



What's needed of HR leaders in a digitally transformed world

October 2017

HR leadership's journey

The digital age has created a new context for leaders to apply critical capabilities and drive their businesses to thrive (or survive). Companies are competing heavily for skilled leaders who can guide their organizations through the shift from doing digital things to being digital enterprises.

This new landscape is highly agile, ambiguous, and constantly changing, requiring a shift in traditional HR practices to focus on the employee experience to drive the customer experience and other key performance metrics. Additionally, the increased frequency of networked-

based teams, and the rise in short-term, contract-based "gig workers" allows industries to fulfill business imperatives with newfound agility, priming HR's step to the forefront of organizational transformation.

These disruptions have created an enormous opportunity for HR to galvanize the transformation to the digital organization, by driving talent, workplace and organizational strategies that increase competitive advantage. And if HR leaders are willing to redefine their role, they are in a key position to help their companies achieve success in the digital age and beyond.

Big shifts = Big disruption for HR

The future of business success is at the intersection of digital innovation and human influence.

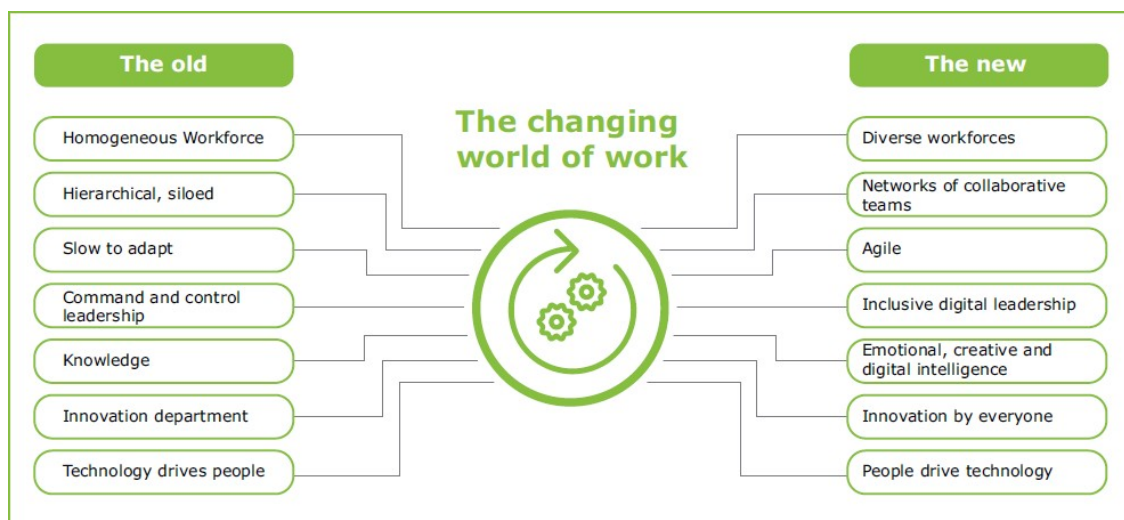
A company cannot just implement new technologies and expect to see positive business outcomes without considering the way work gets done and the expectations of the workforce. Leaders who alter employee mindsets and foster a culture of

innovation can create a strong foundation for digital transformation. And, in turn, a digital infrastructure needs to be a vehicle used to measure, monitor, and manage the employee experience.

The rapid pace of technology change has shifted how we behave both as workers and as consumers, which has caused shifts in business operations. Ultimately,

HR technology and practices are shifting to mirror new digital capabilities and management strategies, moving away from “tools that automate traditional HR practices, to platforms and apps that make life at work better.”¹

As a business and workforce, we are shifting across a number of spectrums—the diagram below highlights these changes, and how HR practices are responding:



In short, HR’s focus and overall approach needs to become much more strategic than ever before.

¹ Josh Bersin. “9 HR Tech Trends for 2017”. Society for Human Resources Online, 2017. <https://www.sHrm.org/hr-today/news/hr-magazine/0217/pages/9-hr-tech-trends-for-2017.aspx>
² Deloitte. “Future of Work,” 2017.

What's needed of HR leaders in a digitally transformed world

HR's opportunity to build the digital organization

Digital organizations are being developed through three main areas: the Enterprise, the Environment and Enablement. HR's influence is critical in each of these areas.

