

HR 2020

A lot can change within HR in the next five years, from how talent is sourced to how jobs and work function altogether. Experts who study the profession share their perspectives and predictions.

BY ANDREW R. McILVAINE

When John Boudreau is asked what he thinks the typical human resource department might be like five years from now, he cites an unusual marketing partnership created in 2005 between Siemens and the Walt Disney Co.

At the time, Siemens had just created a new, state-of-the-art hearing aid for children. The next step for the Munich, Germany-based engineering giant was to put the word out about its product. Getting this right was crucial—after all, even the best products will languish in obscurity if the marketing efforts behind them don't resonate.

Rather than searching for and recruiting the world's top marketers to children, however, Siemens turned to Disney. Its marketers created a children's kit—distributed free to audiologists and featuring plush toys and Disney-illustrated storybooks about coping with hearing loss—that helped make the hearing aid a top seller.

"Siemens knew the best children's marketers in the world work for Disney, so rather than competing to attract that talent, it decided to partner with [the Burbank, Calif.-based mass-media corporation] instead," says Boudreau, a professor of management and organization at the University of Southern California's Marshall School of Business and the co-author of a forthcoming book titled *Lead the Work, Not Just the Employees*.

The underlying lesson is that "the best talent in the world may not want to work for you in the area you need them to," he says. And, in an economy that is growing ever-more mobile and boundary-less, such partnerships will increasingly be the norm in the year 2020 and beyond—and will require a significant rethinking of how HR goes about finding the best people.

"HR will be the experts at creating the governance needed to borrow employees," he says.

Indeed, the near future holds great promise for HR because of the sheer importance of its mission and the growing stature of HR leaders, says Dave Ulrich, the Rensis Likert Professor at the University of Michigan's Ross School of Business and editor of *The Rise of HR*, a new book published by the HR Certification Institute featuring essays from 73 HR experts on the future of the profession.

"The Conference Board's 2014 survey of global CEO challenges ranked human capital as the No. 1 challenge," Ulrich says. "We've found that the leadership profile of successful CEOs most closely matches that of effective CHROs," he adds, referring to a 2014 analysis he undertook in partnership with Korn Ferry that was published last year in the *Harvard Business Review*. This suggests future CEOs may not only place greater importance on HR—in a growing number of companies, they themselves will be former CHROs.

Despite automation and outsourcing, say Ulrich and others, the HR function will not only remain relevant

in the year 2020 and beyond, but will actually become increasingly important to the organization.

There are caveats, of course: The people who work in HR will not only need to continue deepening their understanding of the businesses they serve, but will need to become proficient in areas such as data analytics, and beef up their soft skills as well. And, Boudreau and others predict, they'll need to discard their pre-existing notions of the employment relationship, as technology and globalization disrupt the prevalent notion of what an "employee" is.

"This is a great time to be in HR," says Ulrich. "We're at a crossroads."

Changing Jobs, Work

The HR department of 2020 will probably devote a good chunk of its attention to people who work outside the organization, many of whom will have no intention of ever working for it in a conventional employment relationship.

"We need to break out of the assumption that an employment agreement is the best way to have people on hand who are eager to do the work that needs to get done," says Boudreau. "If I asked you what the best way was to engage top talent, would a traditional employment agreement really be the answer?"

Perhaps not—not in a world in which online platforms such as Topcoder (a marketplace in which more than 700,000 programmers offer their skills for sale) and oDesk (where businesses and independent professionals connect) give talented freelancers the ability to work for whomever they wish, whenever they wish and from wherever they wish.

These platforms let organizations take discrete activities whose value can be clearly measured and have them performed at a fraction of what they'd normally cost if done inside the organization, says Ravin Jesuthasan, managing director at Towers Watson's talent management practice and co-author (with Boudreau) of *Lead the Work, Not Just the Employees*.

"Instead of paying \$200,000 a year for a programmer, you can actually have this work done on a platform like oDesk, in which parts of it are done by employees and other parts are shifted to an outsourcer—now it's going to cost you one-third of that," he says.

