

Talent Lab

Putting HR under the microscope

Organisational performance - how can HR
move the needle?



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Introduction

Business leaders rate their HR teams no more than a D+ on keeping up with business needs.⁽¹⁾

78% of executives want to talk about human capital in business terms.⁽²⁾

61% of HR leaders believe their HR programs are barely adequate or are falling behind.⁽¹⁾

Business is under the hammer to produce results in highly competitive environments - what is HR's contribution? What could and should it be?

Companies have struggled to quantify the impact of HR on business results and tap into the strategic value of the function. This needs to change as they compete on the basis of human capital, and talent shortfalls constrain profitability and growth. Advances in technology and analytics are bringing to light the potential business impact of HR and making the transformation of the function possible.

In this paper we explore five domains that provide opportunities for HR to move the needle on organisational performance:

- **HR's role:** are we on the same page?
- **Performance:** the equation that doesn't add up
- **Learning:** planning for obsolescence
- **Analytics:** HR's Moneyball
- **Sliding doors:** lessons from the C-suite



HR's Role



Performance



Learning



Analytics



Sliding Doors

We predict:

- **Non-HR business leaders will enter HR, and apply proven strategies and techniques to human capital issues.**
- **Performance management and learning practices will refocus from process and compliance to engagement and outcomes.**
- **HR professionals will work in multi-disciplinary teams to address targeted business problems.**
- **The new HR scorecard will include financial, market and people performance indicators.**
- **The market value of the Chief Human Resources Officer (CHRO) will increase commensurate with the strategic business impact of human capital.**
- **The CHRO will become the CEO's right hand and a potential successor.**
- **HR will emerge as a hero and key contributor to organisational performance.**

Organisational Performance Defined

If you worked in the corporate world in the 1980s, organisational performance was probably defined in terms of profit and productivity. The tangible assets of the company would have been the primary drivers of its market value. Fast forward to 2016. Intangible assets – knowledge and intellectual capital – are now the leading source of value creation for organisations and the basis upon which they compete.⁽³⁾ A global CEO survey echoes this shift, with

three quarters of respondents in agreement that business success today extends beyond financial indicators.⁽⁴⁾

There is less consensus over the definition of organisational performance. Market capitalisation and employer of choice indices are commonly used to rank companies, but there is no standard method to evaluate overall success. We define organisational performance across three factors:

1. **Financial performance, e.g. total revenue, profit growth, return on assets.**
2. **Market performance, e.g. market share, industry leadership, speed to market, innovation, customer relationships, brand value.**
3. **People performance, e.g. employer of choice, diversity, engagement, capability.**

This definition recognises the importance of intangible assets alongside market and financial performance indicators and the priority that companies now place on human capital. Talent supply and retention was identified as the number one 'hot button' for CEOs in 2016,⁽⁵⁾ and a shortage of skilled people is one of the primary constraints on corporate growth.⁽³⁾ At the same time, investments in people represent the most expensive outlay for organisations, with salaries alone accounting for up to 80% of company operating costs.

Implications

A strategic leader is required to drive organisational performance through smart investments in people. HR is the logical owner of people strategy, but the function has struggled to shift, in perception and often in practice, from its compliance and administration heritage. 85% of global companies believe that a transformation in HR is required to address emerging business priorities.⁽⁶⁾ Add to this the size of the talent investment and the importance of people in driving company value, and the need for a stronger partnership between Finance and HR is evident.

In fact, PwC predicts the emergence of the Chief Performance Officer, who heads a combined finance and human resources function.⁽⁷⁾ In a similar vein, business advisor and author Ram Charan heralds the formation of the G3 - a leadership trio of the CHRO, CFO and CEO - to drive organisational performance and future value.⁽⁸⁾

The transformation of HR has been likened to the journey that the Finance function went through in the 1980s, when financial capital became a corporate priority and lever for growth. The CFO role has evolved from back-office accounting, administration and controls to become a strategic leader and successor to the CEO.⁽³⁾ HR has the potential to follow a similar path or to evolve in a different form; either way the urgency for change will drive this transformation.

HR in the Digital Era

The digital revolution is driving unprecedented change in the workplace. There are two important implications for HR:

1. New modes of work and workforce composition

In less than two decades technology has become an everyday part of life. We can do a lot of things anytime, anywhere, with anyone around the world. In business, technology is changing how we work, where we work and who we work with. Systems of compliance are being superseded by digital solutions that liberate and extend the workforce. New artificial intelligence and robotics technologies promise to transform industries and replace human jobs.⁽⁹⁾

The removal of geographical barriers has made flexible working arrangements possible, and traditional models of employment are being supplanted by a global talent network of employees, contractors and freelancers. Companies such as HotelQuickly give us a preview of this new world, where people work when and where they prefer whilst being held accountable for delivering on targets.

These changes give HR scope to influence organisational performance through an extended and fluid talent network.

2. New ways to drive business impact

Clunky systems and processes have hindered progress in HR and undermined its ability to demonstrate business impact. The digital age brings tools that help people do their jobs, increasing efficiency and employee uptake. For example, context-aware learning technologies deliver targeted, personalised and relevant content based on user data and preferences.⁽¹¹⁾ Mobile solutions allow real time feedback for employees as they engage in their work. Rationalisation and consolidation of HR technologies makes it easier to access and integrate data. The extension of these solutions to include more advanced analytics enables HR to demonstrate how it contributes to business outcomes, a challenge that has held the function back in the past.

