working, progressive forward-thinking organisations are blending formal company training with informal autonomous and social learning, continuous development, and flexible career paths.

"Today's workplaces evolve too rapidly and are too complex to offer nothing more than howto learning experiences. Rather than telling employees what to do, organisations need to teach employees how to think."

Gallup



### Learning and development



## New ways of working: Changes are happening across the board

When we asked HR leaders on what areas, or new ways of working, they had already adopted or are planning to, there was consistency across the board.

For each new way of working, between **30%** and **40%** of all respondents had already adopted these as standard. Whether it was flexible working, continuous performance management or data-driven decision-making. Although slightly surprising, it shows a consistency across all areas that HR is changing—and the way HR and People teams operate is changing too. Yet, with just **30%** to **40%** of leaders adopting these new ways of working right now, there's still a lot more progress to be made.

# Research findings Technology used in HR is changing

### Top priorities for HR teams are cloud and mobile

Our research found that the top priorities for HR and People teams are cloud and mobile technology, with **43%** and **36%** of organisations adopting them respectively, followed by analytics (**26%** adopted) and self-service (**24%**).

HR and People teams are showing early signs of experimenting with technologies such as AI (**13%** 

adopted) and gamification (**12%**), but there is still more to do.

A third of HR leaders have fully automated HR —with a further **28%** planning to adopt this in the next two years.

Worryingly, though, **43%** of HR leaders believe their organisation will not keep up with changes in technology over the next 10 years.

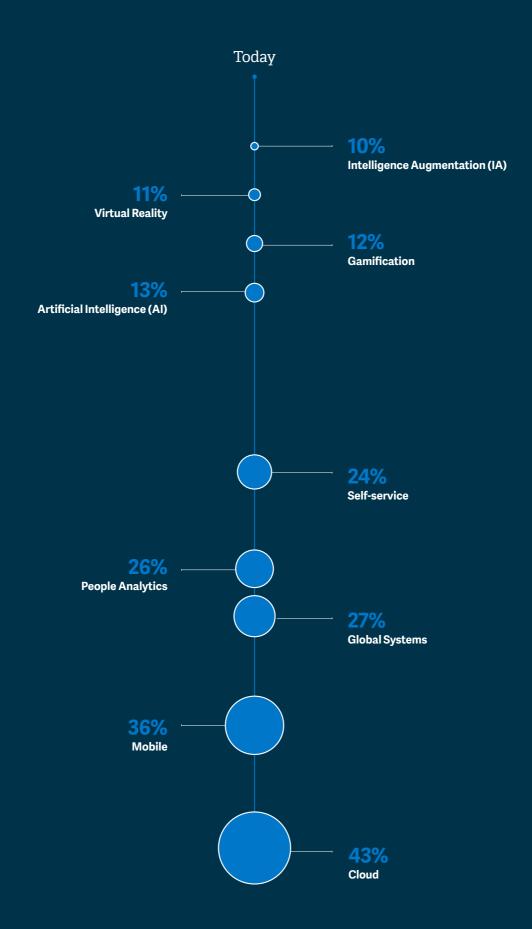
### Artificial intelligence or augmented intelligence?

Often, when people talk about artificial intelligence (AI), they mean intelligence augmentation: IA. The former is the replacement of humans with computer systems; the latter is using technology to assist humans, not replace them. Intelligence augmentation, such as automation, enables machines to take out some of the drudgery of work, improve accuracy, and increase speed. More importantly, it frees up teams' time to concentrate on what's important.

### Transformation through automation

How would you feel about freeing up **30%** of your teams' time? Automating processes and administrative tasks means HR and People leaders can re-claim that all-important time needed. It's how fast-growth progressive People Companies are getting ahead. They're automating transactional processes, freeing up lost time on admin and leaving their teams free to focus on what matters: getting the best out of their people by developing great workforce experiences.

### HR technology adoption rates

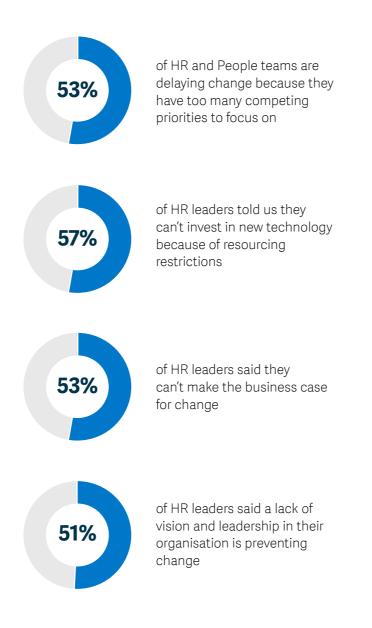


### **Barriers to change?**

HR and People leaders have their work cut out; our research shows many are planning to make significant strides in adopting new HR technology in the coming two years. How realistic is this?

Another way to interpret this is that HR and People leaders have a huge appetite for change. Yet, perhaps their intentions aren't always realised for a range of different reasons.

