HCM CHALLENGES FOR THE FUTURE

HCM Challenges for the Future

Human Capital Management has seen some new challenges arise in the recent past with the increase in number of organizations that have adopted hybrid workplace models and the rise in popularity of artificial intelligence in the workplace. These challenges have appeared in all aspects of HR professionals' roles including onboarding and training, maximizing employee productivity and building organization morale and improving the employee experience.

Introduction

The hybrid workplace model and reliance on artificial intelligence are two of the biggest trends that HR professionals will have to deal with now and in the future. These trends have impacted the logistics of running most organizations while also directly impacting employee expectations for what a workplace environment should look like and how it will function. While both hybrid workplace models and an increased use of AI have many benefits and can lead to organizational growth, they also have provided new challenges to Human Capital Management that must be managed by HR professionals.

Challenges of Hybrid Work Model

The past few years have seen the rise of the hybrid workplace model in an attempt to maximize flexibility within organizations and improve employee retention in competitive fields. An article from LinkedIn notes several benefits that come with the increase in hybrid work:

> ▶ Increased employee autonomy
>
> ▶ Reduced employee stress
>
> ▶ Improved work-life balance
>
> ▶ Increase in employee creativity
>
> ▶ Increase in employee morale due to savings on commuting time and costs
>
> ▶ Increased organizational ability to attract top talent[1]

However, the increase of hybrid work brings several challenges as well that must be dealt with by HR professionals. Here are some of the key challenges posed by a hybrid workplace model:

✓ Employees Working from Different Locations

A workplace that is scattered across multiple locations and even time zones present several challenges. Employees face additional distractions when located outside the traditional workplace environment, increased interruptions, and often encounter technical problems with their home technology. An article from LinkedIn notes these key challenges that must be addressed in HCM:

▶ Communication issues across multiple time zones – How to maintain timely communication with team projects and time sensitive material.

▶ Creating silos – Isolating employees can cause teams to function less efficiently, lead to an increase in misunderstanding and the need to clarify points multiple times.

▶ Lower employee engagement – Morale and engagement can drop without a strong sense of belonging. [2]

✓ Goal Setting

Hybrid work can make setting clear goals a challenge as managers often have less visibility and spend less time in direct contact with remote employees. Establishing goals and guidelines for hybrid workers needs to be a focus for managers as well as providing feedback in an effective manner that can be implemented in future projects. Goals should also be measurable so they can be tracked more easily and quickly.

✓ Managing Productivity and Performance

Employee accountability can also be a challenge with hybrid work models as employees will often need to rely on their own time management skills to meet deadlines and complete individual and group projects on schedule. Creating a balance between productivity and avoiding burnout is essential without the traditional in person workplace schedule and traditional workday.

AI Challenges for HCM

The number of companies adopting AI tools has more than doubled in the past 5 years with nearly 60% of all companies using some form of AI according to Stanford University's 2023 AI Index Report[3]. They also note that most of these companies have indicated revenue increases and cost decreases that were described as meaningful, while increasing spending on AI by 27%[4] . However, Stanford found that only 35% of Americans surveyed believed that the benefits of AI outweighed the drawbacks[5].

Here are some of the challenges faced by HCM when it comes to AI:

✓ Evolving User Experience

One development with HCM systems centered on AI is the redesign of user interfaces that can lead to disruption for both employees and management. Design changes that are radical will take some time for users to become comfortable with the new ways of accessing company information, policies and opportunities. A learning curve will be expected for employees, managers and HR professionals.