- The Enterprise is about ensuring your core business and strategy are aligned with being digital. This means understanding and prioritizing the traits that are critical for your organization to grow and develop for the future. This can align with your technology strategy and can influence the type of investment necessary to take your organization into the future.
- One key way that HR can influence the enterprise is to recognize and embody a digital mission. HR today should strive to redefine its role "as the team that helps management and employees rapidly transform and adapt to the digital way of thinking."³
- The Environment is about the organization and talent inside your company boundaries. Designing networked teams and identifying leaders who can successfully navigate in a digital context is critical to becoming a digital organization. A digital ready workforce brings the "future of work" to life with a blend of robotics, automation, on balance sheet workers and "gig workers" who have constant, on-demand skill development.⁴ Finally, we can

build on a connected work environment that delivers consumer-grade employee experiences and digital tools to increase productivity.

HR can drive this change in the environment through new organization designs, focused leadership diagnostics and development and targeted learning strategies that are personalized for an individual's career. Updated practices, supported by a new type of manager and new way of thinking, can help recognize, reinforce and grow innovative, networked, and empowered teams. Enhanced performance management approaches can help to identify and grow emerging digital leaders at all levels.

- The Enablement of a digital organization is brought to life through HR and predictive analytics. HR should be a key driver of digital transformation, leading the organization and workforce redesign, while employing a "digital-first" strategy themselves. Enabling this type of transformation is not your typical change management. Migrating to a digital organization requires predictive change analytics that can provide insights to help direct and evolve your organization. Being digital is not a destination, but an evolution which is constantly re-evaluating talent needs-based market shifts and technology advancements.

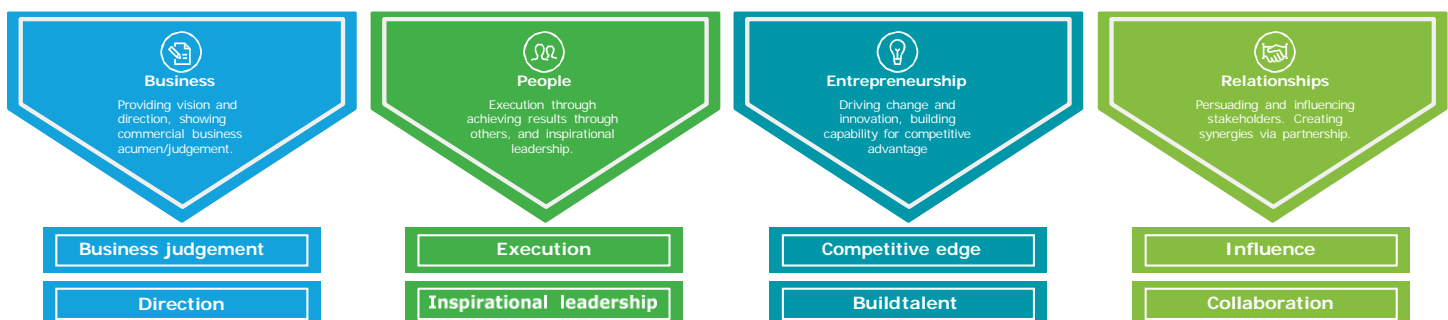
HR enables digital transformations by offering consumer-grade workforce experiences, its ability to monitor real-time workforce metrics, to innovate and iterate constantly, and to "harness feedback so executives can make informed decisions on a regular basis."⁵

HR leaders who embrace new strategies, platforms, and more agile ways of working, and who proactively help employees make the needed shifts to new technologies and work habits will likely influence the greatest business impacts.

The new HR digital leader

Indeed, technology will continue to be a focus of HR and business leaders, but leadership, specifically HR leadership, has become more critical during this era of digital transformation. HR leaders are in a prime position to help move the needle. However, according to Deloitte's Human Capital Trends report, only 5% of organizations surveyed feel they have strong digital leadership.⁶

Deloitte has found that leadership capabilities fall into four universal areas—business, people, entrepreneurship, and relationships—with a total of eight capabilities, two aligned to each area:



³ Erica Volini, Pascal Ocean, Michael Stephan, and Brett Walsh. "Digital Hr: Platforms, People and Work," 2017 Global Human Capital Trends. Deloitte University Press, 2017, <https://dupress.deloitte.com/dup-us-en/focus/human-capital-trends/2017/digital-transformation-in-hr.html>

⁴ "Digital Hr", op. cit.

