



OLIVER WYMAN



MERCER



WHAT ROLE WILL HR PLAY IN 2020–2025?



INTRODUCTION

The objective of this white paper is to understand the “mega trends” that will transform the HR function over the next decade in order to deduce how its missions, postures and communities must evolve in consequence. Predicting the future is never easy. Great entrepreneurs and researchers have often been mistaken in their estimates, even if they subsequently made extraordinary strides.

Take Bill Gates, who has been better than most. In 1981 he declared, *“No one will ever need more than 637KB of memory on a personal computer.”* Or the statement attributed to Thomas J. Watson, the founder of IBM, *“I think that there is a worldwide market for maybe five computers.”* Likewise, Stewart Toy wrote in *l’Expansion* in 1972, *“McDonald’s must convince people to eat with their hands while offering a very limited menu. Will this work in France? Probably not.”*

Although it is difficult to predict the future, it is nevertheless essential to identify and understand the basic social, economic and technological tendencies or “mega trends” that will affect businesses in the next ten to twenty years in order to anticipate and prepare for the ensuing transformations.

A paradox in long-term thinking is the more you try to imagine the future, the more critical the tasks of the next twelve months or so become in clarifying direction. Bill Gates commented, *“We always overestimate the change that will occur in the next two years, but underestimate what will happen in the next ten.”*

Though this report is forward-thinking and is intended to contribute to a rethinking of the role of HR, it does not pretend to be exhaustive, or provide universal solutions. Its aim, rather, is to highlight ideas that can feed the thinking of those responsible for transforming business organizations and who are determined to respect the men and women who comprise them.

This white paper focuses on the following aspects:

- Major trends underlying ongoing demographic, technological, sociological and cultural transformations.
- HR impact, in terms of the demands on and transformations of its role, using illustrations of practices already in place at pioneering companies and large corporations.
- The potential reinvention of HR communities to integrate these trends and their impact.

This white paper has been jointly developed by the HR teams of Orange, Oliver Wyman and Mercer, and specifically integrates some thirty discussions with HR directors from large French and global corporations, universities specialized in social, human and management sciences, as well as Orange teams (see Appendix).

We warmly thank all those who participated for their valuable collaboration.

TRENDS AFFECTING HUMAN RESOURCES

Over the course of several years Oliver Wyman has conducted research on the fundamental trends, or “mega trends”, that will affect businesses over the next twenty years. By comparing the work undertaken for this white paper with these findings and with Mercer’s regular studies we have been able to identify six trends that will affect human resources in the coming years.

THE BIG GENERATION GAP

The generation aged between 20 and 35 years old, known as Generation Y or the “Millennials” will represent half the workforce by 2020 and three quarters by 2025.

Though similar to earlier generations, in a number of ways this generation is significantly different to previous ones: they are only committed to companies whose raison d’être they share; they enjoy working in teams, having fun, and communities; they want to play an active role in their own development; but they are not loyal to any particular company and dream of creating their own start-up.

If companies are to get the best out their people, it is necessary to understand the specific expectations of these young people.

Exhibit 1: The big generation gap

	Want to be empowered and seek challenge	<ul style="list-style-type: none"> • Empowered to get things done • Appetite for challenge
	Enjoy teamwork and communities	<ul style="list-style-type: none"> • Collaborative • Recognize communities of talent
	Want continuous feedback	<ul style="list-style-type: none"> • Expect their managers to give them immediate feedback; demand feedback • Want responses or suggestions in every domain (performance, learning, career development, etc.)
	Want to play an active role in their own development; are “learning workers”	<ul style="list-style-type: none"> • Don’t understand the concept of career paths/layers • Count on themselves to define their own development path • Context the value of university degrees and higher education • See themselves more as “learning workers” than “knowledge workers”
	Are committed to companies whose raison d’être they share	<ul style="list-style-type: none"> • Commit to companies whose raison d’être they share • Aren’t satisfied with current compensation models
	Mix personal and professional life	<ul style="list-style-type: none"> • Don’t compartmentalize personal and professional life • The issue is no longer “work-life balance” but integrating the two
	Aren’t loyal and dream of creating their own start-up	<ul style="list-style-type: none"> • Most have worked at their current company less than three years • Would like to create their own business

Source: Oliver Wyman analyses, Futureworkplace.com, BNPP “La Grande Invazion” (The Great Invasion) The Boson Project

