

THINKERS

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Mercer

The human-centric enterprise



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Foreword

Early in the 20th century, Frederick Taylor was a brilliantly inventive tinkerer, problem solver and inventor. He put his mind to work on the design of tennis rackets and nets, metal-cutting, a Y-shaped golf putter, and much more. The result was a series of patents but also a philosophy of order and efficiency that shaped the world of mass production and the organization of corporations. Before Taylor, no one had thought to examine the nature of people's work. Irritated by such brazen inefficiency, Taylor set out to do so. Armed with a stopwatch, he looked in intimate detail at exactly what happened and how long it took. Working in the most efficient manner, he calculated that a theoretical pig iron handler called Schmidt could load 47 tons a day rather than the more usual 12.5 tons. This meant workers would know exactly what was expected of them and managers would know exactly how much should be produced.

This “scientific management” has cast a shadow over the practice of management ever since. Even in the third decade of the 21st century, there are organizations throughout the world where blind adherence to efficiency trumps considerations of humanity — where the process is everything. Ravin Jesuthasan provides the context: “For the past 140 years, work has largely been organized around processes that used jobs organized within functional hierarchies as the primary currency for work. This process-centricity has been the primary mechanism governing how talent is connected to work, how work is deployed and how organizations are structured. It has been the operating system for all organizational infrastructure — from HR systems to finance and accounting to enabling technology systems.”

This is changing. The Human-Centric Enterprise celebrates and describes that change. It portrays a working world in which best practice is being realigned to accord with the needs and aspirations of people rather than balance sheets or restrictive notions of efficiency. It acknowledges the powerful evolution of amazing technologies but places them in the human context: as enablers of human achievement rather than replacements for people.

As the contributors make clear, the COVID-19 pandemic played a major part in accelerating these changes. The realization, quoted by Kate Bravery in Chapter 1, is that the job of management has shifted from “being a director of tasks to being an enabler of dreams.” Talk of partnering with technology and one another, as well as focusing on health, well-being and sustainable ways of working, may appear indulgent and abstract to some. What this compelling collection makes clear is that nothing could be further from the truth. The human-centric enterprise requires management of the highest level. It demands the honesty and bravery to tackle fundamental questions: “how” work is done, “what” the work is, “who” does the work and the increasingly important “why” of work. These questions lie at the heart of how we can create workplaces of the future that are geared toward both maximizing human potential and generating profits.

Being human-centered has practical implications for the shape of organizations. In Chapter 7, Armin von Rohrscheidt makes the case for reinventing HR to deliver on human-centered transformation. How we reward people also requires reexamination, perhaps reinvention. In Chapter 5, Shanthi Naresh observes: “Human-centered rewards are designed with a flexibility that puts more power into the hands of individuals in the organization — to determine how, when and how much they will be compensated.” Power is shifting. This is enabling organizations to transform themselves. As Melissa Swift argues in Chapter 3, being human is the most transformational move of all. In Chapter 4, Kai Anderson notes that human-centered transformation is co-created, not top-down-directed; capability-focused and enablement-driven; employee-experience-driven; and practiced, not just preached.

Making the human-centric enterprise a reality is the management and organizational challenge of our times. We hope this collection provides an ignition point for your own journey.

Stuart Crainer, Cofounder, Thinkers50

Defining the human-centric organization

This book explores a fundamental shift that today's workplaces are undergoing. This shift is having seismic effects on every aspect of modern work: how we classify it, how we organize it, how we conduct and complete it, how we manage it, how we are rewarded for it, how we feel about it and even why we work at all. In fact, we are seeing a rapid evolution toward a more human-centric enterprise in nearly every aspect of how the future of work is being planned, organized and accomplished.

In the following essays, we tackle important dimensions of this high-velocity shift, including how leaders are thinking about the design and organization of work, how we're resetting work around human-centric values, how we're creating a human-centered experience of work, how we're using culture as a core lever for a more empathetic and human-centered transformation, how we're redesigning pay and rewards to fit the human-centric workplace, and how HR is evolving to better align with and deliver on a human-centered transformation.

Before diving in, we should begin by clarifying what we mean by a human-centric enterprise. What exactly characterizes this rapid evolution toward the future of work? We believe it comes down to three things:

Skills as the currency of work

The heart of the human-centric enterprise is not processes or jobs but rather that most human of attributes: skills. For our purposes, we will consider the term skills as a broad framework and means for capturing an individual's skills and expression of those skills in the form of capabilities that result in the proficient execution of work. The two broad categories of skills are technical and human. These are sometimes distinguished as "hard" versus "enabling" or "soft" skills. Technical skills include accounting, coding, welding and UX design. Human skills include capabilities related to critical thinking, emotional intelligence, problem-solving and communication.

In a [recent survey](#) by Deloitte, 30% of respondents report that their organizations are ineffective at matching the right talent to work. A skills-based approach boosts productivity, efficiency and effectiveness by better aligning the workforce with work that fits their skills and capabilities, including both technical and human skills, while clearly highlighting skills gaps. Organizations that do this effectively can unleash worker potential to drive greater value; according to the Deloitte data, they are 52% more likely to be innovative.

Moving from jobs to skills as the currency for work requires that organizations move beyond the traditional “one to one to one” relationship between a degree, a person and a position — with its high frictional cost and barriers to entry — to an exponentially more agile “many to many” relationship between skills and work. This also lets organizations close specific skills gaps by taking advantage of the numerous nano and micro development opportunities that are rapidly becoming available.

Boundaryless work

A human-centric workplace also allows work and talent to flow across traditional functional and organizational boundaries. The Deloitte survey mentioned above indicates that 63% of leaders report that workers are focused on teams and projects that fall outside their current job descriptions. A further 81% of leaders say work is increasingly performed across functional boundaries.

Boundaryless work blurs the traditional distinctions between employees, gig workers and other third parties. It also enables talent’s rapid (re)deployment as business conditions and market demand evolve. At its heart, these organizations are becoming open ecosystems that seamlessly connect talent to work.

Seamless combinations of humans and automation

In traditional organizations, leaders often view automation with the binary logic of replacing jobholders with a particular technology. As a result, automation efforts frequently crash on the rocks of poorly-thought-out work design or redesign.

This is not the case in human-centric organizations — which, by definition, lead with work and talent instead of technology. As John Boudreau and I demonstrated in *Reinventing Jobs* (HBR Press, 2018), these organizations see a much more nuanced set of outcomes. They are able to identify where highly repetitive, rules-based work might best be substituted; where human creativity, empathy and critical thinking might be augmented by automation; and where the presence of automation might create space for more human work or demand for new human skills.

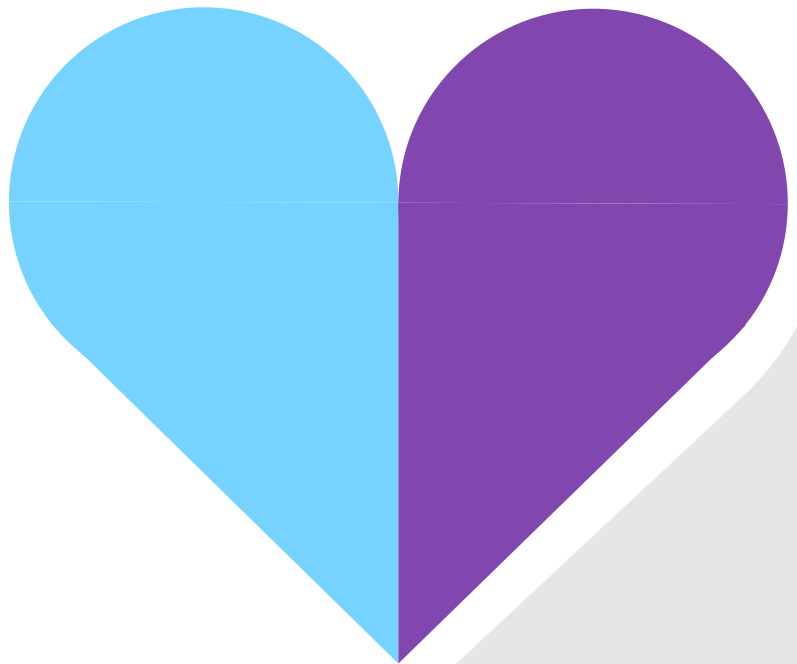
With this basic understanding of how we are defining and thinking about the human-centric organization, let us now examine what this means for our modern workplaces and explore how organizations are currently experiencing and can prepare for this important and inevitable transition.

Ravin Jesuthasan, Global Leader, Transformation Services, Mercer

01

Kate Bravery

**How relatable
organizations are
winning hearts
and minds in the
people age**



By Kate Bravery

How relatable organizations are winning hearts and minds in the people age

How well do you know the people in your organization? What do they worry about? What matters to them? How well do they know you and your values?

Questions like these used to seem trivial. Leaders were the experts, and employees were to follow their lead and earn results. Personal morals, cares and dreams were beside the point. But now, as we deliver on the future of work, they are *exactly* the point. The values of company leaders can shape the future of the entire organization.

In early 2020, Mercer partnered with the World Economic Forum (WEF) on the future of work agenda — which, unbeknownst to us, was about to come to a sudden halt. The pandemic's impact on discussions at the WEF was dramatic. No longer was the conversation dominated by AI and automation. The impact on jobs, health and well-being took center stage; as we leaped from a digital crisis to a health crisis, we also saw a reset in how people interacted across traditional divides.

Tapaswee Chandele, Global VP of Talent & Development for The Coca-Cola Company, [put it beautifully](#) when she said after the pandemic that the company's leaders were inspired to “step back and reflect on ‘what have we actually learned about our workforce? What have we learned about what people want from their life and from their careers?’” She added that they had examined the role of a leader in the future and realized that “it's about moving away from being a *director of tasks* to being an *enabler of dreams*.”

Today, winning organizations are delivering on that vision. They relate to their employees not only as workers but also as stakeholders in the company's success. And as employees continue to be more enterprising, enterprises become more human. Becoming this kind of human-centric, relatable organization is key to engaging and retaining talent in the people age.

Resetting for the world we're in

If you'd seen it in a film, would you believe how much the workplace has evolved over the past few years?

One remarkable truth of our collective pandemic experience is that despite the fact that we spent much of it six feet apart, our workplaces actually brought us closer together. Coming out of this period, [Mercer's Global Talent Trends](#) research showed that trust in organizations was soaring. People were highly optimistic, seeing a once-in-a-lifetime opportunity to rethink their relationships with work — and, indeed, with one another. Employees contemplated new questions: *Where and how do I want to work? What does work actually mean to me? How does my work impact the world?*

During the pandemic years, we got to know our organizations more intimately than ever — warts and all. Leaders had shockingly candid conversations about safety, pay and protocols. Workers openly compared their experiences at different firms. Organizations deftly balanced empathy with economics, and leading companies were already thinking about how to cultivate more sustainable workplaces. What we didn't realize at the time was that these human-centric values would [reset the future of work agenda](#) forever.

There is an idea in science called *punctuated equilibrium*, which posits that evolutionary change is not slow and steady but comes all at once in short, dramatic bursts tied to specific events. We saw this sort of change in the past few years as society fundamentally shifted and work changed with it. Employees began to feel seen as equal stakeholders in their companies' futures and began to hold their employers to a higher standard.

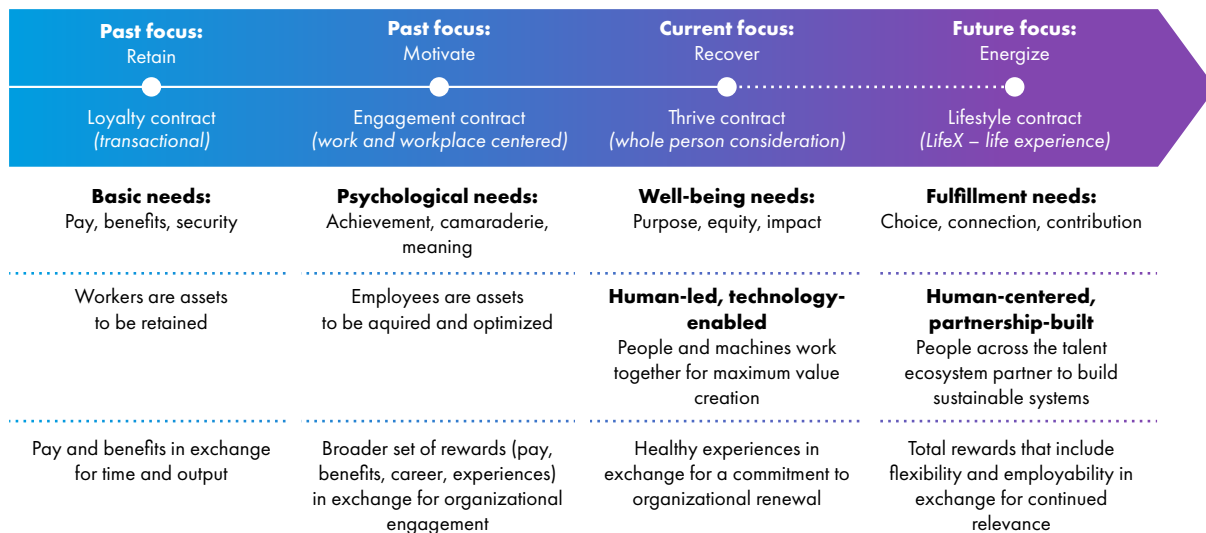
In 2020, [54% of Americans](#) said they would quit if their employers did not speak out about racial injustice. More recently, [75% of Gen Z consumers in the US and UK](#) said they were likely to consider finding a new job if they felt misaligned with their employers on key social issues. It's therefore no surprise that in Mercer's Global Talent Trends research, a company's reputation jumped from 7th position in 2021 to 2nd in 2022 as the reason people joined the company.

