

People Trends 2017

An Aon Advisory Brief

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The year 2016 was a year of political, social, and economic disruptions. Economic slowing in China, Brexit, and a surprising political election in the United States will all have lasting impact on the business environment in the years to come. The pace at which organizations are being hit by changes is accelerating. Firms no longer have the luxury to sit back and pontificate over every business decision. Static strategies are quickly becoming a thing of the past, and firms need to determine how to remain agile in responding to business demands. Given the rapid pace of change in the macroeconomic landscape, organizations are tasked with adapting to the environment while also determining how to fuel profitable growth¹, a key finding of our [People Fuel Growth](#) study.

As we look ahead to 2017, we seek to determine what Human Resources (HR) should be thinking about in response to changes and the surprises that promise to come next year. We spoke to some of our top leaders and client relationship managers to understand what will matter to firms in the next year. In order to determine what HR should be thinking about in 2017, and in keeping with last year, we organized this report around the five most impactful levers that HR can pull: Workforce and Organization Design, Acquisition and Development, Total Rewards, Leadership, and Culture.



Macroeconomic Backdrop



At nearly **one in five** technology firms,



25% of workers are contingent

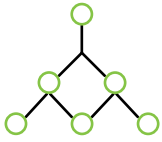
The following demographic and socio-economic drivers of change have emerged as the most important themes, according to the World Economic Forum’s drivers of change study²:

Changing work environment and flexible work arrangements	44%
Rise of the middle class in emerging markets	23%
Climate change, natural resource constraints, and transition to a greener economy	23%
Rising geographic volatility	21%
New consumer concerns about ethical and privacy issues	16%

The rise of contingent workers pays evidence to the changing work environment. Work boundaries are continuing to shift, as are employer-employee relations. In fact, at nearly one in five technology firms, 25 percent of workers are contingent.³ The rise of the middle class in emerging markets also will require organizations to rethink their marketing and expansion strategy. Diversity and inclusion work will likely continue to be a key HR topic for helping firms to embrace a more diverse world.

Likewise, we’ve found that driving profitable growth and revenue growth are the top business goals across three different studies, representing more than 1,000 senior HR professionals.⁴ The question for HR to answer in 2017 is how it can facilitate profitable revenue growth against the backdrop of dynamic change.

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Workforce and Organization Design

As HR continues to flex its value as a business partner, the function needs to find new ways to measure its assets. Moreover, HR needs to find impactful ways to use its analytics. This will require firms to start measuring human capital like financial capital, both in terms of rigor and leverage. HR should look to implement quick, pulse data that gets scaled to business as fast it comes in.

Institutionalizing the customer's voice

In our [People Fuel Growth](#) study,⁵ we discussed the importance of embedding the customer's voice throughout the organization. We found that high-growth companies leverage customer centricity to cater to present and future needs of customers. We predict that organizations will continue to promote the importance of sales by adding a sales role to the C-Suite. Roles such as Chief Customer Officer will provide organizations with a well-defined means to focus on customer delivery. Likewise, HR will be responsible for promoting customer focus by training this ability through performance management.

Building flexible organization structures to group around a problem

Agility continues to be a major topic in the business world. Firms can benefit in the years to come by designing flexible team-based structures that allow them to reallocate employees according to projects. Organizations can utilize analytics to recognize skills and abilities that will be best addressed to solve specific problems. Flexibility can be created by utilizing agile teams in organizations. An increased reliance on teams will allow organizations the opportunity to quickly reprioritize work groups.

Leveraging human capital analytics

As HR continues to flex its value as a business partner, the function needs to find new ways to measure its assets. Moreover, HR needs to find impactful ways to use its analytics. This will require firms to start measuring human capital like financial capital, both in terms of rigor and leverage. HR should look to implement quick, pulse data that gets scaled to business as fast it comes in. We expect real-time analytics to become an increasingly impactful tool for HR. There also will likely be an increased drive to standardize human capital metrics across industry. Finally, HR will benefit tremendously from determining how to quantify the ROI of human capital.

Impact of over-flattening organizations

Organizations have been flattening for years. By losing middle management, flat organizations tend to lose oversight over decision making. Without middle management overseeing decisions, individual contributors can be at risk of making decisions that are beyond their expertise. To work with this divide, business needs to account for potential blind spots in flatter organizations. Read how we believe this trend might have precipitated the recent crises in the retail banking space in our paper, [The Quiet Corner of Financial Services](#).



Acquisition and Development

Building a candidate-centric experience

The Employee Value Proposition begins with the talent acquisition process, starting even with the employment website. Employers have an early opportunity to make an impression on their candidates with the acquisition process. Every detail of acquisition has an impact on the employee. One development that we expect to see is a candidate-centric application experience. In addition, gamification will make the process of assessment more engaging.

Utilizing social media in the selection process

The use of social media in the acquisition process is becoming increasingly common. We expect this trend to increase in the next year, with more recruitment decisions being driven by social media analysis. However, this trend also brings into account the question of individual-data privacy in the digital age. As the selection process expands, firms will need to balance better decision-making ability with additional inputs while making legally sound decisions.

Developing high performing teams

While the term “high potential” has traditionally been focused on the individual, organizations are increasingly focusing on team development. Firms should seize the opportunity to rethink how they support teams. In our [People Fuel Growth](#) study, we determined that collaboration is a key factor in creating effective organizations. Traditional components of effective teams are: stability in membership, a clear purpose, positive group dynamics, supportive organizational context, and available coaching.⁶ Team development provides an impactful opportunity for firms to develop multiple individuals in tandem. When a team is given a stretch assignment, all individuals on the team develop new skills.