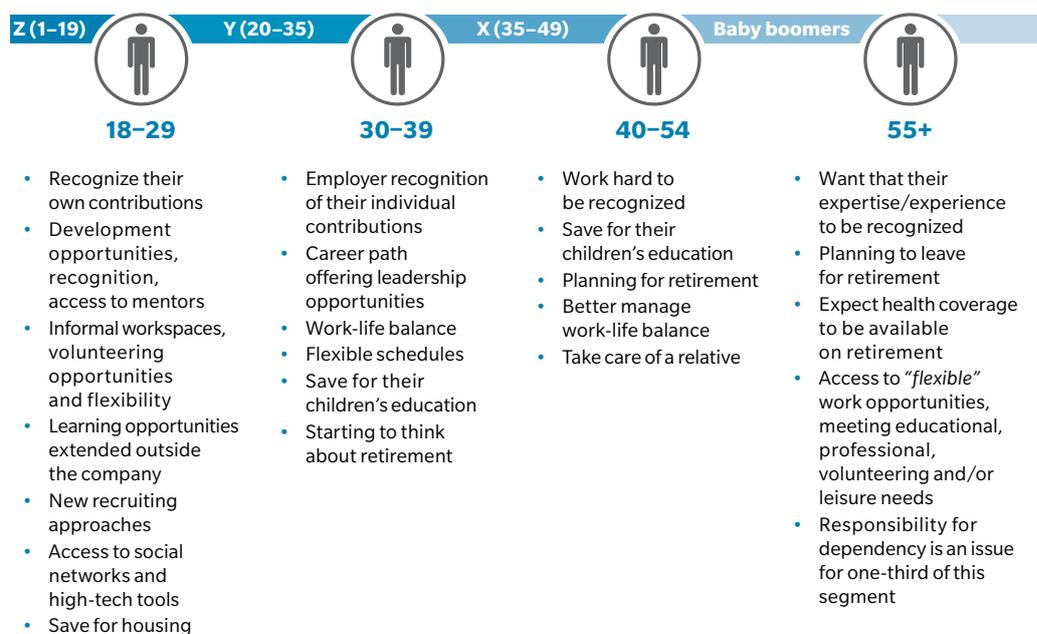
This is not to suggest that Generation Y will immediately displace other generations. Members of the earlier generations remain very active, and are increasingly prolonging their working life.

This overlap of the generations raises two questions:

1. In what aspects do the earlier generations and the new ones coincide in their interests, and at what points do they differ or oppose one another?
2. In what aspects do the new generations (Generation Y and the subsequent generation, Generation Z) present radically different employee profiles, and are these differences sufficient to force HR to reinvent its vision, approach and communities?

A global study conducted by Mercer in 2015, based on 50,000 employee responses, sheds new light on these two questions.

Exhibit 2: Generation Y, the “Millennials”, will represent half the workforce by 2020 and three-quarters by 2025



Source: Mercer HR, Mercer interviews

This analysis of generational expectations shows that expectations coincide across generations at a number of points.

This overlap is true in the need for predictable rewards, meaningful work, professional advancement opportunities, and the requirement for dignity and respect. These aspects form a common thread bridging the different generations.

There are nonetheless some very real generational differences:

1. The **factors of engagement, motivation and recognition are not identical.** The earlier generations expect their expertise and experience to be recognized; the 40–55 year-old segment still believes in working hard to be recognized; 30–40 year-olds expect their employer to recognize their personal contribution; while younger generations feel that they are best able to promote their own contributions.
2. The **expectations of work-life balance are very different.** For Generations Y and Z, the solution to work-life balance issues is not a compromise or even a reconciliation of opposites, but rather an interweaving, something which employers need to take into consideration. This generation simply wants a “balanced life”, the line between professional and personal life being increasingly blurred.
3. The younger generation’s **concept of a career path or development is very different** and much hazier. While previous generations continue to think more in terms of a defined career, Generation Y wants to learn and progress continuously. This vision is reflected in their desire for responsive management in which they are given immediate and continuous feedback. This expectation has a major impact on HR, specifically in terms of challenging processes based on longer-term annual cycles (performance management, compensation campaigns, training programs, etc.). Generation Z digital natives will push this trend even further, possessing a truly multidimensional identity, multichannel thinking and demanding agility in organizations that they currently find sluggish.
4. The impact of national culture on expectations is gradually disappearing. For younger generations, in contrast to earlier ones, **national culture plays almost no part as a differentiator.** One could even go as far as to evoke the existence of a “seventh continent” inhabited by the Millennials. This observation is driving some global firms to rethink their HR policy around global, segmented approaches.

VALUES AND RAISON D'ÊTRE: TERMS OF ENGAGEMENT

Increasingly, it is becoming an imperative to get buy-in for the company vision and its raison d'être in order to engage employees.

Two essential elements must be kept in mind at all times:

- **People cannot be reduced to Homo Economicus.** Informal organizations that are defined by relationships exist alongside the formal ones that are held together by economic considerations. The informal ones are driven by other motivations (dignity, friendship, and meaning). Indeed, the individual is no longer willing to be reduced to the status of the "economic animal" depicted by Emile Durkheim or Marcel Mauss. Modern people do not seek to maximize personal interest in total disregard for the community; s/he is also moved by the desire for friendship and solidarity. This has long been recognized. Contrary to Hebert Spencer's purely utilitarian vision of man, Emile Durkheim, the father of modern sociology, suggested that the division of labor reflects not only economic but also moral considerations (individual dignity, solidarity and friendship). In consequence, the fabric of business (and companies) is formed by the weaving together of individual agreements, both formal and informal. These agreements are more complicated than they appear at first sight. *"There are non-contractual elements in any agreement"* and *"all agreements contain more than what is actually spelled out in the contract,"* Alain Caillé and Jean-Edouard Grézy point out in *La révolution du don (The Revolution of Giving)*.
- **People seek recognition** and particularly want to be recognized as contributing as a giver. This need for recognition constitutes the most profound and important human drive. Individuals obtain recognition through the virtuous cycle of *"giving, receiving, giving back,"* as Alain Caillé and Jean-Edouard Grézy put it. Selflessness and freedom are an integral part of the human psyche, of which giving is the clearest expression.

It is essential for companies to understand and integrate these two elements, that is, the refusal of individuals to be reduced to mere economic animals and the need to give in order to obtain recognition. These aspects are increasingly becoming combined into one, as people search for the meaning in their lives in their work. In addition to the formal employment contract, men and women want to contribute something intangible yet, in their view, essential. Adhesion to the values, lifestyle and spirit of the company is thus increasingly important for younger generations.