The same research showed the importance of flexible working, with more than one-third of employees saying they would forgo a pay increase in exchange for more flexibility in hours and/or work location, better benefits, and additional time off. In 2023, remote job postings on LinkedIn continue to draw an increasing number of applications.

Organizations have adapted to these changing expectations as they seek to retain talent in a more human-centered way. Relatable organizations are already innovating to meet demand for both job security and flexibility. At Unilever, the U Works program provides talent with stable income while offering the chance to explore other opportunities outside the organization. Workers retain their permanent status — with pensions, healthcare and benefits, and a minimum income — but also contract back for work inside the firm. Unilever Chief Talent, Learning and Rewards Officer [Placid Jover explains](#) that “you can say: ‘I work for Unilever. I am a permanent Unilever employee.’ But at any point in time you could be actively working for another company with another business. You could be setting up your own company.”

The people-driven future of work that for so long has been waiting in the wings is finally taking flight. In this new reality — which we call the people age — the robots have not come for our jobs, nor has the corporate machine destroyed humanity. Instead, AI and automation are helping to usher in new ways of partnering with technology and with one another. And organizations are committing to a deep and much-needed focus on health, well-being and sustainable ways of working.

What people want from work fundamentally has not changed; how they want to engage with work has



Evolving needs in changing times

As we emerge from the pandemic period, people around the world are burned out, stressed out, financially pressured and emotionally drained. Gen Z, in particular, is both hungry for change and highly attuned to well-being as [recent work from Oliver Wyman](#) has shown. Companies have been forced to rethink how they meet employee needs.

Tripti Jha, Chief Talent and People Solutions Officer at Novartis, [sums it up like this](#): “Well-being is a responsibility, it is not a benefit ... Well-being needs to be out front of how the work is organized in an organization.” She adds, “How you feel is as important as how you perform, because the two are deeply connected.”

Organizations are responding with the “thrive contract,” which takes a whole-person perspective — focusing on employee health and well-being needs in return for a healthy and productive workforce.

This has largely replaced the more unidimensional “engagement contract,” which dominated in the early 2000s and placed the focus on work and the workplace. We are also now seeing the seeds of the “lifestyle contract” as workers seek to respond to the intertwining of their work and lives and enter a real dialogue about what they want from their employment arrangements.

The rise of the relatable organization

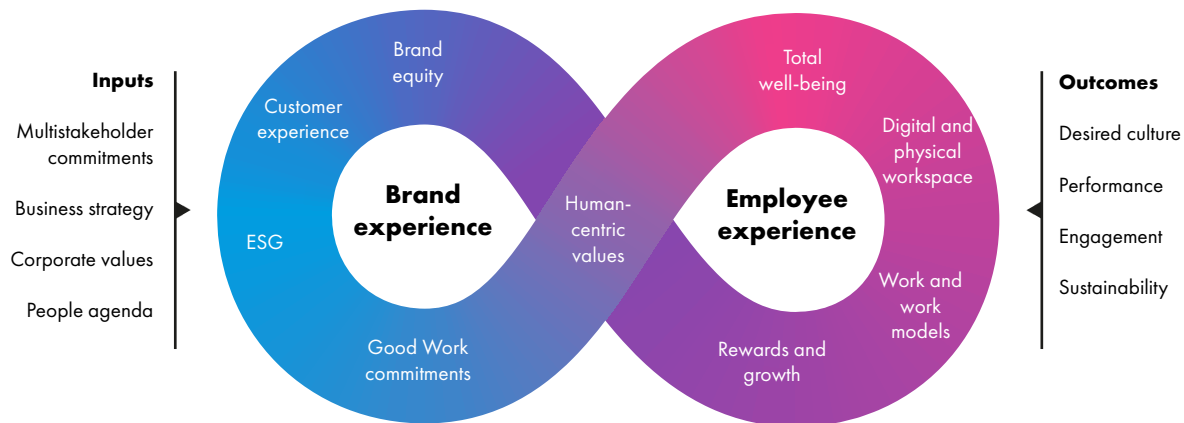
Employees of all generations are no longer willing to sacrifice today for a brighter tomorrow; they want things to be better now. The organizations that act with humanity and create more human-centered workplaces will win in the people age. This is the spirit behind the [Good Work Framework](#) that launched its associated metrics at Davos in January 2023 — encapsulating the learnings from the WEF’s CHRO community with which Mercer proudly partnered in defining the new world of work. The Good Work movement urges companies to lead with their values and set bold ambitions around the “S” in their environmental, social and governance (ESG) agendas — all in pursuit of raising the bar for a value-driven, equitable and human-centric future of work.

The framework has key objectives for organizations that want to lead the charge on staying *relevant, responsible and relatable*. It proposes a series of metrics and reporting guidelines to galvanize these commitments into action. Companies such as Randstad, Schneider Electric, Unilever and Marsh McLennan — some of the Good Work Alliance members — are making efforts in a range of areas. These include upskilling and reskilling programs, flexible work options across the organization, ensuring pay equity, and providing a living wage.

Many companies are also weaving Good Work into their employee value propositions. This trend aligns with Mercer’s recent *Global Talent Trends Study* finding that employee experience would be one of HR’s top priorities in 2023. Now, 37% of HR leaders are actively designing work with well-being in mind (for example, realistic workloads, no-meeting days, reduced complexity, positive work environment, culture of trust, etc.). Of these, 46% are enabling workers to take paid time away from work for everyday life activities (such as doctors’ appointments and child school events). And 67% are building a culture in which employees feel comfortable bringing their authentic selves to work.

As Atrayee Sarkar Sanyal, VP of Human Resource Management for Tata Steel, [noted on the launch of the Good Work initiative](#), “There comes a time for major breakthroughs in the way work, the workforce and the workplace undergo a threshold change. I think the time is now, with the pandemic and Industry 4.0 giving us the opportunity to reorganize ourselves. We will need to realign our strategy, systems and structures with changing realities. The new work philosophy will be embedded in agility and flexibility together with empathy.”

High-growth companies are revamping their employee experience to align with evolving expectations



In 2022, high-growth companies were more likely to:

- Trust their employees
- Be described as a “caring” organization
- Balance EQ with IQ when making critical decisions

In 2023, HR is rethinking the work experience:

- 67% are working on the organizational culture
- 46% give employees time off for everyday life activities
- 37% are redesigning work with well-being in mind

Source: Mercer’s Global Talent Trends 2022–2023 Study.

Five areas in focus for relatable organizations (what they do)

Mercer’s 2023 Global Talent Trends research highlighted what sets top companies apart from the rest, not just in terms of financial results but also in helping employees thrive. These leading organizations were striving to be more relatable in five important ways. Relatable organizations are:

1. **Resetting for relevance:** They have reset expectations and work patterns to deliver on the wants of their customers, the needs of their workforces, and the interests of their investors and shareholders. Remaining relevant means building sufficient adaptive capacity into work models, making new commitments aligned with stakeholder expectations, and ensuring that goals and metrics reinforce the new direction. As Travis Barton, Global Talent Leader at GE Renewable Energy, [has reflected](#), “Diversity is getting equal attention relative to other key business metrics like cash flow and quality.”
2. **Working in partnership:** To embrace new ways of working (internal, gig, part-time, shift, etc.), relatable organizations are coaching leaders and managers on sound partnering skills and putting in place intentional work-design changes. These foundations help retain a focus on inclusion and equity as different employee preferences play out and ensure that new work models do not inadvertently disadvantage any one population when it comes to opportunity, pay and promotion. This partnering mindset drives respect for the workforce and their lives outside of work — and ultimately a more sustainable work model for all.

3. **Delivering on total well-being:** Financial wellness, mental health and social well-being, in addition to physical health, have never been more critical for employees. Relatable organizations offer inclusive benefits (often with triggers around preventive healthcare) to keep their workforces healthy, socially connected and financially well. Consistent with prior years, Mercer’s [2023 Health on Demand](#) findings suggest that supporting the widest possible range of employee needs makes a difference. Of the employees who have access to 10 or more benefits (such as medical coverage, life insurance and mental health counseling), 82% say they are thriving, compared to just 58% of those with access to between one and four traditional benefits.
4. **Building for employability:** Relatable organizations help their employees — including nontraditional talent — plot a career path that can lead to better pay and promotion prospects. They do so by moving beyond formalized learning to a model that improves the flow of workers to opportunities, opens up opportunities to nontraditional talent and creates time for learning. This approach delivers an edge in terms of talent agility and acknowledges the role organizations play in helping people remain employable over time.
5. **Harnessing collective energy:** Addressing the other energy crisis of our age — the human one — requires an understanding of the energy-sappers in the organization. One key culprit is change fatigue, which is why relatable organizations actively engage their workers to ensure transformation is not only human-centered in its pursuit but human-led in its execution. But it also includes aspects of the day-to-day employee experience, which can be addressed by auditing the time load required by technology rollouts, purging toxic work cultures and reviewing the desired HR interaction model to further unlock the joy in work. (You can read more about these models in Chapter 7.)

The human behaviors of relatable organizations (how they do it)

How are relatable organizations listening more?

Relatable organizations are always in listening mode. This effort takes many forms, from employee listening to external research to workforce analytics. Understanding stakeholder needs is crucial to remaining relevant and building resilience into the organizational fabric. Companies that don’t listen could seem tone-deaf in today’s transparent world.

Ask yourself these questions to gauge your own listening efforts:

- How do you stay attuned and responsive to market signals and encourage your people to look outside for inspiration?
- How do you proactively and regularly understand the pay, promotion, retirement and health outcomes for different populations in your company? What plans are in place to correct gaps that are uncovered?
- When making an important decision (for example, changes in policies, real estate moves, etc.), do you conduct digital focus groups or pulse surveys to understand employees’ preferences and concerns? How do you ensure that a diverse group is invited to contribute? How do you incorporate their feedback and show that you’ve truly heard what they had to say?

How are relatable organizations speaking up more?

Relatable organizations are not afraid to come off mute on their values. This is not just about public commitments to causes and values; it's also about backing commitments up with tangible actions and continued progress. But for trusted brands, trying and failing to meet those commitments is often less damning than staying silent.

Here's a quick check to help ensure you're on track:

- How do you engage in an open dialogue with colleagues, customers and the communities in which you operate? Do you hesitate to stand up for organizational values for fear of getting it wrong or not showing enough progress?
- How do you walk the talk? How do your compensation, benefits, flexible work offerings and other policies align with your stated values?
- How are you managing Good Work goals alongside revenue and profit goals? How do you encourage managers and employees to balance economics and empathy in everyday decisions? How are value-aligned decisions recognized and rewarded?

How are relatable organizations learning more?

Relatable organizations prioritize a "learn everything" culture over a "know everything" culture. This means democratizing access to data while both promoting and funding experimentation.

Want to foster a "learn everything" culture? Consider the following:

- How do you generate a sense of psychological safety so that people feel okay to try new things, make mistakes and share failures to fuel learning?
- What guidance do you provide for employees on what skills will be valued tomorrow, and how do you help them acquire (and practice) those skills? How do you create space for workers to learn within working hours?
- How do you ensure career and learning opportunities are open to all candidates, not just the "usual suspects?" How are managers incentivized to take a chance on nontraditional talent? What technology platforms do you have in place to democratize access and to direct learning into productive skill-building pursuits?

How are reliable organizations working hand in hand with their workforces?

Reliable organizations let their employees lead from the front. The future of work agenda is certainly being accelerated by the next generation, who will be its inheritors. Opening up strategy formation as well as strategy execution has a magnifying impact on engagement.

As you work toward a better partnership with your workforce, ask yourself:

- How are you giving people an opportunity to reshape work? Is your culture one of asking permission or demonstrating that it can be done?
- How are your tech platforms enabling new ways of working and collaborating for your employees? How do you ensure technology augments their work without adding to their burden? When was the last time you asked about what depletes energy?
- How are you maintaining a human element amid the rapid proliferation of AI and automation in everyday decision-making? How do you ensure that the role of technology is to empower and redeploy employees in new ways rather than replace them?

Bold ambitions, bold commitments

Becoming a human-centered, reliable organization often requires several things: a philosophical reset of how we view the people that contribute to our company's success, a recognition of our true purpose, an understanding of our entity as an organization with agency, and a vision of the impact we wish to have on the world. Today, businesses are grappling with labor shortages. In fact, [one in two executives feel they don't have sufficient talent to meet the demand](#) for their organizations' products or services. We are also challenged by lack of talent agility; only 33% of executives believe they can effectively scale up and down to respond to market volatility. What is painfully evident is that those that do well by employees, contractors, vendors, their customers and their shareholders are the least likely to suffer these crippling talent shortages.

Delivering on this task takes intentional design and a willingness to balance economics and empathy in decision-making. As we wrestle with continuing economic and social crises, the seeds of discontent are beginning to creep back in as real wages decline, gaps in social expectations continue and companies revoke promises around flexibility. But as long as organizations — and their leaders — act with humility and not hubris, these headwinds will not set us back. The trust that organizations will do right by their workers and society is at an all-time high. If we nurture this trust with greater listening, learning and collaboration, we can build a brighter and more sustainable future together.

02

Ravin Jesuthasan

Redesigning work for greater human-centricity



By Ravin Jesuthasan

Redesigning work for greater human- centricity

Creating human-centered organizations requires that organizations rethink how we design and organize work at the most fundamental level. This means redesigning how work is structured in our organizations and reassessing how we interact with technology. It also challenges leaders at every level to realign their own leadership capabilities and put them to work in driving a human-centered transformation.

