



THE FUTURE IS NOW

Work and Rewards in Evolved Organizations

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The future of work is here, and requires the mobilization of an evolved organization to foster it, the right talent to drive it, and modernized rewards programs to sustain it. In this ever-changing world, we frequently hear about the shifting role of human resources, work, talent and total rewards in today's complex organizations. Yet, we hear little about what truly differentiates high-impact organizations and the programs they employ to create a sustainable competitive advantage as compared to those organizations that seem capable, but are unlikely to adapt to a breathtakingly blurred and changing world.

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The evolved organization is born of an environment with radically different assumptions than were true even just a decade ago, and is built within an ecosystem characterized by agility, collaboration, ideation, innovation, client centricity, empathy and psychological safety. (See “The Importance of Agility.”)

By spending considerable time with a group of innovative, disruptive and early-adopting CHROs in the past year, we have observed and documented what each does differently to reimagine ways each one’s evolved organizations can thrive amid changes to work, the workforce and the HR function itself. These CHRO perspectives, coupled with data from Willis Towers Watson employer and employee research, provide an insightful view into ways that organizations are approaching the opportunities ahead. (See “Today’s Dynamic World.”)

The Importance of Agility

Agility remains a key attribute in transforming organizations — and human resources — for the future. Industries and the external landscape are being disrupted by social media, generational work preferences, small incu-brand startups and new brands, all of which require organizations to transform their speed and speak to both the market and their talent to ensure a competitive advantage. Agility comprises several key characteristics, according to Oxford Economics’ Global Talent 2021 study, including the ability to:

- Consider and prepare for multiple scenarios
- Innovate
- Deal with complexity and ambiguity
- Manage paradoxes and balance opposing views
- See the big picture.



“The kind of strategy that works is to be very clear about where you are going, but very flexible in how you get there,” said Bob Johansen of the Institute for the Future.

What the Evolved Organization Looks Like

The kind of organizations that work in today’s changing environment are those that are collaborative, customer-centric, and empathetic. “The people function must have the agility to build operational excellence while also driving growth and innovation in the organization,” said Brian “Skip” Schipper, chief people officer of Yext. “The agile company fosters entrepreneurialism to build better products, services and technologies that create value for customers, while simultaneously building process, structure and systems for sustainable competitive advantage.”

While this forward-looking mindset is critical to the evolving organization, most essential is ensuring today’s leaders are emulating these behaviors to enable an evolving culture.

“Future HR leaders must be agile in adapting to uncertainty, willing to take risks, challenge the status quo — get bruised in the process — and have a tolerance for failure,” said Prabir Jha, Cipla’s global chief people officer.

It also means constantly iterating, innovating and creating a culture of psychological safety and acceptance.

“To succeed in the new environment, the rate of internal change needs to exceed the rate of external change,” according to GameStop’s executive vice president of HR, Mike Buskey (and frequently echoed by other forward-looking C-suite executives). “For most of us, that means continuous iteration and innovation in an environment that fosters it.”

To achieve such performance, Google spent two years researching the attributes of a “perfect team,” according to Laura Delizonna’s Aug. 24, 2017, article in *Harvard Business Review*, “High Performing Teams Need Psychological Safety. Here’s How to Create It.” In the article, Paul Santagata, the company’s head of industry, said “there’s no team without trust.” Google’s study on the perfect team revealed that the highest-performing teams all share the common attribute of psychological safety, a characteristic that enables employees to be comfortable opening up to their colleagues and taking risks.

In this new atmosphere, many CHROs reported increased emotional well-being and psychological safety. Individuals are encouraged to innovate while appropriately mitigating risk. The work environment



is energizing, and individuals feel included, valued and respected, and can bring their “authentic selves” to work.

“There is a new threshold of behavioral expectations for all leaders in this new and changing environment,” said Ann Powell Judge, CHRO at BMS.

In fact, 71% of employers responding to Willis Towers Watson research identified emotional well-being as a top priority of their organization’s health program strategy in the next three years.

The pace of change remains a key driver in transforming organizations for the future. This is largely due to the accelerated external pace that places great pressure on organizations to optimize capabilities and speed to market while, at the same time, puts pressure on required skill acquisition and “speed to talent.”