The criticisms of a purely utilitarian vision of people are thus reflected concretely in business: 92 percent of Generation Y rejects profit as the sole measure of performance.

Given the gradual disintegration of traditional organs of solidarity and interpersonal bonding (nation, church and state), companies will increasingly be expected to exceed a purely economic role and will be expected to create meaning. This is in tension with the fact that many employees (particularly in younger generations) are more sensitive to the potential detrimental effects of business on the environment, public health, etc. The "giving economy" is thus making a remarkable entry in the life of companies, which are increasingly supporting employee involvement in social, charitable and humanitarian causes.

For many employees, the ultimate owners of a company are no longer seen to be the financial shareholders, but society as a whole (the planet, humanity, etc.).

A FEW EXAMPLES

Richard Branson, founder of Virgin, openly states his ambition to “reinvent the way people live and work to become a force for good.” Virgin has set up a great number of measures to protect the environment, such as the “Carbon War Room,” “OceanElders” (a community of leaders working to protect and recognize the value of the ocean and wildlife) and “Virgin Earth”. According to Richard Branson: *“We aspire to put humanity and the planet next to profit at the heart of what we do. By going beyond Corporate Social Responsibility, we are reinventing the way we live and work, and showing that business can and must be a force for good, and that this is also good for business.”*

Nike’s raison d’être is to “bring inspiration and innovation to every athlete in the world,” while clarifying that, “if you have a body, you are an athlete.”

Comcast has set itself the ambition to be a global breakthrough innovation leader. This ambitious raison d’être to “shoot for the moon” is communicated consistently within and outside the organization.

Unilever’s “Sustainable Living Plan,” developed in 2010, integrates programmes to reduce the environmental impact of the business and improve employee health and wellbeing. This plan includes nine concrete commitments, including the acquisition of all agricultural materials from sustainable sources by 2020.

AirBnB’s culture and values are essential recruiting filters. Two “core value” interviews (in addition to traditional interviews) are conducted with employees outside the recruiting team. No offer can be made to candidates who fail these interviews, even if they are highly qualified.

Netflix ensures the consistency of its recruiting, assessment and recognition system with its company values, stating “**Values are what we Value.**” As a result, a great deal of time and attention is devoted to assessment, recruiting and recognition and reward practices.

All of these raisons d’être are translated into the values of these companies and are integrated into their processes and practices.

PERSONAL DEVELOPMENT OVER TITLE, CAREER, COMPANY

For two-thirds of Generation Y, personal development opportunities are a major criterion when choosing an employer. The chance to progress professionally and reinforce employability is essential. For Generation Y, development opportunities in other domains are equally important – including the recognition of talents not necessarily related to the professional sphere and the realization of personal aspirations and ideals.

From this point of view, the aspirations of younger generations are radically different to those of their elders. Generation X-ers (those now 35–49) had already abandoned a belief in “lifetime employment”. The members of Generation Y not only cannot imagine this concept but are also highly opportunistic in the way they manage their career. Employee loyalty has declined considerably (the tendency to jump from company to company and in and out of industry has not negatively connoted here). Employees find it perfectly normal to navigate from one company to another to reinforce or assert their skills and address new challenges.

Diplomas and seniority are no longer the gold standard for pay raises and professional advancement. Generation Y employees expect to be recognized primarily for their results and the concrete impact they generate for the business. Google clearly communicates this vision in its affirmation that it values intelligent and determined people and favors ingenuity more highly than experience or college degrees.

Communities of expertise and strategic technical skills are increasingly valued. Career paths are no longer just a matter of moving up the ladder but also include lateral progression within communities of expertise or as project leaders. Experts, in consequence, no longer plateau at a certain point in their career. At Air Liquide, for example, people can advance within the expert community to a level just below the management committee. Not only is mobility encouraged internally, but it is also encouraged outside the borders of the company, along with plans to come back into the fold afterwards.

Talent is increasingly managed according to individual profiles rather than job descriptions. Employees are becoming the architects of their own careers. This is happening at SAP, for instance, where personal development is presented as the intersection between talent, interests and opportunities. People are thus driving their own career by identifying their personal skills and strengths, analyzing their objectives, building their personal brand, defining relevant opportunities, etc.

The younger generation does not want to be locked into strict job definitions. A young person might seek a “marketing role”, for example, rather than a job in “product marketing”, “pricing”, or “promotions.” The logical consequence of this is that **it should lead to the simplification of HR models:** fewer functions and job titles, broader scope of each professional community, and the demise of standardized mass processes.

For the younger generations, **training is becoming a continuous process**, alternating coaching, feedback and “on-the-job” training with more traditional (digital and classroom based) training. Indeed, the younger generations like to pick and choose their own training itinerary – from the official company catalogue as well as from offerings found on the

internet. Coaching and mentoring, either with a peer or with someone from outside the organization, is quickly becoming a key part of the development process.

Microsoft has instituted learning circles where employees learn from one other. Everyone can participate or create hierarchy-free communities to pool knowledge, experience, and know-how. According to Charles Jennings in his book, *The 70:20:10 Framework Explained*, the right balance might be “70 percent on-the-job training, 20 percent feedback, 10 percent formal training.”

New forms of mobility are emerging, not only including vertical mobility within a single function but also, increasingly, lateral mobility across functions, not to mention mobility across divisions or even outside the borders of the company (permitting a return to the organization afterwards).

