

“HR transformation” is dead.

Long live HR Disruption, how we evolve
to next generation HR

by Ruud Rikhof, Managing Partner KennedyFitch

This article summarizes why the HR function needs a next stage of evolution. The approaches that we have developed and used over the last decades and no longer “fit for purpose” for a future that is going to be dramatically different. We will need to do a few things:

- Correct the mistakes in the HR models and approaches that are currently most prevalent
- Learn from the future (“not from the past”)
- Embrace technology in an unprecedented manner

HR Transformations, the concept of substantially similar and the power of the cloud

Over the past 20 years as industries have been impacted by massive change and many have seen the need to transform their HR function. Following Dave Ulrich’s highly acclaimed book “HR Champions” in the mid 90’s of the last century, and with the help of a few consulting firms, we have embarked on several waves of large-scale HR transformations. But what is the real business impact of all this effort. We know already for years that these projects tend to be ineffective and fall short in their goals complementing business transformation. Considering this, it is not surprising that CEB research tells us that 4 out of 5 companies are not satisfied with the outcome of their HR transformation efforts.

Why do so many companies embark on HR transformations? Many do it because they have an HR department that needs to keep up with changes in business strategy and their HR is known as inefficient and often even more ineffective. They begin with a benchmark which tends to make matters even worse as they are benchmarking against a “best in class” that also is inefficient and ineffective. A major driver for HR transformations was an attempt to streamline processes, execute faster, with fewer resources as a response to ever increasing pressure on HR headcount and most CHROs think about process alignment to deliver the same standard with a smaller HR team.

What would you do if you did not have an HR department and you were starting from scratch? What is a commodity, which activities give you a competitive edge? We believe that 80% of the activities in HR are substantially similar from company to company, not substantially different. So, if it is substantially similar, why would you need it “in house and customized” if you can also standardize and bundle this with other companies (and turn it into a business) or pass it on to someone else. Core HR

processes need to be solid, not best-in-class, because they do not give a company a competitive edge. It is a simple and basic need that employees and line managers have.

Every company needs an entry and exit process, you will need to satisfy regulatory requirements, the payroll needs to function, overtime needs to be recorded and paid, reference letters need to be provided (in Europe at least), employees go through probation periods. All of this is necessary, but does not distinguish one company from another. And most of this can be programmed in code and if from company to company largely standardized, it will become easier and easier to manage these processes “out of house” or “out of the box”. These processes should be robust, reliable and in 100% uptime – but it is straightforward and not rocket-science. IT departments have done it this way already, Finance departments have done this, Claim Processing is handled largely like this. Maybe we should ask IT or Finance to fix HR for us.

As a result of the history of our HR and because we still are to quite some extent a “process shop”, current HR leadership needs to spend unnecessarily a disproportionate amount of time on the transformation of activities that do not provide any competitive advantage. We burn millions of dollars in projects that add little value and our business leaders testify they are not interested in this and they don’t believe we are good at it (BCG has confirmed this several years in a row).

We are convinced that technology has now reached a level of maturity that make it increasingly possible and likely to transition these activities out of the HR departments as we know them today. And yes, we still need more sophistication with our outsourcing providers and the market will need to set up a mechanism capable to absorb the outsourced processes and do it better than many existing RPO solutions.

The (in)effectiveness of talent or people processes in HR

The Corporate Executive Board has a sophisticated tool to measure the maturity of HR practices in a company. Deloitte and Bersin are working with their “maturity models”. RBL runs a benchmark on HR practices and competencies. These products are all largely the same; after an (extensive) assessment a client will be given an overview how their HR practices or employees compare to “best-in-class” and it will provide deep insights into improvement opportunities. While these views are all useful, they are also “beyond the point”. When organizations benchmark, they reference or measure themselves against a standard without asking if the standard is the right one.

What if your Succession Planning process is mature and best in class, but only 20% of your appointments are coming from people who feature in these plans. What if your Performance Management process is top of the bill, but it does not improve performance. What if you have a sophisticated employee survey process, but engagement is going down. Should the question not be “does the process do what it is supposed to do”.