“It has become a truism to say that speed to market is essential for any company to operate in the current world,” said Beth Hayden, senior vice president of people and development at Backstop Solutions. “For those of us in HR, it means speed to talent is equally essential. If we can’t acquire and develop the ever-evolving critical skills we need for pivotal talent, we have no business model.”

It also means that talent and total rewards programs must change.

Implications for Today’s Rewards Programs

“Once upon a time, you could put in a new comp or benefits program and it would last you five or seven years if you did it correctly,” according to Symantec CHRO Amy Cappellanti-Wolf. “The world today is so much more dynamic. We need to be prepared to evolve our programs much more frequently to stay fresh and relevant, even if it’s off the normal design cycle.”

Research also suggests that more than 65% of HR professionals believe performance management, leadership development and organizational structure will require breakthrough approaches and innovation to ensure the challenges of automation and digitalization are adequately addressed in their organizations. 60% believe the same holds true for talent acquisition and career management programs.

In this new world, digital has become the new oxygen and technology the new bloodstream — not simply a way of life, but necessary for survival. With

Today’s Dynamic World

- If Facebook were a country, it would be the largest in the world (Rankin 2015).
- Each day, the number of text messages exceeds the population of the planet (Data 2017).
- The internet created 2.6 jobs for each one it lost, but it turns out they are very different kinds of jobs (du Rausas et al. 2011).
- In the United States, Baby Boomers are retiring at the rate of one every nine seconds between now and 2029 (Brooks 2014).
- The Generation X population peaks in 2018 (Fry 2016).
- Millennials are the largest population in the workforce (Feeney 2015).
- 81% of Millennials check their Twitter accounts every day (York 2017).
- Generation Z is now entering the workforce in large numbers — though some are still in the 4th grade (Fontana 2017).
- One-third of today’s workforce is comprised of freelancers — a number expected to grow to 43% by 2020 (Gillespie 2017).
- 65% of children entering school today will end up in jobs that do not exist yet (World Economic 2016).

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Nuances to Consider for a Contingent Workforce

While there are varying projections about the number of contingent workers in the workforce based on how organizations define “contingent,” there is little doubt that the notion of freelance or personalized work (work by choice) is rapidly gaining traction. This raises several questions:

- How will contingents influence the future worker/talent profile?
- How is HR thinking about contingent workers as part of the broader workforce/people strategy?
- How are tasks versus skills measured and prioritized?
- How will organizations transfer knowledge between contingents and full-time employees?
- How will organizations best assess and manage the risk of contingents?

the explosion of device-based mobility, digital is part of the everyday experience and is increasingly rooted in organizations’ mindset and daily interactions.

“From what we are seeing, soon the term ‘digital’ will fade from the corporate lexicon, as it will become embedded, just as ‘e-commerce’ simply became ‘commerce,’” said Stephane Charbonnier, CHRO of L’Oréal USA. “For HR, that means our talent will expect a full consumer-grade digital experience from us. I mean, why shouldn’t they?”

Paired with digitalization, personalization has become the new differentiator and is changing the way companies approach both external and internal consumers through choice and individualism. More than three-quarters of U.S. employees want to manage their own health, and 96% of employers are taking notice and making the consumer experience a top priority in the next three years. By 2019, 92% of middle- and large-sized employers will offer choices in health-care plans.

Finally, contingent workers are quickly augmenting traditional staffing models, the way work gets done, and the fundamental assumptions about well-being and total rewards. Contingent workers are thought to represent about one-third of the U.S. workforce, according to the U.S. Bureau of Labor Statistics. Estimates suggest contingents will outnumber traditional employees by 2025. (See “Nuances to Consider for a Contingent Workforce.”) Ultimately, this change drives fundamental questions about

the role of total rewards and the well-being of contingent workers.

“It wasn’t that long ago that most large companies had relatively small portions of their workforce represented by contingent workers,” said Steve Fry, senior vice president of human resources and diversity at Eli Lilly. “Today, the situation is very different and it’s clear we need to consider new models for engaging and rewarding the broader workforce and giving all members the tools they need to achieve financial and physical health.”

Leaders in evolved organizations are responding to the challenges of the new environment with new approaches that drive many aspects of their work and rewards programs, including modernizing total rewards, embracing the future of work and future talent, and driving employee well-being.

Modernizing Total Rewards

The new environment drives a new employment deal. Decades-old workplace practices no longer meet the needs of a multigenerational, dynamic, technologically mobile and digitally savvy workforce. Plus, a one-size-fits-all approach to rewards is no longer affordable for a large, composite talent base, and new opportunities to optimize current investments are largely driven by choice and the new employment deal.