Although talent management models have, until now, largely focused on a select group, a growing number of **businesses are leaning toward an “everyone has talent” model**. Hence, talent management is not – or is no longer – reserved for a small group of employees. At Elior, for example, the goal is to manage the talent of the whole workforce in order to develop the full potential of every employee.

EMPLOYEES AS CUSTOMERS

Generations Y and Z demand a new balance between rights and obligations with their employer. Earlier generations accepted the constraints of a hierarchical and paternalistic management model in exchange for salaried compensation. They entrusted representative bodies to handle their claims and defend their rights. In contrast, the younger generations expect management practices to be more participative and collaborative, demand recognition and wellbeing in their work, in addition to salary, and unabashedly defend their individual rights. By this yardstick, employees act like customers who expect the employer to provide a value proposition aligned with their aspirations.

These changes will have major consequences for HR. By 2020, no fewer than five generations will coexist in the workspace. Faced with this unheard-of situation, **HR will have to develop a segmented understanding of the various needs** and provide differentiated treatment for each, while carefully avoiding the formation of organizational silos and generational rifts.

AGILE, FLAT, OPEN ORGANIZATIONS

The move towards agile organizations started about five years ago in the US.

In Europe, however, there is still a long way to go. Operating with an agile model requires an entirely different mindset in order to build trust and to get the various technical functions and professional communities (marketing, customer service, etc.). The goal is that they should work together in a truly integrated manner, joining forces as a team for developing a product, launching it, and supporting it throughout the product lifecycle.

To realize this **requires an organizational revolution**, particularly in Europe, where many business organizations remain largely hierarchical with a weak collaborative spirit. In contrast, agile organizations truly empower project leaders or “product owners” and give them decision-making authority, develop them, and redefine their relationship with those they report to. This takes a very good caliber of “highly aligned, loosely coupled” managers, people who are able to make decisions and who are driven to perform in such relatively informal settings. It also means that decisions need to be made closer to the ground, by small teams working according to fuzzier, more open, and less restrictive rules.

Valve, an American software developer and digital distribution company, provides a good illustration of the way in which companies are now experimenting. **Valve’s employees can select the projects on which they wish to work.** Rather than formally established reporting lines, leaders naturally emerge in the course of the work. The workspaces are designed to allow people to mix more easily than in traditional offices.

The move to an agile project model is eagerly awaited by the younger generation.

Dan Schawbel reports in *Forbes* magazine that three-quarters of Generation Y prefer to work in small teams.* These “pizza teams” (no more than eight members, or the number that can be fed with two pizzas) work at a single facility or across facilities, using digital communication technologies to facilitate telecommuting, or to simulate the presence of team members despite physical distance.

These **teams increasingly include communities of talent found inside and outside the organization.** Start-ups, alumni networks and freelancers are integrated alongside employees in such teams. AT&T provides one illustration of external talent communities: AT&T employees, who no longer formally belong to the organization, continue to contribute their experience and expertise to the talent network.

Agility flattens hierarchy. Truly agile companies possess no more than four levels of hierarchy and are physically laid out so that the workspace supports engagement, collaboration and spontaneous meetings and interactions.

THE LEADERSHIP MODEL IS EVOLVING AS THE CORNERSTONE OF CHANGE

Employee initiative and empowerment is increasing. According to the leader of a major French bank, “*The rigidities of the current hierarchical system are likely to become quickly obsolete and new types of professional relationships must be invented.*” Indeed, contrary to the dominant model, **the younger generation seeks a fresh relationship with authority based on direct interaction and trust.**

In consequence, **new types of connections must be forged across generations.** By 2020, management will be faced with managing multigenerational social groups (from baby boomers to generation Z), to which they need to relate in different ways. This is likely to sometimes generate tension.

* Dan Schawbel, “10 Ways Millennials are Creating the Future of Work,” *Forbes*, Dec. 16, 2013

During the transition period, **the tension may be greatest for senior managers**, whose professional advancement currently reflects their ability to navigate the traditional hierarchical system. Indeed, this segment needs to adopt a fundamentally new managerial perspective and new behaviors, ones far removed from their former skills and experience.

Preparing for the post-2020 period will require a more flexible, open and streamlined system that is able to test and implement new methods and practices and integrate fresh managerial profiles.

This calls for the renewal of the present hierarchical system. The present system needs to meet a number of major challenges, including the ability to:

- Operate with **autonomous, collaborative teams** who are able to fully master their own work, tools and corresponding processes.
- Manage people based on **desired outcomes**, granting them the leeway to carry out their assignments in consequence.
- Develop **differentiated management styles** tailored to individual career paths, aspirations and agendas.
- Accommodate **different work practices**, including telecommuting and mobility.
- Reconcile individual work postures with the development of **a unified community** supporting jointly shared objectives.
- Support **diversified communities** of expertise, interests, affinities, and belonging that are facilitated remotely by and are dependent upon non-hierarchical social networks. Such networks will develop individual capabilities and visibility, as well as act as conduits for project execution and problem resolution.

The level of complexity or novelty of this challenge is less decisive than the need to develop completely new practices. In general, such practices have yet to be invented. This is particularly the case in organizations that have been organized vertically for several decades and which are weighed down by cumbersome rules and “command and control” processes.

It is clear that one consequence of this demand is that **leadership will need to reinvent itself** to manage increasingly open, interactive and differentiated ecosystems that are in constant flux, ones that can no longer be managed legitimately by hierarchical authority alone.

Many companies interviewed for this white paper have made managerial transformation a major dimension of their global transformation program.

