



Rewriting the rules for the digital age

2017 Deloitte Global Human Capital Trends



COVER AND CHAPTER ILLUSTRATIONS BY LUCIE RICE



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PREFACE

WELCOME to Deloitte's fifth annual *Global Human Capital Trends* report and survey. This year's report takes stock of the challenges ahead for business and HR leaders in a dramatically changing digital, economic, demographic, and social landscape. In an age of disruption, business and HR leaders are being pressed to rewrite the rules for how they organize, recruit, develop, manage, and engage the 21st-century workforce.

This workforce is changing. It's more digital, more global, diverse, automation-savvy, and social media-proficient. At the same time, business expectations, needs, and demands are evolving faster than ever before. While some view this as a challenge, we see it as an opportunity. An opportunity to reimagine HR, talent, and organizational practices. An opportunity to create platforms, processes, and tools that will continue to evolve and sustain their value over time. An opportunity to take the lead in what will likely be among the most significant changes to the workforce that we have seen.

Hence, our call for new rules for HR in the digital age.

The 2017 report began last summer with us reaching out to hundreds of organizations, academics, and practitioners around the world. This year, it includes a survey of more than 10,000 HR and business leaders across 140 countries. The report reveals how leaders are turning to new organizational models that highlight the networked nature of today's world of work; innovation-based HR platforms; learning and career programs driven by social and cognitive technologies; and employee experience strategies that put the workforce at the center. The report closes with a discussion of the future of work amid the changes being driven by advances in automation and an expanded definition of the workforce.

We are pleased to present this year's *Global Human Capital Trends* report and survey and look forward to your comments. 2017 is positioned to be a year of change as we all manage new levels of transformation and disruption. The only question now is: Are you ready?



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Introduction

Rewriting the rules for the digital age



The *2017 Deloitte Global Human Capital Trends* report reflects seismic changes in the world of business. This new era, often called the Fourth Industrial Revolution¹—or, as we have earlier labeled it, the Big Shift²—has fundamentally transformed business, the broader economy, and society.

WE title this year's report *Rewriting the rules for the digital age* because a principal characteristic of the new era is not merely change, but change at an accelerating rate, which creates new rules for business and for HR. Organizations face a radically shifting context for the workforce, the workplace, and the world of work. These shifts have changed the rules for nearly every organizational people practice, from learning to management to the definition of work itself.

All business leaders have experienced these shifts, for good or for ill, in both their business and personal lives. Rapid change is not limited to technology, but encompasses society and demographics as well. Business and HR leaders can no longer continue to operate according to old paradigms. They must now embrace new ways of thinking about their companies, their talent, and their role in global social issues.

We have developed a “new set of rules” to make sense of this changing landscape. These rules reflect the shifts in mind-set and behavior that we believe are required to lead, organize, motivate, manage, and engage the 21st-century workforce. While it is

hard to predict which emerging business practices will endure, it is impossible to ignore the need for change. This report is a call to action for HR and business leaders, who must understand the impact of change and develop new rules for people, work, and organizations.

This report marks the fifth anniversary of our annual deep dive into human capital trends. This year, our survey included more than 10,000 respondents from 140 countries, fueling our analysis of the social, economic, political, technological, and cultural issues facing business and HR leaders and employees worldwide.

Forces for change driven by the digital revolution

We found a fascinating tapestry of issues as we looked at the survey data, spoke with clients, and interviewed business leaders around the world.

It is abundantly clear that technology is advancing at an unprecedented rate. Technologies such as artificial intelligence (AI), mobile platforms, sensors,

and social collaboration systems have revolutionized the way we live, work, and communicate—and the pace is only accelerating. This causes stress for individuals as well as societies; research shows that employees and organizations are more “overwhelmed” than ever.³

Business productivity has not kept pace with technological progress. Data from the US Bureau of Labor Statistics and other sources show that productivity growth remains low despite the introduction of new technology into the business environment. In fact, since the 2008 recession, growth in business productivity (gross domestic product per hour worked) stands at its lowest rate since the early 1970s (1.3 percent).⁴ At the same time, companies themselves are being disrupted more quickly. For example, only 12 percent of the *Fortune* 500 companies from 1955 are still in business, and last year alone, 26 percent fell off the list.

The problem, illustrated in figure 1, is the ever-increasing gap between technological sophistication and the amount of work actually performed. The result is income inequality, wage stagnation, and social and political unrest around the world. Companies with low productivity now lose quickly to competitors, as most stock market valuations are

Organizations face a radically shifting context for the workforce, the workplace, and the world of work.

driven by IP and services, not by physical or capital goods.

What causes this gap? We believe the problem comes down to human capital strategies—how businesses organize, manage, develop, and align people at work.

In his 2016 book *Thank You for Being Late*, Thomas Friedman refers to a graph created by Eric “Astro” Teller, CEO of Alphabet’s Google X division, which suggests that technology is increasing at an ever-faster rate while human adaptability rises only at a slower, linear rate.⁵ While we partially agree with

Figure 1. What appears to be happening

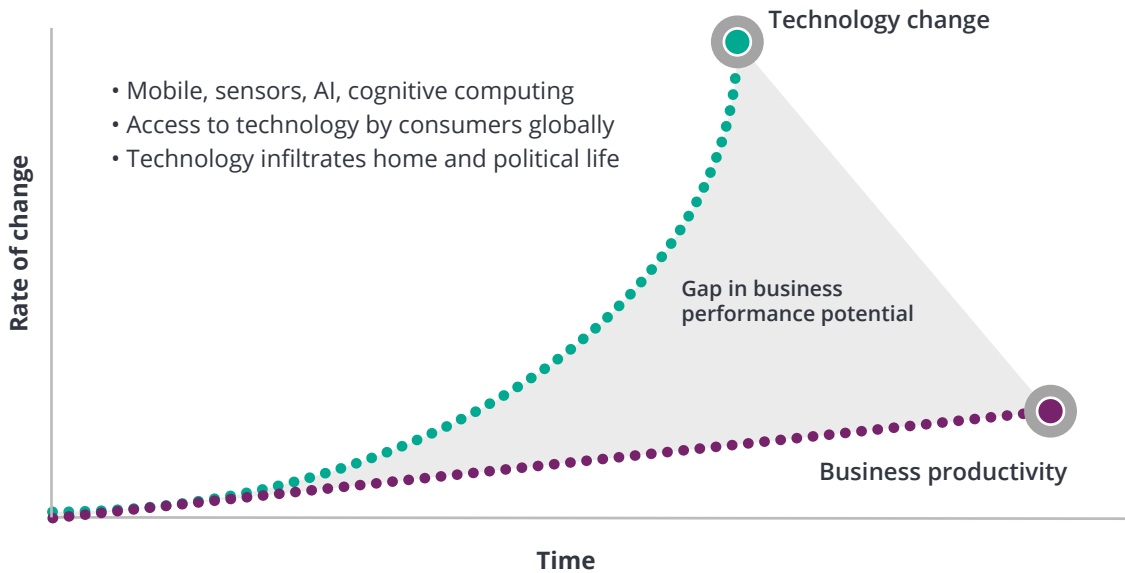
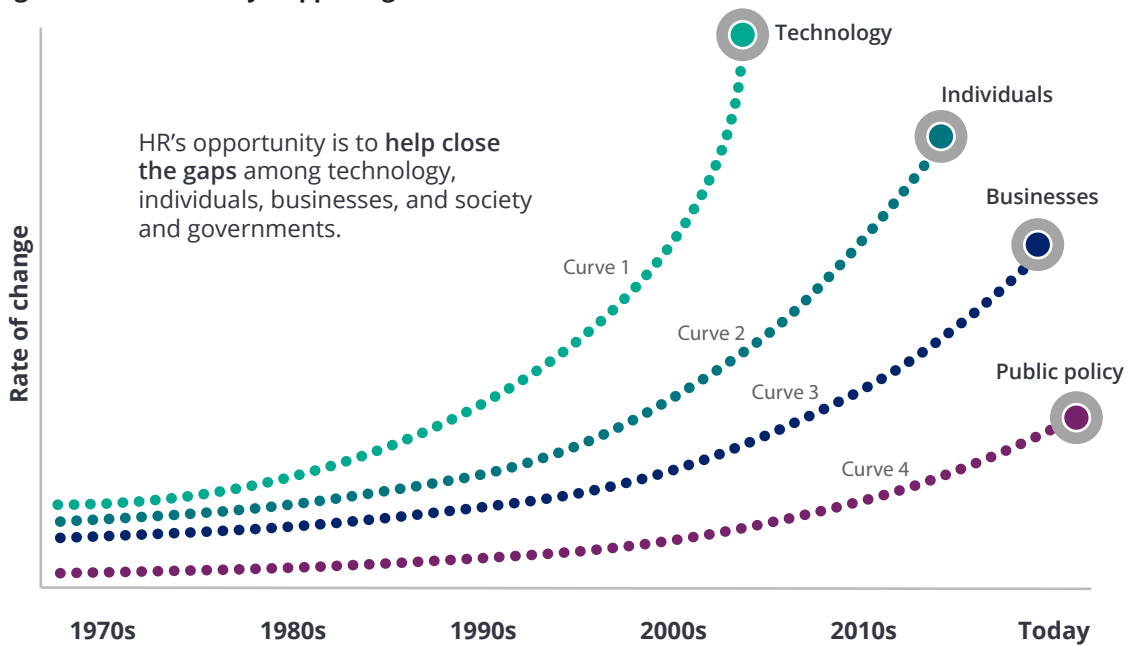


Figure 2. What is *really* happening



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his conclusion (we believe individuals do and will adapt to technology very quickly), we think that it is also critical to understand the relationship among the four interlocking issues shown in figure 2.

In figure 2, curve 1 illustrates the exponential rate of technological change. More than 50 years after the formulation of Moore’s law—which holds that computing power doubles in capability every 18 to 24 months—mobile devices, sensors, AI, and robotics affect our lives more quickly and more pervasively than ever before.

Curve 2 posits that individuals are relatively quick and adept at adopting new innovations. Deloitte research, for example, finds that US citizens now look at their mobile phones 8 billion times a day,⁶ forcing industries such as media, retail, transportation, and even restaurants to build digital products and services to capture individuals’ time and attention.

As shown in curve 3, however, while individuals adapt to technology relatively rapidly, businesses and organizations move at a slower pace. The business practices of corporate planning, organizational structure, job design, goal-setting, and management were largely developed in the (first) industrial

age, and companies must constantly revise them to keep up. The gaps between curves 1, 2, and 3 show the need for organizations to adapt to technology and lifestyle changes. They are a major focus of the trends discussed in this year’s report.

Finally, curve 4 represents public policy, including policies around income inequality, unemployment, immigration, and trade. These issues, which directly affect businesses through regulation, taxes, and legislation, adapt at an even slower pace. Laws and policies on topics such as minimum wage, trade tariffs, immigration, and education only shift after years of public debate. The gap between public policy and the other three domains results in imbalances and challenges for business and HR leaders.

Understanding these four curves, and the growing gaps among technology, individuals, businesses, and public policy, is now essential to effectively navigating the world of human capital. HR has a unique role to play: It can help leaders and organizations adapt to technology, help people adapt to new models of work and careers, and help the company as a whole adapt to and encourage changes in society, regulation, and public policy.

OUR GLOBAL RESEARCH

The 2017 survey is our largest and most extensive to date, with input from more than 10,400 business and HR leaders across 140 countries. Twenty-two percent of respondents were from large companies (more than 10,000 employees), 29 percent from medium-sized companies (1,000–10,000 employees), and 49 percent from small companies (fewer than 1,000 employees). Respondents from the Americas accounted for 31 percent of the total; Europe, Middle East, and Africa contributed 51 percent, and Asia Pacific 18 percent. Respondents represented a broad cross-section of industries, including financial services; consumer business; technology, media, and telecommunications; and manufacturing. Sixty-three percent of the respondents were HR professionals, with other business executives comprising 37 percent. C-level executives accounted for 30 percent (more than 3,100) of the respondents.

The appendix contains additional details on respondent demographics.

RAPID AND DISRUPTIVE CHANGE IS NOT NEW

The current uneasiness with the pace of technological change is not new. The 1980s, for instance, saw a rapid rise in computing power that resulted in automated teller machines, online systems, and the IT industry's rapid growth. The world adapted well as people gained new skills and new jobs.

Today, a new set of digital business and working skills is needed. As we discuss in this report, companies should focus more heavily on career strategies, talent mobility, and organizational ecosystems and networks to facilitate both individual and organizational reinvention. The problem is not simply one of “reskilling” or planning new and better careers. Instead, organizations must look at leadership, structures, diversity, technology, and the overall employee experience in new and exciting ways.



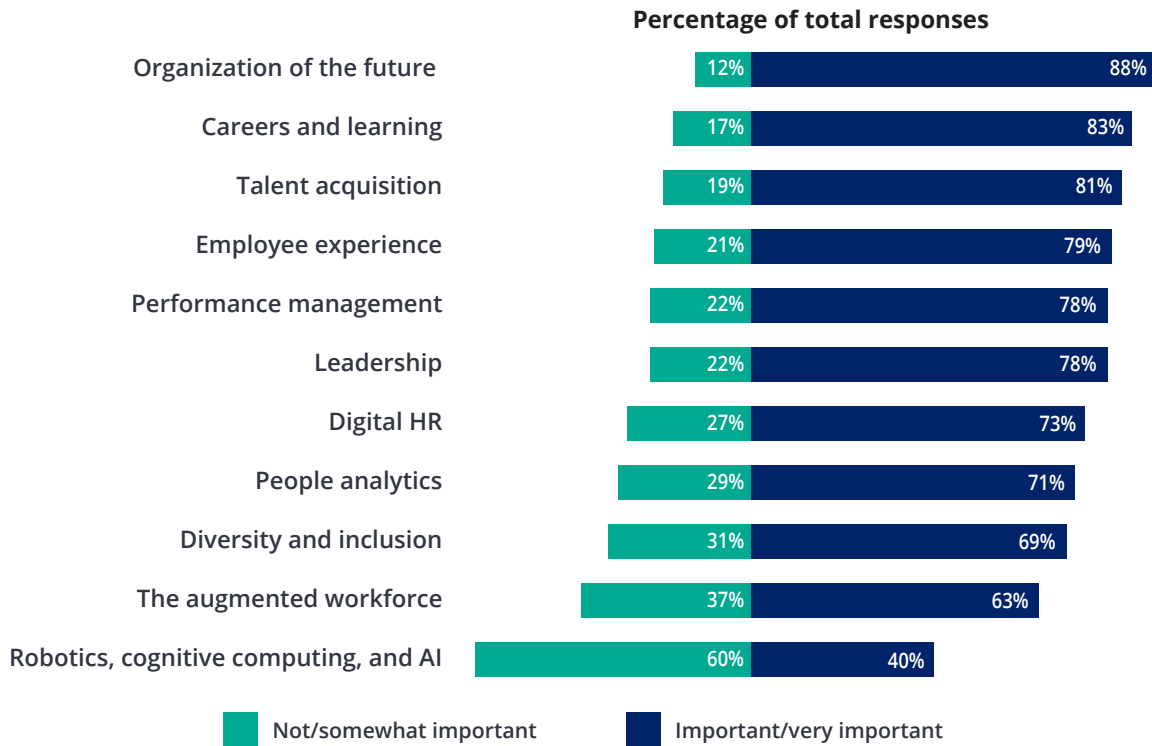
The 10 human capital trends

The trends in this year's report identify 10 areas in which organizations will need to close the gap between the pace of change and the challenges of work and talent management (figure 3).

TREND 1. THE ORGANIZATION OF THE FUTURE: ARRIVING NOW

Given the pace of change and the constant pressure to adapt, it is not surprising that executives identified building the organization of the future as the most important challenge for 2017. In this year's survey, nearly 60 percent of respondents rated this problem as very important, and 90 percent rated it as important or very important. This level of interest signals a shift from designing the new organization to *actively building* organizational ecosystems and networks. Agility plays a central role in the organization of the future, as companies race to replace structural hierarchies with networks of teams empowered to take action.

Figure 3. The 2017 trends by importance



Note: Ratings for “The augmented workforce” and “Robotics, cognitive computing, and AI” both relate to the broader trend on “The future of work” discussed in this report.

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TREND 2. CAREERS AND LEARNING: REAL TIME, ALL THE TIME

The concept of a “career” is being shaken to its core, driving companies toward “always-on” learning experiences that allow employees to build skills quickly, easily, and on their own terms. This year, careers and learning rose to second place in rated importance, with 83 percent of executives identifying these issues as important or very important. At leading companies, HR organizations are helping employees grow and thrive as they adopt the radical concept of a career described in *The 100-Year Life*.⁷ New learning models both challenge the idea of a static career and reflect the declining half-life of skills critical to the 21st-century organization.

TREND 3. TALENT ACQUISITION: ENTER THE COGNITIVE RECRUITER

As jobs and skills change, finding and recruiting the right people become more important than ever. Talent acquisition is now the third-most-important challenge companies face, with 81 percent of respondents calling it important or very important. Our chapter on talent acquisition highlights how leading organizations use social networking, analytics, and cognitive tools to find people in new ways, attract them through a global brand, and determine who will best fit the job, team, and company. A new breed of cognitive technologies is radically transforming recruiting, which stands at the early stages of a revolution.

TREND 4. THE EMPLOYEE EXPERIENCE: CULTURE, ENGAGEMENT, AND BEYOND

Culture and engagement are vital parts of the employee experience, and leading organizations are broadening their focus to include a person's first contact with a potential employer through retirement and beyond. Today, companies are looking at employee journeys, studying the needs of their workforce, and using net promoter scores to understand the employee experience. Workplace redesign, well-being, and work productivity systems are all becoming part of the mandate for HR.

TREND 5. PERFORMANCE MANAGEMENT: PLAY A WINNING HAND

For the last five years, companies have been experimenting with new performance management approaches that emphasize continuous feedback and coaching, reducing the focus on appraisal. This year, companies are moving beyond experimentation to deploy new models on a wide scale. Even though HR technology tools have not quite caught up, new approaches to performance management are working, and they are increasing productivity and changing corporate culture.

