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# **HR LEADERS MUST ACCELERATE PREPARATIONS FOR THE FUTURE DIGITAL ORGANIZATIONS**

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**John W. Boudreau**

Research Scientist  
Center for Effective Organizations  
Marshall School of Business

**Edward E. Lawler III**

Director  
Distinguished Professor  
Center for Effective Organizations  
Marshall School of Business

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# HR Leaders Must Accelerate Preparations for the Future Digital Organization

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New evidence from the Center for Effective Organizations' Global HR Excellence survey suggests HR leaders must move faster to prepare for the fast-emerging digital organization.

## The Digital Organization is Here Now

Abundant evidence shows that transforming to a digital organization is vital. Findings from a Deloitte consulting and MIT Sloan Management Research [report](#) suggest that while 85% of leaders believe that being a digital business is important for success, only 27% believe they have the right talent today. Stu Winby and Susan Mohrman [observe](#) that digital platforms call for a new concept of organization design, involving multiple stakeholders in codesigning the digital and social system across companies, geographies, customers and stakeholders.

Is HR preparing fast enough? Unfortunately, the answer is “no,” based on the results of the latest wave of our ongoing survey of U.S. HR professionals. Yet, our evidence also shows that this is an opportunity, because where HR is more prepared for the digital organization, HR is more effective, and the organization performs better.

## The Center for Effective Organizations (CEO) HR Excellence Survey

The CEO HR Excellence project spans over 20 years, with a new survey every 3 years. The most recent results reflect the responses of 105 U.S. and European HR leaders, to an online survey conducted between May 1 to December 15, 2019. Each survey respondent represented one organization, with over 1000 employees. The survey covers a comprehensive set of issues including HR operations, strategy and effectiveness. You can read more about the survey and our previous results in our book, [Human Resource Excellence \(Stanford Press, 2018\)](#).

Here, we will report on the results of this question: “To what extent is your HR organization prepared to support a more digital organization (e.g. AI, internet-of-things, digital information about consumers, the workforce, operations, supply-chain, etc.)?” The response choices were: 1= “Unprepared;” 2= “Considering ways to prepare;” 3= “Planning to take action this year” 4= “Already have taken some actions;” 5= “Fully Prepared Now.”

Respondents answered this question for 15 specific HR activities, such as workforce attraction and retention, skill development and reskilling, organizational design and structure, total rewards, etc.

## HR is Mostly Unprepared for the New Digital Organization

Overall, very few of our surveyed HR leaders reported that they were “fully prepared” for the digital organization. Across all 15 HR activities, the highest percentage reporting they were “fully prepared” was only 18% for “Workforce diversity and inclusion.” Not a single organization reported being fully prepared in either “Career design and management,” and “workforce planning.”

## Where HR is Most and Least Prepared

Here are our top-five and bottom-five areas of HR preparedness:

The areas with the *highest percentage* of HR leaders reporting they were “fully prepared”:

Workforce diversity and inclusion: 18%

Worker engagement: 14%

Performance assessment and feedback: 11%

Performance management: 11%

Total rewards: 11%

The areas with the *lowest percentage* of HR leaders reporting they were “fully prepared”

Career design and management: 0%

Workforce planning: 0%

Job and work design (deconstructing jobs into tasks, etc.): 2%

Workforce selection and matching talent to work requirements: 2%

Skill development, training and reskilling: 5%

Workforce motivation and involvement: 5%

### **An Untapped Opportunity: HR Preparation for the Digital Organization is Strongly Associated with HR Effectiveness and Organization Performance**

Our results show that being more prepared is strongly associated with key HR outcomes.

We constructed an “HR Preparation for the Digital Organization Index” by summing the level of preparedness across the 15 HR activities. Then, we examined the association of this HR Preparation Index with HR effectiveness and organization performance.

We measured “HR Effectiveness” by asking our survey respondents, “How well is the HR organization meeting the needs of your company in each of these areas?” (Response Scale: 1=Not meeting Needs ... 10=All Needs Met), in 14 areas ranging from “Providing HR services,” and “operating HR shared service units” to “being a business partner,” “being an employee advocate” and “creating organizational agility.” We created our HR effectiveness index by taking the sum of all 14 dimensions.

The HR Preparation Index correlated very strongly (.67) with the HR Effectiveness index.

We measured organization performance by asking our survey respondents, “How would you rate your company’s performance relative to competitors?” (Response scale: 1 = much below average; 2 = somewhat below average; 3 = about average; 4 =somewhat above average; 5 = much above average.)

The HR Preparation Index correlated very strongly (.40) with organization performance.

Overall, our results show that when HR is prepared for the digital organization, HR is more effective, and the organization performs better.

### **A Familiar Pattern: HR Is Slow to Evolve**

These results reflect a disturbing but consistent pattern we have seen for 20 years, and as reported in [Human Resource Excellence](#): HR is slower to evolve than most leaders realize, and yet the more effective and higher-performing organizations are the ones where HR is more evolved, future-oriented and strategic.

The emergence of the digital organization means that leaders both within and outside HR should move faster to adapt to the future of work and organizations. If they do not, they risk missing opportunities for improved HR effectiveness and organization performance.