These companies have redesigned both their leadership model and the path required to execute it, though there is undeniably a great deal of uncertainty concerning the speed and completion of the major transformations required. Because these transformations are just beginning, it is sometimes difficult to perceive the final destination, let alone the right steps for getting there.

Under these conditions, engagement and acceptance will be decisive in convincing employees to embark on a journey with such hazy contours. At this stage, it is difficult to anticipate the full extent of the likely disruptions that will impact managerial leadership over the next few years.

What is clear is that the leadership must create vision, clarify purpose and give employee's work meaning. This entails:

- **Sweeping aside internal inertia and internal routine.** The company's vision should serve as the springboard for transformation and growth. The individual and collective initiatives of the leadership will be focused on customers and must anticipate their behavior, particularly in light of the impact of emerging technological mega trends.
- **Integrating individual agility and differences** to optimize collective intelligence and performance.
- **Encouraging calculated risk-taking**, recognizing the right to make mistakes within a clear and shared delegation framework.
- **Inspiring people with unshakeable determination**, so that they feel able to face uncertainty, challenges and unexpected situations.
- **Integrating diverse employee profiles**, skills and aspirations in line with the company raison d'être and values.
- **Serving at all times as ambassadors** of corporate responsibility and commitment.

IMPACT ON THE ROLE OF HR

These trends will have a major impact on HR, which will need to totally reinvent itself in order to respond to them. HR requires a fresh perspective on its responsibilities and capabilities. It needs to assume responsibility for executing a new set of roles, ones we will now explore further.

ENSURE THERE IS SHARED MEANING, A CLEAR RAISON D'ÊTRE, FULL ENGAGEMENT

In a world where employees increasingly want to express their individuality, **the prime role of HR will increasingly involve reinforcement of the collective dimension.** This will require building a shared vision and sense of direction, one that is able to rally the organization around a clear raison d'être. This needs to be based on the benefits to the customer and the company's role and place in the ecosystem, including its social space. The idea is to bring people together around the company culture, and by the same token reinforce its social contract. Companies will thus be driven to rethink their managerial benchmarks.

The new definition of the business raison d'être can be supported by the creation or adaption of value benchmarks. This is naturally a delicate subject. A great many firms formally articulate "values" but do not always put them into practice. Likewise, the expression of the corporate raison d'être can also take very different forms in different cultures. It is not necessary, for example, to replicate American models in Europe. If value benchmarks are created, they must be integrated concretely into the assessment and recognition systems for them to have meaning.

This "bringing together" or rallying function will undoubtedly be the most essential of all the roles played by tomorrow's HR. In a context where everyday operational tasks will be increasingly performed by employees or their direct superior using online tools, reinforcing the collective spirit will be a central mission of the HR department.

CUSTOMIZE THE HR VALUE PROPOSITION TO MANAGE THE DIFFERENT WORLDS OF THE VARIOUS GENERATIONS

A “one size fits all” approach is no longer viable; HR must learn to listen to people in a more differentiated manner. The challenge for tomorrow’s HR function is to meet the needs of the many different employee segments in a more tailored fashion. This will mean identifying the specific characteristics of each of the various segments that already reside within the organization, as well as those of future generations of employees. It will need to understand their specific expectations and motivations, particularly those of the arriving Millennials and Generation Z. HR departments of multinational corporations, conscious of the similarity of expectations of Millennials across the world, and their differences with regard to other generations, may even want to designate a global HR manager for Millennials.

HR policies will increasingly need to be tailored to the needs of the various segments. However, care needs to be taken not to treat this as a question of developing a “program”, thereby confusing responsiveness with outcomes that risk creating generational silos. Hybrid approaches that treat certain segments collectively and others that provide a more tailored, modular offering are likely to be most effective. Employees can be encouraged to build personalized “HR propositions” (that balance compensation, vacation time, etc.), choosing from a menu of choices proposed by HR. This will enable employees to satisfy their individual aspirations and needs, depending on their profile and lifecycle stage, while still meeting the needs of the organization.

By listening closely to the various generations, HR will be in a position to develop greater understanding of the motivations of each segment. This will help it define the dimensions of a differentiated value proposition and form the basis of a more modular approach. Such an approach can include:

- **Compensation:** options for moving the cursor between variable and fixed wages, between compensation in cash or stock, between cash or company car, etc.
- **Vacation time:** options for acquiring more vacation time in exchange for lower cash compensation.
- **Working hours and duration:** options for arranging working hours to dedicate more time to personal projects or family, over a specific period or permanently, for example, by establishing a flat day-rate arrangement based on the number of days worked in the year, etc.

Data analysis will become an increasingly important tool for HR. HR will use big data to understand employees better and to measure and assess the impact of HR initiatives on employee satisfaction, performance and retention. The analysis of this data can be used to:

- Understand the value of each dimension of the value proposition for the various employee profiles to build the individual elements of the menu of options.
- Proactively define HR packages for employees.
- Track the performance of the modular packages and their impact on employees by using historical data.

FOSTER PERSONAL DEVELOPMENT AND EMPLOYABILITY

In order to facilitate employee personal development, **HR will need to invent new paths very different to traditional career paths.** Whereas the cornerstone of the traditional career path was employment history, tomorrow's will be capability, as this is the best guarantee of future employability.

