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Trends 2009: Human Resource Management

Talent Strategies Adjust To The Business Climate

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EXECUTIVE SUMMARY

Human resource management (HRM) will be a key area of focus in 2009 as companies and government organizations put in place strategies to cope with the economic crisis and recovery. The so called “war for talent” is on the backburner as the focus shifts to hiring freezes, benefits and compensation cost management, and workforce reductions in the hardest-hit segments. HRM technology solutions can help savvy human resources (HR) professionals strategically manage through the crisis and prepare as the climate shifts to the upside. Trends that we will follow in 2009 include managing and developing talent, embracing HRM analytics, Web 2.0 adoption, and HR technology strategy.

HUMAN RESOURCES COSTS COME UNDER SCRUTINY AS THE ECONOMY FALTERS

As companies look to constrain spending to cope with the reeling global economy, it's no surprise that personnel-related costs are in the crosshairs of any cost-cutting program, since these costs represent more than 35% of annual operating expenses.¹ Yet actions such as hiring freezes, delayed salary increases, reduced benefits, and dreaded layoffs have significant hidden costs. These measures dampen employee morale, slow new product rollouts, hasten departures of higher-performing talent, and potentially reduce customer service levels. The following key drivers will affect trends in HRM processes and technology for 2009:

- **Recruitment activity will decrease while layoffs increase.** During 2008, the economic downturn evolved from sector-based (e.g., financial services, automobiles) to broad-based. The economic conditions have brought on increasing layoffs and limited hiring, conditions that may persist through the first half of 2009. Certain geographies (e.g., China, India, Middle East), industries (e.g., healthcare), companies, and job categories may continue to grow as the overall global economy slows to a crawl.
- **Employee performance and development will drive business performance.** Employee performance objectives will become more aligned with business goals. Firms will attempt to get a grasp on and drive employee skills and competencies through performance management and development to support strategic decisions. For example, this information is needed to fast-track high performers and weed out low performers. Performance information will also drive variable compensation programs, providing some cushion for bottom-line results when targets are missed.
- **The workforce is becoming younger and more global.** Despite the presidential campaign rhetoric to the contrary, offshoring and labor arbitrage will continue as companies invest in globalization.



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Inexperienced new workers will continue to replace retiring baby boomers, encouraging more investment in extended onboarding and talent development programs.

2009 TRENDS TO WATCH IN HUMAN RESOURCE MANAGEMENT

The following technology and business process-driven trends will be evident in HRM in 2009:

- **Web 2.0 will become institutionalized.** Social technologies are critical to reaching and connecting with the younger workforce, infusing and retaining knowledge, and turbo-charging programs such as alumni relations and mentoring. Fifty-five percent of HR decision-makers agree that this innovation is very important, but 51% believe that their current tools and process capabilities are below average.² This means that HR pros will start to augment their transactional process-based apps by institutionalizing today's *rogue* social technologies.
- **Core HR systems strategies will focus on master data.** The notion of a single source of truth for who works for the company today is still an elusive goal. Based on pioneering work done with customer data hubs, we will start to see strategies evolve for master data management related to the employee life cycle. This will enable the employee data to be kept in sync across multiple HR, payroll, benefits, and talent management systems, as well as third-party business partners and operational applications that use employee data.
- **The definition of the workforce will continue to evolve.** Whereas the workforce has traditionally meant employees who are actually on the payroll, business needs encompass tracking and provisioning a variety of "nonemployees" as well. "Nonemployees include contractors, consultants, temporary workers, volunteers, and others who represent part of the productive workforce. Nonemployees will be managed within the human resource management system (HRMS) to allow for headcount and productivity analysis, project staffing, security provisioning, training programs, and other HR-related processes.
- **Talent management initiatives and solutions will become more integrated.** For years, best-of-breed application vendors and enterprise resource planning vendors who offer strategic HR capabilities have been touting and educating buyers about the importance of integrated HR technologies. The real benefit of integration is the ability to leverage employee data across historically siloed processes such as recruiting, performance management, succession planning, compensation management, and learning management. Having fewer HR systems and vendors to manage lowers IT support and integration costs and provides a more consistent user experience for business stakeholders.
- **Analytics will help HR become more strategic.** Traditional metrics that answer "what was" or "what is" will remain to prove operational return on investment, but they'll pale in priority compared to forward-looking analytics. Why? Analytics are the cornerstone to predicting and

modeling “what-if” scenarios. They will arm HR with the ability to predict the future results of process and technology changes made today.³

- **HR outsourcing initiatives will become more focused and selective.** The notion of outsourcing a broad set of HR processes and systems has less and less support. Many of these attempted initiatives have failed to deliver the expected cost savings and service-level goals, and vendors aren’t making any money. Outsourcing selective HR processes of a compliance-intensive or repetitive nature, like payroll, will remain viable. Cost savings is becoming less of a driver of HR outsourcing, with expertise and reliability being higher priorities.
- **HRM will continue to lead in software-as-a-service (SaaS) adoption.** We continue to find the SaaS model to be more accepted in HRM than other application areas (with the possible exception of customer relationship management). Expect to see continued growth of this deployment model in 2009. Advancements in software technology related to configurability and integration help to make the SaaS model more palatable to bigger companies, especially those that are weary of upgrading on-premise HRM solutions.

WHAT IT MEANS

HR WILL BE MORE BUSINESS-FOCUSED AND LESS DEPENDENT ON INTERNAL IT

The traditional HR shop has been heavily focused on managing records in monolithic systems, processing routine transactions, and dealing with compliance and legal issues. This type of HR function has been viewed by top management as a candidate for outsourcing, along with other back-office tasks. The more enlightened HR organization is focused on talent as a strategic resource to make the overall business successful. HR professionals are acquiring more business acumen as HR processes and talent initiatives are becoming more integrated with the day-to-day operations of the lines of business. On the technology front, HR is becoming less technophobic, more self-sufficient, and less dependent on corporate IT. HRM applications are being designed to be owned and managed by the business stakeholders while also being deployed via a vendor-managed, SaaS model. These parallel developments signal the ascendancy of the HR function as a more prominent player in strategic business growth.

ENDNOTES

- ¹ According to PricewaterhouseCoopers’ Saratoga Institute, labor costs represent 36.4% of annual operating expenses of US companies. These costs tend to be higher in service-sector businesses. Source: Saratoga Institute, “2007/2008 US Human Capital Effectiveness Report Executive Summary,” PricewaterhouseCoopers, 2007 (<http://www.pwc.com/extweb/pwcpublishations.nsf/docid/62650EBBC242A29585257369006D8BDA>).

- ² Forrester's July 2008 Global Talent Management Best Practices Online Survey was fielded to 100 professionals from our ongoing IT research panel who set budgets, set strategy, choose solutions, authorize purchases, or implement solutions with respect to HR at their organization. See the November 13, 2008, "[HR Professionals Prioritize Talent Management But Lack Proficiency](#)" report.
- ³ Analytics are critical to any successful talent management initiative. To get truly valuable analytics, it's necessary for firms to leverage data across historically siloed apps and to create a long-term application strategy with integration as a key tenant. See the November 21, 2008, "[HR Analytics Become A Must](#)" report.