Digital technology has enormous potential to shift HR activities into everyday business practices, provide strategic business insights and create a new agenda for HR to contribute to organisational performance. For now, however, technology advances have outpaced the speed of adoption in HR⁽¹²⁾ and this potential is yet to be realised.

“You’re never chained to a desk when you work for HotelQuickly” according to the company website. Christian Mischler, HotelQuickly founder and CEO encourages employees to work when and where they prefer as long as they are productive, even on holidays. He introduced the concept of a ‘workcation’. Employees can travel without taking leave, whilst staying connected. A range of digital tools such as Skype and Dropbox make this possible. Mischler told news.com.au, “People have no fixed desk. We have nine offices, they can work from one of those, their home, wherever they want as long as they deliver results”.⁽¹⁰⁾

HR as Hero

Fact: Executives want and need to understand how to manage and invest in talent.

Fact: Technology has evolved to make this possible.

Change is afoot in HR, but opinions are divided on the strategic contribution that the function could and should make. As companies start to manage people as an asset rather than an expense, there is an opportunity for HR to transition from cost centre to value creator.⁽⁸⁾

Cast in this light, HR is seen as a direct contributor to business outputs. They ensure the talent pipeline, in quantity and quality, is available when and where the business requires. They accurately forecast future capability needs aligned to business strategy. They move the needle on measures such as revenue, profit and market share.

We explore five domains that provide opportunities for HR to make this leap and drive organisational performance:



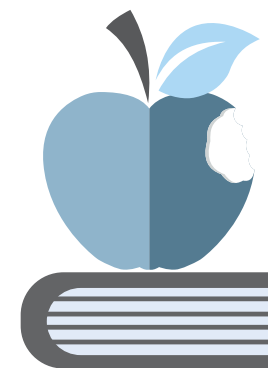
HR's Role:

Are we on the same page?



Performance:

The equation that doesn't add up



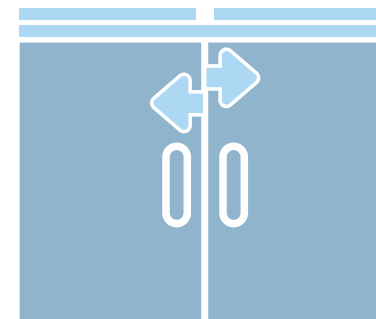
Learning:

Planning for obsolescence



Analytics:

HR's Moneyball



Sliding Doors:

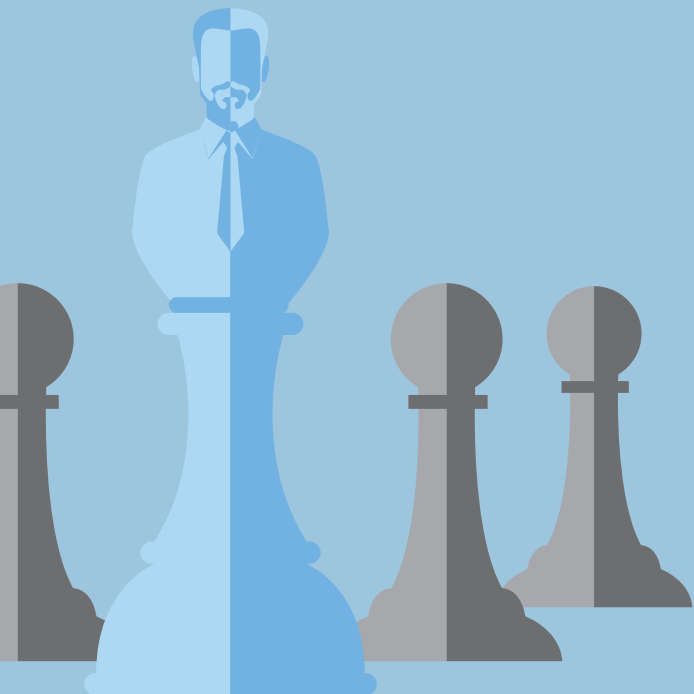
Lessons from the C-suite

HR's Role: Are we on the same page?

Even as human capital challenges loom large in business priorities, HR struggles to retain its hard-won seat at the executive table. What is HR's role in setting and executing organisational strategy? What business outcomes should HR take responsibility for? Are HR and business strategies adequately aligned?

The HR Paradox

Human capital is amongst the most strategic assets in any organisation, yet HR struggles to quantify its impact on organisational performance. 42% of global companies report that the impact of HR operations on company success is "weak".⁽⁶⁾



Extinction or transformation?

Predictions range from the extinction of HR to its transformation and elevation to strategic partner of the CEO and value driver for the business. 39% of business leaders still believe HR should focus on its traditional role of managing workforce processes and compliance; 38% say that HR should focus on better alignment with business strategy.⁽²⁾ We predict that HR's traditional role will become extinct as technology devolves transactional HR and talent management responsibilities to the business.⁽⁹⁾ An example of this is already occurring in talent acquisition, where HR's role is focused on talent pipelining and managers are tapping into these pipelines to execute day-to-day recruitment activities.