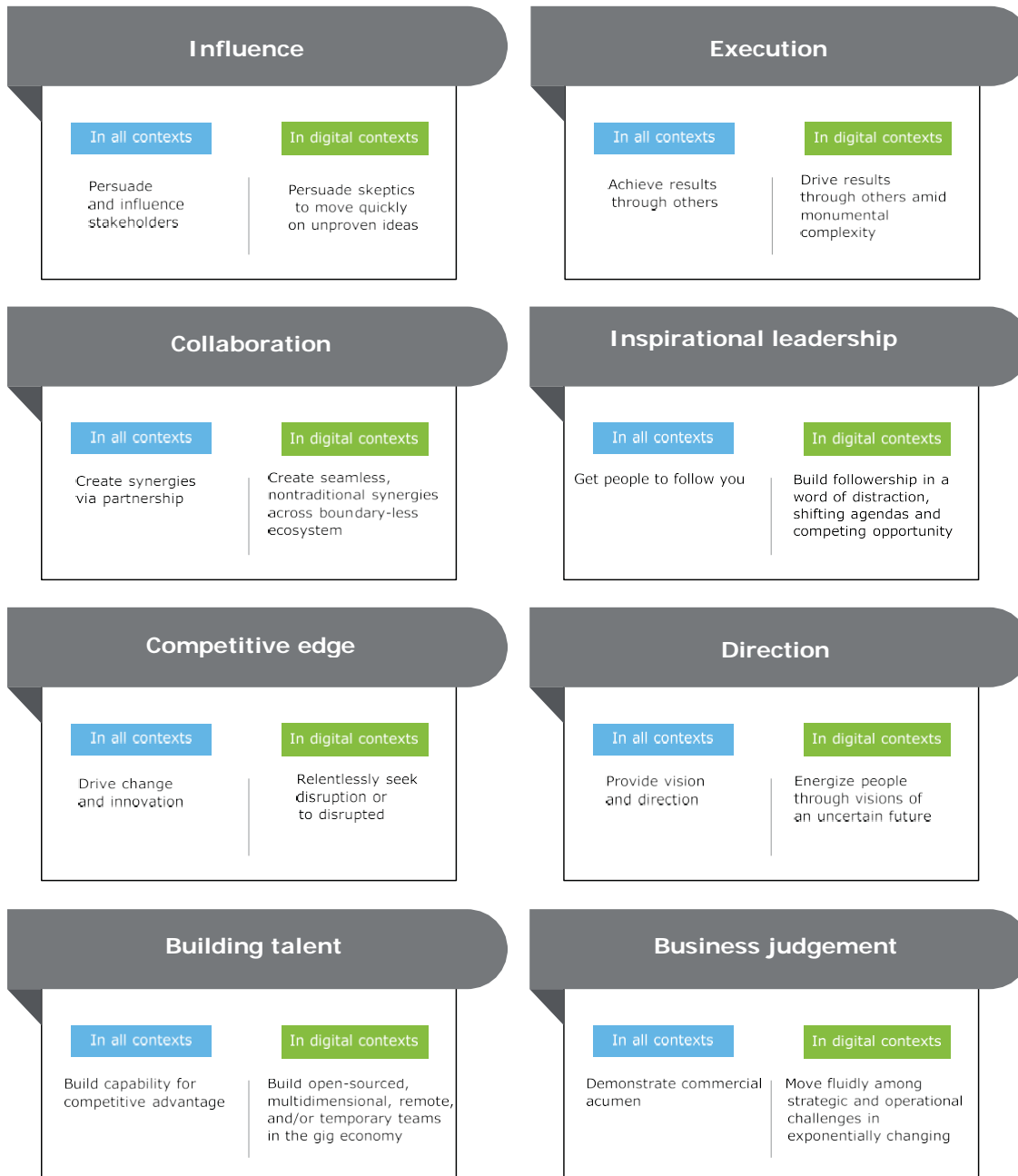
⁵ Josh Bersin. "The New Digital World of Work: How HR Will Change In 2016," Fobes Online, 2016, <https://www.forbes.com/sites/joshbersin/2016/01/29/ten-predictions-for-hr-leaders-in-2016-how-the-digital-world-of-work-will-change/#3421775f5555>

⁶ Anthony Abbatiello, Marjorie Knight, Stacey Philpot, Indranil Roy, "Leadership disrupted: Pushing the boundaries," Global Human Capital Trends 2017: Rewriting the rules for the digital age, Deloitte University Press, 2017, <https://dupress.deloitte.com/dup-us-en/focus/human-capital-trends/2017/developing-digital-leaders.html>

