HR Transformation in a Changing World

Old Paradigms are Not Moving the Needle

"Human Capital Tops The Conference Board's 2016 CEO Challenge. Human capital-related strategies dominate CEOs' plans to address the top six business challenges they face, beginning with continual development to enhance the employee value proposition."[i]

Most HR strategies focus on addressing CEO concerns and seek to optimize HR functions such as talent management, organizational development, and performance management. There is a related increasing focus on "Digital HR", partly to increase HR's productivity and effectiveness and partly due to a changing workforce. For example, the Millennial generation is "more digital, more global, diverse, automation-savvy, and social media-proficient. At the same time, business expectations, needs, and demands are evolving faster than ever before."[ii]

Despite the CEO challenge resulting in new HR strategies and initiatives, a simple Google search will show numerous articles citing that 70% of employees hate their jobs. I can remember this same statistic from the 1980s.

Gallup cites that 70% of employees are not engaged. A simple review shows that these engagement numbers have gone up and down by a few percentage points but have essentially been flat for over 20 years. This lack of engagement costs businesses an estimated $1 trillion per year. The Millennial generation is not likely to improve these numbers.

During those same 20 years, companies have made enormous investments in HR, HR processes, systems, perks, training, bonuses, and a host of other special programs.

So, where is the ROI and Value of those investments?

How can companies increase the value proposition of their employees?

Is there something strategically missing?

How can CEOs and CHROs close the gaps between what the business needs and what employees are providing?

How can companies invest in a new HR strategy before focusing on more tactical digital HR solutions that may not address the highest CEO priorities?

The New HR Transformation Model

Tactical HR Transformation can easily occur by focusing on best practices and technology improvements. However, Strategic HR Transformation cannot occur unless the CEO is engaged in Business Transformation initiatives, which include defining the company's business people requirements. Only then can HR align all HR systems and processes to support the CEO's requirement definitions and enhance the employee value proposition. Ultimately, alignment and engagement can only occur when the company defines what to align and engage to from the CEO's perspective.

Would you expect Procurement to write a bid specification for a $20 million RFP without the decision maker's input and definition of what he or she needed? Procurement owns the acquisition process. Procurement guessing what is needed can result in six hundred dollar hammers.

The same is true in Finance. Finance owns the budget process, controls and creates a historical trend forecast. Yet, does finance decide the priorities of the company and who should receive major budget allocations?

The new paradigm is to provide CEOs with assistance to define what they believe the business is and what people requirements are needed to support the business. These requirements will be unique and change by industry, by management, by team perspective, and many other factors.

Even when the requirements are defined, changing economy and business conditions will require ongoing definition refinements. This requires a company's People Model to be agile, innovative, and uniquely tailored to your CEO's vision and business requirements.

This paradigm is very similar to your company's financial budget and strategic planning process. The difference is that most companies do not have auditable People Metrics to create a baseline and to measure progress. The People Metrics go beyond HR. The data must come from HR, Finance, and Operations, which Finance and Internal Audit could also validate.

Once the executive team, led by the CEO, formalizes their business requirements, people requirements, and metrics, the next step is to create a people governance policy. The policy should include the definitions, delegations of authority with an exception approval process, a companywide people governance metric dashboard, and a process for appropriate reviews and audits for both oversight and remediation.

You may ask, "Why is people governance important?" Risk Management studies, depending upon the risk classification, show that 50 to 70% of governance failures are caused by people. Yet, until now, there have not been clear and measurable definitions and metrics to justify including People Governance as part of Corporate Governance.

Once the definitions, policy, and metrics are in place, the next step is to create a three to five year change management strategic business initiative to implement the new model.

The steps should be prioritized to limit disruption while tied to a CEO level approved project plan and ongoing CEO review.

Today, many CEOs may think that they have defined these requirements for HR and think that HR is making it happen. If so, the ROI and Value of those changes should be making a game changing difference in your company. If not, there is a major opportunity for improvement.

Gallup studies indicate that the majority of companies are not seeing game changing differences, which should create a need to consider new paradigms.

In summary, the first new paradigm is to consider helping your CEO with Strategic Actions by creating an umbrella of requirement definitions, policy, metrics, and a cross-functional strategic business initiative to implement the umbrella over 3-5 years.