The new HR will start asking the right business questions to define priorities based on their strategic and financial merit. Technologies and analytics will enable this but they are not yet being used to their potential. An HR leader at PwC summarises the current state: "We're in the first quarter of the game. There has not been enough time for HR to get it".⁽²⁾

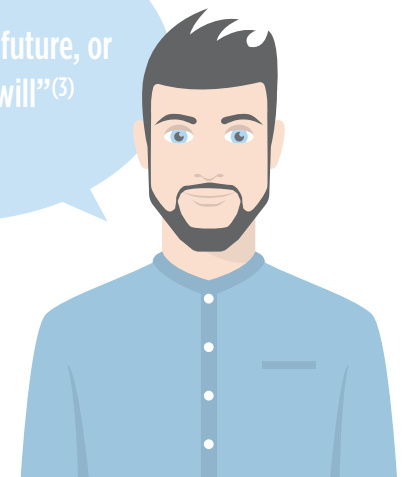
The gap remains in HR capability

Under increasing pressure to become more business savvy and analytical, HR professionals are still expected to retain a passion for people, continue to develop their coaching capability, and build trusted advisor relationships with the

business. How will they strike a balance between science and art, analytics and intuition? Dave Ulrich, business advisor and academic, believes most HR professionals have the potential to learn and grow with the right motivation.⁽¹³⁾ That said, close to 40% of CHROs are being recruited from the business, not HR.⁽¹⁾ Companies are buying capability in HR, rather than investing in HR development.

Executives are seeking leadership to manage complex and divergent human capital issues. HR must assume this role. Put simply, HR needs a strategic, outcome-focused workforce agenda that is aligned with the business. To achieve this, a platform for HR professionals to develop is essential.⁽³⁾ With next-gen HR capabilities, HR also has the opportunity to become more embedded within the business; to address people issues that are inhibiting performance and growth, quantify the impact of interventions and guide business decisions.

"Create your own future, or someone else will"⁽³⁾

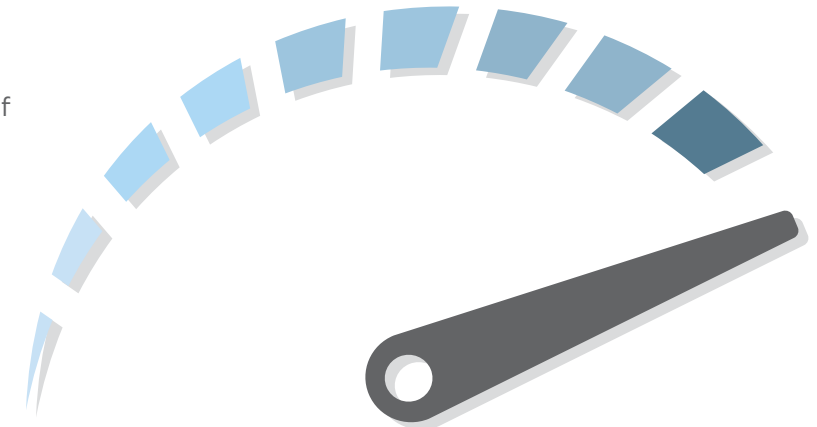


Opportunity and Risk

Will HR grow and change enough and fast enough, or will someone else assume responsibility for workforce strategy? Alternatively, we may see HR leaders swapped out for other business professionals. The risk is that HR loses control of its own destiny and the function becomes relegated to a support unit. The onus is on HR to clarify its role and accountability to the business.

But enormous opportunity abounds. Demand for talent and the rapid pace of

change in business and technology calls for a considered but rapid response from HR. The time is right for the function to set a strategic HR agenda and scorecard in partnership with the CEO. Advances in technology and analytics make it possible to design and execute on this. Seizing this opportunity will increase the business impact of the function and market value of HR leaders and professionals.⁽³⁾



Moving the Needle

- **Role model agility.** Build credibility and accrue visible wins by providing timely, high quality service. Conduct a skills audit in your HR team – how do you measure up against core HR capabilities? Do you need to bring in new talent or fast track development to close gaps?
- **Rethink current practices.** How are HR programs and processes adding value to the business? What would happen if they stopped? Remove redundant activities, where the benefit doesn't clearly outweigh the cost. Expand the traditional HR lens from employees to encompass the whole talent spectrum (permanent staff, contractors, outsourced partners, etc). Reinvent one-size-fits-all processes with customised options that meet the needs of different segments of the workforce and fit the rhythms of your business.
- **Understand the market.** Gather competitor intelligence and use this to inform business strategy and tactics. For example, Motorola might have anticipated the iPhone if the HR team had recognised that Apple was recruiting their technical people and brought this to the executive table.⁽⁸⁾ Which companies employ the leading innovators in your industry? Who is recruiting most aggressively and why?
- **Stop measuring HR, start measuring impact.** Efficiency and effectiveness metrics tell us more about the internal mechanics of HR than the function's influence on the organisation. Understand business drivers and evaluate the impact of HR on enhancing performance and removing constraints. For example, how long is it taking new sales staff to reach targets and what is the impact on growth? How is employee turnover impacting the customer experience? How important is innovation vs speed to market? What are the implications of assembling new product teams?
- **Knowledge is power.** Use people intelligence to guide organisational decisions and growth strategies. What is the cost and availability of labour in different markets? How can you rearrange organisational structures or reassign people to derive more value?
- **Learn and share.** Be open to feedback from executive peers and understand what they expect from HR and can contribute to the function. Encourage ongoing feedback from the broader organisation.

Performance: The equation that doesn't add up

Fed up with performance management processes that neither deliver increased performance nor engage employees, are business and HR leaders ready for change? Employee performance management is being transformed - but will this increase goal alignment and, ultimately, organisational performance?

The Performance Paradox

The foundational premise is that performance management “should drive productivity and lead to engagement”,⁽¹⁴⁾ but this does not translate in practice.