TREND 6. LEADERSHIP DISRUPTED: PUSHING THE BOUNDARIES

As companies transform and digital organizational models emerge, leadership needs change as well. Eighty percent of our respondents say that leadership is an important issue, and 42 percent call it very important. Organizations are clamoring for more agile, diverse, and younger leaders, as well as new leadership models that capture the "digital way" to run businesses. While the leadership development industry continues to struggle, companies are pushing the boundaries of their traditional leadership hierarchies, empowering a new breed of leaders who can thrive in a rapidly changing network.

TREND 7. DIGITAL HR: PLATFORMS, PEOPLE, AND WORK

As the enterprise as a whole becomes digital, HR must become a leader in the digital organization. This means going beyond digitizing HR platforms to developing digital workplaces and digital workforces, and to deploying technology that changes how people work and the way they relate to each other at work. Fortunately, the path to digital HR is becoming clearer, with expanded options, new platforms, and a wide variety of tools to build the 21st-century digital organization, workforce, and workplace.

TREND 8. PEOPLE ANALYTICS: RECALCULATING THE ROUTE

Data about people at work has become more important than ever, but the focus of people analytics has changed. Formerly a technical discipline owned by data specialists, people analytics is now a business discipline, supporting everything from operations and management to talent acquisition and financial performance. Readiness to capitalize on people analytics remains a challenge, however. Only 8 percent of organizations report they have usable data, while only 9 percent believe they have a good understanding of the talent factors that drive performance.

TREND 9. DIVERSITY AND INCLUSION: THE REALITY GAP

Fairness, equity, and inclusion are now CEO-level issues around the world. Executives can no longer abdicate diversity strategies to the CHRO or chief diversity officer. A new focus on accountability, data, transparency, and "diversity through process" is driving efforts around unconscious bias training and education throughout the business community. Despite these efforts, however, we see a reality gap. Issues around diversity and inclusion continue to be frustrating and challenging for many organizations.

Figure 4. Rewriting the rules for the digital age

2017 Deloitte Human Capital Trends

How we redesign the organization and its leadership for the future

TREND 1
The organization of the future: Arriving now



TREND 6
Leadership disrupted: Pushing the boundaries



How we design the employee experience for engagement, productivity, and growth

TREND 4
The employee experience: Culture, engagement, and beyond




How we leverage digital technology to design and improve work, the workplace, and the workforce

TREND 7
Digital HR: Platforms, people, and work



TREND 10
The future of work: The augmented workforce



How we build a new management system to empower and engage the teams

TREND 5
Performance management: Play a winning hand



TREND 9
Diversity and inclusion: The reality gap



How we build a culture of continuous learning, adaptability, growth, and personal development

TREND 2
Careers and learning: Real time, all the time



How we leverage data, cognitive technologies, and AI to improve the organization and its teams

TREND 3
Talent acquisition: Enter the cognitive recruiter



TREND 8
People analytics: Recalculating the route



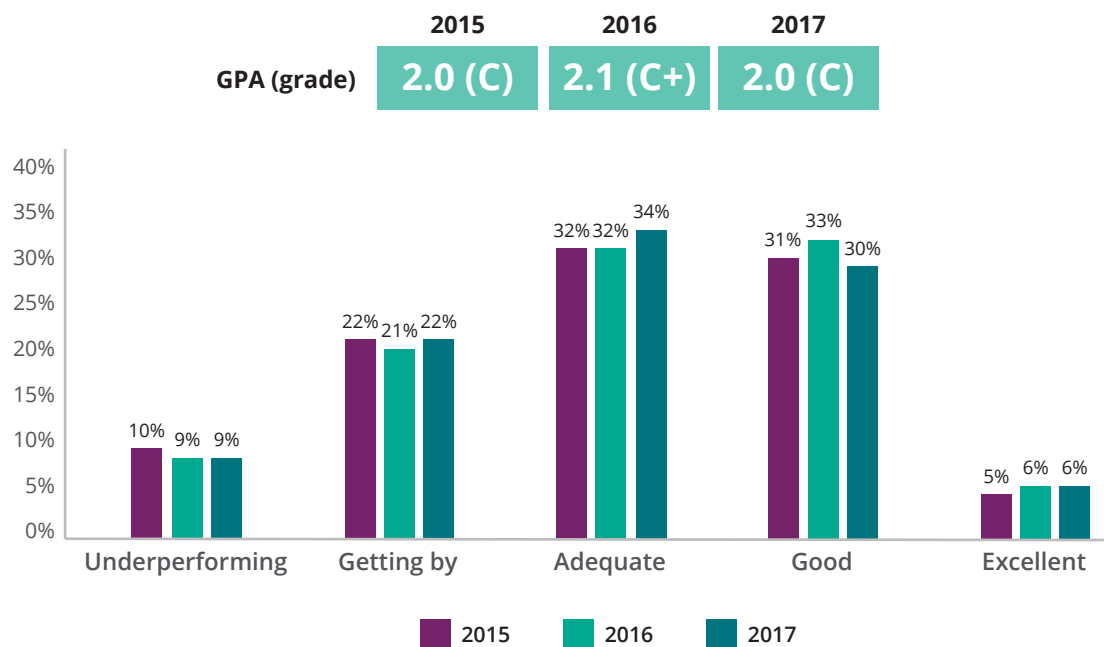
TREND 10. THE FUTURE OF WORK: THE AUGMENTED WORKFORCE

Robotics, AI, sensors, and cognitive computing have gone mainstream, along with the open talent economy. Companies can no longer consider their workforce to be only the employees on their balance sheet, but must include freelancers, “gig economy” workers, and crowds. These on- and off-balance-sheet workers are being augmented with machines and software. Together, these trends will result in the redesign of almost every job, as well as a new way of thinking about workforce planning and the nature of work. Change is already taking place: In this year’s survey, 41 percent of our respondents have either fully implemented or made significant process in adopting cognitive and AI technologies, and another 35 percent report pilot programs.

New game, new rules

The game has changed, and so have the rules. In this year’s *Global Human Capital Trends* report, we supplement each chapter with a table highlighting the shift from old rules, which dominated past thinking about how to run an organization, to a set of new rules, which define how leading companies now think and operate. These new rules reflect not only insights from our survey, but also our work with companies around the world that are setting the bar for performance in today’s global economy. They are the result of years of thought and practice, as well as our observations of leading companies in every industry, geography, and size.

Figure 5. HR performance scorecard, 2015–2017

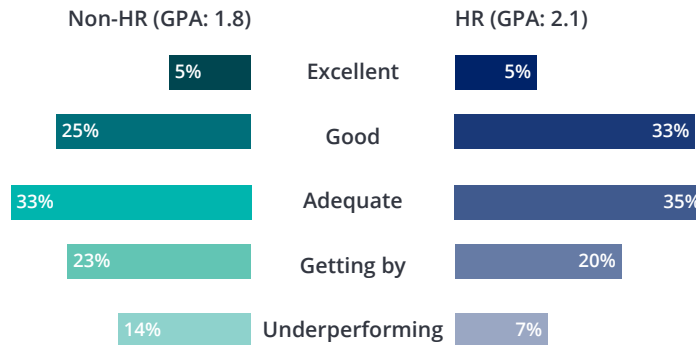


The proportion of respondents rating their HR capabilities as “Getting by” and “Adequate” has marginally increased, and that rating their capabilities as “Good” has marginally decreased, since 2016

Scale used: Excellent (4), Good (3), Adequate (2), Getting by (1), Underperforming (0)

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Figure 6. 2017 HR scorecard by job function



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Put directly: Any organization that is not playing by the new rules will likely fall behind. We hope these insights can serve as a strategic roadmap to help organizations to not simply adapt, but to thrive in the emerging business environment.

HR scorecard: How well is HR keeping up?

Each of the 10 trends we discuss affects the role of HR, which in turns leads to a serious question: How well is HR keeping up?

Over the past five years, we have tracked what we term the “HR scorecard,” which measures how well HR executives believe their teams can address the talent issues around them. This year, HR is struggling. Last year, 39 percent of HR teams felt their capabilities were good or excellent, but this year that proportion has dropped to 36 percent, below the capability we measured in 2015 (figure 5).

Why the slip backwards?

We believe that the HR function is in the middle of a significant identity change. Not only do HR organizations need to structure themselves for service delivery efficiency and excellence in talent programs, but they must now also focus on the employee experience,

employee productivity, and the entire realm of work, job, and structural design. The new rules provide a mandate for many HR organizations to reorient themselves and focus their people on the changing human capital issues their companies face.

HR leaders are clearly being asked to step up to the challenge. The profession is lighting up with new ideas, and HR teams are rapidly using the new rules in some of the most innovative ways we have seen in years.

Join us: Riding the wave to its crest

Humans are marvelously adaptable. We have every confidence that even in these days of rapid change, leaders and workers will adapt, as they have in the past. The question is: Will organizations ride this wave or watch it crash over themselves?

The opportunity for leading organizations is not only to use these trends to guide business success, but to help pull society toward the crest of the technological wave—an important consideration when business is increasingly invited to play a social as well as an economic role. We invite you to join us on this journey.

Appendix

Figure 7. Trend importance ratings by region

| Region | AMERICAS | | | EUROPE, MIDDLE EAST, & AFRICA | | | | | ASIA PACIFIC | |
|---------------------------------------|----------|-----------------------|---------------|-------------------------------|----------------------------|-------------|------------------|----------------|--------------|---------|
| | Global | Latin & South America | North America | Africa | Central and Eastern Europe | Middle East | Nordic countries | Western Europe | Asia | Oceania |
| Organization of the future | 88 | 92 | 87 | 87 | 83 | 83 | 90 | 87 | 89 | 85 |
| Careers and learning | 83 | 86 | 80 | 86 | 84 | 78 | 81 | 78 | 88 | 79 |
| Talent acquisition | 81 | 83 | 81 | 84 | 81 | 82 | 75 | 78 | 87 | 70 |
| Employee experience | 79 | 85 | 84 | 82 | 77 | 77 | 69 | 71 | 85 | 85 |
| Performance management | 78 | 86 | 74 | 85 | 80 | 85 | 67 | 71 | 86 | 73 |
| Leadership | 78 | 81 | 74 | 78 | 73 | 78 | 79 | 74 | 85 | 76 |
| Digital HR | 73 | 81 | 65 | 79 | 69 | 76 | 72 | 67 | 79 | 67 |
| People analytics | 71 | 75 | 75 | 75 | 69 | 69 | 68 | 61 | 81 | 71 |
| Diversity and inclusion | 69 | 73 | 67 | 79 | 60 | 67 | 62 | 62 | 78 | 75 |
| The augmented workforce | 63 | 62 | 58 | 66 | 61 | 64 | 56 | 62 | 72 | 61 |
| Robotics, cognitive computing, and AI | 40 | 45 | 32 | 33 | 34 | 38 | 48 | 38 | 50 | 37 |

Higher %  Lower %

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Note: Figures represent the percentage of respondents rating each trend “important” or “very important.” Ratings for “The augmented workforce” and “Robotics, cognitive computing, and AI” both relate to the broader trend on “The future of work” discussed in this report.

Figure 8. Trend importance ratings by industry

| Trend in order of global importance | Global | Consumer business | Energy & resources | Financial services | Life sciences & health care | Manufacturing | Professional services | Public sector | Real estate | Technology, media, & telecommunications |
|---------------------------------------|--------|-------------------|--------------------|--------------------|-----------------------------|---------------|-----------------------|---------------|-------------|---|
| Organization of the future | 88 | 88 | 85 | 92 | 87 | 83 | 90 | 85 | 81 | 94 |
| Careers and learning | 83 | 81 | 80 | 83 | 82 | 82 | 86 | 73 | 81 | 84 |
| Talent acquisition | 81 | 82 | 76 | 82 | 82 | 82 | 84 | 76 | 83 | 84 |
| Employee experience | 79 | 79 | 77 | 79 | 80 | 76 | 83 | 72 | 79 | 83 |
| Performance management | 78 | 81 | 80 | 80 | 77 | 81 | 77 | 68 | 83 | 80 |
| Leadership | 78 | 75 | 74 | 82 | 74 | 75 | 80 | 73 | 74 | 85 |
| Digital HR | 73 | 74 | 75 | 74 | 75 | 72 | 75 | 72 | 68 | 76 |
| People analytics | 71 | 72 | 69 | 71 | 75 | 68 | 72 | 67 | 67 | 74 |
| Diversity and inclusion | 69 | 69 | 70 | 71 | 69 | 68 | 70 | 68 | 65 | 67 |
| The augmented workforce | 63 | 59 | 63 | 61 | 63 | 59 | 73 | 63 | 62 | 62 |
| Robotics, cognitive computing, and AI | 40 | 34 | 37 | 41 | 38 | 44 | 45 | 34 | 28 | 46 |

Higher %  Lower %

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Note: Figures represent the percentage of respondents rating each trend “important” or “very important.” Ratings for “The augmented workforce” and “Robotics, cognitive computing, and AI” both relate to the broader trend on “The future of work” discussed in this report.

Figure 9. Trend importance rankings by organization size

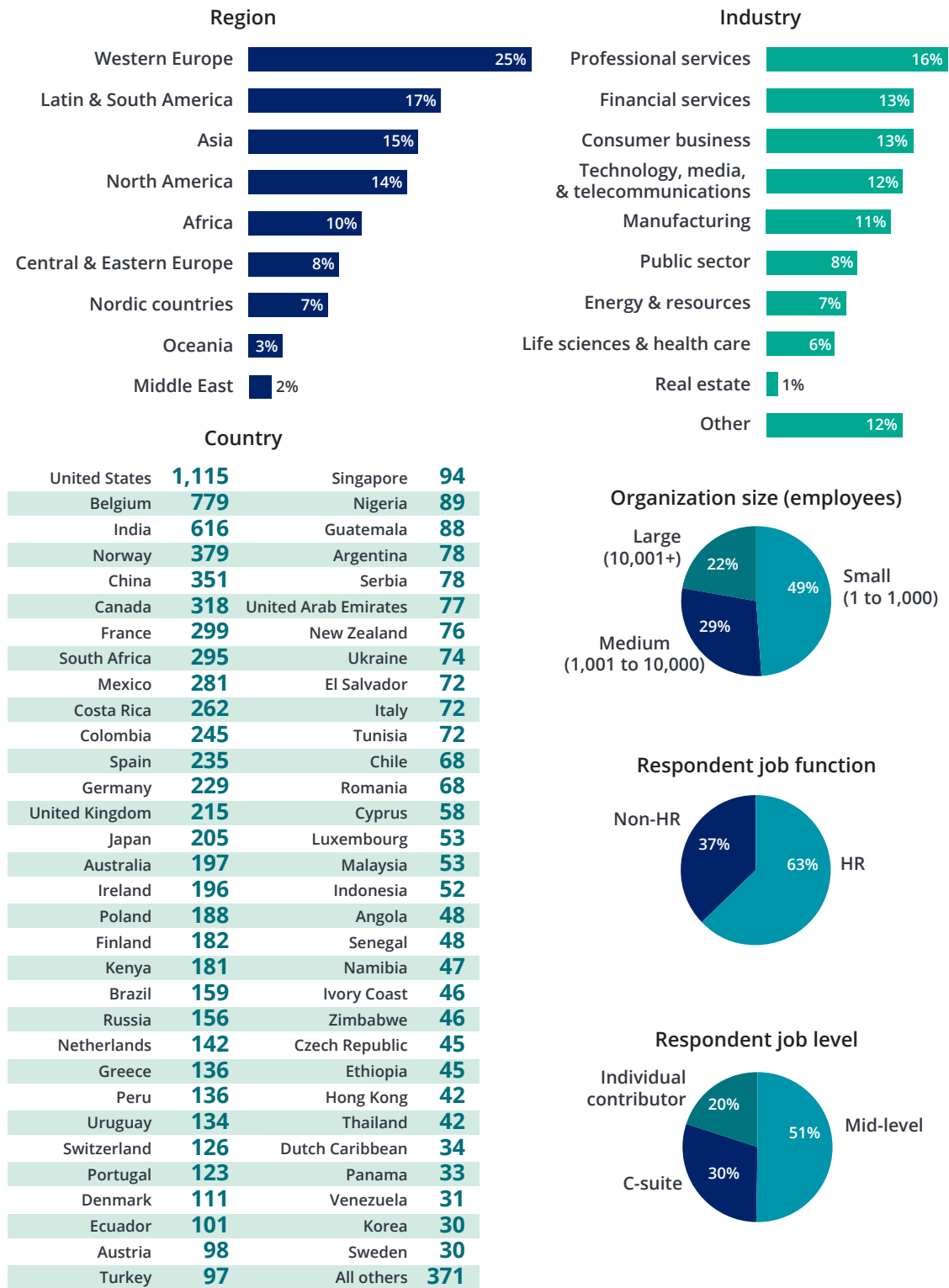
| Trend in order of global importance | Global | Large (10,000+) | Medium (1,001 to 10,000) | Small (1 to 1,000) |
|---------------------------------------|--------|-----------------|--------------------------|--------------------|
| Organization of the future | 88 | 83 | 90 | 85 |
| Careers and learning | 83 | 84 | 81 | 79 |
| Talent acquisition | 81 | 81 | 75 | 70 |
| Employee experience | 79 | 77 | 69 | 85 |
| Performance management | 78 | 80 | 67 | 73 |
| Leadership | 78 | 73 | 79 | 76 |
| Digital HR | 73 | 69 | 72 | 67 |
| People analytics | 71 | 69 | 68 | 71 |
| Diversity and inclusion | 69 | 60 | 62 | 75 |
| The augmented workforce | 63 | 61 | 56 | 61 |
| Robotics, cognitive computing, and AI | 40 | 34 | 48 | 37 |

Higher %  Lower %Deloitte University Press | dupress.deloitte.com

Note: Figures represent the percentage of respondents rating each trend “important” or “very important.” Ratings for “The augmented workforce” and “Robotics, cognitive computing, and AI” both relate to the broader trend on “The future of work” discussed in this report.

Figure 10. Survey demographics

Our survey includes data from 10,447 business and HR leaders



ENDNOTES

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The organization of the future

Arriving now

High-performing organizations operate as empowered networks, coordinated through culture, information systems, and talent mobility. Companies are focused on redesigning the organization itself, with nearly half actively studying and developing new models. And many organizations are not only designing but also building this new organization. As networks and ecosystems replace organizational hierarchies, the traditional question “For whom do you work?” has been replaced by “With whom do you work?”