What's needed of HR leaders in a digitally transformed world

To effectively lead an organization through this shift, HR leaders should have these core building blocks in place. However, although universal, the complexity and demands of these leadership capabilities change based on context—and the context of shifting to a digital organization introduces an enormous level of complexity that many HR leaders

will struggle to overcome. The changing demands, uncertainty, and ambiguity of a digital environment challenges these skills to a degree most HR leaders haven't seen before. HR's digital leaders can be more effective if they are able to think, act and react differently. The figure below reflects these adjustments:



What's needed of HR leaders in a digitally transformed world

The new HR digital leader has the opportunity to be more successful by developing a mindset grounded in entrepreneurial growth, accepting digital as the new reality, investing in talent and new ideas, while forging influential partnerships across business units and leading change. This new type of HR leader can also be more effective if they learn to lead a workforce that includes diverse demographics (e.g., millennials), and liquid talent (e.g., contractors, contingent workers).

The impact of a HR digital leader that excels in adjusting their capabilities cannot be overstated, as it is digital leaders who will guide organizations in the shift from doing digital things to being digital enterprises. Success however, in this context of increasingly complex leadership demands, is underpinned by leaders' dimensions of potential—in other words, their raw material. The leadership capabilities which have been discussed refer to “things to do”—competencies, skills, and knowledge. “Potential” however, refers to “how fast and how far you can go”—personal qualities, attributes, traits and agility. There are four dimensions of leadership potential which help determine how quickly a leader can transition as demands increase.

- 1) **Intellectual Potential:** Breadth of perspective, conceptual thinking, decisiveness
- 2) **People Potential:** Adapting to complex and changing interpersonal demands
- 3) **Change Potential:** Driving and responding to change; seeing opportunity in uncertainty
- 4) **Motivational Potential:** Adapting personal drive and focus to achieve in new and changing contexts

A Deloitte Digital and MIT Sloan study reported that 85% of companies believe their leaders' current level of skills are insufficient for leading a digital strategy.⁷ This is telling of the reality that there are and will be leaders across organizations with the tools and potential to succeed, and there will be others who may never get there due to a lack of potential to make the shift.

What should organizations do with the people at the bottom end of this distribution of potential? Just letting go of them may be the wrong answer. HR Leaders who are not “digital-ready” or “digitally capable” can still add great value to the organization during transformations outside of the role of visioning, inspiring, or reimagining a digital initiative.

Getting HR leaders in a place to make the shift and lead a digital organization

How can HR leaders with the potential to change how they think, act and react actually make the shift required to motivate, manage and engage a Digital organization?

- **Rethink the organization's leadership model:** The new model should include the concepts of innovation, growth, inclusion, teamwork, and collaboration.
- **Identify the likely HR digital leaders in the organization:** Determine who has the potential to make the shift in thinking, acting, and reacting in this new context. Then train them to understand these opportunities.
- **Ensure accountability:** Identify the person or group responsible to the C-suite and board for building leaders as part of the business strategy.
- **Promote less experienced talent into HR leadership much faster:** Give them the opportunity to learn on the job and the flexibility to lead teams and projects with support from senior leaders. Use them as reverse mentors to help senior executives learn about technology, work practices, and the culture of younger employees.



⁷ Gerald C. Kane, Doug Palmer, Anh Nguyen Phillips, David Kiron, And Natasha Buckley, “Aligning the Organization for Its Digital Future”, MIT Sloan Management Review, July 2016, <http://sloanreview.mit.edu/projects/aligning-for-digital-future/#chapter-7>

- **Foster risk-taking and experimentation through leadership strategy:** Leadership programs should be interdisciplinary and focus on new product and service innovations, encouraging risk-taking and experimentation as people develop new skills.
- **Move beyond traditional leadership training:** Instead, focus on leadership strategy, on-demand learning, and development experiences, with an emphasis on culture, empowerment, risk-taking, knowledge sharing, exposure, matrix management, and building talent as guides. Bring in external leaders and rethink your leadership vendors; many are entrenched in old models and traditional leadership thinking, rather than in your context and reality.