Goals motivate most

Goals bring clarity, purpose and focus, and this holds as long as the rationale for the goal is clear.⁽¹⁵⁾ At the same time, goal setting is hard for most business leaders and rarely implemented effectively. There are also conflicting views on the best type of goals to set. Outcome-based goals create alignment with the business, but goals that track progress and recognise effort motivate higher levels of performance.⁽¹⁶⁾

Feedback frightens some

We have a love-hate relationship with feedback. Employees want to receive more coaching and feedback,⁽¹⁷⁾ yet in reality, feedback is often confronting and demotivating. Positive reinforcement motivates people and improves performance, but we have a tendency to focus on negative or ‘constructive’ feedback. Business leaders benefit from frameworks and tools that help them give more effective feedback, but if their delivery is artificial or formal it’s likely to be more threatening.⁽¹⁸⁾ Driving performance through feedback is a finely honed skill.

Ratings fuel debate

To rate or not to rate performance? That is the question. This is an interesting focal point as HR becomes more data-driven. Why stop capturing this performance data about people? On the one hand ratings

are seen to add limited value, disengage employees and be fraught with rater biases. On the other hand, they provide transparency and a clear mechanism to differentiate performance. Most companies appear to be keeping performance ratings in some format, and there is a shift towards short rating scales and qualitative rating labels in preference over numbers.

Simplification is complicated

The simplification of performance management has become a goal in its own right as HR strives to engage employees and overcome barriers to adoption. At the same time, we are working in an increasingly complex and interdependent environment. Research shows that each individual’s contribution to the business goes beyond their personal task performance and is influenced by how they work with and through others to deliver results.⁽¹⁹⁾ How do we reconcile the drive for simplicity with increasing organisational complexity?

Opportunity and Risk

Perhaps it’s not surprising that traditional performance processes have failed to deliver business results and that companies are transforming performance management en masse. 89% of organisations report that they are at some stage on this journey.⁽¹⁾ At the heart of this change is a shift from the evaluation of past performance to a focus

on driving future performance through continuous feedback and performance tracking.

The transformation of performance management presents an opportunity for HR to align and enhance performance across the business, and reconcile contradictions that have hampered its effectiveness in the past. Innovations in technology enable it to be embedded as an everyday business tool.

At the same time, there is a risk that HR will lose its way if they are not clear and committed to their strategic intent.

“If performance management is the answer, what is the question?”⁽¹⁸⁾

Can you answer this question? Is there more emphasis on introducing new and improved performance management practices, than there is on clarifying their purpose and aligning with this? If so, this will limit the

potential of performance management and hamper its business impact. A one-size-fits-all approach is not the answer; nor is the latest technology innovation. Company culture, industry and role type are just some of the variables that moderate the effectiveness of different practices. Bringing a business-centric lens to performance management and obtaining clear consensus regarding its purpose will help mitigate this risk.

Moving the Needle

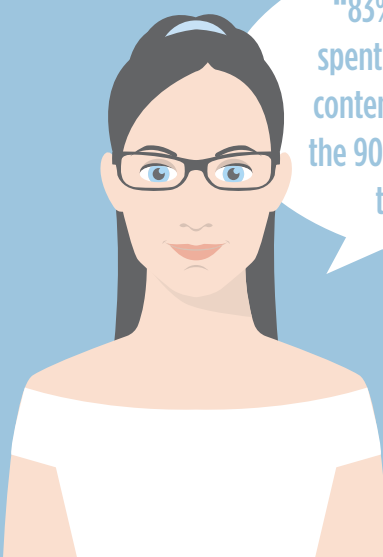
- **Clarify purpose.** What are you trying to achieve through performance management? Are you seeking to impact organisational performance directly through improved individual and team outcomes? Alternatively, do you expect to enhance employee engagement through continuous coaching, performance and development? Obtaining consensus on your goal will highlight what's most important and help make better decisions.
- **Less is more.** Eliminate practices that don't add value and streamline performance management based on your primary goal. Work with your performance technology vendor to optimise your process and simplify the user experience. Be mindful of managing risks such as rater bias and non-compliance that can be introduced with less rigorous processes.⁽¹⁷⁾ For example, if you are simplifying rating processes consider how you will support managers to evaluate performance consistently and fairly.
- **Invest in goal setting and feedback.** Consider frameworks such as OKR (objectives and key results) to define both top level objectives, and key results that can be measured on an ongoing basis. Explore technology options that take the pain out of goal setting, provide coaching tips, and support continuous feedback and progress tracking. Set up a regular coaching and feedback cycle. Work closely with business leaders until they establish their coaching rhythm and you are confident in their capability.
- **Work for the business.** Make the most of flexible cloud technology solutions and tailor performance management practices to align with different groups of employees and their natural performance cycles. For example, sales people are likely to work towards financial year targets and to be measured on revenue and activity. For this group, explore options to integrate with your Customer Relationship Management system and set up a performance cycle aligned with the financial year. Alternatively, customer service professionals, such as flight attendants and retail staff may rotate between different teams and supervisors. A short survey of relevant behaviours completed every shift might be the best approach for these roles. Project-based employees are likely to require a different solution again.
- **Know your audience.** Most people want to perform well at work and value progress and accomplishment.⁽²⁰⁾ Performance management practices should support this. Consider feedback mechanisms that recognise progression and effort, but be wary of Kudos functionality (likes/high fives) that may generate an immediate spike in engagement but lack impact over time.⁽¹⁷⁾ Make sure you understand the environment that your employees work in and how they use technology. Consider apps that help perform simple tasks, collaborate or access information on the go. If your employees have internet connection challenges, invest in a solution that works offline.