- Fully 88 percent of this year’s survey respondents believe that building the organization of the future is an important or very important issue.
- More than three in five (59 percent) say the issue is very important—a 3 percent increase from last year.
- Yet challenges remain: Only 11 percent of survey respondents believe they understand how to build the organization of the future.

WHY has organizational design zoomed to the top of the list as the most important trend in the *Global Human Capital Trends* survey for two years in a row? The answer is simple: The way high-performing organizations operate today is radically different from how they operated 10 years ago. Yet many other organizations continue to operate according to industrial-age models that are 100 years old or more, weighed down by legacy practices, systems, and behaviors that must be confronted and discarded before true change can take hold.

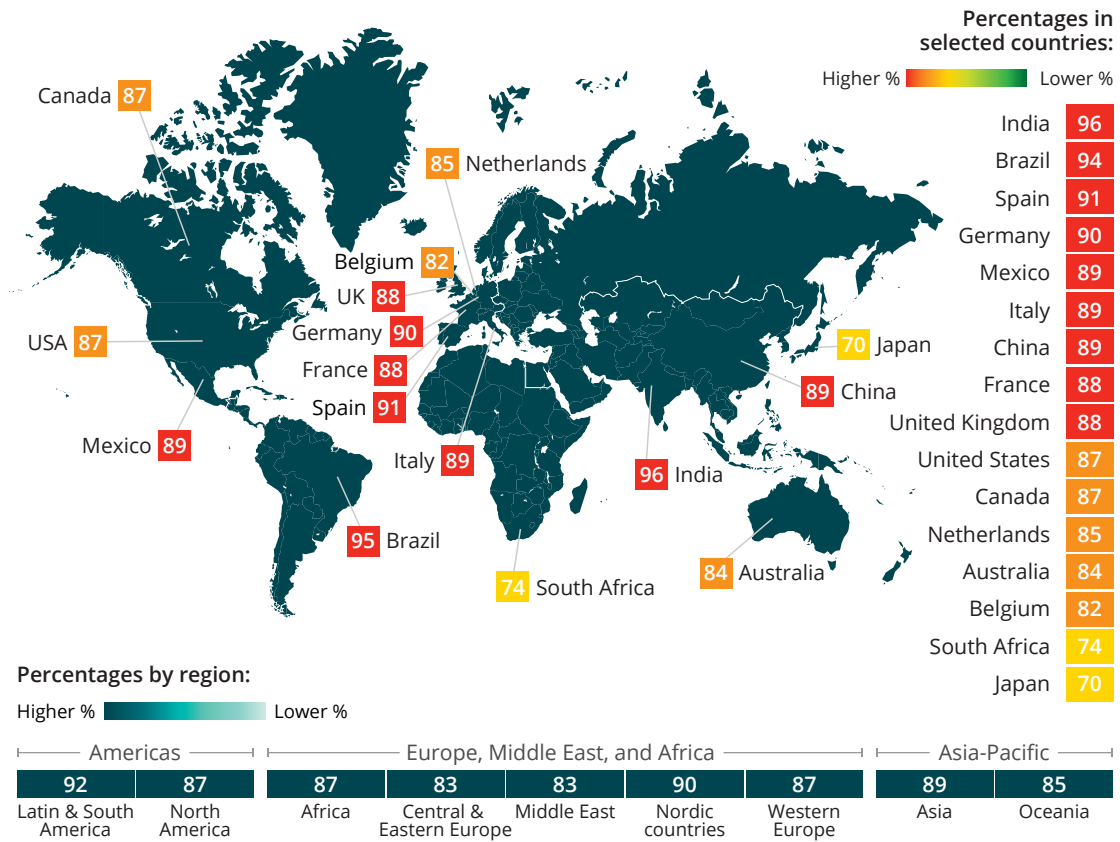
As organizations become more digital, they face a growing imperative to redesign themselves to move faster, adapt more quickly, facilitate rapid learning, and embrace the dynamic career demands of their people. This year, leading organizations are moving

past the design phase and actively building this new organization. Still, many business leaders seem to have little confidence they will get the process right.

This concern is warranted. Organizational design and change are complex. Many organizational redesigns fail because they are reduced to an exercise to cut costs. Others face resistance from company leadership. In fact, many consulting firms anecdotally report that up to 70 percent of reorganizations fall short because of “creative disobedience” from the executive team.

Frustration is also common. Designing the organization of the future is a difficult, sometimes messy project of trial and error, not an exercise on paper. It is a continuous, dynamic, and, in a sense, never-ending process. Yet for companies that rise to the

Figure 1. Organization of the future: Percentage of respondents rating this trend “important” or “very important”



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challenge, the payoff can be immense in terms of financial performance, productivity, employee engagement, and a host of other benefits.

ORGANIZING FOR SPEED, AGILITY, AND ADAPTABILITY

In the past, most organizations were designed for efficiency and effectiveness, leading to complicated and siloed organizations. The resulting business models, which were based on predictable commercial patterns, are unsuited to an era of unpredictability and disruption. Instead of mere efficiency, successful organizations must be designed for speed, agility, and adaptability to enable them to compete and win in today’s global business environment.

THE POWER OF NETWORKS OF TEAMS

An important part of designing for adaptability is a shift away from hierarchical organizational structures toward models where work is accomplished in teams. Indeed, only 14 percent of executives believe that the traditional organizational model—with hierarchical job levels based on expertise in a specific area—makes their organization highly effective. Instead, leading companies are pushing toward a more flexible, team-centric model.

As organizations make this transition, they find that smaller teams are a natural way for humans to work. Research shows that we spend two orders of magnitude more time with people near our desk than with those more than 50 meters away.¹ Whatever a hi-

erarchical organization chart says, real, day-to-day work gets done in networks. This is why the organization of the future is a “network of teams” (see figure 2).

Top companies are built around systems that encourage teams and individuals to meet each other, share information transparently, and move from team to team depending on the issue to be addressed. Different networks can have different specialties, such as innovation or getting to market quickly, but the principle is the same.

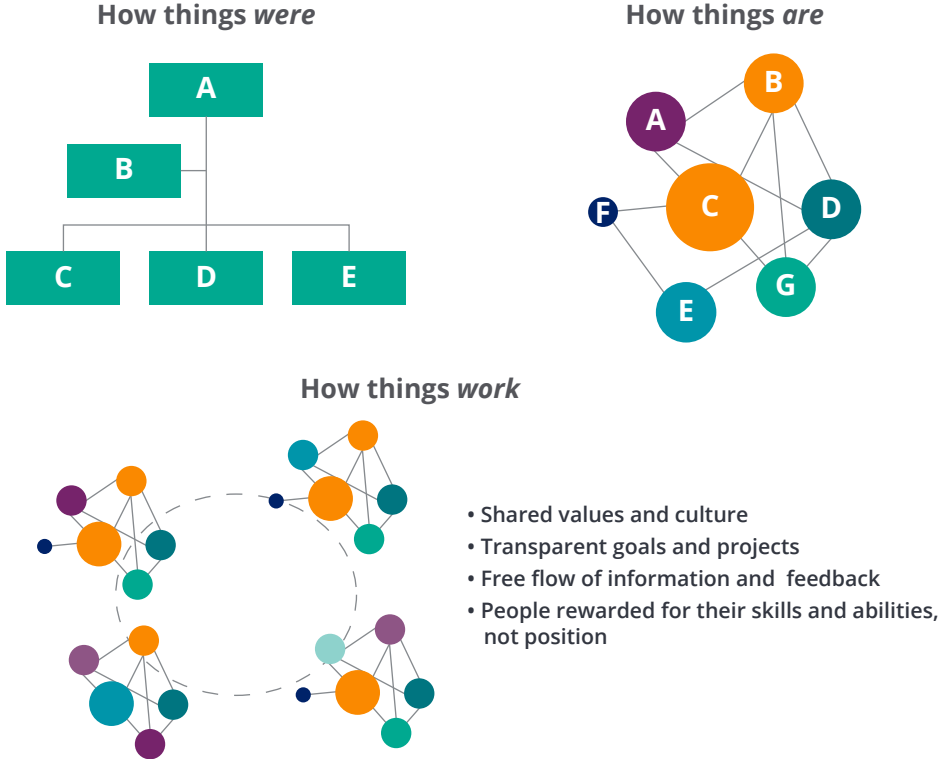
For a company to stay agile, teams must be formed and disbanded quickly. High-performing companies today may build a “digital customer experience” group, select individuals for the team, and ask them to design and build a new product or service in a year or two. Afterward, the team disperses as team members move on to new projects. This ability to move between teams without risk is a critical attribute of today’s high-performing companies.

Recently, a leading North American bank undertook an initiative to design a new way of working to deliver solutions faster while competing with fintechs and other unconventional players that compete based on customer experience, digital interfaces, and rapid time to market in product delivery. The proposed operating model focused on embedding agile practices and using networked cross-functional teams of developers, coders, business analysts, and user design experts focused on a specific product outcome. After finishing work in one area, teams would be redistributed and the next project begun. In initial pilots, the bank proved that this type of organizational approach could radically increase the speed of the development cycle; it plans to scale the model across the organization over time.

STARTING AT THE EDGE

Nearly all surveyed companies (94 percent) report that “agility and collaboration” are critical to their organization’s success, yet only 6 percent say that

Figure 2. A network of teams



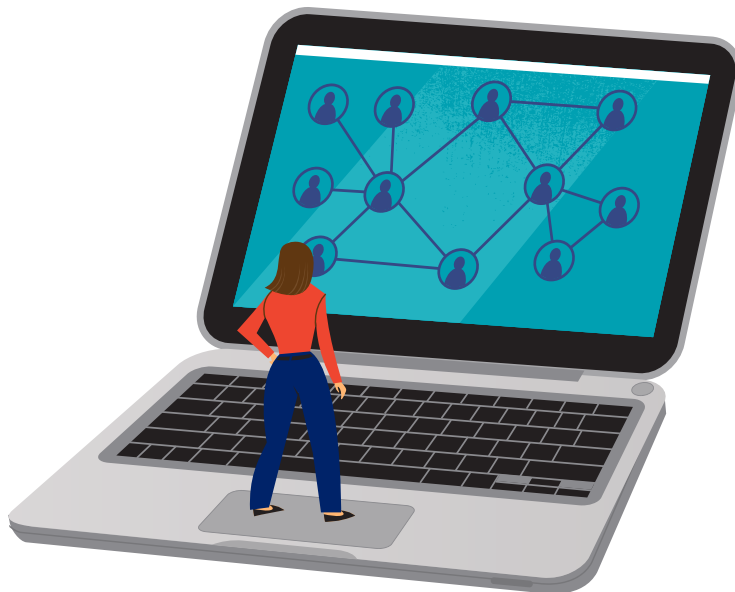
they are “highly agile today”; 19 percent describe themselves as “not agile.” Fortunately, there is tremendous progress in this area. Among this year’s survey respondents, 32 percent say that they are now designing their organization to be more adaptable and team-centric.

High-performing companies often first develop these flexible models at the “edge” of the company. To make further progress, they focus on building a new leadership mind-set that rewards innovation, experimentation, learning, and customer-centric design thinking.² In short, if what a company needs to know and do is constantly changing, then the organization’s structure must change as well.

NEXT STEP: BUILDING THE ORGANIZATION OF THE FUTURE

Many new tools and techniques offer valuable contributions to building the organization of the future.

One promising technique is organizational network analysis (ONA), which uses specialized software and methodologies to help companies study “who is talking to whom.” This type of analysis, which can use patterns in emails, instant messages, physical proximity, and other data, allows leaders to see quickly what networks are in place and identify the connectors and experts.



Among this year’s survey respondents, 32 percent say that they are now designing their organization to be more adaptable and team-centric.

Only 8 percent of companies in this year’s *Global Human Capital Trends* survey are using ONA today, but usage is growing rapidly, with an additional 48 percent of companies experimenting with these tools. One company used this technique to redesign its sales organization and found that many experts were underutilized. After adopting a new team-centric model, total revenue generation rose by more than 12 percent.³

Simplification of work practices and new work tools are critical as well. While a networked organization makes sense for agility and responsiveness, it also increases the need to coordinate teams and can lead to an overwhelming number of meetings, emails, and communications channels. Cognitive overload can dramatically reduce productivity.

New organizational models also require a new approach to leadership. Leaders of networked teams in agile organizations require skills such as negotiation, resilience, and systems thinking. In some cases, the most experienced leaders and business unit heads may be the wrong people to take charge of digital, agile, networked teams. As we discuss in our [chapter on leadership](#), effective leaders in a networked environment must have a high degree of network intelligence, getting to know what’s going on throughout their company, throughout their industry, and throughout the customer marketplace.

As networked organizations continue to emerge, new tools are starting to make collaboration easier. Facebook’s Workplace, Slack, Google Team Drives, Atlassian Confluence, Microsoft Skype, and hundreds of others are helping to facilitate the transition to networks of teams. Nearly three-quarters of companies (73 percent) are now experimenting with these tools—and benefiting in unique ways.⁴ For instance, a public museum in Sydney now uses Jira, an agile management tool, to keep track of burned-out light bulbs. An auto distributor in Maine uses HipChat to monitor tire pressures and repair items in its warehouses.⁵

BUILDING IN ACCOUNTABILITY

Empowering people to make decisions and relying on networks of interactions does not mean that people are no longer accountable for results. In fact, one objective of an agile network is to use goal-setting to support success.

In teams, accountability becomes more transparent. Individual and team goals and metrics should be shared for everyone to see. The sense of accountability this can create is critical to team and corporate effectiveness. Indeed, among 17 top practices in high-impact leadership, an organization’s ability to clearly define decision-making practices and clarify accountability featured among the top drivers of outstanding financial outcomes.⁶

For instance, a large telecommunications company in Asia has embraced real-time dashboards that measure customer acquisition, customer satisfaction, hiring, employee satisfaction, and financial profitability across all 1,000 of its small business teams. This infrastructure, built on top of its SAP backbone, gives the entire company transparency, accountability, and the ability to adapt quickly.⁷

Philips Lighting conducted a series of workshops around the world to help the company identify its traditional current and future values in order to build alignment around a new, more innovative culture. The company created a common manifesto around four new cultural values (Pioneering, Caring, Fast, and External Focus) to help the company empower teams, rapidly innovate, and move into light-

ing services and a new market for Internet-based lamination.⁸

Lessons from the front lines

One key capability of the organization of the future is the ability to form teams rapidly. This requires a clear understanding of each employee’s skills. One huge organization that has mastered this capability is the US Department of Defense (DOD).⁹

DOD’s military population includes over 7 million personnel on active, guard, and reserve duty, including Retired/Ready Reserve personnel subject to callback—and, despite its massive size, has created one of the most complete, detailed views of its workforce that any organization has achieved. For every soldier, DOD grades his or her leadership experience and skills; captures occupational specialties with details on levels of experience; and compiles a complete service history that encompasses both DOD and non-DOD skills, including degrees and certifications.

With this information, DOD can make agile, highly targeted deployments—in essence, teams or networks of teams—from its population of 7 million. Over the last decade, DOD has developed the capability to deploy either a single individual or a specifically chosen group anywhere in the world with relative ease.

For business, DOD’s example offers clear lessons. Organizations should create a basic framework for understanding and measuring its complement of skills across the enterprise. Most organizations have not invested in a common framework; without it, a clear understanding of capabilities is impossible. But a framework alone isn’t enough. The system only works if the data are current and easily accessible.

Another example of organizational agility is a leading North American insurance provider’s creation of a digital insurance platform that allows consumers to buy policies online in a few simple steps.

Aside from the legal and regulatory challenges to deploying such a platform, the company had no experience with agile programs. It had to transform

itself and learn new ways of working at the same time. Most fundamentally, the organization had to restructure itself to enable greater collaboration, communication, employee empowerment, and information flow.

The structure of the legacy organization, composed of over 2,200 employees under a traditional command-and-control model, was not right for the new venture. The company set up a separate entity of about 700 employees and contractors that reported directly to the senior vice president leadership team and the CEO. The entity both hired new talent and assigned current employees to the program, empowering them to make decisions in the best interest of the program with little or no influence from the legacy organization. It also established a flexible organizational and governance structure centered around the Agile methodology: a network of teams grouped by product functionality, technical domains, and operational readiness, reporting to program leaders with the authority to approve final decisions.

The program entity set up a variety of ways to enable anyone to raise and view issues, escalate decisions when required, and ultimately facilitate a collaborative environment. From a talent perspective, continuous coaching, learning, and teaming employees with other types of workers (such as contractors) allowed for a diverse and collegial environment, increasing agility and removing decision roadblocks.

The legacy organization was engaged with the program team to support the design and delivery of the program. The interactions between the legacy organization and the new entity were defined in advance, and while it took effort and time to reach the point where the model worked effectively, this was critical to the success of the program.

The digital platform that grew out of this work transformed how people purchase insurance and is setting a new precedent for how insurers should do business. Now the company is working to bring key components of this flexible organizational structure into the entire enterprise to change how it does business daily.

Start here

- **Embrace the speed of change:** Think carefully about the ways in which digital demands the considerably slower traditional operating model to be speeded up. Understand how strategy, connectedness, customers, and talent pools are all changing as part of the digital transformation.
- **Make talent mobility a core value:** Require executives to move from function to function so that they understand the new, more agile career model. Build in processes to support team fluidity so that team members can quickly return to their home base or move to a different team once a project is done.
- **Form an organizational performance group:** Ask the group to interview, analyze, and study how high-performing teams, projects, and programs actually work. By examining the company's job titles, reward systems, and career paths, this group can help chart the way to a more agile, bottom-up model for business units.
- **Examine new communication tools:** Consider technologies like Workplace, Slack, Basecamp, Asana, Trello, Workboard, and others. Then standardize and implement them as a complement to the organization's core ERP/HRMS infrastructure.
- **Adopt continuous, feedback-based performance management:** Regular feedback empowers people to reset goals continuously, change projects, and feel rewarded for their "work," not just their "job." Employee survey tools give managers immediate input on their own performance, boosting transparency.



FAST FORWARD

As this new type of organization takes hold, working in teams will likely become the norm in business, and dynamism will become an organizational hallmark. Building and supporting teams will be leaders' principal tasks. Software to help companies benefit from teaming may also become standard.

Leading organizations will offer dynamic developmental opportunities for employees to build their careers, while companies that continue to operate in the old manner will likely struggle to keep up. In this new world, more nimble organizations will have certain advantages, but successful large organizations will keep pace by building stronger ecosystems and partnerships that broaden their workforces and capabilities.