For the past 140 years, work has largely been organized around processes that used jobs organized within functional hierarchies as the primary currency for work. This process-centricity has been the primary mechanism governing how talent is connected to work, how work is deployed and how organizations are structured. It has been the operating system for all organizational infrastructure — from HR systems to finance and accounting to enabling technology systems.

This traditional operating system with jobs as its basic currency is no longer sufficient. As John Boudreau and I illustrated in *Work Without Jobs* (MIT Press, 2022), a fundamental shift is underway. Accelerated change; demands for organizational agility; work automation; efforts to increase diversity, equity and inclusion (DEI); and emerging alternative work arrangements are exposing cracks in this old work structure, revealing it as too cumbersome and ill-suited for the future. In its place, a new work operating system is emerging, based on deconstructed work (tasks, activities, etc.) and workers (skills, interests, etc.) that can be perpetually recombined and reinvented. Those granular elements are the foundation for more human-centric organizations, where work and talent rather than jobs and processes are the building blocks.

Let's explore the drivers of this change in greater depth before we delve into exactly what more human-centric work design looks like and the capabilities leaders will need in order to lead in a new human-centric workplace.

Two key drivers of change

Some important drivers of change are powering the journey to greater human-centricity — chief among them are how we interact in a more agile and flexible way with technology and each other.

Digitalization and automation

Tectonic shifts are happening with technology in the world of work: [Half \(50%\) of CEOs and CFOs believe their current talent models are insufficient to meet demand](#). And of those in countries facing an expected recession, [57% plan to increase their use of AI and automation](#). In fact, [according to CEOs](#), technological factors are the top external forces influencing their organizations.

As leaders struggle to attract and keep frontline workers in industries like retail, hospitality and food service, dramatic advances in robotics have allowed them to increase their use of automation for highly repetitive, rules-based work. Meanwhile, the ChatGPT interface for OpenAI's GPT-3 large language model — an AI-powered tool that generates clear, concise and polished prose — has alarmed artists, journalists and other creators with its potential to democratize “creativity” and reduce skill premiums significantly.

These shifts and others are prompting a radical reassessment of how we think about work and jobs — what we call “[Work's Great Reboot](#).” A significant part of this is determining how to *humanistically automate*. It means creating a new set of guardrails around automation — not just automating simply because we can but instead using automation where it makes sense and provides the most human benefit. Decisions about when and how to use automation must consider the human consequences — not just now but over the next three to five years.

The democratization of work

This force captures our growing ability to increasingly decouple work from its traditional confines of space, time and structure. The focus over the past three years has been largely on the space and time dimensions as organizations grappled with working onsite versus hybrid working versus working remotely — as well as with the productivity, cultural, and broader societal tradeoffs and consequences associated with those choices.

However, it's important to consider all six dimensions of work beyond the “where” and “when.” This includes “how” work is done (like job/work sharing, among other things), “what” the work is (such as the tasks that make up a job, the underlying skills requirements and how rapidly these are changing), “who” does the work (including automation, gig talent, talent in agile pools, etc.) and the increasingly important “why” of work (asking questions like “Why should I engage with your mission? Does it align with my own sense of purpose?”).

These drivers of change and the increasing volatility of the global economy are forcing us to look beyond our traditional organizational goals of efficiency and effectiveness and return to a more encompassing focus on resilience, agility and flexibility.

This is creating the demand and setting the stage for a more human-centric enterprise as we saw in Chapter 1.

An evolving model for connecting people to work

When we talk about the process of considering the “how,” “what” and “who” of work, it may sound like we’re talking about breaking work down into composite parts and then building up again into a new way of working — and that’s because we are.

Over the past century or longer, the smallest atomic unit of work was always the job or role. Humans filled it, skills were applied to it, leaders managed it and activities were assigned to it. Now, as part of driving greater human-centricity at work, the job is no longer the primary currency for work. Jobs are being broken down into their composite parts: job elements or tasks. The work we bring to those jobs is likewise being broken down into its composite parts — namely, skills.

Connecting talent to work



Source: Jesuthasan R and Boudreau J. *Work Without Jobs*, Cambridge: MIT Press, 2022.

We are seeing, in other words, an evolution of work from fixed to flex to flow.

Where once we had an organization full of regular full-time **employees in fixed roles**, significantly fewer jobs now need to take this form. Where there is a high volume of work that is predictable — or where compliance or control factors are restrictive — a fixed full-time assignment may be appropriate for an employee. These kinds of jobs are likely to always have a place.

Recently, many more jobs have fallen into a hybrid model, where both the jobs and skills are the currency for work. In this model, employees are still in full-time roles but have the flexibility to express their skills in different domains or take on projects to acquire new skills. Instead of funneling all incremental work into new or existing jobs, people are now connected to gigs and projects as work emerges. This already happens intentionally in some organizations and organically in others — when regular jobholders take on additional projects or membership across ad hoc or agile teams and resources can be easily moved to where they are most needed.

This model is already evolving into one where **employees fully flow to tasks, assignments and projects**. Recognizing the benefits of moving people to work, organizations are now being more intentional about using tasks and projects as the central atomic unit of work with skills as the underlying currency. No longer bound by job titles or hierarchy, employees with the right skills are routed to assignments and projects as and where their capabilities are needed. This model is particularly useful where skills are required in short-term bursts or sprints across many different workgroups or processes. An example might be a data scientist who moves among projects in marketing, HR, IT and operations.

By deconstructing work into its component parts and building back up in this agile way — with hubs of teams and projects convened and demobilized as needed — we are able to tap into an internal skills marketplace. We can match tasks to skills in a boundaryless, democratized work ecosystem and flow talent to work in a flexible, agile way with models that can be easily expanded to incorporate nonemployee talent and gig workers.

We read in Chapter 1 how Unilever has pioneered a new way of working with its employees. Instead of a job, workers have a contract — which provides them with guaranteed benefits and a minimum monthly retainer as a percentage of the previous salary. On top of this, they are then paid by the project, based on varying assignments and their personal preference. Workers have no fixed roles or job titles but are flowed to tasks that best suit their skills and desired work schedules.

This kind of model puts people at the center, and the benefits are clear for both employees and employers. For employees, there is a more flexible approach that rewards skills development and provides varied work and greater choice. For employers, the time to fill needed capabilities is reduced since project needs can be met by tapping existing full-time or gig talent instead of undertaking a lengthy or expensive hiring process. There is also greater visibility of talent capabilities as they relate to specific types of work. Companies have better insight into emerging or declining tasks, skills that increase productivity, and more speed and agility across the board.

Five new leadership capabilities for new ways of work

What does it mean to lead in a world without jobs? Many leaders have spent their careers under a work model that focused on jobs centered on a command-and-control hierarchy. Reorienting to a more human-centric model will be a major paradigm shift for them. Furthermore, the future of work requires not only a shift in mindset for leaders but also a shift in skill set. What it took to be a successful executive or manager using the old way of work will simply not translate. A new set of capabilities, social values and behaviors will be required.

In a system of continually reinvented work, there are fewer places for leaders to hide and thus more visibility. The success of leadership will be less defined by title than it will by projects and accomplishments and — ultimately — character. Leaders will need to rethink fundamentals like attracting, retaining, motivating, and engaging workers and will need to attend to their individual leadership brand.

Leaders will want to take this opportunity to reorient around more humanistic leadership. This is because talent will be looking closely at not only the desirability of the task but also the “brand” and reputation of the leader. Leaders’ reputations will continually be earned through their track records and behavior. The most successful leaders — and those who are best able to attract talent — will be those who can steadily and sustainably guide the ship.

How will the new world of work alter the steering of that ship? What must leaders adapt in order to lead a new human-centric work operating system? As John Boudreau and I note in *Work Without Jobs* (MIT Press, 2022), five fundamental shifts must be undertaken to steer the course through new waters.

1. Moving from hierarchical authority to empowerment and alignment

One of the most observable changes in a human-centric model of work is a shift in how work is done. Leaders will need to transition from thinking about how they organize jobs to thinking about how tasks and projects are accomplished. As employees gain the flexibility to shift from project to project based on skills and preferences, leaders will need to set strong frameworks to balance that empowerment with accountability and create an organization-wide consistency that keeps people aligned with the broader task mission.

Organization-level leaders will need to focus on how they:

- Set the overall strategic mission for the organization
- Define and prioritize tasks and projects
- Define the standards, goals, conditions, supporting systems and resources needed to accomplish those tasks
- Support leaders and managers throughout the organization

Once these top-level goals and processes are set, functional leaders will establish guardrails and systems to align and support midlevel leaders — with attention on how work is accomplished and shared. Midlevel leaders will then use those guardrails to prioritize and translate organizational goals into strategic objectives for their units.

Frontline managers will continue to define and prioritize the processes and tasks required to meet team and organizational objectives. At the project level, leaders will deconstruct projects into tasks and tap workers to join their projects and teams as needed.

Workers will no longer be assigned exclusively to one leader or role but will be free-floating. That means leaders and managers throughout the organization will need to transition from being leaders of people in roles to being leaders of people on projects — organizing and optimizing people and technology around tasks and orchestrating resources to accomplish tasks and meet goals.

2. Moving from technical to humanistic work automation

As AI, machine learning and technology like ChatGPT continue to transform how we work, leaders must balance how humans and automation work together across projects and tasks. This is an advantage human-centered work has over job-centered work — as optimal solutions for work automation are often visible only at the task and skill level. Looking through this lens will help leaders make better choices regarding how they replace, augment or reinvent human workers. To successfully make this transition, leaders will need to come to a more nuanced understanding of what humans bring to the table in terms of aesthetic creativity, cultural context and innovative potential. Leaders must also eliminate biases that assume machines will always produce greater efficiency or consistency.

3. Moving from episodic to continuous focus on DEI

A large part of the transformation to greater human-centricity means reorienting around more human social values. Traditional models encourage an episodic view of DEI, but the future of work will be determined by the quality of DEI in ongoing relationships and interactions. Work without jobs means leaders are actively involved in choosing, assigning and developing team members, and the focus will be squarely on the substance of those interactions. Each interaction will present an opportunity to enhance DEI or perpetuate existing bias if it persists.

4. Moving from digital savvy to tech fluency

Recent and rapid innovations in areas such as AI and robotics have challenged companies to keep up with rapid process and workflow changes, but combining humans and automation in the ecosystem of work means balancing innovations with viability, practicality and decisions on the project or task level. This is a symbiotic relationship. Where teams are simultaneously forming and disbanding, algorithms will be at the heart of supervision and coordination, giving leaders the tools and insights they need to stay informed and to determine where or whether automation will replace, augment or reinvent human work.

5. Moving from process execution to project guidance

This involves sourcing talent beyond the traditional organization and rapidly assembling teams based on skills and capabilities using tools that agile teams now use (Scrum, sprints and hacks, etc.). Guardrails (HR, IT, legal, compliance, ops finance, etc.) are now set when someone takes a job — clearances, processes, etc. But as jobs are deconstructed, the guardrails will have to be adapted quickly and continually — with cross-functional coordination. (This is something we explore in greater depth, particularly regarding HR, in Chapter 7.)

At first, a decentralized, flexible model may seem to diminish the human dimension of work, but the steps above illustrate how central humanity will be to the new world of work. To avoid chaos and ensure alignment with a broader strategy, leaders must shift how power and accountability are distributed and evolve to a model of more “agile, serial leadership” that emphasizes their humanity.

As you think about the continuing journey to a human-centric enterprise, we leave you to ponder the two questions we believe will continue to be at the heart of our journey of perpetual reinvention:

How will we redesign work to enable talent to flow to it as seamlessly as possible while enabling its perpetual reinvention? And how will we envision the talent experience to meet all talent where they are and on their individual terms instead of forcing them to comply with a traditional one-size-fits-most value proposition?

03

Melissa Swift

**Being human:
The most
transformational
move of all**



By Melissa Swift

Being human: The most transformational move of all

Even in an age of incredible technological progress, we want work to work better for humans. After all, we face an ongoing structural labor crisis, with workers globally continuing to cut back their hours worked or drop out of the workforce entirely. In many ways, we've made great strides. Human workers today are less likely to be killed or maimed by mill machinery, to be gored by rampaging livestock or to experience any number of other unpleasant outcomes of days gone by. But there is still considerable room for improvement — in service of growth/profitability and human well-being alike.

With this backdrop, we are compelled to ask a new question: Is now the time to make the ultimate transformational move and finally create a human-centered work experience?

It's a bold question. Changing how we experience work means abandoning a longstanding tug-of-war between our work and our humanity. But many organizations have stopped pitting "how work gets done" against "how we honor our humanity" in a zero-sum game and are instead starting with the premise that economics and empathy can thrive at the same time.

The result? A human-centered work experience.

In the past, critics have often stereotyped what a human-centric environment might look like in practice, characterizing it as an unrealistic, warm-and-fuzzy sort of place where — let's face it — not much work gets done.

In reality, creating a human-centered work environment means managing three critical, interrelated dimensions properly: the intensity of work, interactions between humans and work technology, and the purpose and logic of work. Get these three dimensions right, and your workplace can be a high-functioning, productive environment that is also characterized by optimal retention rates and high worker well-being.

Let's examine what each of these dimensions really consists of and how organizations are able to perform well within them.

Dimension 1: Intensity of work

If you feel work has become harder over the years, what you are likely experiencing is increasing work intensity. Work intensity describes how many units of work per units of time an organization asks any person to do. In knowledge work, a measure of work intensity might be how many meetings your company expects you to attend during a day; in physical labor, it might be how many strawberries you are expected to pick in an hour.