A case study: SAP's HR transformation

Some organizations, like SAP, are leading the charge in building digital organizations. In 2015, SAP underwent a large HR transformation implementing its own cloud solution, SuccessFactors, with the goals of “decreasing complexity, increasing effectiveness, and creating solutions for ultimate customer satisfaction.”⁸ The transformation was a business-driven process, underpinned by design thinking. SAP's cloud technology supported 13 defined capability areas, including:

1. Collaboration platform
2. People Profile (HR information system with more than 100,000 active profiles)
3. Recruiting Marketing (a global sourcing and recruiting platform)
4. Recruiting Management (a global applicant tracking system)
5. Goal and Performance Management (aligns employee objectives with corporate goals)

6. Compensation Management (enables managers to plan efficiently and give employees transparent access to total rewards)
7. Development Planning (enables employees to include any type of development, learning, and training to manage their career growth)
8. Succession Management (supports managers in mapping out their successors for key managerial and expert positions)
9. Learning (focused on blended learning approaches including e-books and e-learning modules)
10. 360 Feedback (an anytime feedback mechanism giving employees access to detailed reports)
11. Workforce Analytics (enables the rapid response to data requests from business partners)
12. Onboarding (manages post hiring and day-one activities for all SAP hires)
13. Employee Central (SuccessFactors' Core HR solution)

The CHRO of SAP emphasized the importance of having the right strategy and people to support their HR transformation.⁹ The strategy in place promoted learning and growth, leadership engagement and development, and simplicity and agility. SAP's HR leaders recognized that they needed to build skilled teams to support the transformation and help identify problems. The teams consisted of diverse employees, from different backgrounds and different levels, with different areas of expertise. And, teams included “change leaders” from around the company, which proved critical to the success of the transformation. SAP identified the priority to invest in the digital skills of its staff as it “will create a 31% increase in employee engagement among leaders in the next two years.”¹⁰

SAP emphasized its digital strategy and developed HR leadership's capabilities throughout the HR transformation. This, in conjunction with the implementation of innovative new technology, led to a drastic improvement for many of SAP's business outcomes. The yearly compensation planning cycle shortened from 9 to 3 weeks. In 2016, the employee engagement index was at 85%, up 3 percent from previous year. Finally SAP realized a 30% increase in productivity after centralizing and standardizing the process for creating contracts and offer packages.¹¹

Although it is easy to focus on the technology—after all, tools like SuccessFactors can accelerate digital transformation—SAP has cautioned others not to view technology as more than just one piece of the transformation puzzle.¹² Based on subsequent research study conducted by SAP, they suggested and we agree “... digital transformation is a leadership moment as opposed to a technology moment.”¹³ **In essence, the challenges organizations face during this age of digital transformations are fundamentally leadership challenges.**

⁸ Bersin by Deloitte, “Case Study: HR Digital Transformation, How SAP Leveraged Design Thinking and Its Own Launch Methodology to Drive Change Globally”, 2016, https://www.successfactors.com/en_us/download.html?a=/content/dam/successfactors/en_us/resources/case-studies/case-study-hr-digital-transformation-sap.pdf&Campaign_CRM=CRM-XM16-GAM-hr_BSMNB#

⁹ Bersin by Deloitte, “Case Study: HR Digital Transformation, How SAP Leveraged Design Thinking and Its Own Launch Methodology to Drive Change Globally”, 2016, [https://www.successfactors.com/a/Katherine Jones, Sally Ann Cooke. “HR Digital Transformation How SAP Leveraged Design Thinking and Its Own Launch Methodology to Drive Change Globally”, Link](https://www.successfactors.com/a/Katherine%20Jones,%20Sally%20Ann%20Cooke.%20HR%20Digital%20Transformation%20How%20SAP%20Leveraged%20Design%20Thinking%20and%20Its%20Own%20Launch%20Methodology%20to%20Drive%20Change%20Globally%20Link)

¹⁰ Vivek Bapat, “Four Traits Set Digital Leaders Apart From 97% of the Competition SAP, 2017, <https://news.sap.com/four-traits-set-digital-leaders-apart-from-97-percent-of-competition/>

¹¹ SAP, “Success is simply human: Insights on SAP's HR Digital Transformation”, 2017, https://d.dam.sap.com/a/nUUUnS/Success%20is%20Simply%20Human_Sap_Hr%20Digital%20Transformation_Final.pdf

¹² “Four Traits”, op. cit.

¹³ “Four Traits”, op. cit.

Contact us

Anthony Abbatiello

Principal, Deloitte Consulting LLP
abbatiello@deloitte.com

Noah Rabinowitz

Managing Director, Deloitte Consulting LLP
nrabinowitz@deloitte.com

Beth Thiebault

Principal, Deloitte Consulting LLP
bthiebault@deloitte.com

Tim Hughes

Director of Strategic Alliances, SAP
t.hughes@sap.com

Acknowledgements

The authors would like to thank Marcus Bost, Consultant (Deloitte Consulting LLP), and Marly Siegal, Consultant (Deloitte Consulting LLP), for their contributions to this report.

Deloitte.

About Deloitte

As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.