Figure 3. The organization of the future: Old rules vs. new rules

| Old rules | New rules |
|---|---|
| Organized for efficiency and effectiveness | Organized for learning, innovation, and customer impact |
| Company viewed as a hierarchy, with hierarchical decision rights, structure, and leadership progression | Company viewed as an agile network, empowered by team leaders and fueled by collaboration and knowledge-sharing |
| Structure based on business function with functional leaders and global functional groups | Structure based on work and projects, with teams focused on products, customers, and services |
| Advancement through promotion upward with many levels to progress through | Advancement through many assignments, diverse experiences, and multifunctional leadership assignments |
| People "become leaders" through promotion | People "create followers" to grow in influence and authority |
| Lead by direction | Lead by orchestration |
| Culture ruled by fear of failure and perceptions of others | Culture of safety, abundance, and importance of risk-taking and innovation |
| Rules-based | Playbook-based |
| Roles and job titles clearly defined | Teams and responsibilities clearly defined, but roles and job titles change regularly |
| Process-based | Project-based |

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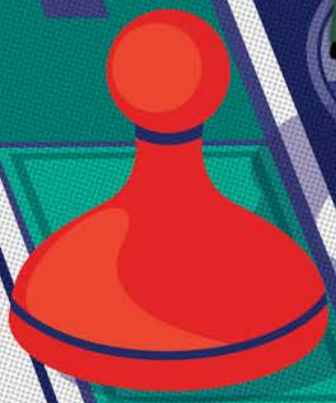
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TAKE ANOTHER TURN



Careers and learning

Real time, all the time

The concept of career is being shaken to its core. Employees now enjoy the prospect of 60-year careers. Yet at the same time, the half-life of skills is rapidly falling. These new realities are forcing companies to rethink the way they manage careers and deliver always-on learning and development (L&D) opportunities. Leading companies are moving to overhaul their career models and L&D infrastructure for the digital age, though most organizations are still in the early stages of this transformation.

- This year, the issue of improving employee careers and transforming corporate learning emerged as the second most important trend in our survey, up from fifth last year.
- Learning technology is changing rapidly. Traditional learning management systems are being complemented with and replaced by a wide range of new technologies for content curation, delivery, video distribution, and mobile use.
- This upheaval in learning and careers has become a catalyst for radical change. Nearly half of our surveyed executives (45 percent) cite this problem as urgent or very important (an increase over last year). As capabilities fall behind, companies' ability to keep up with employees' demands for learning and career growth has dropped by 5 percent.

WHAT does it mean to have a career today? More specifically, what does it mean in a world where careers span 60 years, even as the half-life of learned skills continues to fall to only about five years? In the past, employees learned to gain skills for a career; now, the career itself is a journey of learning.

As companies build the [organization of the future](#), continuous learning is critical for business success. For today's digital organizations, the new rules call for a learning and development organization that can deliver learning that is always on and always available over a range of mobile platforms.

WHAT EMPLOYEES EXPECT FROM *THE 100-YEAR LIFE*¹

In many instances, employees themselves are pushing for continuous skill development and dynamic careers. Glassdoor data reveal that among Millennials, the “ability to learn and progress” is now the principal driver of a company’s employment brand.² Yet only one-third of Millennials believe their organizations are using their skills well, and 42 percent say they are likely to leave because they are not learning fast enough.³

Figure 1. The changing nature of a career

Length of career



60 to 70 years

Average tenure in a job



4.5 years

Half-life of a learned skill



5 years

Sources: Lynda Gratton and Andrew Scott, *The 100-Year Life: Living and Working in an Age of Longevity* (Bloomsbury, 2016); Douglas Thomas and John Seely Brown, *A New Culture of Learning: Cultivating the Imagination for a World of Constant Change* (CreateSpace, January 4, 2011).

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Leading organizations are paying attention. Companies with dynamic career models outperform their peers by providing continuous learning opportunities and a deeply embedded culture of development.⁴ As the authors of *The 100-Year Life* point out, employees facing careers spanning 60 to 70 years expect employers to help them continually reinvent themselves, move from role to role, and find their calling over time.⁵

Companies worldwide are scrambling to catch up with employees' desires. Fully 83 percent of the respondents we surveyed this year say their organizations are shifting to flexible, open career models that offer enriching assignments, projects, and experiences rather than a static career progression. And 42 percent of surveyed respondents now believe their organization's employees will have careers that span five years or less.

THE NEED FOR RAPID SKILL DEVELOPMENT AND THE COMMODITIZATION OF CONTENT

Virtually all CEOs (90 percent) believe their company is facing disruptive change driven by digital technologies, and 70 percent say their organiza-

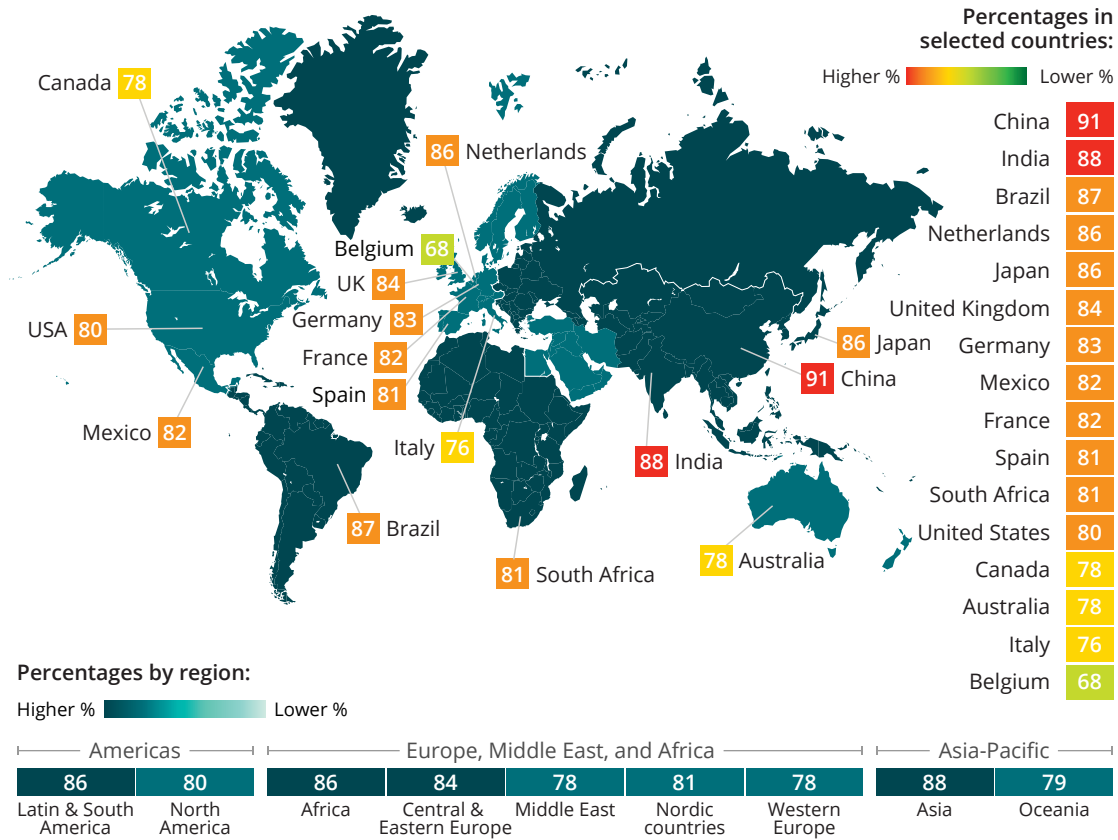
tion does not have the skills to adapt.⁶ This doubt reflects the fact that skills are becoming obsolete at an accelerating rate. Software engineers must now redevelop skills every 12–18 months.⁷ Professionals in marketing, sales, manufacturing, law, accounting, and finance report similar demands.

The good news is that an explosion of high-quality, free or low-cost content offers organizations and employees ready access to continuous learning. Thanks to tools such as YouTube and innovators such as Khan Academy, Udacity, Udemy, Coursera, NovoEd, edX, and others, a new skill is often only a mouse click away. Leading universities offer graduate-level courses online through edX MicroMasters programs for a fraction of the cost of a full master's degree. Completion of a series of online courses opens the door for learners to then apply for admission to a formal master's program at one of the many top institutions participating.

The ongoing commoditization of content can be highly disruptive to corporate L&D departments. They face a stark choice: harness this trend to their company's benefit or risk watching their learning programs become obsolete.

Companies worldwide are scrambling to catch up with employees' desires.

Figure 2. Careers and learning: Percentage of respondents rating this trend “important” or “very important”



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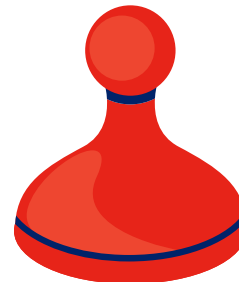
Leading companies are embracing continuous learning delivered digitally. GE created Brilliant U—an online learning platform that features video sharing and offers employee-driven learning across the enterprise. In year one, more than 30 percent of GE employees developed content and shared it with their peers.⁸

NEW TOOLS ARE LEAVING BEHIND TRADITIONAL LMS

At most companies, the learning management system (LMS) is among the oldest and most challenging to use. Today a new set of learning tools has entered the market, pioneered by vendors such as Degreed, Pathgather, EdCast, Grovo, and Axonify. These tools provide curated content, video and mobile learning solutions, micro-learning, and new ways to integrate and harness the exploding library

of external MOOCs and video learning available on the Internet.

The fastest-growing segment in HR technology spending is now the adoption of new employee learning systems.⁹ Companies are seriously looking at replacing their employee learning infrastructure and shopping for new tools at all levels of the learning technology stack.



THE NEW LOOK OF L&D

As a result of these forces, the structure, operations, and mission of corporate L&D are facing radical change. Only a decade ago, companies were content to build virtual universities and online course catalogues. Today, we see the learning function as a highly strategic business area that focuses on innovation and leadership development by delivering a world-class learning experience, promoting lifetime learning for longer careers, and bringing multifunctional teams together to connect and collaborate.

There is also a new focus on convergence—bringing together disciplines such as sales, marketing, design, finance, and IT onto cross-functional teams to build products and solutions faster. Forward-thinking L&D departments are facilitating this growth in interdisciplinary thinking by viewing the corporate university as a commons instead of a training center.

For business and HR leaders, the new models are a wake-up call to adapt or risk falling behind in hiring, employee engagement, productivity, and product innovation.

THE CHANGING ROLE OF L&D LEADERSHIP

To keep pace with these changes, chief learning officers (CLOs) must now become the catalysts for next-generation careers while also thinking about how to support the overall growth of the business. They should become part of the entire employee experience, delivering learning solutions that inspire people to reinvent themselves, develop deep skills, and contribute to the learning of others.

The goal is a learning environment adapted to a world of increased employee mobility. Interdisciplinary skills development is critical because these capabilities align with the organizational shift to networks of teams. Learning should encourage, and even push, people to move across jobs.

Leading organizations are adopting these types of learning strategies to help employees adapt—what Tom Friedman terms “intelligent assistance.”¹⁰



Since 2013, AT&T has invested \$250 million in education and development programs for 140,000 employees with a focus on continuous career development.

As John Donovan, AT&T’s chief strategy officer said, “We felt a fundamental obligation to reskill our workforce.”¹¹ The company expects that these individuals will change roles every four years.¹²

To facilitate this mobility, AT&T now offers a wide range of online learning opportunities and encourages employees to find new jobs, seek out mentors, and learn new technologies. To make the transition as easy as possible, AT&T has partnered with universities to pioneer affordable online courses in the skills it needs. As Bill Blase, head of HR explains, “It’s a new bargain—one that, done well, benefits both the organization and the employees who learn new skills to advance their careers.”¹³

Ironically, as legacy L&D responsibilities become less relevant, the opportunities for L&D to be more relevant have never been greater. L&D organizations that recognize the new future of careers, embrace exponential changes in technology, and become flexible content curators rather than rigid content creators have the potential to become highly valued business partners.

For business and HR leaders, the new models are a wake-up call to adapt or risk falling behind in hiring, employee engagement, productivity, and product innovation.

Lessons from the front lines

Top-tier research universities offer insights into new approaches for CLOs struggling to adjust to demands for convergence. The University of Southern California (USC) is leading the charge on how learning can drive innovation and empower individuals to reach their peak performance.

Like many organizations, USC realized it needed to rethink its underlying approach to make a real impact. Under the guidance of the provost, Michael Quick, and president, C.L. Max Nikias, USC challenged itself to reimagine how learning can be used as a strategic asset for the student, university, and society at large.

USC has 19 distinct “business units,” each with its own profit and loss statement. Like many corporate CLOs, USC faced the challenge of breaking through the silos. The process started with interdisciplinary thinking, bringing together learners and researchers from distinct business units. This yielded incremental benefits, but not real change.¹⁴

The next step in the evolution was convergence—forming interdisciplinary teams from the ground up, focusing on a specific problem, and then using

all the assets of an organization to attack it. In the Eli and Edythe Broad Center for Regenerative Medicine and Stem Cell Research, the university brought together leading minds in science and top talent from the cinematography school. Why the cinema school? Because it offered advanced skills in digital imaging and virtual reality, accelerating the work of the science team to solve complex scientific issues. This not only brought new thinking to the problem, it reframed the careers of the cinema school employees as well—a prime example of learning and convergence.¹⁵

Another example is the Iovine and Young Academy for Arts, Technology and the Business of Innovation, established with a gift from the founders of Beats. In an early example of convergence, Beats brought design thinking, engineering, and the love of music to a breakthrough design for headsets. As the company grew, finding the right talent proved a constant challenge. To solve it, Beats worked with Dr. Erica Muhl, dean of the Roski School of Art and Design, to found the academy at USC focusing on “new literacies,” including visual design, collaboration and iterative design, technical skills, and business acumen. This approach has led to breakthrough design thinking that is being applied to advanced cancer research and global, satellite-based Wi-Fi for the world.¹⁶

What lessons should corporate CLOs apply? Think beyond interdisciplinary and move to convergence. Focus on defining and addressing tough problems which, if solved, would make a real impact. Challenge teams to go after vexing problems by starting from the ground up. Bring together people with nontraditional skills.

Companies such as Nestlé, Dell, and Visa are following this path to build new corporate learning functions, using their corporate university as a cornerstone for collaboration, leadership development, and cross-functional innovation.¹⁷ As people become more dynamic in their careers, the need to build relationships and community connections becomes integral to performance and innovation.

Start here

- **Evaluate internal mobility:** As the demand for cross-functional teams continues to rise, mobility will only grow in importance. Study existing patterns of career mobility and begin more aggressive programs, including developmental and rotational assignments and professional development programs.
- **Review the organization's job architecture:** Be sure it is as nimble and streamlined as possible to support the new career models of the future.
- **Build a culture of hiring from within:** Hold managers accountable for training and supporting internal candidates in new roles.
- **Track learning metrics:** Emerging technologies offer new measures of development, such as the number of hours employees spend on learning platforms. Forward-looking companies are collecting and leveraging this data.
- **Refocus the L&D team:** Move away from training toward curation, culture, and bringing people together.
- **Rethink the entire L&D technology infrastructure:** For many companies, this will mean moving away from LMS toward a learning-centric model, which may involve replacing core LMS with new learning-experience software.
- **Rethink the corporate university:** Invest in a place to bring people together for cross-functional and interdisciplinary programs in addition to great learning.
- **Manage the employment brand:** Tools such as Glassdoor keep metrics on whether a company provides opportunities for career growth. Potential candidates can evaluate these ratings and may avoid organizations that do not consistently offer opportunities.

FAST FORWARD

The impact of the fourth industrial revolution is fundamentally changing the nature of work and the meaning of career, and making it imperative to constantly refresh one's skills. Unlike some of this year's trends where the organization can help drive what needs to be done, when it comes to learning, the organization's role is to create the environment and systems to allow employees to constantly learn and relearn. The explosion of free content means that the learning organization should seamlessly integrate internal and external content into its platforms.

Figure 3. Careers and learning: Old rules vs. new rules

| Old rules | New rules |
|---|--|
| Employees are told what to learn by their managers or the career model | Employees decide what to learn based on their team's needs and individual career goals |
| Careers go "up or out" | Careers go in every direction |
| Managers direct careers for people | People find their career direction with help from leaders and others |
| Corporate L&D owns development and training | Corporate L&D curates development and creates a useful learning experience |
| People learn in the classroom and, sometimes, online | People learn all the time, in micro-learning, courses, classrooms, and groups |
| The corporate university is a training center | The corporate university is a "corporate commons," bringing leaders and cross-functional groups together |
| Learning technology focuses on compliance and course catalog | Learning technology creates an always-on, collaborative, curated learning experience |
| Learning content is provided by L&D and experts | Learning content is provided by everyone in the organization, and curated by employees as well as HR |
| Credentials are provided by universities and accredited institutions; skills are only certified through credentials | Credentials come in the form of "unbundled credentials," where people obtain certificates in many ways |

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Talent acquisition

Enter the cognitive recruiter

Talent sourcing and recruitment face tremendous pressure. Talent and skill shortages are widespread. Employees are demanding new careers and career models. And technologies and innovations—including cognitive, artificial intelligence, social collaboration, crowds, and the sharing economy—are reshaping the workforce. Leading companies are turning the open talent economy into an opportunity by embracing technologies and developing new models that make innovative use of on- and off-balance-sheet talent sources.

- Attracting skilled resources is no longer simply the responsibility of HR. It now stands as a top concern of business leaders, ranking third in our survey this year.
- More than 8 in 10 (83 percent) executives say talent acquisition is important or very important.

FINDING talent both on- and off-balance sheet has moved far beyond traditional recruiting to encompass the broader scope of talent acquisition (TA). Once the sole domain of HR, TA now involves multiple teams across the organization. Adding to the complexity, the accelerating pace of technology offers a dizzying array of new solutions, even as the nature and sources of talent markets continue to shift. Current platforms struggle to adapt because many are too old to integrate emerging technologies, capabilities, and needs.