“If the definition of insanity is to continue to do the same thing while expecting a different result, I feel the time has come to declare the traditional

approach to total rewards to be no longer relevant,” said Jeff Newman, CHRO at TEGNA.

For evolved organizations, this means more tailored and personalized total rewards with increased choice for participants. CHROs from evolved organizations reported a strong bias toward treating their talent as consumers.

“Our co-workers have such a strong external customer orientation that it makes perfect sense that they expect us to take the same view toward them when we’re designing programs for them,” said Dennis Berger, CDW’s senior vice president and chief co-worker services officer. This view is supported by research that shows 70% of employees across all organizations believe their organization should understand them to the same degree that they are expected to understand external customers.

The result of this shifting mindset is that participants in evolved organizations have broader choices in many areas, including more flexible programs (with more features individually selectable by workers). These could include more traditional flexible benefits and cafeteria-style plans, or deferred savings and retirement plans that put employees in the driver’s seat in terms of savings amounts, investment decisions and fund disbursement. Other programs could include private health-insurance marketplaces that provide an alternative to traditional single-carrier plans in the United States.

But with additional personalization comes the responsibility for the company to provide the information required for participants to make wise choices, according to Ingram Micro’s executive vice president of human resources, Scott Sherman.

“It’s not enough for the organization to provide options,” Sherman said. “To be truly responsible, we need to equip our talent to make the best choices for themselves. For example, when we label a health-care marketplace option ‘Platinum,’ we’re sending a signal that it’s the best. But is it really ‘the best’ for that participant? We need to provide the information that maybe ‘Silver’ is actually a better choice for them.”

Voluntary and supplemental benefits — those that support employees’ individual personal, health, wealth and financial security needs — also represent an increasingly valuable, customizable and cost-effective way for organizations to augment their standard benefit plans while reaching unique

segments of the workforce. A recent survey of more than 300 employers found that more than 92% expect voluntary benefits to be an important part of their employee value proposition in the next three to five years.

This also means more differentiated pay. CHROs reported three trends in pay at evolved organizations:

- With annual salary increase budgets stabilizing for most companies in the 2.8% to 3.0% range, evolved organizations have become far more deliberate in differentiating both salary and variable pay for high-performing and high-potential employees.
- Given the changing nature of work due to robotics and artificial intelligence as well as the contingent workforce, evolved organizations have shifted emphasis in many cases from “pay for jobs” to “pay for tasks” and “pay for skills.” While not necessarily reverting to the types of skill-based pay programs from 20 or 30 years ago, companies are aligning responsibilities and pay to more broadly defined roles that provide a platform for moving people between assignments, projects, departments and geographies.
- There is renewed interest in and sophistication regarding the use of variable pay. As companies have adopted robust analytical optimization tools to measure the perceived value of programs to employees, they have learned that certain employee segments value variable pay more highly than others, and certain types of programs are more effective with certain groups than others. This is true for both short- and long-term incentives.

“We live in a world where highly performing and engaged employees can have an exponentially positive impact on business results,” said Maureen Cahill, CHRO at Blue Cross Blue Shield Association. “It is not surprising that companies are using every possible tool in their toolkit to differentiate rewards, including both base salaries and variable pay.”

This also moves many companies away from the idea of upward promotions and pay increases every time an employee moves to a new job. Variety in work assignments and locations can provide new and interesting challenges, raise levels of employee engagement and lead to increased retention rates. In many cases, horizontal promotion in these organizations is valued as highly as upward promotion.



“Within today’s talent life cycle, we see a shift away from the concept of the traditional, upward linear career path toward a portfolio of broad and nonlinear work experiences,” observed Anne Bodnar, head of HR for Willis Towers Watson. “This lends itself to a wider array of professional development opportunities that embody agile thinking, interpersonal and communication skills and digital adaptation — skills that are necessary for the changing nature of work. While we cannot always articulate what future jobs might look like, we can prepare and promote talent that will evolve in parallel with that of the organization.”

The result is a far more sophisticated, real-time and consumer-grade user experience that often includes a meaningful employment brand. Examples of the user experience include personalized device-enabled access to plan information and features, or apps built to inform decisions or manage individual program use. It also may include a compelling employment brand to compliment total rewards programs or the talent value proposition.