What's stopping HR and People leaders from making these changes?





# 52%

of organisations are preventing changes in HR that HR and People leaders want

# Research findings The role of HR is shifting and new skillsets are required

#### Critical skillsets must change—urgently

How would you rate your own skills and preparedness for the continued changes in HR ahead?

Surprisingly, fewer than one in three respondents we polled would rate their HR skills and competencies as expert level today. This is particularly alarming considering the planned changes respondents told us they are planning to make in the next year.

HR and People leaders feel they are weak in areas such as behavioral sciences, technology knowledge, people analytics, and communications. This is despite these areas being rated by respondents as important over the next year (see chart on next page).

#### HR skillsets need to change

Three of the top four areas where HR leaders feel they are weak, they also considered to be the most important areas where skills are needed in three years' time. 86%

of HR leaders we polled said they need to address skills gaps in their teams in the next three years.

**76%** of HR leaders polled rated people analytics skills as important in HR over the next three years.

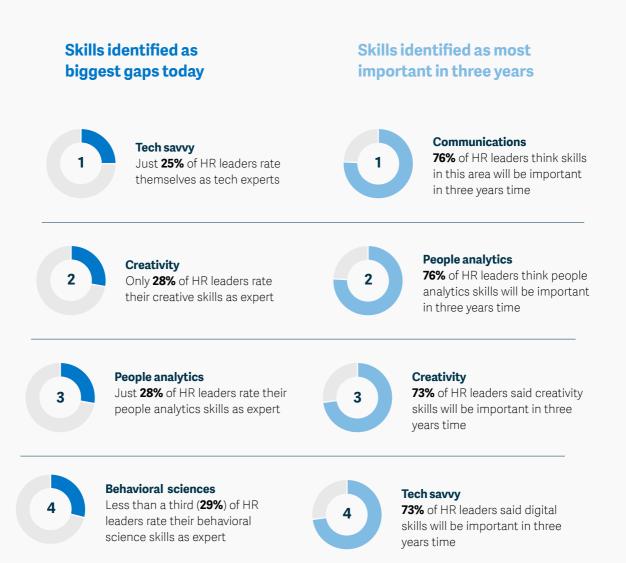
> of HR leaders think marketing skills will be useful in HR over the next three years—yet only 30% of HR leaders feel their teams have these skills today.

82%

73%

of HR and People leaders believe the role of HR Director will be unrecognisable in 10 years' time.





## Of the top four skills gaps identified by HR leaders, three were also identified as the most important in three years time.

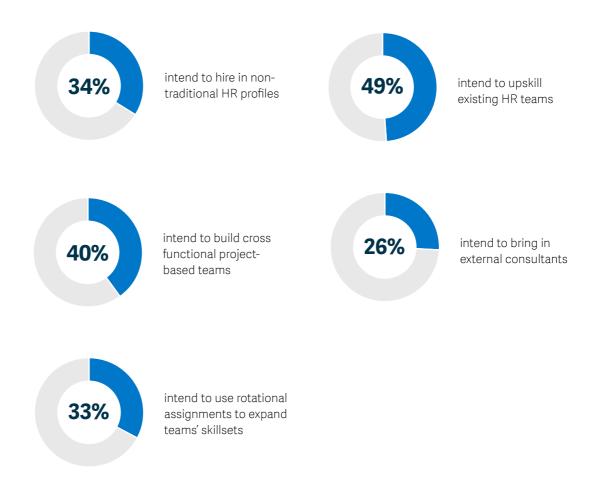


of HR and People leaders believe the role of HR Director will be unrecognisable in 10 years' time

### Plugging the skills gap

### Over a third of companies plan to hire non-traditional HR roles

Our research revealed a shortage of skills amongst the HR sector globally. As well as upskilling existing HR experts in new People-focused and technological roles, companies have acknowledged they must diversify, and source skills needed from non-conventional routes.



"This is a great time to be in HR. The need for new skills to complement traditional competencies means career growth and development, while providing the opportunity to work more closely with, and leverage the expertise in, adjacent departments—including marketing, communications and business operations."

Paul Burrin, VP, Sage People

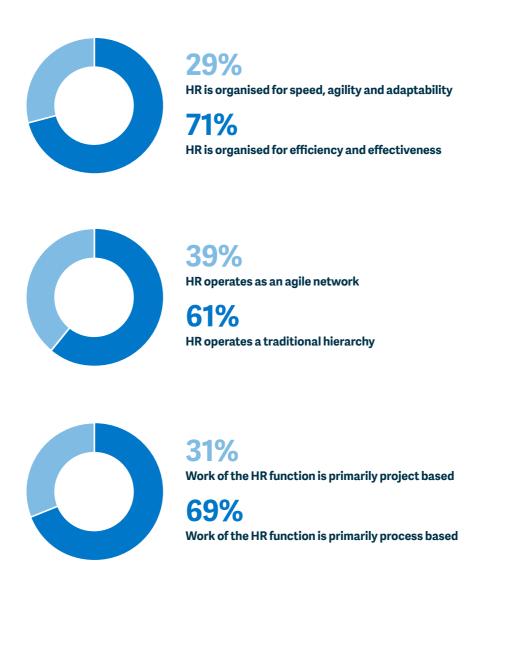


### Agile HR?

With the rapidity of change, organisations need to be responsive to market shifts and changing customer needs. This requires companies to be flexible, adaptive and agile.