Many consulting houses though focus on the improvement (or scientific evidence behind these people and talent processes) as well as capability building of HR practitioners (examples are Marc Effron with the Talent Strategy Group, the RBL Institute). They essentially try to fix what has already been for a long time broken. Most large consulting firms develop tools, solutions or measurements and then leverage these with as many clients as possible; in other words, we reproduce what others are also doing. And therefore, there is little uniqueness that is created. In academic language, this is called “organizational convergence”; after some time, we are all looking and smelling similar. Unfortunately however, we are collectively still largely ineffective.

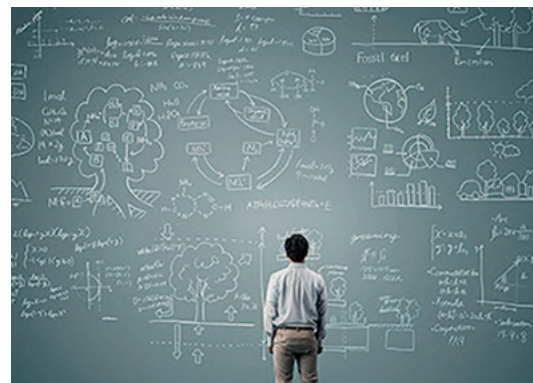
The CEO has many questions on his mind and one of the core challenges is: “do I have the talent and leadership to execute my business strategy”. The CEO will want to know if the leadership pipeline produces the right successors and will care less how the process looks. The CEO will want to know if the future leaders have the capabilities to be effective in 5 years from now and will care less if the leadership programs are “best in class”. The CEO is less interested if strategic workforce planning is top of the bill, but the CEO will be highly interested if the output of that process will help to meet future business needs.

We in HR have for a long time focused on processes and capability building and less on outcome or results or effectiveness. HR claims to be in “the business of talent” and if we subscribe to this, we need to provide an organisation with the leadership and workforce that is ready for the future. We need to stop thinking process and start thinking output and results. Let us start with the end as the starting point, define how success looks and develop leading indicators instead of in lagging indicators.

The science and datafication of HR

This is probably the most “real” but also overhyped trend that everybody these days is focusing on. Consultants have a growing business and like a tsunami, they are flooding corporations with their solutions: strategic workforce planning and predictive analytics are just a few of them.

All of these new developments build on a few assumptions: we have access to data, we know how to combine data, we know how to synthesize disconnected data-nuggets, we know how to interpret past data into future predictions, we can visualize this in such manner that business leaders make more informed decisions. The most important assumption though, is that we have the technology and capabilities to process and apply all of these insights. The technology is already there with artificial intelligence and deep machine learning, but it is a totally new capability that the HR function until now has only cautiously embraced; yes, we did have reporting teams, yes, we did do some analytics, mostly looking on the mirror backwards, and yes, we did invest in sophisticated reporting tools. We experience that the best candidates in analytics do not necessarily want to work in HR and yet we try to build analytics teams in HR, rather than integrating this capability with other functions, like finance and marketing.



On the scientific front, the HR function has a notorious challenge to use science in business. How well do we know the science behind leadership, how well do we have accessed science behind compensation model development and reward strategies, how capable are we to use insights from motivation psychology in work and leadership design? Is evidence based HR our virtue? Do we use science for work? How many ill-researched models are we using? To a very large extent, our collective HR capability is marginal at best.

Just one example to underline this; How good are we at scientifically identifying high potential employees? (Can anybody show us the scientific validity behind learning agility as a predictor?) Or are we simply good at identifying high performing employees who may have some potential? Maybe it is time to drop the „9-box“ approach where we largely rely on the inter-subjectivity of leaders to define potential. We need a scientifically validated measurement that will predict potential.