Defining Your People Requirements

Strategic Actions

1. **Strategic Definitions:** **CEO & Board**
2. **Policy & Metrics:** **CEO & Board**
3. **Implementation:** **CxO Initiative**

Without the umbrella to define how to align and engage, alignment and engagement will be defined differently throughout your company. Employees will be led in a disorganized confusing manner, which looks like this:

This dynamic process can help HR earn a seat at the Strategic Table but requires HR to look at the people requirements through their CEO's defined business lens. Then, HR can adjust their infrastructure and processes to support changing business requirements. Without HR changes, agility, and innovation in alignment to the CEO definitions, policy,

and metrics, HR will not be able to keep up with the business. The results and costs to the business will likely be the same as Gallup shows for the past twenty years.

Once the CEO driven model is implemented, employees will have direction for how to align and engage for company success. Employees can then take control of their own career development by aligning their personal success goals to their company's defined success goals.

Opportunity for Strategic HR Transformation

HR can play a significant role in teaming with the CEO to define and support the strategic business actions. Since the scope is companywide, the strategic business initiative will need a cross-functional team, which includes HR.

As part of the CxO initiative, every HR process and system can be reviewed to identify any requirement gaps, identify current costs and priorities, and reallocate the resources as required. In many cases, this will be an opportunity for HR to streamline but also reallocate or request resources for additional projects that support the company's priorities. With auditable metrics, creating a business justification with a ROI and Value that peer CxOs support will increase HR visibility, increase funding support, and move the performance needle throughout the company.

Implementing Strategic HR Transformation

Most HR organizations are working hard within the HR box to meet the needs of the business. The challenge is to be able to gain the time to think and act strategically outside the box in alignment with the business. Then, HR can increase their credibility among the management team.

This new model starts with developing a strategic model and plan to support the CEO, Management Team, and Board interests in alignment with the CEO's definition of what is needed by priority to drive the business. The second step is to select one or more high ROI and value priority solutions which can be implemented quickly and get the attention of others. This provides the umbrella to review all current HR processes and priorities so you can work toward coming in full alignment with the CEO requirements. It also helps HR prioritize third party offerings and activities to those that most support the CEO's priorities.

This process takes time and the need to manage expectations. The process is best implemented within a Strategic Business Initiative that is monitored by the CEO and tied into the company's strategic plan. Whether HR leads the initiative or participates in the program, this process will maximize company visibility, support, and results.

HR Transformation Third Party Solutions

Third party solutions that fit the CEO priorities are often the easiest way to make a quick impact. Advisory assistance is recommended as a first step to help you develop a strategy and prioritize next steps. Depending on the CEO's priorities, these steps can range from services to technology solutions with high ROI and Value impact.

Another consideration is to include the review of Apps, which can address specific CEO defined, needs. Modern ERP companies use Apps to create agile solutions to changing needs across the entire enterprise, including metrics. Future HR metrics will require HR, Finance, Operations, Sales, and GRC (Governance, Risk, and Compliance) data to produce companywide summary metrics. These metrics will be required to support what the CEO and Board needs for their roles of monitoring, guiding, and ensuring a risk audit and remediation process.

Third Party Solution examples are:
- Creating a HR Transformation Strategy which includes input from the CEO and third party advisors
- Finding immediate impact tactical solutions which can be driven internally or through third party advisors
- Identifying and implementing Best of Breed Solutions and Apps that can be useful for every company.
- For a greater long-term impact, identifying the technology infrastructure your company utilizes and then bundling apps which are already certified to run on that infrastructure will enhance the agile flexibility, innovation, and expansion capability required for companies to address future and changing business needs.

Summary

Many of the concepts we recommend may be new to most readers. However, one observation is certain. For most companies, what was done in the past has not moved the measurable needle for improvement. Unless a strategic change is made, there is a growing risk to your business in a changing world.

For example, a report by CNBC cites:

"There is so much tech disruption going on, I don't think investors and money managers are aware of the rate of change coming down the pike. The rate of change is too hard to fathom. But they need to be aware that many of today's F500 are in danger. A study from the John M. Olin School of Business at Washington University estimates that 40 percent of today's F500 companies on the S&P 500 will no longer exist in 10 years."[iii]

The question becomes, "Besides tactical improvements, what are you strategically doing differently to grow a successful company in the years ahead and not in danger of falling behind?"

Defining and implementing your CEO required people success factors is now part of the new paradigm for successful business outcomes and HR transformation.

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[i] https://www.conference-board.org/webcasts/ondemand/webcastdetail.cfm?WebcastID=3587

[ii] 2017 Deloitte Global Human Capital Trends, Introduction

[iii] http://www.cnbc.com/2014/06/04/15-years-to-extinction-sp-500-companies.html