Learning: Planning for obsolescence

The shelf-life of new learning is estimated at 2.5 years: how can individuals and organisations keep up the pace of learning necessary to ensure they deliver on business strategy? Learning is being gamified, socialised and truncated to meet the new demands. Is this working?

The Learning Paradox

Most CHROs subscribe to the 70/20/10 model of learning acquisition, but companies still invest a large proportion of their budget in formal training and e-Learning courses. On average this accounts for 83% of spending on off-the-shelf learning content⁽²¹⁾ and does not address the 90% development attributed to informal learning.



“83% of L&D spending is still spent on off-the-shelf learning content⁽²¹⁾ that does not address the 90% development attributed to informal learning”

Time to learn

There is a critical shortage of skills around the world. This is expected to intensify as jobs in the future require higher level skills and the fast-changing business and technology landscape challenges us to learn continuously.⁽²²⁾ Employers cannot rely on finding people with a perfect set of skills; requirements are changing too quickly and educational institutions are not keeping up. HR is challenged to close this skills gap and build an agile workforce that has the capacity to learn and grow. For employees, there has never been a more important time to learn. Most employees want to learn and are willing to pay for it.⁽²³⁾ At the same time, the working environment is conspiring against learning efforts. We are “overwhelmed, distracted, and impatient”⁽²³⁾ with multiple communication channels competing for our attention. As learning demands accelerate, we have less time and space than ever to dedicate to this.

Click and play

Technology is in some measure responsible for today’s distractible workforce. It encourages us to give partial attention to multiple activities and information sources at the same time. Millennials are seen to be masters of multi-tasking, but neuroscience findings challenge this. Learning anything new requires focused attention and multi-tasking costs us time and quality.⁽²⁴⁾ Despite these challenges, technological innovations are also creating new and better ways to

learn. Technology enables flexible and engaging experiences that can be scaled to have widespread business impact. Trends such as social learning, gamification, adaptive learning and immersive learning promise to enhance the user experience and outcomes for organisations. We have come a long way from traditional training management and e-learning platforms.

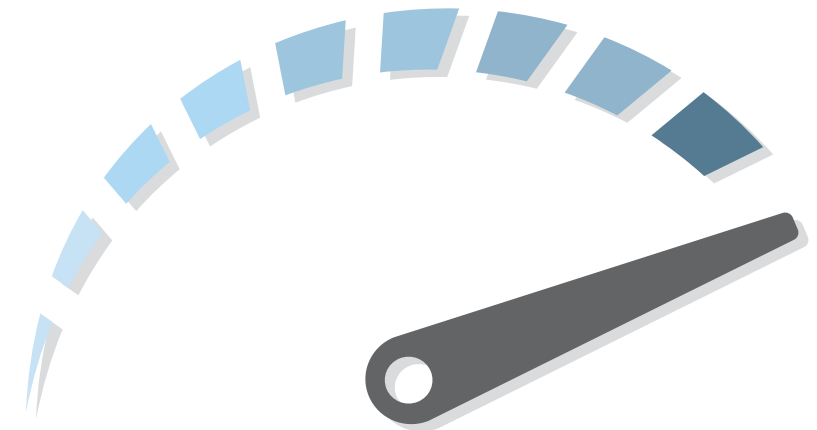
Too little, too late

Many companies feel unprepared to address the learning requirements of their workforce⁽¹⁾ and there are several indicators that HR is out of step with the business. Executives want to verify the business impact of learning; HR tends to focus on monitoring and compliance – learning costs, hours per learner, satisfaction and completion rates. Managers are uniquely positioned to influence the culture and success of learning interventions, but they are often not engaged effectively. Employees are seeking content on demand, on their device of choice. They prefer to learn informally from others or via online search platforms, but most of the corporate learning budget is invested in formal training courses and e-learning. Two thirds of organisations report challenges engaging learners; at the same time employees are paying for learning themselves and departments are starting to spend more in areas where HR is cutting back.⁽²¹⁾

Opportunity and Risk

There is broad consensus that different and better learning solutions are necessary to create a skilled global workforce. CEOs agree that this is a top priority for business and government.⁽⁴⁾ At the same time, people want to learn and develop, and there are more learning solutions available today than ever before to captivate an audience. HR has the opportunity to deliver what companies and employees are asking for through a balanced focus on (a) developing a workforce with the capacity to learn and change, and (b) creating engaging, targeted learning solutions. The re-invention of corporate learning that is required to achieve this is significant, and herein lies the risk. If HR fails to deliver

learning solutions that meet the needs of their key stakeholders, if they continue to measure efficiency and volume over business impact and invest in outdated modes of learning, the business will take responsibility to address this challenge directly.



Moving the Needle

- **Develop organisational capacity.** Partner with senior leaders to communicate the value of learning in your organisation; provide practical tools and support to enable managers to create a learning culture. Bring new people into the business who will reinforce this culture, and demonstrate the aptitude and motivation for continuous learning.
- **Deliver learning on demand.** Make sure that your employees can access learning anywhere, anytime with searchable learning libraries and compelling, bite-sized content that is optimised on different mobile devices. Become a curator, rather than a creator and encourage employees to share existing, and develop new, learning material.
- **Say it once, say it again.** Use multiple channels and techniques to communicate and reinforce content, and compensate for shallow and shifting attention spans. Embed contextual support and prompts to help people recall information or learn just-in-time.
- **Facilitate learning experiences.** Learning has become synonymous with accessing knowledge fast. But knowledge doesn't lead to behavioural change, experiences do. What opportunities are available to your employees? And what experiences will accelerate their development? Create a learning exchange, which enables people to sign-up for different activities, projects and secondments.
- **Fail fast until you succeed.** Introduce new and engaging learning techniques, from gamification and virtual learning experiences to social and collaborative solutions that bring together different generations in the workforce. Measure engagement and impact, and try different options until you hit the mark.
- **Evaluate business impact.** Understand the problem that you are addressing and the desired result. For example, will product training increase sales or reduce technical support requirements? How does this translate in monetary terms? Trying to isolate the specific impact of a learning event can lead to paralysis. Focus on the business relevance of measures.