BUILDING A STRATEGIC AND DIGITAL EMPLOYMENT BRAND

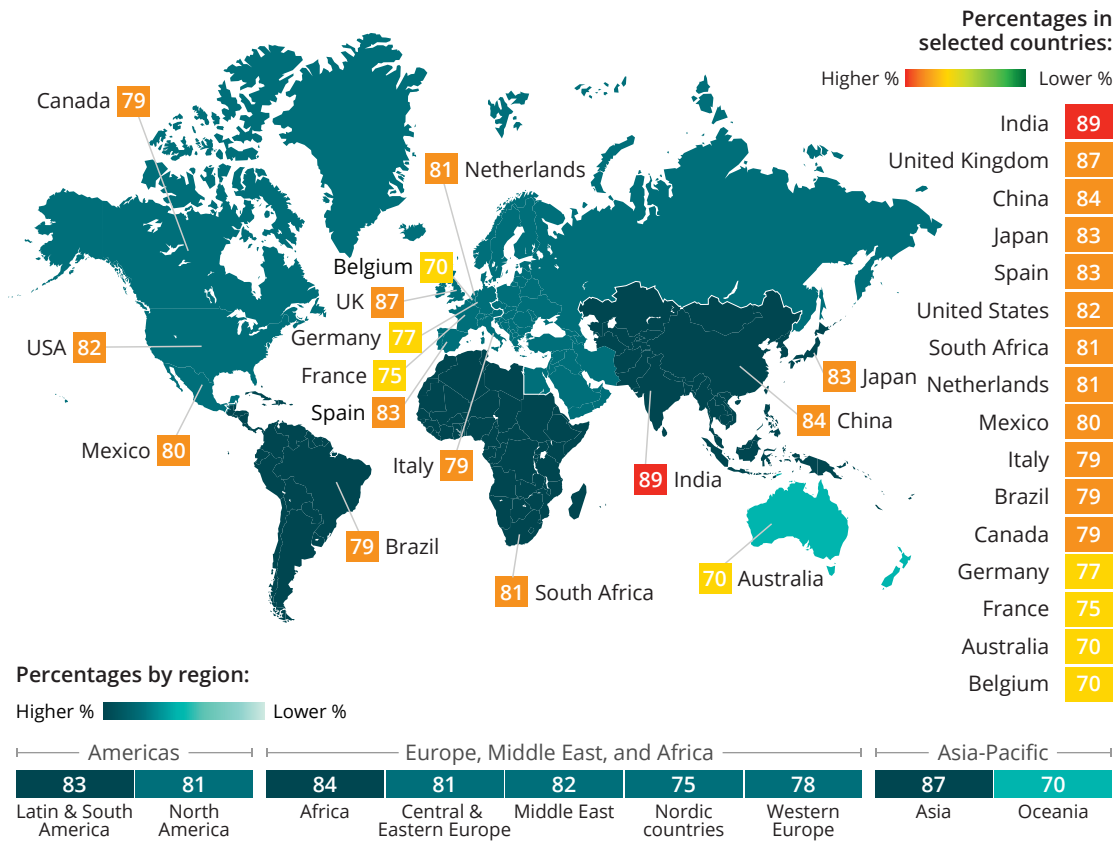
In today's transparent digital world, a company's employment brand must be both highly visible and highly attractive because candidates now often find the employer, not the reverse. To leverage this interest, companies are intensively managing their

employment brand, which can “pull” candidates toward them.

Creating an attractive employment brand involves a complex mix of forces. One major factor is the overall **workforce experience**, which requires high levels of engagement and **strong career opportunities**. In fact, outreach campaigns to educate and attract candidates may be just as important as customer-focused advertising. Heineken, for example, developed a series of unconventional videos and web interviews to highlight the employee experience and set the company apart.¹

Employers must also reconsider how they communicate their value proposition to the workforce. Dell's Global Talent Brand and Tools team completely redesigned the company's global career websites to include consistent messaging and images. The team also launched a job search optimization site and an aggressive campaign of candidate-

Figure 1. Talent acquisition: Percentage of respondents rating this trend “important” or “very important”



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focused content featuring blog posts and a wide range of videos. These were posted on the company’s career sites, its YouTube channel, and other employee- and candidate-focused sites, such as Glassdoor. The videos, which included employees talking about their experiences at Dell, reached a wide array of social networks.²

LEVERAGING NEW TECHNOLOGIES—FROM SOCIAL TO COGNITIVE

The biggest disruptor in talent acquisition today is experimentation with tech solutions and services. With over 70 percent of TA systems coming from third-party providers, vendors are actively seeking to capitalize on these new technologies.³ Many of these are evolving toward cognitive capabilities that build on mobile and cloud technologies, as well as social networks such as LinkedIn. Some of the

larger HR systems, such as Workday and Oracle, are building solutions that feed into even bigger systems.

The more innovative ideas and solutions are centered around cognitive technologies such as artificial intelligence (AI), machine-to-machine learning, robotic process automation, natural language processing, predictive algorithms, and self-learning. Chatbots are becoming popular, including the recently launched Olivia, which guides candidates through an application process with sequenced questions.⁴

While cognitive TA is currently the domain of mostly small, single-solution start-ups, IBM’s AI pioneer, Watson, is now moving into the space with three new technologies: a machine learning platform that ranks the priority of open requisitions; social listening for an organization’s and competitors’ publicly available reviews on Glassdoor, Twitter, and news-

feeds; and a tool that matches candidates to jobs through a “fit score” based on career experiences and skills. These technologies take pre-existing social data and information and then apply advanced cognitive capabilities to deliver actionable analysis.

Predictive analytics is increasingly important to TA, as sophisticated analytics teams begin to prioritize recruiting workflows, conduct workforce planning, evaluate different recruiting sources, assess quality of hire, and use pre-hire assessments. Companies that are not prioritizing analytics do so at their own risk.

PredictiveHire, a cloud-based SaaS analytics solution provider, found that one of its Australian clients could have saved 1.1 million Australian dollars by using a pre-hire assessment tool. Without the tool, the client hired 80 people over 12 months but lost 800,000 Australian dollars on those appointments, as measured in people costs offset by the revenues they generated.⁵

The applicant tracking system (ATS)—which has traditionally been an immense TA filing cabinet—is being reinvented by innovative solution providers. These providers are augmenting the ATS with other TA technologies, including candidate relationship management, video interviewing, and analytics. For example, HR software company Lever has reimagined the ATS to pivot around candidate relationship management, offering built-in, real-time reporting across all pipelines and recruiting functions.

Forward-looking organizations are also beginning to employ simulations and gaming to connect with talent, particularly Millennials, and analyze whether candidates are primed to succeed in a given role. However, few are fully utilizing these capabilities. Just 6 percent of surveyed global business leaders say their company is excellent at using gaming and simulations to attract and assess potential candidates, and 71 percent of respondents rate their company as weak. (See figure 2.)

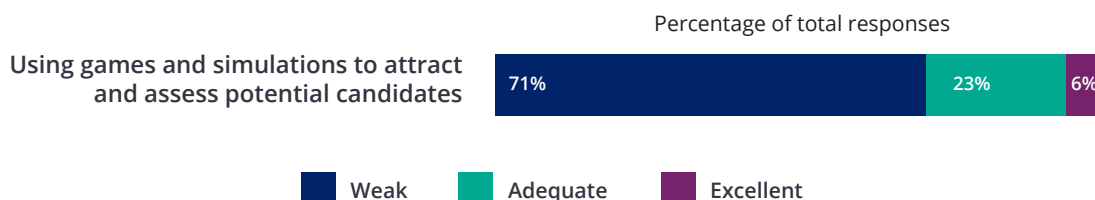
USING VIDEO AS A TOOL FOR A COMPELLING CANDIDATE EXPERIENCE

The candidate experience is the first phase of the broader [employee experience](#). Yet only 15 percent of global business leaders surveyed this year believe their companies do an excellent job cultivating and monitoring long-term relationships with potential future talent.

Video is emerging as a tool to address this challenge by enabling a more compelling candidate experience. SAP, for example, uses cartoons and video games to illustrate life at the company in an engaging way.⁶ Other organizations are reimagining the age-old job description in a video format. Job postings on Facebook that feature videos receive 36 percent more applications.⁷

Video is also transforming interviews. AI and a video interview may be better able to identify promising candidates than a traditional interview, saving money and reducing time-to-hire. For example,

Figure 2. Respondents’ ratings of their ability to use games and simulations to attract and assess potential candidates



Hilton used a video interviewing platform to cut its recruiting cycle from six weeks to just five days.⁸ Video interviewing can reduce pre-hire assessment questions from 200 to just 5 and raises the possibility of one-interview hires.

Indeed, a consensus is emerging that traditional interviewing—subjective and unstandardized—may be an unreliable method for predicting a potential employee’s success. Just as blind musical auditions increased the number of women in American orchestras, efforts to control unconscious bias are on the rise in business.⁹

In the open talent economy, technology allows talent to move more freely than before—from role to role, within and outside the enterprise, and across organizational and geographic boundaries.



FROM CREDENTIALS TO SKILLS

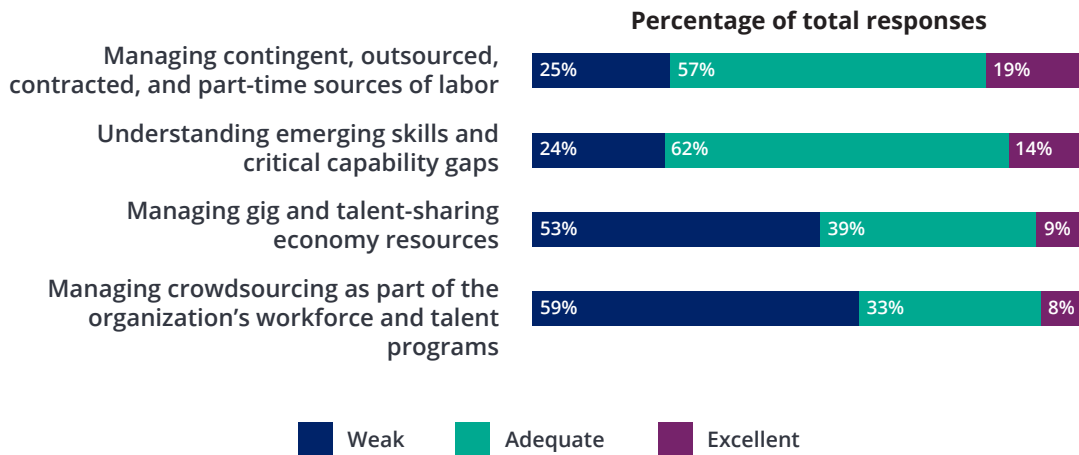
To judge whether candidates will be effective, employers are shifting their focus from checking credentials to confirming skills. More than a quarter of global business leaders we surveyed (29 percent) are using games and simulations to attract and assess potential candidates, but only 6 percent think they are performing excellently. Many organizations are turning to job simulation software, which can improve hiring by giving candidates tasks they would do on the job. Still others are using video to demonstrate skills. Skill Scout produces a short job video that serves as a “job post in motion,” allowing candidates to preview what the job is like and the skills required.¹⁰

Veterans are a prime example of how technology can identify valuable skills in overlooked talent pools. This group has many of the skills employers need but may lack the certification credentials that many businesses require. Many organizations are now using military “translators” in which veterans can enter their military job code and title and translate their military skills into civilian terms.¹¹

Finally, consumer-facing brands are finding ways to reject candidates without damaging their reputation. To keep rejected candidates positively engaged, Ericsson partnered with third-party vendor CareerArc to create a company-branded job placement portal, launched in 2016, called Candidate Care. Rejected candidates receive a letter inviting them to take advantage of the job placement portal; once registered, participants can learn skills to improve their résumés, boost their interview skills, learn how to leverage personal networks, and improve their job-searching skills. The Candidate Care placement portal has been a huge success, with 98 percent of eligible participants electing to sign up for the platform.¹²

OPTIMIZING SOURCING CHANNELS

Organizations employ many sourcing strategies to attract and engage top talent. A company’s own employees deliver the highest-quality candidates, with over half of surveyed organizations (51 percent) citing employee referrals as one of their top three channels, followed by professional networking sites

Figure 3. Respondent ratings of sub-capabilities related to talent acquisition

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(42 percent) and internal candidates (40 percent). In 2014, only 12 percent of surveyed global business leaders thought their usage of social tools for sourcing and advertising positions was excellent; this number has more than doubled, to 28 percent.

In the open talent economy, technology allows talent to move more freely than before—from role to role, within and outside the enterprise, and across organizational and geographic boundaries. Organizations that are leveraging open talent are partnering with temporary labor marketplace companies such as ShiftGig and BountyJobs, e-staffing agencies such as HIREd and CloserIQ, freelance management systems such as OnForce and JobBliss, and crowdsourced recruitment systems such as Amazon's Mechanical Turk and Gigwalk.¹⁴

Our global survey this year found capabilities relative to new sourcing and talent pools to be among the weakest reported. More than half of surveyed global business leaders (53 percent) report weak capabilities in relation to gig and talent economy resources, and only 8 percent rate their companies' ability to manage crowdsourcing as excellent. (See figure 3.) Improving these capabilities will determine which businesses can attract needed talent and which struggle to identify and incorporate in-demand skills.

OPTIMIZING THE TALENT ACQUISITION OPERATING MODEL

Many big organizations have embraced shared services for HR, yet when it comes to recruiting, local hiring managers tend to work largely alone with the help of local recruiters or HR professionals. Given the expense, corporate HR is the most likely choice to invest in the talent acquisition products that can make the company stand out. And that's likely to be money well spent. Companies can support this new approach to talent acquisition by starting with a degree of centralization to gain the benefit of scale and efficiency and, more importantly, create a strong and competitively differentiated candidate experience.

Lessons from the front lines

Global consumer products giant Unilever is combining gamification and video interviewing to create an all-digital graduate recruiting process, simplified into four easy steps.¹⁵

First, candidates complete a short online form tied to their LinkedIn profiles—no résumés needed. Second, candidates spend 20 minutes on a series of games that are available on computers, tablets, or smartphones. Working with gamification solution

provider Pymetrics, the Unilever TA team developed 13 games that provide insight into various capabilities such as problem solving, personality, and communication style. After completing the games, all candidates receive a personalized feedback report.

Only candidates selected by the Pymetrics program move on to the third step: recording a video interview. Unilever uses HireVue for its video interviewing platform, which digitally assesses and ranks the video interviews to determine candidate fit. The strongest candidates then move on to the fourth step, when they are invited to a Discovery Centre for an in-person “day in the life at Unilever” simulation.

Unilever proudly announced the transformation of its graduate recruitment process on its website: “Good news for new grads—that time you spent on Minecraft and World of Warcraft may have actually been time well spent. Unilever has digitized its recruitment process and 20 minutes of gaming is now part of the mix.”¹⁶

While the process is in its early stages, Unilever recruiters are reporting significant improvements in the hiring process. Under the old system, recruiters screened six candidates to put one through the process; now recruiters are screening two candidates to put one through all the four steps.¹⁷

Another large employer in the retail industry was struggling with high employee turnover, a lack of focus on the candidate experience, and overall brand/social presence as it tried to raise the level of talent in the organization. Most of its workers were nonexempt hourly staff. Hiring managers on the line were burdened with high volumes, especially at seasonal peaks; to avoid getting overwhelmed, they were taking people on with little regard to talent development. Potential new sources of talent were left untapped.

The company decided to implement a new human capital management software package to replace its hodgepodge of manual and automated systems. But the software wasn’t enough—HR needed to get involved to show line supervisors the importance of managing talent over time, from hiring through orientation and beyond. HR set up a centralized recruiting center to pre-screen candidates for in-

Given the expense, corporate HR is the most likely choice to invest in the talent acquisition products that can make the company stand out.

dividual stores. It also established a series of standardized processes to make sure candidates didn’t fall through the cracks and would enjoy a better and more consistent experience. New employees were set up with learning plans as part of their onboarding, and HR took note of their competencies and career interests.

By centralizing the employee data, HR was able to move the organization toward an “open market” approach to talent and mobility. This helped not just with retaining current employees but with attracting outside candidates, driving a consistent candidate experience across the enterprise that better aligned with the company’s talent strategy and desired reputation in the marketplace.

As this large employer found, technology isn’t enough to elevate a company’s recruiting experience. To help ensure a steady flow of talent into the organization and create an approach that delights candidates, especially with the job market tightening, companies should start with a broader perspective on hiring through the lens of the candidate. They can no longer afford to rely on local managers to represent the company.

Start here

- **Leverage new technologies:** The world of recruiting is becoming a digital experience—perhaps leading the pack among the rest of HR processes—as candidates come to expect con-

venience and mobile experiences. Explore the value of cognitive tools, video, and gaming, especially when they build on social networks and the cloud.

- **Build a digital employment brand:** Everything an organization does in the digital and socially networked world affects candidates' decision to work there. Be sure to monitor and align messaging across sites and experiences.
- **Create a compelling candidate experience:** Put yourself into the candidates' shoes: What is unique about your organization that can add richness to the candidate experience? What qualities both set your company apart and make it more attractive to candidates?
- **Broaden and expand sourcing channels:** Open up talent pipelines to nontraditional sources. Think about how best to source and recruit for the many types of talent needed, both on and off the balance sheet, including full- and part-time employees, freelancers, gig workers, and crowds.
- **Integrate sourcing:** Talent acquisition sourcing should be connected across HR, business, procurement, IT, and other functions. Move beyond silos toward coordinated talent sourcing channels.



FAST FORWARD

Accelerating digital, video, and cognitive technologies and ever-increasing transparency are quickly changing how recruiters find and court skilled employees. Rather than continuing to focus on sourcing and selection, recruiters are now relationship builders and managers. They are looking to enable a positive candidate experience for new employees—a task that requires both new responsibilities and new skills.

Savvy recruiters will continue to embrace new TA technologies and hone their relationship-building skills. Indeed, this is the promise of cognitive recruiting. As AI and other technologies take over the basic, time-consuming tasks of sourcing candidates, human jobs will shift. A recruiter in this new world can add value by building psychological and emotional connections with candidates and constantly strengthening the employment brand.