This proposition raises several challenges for HR. It will need to:

1. **Gain “real time” understanding of individual capabilities** – whether technical, managerial, behavioral, etc. – regardless of whether these capabilities were acquired inside or outside the company, before arriving in the organization or even while participating in hobbies. Establishing this databank of the big data of capabilities is likely to be a massive project for HR; many multinational firms currently have inconsistent and out-of-date capability benchmarks that are not connected with one another. Appointing a specific person to be responsible for building this database of big data is key to success. They will need to be able to work collaboratively and flexibly with the various stakeholders in order to remain in close touch with community needs. Another huge challenge will be to integrate the database with project staffing tools.
2. **Establish internal and external capability pools.** Establishing capability pools across the different divisions and various countries in which a multinational operates will be a huge task. From experience, the key is take this one step at a time, focusing first on scarce expertise, which will be increasingly in demand in the coming years (such as software developers, security experts and cloud experts). The other big job is to feed these pools with external expertise, by including those such as freelancers, partners, service providers and consultants. The task is all the more complicated because their capabilities and availability must also be kept up to date. In one sense, this task requires HR to produce a “closed-circuit” version of “LinkedIn 2.0”, one that can provide a reliable database of capabilities based on concrete and verified criteria, rather than on data that is self-reported.
3. **Encourage new forms of mobility.** Lateral mobility across divisions, communities and countries is of course nothing new, though how far this is developed varies greatly between one environment and another. Greater mobility is essential to the smooth flow of capabilities and best practices, as well as to all-important development of employability. In other words, mobility is the best guarantee of never being unemployed. The challenge for HR is to explore new forms of mobility that encompasses opportunities outside the company, such as company partners and start-ups, while offering people the chance to return to the company at a later date. Paths such as these will only be attractive if real salary differences are established that reward and integrate these mobile staff into long-term development plans. Likewise, the successes of highly mobile employees will need to be communicated to reinforce this new culture.

Overhaul training to put in place mechanisms that reinforce the development of capabilities. Mechanisms, such as individualized mentoring or coaching for managers and experts, will in the future be critical. Feedback from peers can prove extremely

valuable and should not be substituted by training programs. Setting up effective peer programs requires serious investment. The route forward is to first conduct pilots, then make needed adjustments and foster buy-in by demonstrating the utility of these programs over time.

“Reverse mentoring”, in particular, is commonly practiced in some companies, particularly in the English-speaking world. This involves providing feedback to more senior members of the organization from junior employees. This can help the more senior employees to put themselves in the shoes of their younger counterparts. However, such a practice can present a major cultural challenge for some companies.

A major overhaul of training practices is essential. It is imperative to develop a full menu of on-demand online training options that is available to all employees. This could be developed in part in-house, built jointly with communities, or acquired off-the-shelf from third-party providers.

4. **Use historical and predictive data analysis to manage staff retention.** Such analysis can be used throughout the careers of employees. It is critical that it is carried out in a manner that preserves the bond of trust with the employer. Clear rules for the use of employee data must first be established, with HR as the custodians of such data. This is typically a large-scale project. To maximize efficiency, the project should be developed one process at a time: for example, first recruiting, then retention, crisis prevention, assessment management, staffing, etc.

REINFORCE THE AGILITY AND OPENNESS OF ORGANIZATIONS AND WORK PRACTICES

One of the core missions of HR in the coming years will be to establish more flexible organizations and forms of employment. However, HR departments are currently undertrained, underequipped and insufficiently experienced to drive the development of such organizations. Indeed, in some cases, HR may be culturally removed or even hostile to such solutions. The challenge for HR is to turn this situation around and to actively seek to work with professional communities to develop new organizational transformation and design capabilities, with the objective of designing and implementing leaner and more agile organizations. As part of this task, HR will also undoubtedly have to tackle the huge job of reconfiguring and simplifying various professional communities.

HR will need to establish more flexible working conditions, mixing temporary and permanent employment contracts. This will include defining fixed day-rate agreements and freelancers and “hybrid” contracts with employees who hold several jobs. HR will need to manage a new level of complexity, which will encompass employees with a variety of different statuses and collective labor agreements. In particular, it must be able to provide solutions that manage more complex permutations of working hours and employee flexibility requirements while providing for customer needs as businesses move towards a seven-day working week.

Assignment-based management models have the potential to help HR reinforce organizational agility. For HR, the move toward project-based management (rather than management by department and position in the hierarchy) will present a major challenge. In addition to simplifying job and professional classifications, the new management model will require HR to define the role of the manager relative to the project leader. For this approach to work well, the length of each project must be defined, assigned appropriately, and include relevant assessments and rewards. In the longer term, new types of organization can be fostered, such as the “liberated organization” model of Valve. The liberated organization has limited hierarchy and seeks to foster innovation, cross-company sharing, collaboration, fluidity and adaptability.

Accelerating the development of an agile work model will be an essential prerequisite for remaining competitive. This is particularly true with regard to digital natives and the high-tech giants. In this regard Europe generally lags far behind the operating practices observed in the US. For example, the move towards greater agility requires breaking down silos between marketing (and more generally communities) and technical/IT functions. Three key success factors must be combined to do this successfully:

1. Use teams with a **mix of people** with different origins, experiences, and expertise.
2. Empower and **develop project leaders** (in relation to the organizational hierarchy), and produce relevant incentive models.
3. **Establish cross-company staffing tools** that link to capabilities and integrate external contributors.

This requires HR to recruit resources capable of conducting large-scale change in professional communities.