✓ AI Generated Content

Another key challenge is the use of AI generated content at all levels of the organization. As organizations adopt AI based HCM technology, many aspects of the user experience will go through some radical changes, especially with the content that employees will be engaging with. Some key changes noted by Josh Bersin include:
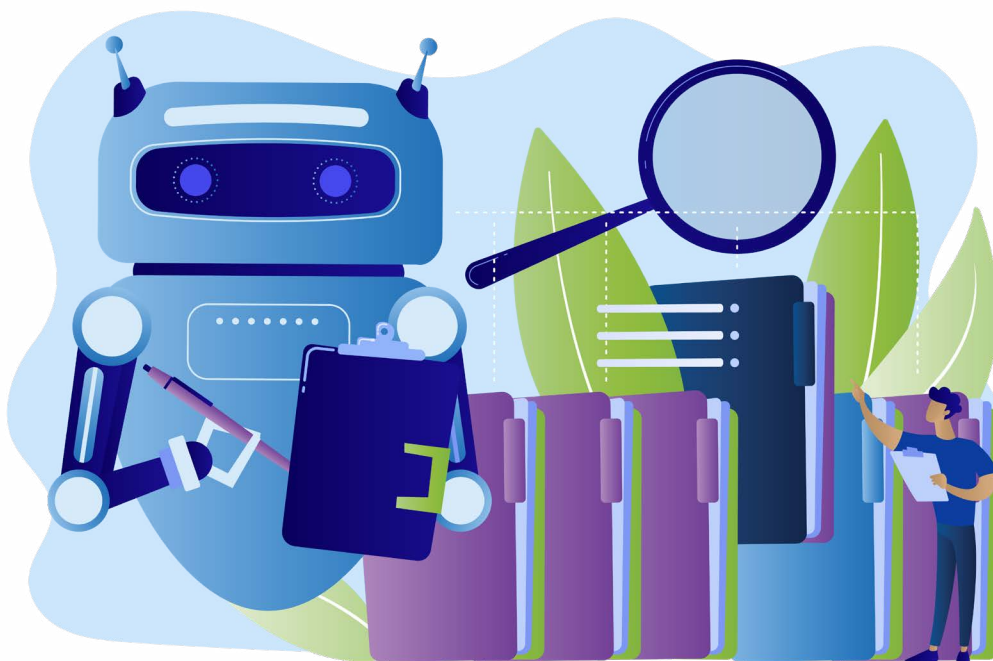
▶ A change in the way that searches are conducted as AI searches will be highly intelligent.

▶ An emphasis on AI generated recommendations rather than manual searches for employee training options, upskilling opportunities, benefits searches, and wellness program options.[6]

▶ PDS' Vista™ provides various user tools to aid in searching applicant and employee information easily. Users don't require an in-depth knowledge of the database to be able to extract and present results.

✓ Systemic Approach to HCM

A shift can be expected with AI centric HCM systems as the emphasis will be on a systemic approach to HCM that focuses on understanding the value of concepts like culture, skills, diversity and pay for employees in the workplace. The goal will be to examine how these factors impact productivity and organizational growth and how HR professionals can leverage the data generated by these aspects into hiring and internal employee development.

✓ External and Internal Data Comparisons

AI centric HCM systems will be trained not on internal data but on external data, giving your organization more information to make decisions. This information must be leveraged by HR professionals in order to identify what internal data is useful in strategic workplace planning vs how important larger industry trends will be in shaping planning.

✓ Rapid Updates to AI Models

AI centric HCM systems are evolving rapidly with updates coming at a very frequent rate. These next generations greatly improve all aspects of the HCM systems, but these constant evolutions will mean potential disruptions to your workforce. Although, once an AI centric HCM system is adopted, failing to update that system will result in falling behind competitors who are on the latest version of that system. Organizations that adopt an AI centric HCM systems must be prepared to replace models as they update.

Other HCM Challenges for the Future

There are several other key HCM challenges as the workforce continues to evolve post pandemic. Research from Gallup notes that employee engagement continues to drop with a ten year low of only 32% of employees reporting that they felt engaged in a meaningful way at work[7]. Here are some of the main challenges that HCM faces:

✓ Resistance to Change

Organizations with management that are resistant to change have struggled to keep up with the rapidly evolving workplace in 2023. The Global Workforce Intelligence Project found that the companies that were determined to be pace setters in their industries all shared one common factor that set them apart from their competition with the speed of transformation being the key aspect of their success[8].