Across jobs at every level and in every industry, work intensity has increased over the past few decades. [Researchers](#) fret that warehouse workers are packing more boxes than their bodies can handle, while the [Harvard Business Review](#) speculates that the job of the CEO is now too arduous for a single individual to manage. One [prominent study](#) found that the percentage of workers who believe they work “very hard” rose a stunning 16 percentage points in the past two decades, from 30% to 46%; the same study also saw a 9-point rise in workers feeling “used up” at the end of the day — from 20% to 29% of those surveyed. Across an array of studies, this kind of work intensity has been connected to a wide range of bad health outcomes.

With nearly half of workers believing they work very hard and nearly one-third feeling they have nothing left at the day’s end, we are compelled to ask, what has changed? Why has work become so much more intense? A few factors in combination seem to be the culprits for this semi-mysterious phenomenon of escalating work intensity:

Technology saturation

Technology unquestionably plays a role in our sense of work intensity. Technology extends work and makes it “greedier,” extending into nights and weekends via smartphones and laptops; technology can also manage work at a grueling pace, speeding up assembly lines or dispatching rideshare drivers to locations within unrealistic timeframes.

Organizational complexity

Organizational complexity creates work intensity as well. As a knowledge worker in one of an ever-increasing number of matrix organizations, you’d be more likely to suffer from meeting overload — just by virtue of your organizational structure generating more connection points. But meetings aren’t the only flashpoint — any increases in product or service line complexity show up quickly on frontline workers’ plates. Think about working in a fast-food restaurant that starts offering all-day breakfast — everyone from the fry cook to the cashier has suddenly added a new set of actions to their existing jobs.

Cultural pressure

Finally, work intensity is increasingly spurred on by a strangely tenacious set of cultural myths around hard work as an end in and of itself. An array of generally young, typically male spokespeople advocate vocally across social media platforms for “rise and grind” or “hustle” culture. In Asia, this phenomenon manifested as “996” culture, originating with Chinese programmers who embraced a work schedule of 9 am to 9 pm, six days a week. As Elon Musk once famously tweeted, “Nobody ever changed the world on 40 hours a week.”

The past few years have seen a backlash of discontent brewing against this kind of cultural pressure — which comprises many aspects of intensified work, like working 100 hours per week, eschewing sleep to rise before dawn to work, and giving up family relationships, friendships and hobbies to create space for more work. The hustle movement has been labeled toxic and anti-inclusive by a number of observers, but its influence continues to be felt across organizations.

Although the origins of work intensity can be multifaceted, solving for intensified work starts in a very simple place: being aware of when and where it's happening. At Mercer, across organizations ranging from retail to professional services, we use ethnographic techniques — where workers comment on how they're feeling during certain task types — to identify at what moments and during what kinds of work intensity has been dialed up. Is it during a seasonally busy period or a particularly gnarly task type? This simple feedback loop — “How and when do you feel you are being asked to work beyond your natural boundaries?” — is one that organizations have to initiate if they want to retain critical talent and curb the burnout that quietly saps both employee health and productivity.

Once the organization has identified where work intensity is occurring, the next step is to talk openly about it and discover why. For too long, work intensity has been a taboo topic. Leaders fear what might happen if they say workloads should be lighter or work should happen slower. These sorts of statements were seen as broadsides against productivity or growth, when, today, we realize that excess work intensity, by impeding well-being and driving attrition, is widely known to inhibit the growth organizations are seeking.

To create a more human-centered work experience, organizations are having thoughtful conversations at organizational and team levels about where work intensity is occurring and what's triggering it. Is it technology? Leadership culture? A particular customer profile? Speaking candidly about these stressors can boost employee engagement and shows employees that the organization has empathy for their experience of work.

Having identified where work has intensified and spoken candidly about why, the critical last step for organizations is to redesign work to alleviate the pressure. Depending on the nature of the underlying causes and organizational appetite to dive deep into solutions, there are different options.

We often see in our project work for clients that having employees identify where complexity is overgrown and connections to impact have been lost — and then removing extra complexities, such as the many meetings, initiatives and side projects that organizations layer on top of core work — can immediately de-intensify work. Another option is to eliminate performative work — such as superfluous calls, emails, meetings and attention-seeking behavior that can win plaudits from unsophisticated leaders but has no real connection to outcomes. The elimination of performative work is often met with a sigh of relief from less performatively oriented employees.

As Ravin Jesuthasan and John Boudreau have described, and as discussed in Chapter 2, rethinking work and ultimately shifting away from jobs is likely to put us on the road to less-intensified work. In the future, many roles will be fully redesigned or deconstructed into tasks, with workers able to calibrate their level of work intensity to their own preferences.

Dimension 2: Interactions between humans and technology

Technology was supposed to transform work. And it has — but not always for the better. Change is never easy, and technology has accelerated our pace of change exponentially over the past 30 years. Whether you're a factory worker fighting recalcitrant machinery or an office worker shaking your fists at a computer crash, you've likely encountered the dark side of technology more than once at work. It doesn't help that, pre-pandemic, the futurists were predicting a grim future where the robots were coming for our jobs.

How does this leave people feeling? Not great:

- In a [Citrix study](#), 71% of the employees surveyed believed collaboration and communication technology had made their work more complex.
- A [Gartner study](#) found that 60% of workers had gotten frustrated with new software in the past two years and that 56% of workers surveyed actually wanted the old technology back.
- A [Compucom study](#) found that 11% of workers had actually left their jobs for better tech.

We see these dynamics play out live with our clients. For one large, complex organization, challenging technological experiences were cited as a top-three cause of exhaustion and burnout; as a result, the organization moved to curtail the pace of rollouts. Frustratingly, while technology can, as we've seen, be a huge driver of new capabilities, how it's deployed can also stymie progress. Our [HR Operations Scanner research](#) — where we data-mined studies across hundreds of client organizations that look at how HR actually spends its time — showed that the hugely useful HRIS technology advances of the past few years have only reduced transactional activity by 5%–7%. The tech is great — how we use it is not.

All in all, humans and technology are still negotiating an uneasy peace within modern work culture as negative experiences with tech at work center on two Cs: cloud and cyber.

In general, cloud software deployment has been a blessing. Software is updated far more frequently and improves at the speed of light now that it's not reliant on being physically shipped or loaded onto CDs. The downside of that lightning-fast pace of change is the change itself. Frequent software updates make for a rockier user experience minute to minute, even as the net impact of cloud deployment is quite positive in the long term.

Cyber brings with it similar pros and cons. As the number and intensity of cyberattacks continue to escalate, organizations are forced to implement stronger cybersecurity. Protective measures like two-factor authentication are vitally important, but they do break up the seamlessness of workers' experience of technology. Cyber experts are confident that protections can be better embedded in the future, but, for now, we're living in an in-between era, where what keeps us safe also slows us down.

Cloud and cyber are today's tech issues, but our human relationship with tech is complicated by another factor — that we don't like to talk about technology. The working world is founded on the assumption that technology will work well, if not perfectly, while human efforts are seen as hit or miss. This can be true, but the opposite is also often true: technology sometimes doesn't work. It can be prone to glitches and failures, and human workers, seeing something go awry, often go to incredible lengths to get to a good result. Humans often end up enabling technology rather than the other way around, and it can be exhausting and demoralizing.

The good news is that the relationship between humans and technology at work is fixable and will improve naturally, one hopes, as technology gets better. Organizations should start by seeking to understand where technology is failing their human workers and where it works well. They should identify where gaps exist, asking if the issue is constant changes or interruptions thanks to cloud deployments or cyber protections. Is it glitchy software or archaic hardware? Is it simply too much technology or too many switches between apps in a day?

Having identified where technology and humans aren't getting along well, organizations then need to have an honest conversation about expectation management. No organization has the budget or resources or even the available technological options to fix every place where user experience gears are grinding, so expectations must be clear from the beginning. Understanding what can and cannot get fixed in a given timeframe or where a choppier user experience is inevitable is helping organizations manage employee frustration. Incorporating possible tech disruptions or challenges into planning is helping companies create a far more productive and satisfying work pattern.

For many organizations and employees, a better future for human–tech interaction centers on taking a more minimalist approach to technology — with fewer, better technologies that truly “spark joy” and generate business results. This is why approaching transformation and digitalization with empathy is so critical — something we discuss at more length in Chapter 6. Organizations are beginning to assess their technology landscapes concretely with this employee perspective, curating what is used by whom and how. These efforts represent an encouraging trend — pointing to a future where humans and technology relate to each other more harmoniously.

Dimension 3: Purpose and logic of work

One fascinating outcome of our collective experience of the COVID-19 pandemic has been an increased emphasis on meaning at work. Mercer's [Global Talent Trends research](#) has made this point achingly clear: In 2023, 64% of respondents say working is an important part of their lives, and 54% say they work for more than the money.

When we think about how meaning is manifest in the workplace, there are actually two key components that relate to each other but are distinct: the purpose of work and the logic of work.

Purpose of work orients around a simple question: Why am I here? Today, organizations are doubling down on emphasizing purpose by better tying their corporate efforts to everything from community impact to environmental sustainability. Purpose doesn't have to be altruistic, however. For instance, a company's purpose could be to serve a key role in an industry's value chain. One manufacturing organization we've worked with defined its purpose as keeping the world fed. What's critical is that employees *understand* the organization's purpose, that they find that purpose genuine and that they can connect their work to that purpose.

The notion of the logic of work — another concept connected to meaning — doesn't get nearly as much airtime as purpose does but represents an area where organizations are applying more and more focus. When work has true logic, each worker can see — clearly and easily — how their efforts add up to results. During the COVID period, especially for knowledge workers, this link became frayed, leading workers to change jobs or even leave the workforce due to the belief that the activities they did every day didn't actually have an impact.

Organizations can reestablish the logic of work through an array of mechanisms, including simplifying processes, using technology to make end results more transparent and breaking down the organizational silos that separate workers from the impact of their actions.

The end of the rainbow: Putting the three dimensions together

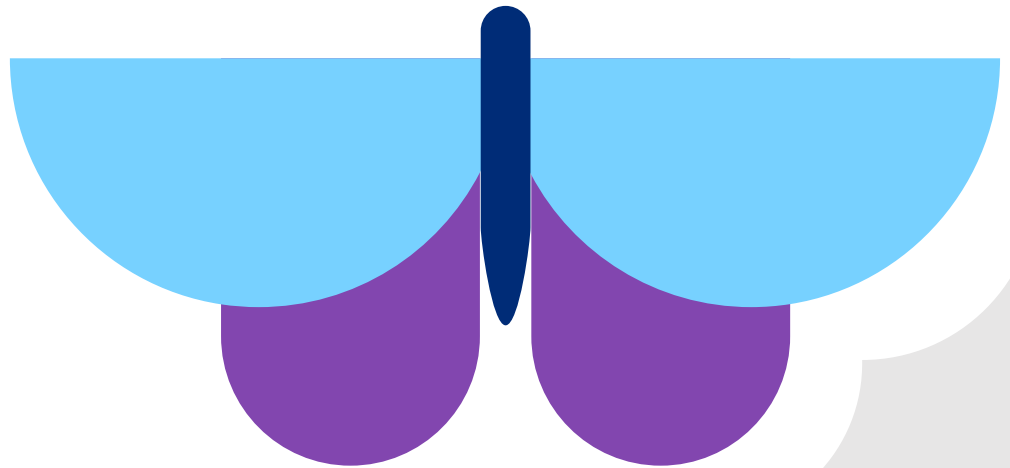
For companies driving toward a truly human-centered transformation of work, all three of the dimensions we've just described are in play. Workers are doing the right amount of work, and intensification is managed. Technology is mostly helpful at work, where human–tech interactions are well balanced. And, finally, workers understand why they're doing what they're doing, because the purpose and logic of work are clear.

It sounds so simple — but for many workplaces, this streamlined, clarified, empathic future of work is still miles away. Organizations that can focus on these three dimensions and get the basics right to make concrete progress will be the workplaces to which workers gravitate in the future — and the envy of their competitors.

04

Kai Anderson

Transforming for a human-centric culture



Kai Anderson

Transforming for a human-centric culture

Remember the last business article you scanned? The last conference you attended? It's very likely that you stumbled upon one of the biggest and enduring buzzwords of our time: "transformation." Digital transformation. Business transformation. Organizational transformation. The term has been around for a while and will probably accompany us for some time as we summarize important ongoing conversations about transitions and change all around us. When we consider transformations in corporations, they are typically in service of strategic objectives, such as growth, innovation, performance, customer-centricity and sustainability, to name just a few.

Again, this sounds familiar, doesn't it? Some of these transformation objectives have been around for longer while others have emerged — or reemerged — more recently. One thing they all have in common is that they call for building capabilities within the organization to deliver on the objectives, which is easier said than done.

The good news is that judging by the headlines, webinar titles and conference themes, leaders are all very passionate about finding the best and most effective way to achieve these objectives. And rightly so.

All transformation is human-centered transformation

Why are we talking about transformation objectives in a chapter about culture? When we say "business transformation" or "organizational change," we aren't simply speaking about operational or business processes. We're talking about people. Because, ultimately, all transformation is simply — or not so simply — humans changing how we think and behave.

Let's take some of the examples above: digitalization and digital transformation used to be all about technology — until we realized employees couldn't master tech without changing how we think and adopting an appropriate digital mindset. Nearly all organizations want to grow; growth is tangible, and we can measure it.

Everybody knows what growth looks like, but few people understand how to actually “do” it. For that, we need a growth mindset. Innovation is the key to remaining competitive, but in most organizations, the biggest barrier isn’t process or resources but rather siloed or reactionary thinking by the people in the mix. Another thing many organizations aspire to is a strong customer focus. But what is customer-centricity other than a mindset that puts customers at the center of any activity? Finally, there is sustainability. Building a sustainability culture — whether creating environmental action or implementing DEI advances successfully — is really just about bridging the gap between mindset and behavior.