We will miss a huge opportunity to significantly change the impact on business decisions unless the HR function integrates data-capability building with other functions and technology and if we, leaders (in HR) do embrace data and science-driven people decisions. If human science and technology are becoming better predictors of leadership behaviour, we should learn to leave more and more leadership choices in the hands of “intelligent clients” and out of the hands of the “I-have-been-there-before-leader”.

The future of work and what constitutes the future workforce

Most HR functions are designed to “manage” employees that are on the payroll. We manage talent as corporate resources and our processes are supposed to support this; we have competency management systems, high potential definitions, career ladders, succession plans and pools, employee lifecycles and so on. Over the years, we have built a myriad of corporate approaches to “manage” the talent base in the company. And this has served us OK-ish in a context where most employees are “ours”.

The current shift in employment patterns will make most of these approaches obsolete in the next decade. Largely as a result of a combination of technological changes, demographic changes and “corporate fatigue” we will see an explosion of the “off-payroll” workforce at the expense of the “on-payroll-employee”. The unbundling of jobs in work, the unbundling of people in capabilities and the changing patterns in loyalty will facilitate the transition towards a “parship of work”; an electronic talent market

that combines the virtualization of jobs and crowdsourcing; Upwork already has 12 million workers registered, GitHub’s is already a household name in IT. The emergence of many other novel “work-worker-matching-engines” will require HR functions to revisit their talent definition.

Already in 2007 the Economist concluded that the HR function has an inconclusive definition of talent, right now the HR function will again be challenged to define “talent”. Is it everybody on the payroll? If so, we will be left to design HR interventions for only 20-30% of the workers who will remain on the payroll. Or is it everybody who works for the company? If so, this would include the future 70-80% who will be connected through all kinds of contractual arrangements on all kinds of places. We believe that HR needs to embrace all categories of workers.



Consumerization of HR

It may take another few years before all your employees and contractors will have smartphones and we literally mean all of them, wherever they work and whatever kind of work they do. Quite a few HR processes are currently still tied to “on-site presence”. Underpinned by novel technology, we predict that most classic HR interventions will become available anywhere and anytime on any mobile device. And when employees start to see themselves more and more as a “workforce of one”, they will increasingly want a personalized HR experience. Many companies have a “bring your own device” policy and in the years to come a worker will “bring my own HR” and this development is going to be a game changer for HR. More and more apps will become available that allow a personalized HR experience. New employees will come with their own induction plan, they may have chosen their individually designed performance management system, a goal setting process that meets their needs, a feedback process that fits their personality. We will see learning interventions that are totally personalized and employees will access this when they feel it is the right time. The worker of the future expects a humanized and totally individualized (digital) experience.

HR and the exponential organisation

Much attention has been given in recent years to Salim Ismail and Yuri van Geest when they published their book “Exponential Organizations”. They argue that combined breakthroughs in technology, data availability, artificial intelligence, deep machine learning, robotics, bandwidth, hyper-connectivity, sensor technology, neural networks (just to name a few) will drive not a linear but exponential growth of capabilities and this in turn will disrupt business in a manner we struggle to imagine. The World Economic Forum calls this the 4th industrial revolution. Even if we were to believe that their time-scale predictions are a bit optimistic, we can argue without any doubt that disruptive changes are closer than we think.

Almost all of our HR models are extrapolations of the past; we have built interventions that were based on a certain understanding of economic and organisational models. Pricing of work and products were scarcity driven. The future however is one of abundance (Uber and Airbnb) and old models do no longer fit with a world of abundance. The exponential organisation is insanely client and “design” centric and provides immersive individualized products, services and solutions. Exponential companies amongst others are in “constant beta”, others call this lean start-up; they crowdsource, they have an open talent market, they build communities, they are driven by engagement. These are just some elements of the “new organisation” and it is clear that our old way of doing HR transformations no longer fit this new context.

Future proof HR will need to be designed with the future in mind and we then need to start “wiring back” designing interventions that help us to build a future. We no longer need approaches that “preserve” the past.

