Talent management is undergoing a fundamental shift. By understanding employees’ needs and values, organizations can design jobs that provide better work experiences. This is Human Experience Management.
The company couldn’t figure it out. Turnover among women, particularly highly skilled, high-potential women in the middle ranks, was higher than for any other group in the organization. Leaders, keen to increase gender diversity at the senior and executive levels, were desperate for a solution. They conducted exit interviews, management assessments, and pulse surveys to find an answer. What they didn’t do, however, was look at the way they designed jobs.

It wasn’t the organization or management or even the culture that was an issue for the women. It was their experience. These mid-career women—who had children—wanted to work. They just didn’t want to commute every day. They valued being at home when their kids got out of school. But that wasn’t possible because the organization insisted employees be on-site, full-time.

“The organization designed jobs for its needs, not those of employees, and that unfairly impacted a certain population of employees and its diversity goals,” says Steve Hunt, chief expert of technology

The problem:
Putting company objectives over employees needs and experiences can reduce engagement—and prevent employees from reaching their full potential.

Why it matters:
In a fast-moving world, creating the right environment and experiences is key to empowering employees and driving business outcomes.

The solution:
Leverage data and analytics to understand what employees need and want from work—then create fulfilling work experiences that empower them.
and work at the enterprise software company SAP.” By listening to what women with young children wanted from work, the company was able to change the experience.” By allowing for remote work and more flexible scheduling, not only did the retention of female employees increase but so too did their recruitment into the organization. It turned out many other women and men, including those without children, also appreciated the flexibility of remote work. But they never asked the company because they never thought it was possible—and the company never asked them.

In the aftermath of the COVID-19 pandemic, this kind of insight seems obvious. But in terms of how organizations manage talent, it is nothing short of revolutionary. It represents a fundamental shift in how leaders view the experience of employees— elevating it in importance to the same level as that of the customer experience. This approach doesn’t view employees as interchangeable assets who value only financial rewards and benefits. Rather, it prioritizes their feelings, beliefs, attitudes, and values—and their influence on engagement and productivity—in a way that organizations never have before. And it promises stronger performance for the organization. From a return-on-investment perspective, for example, improving the employee experience increases engagement and motivation, potentially doubling an organization’s revenue and profits.

“Talent management is undergoing a mindset shift from focusing on what employees need to do to make the company successful to what organizations need to do to empower people to be successful,” says Jean-Marc Laouchez, president of the Korn Ferry Institute. Put another way, organizations are moving from

Human Capital Management (HCM) to Human Experience Management (HXM), leveraging data and analytics to understand the psychological, sociological, microeconomic, and other factors that empower people to fully realize and exercise their talent at work.

But a lot of work still needs to be done. While 84% of leaders point to employee experience as a top priority, only 9% believe they are ready to address the issue. Moreover, while 69% of CEOs believe they are delivering a superior employee experience, Korn Ferry research shows that 30% of employees feel disengaged.

“There’s a huge gap in the experience organizations believe they are delivering and the one employees are receiving,” says Hunt of SAP, which has partnered with Korn Ferry to create a fully integrated suite of talent solutions to drive organizational performance.
Demographic, technological, and cultural factors are driving the paradigm shift to experience management. There are a number of reasons why. For one, in many developed economies, more people are leaving the workforce than entering it, shrinking the overall talent pool. Korn Ferry research estimates that by 2030, the demand for highly skilled workers will outstrip supply, resulting in a global talent shortage of more than 85 million people and about $8.5 trillion in unrealized revenue. At the same time, it is well documented that younger generations are entering the workforce with a different set of expectations than previous generations. Money and advancement alone don’t translate to a great experience; empowerment, learning and development, purpose, and connectivity all hold equal weight.

Together, these dynamics heighten the importance of a unique and personalized employee experience.

Or as David Marzo, global vice president of solution design at Korn Ferry, says, “Highly skilled people have lots of job opportunities. If they don’t get the experience they want from one job, they can leave for another.”

Take digital transformation as an example. Employees are under immense pressure due to the relentless pace of digital change. How companies help them navigate these near-constant pivots significantly impacts their ability to perform and, by extension, their job satisfaction. Korn Ferry research on motivation indicates workplace stress has increased significantly around the world. People who reported their work to be “always” or “often” stressful increased by nearly 20% from 1989 to 2015. “People are really good at change and can be highly creative, supportive, and adaptable if they are managed well,” says Hunt. “But if they are having a bad experience and feel frustrated, anxious, or stressed, work can quickly become intolerable, and business will suffer.”
The Three Types of Employee Experience

While many factors contribute to job satisfaction, they broadly fall into three categories. How engaged an employee is with their work depends on their experience in each area.

**Task Experience**

Providing access to, and the seamless ability to use, all the tools and technologies necessary for employees to be effective. Feeling empowered vs. feeling frustrated.

**Social Experience**

Creating an inclusive culture that provides opportunities for employees to learn, grow, and collaborate with others. The feeling of connectivity and being part of a team.