To succeed, transformations must put humans at the center. This is why a human-centric culture is the key to successful transformation. Let’s talk a bit about what needs to change and how to put humans at the center of any transformation — something we also explore in depth in Chapter 3.

Change is hard

Everyone knows organizational change isn’t easy. Old habits die hard, and people hang on to the familiar long after it outlives its usefulness. Companies often begin transformations with process change, functional redesign, or by setting goals and then graduate to communication and dissemination. But the real success of transformation isn’t in the Gantt charts, wikis, emails or even the balance sheets; success is won by changing the mindsets and behavior of the humans in the business.

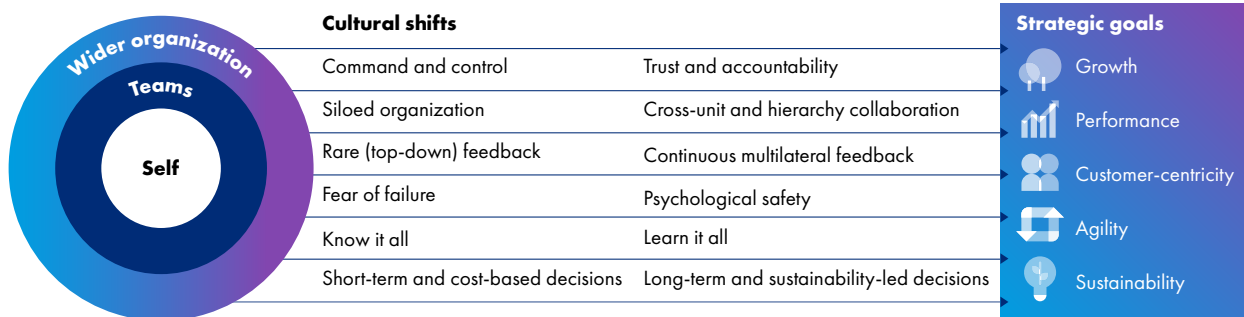
We now know that it takes more than communication to transition people from attitudes, behaviors and beliefs built over decades. The art of change is often reduced to communication and successful project management. When change affects all stakeholders, it needs a wider toolkit: it’s about convincing people and aligning mindsets, reflecting, and giving feedback to effect behavior change. The shifts that drive today’s transformation agendas originate in people’s convictions (mindset) before they show up in their actions (behavior).

Culture transformation creates new mindsets and drives an according behavior, which, in the end, will comprise your (new) corporate culture. Thus, culture can and must be understood as the base unit of your organization’s potential — its DNA — and it’s the core lever of any human-centered transformation.

Culture paradigms must evolve if they’re to support human-centered transformation

There are people who will say you can’t change culture. They believe culture is a result, not an equation with parameters you can tweak. However, as we’ve demonstrated with some of our clients, we believe culture is part of an equation, and business objectives are the output. So, yes, you can change your culture. In fact, doing so will help you on your human-centered transformation journey. It will incorporate the paradigm shifts, creating a new mindset and corresponding behavior, which ultimately make up your (new) corporate culture.

That said, culture change will not happen on its own. Inertia is always pushing us back toward the status quo. To be successful, leaders must lay the groundwork for change in very intentional ways.



We have observed many paradigms of culture that need to shift to support a transformational journey. Some are already in more mature stages of evolution across global businesses today. Others are only just beginning to take root. Here are a few you will want to consider as foundational to any move toward a more human-centered transformation.

Shifting from command and control to trust and accountability

We have been talking for a while now in business about the shift from a command-and-control method of managing people to a new paradigm of trust and accountability, but that shift is still underway.

Command and control is a response to the “principal-agent problem” that emerged from economic theory in the 1970s. This assumed an inherent conflict of interest between stakeholders and corporate management that needed to be mitigated by a mix of incentives and oversight. By contrast, the trust-and-accountability paradigm assumes that everyone is a stakeholder — and, more importantly, that everyone’s interests are aligned.

Distributing responsibilities, extending trust and holding people accountable is much better suited to mastering the complexity of our businesses today. It allows today’s organizations to be more stable in their performance and more agile in how they innovate. (We talk more about organizing work in a more human-centric way in Chapter 2.)

To truly master this, trust and accountability need to be deeply rooted in the collective mindset of an organization as a commonly shared truth nobody will doubt. The recent calls for colleagues to come back to the office on fixed weekdays or a set number of days is just one example that showcases how some companies are still operating under the old top-down paradigm and are struggling to shift to trusting that their employees will deliver on their jobs regardless of where they work. Instead of dictating terms, employers should focus on building individual accountability in a more flexible world of work.

Shifting from fear of failure to psychological safety

There is a similar reticence in our slow shift from fear of failure toward an environment of psychological safety, where employees can bring their whole selves to work and are appreciated for their contributions. When it comes to driving performance and business results, an environment where errors and failures are viewed as part of the journey to improvement is important for innovation. Successful companies will celebrate mistakes — often nominating “failures of the month” or giving prizes. This spirit has led to popular events where people share their worst failures and what they learned from them. The mantra here is “fail fast, fail often, but only fail once (on the same matter).” Trust is a substantial precondition for this cultural pattern, creating an environment of psychological safety where failure is allowed and learning from failure is a given.

That said, it is certainly true that the tech companies that pioneered this approach have more room for errors than some organizations — such as aviation or healthcare, for example.

What is really important is to change the cultural pattern. What stands in the way for many organizations — especially in finance and engineering — is a cultural pattern that we call the “old error culture” or the “find-the-error culture,” which is centered on blame. Moving away from this is the shift that needs to take place in order to drive innovation without fear.

Shifting from limited top-down feedback to feedback as a multidirectional cultural reflex

Giving feedback is a powerful tool that will boost any transformation effort. However, feedback in many organizations is often still given rarely and usually only from the top down. To succeed in human-centered transformation, giving and receiving feedback needs to become an organizational reflex. Feedback must be continuously lived in the organization and given in all directions — embedded into everyday life at work and increasingly disconnected from formal processes like annual performance reviews.

This means imbuing feedback and reflection — whether formal or informal — into all aspects of work, in everything from performance reviews to team and project meetings to company-wide events like town halls. This can range from spontaneous feedback or recognition in the moment to strictly formalized 360-degree feedback. Using a wide range of different forms of feedback can be complementary and help develop the organization’s overall reflex for feedback and reflection.

The more we do something, the more natural it becomes, and the less formality is required.

Shifting from siloed organizations to cross-team collaboration

Silos have been identified as a problem in organizations for a while, and many organizations are still operating in silos that have proved very difficult to break apart. Colleagues from different business units rarely interact, let alone collaborate. In many organizations, “silo thinking” effectively blocks innovation.

To achieve many of the aims mentioned at the onset of the chapter — such as growth, sustainability, digitalization, etc. — we must overcome challenges that one team alone cannot solve.

Solving these challenges requires many bright brains — from different backgrounds and with different approaches to problem-solving — to come together and collaborate across teams. Stepping out of our silos will help us unlock true cross-team collaboration and contribute to solving the biggest challenges organizations are facing today.

Shifting to a “learn it all” culture

Our world is changing with increasing complexity and speed. Though technology has increasingly democratized knowledge, expertise no longer means having the most knowledge already in your mind. It means having the ability to learn quickly in a subject area and turn masses of available data into usable knowledge — something that has radical implications for organizations and culture.

In 2017, the World Economic Forum observed that “the half-life of a skill is about five years.” In 2023, this number is estimated to be closer to four years. So one can assume that every four years, our skills become only half as valuable. The half-life of technical skills is probably even shorter. This means lifelong learning has become not only a personal objective but also a compulsory organizational exercise.

We need to continue to pursue knowledge to keep up with the always-changing world of work and business, which moves at an increasingly rapid pace. Learning new skills is significant, but it’s also important to understand why such new skills are beneficial in your current company and how they can affect your future career. The more you learn, the more you remain highly employable. There is an important opportunity here for companies as well to step up and help employees learn the skills that will be most useful and valuable to the organization.

Shifting to thinking for the long term

Finally, we must consider adjusting the scope of our thinking. Many organizations are still very focused on short-term and cost-based decision-making instead of taking longer-term and sustainability-led decisions that benefit a wider range of stakeholders.

Even though shareholders are increasingly demanding sustainable solutions and products, when it comes to the choice between long-term investment and short-term cost that affects profits, most financial market participants are still opting for lower costs in the short term to increase their return on investment. Statements like the US Business Roundtable “Statement on the Purpose of a Corporation” and the other trends we discussed in Chapter 1 are an important first step toward shifting the paradigm. They also highlight that the journey has only just begun.

All the paradigm shifts above have one thing in common. They require leaders to democratize control, co-create the journey with employees and let go of prescribed outcomes. At the same time, they enable organizations to reach their transformation goals.

There is no blueprint for transformation that dictates a specific end result. When embarking on a human-centered transformation with the entire organization, leaders must cede power and embrace that this is less about a specific destination and more about equipping the organization for the journey. Let's start by equipping you.

The key cultural components of human-centered transformation

Human-centered transformation sets itself apart from the traditional approach by centering people. Here are a few core qualities to putting humans at the center of cultural transformation:

- **Co-created, not top-down-directed:** Instead of being directive, human-centered transformation is co-creative. This means the transformation becomes a journey that invites each and every individual in the organization to join in and make it their own. Therefore, the outcome of the transformation is inherently unknown.
- **Capability-focused and enablement-driven:** In human-centered transformation, we develop capabilities in the organization to ensure everyone is able to deliver on the transformational goals. This element of enablement brings everyone along on the journey and helps ensure a lasting shift in mindset and behavior.
- **Employee-experience-driven:** Employee experience drives human-centered transformation, making it fun and rewarding for everyone. See Chapter 6 for more advice on how you can integrate human-centricity into your digital transformation by deploying empathy at scale. It's important not to be held back by processes and structures but to make this transformation positive and energizing. A good employee experience contributes to everyone wanting to be a part of making change.
- **Practiced, not just preached:** Finally, implementing measures to shift mindset and anchor the change in actual behavior will help make a transformation last. If culture is not regarded in transformation and embedded in behavior, the result may be that the organization quickly bounces back to old behaviors and mindsets. Likewise, when you roll your culture-related initiatives into your line organization, you will want to do so in a way that is practicable so that the culture-related initiatives can persist beyond the core project phase.

Human-centered transformation doesn't start with the analysis of the status quo; instead, it starts with drawing a desirable target picture. The status quo won't pull you down when dreaming about the future state of the organization. The co-creational aspect mentioned above is also strong here: the target picture is co-developed by leadership and a cross-section of the organization such that everyone can relate to it.

Human-centered transformation is a change journey during which both the organization and the individuals within it grow. The interventions and tools we touched on showcase how human-centered transformation comes to life in the organization. But they do not impact only the organization. They also impact the individuals in the organization. In particular, they demand that individuals be ready to learn, give feedback and reflect on their behavior — to transform.

Human-centered transformation is a tool organizations can use to ensure they don't leave the individuals behind on the transformation journey but instead take them along and make them part of it. And who wouldn't want to be part of a fantastic, engaging and positive experience?

Trust the journey

As mentioned above, we're shifting away from the paradigm that errors are blocking the way. More and more, we are embracing the fact that errors will be part of whatever transformation aims we face. Embarking on a human-centered transformation is a clarion call for all contributors in the organization to engage and help find appropriate routes, fail, and try again. Errors help shape the paths of our transformation journeys and constitute a learning opportunity for the entire organization.

Along the way, there's an open invitation for everyone to participate and contribute — to make the transformation their own and learn from their failures.

This can all be mind-bending for leaders who grew up under the old command-and-control models where failure wasn't an option. But letting go of those old ideas is a key component for success. Your success in creating a human-centric culture of transformation will rely on your ability to focus not on prescriptive direction but on the underlying fundamentals — and then co-create the path forward with your employees.

That means, as leaders, you won't know all the details of the journey as you set out. You must trust in the culture you build. But if you do the work to transform with the human at the center, you can be confident that you're set up for success when you reach your destination.

Embrace this journey. It will be worth it!

05

Shanthi Naresh

**The next
generation of
rewards are
human centered**



By Shanthi Naresh

The next generation of rewards are human centered

The nature of how we work is changing, as we saw in Chapter 2, and fundamental shifts in the workforce and workplace post-pandemic have changed the calculus of how, where and when we work. We are also seeing radical shifts in how employees expect to be compensated for that work. If you want to keep and motivate talent in our new human-centric work environment, the first thing to do is rethink how you pay and make way for the next generation of rewards.

The evolution of pay and rewards hasn't exactly caught us by surprise. In pre-pandemic times, we were already dealing with talent shortages and increased employee requirements for flexibility. In response, some companies had been moving toward a more deconstructed work model. By breaking jobs into logical parts requiring specific skill sets, organizations were able to gain more flexibility in redesigning jobs — whether for full-time work or projects.

As with most workplace trends, the pandemic put the deconstruction of work into hyperdrive, and we are now seeing a significant trend around those sorts of projects that require a narrower set of skills and run for smaller durations.

As the shape of work shifts to include project-structured jobs, it makes sense that we need a different rewards framework to support it. In the post-pandemic era, work-life balance and flexibility have become key asks from employees, and the stage is set for transformation. Organizations are dealing with multiple constructs around the workplace and embracing more employment models, including “gigs,” part-time jobs, job-sharing, etc.

All these changes are having a significant impact on how organizations are thinking and acting on the “how,” “what,” “why” and “for whom” of rewards.

The ‘how’ of rewards

In the first chapter, we described how progressive organizations are adopting and living up to the WEF’s new “[Good Work Standards](#)” announced at Davos in 2023. At the heart of that framework is a set of principles that encourage organizations to make rewards more equitable, fair, flexible, inclusive and focused on delivering total well-being to the entire workforce. That means any company committing to those standards will also be looking closely at the financial welfare of their employees and ensuring fair pay practices. These organizations are embracing values-based rewards practices because they believe being a responsible employer is core to their reputation and crucial in attracting talent.