Figure 4. Talent acquisition: Old rules vs. new rules

| Old rules | New rules |
|---|--|
| Recruiters used Internet tools to find candidates | Recruiters continuously expand their use of social media sites for sourcing, including Twitter, Facebook, Glassdoor, Pinterest, and Quora, in addition to LinkedIn |
| Employment brand is viewed as a marketing strategy | Employment brand has a complete strategy, reaching into all possible candidate pools and channels |
| Recruiters run the recruiting process | Recruiters partner with hiring managers throughout the search process, leveraging their networks, cultural needs, and success criteria |
| Job descriptions communicate what the organization demands from the potential employee | Job descriptions focus on the needs of the candidates—a tactic that yields three times as many highly rated applicants* |
| An applicant tracking system is the only required talent acquisition technology | Companies have talent acquisition technology platforms that manage sourcing, video interviewing, interview management, candidate relationship management, and onboarding |
| Talent acquisition processes are built on efficiency, effectiveness, and speed of hire in a way that works for the enterprise | The candidate and hiring manager are front and center in talent acquisition processes, tailoring the candidate experience around the moments that matter in the talent acquisition journey with the organization |

* Andre Lavoie, "How to attract the best talent with your job descriptions," Aberdeen Essentials, September 25, 2015, www.aberdeenessentials.com/hcm-essentials/how-to-attract-the-best-talent-with-your-job-descriptions/.

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EXPERIENCES



The employee experience

Culture, engagement, and beyond

.....

In a digital world with increasing transparency and the growing influence of Millennials, employees expect a productive, engaging, enjoyable work experience. Rather than focus narrowly on employee engagement and culture, organizations are developing an integrated focus on the entire employee experience, bringing together all the workplace, HR, and management practices that impact people on the job. A new marketplace of pulse feedback tools, wellness and fitness apps, and integrated employee self-service tools is helping HR departments understand and improve this experience. Through new approaches such as design thinking and employee journey maps, HR departments are now focusing on understanding and improving this complete experience and using tools such as employee net promoter scores to measure employee satisfaction.¹

- Organizational culture, engagement, and employee brand proposition remain top priorities in 2017; employee experience ranks as a major trend again this year.
 - Nearly 80 percent of executives rated employee experience very important (42 percent) or important (38 percent), but only 22 percent reported that their companies were excellent at building a differentiated employee experience.
 - Fifty-nine percent of survey respondents reported they were not ready or only somewhat ready to address the employee experience challenge.
-

A PRODUCTIVE, positive employee experience has emerged as the new contract between employer and employee. Just as marketing and product teams have moved beyond customer satisfaction to look at total customer experience, so is HR refocusing its efforts on building programs, strategies, and teams that understand and continuously improve the entire employee experience. Our research has identified 20 elements that bring this together, each of which requires focus and attention from HR and management.²

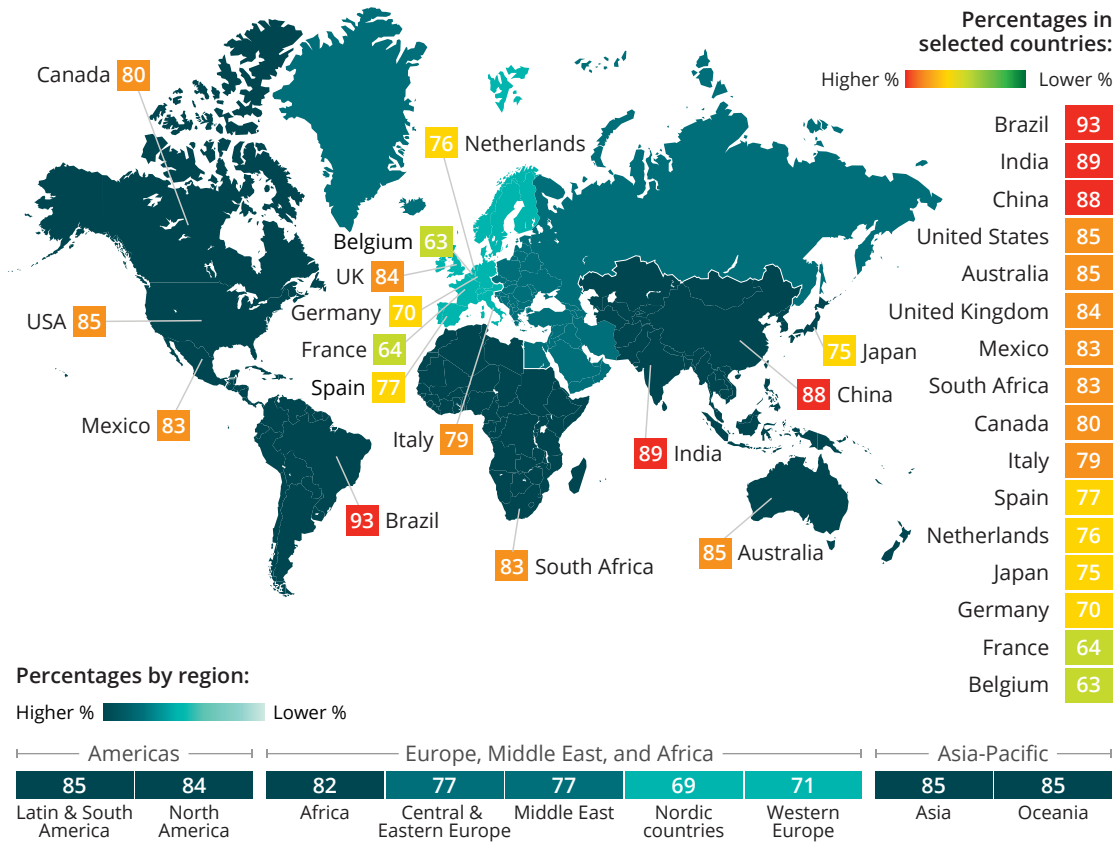
The problems of employee engagement and productivity continue to grow. Overall employee engagement, measured by Glassdoor data across thousands of companies, is flat year over year.³ This year's *Global Human Capital Trends* research shows that organizations' ability to address these issues of engagement and culture has dropped by 14 percent since last year, illustrating how complex the work environment has become. In several important areas, there is little or no improvement at all. (See figure 1.)

Figure 1. Percentage of companies that feel they are excellent in each area

| | 2017 | 2016 | Change |
|--|------|------|------------|
| Helping employees balance personal and professional life/work demands | 23% | 19% | 21% better |
| Aligning employees and personal goals with corporate purpose | 24% | 23% | 4% better |
| Providing programs for younger, older, and a multi-generational workforce | 11% | 11% | Flat |
| Understanding and using design thinking as part of the employee experience | 10% | 13% | 23% worse |

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Figure 2. Employee experience: Percentage of respondents rating this trend “important” or “very important”



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This year’s survey found both challenges and opportunities for improvement across multiple dimensions of the employee experience (figure 3).

Several factors make employee experience a challenge today:

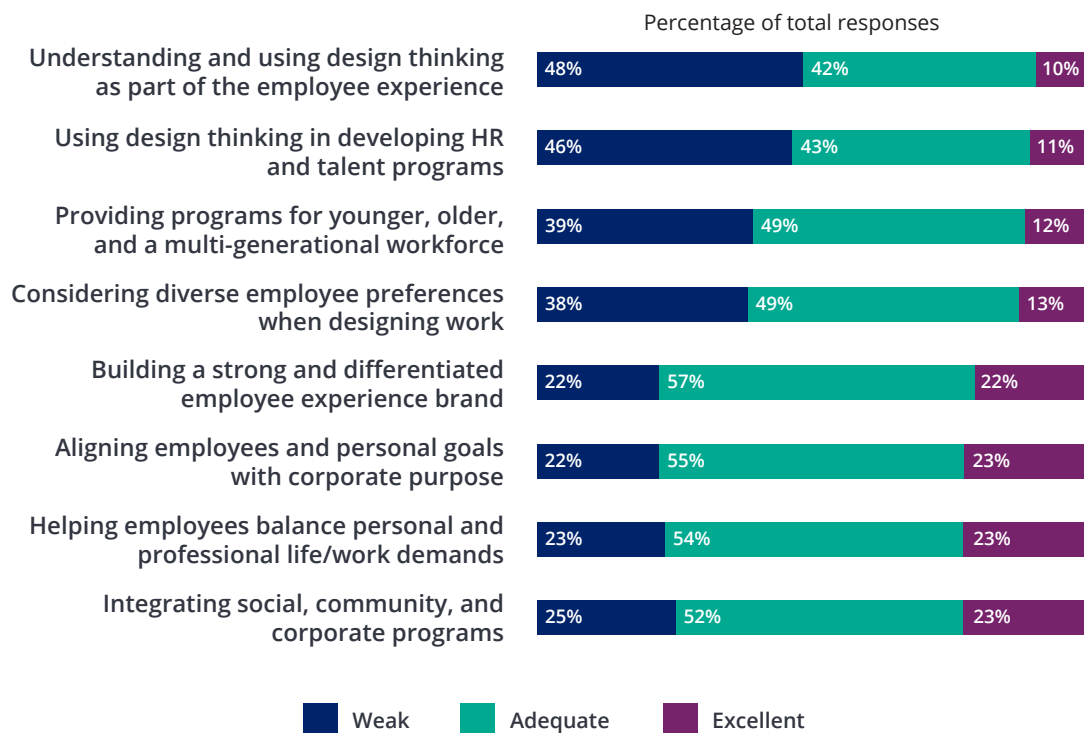
- First, many companies have not yet made employee experience a priority for HR leaders, often delegating this problem to an annual engagement survey.
- Second, while some companies have created the C-suite role of employee experience officer, most companies have not assigned responsibility to a senior executive or team to design and deliver the employee experience.
- Third, siloed HR departments often find it difficult to obtain the resources needed to address an integrated set of priorities, which range from management practices to the workplace to benefits and, often, the work culture itself.

- Fourth, companies need to update their tools to engage employees on an ongoing basis (with pulse surveys at least) to help HR teams and line leaders understand more fully what the talent they employ expects and values. An employee net promoter score is another important tool in this effort.
- Fifth, many companies remain focused on “point-in-time engagement” and have not yet pulled together the disciplines of performance management, goal setting, diversity, inclusion, wellness, workplace design, and leadership into an integrated framework.

A GROWING CHALLENGE

Understanding and improving the employee experience is critical for companies operating in a highly competitive global economy. Providing an engaging experience will help companies succeed in at-

Figure 3. Respondent ratings of sub-capabilities related to employee experience



Companies need a new approach—one that builds on the foundation of culture and engagement to focus on the employee experience holistically, considering all the contributors to worker satisfaction, engagement, wellness, and alignment.

tracting and retaining skilled employees. A strong employee experience also drives a strong customer experience.⁴

As organizations shift to a networked, team-based structure, the employee experience becomes both more important and more complex. People today often have multiple roles with multiple managers. A recent study Deloitte completed with Facebook found that only 14 percent of companies believe their internal processes for collaboration and decision making are working well, and 77 percent believe email is no longer a viable tool for effective communication.⁵

The challenge is not getting any easier. Productivity in the United States is rising by only about 1 percent annually, even as employees are working more hours.⁶ Research shows that the average vacation time taken is down to 16 days in 2016 from 20 in 2000, putting even more pressure on employees seeking a healthy work-life balance.⁷

Companies need a new approach—one that builds on the foundation of culture and engagement to focus on the employee experience holistically, considering all the contributors to worker satisfaction, engagement, wellness, and alignment.

THE GROWING NEED FOR A HOLISTIC SOLUTION

Traditionally, HR has addressed issues such as employee engagement, culture, rewards, and learning and career development as separate, independent programs in individual silos. Each program has a senior HR leader, a set of tools and diagnostics, and solutions to drive and measure change.








The employee sees the picture differently. Starting as potential hires and recruits, employees look at everything that happens at work as an integrated experience that impacts daily life in and outside the workplace, including overall physical, emotional, professional, and financial well-being. Candidates assess future employers from the very start of the talent acquisition

experience and make quick judgments about what life will be like for them in the organization, based on how they interact with the enterprise during the recruiting cycle.

This integrated view increasingly leads to employees demanding a holistic, end-to-end—recruitment-to-retirement—experience from their employers, whether they are full-time employees, contingent workers, or even crowdsourced talent. This also requires a radical change in emphasis on the part of employers.

Figure 4. Factors that contribute to a positive employee experience

| Simply Irresistible Organization™ model | | | | |
|---|---|---|--|---|
|  |  |  |  |  |
| Meaningful work | Supportive management | Positive work environment | Growth opportunity | Trust in leadership |
| Autonomy | Clear and transparent goals | Flexible work environment | Training and support on the job | Mission and purpose |
| Select to fit | Coaching | Humanistic workplace | Facilitated talent mobility | Continuous investment in people |
| Small, empowered teams | Investment in development of managers | Culture of recognition | Self-directed, dynamic learning | Transparency and honesty |
| Time for slack | Agile performance management | Fair, inclusive, diverse work environment | High-impact learning culture | Inspiration |
| Cross-organization collaboration and communication | | | | |

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HR and business leaders face both the demand and the opportunity to rethink the roles, structure, tools, and strategy they use to design and deliver an integrated employee experience. Models such as the one in figure 4 represent a starting point to address a variety of issues: meaningful work, the purpose of the organization, employee talent development and growth, rewards and wellness, the work environment, fairness and inclusion, and authenticity among management and leadership.

GETTING THE DESIGN AND DELIVERY RIGHT

In recent years, we highlighted trends relating to the [overwhelmed employee](#), [simplification of work](#), and [design thinking](#). Developing an integrated employee experience across multiple dimensions will require HR and business leaders to combine insights in all of these areas. Business and HR leaders can leverage the experience of marketing, product

development, and sales executives who are working along similar lines to design integrated customer experiences.

Employees expect not only a better-designed experience but new models of delivery. In a world where employees can manage much of their lives on a handful of smartphone apps, they expect every element of their employee experience, from work to development to rewards, to be accessible and easy to use on their mobile devices.

FOCUS ON EMPLOYEE FEEDBACK IS IMPROVING, BUT NOT FAST ENOUGH

Creating a holistic approach to the employee experience demands better tools and programs to capture employee feedback continuously. A new breed of pulse survey tools, performance management tools, and open survey tools is making this possible. Today, 22 percent of companies survey employees

quarterly or more often, 79 percent survey employees annually or less, and 14 percent never survey employees at all.

The neglect of regular employee feedback helps explain other challenges companies face today, including shortcomings in driving culture and purpose and providing a healthy work-life balance. This year, only 23 percent of companies believe their employees are fully aligned with the corporate purpose. And, while 84 percent have some program to measure work-life balance, just 23 percent claim their solutions are excellent.

Companies in Nordic countries, the Americas, and Central Europe lead the way, with those in Asia, the Middle East, and Africa still significantly behind.

As one forward-thinking retail executive noted, “We used to prioritize our stakeholders as shareholders first, customers second, and employees third. We now realize we had it backward. If we put employees first, they in turn take care of our customers, and they in turn take care of our shareholders.”

THERE'S AN APP FOR THAT

An explosion of digital and mobile tools has emerged to help HR design and deliver a great employee experience:

- **Productivity and collaboration apps:** New tools are moving well beyond traditional email to improve productivity and engagement. Products such as Facebook's Workplace, Slack, Microsoft Skype for Teams, Google G-suite, and solutions from companies such as Basecamp, Trello, Asana, and 15Five can support collaborative team-centric work and offer engaging platforms for learning, goal alignment, performance management, and traditional HR processes.
- **Engagement and feedback apps:** New pulse survey tools are flooding the market, replacing traditional annual engagement surveys.
- **Performance management apps:** A new breed of continuous performance management products that include feedback tools has emerged from vendors such as Reflektiv, BetterWorks, Zugata, Highground, Workboard, and SuccessFactors.

High-performing companies have found ways to enrich the employee experience, leading to purposeful, productive, meaningful work.

- **Well-being apps:** A new market of wellness apps brings together competitions, fitness, groups, wearables integration, and micro-learning from vendors such as Limeaid and VirginPulse.
- **Employee service platforms:** These tools offer an integrated employee experience for transactional and service needs, integrating chatbots and natural language processing with case management, content management, and easy-to-use mobile and web portals.

While all these tools are valuable, the fact that each of these markets is separate illustrates that the focus on end-to-end employee experience is still new. With few integrated toolsets on the market, organizations have to bring together independent HR and technology managers to build an employee experience strategy and program.

THE CENTRALITY OF THE EMPLOYEE EXPERIENCE

Looking across all 10 trends we discuss this year, it's clear that employee experience is a central theme in 2017. Leadership, organization structure and teams, career mobility, learning, diversity, employment brand, and HR services, all affect an employee's experience.

High-performing companies have found ways to enrich the employee experience, leading to purposeful, productive, meaningful work.

Innovative companies look to employees themselves for inspiration. Cisco,⁸ IBM, GE,⁹ Airbnb,¹⁰ and many other companies have used hackathons to collect employee ideas and design new approaches to performance management, workplace design, benefits, and rewards. These open, collaborative approaches engage employees directly in designing a “perfect” employee experience.

Many leading firms are incorporating design thinking to improve the overall employee experience. Nike, Commonwealth Bank of Australia, Telstra, Deutsche Telekom, and several other companies have redesigned their onboarding, recruitment, and employee self-service applications. In each case, the company developed a new set of mobile apps, new user experiences, or new service delivery solutions to improve and simplify life at work.¹¹ HR should lead these conversations.

Companies are now carefully studying the workplace itself, seeking a flexible, collaborative, humanistic environment. Facebook’s new campus is beautiful, personalized, and filled with places to eat, collaborate, exercise, and work together.¹² Apple Inc., Google, LinkedIn,¹³ and workplace design companies such as Gensler,¹⁴ Steelcase,¹⁵ and Leesman¹⁶ have introduced innovative new workspaces that bring together recreation, collaboration, and individual work in novel ways.¹⁷

Lessons from the front lines

Ford Motor Co., with nearly 200,000 employees, is going through a transformation, with a mission to “make people’s lives better by changing the way the world moves.”

With a focus on innovation, Ford is expanding its business model to fortify and transform its core automotive business while growing in the areas of electrification, autonomy, and mobility. These innovations are broad and deep, including investments in autonomous vehicles, mobile apps to facilitate car sharing and parking (FordPass),¹⁸ big data solutions to help people find open parking spaces and

faster routes,¹⁹ and “experience centers” to help customers experience all the digital solutions available through Ford automobiles and connected electronics.

These changes, driven by CEO Mark Fields, also require a change in the way executives think about their people. As the company moves from a product to consumer focus in its products and services, it is also moving from a product to employee experience focus in its workforce solutions. While Ford is tackling this across all its core business processes, the HR team is leading the way, looking to deliver high-impact, innovative workforce solutions and experiences that improve workers’ lives. As Felicia Fields, group vice president, HR and corporate services, puts it, “Our mission is to make employees’ lives better by changing the way we think about work, feel about work, and the way we do our work differently.”