"You're seeing work getting fragmented—instead of hiring someone to do a job, [employers are] pulling it apart and having different people do different parts of it," says Jesuthasan. This presents a new opportunity for HR, which can help business leaders source the best talent (inside and outside the company) and create a framework for divvying up the work as needed.

HR will work at improving the talent at other companies as well, says Brian Kropp, executive director of CEB, a research advisory firm in Arlington,

Va. He cites Sysco and Caterpillar, which have opened their leadership-development and training programs to the employees of reseller partners (in Sysco's case) and supply chain partners and dealers (when it comes to Caterpillar). After all, he says, it's not just your own employees who affect your brand.

"They believe that in order to succeed, there has to be great talent up and down the supply chain," Kropp says. "After all, if a customer has a bad experience with a Caterpillar dealer, who will they blame? They'll blame Caterpillar."

The nature of the global economy—often characterized as VUCA (for volatility, uncertainty, complexity and ambiguity)—also means work will increasingly be organized around goals, not just job function, says David Smith, a leader in Accenture's talent-strategy practice and co-author of a new report, *Humanizing Work Through Digital*.

"Employers are dealing with a lot of volatility, a need for agility, changing products and services—it requires having a workforce that can deal with rapid change," he says.

Faster product cycles will require HR to possess a new capability set, one that helps organizations swiftly assemble teams that can quickly bring new products to market. In so doing, HR will need to answer the following questions, says Smith: Where do we find the people with the necessary skills and how do we assemble teams with the right composition and leadership?

"In the end, you can have HR right in the middle, helping the business by accelerating the time to market for a new product," he says.

HR will also be called upon to help employees adapt to a workplace in which robots and automation will play an ever-bigger role, says Smith. There will be initial disruption, he says, but there will also be important opportunities as automation creates new jobs that haven't even been thought of today.

"[HR] will need to help employees focus on the skills that machines will never replicate: things like ideation, communication, analysis [and] the ability to make sense of data," says Smith.

"The shift to project-based work—when you do that, the agility of the workforce to create an outcome-based view of what they're trying to do is very important to that model," he says.

Out with the Outmoded

Even while playing a bigger role in deciding how work gets done, HR leaders will also need to confront the fact that most of HR's traditional processes are under attack: Performance management, succession planning, recruiting and developing the best talent—all are widely seen as lacking in actually helping companies do what

those activities are intended to do, says Josh Bersin, president and founder of Oakland, Calif.-based Bersin by Deloitte.

“HR leaders have to be bold, innovative and willing to try something new,” says Bersin.

By 2020, some of those processes may look quite different. Performance management, for example, will have

probably shifted at most firms from a once-a-year appraisal to weekly or even daily conversations between managers and direct reports that both parties may actually look forward to having, say Bersin and other experts.

Learning and development activities, meanwhile, will be dominated by the mobile phone, says

Bersin: “The traditional, three-hour course—no one is going to sit through that anymore,” he says. “Employees will expect to watch a short video on their phone and then get back to work, applying what they’ve learned.”

L&D—traditionally thought of as internal functions—may shift (at least partly) to outside platforms by 2020.

Online mentoring services such as Everwise and MentorCloud will help companies match mentees with mentors—not only within the organization, but outside it as well in some cases, says Jesuthasan.

Even Topcoder and oDesk may play roles in helping employees develop, he says.

“Topcoder gets you access to some of the best programming talent in the world—so, instead of trying to build your own learning-and-development platform, you can say to employees, ‘Why not try a moonlighting gig on Topcoder and bring the new skills you learn there to us?’ ”

Naturally, some companies will be resistant to sharing their hard-won talent with potential competitors. But, in many cases, it’s already too late, says Jesuthasan.

“I see that as a challenge, [the need to let] go of the mind-set that we can wall off our talent from the outside world,” he says. “If you think the outside world doesn’t already have visibility [into] your best talent, a quick visit to LinkedIn will quickly disabuse you of that notion.”