A growing number of companies are likewise undertaking pay equity studies to proactively identify and correct pay gaps between diverse groups — and showing a willingness to stand the test of scrutiny by their employees and answer questions around fair pay and transparency. For example, the technology company Verve publishes all employees’ salaries, along with the rationale behind them. At Whole Foods, employees can ask about any employee’s salary and get a straight answer.

These human-centric approaches are having a significant impact on how performance is managed and how they link performance to rewards. With multiple employment models and diverse workplace definitions, the focus of performance management is shifting to include both individual-centric measurement and team outcomes. Sometimes, those team outcomes carry much more weight. For example, the global engineering company Bosch has introduced a remuneration system that focuses on common and long-term targets, where variable pay is determined based on company and business-unit targets.

In addition to a team performance orientation, today’s performance management systems focus more on employee development, continuous feedback, and conversations between employees and managers. Individual growth and long-term business success are becoming fundamental design principles of performance management and are having a follow-on impact on promotion and rewards.

The ‘why’ of rewards

The “why” here is intuitive and simply stated. It’s so that companies can grow — equitably, profitably and sustainably — in a way that strengthens our communities and ensures a better future for all.

The ‘what’ of rewards

In the old world, pay was fixed, regular and transactional. You had a job or role, and your reward was payment for doing it — whether that check came weekly, monthly or on some other schedule. That kind of fixed pay linked to a job or role is probably not going to be enough, even though it’s likely to remain a key pillar for determining pay wherever employees continue to be in fixed roles.

But an increasing number of companies are adding new pillars into the mix. To address employee aspirations and grapple with talent shortages, many companies are deploying employees in the flex and flow work models described earlier in this book.

These models deploy employees for parts of jobs or even limited-duration projects, delivering work by applying specific skills. To adapt pay accordingly, companies are adopting a complementary skills-based pay model as their model of choice. An individual's pay is computed as the sum of the market price for each of the skills deployed on the job.

Traditional pay structures comprise fixed pay and short- and long-term performance-based variable pay. Skills-based pay has emerged as a dominant third component — replacing fixed pay, variable pay or both.

Technology companies dealing with rapidly changing skill requirements have been early adopters of these skills-based pay models as they view paying premiums for in-demand skills as the only way to hire talent from the outside and encourage continuous upskilling of talent within the organization. Because they have a strong technology backbone with which to inventory skills, they are more easily able to track market trends and assess the going rate for top skills.

For example, two years ago, IBM asked its managers to make a rigorous effort to identify skills throughout the whole organization. This resulted in a new segmentation of skills. Today, rewards are strongly linked to those with in-demand skills, while those with skills that aren't needed don't see those incremental rewards. Identifying and rewarding the right technical skills allows IBM and other companies to continuously innovate as employees with obsolete skills are encouraged to either learn new hot skills for which there are extensive training budgets or to move on.

The rapid rise of the gig worker across many industries is also fueling these skills-based pay practices, especially where those gigs involve in-demand or niche skills. In such cases, the pay rate for a job has been replaced by the market pay rate for that skill.

The 'for whom' of rewards

So when it comes to the adoption and deployment of new rewards models, who is at the center? Human-centered rewards are designed with a flexibility that puts more power into the hands of individuals in the organization — to determine how, when and how much they will be compensated.

The skills crunch and changing demand from workers has led many companies to adopt much more agile team structures to meet the needs of their workers and their work. Agile team-based work was already very common in the technology industry but is now being seen across other industries. This means an individual may flow in and out of several projects or workgroups during the year, which can complicate the assessment of individual performance and contribution across projects.

With team-based performance outcomes becoming important, individual variable pay programs are being complemented and sometimes even replaced with team-based pay programs.

Team rewards are also being introduced to promote collaboration and innovation. For example, the software product company Intuit has team-based innovation awards for new products and also processes and rewards for learning from failure.

Traditionally, how much we have been paid has depended on which hierarchical level our job or role belonged to, with pay practices often dictated by a job tier, grade or level. However, over the past few years, employee research has shown that rewards must recognize the varying needs of individuals to be meaningful.

Indeed, the word “personas” has emerged as a powerful way to understand individuals and cohorts of individuals who are characterized by similar needs — and not always similar job titles. Instead, these personas tend to be defined by age, gender, location, work arrangement and even choice of workplace — cutting across hierarchical levels.

Like consumers, employees expect to have choice, flexibility and personalization. Recognizing this, Unilever has introduced a flexible rewards program called My Reward that allows employees to choose benefits that are most meaningful and relevant to them. Similarly, Netflix has offered employees the choice between cash and stock options. Employees can choose the amount of salary they want to receive as options. They also have the flexibility to choose the mix of pay and benefits to provide a rewards experience that best suits their individual needs.

As described earlier, the adoption of Good Work Standards has also prompted leading organizations to develop rewards programs that extend to diverse employee pools, including gig and part-time workers.

While fixed pay is common for gig workers — based on either their role or skills — what is emerging as a leading practice is the extension of medical, insurance and other benefits that used to be reserved for full-time employees. Some organizations are even providing such benefits to partners in their ecosystems. For example, Swiggy, an Indian online food ordering and delivery platform, has rolled out ambulance services for delivery partners and their dependents in addition to the medical insurance coverage the company provides.

Beyond pay

In the wake of the pandemic, companies have come to significant realizations regarding employee well-being. Both employees and organizations now recognize that meaningful and holistic total rewards must also deliver physical, mental, financial and social well-being, in both the near and long terms.

This means the definition of rewards now encompasses not just fixed and variable compensation but also things like insured and noninsured benefits, access to skills and learning opportunities, and programs that help employees become aware of and enhance their financial and mental well-being. To meet this new standard, many organizations have introduced incentives for skill acquisition, rewarding employees monetarily in the short term and enhancing their long-term employability.

Recognition programs that provide instant gratification are also growing in prevalence and are viewed by employers as a relatively simple way to enhance emotional connections and well-being in the organization. Interestingly, these recognition programs are now often focused more on peer-to-peer recognition, which provides an additional sense of empowerment to employees.

These recognition and rewards programs are seen as objective and are not necessarily based on the year-end performance assessment. For instance, a peer-to-peer bonus program at Google encourages coworkers to send a \$100 reward to a peer for good work done. KPMG's peer recognition program SHINE provides point rewards that can be redeemed for material rewards like an Expedia getaway, Apple iPad, gift cards and more.

Besides delivering a positive employee experience, this sort of total rewards approach is helping organizations deliver differentiation, innovation and inclusivity in their programs.

Enablers of new-age rewards practices

Responding to these rapid changes in the nature of rewards means organizations must be agile and adaptive. It also requires putting the right technology in place. In fact, the adoption of technology has become a key factor in driving many new-age rewards practices. Some organizations use a technology platform to aid employees in choosing their rewards and personalizing their rewards packages. Technology also enables organizations to deliver on transparency and pay equity goals. Finally, in the complex and dynamic world of skills, technology is helping companies identify and create their skills taxonomies — helping them to gather real-time market data on price points for each skill and create a dynamic and competitive skills-based pay program.

More than this, the success of most human-centered transformation initiatives rests on the people who mediate, implement and deliver them to employees. The manager's role is vital in making the changed rewards practices work. Whether gathering data from the agile project teams the employee has been part of or including feedback from peers and other stakeholders, there is a much greater emphasis today on being fair and equitable.

Furthermore, with employees often having the choice and flexibility to work from different workplaces, the manager has become responsible for ensuring fair and unbiased evaluation of an employee's performance. The role of the manager has changed from making decisions independently to collecting data from a network of sources, reflecting on it, synthesizing it, making a decision and communicating it to the employee transparently and empathetically.

The changing role of the rewards team

Changes in rewards are also transforming the way the rewards function operates in the organization — forcing those teams to repurpose and strengthen themselves.

Never before has the rewards function had to balance so many priorities — offering transparency while ensuring data protection and privacy, empathy, and inclusion; managing tight budgets; providing rewards differentiation without being inequitable; and managing innovation and agility at scale.

From redefining policies, processes and practices to becoming the organization's guardian of fairness, inclusion and empathy, the remit for this function is rapidly evolving. Rewards practitioners themselves are rapidly acquiring new skills and participating in newer types of decisions. For instance, employee listening has become even more crucial for ensuring that the organization understands and incorporates what matters to the employees into the design of rewards programs.

Innovation, awareness, choice of appropriate technologies, superior communication and coaching are emerging as a few of the other core competencies for the rewards function.

Implementing next-generation rewards

Changing organizational culture is ultimately at the heart of this human-centered transformation, and rewards derive from and contribute to that culture. A human-centered approach to rewards is a very powerful lever for communicating culture and reinforcing desired behaviors.

Companies still beginning their journeys toward adopting next-generation rewards must first identify the founding principles or core values on which they will base their organizations' rewards programs. The Good Work Standards framework is a good place for organizations to start as they think through their rewards philosophies.

The organization's rewards philosophy and practices should be grounded in the reality of the nature of work. Consider the new workforce and employment models that are prevalent and emerging and what they will require to work well for your employees and industry:

- Hybrid and fluid types of work may require implementing a skills-based agile pay model or a mix of position- and skills-based pay.
- Permanent workers in fixed roles may need a combination of position-based, skills-based and performance-based pay.
- Team-based performance pay must be considered alongside individual-based performance pay.
- Performance measurement and alignment with rewards outcomes must be equitable, regardless of the employee's place of work. They should also be differentiated based on the nature of work and skills.
- Manager capability and technology will be key to implementing rewards policies and practice changes.

When we harness the power of human-centered rewards, we position our organizations to be more responsive and competitive in the marketplace. That means continuously innovating and redefining our total rewards packages to be more comprehensive and extending them to both traditional and newer types of workers.

How will your organization prioritize agile, transparent, fair, inclusive, affordable pay practices and support a human-centric rewards transformation? Answering that question will ultimately position any company to compete more effectively in the war for talent and succeed in the future of work.

06

Jason Averbook

Scaling empathy: A human-centric approach to being digital



By Jason Averbook

Scaling empathy: A human-centric approach to being digital

We are more technologically savvy and digitally driven than we've ever been. We can shop, pay, network, share our experiences, and tune in or tune out how, when and with whomever we choose. We even have this new technology called "generative AI" that can analyze simple to complex inputs and provide a highly relevant response in seconds. There's an app for everything in our personal lives. So why does it feel so different when we interact with technology at work?

The difference is human-centricity. In the past, business to consumer (B2C) was about humans, and business to business (B2B) was about processes. As technology accelerates, that distinction is changing. Is your organization ready to change with it?

The lines are blurring between B2C and B2B. We know that the pace of technology advances more quickly for B2Cs than B2Bs. It always has; it always will. But in the past, there was also an expectation that B2C would be more engaging, more empathetic — more human — than its business counterpart. Today, we're on the precipice of a fully digital culture and workforce — where all that savvy and responsiveness are not just being brought into business technology — but demanded. Our most tenured employees are staying in the workforce longer as Gen Zers are ambitiously beginning their careers. Technology is fundamental to meeting the diversified needs of our global, changing and intergenerational workforce. As organizations rethink what it means to be digital and begin designing to put people first, we're experiencing a revolution in the world of work.

Taking a human-centric approach means we must think hard about how to create empathy at scale. Scaling empathy requires a fundamental shift in the way organizations think about their employees and customers. Put simply, it's moving away from a transactional mindset and toward a more relational one. Instead of treating employees and customers as numbers on a spreadsheet, organizations need to see them as individuals with unique needs, desires and viewpoints. This change in perspective is essential for creating a more human-centric and successful organization.

To scale empathy effectively, companies can focus on three key areas of the digital-first mindset and commit to making them work together:

Culture: Create a culture of empathy that values and encourages compassion, understanding and emotional intelligence. This means providing training and development opportunities for managers and employees as well as fostering an environment of psychological safety. We discuss psychological safety in greater depth in Chapter 4 — including rethinking fear of failure and how we define success.

Technology: Technology can play a key role in scaling empathy by enabling organizations to gather and analyze data about their employees and customers. Using tools like sentiment analysis and chatbots, organizations can gain insights into how their employees and customers are feeling and respond in a more personalized and empathetic way.

Design: Create products and services with empathy in mind. This means considering the needs and perspectives of different personas and creating experiences that are inclusive, accessible and user friendly.

By focusing on the confluence of culture, technology and design, organizations can build relationships with their employees and customers based on empathy, trust and mutual understanding.

Being digital starts with a digital strategy

The journey to a successful digital strategy always begins by asking one question: “What is the problem we want to solve?” You can buy the sexiest, most robust technology on the market, and it will fail if you simply implement and go live without first understanding your purpose.

Here’s another question to consider: Is your organization transitioning or actually transforming? Transitioning is changing technology. Transformation is changing the way we work. It’s easy to transition from solution to solution without changing the impact or results. To create a digital strategy that supports transformation, you’ll need to get to know your people, empathize with them and design with them.

This is another way of saying: If you don’t have a digital strategy to understand what you’re trying to accomplish and why, you aren’t ready to purchase technology.

A digital strategy is the North Star of any transformation. It comprises four elements:

Mindset and vision

Your digital strategy needs to be **purpose driven** and align with your mission as an organization. Determine exactly what that alignment needs to be. Fall in love with the problem, and expand on the question, asking not only “What is the problem we’re trying to solve” but also “When we do solve it, what will the impact be?”