Analytics: HR's Moneyball

The era of big data and analytics is here. Gut instinct is being supplanted by concrete people analytics that can inform workforce strategy, quantify capability gaps and enhance the productivity, performance and careers of organisational talent. Are we tapping it effectively?

The Analytics Paradox

There is an overwhelming quantity of HR information available today, but predictive insights arising from this are rare and underwhelming.



Moneyball is an analytical approach to assemble competitive sports teams. The term was made popular by a 2011 movie charting the success of a low-budget baseball team that uses player statistics to make smart investments and game day decisions. Transfer this technique to the corporate world and it becomes a game changer for organisations. Big data and analytics are transforming customer-related functions but they are not yet being tapped effectively in HR.

Information ≠ insight

The digital revolution has delivered an explosion of data about people. Information about our interactions, purchasing decisions, preferences, location and habits is now accessible, alongside traditional HR data points and business metrics. Simultaneously, there have been rapid developments in analytics tools creating enormous potential for business. Examples include the analysis of emails to track how people are feeling, and network analysis to explore collaboration across organisations and identify high value relationships or dependencies for knowledge and advice. But information does not equal insight and there are more questions than answers in HR. How can we find and attract the best people today and in the future? Who are our top performers? What makes them succeed and what makes them want to stay? What levers can we pull to have the greatest impact? People analytics have the potential to answer these questions and forecast the impact of different interventions, therefore powering the transformation of HR.

Privacy vs transparency

We live in the “Glassdoor era”.⁽¹⁾ The actions and decisions of individuals and organisations are publicly shared and debated online. The line between privacy and transparency has blurred, exposing companies to reputational and legal risks. How can organisations manage their brand when they can’t censure or control public communications? What legal and ethical considerations apply to the use of personal data and how does this vary across regions?

HR needs to have a working knowledge of legislation that governs the collection, management and use of different types of data, whilst remaining sensitive to workforce sentiment. 63% of employees lack confidence that their employer keeps data private and 72% believe that companies are not telling them what information they are collecting.⁽²⁵⁾ Damage resulting from breaches of workforce trust could outweigh the benefits of your analyses. Being transparent about the information being collected and its use will help to alleviate privacy concerns.

Executive priorities

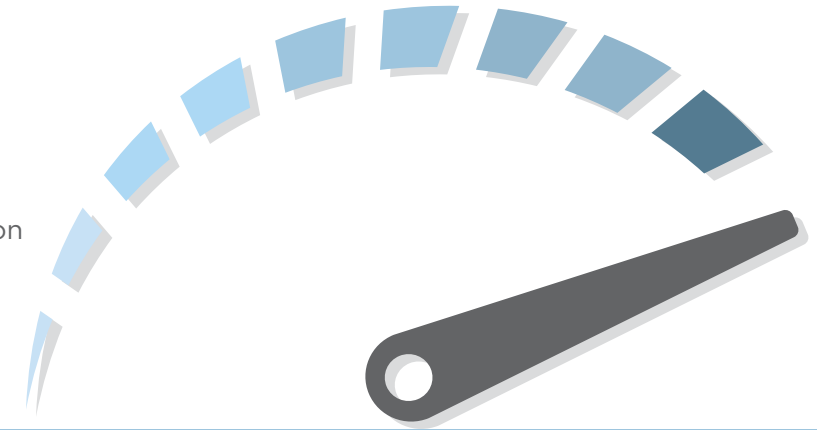
Analytics should elevate the strategic profile and credibility of HR. It provides a mechanism to quantify the contribution of human capital to the business and the impact of HR interventions. But executives aren’t convinced of the value of metrics in the HR domain. CFO’s point to obstacles in establishing accurate data and isolating the impact of HR.⁽²⁶⁾ Only 4% of CEO’s are seeking to change or invest in predictive workforce analytics, and personal data usage and safeguards are a low priority relative to other workforce issues.⁽⁴⁾ This perspective is in sharp contrast to the high priority that executives place on human capital challenges. The onus is on HR to connect the dots and build a business case that demonstrates how people analytics can be used to influence organisational performance, including financial, market and people outcomes. To do so, most CHRO’s will need to bridge a capability gap within their own function and buy or develop the requisite analytical skills.

Opportunity and Risk

Not enough companies are using people analytics to solve business problems. This is expected to change and Josh Bersin predicts exponential uptake as this practice becomes mainstream.⁽²⁷⁾ The opportunity for HR lies in leveraging technology to understand how workforce data drives business value. New analytics are predictive and enable HR to model different scenarios and proactively address business challenges such as unwanted attrition, talent supply shortfalls, and performance gaps. Whilst adoption remains low, there are several use cases that demonstrate the potential of this opportunity, with companies attributing savings in the order of \$50 million to predictive workforce

analysis.⁽²⁸⁾ Machine learning also has enormous potential in talent applications. Intelligent algorithms analyse talent data to formulate recommendations, delivering both efficiency and personalisation, e.g. identifying the best people for particular roles or the most appropriate learning activities.