DEVELOP A NEW MANAGERIAL LEADERSHIP MODEL

HR needs to further develop behavioral leadership models that reflect company strategy. Businesses have been building and communicating behavioral leadership approaches for a number of years and HR has frequently acquired mastery in this area. However, in the new environment, the transformative scope and systemic impact that such approaches accrue is of much greater importance.

The new behavioral leadership models can be transformative because they benchmark the managerial posture required to rethink business models, get people engaged in transformation, and provide the day-to-day support for dealing with profound changes to employees’ professions, know-how and capabilities. Their impact is systemic because they provide overall direction in managerial initiatives at every level of the organization.

HR's objective in furthering the behavioral leadership model is to identify new leaders of the organization with the capabilities to:

- Contribute effectively to defining the company's raison d'être.
- Monitor the consistency of their positioning relative to other company objectives, and defend their reputation with identified partners, communities and social networks.
- Cast aside dominant traditional standards and customs to rethink strategy and produce innovation.
- Integrate multi-generational challenges.
- Get people engaged, stimulate the most committed employees, and assist the most fragile or resistant members of the organization.

Behavioral leadership requires managers to cross the threshold into uncharted territory. HR's task is to give managers opportunities in which to try out new ways of doing things. This can help them gain comfort with the new approach. Defining the right path to doing this is as critical as the actual behavioral targets.

Several conditions need to coexist for a behavioral approach to succeed:

- The organization needs to provide the conditions that **allow managers to individually digest and assess the personal transformation they need to realize**. Without this, there is a very real risk that established habits and tried and trusted methods will return to displace or obscure the desired objectives. When challenging dominant models of behavior, it is important to anticipate the response, "We're already doing that" and to help people imagine other ways of doing things. The path of personal transformation should be integrated with the organization's overall transformation objectives; managers should be helped to recognize their role within this. This will enable them to assimilate the objectives and will help lay the groundwork for attaining them.
- The best way to propel and embody the desired new behaviors is to **complement individual learning with a group "test and learn" dynamic**. This approach should be driven by the most motivated managers: they can provide the impetus for creating the shared mindset necessary for group learning. Managers help one another to accomplish the group's objectives, each individual playing a part in moving the group forward. This mindset supports all transformation initiatives.
The most effective way of turning such learning into a key transformation driver is to promote the "test and learn" systems that develop collective intelligence, as outlined by the philosopher Jürgen Habermas. This will make such initiatives as inclusive and relevant as possible.
- **Top management needs to play an active role in setting the stage for learning**. Top management needs to reflect in their behaviors what they expect of their employees. At the same time, they need to engage in a continuous and iterative process that periodically challenges the existing systems and transforms them whenever necessary.

APPENDIX: WE SINCERELY THANK EVERYONE WHO GAVE THEIR TIME AND IDEAS TO PARTICIPATE IN THE INTERVIEWS CONDUCTED TO PREPARE THIS WHITE PAPER.

Air Liquide	Olivier	Sonntag	Europe HR Director
Airbnb	Bénédicte	Hamelin	HR Business Partner EMEA
BNPP	Yves	Martrenchar	Corporate HR Director
BNPP	Hans	Vanbets	Head of HR Strategy & People Management Policies
BNPP	Françoise	Barnier	Head of Corporate HR functions
BNPP/Arval	Isabelle	Sachot-Moirez	Head of Human Resources
BPCE	Hervé	D'Harcourt	Director of Labor Relations Development and Strategy
Crédit Agricole	Pierre	Deheunynck	Corporate HR Director
Elior	Agnès	Bureau-Mirat	Corporate HR Director
Elior	Mireille	Bou Antoun	Director of HR Development
La Banque Postale	Catherine	Charrier-Leflaive	Head of Human Resources
La Banque Postale	Alexandre	Morillon	HR Steering and Change Management Director for La Banque Postale
La Française des Jeux	Pierre-Marie	Argouarc'h	Director of HR and Transformation
Microsoft	Caroline	Bloch	France HR Director
Microsoft	Elisa	Ara-Fontaine	Senior HR Business Partner at Microsoft France
Société Générale	Pierre-Yves	Demoures	Deputy Head of Human Resources
Sodexo	Elisabeth	Carpentier	Corporate HR Director
Solvay	Cécile	Tandeu de Marsac	Group General Manager Human Resources
Thales	David	Tournardre	Corporate HR Director
Thales	Ken	McSweeney	VP Compensation & Benefits
Thales	Joe	Ales	Director of International HR Transformation Programs and HR Operations
Insigniam Performance	Katrin	Le Folcalvez	Partner at Insigniam Performance
HP	Addie	Van Rooij	VP HR EMEA
Comcast	William	Strahan	CHRO
La fing	Amandine	Brugière	Project Director
Insead/Cedep	Hélène	Bovais	Professor at the Institute of Labor Relations Management and at CEDEP
Sciences Po	Florence	Osty	Professor at Sciences Po Paris
Dauphine	Laurence	Servel	Lecturer at Paris Dauphine
Université Paris Ouest	Alain	Caillé	Sociology Professor Emeritus
Dauphine	Jean-François	Chanlat	Professor at Paris Dauphine Universities
Dauphine	Albert	David	Professor at Paris Dauphine Universities

CONTRIBUTORS

OLIVER WYMAN

Emmanuel Amiot, Partner
emmanuel.amiot@oliverwyman.com

Dominique Gatto, Partner
dominique.gatto@oliverwyman.com

ORANGE

Ludovic Guilcher, Deputy Director in
charge of HR policies
ludovic.guilcher@orange.com