Once you know your purpose, develop a **vision** for transformation. A vision statement will articulate what you’re actually trying to achieve. It can be used as a compass when making decisions. To understand its impact, you’ll want to support your vision with metrics for success that can be measured and are meaningful to all stakeholders.

People and audience

To create a successful digital strategy, you must also identify whom you're designing it for. Identifying your **audience** is critical so that you can design in their best interest, not your own. Leverage the voice of the employee, employee feedback and co-creation when problem-solving.

Process and journey

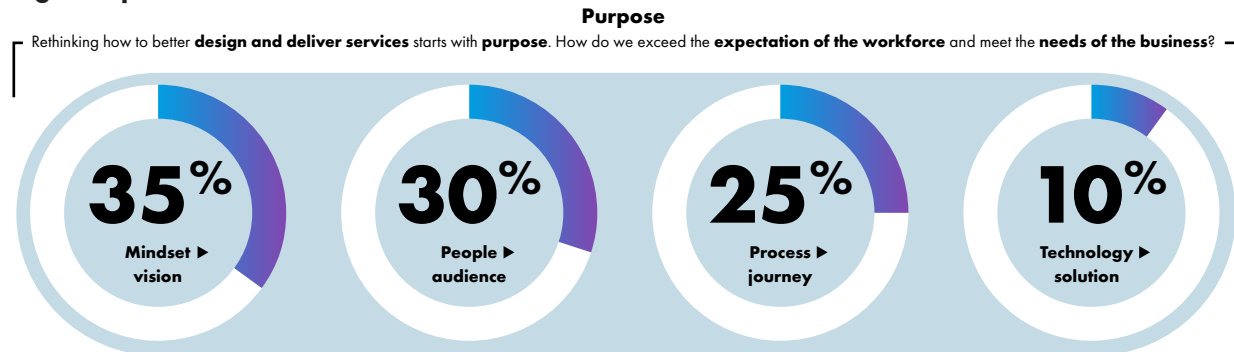
Next, you'll need to reimagine **processes** in order to choose the best solutions and support structural change. Where do employees currently experience friction? Use journey mapping to determine where opportunities exist to recreate end-to-end cross-functional journeys. Ensure those processes are efficient and effective and deliver value to the business.

Technology/solution

And finally, you'll want to let the possibilities in **technology** fuel your vision. Once you understand mindset, audience and process, you'll be well positioned to select the technology that makes the most sense and fits your enterprise best. The right tech will then be able to bring your newly created digital strategy to life.

By adopting this framework, your organization can develop a foundation to design and deliver services that exceed the expectations of the workforce and meet business needs.

Digital equation for success



Source: Mercer | Leapgen.

Once you've established your digital strategy, you can use it to guide and inform decisions you make along your transformation. Keep in mind that creating a digital strategy isn't a one-time exercise. The world is constantly changing, so you need to frequently reevaluate and adapt to new realities. That means being agile, flexible and able to pivot when needed. For more advice on creating a human-centric experience that better supports transformation, see Chapter 3.

Keep your digital strategy relevant, realistic and aligned with other changes your organization is undergoing. This will ensure your strategy remains a living, breathing thing as you constantly refine and adapt for success.

Technology is only 10% of the equation

Yes, you read that right. Technology is only 10% of the equation. You may be thinking, “Wait, you’re telling me to be digital. How can technology be only 10% of that?”

Technology is 10% not because it isn’t important but because humans and how they work should account for 90% of your consideration. Designing for your people means technology must work for you rather than you working for technology. Therefore, it’s essential to design for your people first and consider the right technology later. You need a clear vision informed by the voice of your employees; frictionless experiences with a design focused on end-to-end, cross-functional journeys; processes that are efficient and effective to deliver value to the business; and an empowered workforce — before you make technology decisions. The 10% of the equation that’s technology will be successful only if you’ve done 90% of the work to understand and support your digital experience architecture, technology ecosystem, human resources (HR) function and people data.

Being digital requires an agile mindset focused on enhancing talent and using it optimally rather than replacing it. This year, generative AI infiltrated the world of work, and it’s here to stay. [According to Forbes](#), the jobs most impacted by generative AI are in finance and banking, media and marketing, and legal services. Those least impacted are in manufacturing, agriculture and healthcare. Generative AI may have plenty of people worrying about being replaced — but its real potential to support transformation and adoption has yet to be tapped.

In Q1 of 2023, our Mercer | Leapgen HR Technology Confidence Check indicated that:

- 45% of organizations are dissatisfied or very dissatisfied with the HR technology their company uses.
- 47% would rate their organizations’ effectiveness in utilizing HR technology to drive productivity and efficiency as dissatisfying or very dissatisfying.
- 49% rate their adoption of HR technology as being below expectations.

It’s 2023! These stats are abysmal. We have the technology and the data to do better.

The evolving role of HR — Human-centric, digital stakeholders

As the world of work is rapidly changing, so is the role of the HR function. HR should be at the heart of these changes — empowered to own the digital strategy, enabling the organization to be more digitally competent. This means operating in a more consistent and cooperative way — reducing silos, compartmentalization and inconsistencies in experience.

When it comes to technology and experience, your workforce will be judging leadership and HR, not the technology — so choose wisely. For example, your processes and technology should support language that employees understand. They’re eager for you to know them, anticipate their needs and solve any challenges they’re facing at work. But they’re not trained in HR speak. They won’t say, “I have a qualifying life event and need to add a dependent.” They’ll say, “I’m having a baby!” Technology can exacerbate those disconnects, or it can help bridge the gaps.

There are five [generations active](#) in today's workforce: traditionalists (1925–1945), baby boomers (1946–1964), Gen X (1965–1980), millennials (1981–2000) and Gen Z (2001–2023). Each generation represents a different mindset — with different values and expectations from work, and one size will not fit all. Being people-centered means being willing to tackle unique challenges to avoid bias in ageism, reskilling, and upskilling and provide mobility and opportunity. It also means fostering a culture that supports the breadth of employee expectations within organizations. Technology can also help with this if properly oriented around your stakeholders.

Bring people strategies to life with digital transformation

Technology can drive greater efficiency, engagement and value for HR and all stakeholders, but it can't do this alone. It's critical to recognize the importance of human expertise and collaboration in achieving these goals.

Being digital requires a human-centric approach to experience, oriented around key questions. How should it feel when employees interact with the tools and resources available to them? Where are employees experiencing friction? Enhance the employee experience by automating, amplifying and augmenting it with technology and other tools:

- **Automate** by using technology to streamline administrative HR tasks, such as payroll processing, benefits enrollment and performance evaluations. By automating these tasks, HR teams can free up time to focus on more strategic initiatives.
- **Amplify** by using technology to enhance the employee experience by providing access to information, tools and resources that can help employees be more productive, engaged and fulfilled in their work. This might include self-service portals, mobile apps and social collaboration platforms.
- **Augment** by using technology to enhance the capabilities of HR professionals themselves. For example, AI-powered chatbots and analytics tools can help HR teams make better decisions by providing real-time insights into employee engagement, performance and retention.

Consider all moments, not just the big events or “moments that matter,” and consider how you can reduce friction. Friction is the coordinate on the map of experience where employees may get frustrated, discouraged or overwhelmed and abandon the effort altogether. Think about your processes and where they bog down. Investigate points of abandonment, and think outside the box. How does friction differ among personas?

Finding balance: High-touch human versus high-touch digital

In today's fast-paced and ever-changing world, it's more important than ever for organizations to strike a balance between high-touch human and high-touch digital experiences that can best support both.

What does this mean? High-touch human experiences are the personal interactions and relationships between employees and their colleagues, managers and leaders. These interactions encourage a sense of belonging, trust and a shared purpose. High-touch digital experiences, by contrast, involve using technology to facilitate communication, collaboration and learning. Digital tools such as chatbots, virtual assistants and online training platforms can help create personalized experiences for employees and improve their productivity.

Technology can enable efficiency and seamless operations, but it cannot replace human connection and empathy. Technology makes it easier than ever to connect with customers and employees in new and innovative ways. However, we must remember the importance and unique value of human connection. That's why the most successful organizations are those that establish a balance between these two worlds, creating seamless experiences that leverage the best of both digital and human touchpoints. By doing so, they're able to build stronger relationships, drive engagement and ultimately create more value for all stakeholders.

Another way to understand this is through the concept of "heads, hands and hearts work." The "heads" work refers to knowledge-based work that requires cognitive skills, such as critical thinking, problem-solving and decision-making. "Hands" work refers to manual and technical work that requires physical skills, such as dexterity, coordination and agility. Finally, "hearts" work refers to work that involves emotional intelligence, such as empathy, communication and relationship-building.

Organizations need to prioritize a culture that values all three types of work and recognizes the unique contributions of employees who excel in each area. Technology can be used to automate some of the more routine aspects of "hands" work, freeing up employees to focus on "heads" and "hearts" work, which are more difficult to automate. In this way, organizations can create a more engaged and motivated workforce that's better equipped to meet the challenges of the modern workplace.

Making change without making trouble

Being digital isn't a race. It is, however, a continuous commitment to the business and the workforce. That means you must be realistic and holistic in order to support change. Start where you are. Your digital strategy should be driven by the art of the possible and tethered closely to the needs of stakeholders across your organization.

Once you have a vision that aligns with both business goals and people goals, it will be easier to communicate and deploy your strategy across the organization. If people don't feel included as stakeholders — or don't see technology change as human-centric — they're more likely to dig in and toss up roadblocks.

Consider how you collaborate and communicate. Are you collaborating east to west or north to south? East-west thinking crosses all business areas, whereas north-south thinking exacerbates working in silos. Digital only breaks silos if we think east-west. Leverage intentionality to determine what you want to be high-touch human versus high-touch digital. High-touch human says, "I want to talk with someone." What things do you want your people to do, and what do you want automated? Stitch together the fabric of your transformation with threads of experience design. Get to know your people. How do they feel? What do they want? The longevity and success of your business are heavily influenced by the workforce that brings to life the products or services you offer.

Practical tips for being digital

1. Distribute authority, and enable employees

Be a trusting organization that allows the workforce to make decisions based on data and knowledge instead of having to make decisions for them or with them. This involves letting go of some control and investing trust.

2. Invest in and cultivate digital competence

Think digital-first. We must all understand the value digital thinking can create in the organization. Invest in and reward those skills.

3. Have confidence in your digital commitment

Make a commitment to leveraging digital thinking first when confronted with a challenge instead of throwing humans or random pieces of technology at the problem.

4. Hold everyone accountable for data fitness

Realize that data are the enterprise's responsibility — not simply the responsibility of a person in HR. The entire workforce owns the responsibility and sees the value of accurate data.

5. Practice radical simplicity

Make things as simple as possible to get the basics done so we can focus on the things that are harder. We cannot think we are all snowflakes.

6. Use value thinking to make smart, proactive decisions

Think about the value first, not after the fact, and create business cases rather than HR cases.

7. Use a network orientation that includes more stakeholders

Work east to west in our thinking across silos instead of diving deep north to south. Digital breaks down silos, and we can't let our thinking block that from happening.

8. Understand that changefulness is the new normal

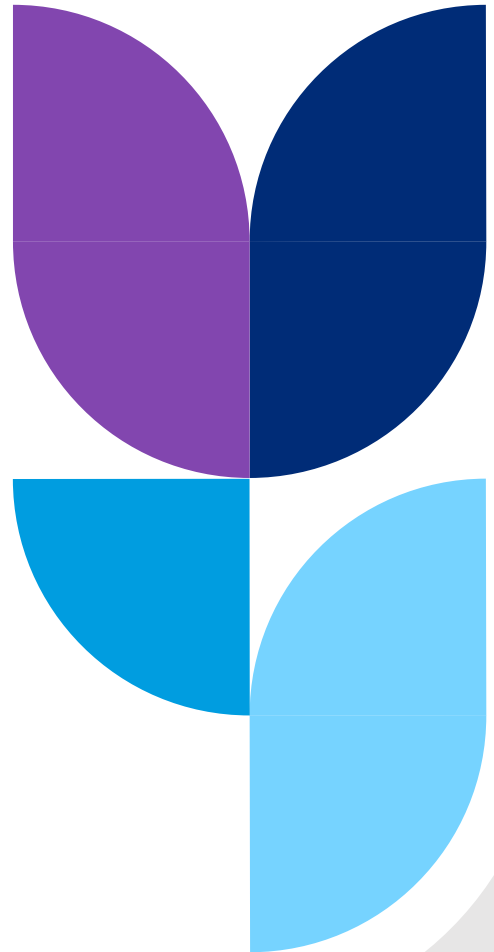
Create a change-oriented organization where change is business as usual and change management tools aren't necessary for every adjustment. The world will never change more slowly than it's changing today. Change and business-as-usual are synonymous.

At the end of the day, nothing changes unless you do. Being digital is a mindset and a framework through which you can transform your organization and the world of work.

07

Armin von Rohrscheidt

**Reinventing HR
to deliver on
human-centered
transformation**



Armin von Rohrscheidt

Reinventing HR to deliver on human-centered transformation

We have talked about how powerful human-centered transformations can be — across all different aspects of workforce management. From culture and employee experience (EX) to skills and total rewards, organizations are successfully rethinking how they organize jobs or processes and making people the foundational building blocks of the organization. The results speak for themselves.

Along the way, we've shared many different strategies and approaches for transformation to a more sustainable and human workplace. There has been one constant across all the ideas we've presented: the presence of your people teams as guardians and executors of this change.

Whether you call these teams human resources (HR), people operations or employee success (let's settle on HR for our purposes here), this group is made up of pivotal stakeholders in your people processes. They are absolutely foundational to your success in delivering a more human-centric organization. As guardians of your talent and work processes, HR will be called upon most to plan, shepherd and support change throughout your organization.