As organisations globally move to more agile ways of working, operating as networks and in cross functional project groups, HR will need to provide the skills and capabilities to design and enable such organisational agility. Being better able to support teams, groups, tribes, and cohorts is also a challenge that HR must address sooner rather than later.

Yet, our findings show that HR as a function largely continues to operate in very traditional and rather inflexible organisations, rather than being designed to support.



### The opportunities for HR leaders

In this research report we set out to find out how HR is responding, re-thinking, and re-imagining itself in this transformation from HR to People today.

We found that HR leaders believe the HR to People transformation to be real; the way HR operates is evolving; technology used in HR is changing; and, the role of HR is shifting and new skillsets are required. As a result, new applications and technology for this new world are required, to help HR leaders on their ongoing journey from HR to People.



### Address the HR gap

We found that while recognised, the challenge of plugging the skills gaps within HR has been vastly underestimated.

Identify skills gaps in your team now, and where they could be in the future for your organisation to get ahead in the HR to People transformation.

With 86% noting a need to reskill, a global HR skills crunch is almost inevitable.



### Drive agile ways of working

Agile ways of working mean HR and People teams can implement changes faster. They can get quicker feedback and take remedial action.

By continuously re-designing better ways of working in this way, they can see a quicker impact on productivity.

Less than a third of HR leaders currently operate an agile HR model today, though. Do you?



#### Get ahead with technology

Technology such as automation and analytics enables HR to work smarter, faster and more strategically.

Who wouldn't want to free up a third of their teams' time?

With 43% of HR leaders believing their organisation will not keep up with changes in technology over the next 10 years, however, there's still a lot to do.



### **860** noted a need to re-skill, so a global skills crunch is almost inevitable



### Make the business case

Investing in your people is one of the most important business decisions an organisation can make. Get it right and your business will thrive.

Building a robust and comprehensive business case is the most powerful tool you can use to get that all important slice of budget.

53% of HR leaders told us they can't make the business case for change.



#### Change HR—and work for the better

Let's be honest, many of us got into HR to change people's lives for the better, if even a little bit.

Though the challenges ahead in the sector appear vast, so too are the rewards.

By transitioning from being process-focused to people-focused, HR teams everywhere can make a significant impact on working lives around the world

### We spend so much time working—isn't it time things changed and work for employees felt less like... hard work?

# Conclusion **Be the face of change**

### The changing face of HR

The world of work is changing. HR is changing to People. The way HR operates is changing. Technology used in HR is changing. The role of HR and skillsets required are changing.

Everything is changing. It seems change is in fact, right now for HR, the only constant.

It may sound daunting or exhausting, but if any sector can not only survive amongst change, but thrive—it's HR.

Your role is built around change. Different days, different people. Different challenges. Even day-to-day tasks reflect changes in your organisations: from new hires, to a new payroll month.

Not only are HR leaders and professionals more accustomed to change than others may think, however, but there is also an enormous opportunity for the sector to seize the opportunity and for HR and People professionals to lead these changes.

Thanks to technology like analytics and automation, they can transition from being process-focused to people-focused, as they move from the backroom to the boardroom, and make a demonstratable impact on the bottom line.

### Be the face of change

As companies' continued focus on attracting and keeping the best intensifies as a result, then who better to lead the focus on people and building great employee experiences than HR—with a little help from technology.

As ultimately, HR leaders know more than anyone: your people are more than human resource.

They are its ideas; its creativity; its ambition; and its potential. More than anything, they are people with different motivations, mindsets, passions, and interests.

As a result, isn't it time we said goodbye to 'Human Resources' and hello to 'People'?

#### Now is the time for HR to be the face of change.



## Your next steps

#### Take your next step in your HR to People journey

Over **50%** of mid-sized companies are increasing their spending on HR technology. The top benefits they expect include improved employee performance (**56%**) and freeing resources and staff to perform more strategic work (**54%**).

### Take the next steps in your HR to People journey. Download the eBook 'How to make a compelling business case for HR investment'. Or, request a demo of Sage People today.

#### **About Sage People**

Sage People enables mid-size, multinational companies to manage workforces through its global, cloud HR and people system, transforming how organisations acquire, engage, manage and develop their employees. Implemented quickly and simple to use, the award-winning system increases workforce visibility, HR productivity and provides better experiences across the entire workforce.

#### Sources

Why your workforce isn't working research report, Sage People

Glassdoor

Gallup

HR Systems Survey, Sierra-Cedar



www.sage.com



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