Corinne Poupet-Louvès
HR Community Director
corinne.poupet@orange.com

Marie-Véronique Gusse
Talent Manager
marieveronique.gusse@orange.com

MERCER

Romain Bureau, Partner
romain.bureau@mercer.com

BIBLIOGRAPHY

PUBLICATIONS

Alain Caillé & Jean-Edouard Grézy,
"La Révolution du don –
Le management repensé"

Barabel M., Meier O., Perret A., "A quoi
ressemblera la fonction RH de demain?,"
November 2014

Hoffman R., Casnocha B. & Yeh C. J.,
"The Alliance: Managing Talent in the
Networked Age," July 2014

Laloux F., "Reinventing Organizations:
A Guide to Creating Organizations
Inspired by the Next Stage in Human
Consciousness," February 2014

Maxwell J.C., "The 360 degree leader:
Developing Your Influence from Anywhere
in the Organisation," 2011

Morgan J., "The Future of Work: Attract
New Talent, Build Better Leaders, and
Create a Competitive Organization,"
October 2014

Scouarnec A., "La DRH de demain:
Esquisse d'une rétrospective de la
fonction RH," 2005

Ulrich D., Younger J., Brockbank W.
& Ulrich M., "HR from the Outside In:
Six Competencies for the Future
of Human Resources," August 2012

WHITE PAPERS, REPORTS AND ARTICLES

Bresman H., "What Millennials Want from
Work, Charted Across the World," Harvard
Business Review, February 2015

The B Team, Virgin Unite, "New Ways of
Working," January 2015

CEO Challenge, "People and Performance,"
"Reconnecting with Customers and
Reshaping the Culture of Work," 2014

CIGREF, Réseau de Grandes Entreprises,
"Les réseaux sociaux d'entreprise,
Le développement de la culture
collaborative et sociale au sein des
entreprises," October 2014

Congdon C., Flynn D. & Redman M.,
"Balancing 'We' and 'Me'," Harvard
Business Review, October 2014

"Engage for success, The Evidence: Well-
being and Employee Engagement," 2014

Evaristo R. & Zaheer S., "Making the most
of your firm capabilities," Kelley School of
Business, 2014

CIGREF, Réseau de Grandes Entreprises,
"Les challenges de la transformation
numérique pour les RH de l'entreprise,"
Synthèse des échanges du groupe de
travail 2012-2013, October 2013

Cisco, "Transitioning to Workforce 2020,"
"Anticipating and managing the changes
that will radically transform working life in
the next decade," 2011

Firestone K., "When to Tell Your
Employees to Stay Home," Harvard
Business Review, February 2015

Jesuthasan R., Creelman D. & Boudreau
J., "The Case for Lending Out Your Star
Performers," Harvard Business Review,
January 2015

Krishnamoorthy, R., "How GE Gives
Leaders Time to Mentor and Reflect,"
Harvard Business Review, March 2014

Krishnamoorthy, R., "How GE Trains
More Experienced Employees,"
Harvard Business Review, May 2014

Krishnamoorthy, R., "The Secret
Ingredient in GE's Talent-Review System,"
Harvard Business Review, April 2014

John Mackey J. & Sisodia R., "Conscious
Capitalism: Liberating The Heroic Spirit Of
Business," Harvard Business Review, 2013

Observatoire des HR et de la
e-transformation, "Résultats
de l'enquête 2014," 2014

Roberts B., "The Benefits of Big Data,"
HR Magazine, October 2013

Schmidt E. & Rosenberg J., "How Google
Manages Talent," September 2015

Shelton Hunt, C., "Managing Human
Capital in the Digital Era," People &
Strategy 2014

The Boson Project & BNP Paribas,
"La Grande Invazion," January 2015

Willyerd K., "Millennials Want to Be
Coached at Work," Harvard Business
Review, February 2015

ABOUT US

OLIVER WYMAN

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across 26 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm's 4,000 professionals help clients optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit www.oliverwyman.com. Follow Oliver Wyman on Twitter @OliverWyman.

ORANGE

Is one of world's largest telecommunications operators, with revenues of €39.4 billion in 2014 and 156,000 employees as of December 31, 2014, including 99,400 in France. Present in 30 countries, the group served over 244 million customers across the world as of December 31, 2014, including 185 million mobile customers and 16 million fixed broadband customers.

Orange is also a global leader in telecommunication services to multinational corporations, under the brand Orange Business Services.

MERCER

Mercer is a global consulting leader in talent, health, retirement and investments. Mercer helps clients around the world advance the health, wealth and careers of their most vital asset – their people. Mercer's more than 20,000 employees are based in 43 countries and the firm operates in over 140 countries. Mercer is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global professional services firm offering clients advice and solutions in the areas of risk, strategy and people.

CONTACTS

OLIVER WYMAN

Emmanuel Amiot, Partner
emmanuel.amiot@oliverwyman.com
Tel: +33 (0)6 17 62 12 67

Dominique Gatto, Partner
dominique.gatto@oliverwyman.com
Tel: +33 (0)6 74 35 97 16

1 Rue Euler
75008 Paris

ORANGE

Corinne Poupet-Louvès
Directrice de la filière RH
corinne.poupet@orange.com

78 Rue Olivier de Serres
75015 Paris

MERCER

Romain Bureau, Senior Partner
romain.bureau@mercer.com
Tel: +33 (0)1 55 21 35 59
+33 (0)6 03 90 31 81

Tour Ariane
5 Place de la Pyramide
92800 Puteaux