



**Center for
Effective
Organizations**

What is the Future of HR?

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Robert Browning's poem "Andrea del Sarto" describes the 16th-century painter's love for his wife but laments that del Sarto is limited by the mundane duties of earning money and supporting her, while his more famous (and unmarried) contemporaries Leonardo da Vinci, Michelangelo and Raphael live for their work with greater passion and spirit.

Despite being published in 1855, the Victorian Age poet's work is relevant to the challenges facing human resources leaders today. The demands of day-to-day HR may be crowding out the focus, passion and spirit that are necessary if practitioners are to take a leading role in helping organizations capitalize on opportunities offered by emerging trends such as big data and gamification. This could hinder an organization's quest to maximize productivity and be competitive.

Is the HR profession moving fast enough to capture the opportunities in emerging trends? Much of the work addressing this issue has defined the future of HR in terms of competencies, workforce demographics, or professional techniques or practices.

Here we take a different departure point by starting with prominent emerging general trends and examining their potential effect on HR, now and in the future, and HR's desired and actual role in addressing them. What we found was that while HR leaders generally feel their ideal role is one of broad leadership, their assessment of the current role often is far less than that.

Our research at the Center for Effective Organizations was conducted with a consortium of 11 large companies: Citrix Systems Inc.; Electronic Arts Inc.; Gap Inc.; Lockheed Martin Corp.; Mattel Inc.; Rockwell Automation; Royal Bank of Canada; Sony Pictures Entertainment; Unilever; UPS Inc.; and The Walt Disney Co. Twenty to 30 HR professionals within each company participated in the consortium. We examined the trends of globalization, generational diversity, sustainability, social media, personal technology, mass customization, open innovation, big data and gamification.

We conducted surveys with the consortium participants on all nine trends, asking them to rate HR's role now, what HR's role should be, and to discuss the barriers they were encountering to having a role in these trends. Each survey was followed by a webinar discussion of the findings. Our analysis will pull from research gathered within this consortium, which has created communities with HR leaders in several organizations on these issues and established a network of HR professionals spanning multiple organizations.

The four trends in Figure 1 (below) have arrived, meaning HR is participating in them, though often not at the extent HR leaders think they should. The five trends on the right are emerging on the horizon, meaning HR has not yet established a role in these but is reaching into them.

The HR leaders see HR ideally playing a leadership role, even in trends where HR is only occasionally involved, if at all. The work that HR must pursue is significant.

There is a very important role for HR to play in each of these trends. However, it is not always the role that HR plays today. The five trends on the right in Figure 1 sound very technological and may seem on the surface a strange place for HR to engage, but in the rush to become technologically savvy, organizations may have missed the human implications in these trends. This human element is where the real potential for HR exists. These human implications and what HR can do with them stood out in our research. Next we will focus on four of the nine trends: big data, generational diversity, mass customization and sustainability.

Big Data

A large financial services firm traditionally recruited sales people only from the highest grade-earners at top-tier universities. Using “big data” it correlated employee characteristics with unit revenue, and found that grades and school quality were least predictive of unit revenue, with six other variables emerging as more predictive. The company shifted recruitment away from grades and school quality and toward the six more-predictive factors and saw an improvement of \$4 million in revenue in the next fiscal period.

While it is terrific to learn how to recruit better, there are two issues on the horizon for HR regarding big data. The first is storytelling as a way to engage people. With no story behind the data, analytics or correctness seldom drive change in an organization.

Should HR know how to tell the story behind data? There are not many business disciplines other than HR that are as appropriate a home for that expertise. The HR profession includes disciplines such as psychology, anthropology and communication. Yet, if HR practitioners fail to develop these disciplines into a practical and scalable ability to tell stories with data, the opportunity may be taken up by other areas of organizations, such as marketing.

Then there is the “art” of the question. Big data is much more about questions than it is about answers. HR has a unique opportunity to lead the organization in asking good questions by developing the art of the question in the way they approach data and encourage others to approach data.

This idea of asking good questions is fundamental to leading through influence, which is again something HR traditionally does well. HR often has “permission” to ask hard questions or to probe beneath long-held assumptions, because the job of forging strategies for talent often requires much deeper understanding of strategy, execution and assumptions.

HR could accelerate this role by developing more systematic and common approaches to questions that connect strategy with talent, such as “where would improving our talent make the biggest difference to our strategic success?”

Generational Diversity

HR already has a fairly strong role within generational diversity. However, there is a large gap between where HR is and where it thinks it should be. The preparation for the multigenerational workforce lags well behind the reality.

Those polled have agreed that organizations will be hurt when the older generation leaves and takes knowledge with it. To counter this, many organizations now have reverse mentoring programs where the younger generation is mentoring the older generation to help with technology skills and to transfer knowledge.

While HR is active in these aspects of generational diversity, coming down the road is the question, “Are organizations willing to make the social investment to make diversity come alive?” Research shows that more-diverse groups face greater challenges and may not perform to potential unless provided more time and collaboration tools.

Diversity can be useful, but it also can be hard to manage. Investment in skills, collaboration and understanding differences is necessary for diversity to pay off. HR should take the lead in engaging business leaders in the story of the benefits of diversity in order to get the resources necessary to make it work.