Creating a culture of feedback

Feedback continues to be one of the key buzzwords in the performance management conversation. Millennials continuously cite frequent feedback as one of their key developmental requests.⁷ This requires organizations to determine how to create a culture of feedback. Leadership can support this culture by modeling how to effectively develop feedback. A culture of feedback also relies on leadership to determine how to improve the quality of conversation that occurs when giving feedback. But it’s also essential for all employees to determine how they can contribute to this culture. Firms that are effective at creating a culture of feedback will likely be better able to develop their employees by reinforcing desirable behaviors.



Total Rewards

Rethinking recognition

Benefits are becoming less of a differentiator for employers. So, how can firms continue to incentivize their employees? Recognition is an often overlooked means to bring life into the employee experience. According to O.C. Tanner and Aon Hewitt's [recent recognition study](#),⁸ having an effective recognition program can create up to a 40% difference in engagement. Successful recognition programs are a firm-wide endeavor that can simply start by saying "Thank you" for excellent performance.

Mass customization of rewards

We live in an age of customization. Why should your total rewards strategy be any different? Organizations that are able to tailor their rewards programs to meet specific employee needs are becoming increasingly successful at attracting the hottest talent. Unlimited vacation and paying student loans have become media darlings. Find a unique way to engage your employees by focusing your rewards around their needs.

Trading off pay for work-life balance

A lot of the rewards discussion is focusing on finding unique options for employees who are seeking to trade off free time for salary. Certain tech firms are currently experimenting with shortening the length of the work week, which offers employees the unique opportunity to sacrifice salary for hours.⁹ Likewise, designing around telecommuting appears to be increasingly important. Firms that provide for work-life balance will likely have more appeal as preferences in the workforce continue to change. While this is an emerging trend, its lasting value is still to be determined.

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Leadership

Understanding leaders' learning agility

Leaders' ability to learn, or learning agility, has been on the radar for years. What remains unanswered is how leaders are learning. It's even possible that what leaders need most is to repackage how they are learning. This repackaging of information can take the form of delivering new information in bite-size formats, such as apps that provide quick lessons that only last a few minutes, allowing for self-paced learning. New learning programs will likely be created with a design focus that takes into account the most efficient and impactful ways that leaders learn.

Cultivating mindful leaders

Leaders have the opportunity to model the behaviors that they want to see throughout an organization. The growing literature and research on mindfulness in the workforce has tremendous implications for the future of leadership development. Leaders that practice mindfulness often report being better able to make calm decisions, feeling less stressed, and being more compassionate to their subordinates.¹⁰ In addition, one estimate holds that over 20% of employers offer mindfulness training.¹¹

Establishing solution-focused leaders

Organizations that are looking to create a unique brand should evaluate how their CEO is personifying the firm. Firms looking for transformational leaders that have long-term impacts on the firm's culture will likely benefit from leaders who embody the personality of the organization. Successful CEOs are typically persons that are phenomenal leaders in terms of being able to leverage their employees' skills and find quality within their talent. CEOs that represent the entire firm will provide a unique marketing pull that can likely help the organization come to life.



Culture

Promoting a growth mindset

It takes a whole organization to drive growth. Creating organic growth continues to be one of the key goals for firms. As we've discovered in our [People Fuel Growth](#) study, growth is the result of key behaviors. Culture plays an enormous role in driving growth by supporting a system of behaviors and attitudes that helps a firm accomplish its goals. A growth mindset is created when an organization resolves around a growth goal and rallies their growth vision throughout all tiers of an organization.

Driving an engaged workforce

Every EVP conversation is focused on culture and how it supports business. If we look at the most successful tech firms, we see consistent examples of organizational cultures that work to energize their employees. From office design to espoused values, creating an engaged workforce has direct correlates with business success.¹² But what does an engaged workforce look like? Aon Hewitt's model of "[Say, Stay, Strive](#)" describes an engaged workforce as saying positive things about the organization, staying longer, and striving for excellence. Likewise, firms should actively look at addressing the issue of "[Workplace Prisoners](#),"¹² where people are disengaged but intend to stay at their position.

Creating EVPs that reflect your organization

Employers are continuing to pay more attention to how they are branding themselves. From appealing to Millennial recruits to customers who are demanding corporate responsibility, green branding is a direct way to target a growing base. The year 2017 will likely be marked by increased spending and changes in how firms are treating their employees. Employment sites such as Indeed and Glassdoor are continuing to promote corporate transparency and will likely support increased emphasis on branding. The use of catchphrases, poignant mission statements, and a commitment to diversity and inclusion also can serve to solidify a brand image.

Conclusion

Last year proved that anything can happen politically, socially, and economically. In particular, an unexpected election victory and Britain's separation from the EU demonstrated that business should always be prepared for the unexpected.

Will your firm be prepared?

While every year has its share of unexpected changes, it's our job at Aon Hewitt to help you prepare for the future. Real-time analytics, customer delivery, developing team effectiveness, rethinking recognition, and promoting a growth culture are among the many topics that we expect to become increasingly salient in the years to come.

Organizations have the opportunity to ensure that their people are driving business outcomes by paying attention to the most impactful levers that HR can pull. Through being agile and strategic in making HR decisions, firms can rise above economic volatility.

Cheers to a successful 2017.

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