Actions, not information or even insights, create competitive advantage and herein lies the risk for HR. Failure to derive value from workforce data will incur hard costs and a performance disadvantage. As analytics capability evolves, HR is challenged to remain business centric, address organisational priorities, and act on insights to implement meaningful change.



Moving the Needle

- **Understand your starting point.** How complete and accurate is your workforce data? Set parameters on acceptable levels of quality and explore options to unify multiple data sources. Tap into the statistical and analytical capabilities of your current systems and get to know what's possible, strengths and limitations.
- **Deliver a quick win.** Identify a discrete business problem and start analysing the people data associated with this. For example, is there a turnover or quality issue in one segment of the organisation? Focus on an activity that can be implemented quickly and connect data insights directly to the business.
- **Create the right team.** This will be multi-disciplinary and integrate technical skills in statistical analysis, data science and technology with business and HR domain knowledge and consulting skills. Define a strategy to bridge capability gaps – buy, build or partner?
- **Define your boundaries.** Get to know relevant legislation across the geographies you operate in. Work with colleagues in legal, risk and information management to introduce rigorous policies and procedures to manage people data. Expose risks at the C-level and lead a robust discussion on ethical considerations and transparency of practices.
- **Enhance business impact.** Use scientific principles to evaluate the impact of HR interventions. Learn from leaders in this emerging field – how are companies like Google using data to answer business questions? Connect people and business metrics to improve organisational performance, e.g. address talent supply and retention risks, objectively evaluate 'build versus buy' investments in people, and assemble more competitive teams.
- **Empower individuals and teams.** Invest in new technologies that help people learn, perform and progress. Identify the activities that drain resources and explore intelligent solutions to address these. Would it add value to serve up recommended learning and performance goals to equip managers to answer workforce questions on demand?

Sliding Doors: Lessons from the C-suite

What if the CEO, CFO, CIO or CMO became CHRO for one year? What would they do and how would they measure success? What can HR learn from Finance, Marketing and IT?

As HR steps up its impact on organisational performance, there are lessons to be learnt from other functions and opportunities to apply proven business practices to human capital.



“Close to 40% of CHROs are being recruited from the business, not HR”⁽¹⁾

CEO Lens

Global surveys conducted by PwC⁽⁴⁾ and The Conference Board⁽⁵⁾ show that CEOs are prioritising a range of human capital strategies to achieve growth in a VUCA (volatile, uncertain, complex, and ambiguous) environment and meet increasing consumer expectations. These include:

- Cultural change to increase agility, innovation, and customer-centricity.
- Workforce planning and management to mitigate talent supply risks.
- Improving organisational performance through goal alignment, agility and diversity.
- Developing capability to drive innovation and meet increasing stakeholder expectations.

What strategies will unlock the most value in your organisation? How will you measure business impact in the near and medium term? Dialogue between the CEO and CHRO at the level of organisational priorities is important to establish a strategic HR agenda and scorecard.

CFO Lens

The CFO role has increased in prominence and influence over the past 40 years to help set the course for the business. They are responsible for driving business results and removing constraints to growth and profitability.⁽³⁾ As talent becomes increasingly important to deliver on this mandate, Finance brings a strategic and analytical lens to human capital challenges. What are the gaps between future demand for talent and projected supply? What shortfalls pose the greatest risk? What are the costs and benefits associated with different talent investment options – buy, build and partner? We can also learn from lessons in capital allocation. McKinsey research shows that aggressive capital reallocation increases shareholder returns.⁽⁸⁾ Companies can apply this principle to derive value from talent mobility strategies that align people and capabilities with evolving business priorities. Perhaps most importantly, CFOs have the potential to add enormous value as the CHRO devises a new, outcome-based scorecard and starts connecting people interventions and data with business results. Input from Finance could include a different perspective on business challenges and areas of focus, operational metrics to include in analysis and interpretation, and decision making.

CIO Lens

The role of the CIO is expanding to reflect the significant influence of technology on business operations and results. Today their responsibilities extend beyond infrastructure and 'keeping the lights on' to leading business transformation and innovation through technology. As digital technology promises to transform HR, there is much to be gained by tapping the knowledge and experience of the CIO, from their deep understanding of the technology market to the implementation of enterprise-wide change. A different set of HR priorities emerges through an Information Technology (IT) lens:

- Rationalise and consolidate HR systems; seamlessly integrate with other business management solutions.
- Unify workforce data.
- Keep abreast of emerging technologies and drive innovation in new workforce tools.
- Identify digital solutions to increase productivity and engagement.
- Embed transactional HR activities in business as usual.

HR has struggled to keep pace with advances in technology. Learning from and collaborating with IT has the potential to enhance workforce outcomes and to do so ahead of industry peers.


CMO Lens

Over the past decade, analytics and technology have transformed the marketing function and given rise to new ways of managing the customer experience. As we start to manage human capital as an asset, there is a case to be made for treating employees as consumers and proactively managing the employee experience.

We would expect CMOs to bring a commercial perspective, analytical insights and consumer marketing techniques to the CHRO role and serve targeted and relevant 'product offerings' to employees.

⁽²⁹⁾ Market segmentation and research techniques can yield additional insights beyond traditional HR methodologies. For example, criteria such as motivators and business contribution can be used to group employees and extract more value from customised talent management solutions. In our experience, most HR interventions are tested in a pilot with one area of the business. Incorporating different market research techniques such as surveys, focus groups and tradeoff analysis can provide a deeper understanding of likely employee uptake and business impact.

⁽²⁹⁾ Of course, marketing leaders are also experts in branding and differentiation, and this skill set can be applied to strengthen your employer brand, convert employees to brand ambassadors⁽¹⁴⁾ and sharpen talent attraction and retention strategies.