For a company so established, global, and complex, this is not easy, and the only way to revolutionize the employee experience is to practice design thinking at scale. As part of Ford’s broad HR transformation initiative (which includes implementing a new global HR operating model and technology platform and focusing on digital HR apps), the company embarked on a global listening tour to understand



what is effective and what is problematic in its employee experience.

Over the last year, starting with a three-week global people strategy lab in which HR leaders from around the globe participated—and that included reviews with Fields and the executive team—Ford developed a new people strategy, HR vision, integrated plan, and business case. As part of its efforts to define its vision, the HR team deployed a companywide polling process that let employees contribute ideas, share their experiences, and rate and rank which HR products and services they felt were most important. The company also conducted workshops around the world, attended by more than 200 HR leaders, and leveraged regional focus groups with employees and people leaders across all areas of Ford's business.

As a result of this broad and open feedback process (this was the first time Ford had done this on such a wide scale), the HR team is learning about what employees really want, what problems and challenges they face at work, and how HR can better enable and empower them in their day-to-day work.

To turn this design thinking process into actionable results, the team then segmented the workforce

By focusing on the employee experience, HR leaders can improve employee engagement, empower teams and leaders, and develop workforce solutions that will be useful and compelling to employees.

into three customer groups (employees, people leaders, and business/union/works council leaders), and developed a set of more than 30 customer-oriented “moments that matter” for each of these three segments. These “moments” were developed as personal statements, such as “enabling me to be successful in a new role,” “reinforcing my impact through feedback and development,” and “knowing where I stand and that my perspectives are valued.” Through these “moments,” the HR team is now working to create simpler, integrated, customer-focused processes and tools.

Ford found that many employees felt that people processes were overly administrative, complex, and not always useful in getting their work done. People leaders felt that HR business partners were overwhelmed by operational tasks, negatively impacting the time they could spend engaging and developing their teams. To address these issues, the HR team is now developing products and services that are more integrated and focused on the employee experience, tools that are more intuitive and user-friendly, an interaction model that allows the workforce to interact with HR through multiple channels, and programs that are “fit for purpose.” It is working to simplify everything HR does. All of this is aimed at improving the employee experience and freeing HR professionals to support strategic business needs.

This design thinking is folding into the company's four-year HR transformation program, which was approved because of its strong alignment with Ford's business transformation agenda. Ford's people strategy and the HR transformation are now considered integral to the company's focus on innovation and a new way of doing business.

Many complexities remain, of course. Ford's workforce is located in more than 40 countries, each with unique local regulatory needs. Since manufacturing plants and labor relations vary from location to location, designed solutions must be flexible and localized in many ways. The company is shifting its organizational focus from the “matrix” to a “network of teams,” compelling HR to look at new ways to facilitate networks, collaboration, coaching, and career mobility to allow faster innovation. And of course, making processes simple is hard in itself when the company operates on multiple continents

and develops a wide range of products, subassemblies, and electronic offerings.

The lesson from the Ford experience is simple: By focusing on the employee experience, HR leaders can improve employee engagement, empower teams and leaders, and develop workforce solutions that will be useful and compelling to employees. As Ford continues to accelerate its transformation into a digital enterprise focused on improving mobility solutions around the world, the transformation of the company's employee experience will be critical to the company's success.²⁰

Start here

- **Elevate the employee experience and make it a priority:** Recognize that the integrated employee experience is as valuable and can have as much (or more) of an impact as the customer experience strategy. Articulate a differentiated employee experience, and ensure it coordinates all aspects of the work, workplace, and workforce experience. Include the concepts of wellness and well-being in your strategy.
- **Designate a senior leader or team to own it:** Assign a senior leader for employee experience and orchestrate the functions of engagement, learning, career development, organizational design, analytics, and culture into a coordinated team so that HR can focus on the entire employee experience. Programs such as leadership development, performance management, workplace design, and rewards now fall into the domain of the integrated employee experience.
- **Embrace design thinking:** Study, listen to, and learn what employees are doing every day and discover new ways to simplify work and improve productivity, performance, and engagement. Develop employee personas and use them to develop journey maps.
- **Consider experiences for the entire workforce:** All segments of the workforce—candidates, full-time, part-time, freelancers, gig employees, and even, often, alumni—will expect elements of the employee experience to be designed to attract and engage them.
- **Look outside:** Use information from Glassdoor, LinkedIn, and others to spot areas of opportunity and weakness. Visit peer companies and look for fresh ideas about how to redesign the employee experience. Investments in benchmarking generally pay for themselves many times over in productivity and a reduction in turnover.
- **Enlist C-suite and team leader support:** The involvement of senior executives and team leaders is critical, as daily management and engagement impact the overall employment brand. Senior leaders can be accountable for the employee experience through goals, rewards, and other performance programs.
- **Consider the impact of geography:** Even though the trend is global, successful approaches will vary by geography. International companies should understand cultural differences in how employees perceive the work experience. Cultures that are more collective or group-focused require different engagement programs than those that are more individual-focused.
- **Measure it:** Move beyond annual or biannual engagement surveys to regular pulse surveys and open feedback systems. Use candidate interviews, stay interviews, ongoing performance conversations, and exit interviews as ways to build a complete, real-time understanding of the issues your employees face. Consider instituting an employee net promoter score, which yields one number on the value of the employee experience that can be regularly measured and tracked.

FAST FORWARD

In a world being transformed by digital technologies (“There’s an app for that”), increasing transparency (“What does Glassdoor say about us?”), and the rising demand for talented professionals and workers with fast-changing skills, employee experience will become an increasingly important dimension of competing for and engaging your workforce. Employee brand and reputation—the story that employees in the external world tell about your company’s employee experience—will be a critical competitive differentiator. Just as companies now measure customer experience through net promoter tools, social media monitoring, and customer segmentation, so will HR rigorously monitor the health and productivity of its employees. Real-time feedback tools will explode as pulse surveys and always-on feedback systems become commonplace and the definition of employee expands. We will design and monitor the experience of contractors, contingent, and gig workers too.

Figure 5. Employee experience: Old rules vs. new rules

| Old rules | New rules |
|---|---|
| Employee experience defined by annual engagement surveys | Employee experience defined as a holistic view of life at work, requiring constant feedback, action, and monitoring |
| Culture is a topic on the company website and perhaps on the wall, but not measured or defined through behavior | Company uses tools and behaviors to measure, align, and improve culture during change, M&A, and other major initiatives |
| Companies have a series of HR leaders across recruiting, learning, rewards, engagement, and other HR services | Companies have someone responsible for the complete employee experience, focused on employee journeys, experiences, engagement, and culture |
| Compensation, benefits, and rewards are managed with a focus on benchmarking and fairness | Compensation, benefits, rewards, and recognition designed to make people’s life better and balance financial and nonfinancial benefits |
| Wellness and health programs are focused on safety and managing insurance costs | Companies have an integrated program for employee well-being focused on the employee, her family, and her entire experience at life and work |
| Rewards are designed to cover salary, overtime, bonus, benefits, and stock options | Rewards also include nonfinancial rewards: meals, leaves, vacation policy, fitness, and wellness programs |
| Employee self-service is viewed as a technology platform that makes it easy to complete HR transactions and reports | The employee experience platform is designed, mobile, and includes digital apps, prescriptive solutions based on employee journeys, and ongoing communications that support and inspire employees |

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Performance management

Play a winning hand

Over the last five years, organizations have radically changed the way they measure, evaluate, and recognize employee performance. Today, with much initial experimentation, continuous performance management practices are being deployed on a wide scale. While not all the tools are in place at every organization, the new practices are becoming clearer and more standardized, and they are definitely working. Agile goal management, check-ins, and continuous feedback are becoming common, and new models of evaluation and rewards are being adopted next.

- The redesign of performance management is picking up speed: 79 percent of executives rate it a high priority, up from 71 percent three years ago, with 38 percent calling the problem “very important.”
- Company capabilities to implement performance management have improved. Our research shows organizations are 10 percent more capable than they were in 2015, and most are heavily focused on retraining leaders to implement agile, developmental management approaches.
- The impact of these new performance practices is high: 90 percent of companies that have redesigned performance management see direct improvements in engagement, 96 percent say the processes are simpler, and 83 percent say they see the quality of conversations between employees and managers going up.¹

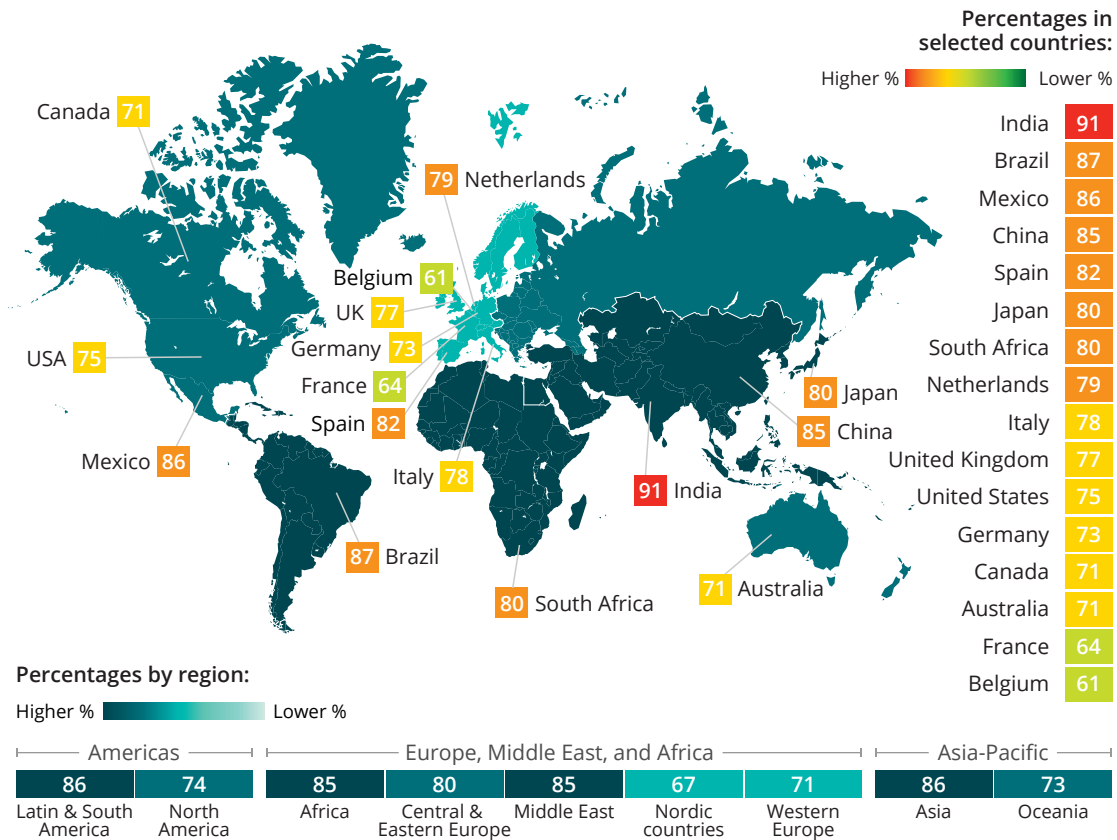
THE performance management (PM) revolution is in full flight. Across all industries and geographies, companies are reevaluating every aspect of their programs, from goal-setting and evaluation to incentives and rewards. Organizations are aligning these changes to both business strategy and the ongoing transformation of work. While all the software tools are not here yet, there is evidence that the new rules of performance management are understood and working well.

AS WORK SHIFTS, SO DOES PM

Why is the reinvention of performance management so important? Quite simply, because the way we work has changed.

The traditional end-of-year appraisal, designed in the 1970s, is clearly not effective anymore. In 2015, our *Global Human Capital Trends* research showed that 82 percent of companies reported that performance evaluations were not worth the time. A

Figure 1. Performance management: Percentage of respondents rating this trend “important” or “very important”



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separate study reported that 41 percent of companies found widespread manager bias, and 45 percent believed performance evaluations did not motivate employees.²

Today, as companies operate as a **network of teams**,³ **careers and learning** are strategic,⁴ and **companies are shifting from “jobs to work”** in their operations,⁵ the need to align goals, provide feedback, and coach for performance is real-time, continuous, and multidirectional.

In addition, several organizational changes have made developing a more agile process important:

- Employees want more regular feedback. Informed by their experiences in social media, people want to get and give feedback regularly. Cisco’s new performance management process (which we described last year in *Global Human*

Capital Trends 2016),⁶ has dramatically improved communications and feedback, enabling managers to touch base with employees on a continuous basis using new tools and check-ins that take very little time.

- Employees and organizations expect continuous learning. New performance management practices (and tools) facilitate regular discussions about capabilities and skills, helping employees learn where to focus and what learning to adopt. New learning solutions are creating an “always-on” learning environment to support this need.⁷
- Important decisions about whom to promote, how much of a raise to give, and whom to move into a new role are getting easier and better through data. Ninety-one percent of companies that have adopted continuous performance management say that they now have better data

for people decisions,⁸ making major progress in removing bias and discretion in promotion and advancement.

- Companies operate in teams, so performance management must be local. All of our discussions with companies like Cisco, GE, IBM, and Patagonia show that the new continuous practices empower local leaders, create better relationships among teams, and help teams work more closely together. Companies like Google, GM, Atlassian, and Cisco have now studied the behavior of high-performing teams and use continuous performance management to directly help teams learn from high performers.⁹

Hundreds of companies—including Adobe, IBM, GE, Goldman Sachs, New York Life, Juniper Networks, and Cisco—continue experimenting with new processes, and most are finding great value.¹⁰ The focus has shifted from talking *about* people to talking *with* people in open conversations. “Our new performance approach is focused on improving discussions, creating frequent check-ins, and creating a developmental focus,” said Amy Berg, director of talent at Adidas Group.¹¹

The focus has shifted
from talking *about*
people to talking
with people in open
conversations.

TEAM EFFECTIVENESS, DEVELOPMENT, COLLABORATION, AND INDIVIDUAL PERFORMANCE

A critical goal in PM experimentation is to devise ways to align it more closely with business outcomes. As organizations become more team-centric, PM is also beginning to shift from focusing just on an employee’s individual achievements to evaluat-

ing her contribution to a team and the team’s impact on driving overall business goals.

Cisco, GE, and Google have all pioneered this model. These companies have built or bought sophisticated software to understand team dynamics, evaluate group goal systems, and gauge how effectively employees contribute to their teams.¹² The goal of PM is thereby transformed from boosting an individual employee’s performance to improving the results of the team. If the team wins, the employee wins. If the team wins, the company wins.

When organizations focus on team performance, they evaluate success by different metrics. Trust, inclusion, diversity, and clarity of roles are critical to team success. Team leaders must be hands-on and actively engaged. And teams must be connected to other teams to succeed. Measuring these new metrics requires new tools and approaches, thoughtful experimentation, and a willingness to adopt new models.

Developing greater clarity about how performance is measured has surfaced as a core value at many organizations, particularly around check-ins with managers and goal-setting for employees. Some smaller companies have greater flexibility to set goals widely at the individual and team levels, while larger companies may focus on departmental goals. Either way, the old system of cascading goals from the CEO all the way down to the individual contributor is not part of the new design.

One sign of positive change is a rise in employee-driven communication rather than one-way feedback. Evaluating managers on the quantity and quality of conversations is becoming a key to both team and manager success.

While the use of a forced distribution curve may be fading, many organizations are unwilling to give up the concept entirely. Ratings are still widely used, though often with qualitative measures instead of numbers. However, today’s new practices look at performance curves and ratings based on richer data, using input from many sources, and in the context of a continuous discussion about things that happened all year—rather than delivering a simple “end-of-year report” that often loses sight of all the things that happen over that 12-month time period.



Finding the right solution takes time and commitment.

Given the pace of change, it is unclear where this revolution will end, what the new PM gold standard will become, or if a single standard will—or even should—emerge. New practices are being tested in real time through a process of trial and error. Different companies, industries, and geographies will likely reach different conclusions about what constitutes an optimal PM system.

GE, a company well-known for its pioneering work in cascading goals and forced ranking in the 1970s, has been reinventing its performance management over the last two years. Now, after removing ratings, adopting ongoing touchpoints, and implementing procedures to deliver immediate horizontal and

vertical feedback, the company has completely reinvented its process and built a performance management system shaped by and for its employees.

GE's new process asks employees to focus on performance development rather than appraisal, teaches "People Leaders" to "inspire and empower" their teams, helps employees set real-time priorities based on customer input, and, ultimately, increases speed and collaboration. The result: GE is seeing dramatic improvements in employee engagement, time to market, and speed of innovation.¹³

THE PROMISE AND USES OF BETTER DATA

As part of PM experimentation, companies are seeking ways to apply data to performance measurement. For example, GE developed an in-house app to gain insights from employees and managers at all levels, including upward feedback on managers. This model rests on the premise that more information yields better data, which in turn brings better clarity and insight, leading to continuous improvement.¹⁴

But how is all this data leveraged to make actual decisions about pay and promotion? More precisely, how can an organization's systems take gainful advantage of these new sources of performance-related data? These are open questions that are still being tested.

The good news is that the increase in the quantity and quality of data gives organizations more information on performance and better-quality data with which to identify high performers and make appropriate pay, promotion, and other rewards decisions. Better-quality data also makes course corrections easier for both individuals and the PM system itself. But the work continues, and many organizations find this the hardest aspect of PM to transform.

THE CHALLENGES OF NEW PM MODELS

While most companies may wish to create a single, simple PM system across the organization, many are finding that doing this is challenging in practice. At many global companies, regulatory or cultural factors restrict many PM innovations, and can even require organizations to maintain ratings.

Adidas Group, for instance, found that its employees in Asia wanted a more traditional, structured approach, while US workers wanted a more agile process.¹⁵

Finding the right solution takes time and commitment. In its research, the NeuroLeadership Institute found that 88 percent of companies took two years to gain significant traction with a new PM system. Training and change management are the most important elements of success in this endeavor.¹⁶ As one executive put it: “It’s a journey needing sustainment and continuous improvement. Habits and culture change slowly and through persistence.”