This begs the question: How will HR itself need to change to support this new world of work? The answer is by reorienting to a more fluid, human-centric approach.

Changing people needs in a changing world of work

There's no arguing with change. And as every leader and HR practitioner knows, change is already upon us. We're in the middle of a historic evolution and revolution in work. Trends that were already accelerating in 2019 have been thrown into hyperdrive by a confluence of the pandemic, rapid increases in AI and automation, talent shortages, climate change, world events, economic pressure, and more.

In just a few years, we've experienced massive societal changes that have not only deeply impacted how, when and where we work — but also leave us questioning the very nature of what work we do and why we do it.

In response, throughout our organizations, we're shifting to more agile, flexible models that center the human experience and needs of employees — flowing work to people based on their skills instead of centering organizations and fitting people to work and static roles.

The HR function is critical to sustainably planning and managing these fundamental changes — and helping employees deal with disruption, stress, uncertainty and rapid change.

To have the capacity to lead transformation efforts in the business, HR needs to start by putting on its own oxygen mask first. This means rethinking the entire employee and HR life cycles. At a minimum, this requires focusing on EX, adopting new technology (including direct-access tools, artificial intelligence and chatbots) and embracing agile ways of working.

In late 2022, Mercer surveyed 857 organizations about their HR operating models and asked them to self-evaluate the strength of the HR function. This research revealed that most HR leaders believe they have a way to go. For example, 59% tell us they don't think their HR functions are sourced with the right mix of human capital management (HCM) technology, and 52% of HR leaders aren't convinced that business leaders view their HR functions as "state of the art." Fortunately, organizations are applying resources in these areas: Nearly half (45%) are currently recruiting or planning to recruit new HR staff in 2023 to handle additional complexity, and 37% are increasing their HR spending overall — up from just 26% in 2017.

But headcount and technology alone cannot solve for the transformational challenges HR faces. We must also look to the organization itself — inverting a paradigm that has always adapted employees and work to the organization — and think more intentionally about how stakeholders interact with HR.

The traditional 'TOM' approach: Centered around the organization

Many HR organizations are still struggling to emerge from an older model — one that centered the organization and infrastructure, layered in processes, designed delivery of content and, only after these steps, began to look at EX.

Commonly referred to as a target operations model (TOM) approach, it's built around business efficiencies and cost savings and rests on three pillars: HR business partners (HRBPs), centers or communities of excellence (COEs) and HR shared services.

TOM by itself has failed to achieve the intended cost benefit it promised and has ultimately had a negative impact on employees. It wasn't effective when first implemented and is now more antiquated than ever. Regrettably, in the past, much of the effort and attention regarding HR transformation has gone toward trying to tinker with and make surface improvements to this underlying structure. In most cases, this has meant throwing good money after bad.

On paper, TOM seems like it should work. It focuses on moments that matter and tries to streamline operations by outsourcing HR services. So why does TOM on its own break down in practice? Here are a few of the flaws in the TOM model:

- **An approach that is too tactical overlooks the entirety of EX**

TOM is intended to focus on moments that matter — on the principle that putting the most effort into the most important experiences will yield the best results. However, we've discovered that what happens in between those moments — the whole EX — is just as important. And gaps and shortfalls are often missed.

A focus on discrete moments obscures a more holistic view of EX — being more reactive, transactional and support driven. This lack of strategic thinking can also cause HR to become more static and make it more difficult to embrace changing work and workplace design.

- **Isolated functions become more siloed and less collaborative**

In Mercer's 2022 survey of HR operating models, 69% of HR leaders say they use some form of a three-pillar model, with 50% saying they employ a model with all three main elements. However, in larger organizations, pillars turn into silos. These organizations report the lowest rates of fully federated structures, relying instead on hybrid models that don't get the same results. If not sufficiently centralized — or federated — the three pillars become more distant, more isolated, more territorial and less functional. For example:

- The HR operations function has become invested in guarding the complexity it has built up over the past 40 years. The focus is often on leveraging efficiencies, but complexity always grows back.
- HRBP roles are in a never-ending crisis of purpose and mired in transactional work. Our 2022 survey found that high-performing HRBPs are those that spend a majority (60% or more) of their time on business advisory rather than mundane tasks — yet 47% of organizations say their HRBPs are still trapped in these kinds of transactions.
- The COE organization is largely occupied with special missions — such as talent management and acquisition, strategic workforce planning, and new work. Although these are very close to the business, they're far away from the rest of HR. The outcomes they produce tend to be unsustainable, and they're plagued with frustration, high attrition and burnout.

- **Form doesn't follow function, increasing complexity and blocks**

In a TOM model, the organization delivering the work is the last thing to be designed. But how can you design a function or organization without first understanding what this function should deliver and the needs of the stakeholders? Form should follow function, and in the TOM model, this is backward.

As a result, dozens of programs are created without any consideration for interdependencies and never find their way into the HR portfolio in a holistic manner. Data are difficult to obtain and synthesize — providing real-time data and analytics dashboards is a challenge for about 33% of shared services teams according to our 2022 survey. Similarly, technology is tacked on and out of step with what is state of the art. Our survey found that 59% of HR leaders don't think their HR functions are sourced with the right mix of HCM tech.

A new 'TIM' approach: Re-centering around human experience

The TOM approach is flawed because it lacks fundamental centralization and — most importantly — works from the organization outward and leaves the employee interaction as an afterthought.

So what if we flip the script? If we invert the TOM paradigm and instead begin with EX, move to content delivery, layer in process and only move to organizational design at the end, we have a different and much more sustainable model.

This approach is commonly referred to as a target interaction model (TIM). A TIM is a generic model that provides targeted interactions with and within the HR function. It is always individually tailored to the organization and focuses on what HR services are required and how they are delivered.

The TIM-first model is a solid foundation on which to build an HR function as it can realize the people side of the business strategy, a maturity check and ideal state for HR roles, and a first indication for capacity requirements. This approach works because:

- **It is rooted in a centralized, holistic strategy**

The TIM model is truly rooted in an organization's strategy and unique needs. Because the organization is the last piece to put in place, this opens up the opportunity to update and add new and important items to the HR portfolio (such as DEI, skills-based talent process and true "one-HR" analytics).

- **It is a human-centric approach that leads with EX**

In a TIM model, EX is put front and center. EX is too often just a buzzword or nice add-on that HR picked up — but not fully embraced or used as the core of holistic employee journeys in the way we described in Chapter 3 and elsewhere in this book. EX is at the forefront of everything HR is developing and proceeds naturally from HR mechanisms — being a guiding principle for process and governance design and shaping the mindset for every HR role.

- **It builds on the strongest parts of TOM**

It's important to note that this is an additive model. TIM is preliminary to TOM but does not replace it. Rather, the two models work together. TIM merely imbues TOM with a proactive, anticipative, experience-based and value-oriented way of operating — focusing not on making moments that matter but on ensuring that every moment matters.

Putting TIM before TOM: Four ways of rethinking HR

For a sustainable and flexible HR setup with real business impact, organizations need to place TIM before TOM — designing the future TIM and then evaluating and evolving the TOM to match. This will require four ways of fundamentally rethinking HR:

1. Rethink what it means to be HR

The most difficult part of any human-centered transformation lies in HR itself, the people involved and their mindset. This is especially true when the transformation is inside the house. HR needs to reimagine how it sees itself — as a business strategy and not (only) as a support function.

To do this, you first conduct a thorough, honest appraisal of where the function is today. Success lies in focusing on outstanding EX while always taking organizational strategy and constraints into account. Evaluate your business model, workforce composition, skill and knowledge inventory, and other internal and external factors. This will include organizational effectiveness, desired EX, and general and talent-related industry trends impacting people strategy.

You can also help leaders and decision makers migrate how they think about HR and ensure that you have the right change management skills and attitudes in place in HR and across the organization.

2. Recalibrate your HR content and tone

Up to 90% of all policies are owned or enforced by HR, so consider the interactions that will deliver your service portfolio. Content is an interaction point between HR and the workforce — comprising tangible actions, procedures, guidelines, policies and aspirations.

You will want to take an honest look at your current tone. Using new, human-centric language that extends to all employees — regardless of work location or role — will be crucial to creating a culture of belonging. Unfortunately, HR is often seen as policing, due in part to “ordering” style language and policy content. Framing along the lines of “must comply,” “the employee is supposed to” can be alienating and distancing. Take this moment to embrace opportunity-driven and valuing language. Instead of setting close limits or building walls, you can leave space and establish guardrails — inviting the employee to be a more active and enabled stakeholder.

3. Reassess people processes and technology

The topic of processes and technology is the most significant and most underestimated in HR transformation. As the bridge between TIM and TOM, processes and technology comprise the connections and experiences that link employees to the organization.

Most HR processes were born 30–40 years ago, and technology since then has just been retrofits to these processes — moving from paper to digital and, later, online. User experience and service adoption were almost never at the center of those original design exercises; these processes are often completely independent of the available system support, negatively impacting usability (experience) and effectiveness.

HR technology suites have been similarly inflexible and functionally slow to evolve. Many are taking a more user-focused approach, but this is lagging for a digitally mature workforce that is demanding consumer-grade tools.

When HR technology tools are state of the art, they tend to be implemented around talent events like hiring, performance reviews or succession — which are used more infrequently. Research shows that 72% of all interactions between HR and employees are not talent related but rather process and technology oriented.

Use this transformation to gather and read people data to establish a better baseline user experience and to reexamine the technology that underpins it. In the future, big HCM suites will act more like the operating system on a mobile phone. The real value drivers will come from apps and best-of-breed solutions — a vital combination of system of record, talent intelligence, marketplace tools, skill brokerage and other people operations platforms.

4. Reevaluate the HR organization and roles

With interactions, content and services in place, you're ready to talk about how to use TOM to deliver these holistically across the organization.

There is no one template for an HR operating model that works in every organization. A strong TOM will express your unique TIM in how it sets up roles, locations and governance — and how it works with technology. What matters is building an organization that can support the above goals, content and processes you've articulated.

And, as we said earlier, this isn't necessarily going to be a new model. A centralized TOM can still follow the three-pillar approach, for example — but it does so in a more federated, centralized way. It may, however, require new roles, responsibilities and capabilities regarding how the function is set up to operate.

Here are a few principles to keep in mind:

- Don't let role design be trapped by the structure of the past. This isn't about boxes and lines; it's not about hierarchies; it's not about titles. One person can distribute capacity between more than one role, for example, and role owners can be located anywhere, independent of their responsibility areas.

- Ensure that role and function design prevent interaction gaps. Create a counterpart for every interaction — so that every employee's needs will be answered.
- Identify skills gaps, and create a plan for meeting future emerging HR skills — such as data analysis, workforce planning, human-centric design, EX implementation and storytelling around your HR data. Our 2022 survey data show that high-performing organizations are twice as likely to be investing in HR skill development.
- Think about sizing. Determine specific roles and how they're expressed in your organization with the actual FTE ratios required to deliver excellent HR work.
- Before launch, evaluate the change impact per role. This doesn't mean applying a generic and stable benchmark number — such as for an HRBP — but truly taking the individual, organizational context and role expectations into account.

Depending on maturity, degree of automation and size differences, these scenarios should all be considered, tried and pressure tested before they're locked in. Only then can boxes and final organization charts be drawn up.

Tracking the trends

The future of HR — just like the future of work — is already upon us. In our 2022 survey, almost two-thirds of respondents report that aligning HR and business strategies has taken higher priority since the pandemic. Here's what you can look for as the trend toward TIM grows and matures across more organizations:

Slowing down

Expect a decrease in HRBPs operating in a micro-environment or only supporting the HR operational needs of one pivotal people leader. HRBPs are currently being aligned to where they add value, but this is challenging the effectiveness of their much-touted transition into strategic partners.

Shared services are more often being digitalized and automated than outsourced. That said, we will continue to see HR service consultants handle exceptional cases and special requests from employees. These may simply be segmented by persona to deliver on a more differentiated value proposition.

Staying the course

Expect continuity in COEs as experts design the organization's global talent philosophy in collaboration with the C-suite — conceptualizing services from rewards and performance management to talent succession strategies and future-of-work metrics. COEs will execute HR processes — such as talent acquisition or talent mobility — in alignment with specific geographies or business lines, delivering on concepts they've developed.

On the rise

Expect a rise in HR strategic advisors representing the service portfolio, providing insights and advice to senior executives on how the workforce supports the business strategy. Collaboration experts will be excellent communicators, storytellers and organizational psychologists who facilitate the flow of information, skills and capabilities between workforce populations, helping employees learn and adapt to change.

And, finally, expect greater expertise in how we design EX — designers will create an intuitive and fuss-free consumer-grade EX, often for specific personas, such as new hires or business or function groups.

Crafting the ideal human-centered HR function of the future

In leading HR operational design with TIM, you will be fundamentally challenging a traditional optimization approach that builds on predefined siloed structures. In the short term, this might cause consternation, hinder end-to-end processes and efficiencies, or leave open questions as to how things are run day to day.

But the benefits of a new and improved way of performing human-centric HR work are clear: true customer-centricity, an outstanding EX, high business relevance and — perhaps most interesting — capacity gain for many organizations.

But this will require doing the work to change mindsets about HR, shining a light on the function's evolving role and the value the function delivers.

A properly designed TIM frees your HR resources from transactional tasks and allows HR to become a strategic partner and deliver more relevant advisory and services. Building a TIM and adjusting governance can unlock a return on investment after 24 months of 7.5%–10% efficiency gains. As you mature — further simplifying processes and making technology changes — this can lead to gains of up to 30%.

As with every other human-centric transformation in this book, the results speak for themselves. Putting people at the center of the work we do creates more sustainable, productive and engaged workforces — in HR and across the organization.