"HR needs a strategic, outcomes-focused workforce agenda that is aligned with the business"

Conclusion

As companies compete for human capital, HR has enormous potential to move the needle on organisational performance and drive competitive advantage. A committed and capable workforce with the ability to flex and meet changing business priorities sets leading companies apart from their peers. A new scorecard is required to quantify HR's business contribution to financial and market outcomes, as well as to people performance. The risk for most organisations is that HR won't change enough, fast enough. To guard against this and accelerate change, HR leaders can (a) springboard off new technologies to enhance individual and organisational performance, and (b) apply proven strategies and practices from other functions to manage human capital.

In a recent PageUp publication, we foresaw this transformation and the emergence of a more strategic and analytical function.⁽⁹⁾ What will this look like? What outcomes and value will HR deliver? We predict:

- Non-HR business leaders will enter HR and apply proven strategies and techniques to human capital issues.
- Performance management and learning practices will refocus from process and compliance to engagement and outcomes.
- HR professionals will work in multi-disciplinary teams to address targeted business problems.
- The new HR scorecard will include financial, market and people performance indicators.
- The market value of the CHRO will increase commensurate with the strategic business impact of human capital.
- The Chief Human Resources Officer (CHRO) will become the CEO's right hand and a potential successor.
- HR will emerge as a hero and key contributor to organisational performance.

There is a window of opportunity available for HR and business leaders to shape this future and claim a lead role in it.



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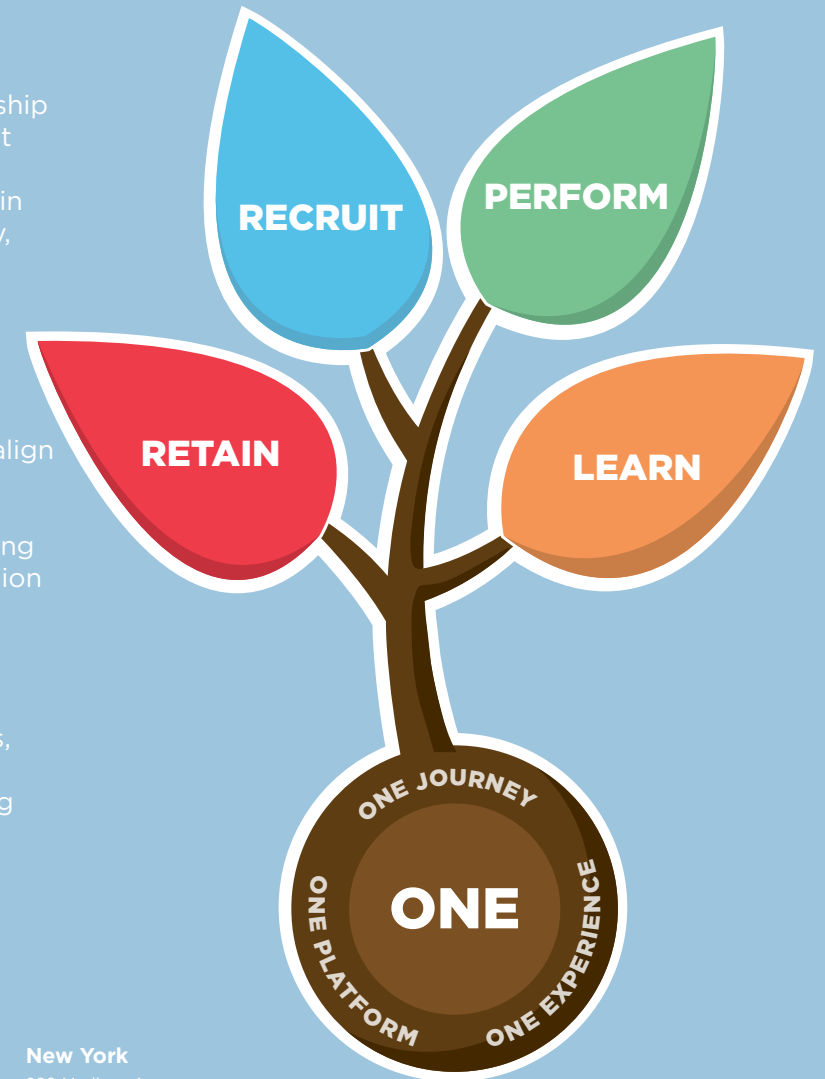
Alison Brady leads the consulting function and contributes to research and thought leadership at PageUp. With over 15 years' experience in talent management, Alison is passionate about driving business results through people and she has consulted with a diverse range of companies to achieve this. Alison is a Registered Psychologist and holds a Masters Degree in Organisational Psychology. She has memberships with the Australian Psychological Society, the College of Organisational Psychologists, the Change Management Institute and the American Psychological Association (International Affiliate).

ABOUT PAGEUP

We are a global, talent management software provider helping organisations strategically align their human resources across borders, business units, cultures and languages.

Our SaaS-delivered and mobile-enabled solution unifies Recruiting and Onboarding, Learning and Development, Performance Management, Compensation, Career Planning and Succession Management, with Advanced Workforce Analytics running across all modules; assisting employers overcome talent management challenges that are inherent in operating across multiple countries.

We support local and multinational organisations, including several Fortune 500 employers, and our solution is being accessed in more than 190 countries across a broad range of industries. We serve customers globally, with offices in New York, London, Singapore, Hong Kong, Manila, Melbourne and Sydney.



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