In writing their book, Jesuthasan and Boudreau talked to a number of CEOs who were well-aware that some of their senior people also headed up businesses of their own on the side, whether on Topcoder or some other venue.

“They were fine with it—their attitude was, ‘Why wouldn’t I let him or her do that, it gives me access to the best talent while letting them build their own career,’” says Jesuthasan.

Driven by Data

By 2020, HR will need to be good at providing the rest of the organization with data that does more than simply explain what’s already happened: It must tell its leaders who, within the organization, may be thinking of leaving, who’s joining and why, and why one team is having performance failures while another is thriving, says Jean Martin, talent-solutions architect at CEB.

As work has become more horizontal and collaborative, says Martin, a surfeit of data and technology provides a new level of insight for getting more precise answers. Today, she says, companies can report on their turnover rates, but tomorrow, they may be able to foresee that turnover and design programs accordingly, thanks to the level of insight offered by predictive analytics.

Companies such as Google use “meeting-cancellation rates” as an indicator of engagement and potential turnover challenges, says Martin. HR will become a kind of analytics guide, producing “the right answers at the right times” to avoid negative HR outcomes.

Wearables will also play an important role, says Bersin. “I’m very excited about the potential of the Apple Watch—I think it has a lot of workforce utility,” he says. Even devices such as smart identification badges can predict performance: Bersin cites Hitachi, whose smart badges tracking employee movement in the workplace revealed that engineers who move around a lot

and eat lunch with large groups of co-workers are more productive than their more-solitary counterparts.

There's some bad news, however: Many who are now in HR won't have what it takes to measure up in this new world. CEB's research predicts that about half the people working in HR today won't be working in the profession five years from now, says Kropp.

Bersin agrees some churn is inevitable. "Because the demand for talent is so acute right now, I think a lot of companies are questioning whether the CHROs they have are the right people," he says. "It's a demanding role that requires deep domain in HR, but also a willingness to innovate, to push the envelope, and not all director-level HR people are ready for that."

What sorts of skills will be necessary? The ability to understand analytics and draw prescriptive guidance from data will be key, says Martin. HR will also need to be seen as a credible source. Troublingly, she says, CEB's latest *Global Labor Market Survey* shows only 18 percent of business leaders trust the talent data and insights provided by HR.

Part of the problem, says Martin, is a lack of "executive presence" from many HR leaders. This means soft skills such as critical thinking, persuasiveness, the ability to present a credible argument and the tenacity for holding fast to a position will be important, she says.

HR leaders need to get good at not only forming and holding "an executive presence," but also asking their bosses to back them "in that position," says Martin.

In other words, chief HR officers who are confident in their ability to deliver what the business needs should insist on the same level of support and respect granted to other C-suite members, particularly the CFO.

An effective CHRO will need certain qualities, says Bersin, "things such as being good at advocacy and lobbying, being an 'orchestra conductor'—the ability to convene people who are virtuosos and get them to work together."

In his words, "a great HR department can have a huge impact on organizational success; a weak one can hold an organization back in a lot of ways."

Ulrich isn't so sure that half of today's HR professionals won't be in the mix by 2020.

"I think 20 percent who are in HR currently are very good and will succeed in the future and 20 percent today aren't very good and probably won't be in it tomorrow," says Ulrich. "The interesting part is the 60 percent in the middle: Will they be able to grow and get better or will they not?"

Better screening of those who seek to enter the profession today—identifying those who bring a combination of business skills and passion around people—will ensure that more of them will thrive in HR beyond 2020, he says.

"I think we can [keep] the majority of that 60 percent," says Ulrich. "I tend to be an optimist: If someone is willing to grow and learn, I think we can help them."

The good news for HR professionals is that those who do succeed will be handsomely rewarded: CEB's pay data for 2007 shows that the best HR people were paid 20-percent more than the rest; its 2014 data shows the best are paid 36-percent more than the average.

"If you can get there, good things are going to happen to you, personally," says Kropp.

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