“It stands to reason that as companies become more sophisticated in connecting with consumers, they also are becoming more sophisticated in connecting with their employees,” explained AbbVie’s senior vice president of human resources, Tim Richmond. “At AbbVie, that means making possibilities real, and uniting those across all of our career paths around a common purpose of creating, discovering and delivering new ways to improve people’s health.”

Embracing the Future of Work and the Talent Value Proposition

Evolved organizations are realigning the talent value proposition around the future of work and talent. Articulating an employee value proposition is not new, but the practice of expanding it to include both core and contingent workers is gaining momentum. As companies increasingly tap alternative categories of workers, it is important to consider the broader

talent experience in managing both worker engagement and human capital risk. For some, this could lead to providing contingent workers access to benefits such as health care or retirement programs, even if the company doesn’t fund them. According to research, 41% of organizations will consider offering health and wellness programs to free agents within the next three years.

“It’s important to align your company values with your entire workforce, not only your core employees,” said XPO Logistics’ CHRO Meghan Henson.

Key considerations for expanding from an employee value proposition to a talent value proposition include aligning all workers with the organization’s mission, values and culture without unintentionally exposing the organization to co-employment and misclassification risks.

Driving Employee Well-Being

Today’s benefits represent much more than a transaction to participants, and research shows employees are increasingly selecting (and choosing whether to stay at) companies due in large part to their benefits. For example, after base pay, the next-most important considerations for employees contemplating a new job are health, well-being and retirement benefits. As such, their focus has shifted to optimizing the overall value of the programs for employees and employers alike. Evolved organizations offer modernized benefits programs that include voluntary and supplemental benefits, and leverage the previously discussed themes of choice, personalization and technology-enabled consumer-grade employee experience.

Evolved organizations also engage their talent under a common theme of employee well-being, defined through extensive research of employers and employees by Willis Towers Watson as having a fundamental focus on four key dimensions.

Physical Well-Being

Physical well-being includes lifestyle behavior choices to improve health, avoid preventable diseases and help manage existing medical conditions. Ten years ago, it was uncommon for employers to focus on the physical well-being of employees. Today, evolved organizations treat it as a competitive advantage, with 72% of employers reporting that in the next three years it will be important to



EMPLOYEE VALUE PROPOSITION



CONTINGENT WORKER
VALUE PROPOSITION



TALENT VALUE PROPOSITION

differentiate their health and well-being programs. Health is a priority for employees, too, and they want employer involvement. 65% of surveyed employees agreed that managing their health is a top priority in their lives, and 56% said that employers should indeed take an active role in encouraging their employees to lead a healthy lifestyle.

Emotional and Social Well-Being

Emotional well-being relates to behavioral health concerns, such as stress, depression and anxiety, as opposed to social well-being, which is a sense of involvement with family, friends and other people within a community. Even five years ago, it was unusual for emotional or social well-being to be discussed within companies; today, it's common at evolved organizations. In fact, 71% of companies reported emotional well-being as an important priority in the next three years, representing a five-times increase from those who reported making progress in that area in the past three years. Stress management also is a component of emotional well-being, with stress identified by employers as the No. 1 health risk facing the workforce today.

Evolved organizations differentiate emotional health from behavioral health. Emotional health relates specifically to social/emotional competencies, such as the ability to empathize or regulate emotions. Behavioral health also encompasses cognitive/neurological functioning, including aspects such as memory and impulse control as well as substance abuse — a growing concern as organizations struggle with the opioid epidemic, for example.

Emotional and mental health issues are common among U.S. employees, with almost half reporting high or above-average stress levels and nearly one-third having dealt with severe anxiety or depression in the past two years. Evolved organizations are responding with formal mental and behavioral health programs (e.g., employee assistance programs, stress management programs, acute and chronic behavioral health programs), as well as those focused specifically on workplace well-being. (See “Well-Being in the Workplace.”)