So, how do we move from here

To a very large extent, most of us are moving into “terra incognita” so there are no cooking books yet. Some good sources of inspiration are:

- Lucy Adams with [Disruptive HR](#) recently published a book “HR disrupted” and has developed a diagnostic to assess your HR practices;
- We recommend you follow [CHREATE](#), a consortium that did some interesting work on the future of HR;
- Take a look to TI-Peoples [Digital HR framework](#). It is great starting point to build up your own digital agenda and to ‘connect the dots’ of your current digital HR activities;
- [Jeanne Meister](#) is a keen follower, observer and journalist and regularly publishes in Forbes;
- Jon Younger at the [Agile Talent Collaborative](#) is focusing his research on global workforce trends;

Our recommendations are the following:

- First, articulate who your talent is; it will tell you on which pitch you are playing;
- Start experimenting with the future of work inside the function: virtualize, externalize, decompose jobs, start networking, live the gig economy by example, partner up with multiple providers;
- Reinvent all your talent interventions and think in employee centric design solutions;
- Deep-dive into technology; appification, employee experience, gamification, consumerization;
- Translate every initiative into contribution, outcomes, so make results measurable;
- Do not build people analytics inside the HR function, but “buy, borrow and steal” this capability and cooperate with others inside and outside the company;
- Build inside your function an “always-on beta culture” of experimentation and iterative development;
- Ideally, start with learning and talent attraction, this is where you can control most yourself;
- If you are (still) in classic HR Transformation mode; be fast and furious.

And lastly

The BEYOND HR Forum is THE place to get immersed in the future of HR. July 6 and 7 in Amsterdam, it will feature a range of keynote speakers and workshops, all centred around and focused on “HR around the corner”. We recommend you to benefit from progressive insights that are relevant for the future of the HR function.

Visit www.beyondhrforum.com for more information.



About the author

Ruud Rikhof is co-founder of KennedyFitch and a Human Resources executive with 25+ years of experience with IBM, Novartis, Bristol-Myers Squibb, The Nuance Group, UBS and SHV (one of the largest family owned company in the Netherlands). He has worked in global, regional and local roles and served client populations of up to 20.000 employees and led HR teams of 50+ HR Business Partners and was based in Amsterdam, Vienna, London, Munich, Basel and Zurich. At KennedyFitch he focuses predominantly on executive search for the Human Resources Function.

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Executive Search &
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Solutions for Human Resources

Strategy consulting

As “strategy consultants” we have a model to measure the effectiveness of talent and people practices and how these will impact company value or strategy execution. We measure whether they do what they are supposed to do: impact people productivity. We take a holistic view and have a unique tool that quickly diagnoses some of the most influential drivers of business success. The outcome of our initial diagnosis will give a company clear indications about the quickest and most impactful improvements on your investment. And we can do the same for your HR department.

Community building and HR Masterclasses

- We are “knowledge, network and community builders” par excellence.
- we offer a unique workshop about the future of HR
- we teach HR in business schools and in MBA and post graduate HR programs
- we have developed bespoke masterclasses
- we are working with universities to develop their HR curriculum
- we are involved in multiple platforms where HR leaders can meet and exchange
- we are the initiator and organiser of BEYOND, The Global HR Leadership Forum.

Development and transformation consulting

We are “talent and leadership developers” pur sang. We provide interventions on an individual, team and organisational level to drive effective performance as a result of changes in mindset and behaviours. Through executive coaching, team facilitation and organisational transformation practices, we touch the “hearts and minds” of high potentials, leaders, teams and companies and our approach can equally be applied to large scale cultural and/or HR transformations.

Executive search for HR

We have an unrivalled position and a deep expertise in executive search and talent pipelines for the Human Resources function. Our clients are multinational companies and we have completed projects in all functions of HR on all continents. Candidates see us as a trusted career advisor and cherish that they can speak to consultants who have a long track record in international HR in large multinational companies.

Our clients



For more information, please contact 41-44-2623000 or send an email to ruud.rikhof@kennedyfitch.com

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