**Fulfillment Experience**

Providing an environment where the employee gets what they want from work in the form of compensation, work-life needs, and purpose. The feeling that a job supports both your work and career objectives and your nonwork needs and requirements.

Human Experience Management aims to intervene before that happens. Its goal is to understand and tap into the experiences that increase human motivation, commitment, attention, and focus, thereby accelerating business and financial performance. It is different from traditional human capital management, which in comparison can be considered a non-people-centric, top-down, transaction-focused series of processes. Traditional Human Capital Management looks at things like how many employees joined or left the company, completed a training course, or received a bonus. And while engagement and pulse surveys can tell how these things influence or are affected by the employees’ feelings, beliefs, and attitudes, what they don’t do is look at the root cause of job design and experience as potential sources of dissatisfaction. Moreover, traditional Human Capital Management looks at each part of an employee’s experience as its own separate event—onboarding, performance reviews—as opposed to one seamless, integrated journey.
By contrast, Human Experience Management looks at the psychological, sociological, and microeconomic factors of why employees are leaving or rejecting offers, with an aim to provide insights so organizations can change the experience to produce a better outcome. It aims to prevent feelings of stress, frustration, and loneliness by creating environments that enable employees to feel supported, inspired, and empowered.

On a practical basis, that means evolving from an annual engagement survey or human resources process around a particular event—such as onboarding a new hire—to an always-on, real-time approach to listening that uses technology to gather data on workplace interactions to create personalized employee experiences. “It’s the difference,” explains Korn Ferry’s Laouchez, “between understanding averages and understanding individuals.” He cites, for example, two employees in the same job—one a mid-career professional with young kids and the other an older worker headed toward retirement.

“Though they have the same job, they should be managed and paid in personalized ways, and have different experiences because they are at different places in their lives,” says Laouchez. “Expectations change over time, and organizations have to constantly be aware of how that impacts what employees value and need to experience.”

The statistics make a compelling case for experience as an indicator of business performance. Organizations that create better experiences have employees with higher levels of engagement—a subset of experience—and perform better than competitors in terms of innovation, productivity, customer satisfaction, and financial results. In terms of peer-group performance, customer satisfaction is 12% higher, productivity is 18% higher, and turnover is 40% lower among organizations where employees are highly engaged. For instance, at one cosmetics firm, turnover hit a highwater mark of 20% between 18 and 24 months of employment. After deploying Korn Ferry and SAP’s joint Human Experience Management solution, however, the company reduced the turnover rate by half.
**Putting Experience Into Practice**

As the battle for talent intensifies, organizations are moving from traditional HR management to a holistic system that puts the employee experience on par with the company’s business needs.

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<th>HUMAN CAPITAL MANAGEMENT:</th>
<th>HUMAN EXPERIENCE MANAGEMENT:</th>
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<tr>
<td>Process- and program-focused</td>
<td>Focuses on what employees want and value</td>
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<td>Asks: “What has happened?”</td>
<td>Asks: “Why is this happening?”</td>
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<tr>
<td>Prioritizes company needs</td>
<td>Prioritizes employee empowerment</td>
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<tr>
<td>Isolates events; separation of employee and job</td>
<td>Focuses on an integrated, whole view of person and role</td>
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<td>Linear, sequential view of the employee life cycle</td>
<td>Treats the employee experience as one seamless journey</td>
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<tr>
<td>Periodic and lagging assessments (e.g., annual pulse surveys, individual development plans, performance reviews)</td>
<td>Multiple and simultaneous data and observation points</td>
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<td>Real-time, always-on listening; leading signals</td>
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Conversely, employees who feel frustrated, discouraged, or undervalued represent a real threat to the business—whether through poorer performance, low resilience to change, increased costs related to employee turnover, loss of intellectual capital, or the negativity one disengaged employee can spread throughout an entire team. “People react based on how they feel,” says Marzo. “If they aren’t being heard in terms of what’s important to them, that will impact how they execute their jobs.”

Organizations today are under immense pressure to attract, retain, and develop the right talent to drive business value. If talent is an organization’s competitive differentiator, then human experience management is a competitive differentiator for attracting and retaining the best talent by creating conditions that allow them to be highly creative, service oriented, collaborative, and adaptable. “Companies that learn better and faster than their competitors usually outperform them,” says Korn Ferry’s Laouchez. “The combination of SAP’s technology and our knowledge of what motivates people allows for better and faster talent insights.”

Laouchez cites one example where a Fortune 100 company deployed the Human Experience Management solution to gauge satisfaction among the senior leadership team. Despite being a successful business, the company made a troubling discovery. While one faction of leaders was totally engaged with carrying out the organization’s strategy and another served as transformation catalysts, there was a third group of leaders who felt they were being left behind. Deeper analysis uncovered that this group consisted of the youngest tenured leaders—in other words, the company’s next generation of leaders—who felt that they weren’t really empowered and that their performance was measured purely on economic terms.

“Based on those insights, the company altered its approach to include social impact and purpose as part of performance to create a more meaningful experience, and in turn, get full value from its younger leaders,” says Laouchez.