✓ Employee Well-Being

An increased emphasis on employee well-being is essential to prevent employees from feeling alienated or undervalued. An article from LinkedIn notes several challenges with employee well-being in hybrid work environments:

▶ The need to solicit employee feedback to gauge employee satisfaction

▶ Identifying stress caused by physical isolation or emotional and mental challenges of hybrid work

▶ Offering wellness programs tailored to deal with the isolation of hybrid work

▶ Offering recognition for employee success, completed projects, met deadlines and other incentives to build morale[9]

✓ Training Issues and Skills Gaps

Hybrid workplace models have created some challenges with employee training and ensuring opportunities are communicated to employees and that they are open to taking advantage of these opportunities. An article from LinkedIn notes the need for mentoring from management and HR professionals when it comes to the following areas:

▶ Connecting employees with relevant online courses or webinars

▶ Connecting employees with cross-functional projects

▶ Connecting employees with key mentors to improve the efficiency of training and ensure skills gaps are filled[10]

✔ Talent Acquisition and Onboarding

Research from Glassdoor notes that employee retention increases by 82% when an organization is described as having effective onboarding process[11]. Despite this, the 2022 Global Candidate Experience Benchmark Research Reports found that only 26% of employees revealed that they had been asked for feedback while onboarding[12]. Clearly defining company and employee goals during the onboarding process is a key aspect of onboarding. Several recommendations from IFP include:

▶ Engaging employees prior to their start date

▶ Schedule one on one time with new employees and key company mentors, managers, and team leads

▶ Automate paperwork including payroll and company branding information

▶ Set clear timelines to go with your expectations to increase focus and allow for measurables to determine productivity[13]

✔ Strategic Workplace Planning

The need to adapt as companies plan is essential for HCM in the future and HR professionals must demonstrate agility as part of their strategic workplace planning. Josh Bersin notes several challenges that face industry leaders including:

▶ Being transformation ready when it comes to adopting new technology and change in direction

▶ The need to invest internally in employees to create active growth inside an organization and ensure high growth in key areas

▶ Measuring organizational success based on growth rather than the traditional metric of profit[14]
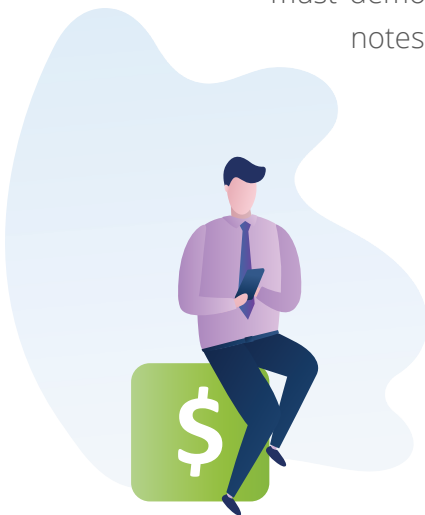
✓ HCM Software Problems & Adoption

Adopting new HCM software to ensure that it is being used companywide can be a challenge for HR professionals. Determining specific functionality requirements, especially with hybrid employees who work remotely, can cause a drop in efficiency and an overreliance on IT departments to troubleshoot issues that arise. Also, integrating the software with all sections of an organization can be an issue as many employees may not actively use the platform so the company may not maximize the benefits of their HCM software.

PDS can help guide organizations through the process of defining their requirements and help them recognize a variety of efficiencies to be gained by the implementation of a robust HCM solution. Our sales team can share sample functional requirements to assist users in clarifying their key priorities and our services team walk users through their implementation process so that they can quickly recognize a return on investment.

Conclusion

There are many HCM challenges for HR professionals in the future that include a rapidly evolving workplace that has been impacted by the emergence of AI centric HCM systems and hybrid workplace models. Identifying challenges with adopting these systems is essential in creating an agile organization that features a high level of employee engagement and satisfaction while also leveraging new technology and attractive workplace models to attract top talent. Overcoming these challenges will help companies avoid resistance to change and focus on organizational growth.

About PDS

PDS is a leading developer of HCM solutions that offer complete all-in-one HR and Payroll management through leveraged technologies and world-class client support services in the US, Canada, and the Caribbean. Recruiting and onboarding, full benefits management, cross-border payroll capabilities, analytics, and more - fully designed with you in mind. PDS works to keep their community informed on all HCM-related issues that may affect the workplace. Contact their team of experts today and let them revolutionize the way you work.

Endnotes

1   What are some of the benefits and challenges of implementing a hybrid work model? (2023). Hybrid Work Models: Benefits and Challenges for HCM (linkedin.com)

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8   Bersin, J. (2023). Redesigning HR: An Operating System, Not An Operating Model. Redesigning HR: An Operating System, Not An Operating Model. – JOSH BERSIN

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