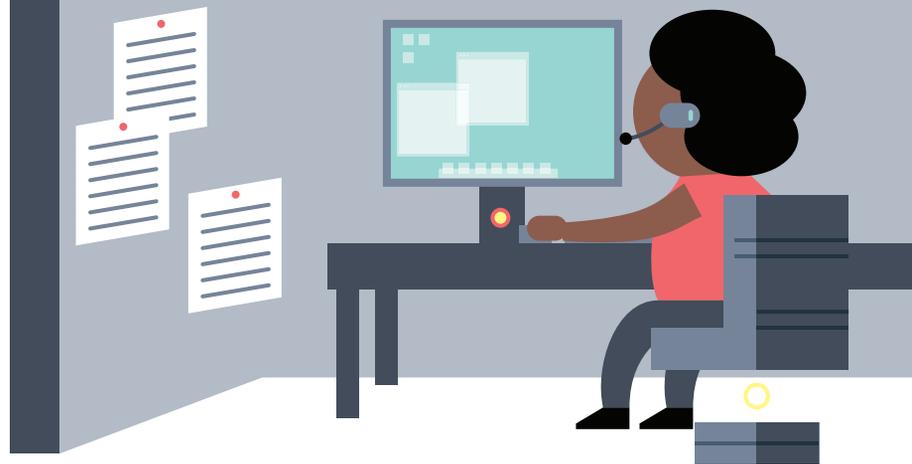
Financial Well-Being

This area relates to having control over daily or monthly finances, staying on track to meet goals,

Then and Now

Consider how our organizations have changed in the past decade alone:

- Shorter economic cycles
- Intense political shifts
- Artificial intelligence
- Robotics
- Digital engagement
- Virtual workers
- Virtual companies
- Augmented reality
- Changing work personalization
- The emergence and sudden dominance of the contingent workforce
- Dynamic career models
- Choice as an expectation
- New industries with fewer barriers to market
- Volatility
- Uncertainty
- Complexity
- Ambiguity
- And, even empathy



having the ability to absorb a financial shock, and the financial freedom to make choices. In the United States, financial concerns have become a more important issue for 70% of employees in the past two or three years, as many of their financial situations have deteriorated. 45% reported living paycheck to paycheck with no significant savings, and 37% reported a lack of financial resilience and the inability to come up with \$2,000 if an unexpected need arose within the next month. Lack of financial security is a significant driver of stress. Perhaps not surprisingly, then, those with financial issues and health worries reported 161% more days lost to absenteeism than those who are financially secure and have no health

Well-Being in the Workplace

Evolved organizations are increasingly focusing on workplace social and emotional well-being, including priorities such as:

- Creating a culture of respect
- Implementing a code of conduct
- Implementing inclusion and diversity programs and promoting greater equality
- Defining workplace discrimination
- Addressing bullying behavior and/or psychological harassment
- Encouraging employee recognition
- Establishing effective safety policies
- Training managers on effective communication
- Promoting empathetic leadership
- Creating flexible work arrangements, as appropriate
- Measuring psychological safety
- Creating a culture of collaboration
- Replacing blame with curiosity
- Establishing a growth mindset.

issues. Those in good physical and financial health are 81% likelier to be highly engaged than those with health or financial issues.

Evolved organizations have responded to such trends by building financial fitness more directly into their programs, with:

- Added emphasis on financial education for employees at all levels (including greater awareness of existing programs)
- Financial assistance programs for targeted groups (e.g., recent college grads, new parents, moderate-income mid-career employees, hourly employees at all career stages, pre-retirees)
- Access to financial planners
- Online tools and mobile applications to make employees more financially aware and independent.
- Refreshed savings and retirement programs with enhanced user experience, greater personalization and choice.

The design of total rewards programs allows customization for the specific needs of different employee groups at different career stages. To quote AbbVie's Tim Richmond, "There is an uptick of interest in exploring ways to 'teach employees to fish.' This demonstrates the desire to care for oneself through physical and financial readiness, and ensure greater ownership of one's self."

Welcome the Disruption, Because It's Here to Stay
While the disruption of today's business environment

is likely still in its early stages, its effect on both employers and talent has become evident to leaders of evolved organizations. Consider a few key questions that have helped them navigate:

- Do we have clear intent, direction and vision for where we are going, yet are we flexible in how we get there?
- How do we ensure we have the required talent and skills – either through sourcing new talent or upskilling existing talent?
- Do we have the type of organizational ecosystem needed to support this journey and the required shift in mindset to sustain it?
- To what extent are our existing programs aligned with participant perceived value, and personalized and flexible enough to appeal to today's diverse and multidimensional workforce?

Though the specifics for each organization are different, those with leaders who are willing to acknowledge and tackle the new realities are in a far superior position to adapt, evolve and thrive. **ws**

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