Figure 1. Lofty Ambitions but Less-Elevated Reality

<p>Globalization: Integrating world economies through the exchange of goods, services and capital.</p>	<p>Personal technology: Mobile platforms such as smartphones, laptop and tablet computers, future technology such as wrist devices and Google Glass, and the apps that support them, seamlessly and constantly connecting people and Web-based content.</p>
<p>Generational diversity: The presence of many different age groups among workers, citizens and consumers.</p>	<p>Mass customization: Combining mass production with customization for specific individual consumers or groups to meet people’s needs with the effectiveness and efficiency of mass production.</p>
<p>Sustainability: Meeting the needs of the present without compromising the ability of future generations to meet their needs.</p>	<p>Open innovation: The inflow and outflow of knowledge to increase innovation, including user innovation, innovation ecosystems, co-development, innovation contests and crowdsourcing.</p>

Social media: Online networks and two-way communication channels that connect users in the virtual world, establishing new relationships that expand users' networks and facilitate user participation in interactions and exchanges.

Big data: Data that are too big, too unstructured or too diverse to be stored and analyzed by conventional means, processes or tools.

Gamification: Applying game mechanics to nongame situations to motivate and change behavior.

Mass Customization

There is a lot going on already within HR concerning mass customization, the optimal combination of mass production with customization. We've seen companies basing employment arrangements on learning styles and personalities, allowing employees to choose between lower base pay and higher bonuses vs. higher base pay and lower bonuses, and changing from career ladders with a straight shot to the top to career lattices where a sideways move is considered a good career move. Here, HR has done a great job of applying HR principles to its own traditional functional processes.

HR will need to take the tools of marketing around customization for consumers and clients and applying them to the task of talent segmentation. The key is to optimize. At one extreme, a personal employment deal for every individual would be chaotic. At the other extreme, defining fairness as "same for everyone" risks missing important benefits of customization, and in fact may be unproductive and unfair.

Thus, HR should develop principles for understanding the optimal level of customization in the employment relationship. Moreover, because customization will often mean that different groups of employees receive different employment arrangements based on their needs or the way they contribute, HR must develop principles that equip leaders to explain these differences to employees. Our work suggests that while many leaders understand the need for customization and differentiation in principle, they resist it because they simply don't feel well-equipped to explain them. It is far easier to say, "We do the same thing for everyone, so it's out of my hands." The concept of fairness is sometimes confused with treating everyone the same.

Sustainability

Sustainability is a trend that has arrived (HR has a strong role already as shown in Figure 1) but there is room for HR to become more involved and even lead. One sustainability issue on the horizon for HR is fatigue. In this technologically created 24/7 work environment, HR is uniquely equipped to offer principles that define an optimal balance between work demands and "slack" in the system that allows innovation and flexibility.

What is the optimum amount of rest/work? The fight or flight response that employees engage in for most of the workday has immense physical effects on the brain and has negative effects on the way people lead, on their ability to make decisions and their ability to create. HR can optimize the notion of wellness against the notion of work in a way that is more precise.

One way to optimize wellness at work is mindfulness. Mindful meditation — taking two minutes to breathe and focus — has immense effects on stress-related biometrics and diseases and has been reported to make leaders feel more focused, less reactive and open to new ideas. HR should take the lead in better understanding how these potential benefits affect organizations, and how they fit into an optimum balance.

Barriers and Opportunities to Close the Gap

What are the barriers to closing the gap between where HR is and where it thinks it should be regarding these nine trends? Based on the data, it is not because HR is seen as irrelevant or other functions have already taken the lead. HR relevance was among the lowest-cited barriers. The prominent barriers were more traditional: lack of time, budget and expertise.

Recall the story of del Sarto. Browning wrote of the painter: “Ah, but a man’s reach should exceed his grasp/Or what’s a heaven for?”

Is HR at the risk of spending so much of its resources on the day-to-day that it misses the big opportunities? To paraphrase Browning, does HR’s reach exceed its grasp? Of course, conquering such shortcomings is just the beginning.

Beyond Tradition: Reach Out, Venture Out, Seek Out, Break Out

Our findings suggest that human resources can make great progress by simply allocating more time, budget and expertise to the emerging trends that have the greatest potential effect on organizations. However, at a larger level, lasting change will require fundamentally rethinking how the HR profession and the HR function operate. This includes:

Reaching out: By infusing talent from other disciplines such as marketing, finance, logistics and engineering, and bringing those disciplines to bear on HR issues such as the employment value proposition, options-based leadership development, optimized talent supply chains and risk-optimized performance management.

Venturing out: By exerting influence beyond the traditional role of functional specialist, through direct interactions with constituents such as government, regulators, investors and global collective movements.

Seeking out: By finding and skillfully surfacing unpopular or unstated facts or assumptions that can be debilitating if not addressed. Such hidden assumptions are often first visible among employees, and HR is in a position to “sense” them early.

Breaking out: By leading transformational change. Increasingly, change will be a constant, not a periodic, challenge. HR is uniquely positioned to be the repository of principles and skills for creating change-savvy and agile organizations.