SOFTWARE LEADING IN A NEW DIRECTION

Given this ferment of experimentation, it is not surprising that the HR software industry is finding itself in flux. In many ways, HR departments are ahead of HR technology providers. The vast majority of PM software tools, including those developed by market leaders and major human capital management (HCM) cloud vendors, were developed around the old “once-a-year” model. Still, a small but growing segment of the PM tools market is leading the world of HR software in a completely new direction. The dominant characteristics of newer tools include:

- **Enabling goal making to be more social and transparent, mobile, and digital:** Many new vendors now offer mobile



goal-setting and performance applications that let teammates set, share, and collaborate on goals online.

- **Enabling easy progress tracking:** Tools to link goals, often using the Objectives and Key Results (OKR) model, allow people to update their goals easily and see how others are making progress.
- **Providing continuous feedback:** Tools that help employees deliver or request feedback, often integrated with email systems and other productivity tools, enable continuous improvement loops.
- **Providing instant information:** Periodic team surveys help managers evaluate team engagement and effectiveness, which are then used to evaluate managers. Regular engagement, or “pulse” surveys of employees offer insights about when and why certain teams are underperforming or might be unhappy or frustrated.
- **Deploying data/analytics:** Big data tools look at performance online and send suggestions to managers based on artificial intelligence to encourage coaching.
- **Supporting career development:** Tools can recommend new jobs and careers based on an individual’s internal experiences with job mobility and his prior success in the company.
- **Offering easy integration:** The integration of PM tools with products like Slack, Outlook, Gmail, and other productivity tools where people spend most of their time incorporates PM into everyday work.

As the PM revolution gathers speed, the final chapter has yet to be written. Most businesses today believe they have permission to reinvent, experiment, and innovate with PM systems. A few short years ago, this was not true. Now, the weight of experience and the clear benefits for both organizations and employees have pushed this trend dramatically forward. Companies are exploring and finding what works for their highly individualized situations. It is an exciting evolution—pioneered by the foresight and courage of a few innovative organizations several years ago.

Lessons from the front lines

Patagonia, a designer and manufacturer of outdoor apparel and accessories, embarked on a new, team-centric performance program two years ago. Today, Patagonia encourages individuals to set financial and stretch goals (using the OKR methodology) and to check in at least quarterly with their managers. The company has eliminated year-end ratings. Bonuses are based on goal attainment, and base pay is allocated according to skills and relative performance. The entire process has been implemented through a mobile app called HighGround.

These developments did not happen overnight. For Patagonia, transforming PM took years of rethinking, retraining, and reeducating employees. The company noted that, in the program's first year, feedback was very positive, as people were afraid to give sharp suggestions. But by the end of the second year, managers built a "muscle" about having candid developmental conversations, and people felt comfortable that check-ins and feedback would be useful, positive, and not punitive.



Now that effort has paid off. The new PM process has generated better financial performance, improved individual performance, and strengthened engagement. Patagonia has shown that people and teams who participate more regularly in check-ins and feedback outperform their peers on a wide range of financial and talent measures.¹⁸

Other organizations that revolutionized performance management several years ago are still reaping significant rewards. Adobe changed its performance management approach in 2012, abolishing annual performance appraisals, ratings, and a forced distribution curve and moving to an approach they called "Check-ins." While Adobe updated its "Check-in" brand in 2016 to keep it feeling current, the core concepts have held steady across the last four years: a focus on managers setting clear expectations, managers and direct reports collaborating on employee feedback, and direct reports being responsible for development (with managers also sharing responsibility). Since the new approach is a continuous performance process, either managers or direct reports can request a check-in at any point during the year.

Using its engagement survey from 2012 as the baseline, Adobe continues to monitor the progress and effectiveness of its Check-in program. For example, there has been a 10 percent increase in affirmative replies to the question "I would recommend Adobe as a great place to work," and a 10 percent increase in affirmative replies to the question "I receive ongoing feedback that helps my performance."

As one of Adobe's HR leaders noted, "Four years is a long time for a process to remain the same—especially in the dynamic tech industry. However, this approach is significantly better than the prior approach, so we haven't needed to make substantial changes."¹⁹

Start here

- **Identify a strategy and philosophy for PM:** What is the organization trying to achieve through a new PM system? How can it best be aligned with business strategy? What approach will develop leaders most effectively? Instead of cascaded goals that lock employees into a set of activities, consider a more flexible, agile, transparent approach to goal setting.
- **Look to peers:** Identify companies in the industry or region that are leading the PM revolution and that face comparable challenges, dynamics, and opportunities.
- **See what is working:** Among peers that are experimenting with PM, identify the design elements, tools, and processes that are most effective for them. Internally, study high-performing individuals, teams, and leaders to find ways to incorporate their practices throughout the rest of the organization.
- **Tailor PM to strategic and organizational needs:** The core principles of check-ins, agile goal setting, and frequent feedback are becoming common around the world. But some companies still want formal reviews, numeric ratings, and development plans. Organizational culture takes years to change, so companies should adopt new practices at a speed that works for the business.
- **Upskill managers in coaching skills:** Continuous feedback for employees is a critical feature of the new PM paradigm, yet managers often need help learning how to be full-time coaches rather than part-time evaluators. Companies adopting a new PM approach should focus heavily on leadership development, building new “muscles” in managers, and creating discipline around feedback, coaching, and collaboration.
- **Put it all together:** Determine how changes to PM will inform the organization’s rewards, promotion, and succession processes. Approach this from the [employee experience](#) perspective.

FAST FORWARD

In the future, leading companies will create a continuous, highly agile process among employees and teams, as well as among employees and leaders. Many will take advantage of new software tools that integrate PM into daily work and use the greater quantity and richer quality of data now available. The dreaded end-of-year evaluation will be gone, replaced by continuous feedback flowing between employees and managers.

These changes are not merely new processes, but rather new organizational muscles. As such, they will take time to develop and need constant exercise to maintain. But over time, they will become stronger. PM changes that seem difficult in the early stages of transformation become more natural over time. As trust grows, feedback becomes more direct and constructive, and changes are accepted.

Figure 2. Performance management: Old rules vs. new rules

| Old rules | New rules |
|--|---|
| Performance appraisals and goal-setting conducted once per year | Check-ins conducted quarterly or more frequently; regular goal-setting occurs in an open, collaborative process |
| Feedback collected by manager at end of year | Feedback collected continuously and easily reviewed at end of year (often through apps and mobile tools) |
| Goals kept confidential with focus on individual achievement | Goals made public and transparent with increased focus on team achievement |
| Employees evaluated by their manager | Managers also evaluated by their employees |
| Employees force-ranked on a quantitative scale | Employees rated on a qualitative scale; rankings considered, not forced |
| Compensation kept confidential and focused on equity; bands based on performance ratings | Compensation levels more transparent, more frequently discussed, and focused more on pay for performance than on equity |
| Managers focused on evaluating performance | Managers focused on coaching and developing people |
| One leader evaluates each individual in a qualitative, opinion-based process | Many contribute to an individual's performance evaluation; evaluation draws heavily on data |
| Process considered to be a burden and waste of time | Process is agile, faster, continuous, and lighter |

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TAKE THE LEAD



Leadership disrupted

Pushing the boundaries

Leadership development continues to be a significant challenge for companies around the world, as the transition to the new digital organization creates even larger leadership gaps. High-performing leaders today need different skills and expertise than in generations past, yet most organizations have not moved rapidly enough to develop digital leaders, promote young leaders, and build new leadership models.

- The leadership gap has become larger; organizational capabilities to address leadership dropped by 2 percent.
- Forty-two percent of companies cite “leadership development” as very important.
- The percentage of companies with strong or adequate experiential programs for leaders rose by 2 percent this year.

AS digital disruption sweeps across every major industry, leadership capabilities are not keeping pace. In 2015, we termed leadership the “perennial issue in business”—a challenge that never seems to go away. This year we see a radical shift. Today, as never before, organizations do not just need more strong leaders, they need a completely different kind of leader. In short, organizations need to build a new breed of younger, more agile, “digital-ready” leaders.

Leadership today is less about the “art” of leadership and more about the challenges leaders are facing. Above all, the dramatic transformation of business is driven largely by the switch to digital.

Unfortunately, many CEOs do not understand the gravity of this issue. In a recent industry study of 800 top business executives, 67 percent believed that technology will drive greater value than human capital (and 64 percent believed people are a cost, not a driver of value).¹ While the topic of human

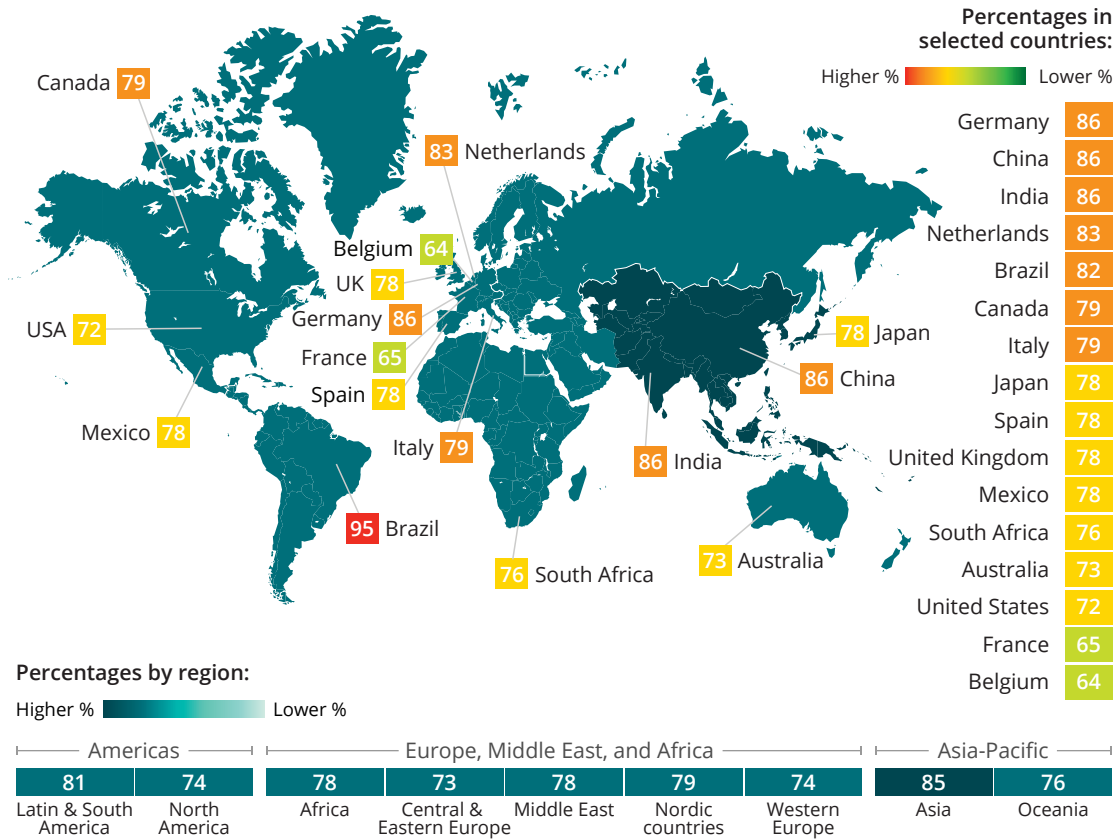
capital vs. technology may be in debate, some executives still continue to focus on the technology side of the business at the expense of developing leaders.

Of course, technology is critically important, but human capital remains indispensable.

However, the concept of “leader as hero” no longer scales. Highly effective companies such as Google, Lyft, WL Gore, Mastercard, and Atlassian look at leadership as a team effort and recruit leaders who can work together, complement each other, and function as a team.²

When older business models are no longer working, leaders need new capabilities. Yet most companies are digital “immigrants,” new to this world and built on older models such as control mechanisms and financial returns. Now, companies are scaling for different goals, such as innovation and moving at high speed. Ninety percent of companies are redesigning their organizations to be more dynamic, team-cen-

Figure 1. Leadership: Percentage of respondents rating this trend “important” or “very important”



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tric, and connected. These changes require not just new operating models, but a different type of leadership to mobilize and execute these models.

Because of these shifts, organizations need people who can lead teams and partner with the broader ecosystems. This new type of leader must understand how to build and lead teams; keep people connected and engaged; and drive a culture of innovation, learning, and continuous improvement. They must also be able to lead a workforce that now includes contractors, the contingent workforce, and crowd talent.

A natural corollary of this is that leaders need interdisciplinary skills. Companies such as GE, IBM, Nestlé, Xerox, and Mastercard now bring leaders together for collaborative design and problem-solving exercises, challenging them to understand how different business functions, industries, and technolo-

gies come together to form solutions. The days of a line leader reaching the executive level in a sole function have ended.³

Perhaps most important, innovation and risk-taking now define high-impact leadership. In the words of Mark Zuckerberg, CEO of Facebook, “The biggest risk is not taking any risk. In a world that is changing really quickly, the only strategy that is guaranteed to fail is not taking risks.”⁴ Risk-taking has become one of the most important drivers of a high-performing leadership culture.

DEMOGRAPHICS AND LEADERSHIP DESTINY

Demographic changes are also influencing what is required for a leader to be successful. Millennials expect to be developed throughout their work life

Figure 2. Leadership capabilities needed to succeed in a digital world

| Leaders need to think, act, and react differently to make their organizations succeed in a digital world | | |
|--|--|--|
| Cognitive transformation (THINK differently) | Behavioral transformation (ACT differently) | Emotional transformation (REACT differently) |
| Conceptualizing possibilities in a virtual world | Adapting to constantly shifting power and influence | Tolerating an environment of risk and ambiguity |
| Handling ever-increasing cognitive complexity | Collaborating with ease across many different teams | Showing resilience in the face of constant change |
| Thinking divergently about new ways of doing things | Valuing the contribution of new work partners and different interest groups | Being brave in challenging how things are being done |
| Making decisions quickly without all of the information | Investing huge amounts of energy into getting things right; try, fail, try again | Having the confidence to take the lead in driving change |

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via opportunities, mentoring, and stretch assignments. Likewise, the most sophisticated organizations view leadership development as more than training. They combine organizational design, job design, mentoring, and development programs to create the leaders they need.⁵

However, at many companies today, the leadership pipeline remains too top-heavy, preventing Millennials from getting the on-the-job learning and development they need and leaving organizations struggling to build their leadership pipelines earlier. More than 44 percent of Millennials are now in leadership positions, but most believe they are receiving little to no development in their roles.⁶ In this year’s survey, 54 percent of companies report they have excellent or adequate programs for Millennials, up from only 33 percent two years ago. Despite this shift, Millennials still feel left out; only 28 percent believe their organization is fully taking advantage of their skills.⁷

To address business needs and satisfy the desire for lifelong development and more rapid advancement, many formal leadership programs are being supplemented with developmental assignments, external experiences, stretch projects, and exposure to internal and external leaders.

The percentage of companies with strong experiential programs rose from 47 percent in 2015 to 64 percent in 2017. Our newest research shows that formal training is among the least valued investments to develop leaders.⁸ Instead, companies should focus on establishing a leadership culture, risk-taking, knowledge sharing, and matrix management to build the leaders of the future.

THE DIGITAL LEADER

The most critical need for most organizations is for leaders to develop digital capabilities. Today, only 5 percent of companies feel they have strong digital leaders in place, according to our 2017 *Global Human Capital Trends* survey respondents. In a sign of positive change, however, 72 percent of respondents are developing or starting to develop new leadership programs focused on digital management.



Getting there is hard. Our research on digital leadership, based on studies done with MIT, shows a shift in leadership capabilities in three areas: how leaders must think, how leaders must act, and how leaders must react.

Getting there is hard. Our research on digital leadership, based on studies done with MIT, shows a shift in leadership capabilities in three areas: how leaders must think, how leaders must act, and how leaders must react.⁹

DIGITAL LEADERS: A FIELD GUIDE

Leadership is critical in making the transformation from an organization “doing” digital things to one that is “becoming” digital. For both the organization and its leaders, this involves three different types of transformations (figure 2):

- **Cognitive transformation:** Leaders need to *think* differently
- **Behavioral transformation:** Leaders need to *act* differently
- **Emotional transformation:** Leaders need to *react* differently

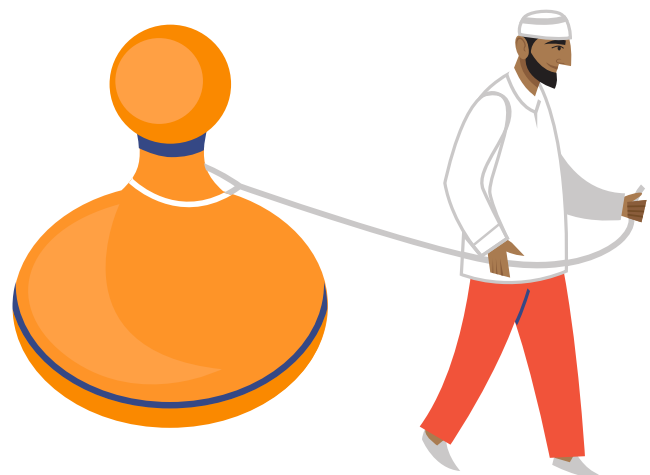
Taken together, these transformations show how radical the digital transformation will be. And organizations should have certain core expectations of digital leaders: They need to make sense of vague external trends, help the organization imagine the digital future, blur the internal and external boundaries in ways that assist the transformation, educate others, repurpose technical expertise, and use design thinking methods to foster innovation.

That is a broad list of leadership characteristics, but it is important to recall that not every digital leader does the same thing. We see three different types

of digital leaders, and most organizations will need some combination of all three:

- **Digital investors:** Senior executives who embrace the VC mind-set, uncover opportunities, invest in talent and ideas, forge partnerships, and build an ecosystem for innovation to thrive
- **Digital pioneers:** Business and function leaders who can reimagine the future, shape new and different business models, and lead a winning digital strategy
- **Digital transformers:** Leaders who can manage people through radical change and transform the business

For digital investors, a principal task is education. This includes educating the board and other senior leaders who may not fully understand the nature



of the shift. Another challenge is getting the investment decisions right, such as choosing between internal investment in systems or purchasing from external vendors at less cost but also with less design control. Digital investors must also determine how to balance the current business model with the digital transformation and then integrate it into the newer, digital models.

Digital pioneers are, in many ways, the heart of innovation. They set the vision for the whole organization, “future-proof” the business, define the roadmap for the next two to three years, and drive both the pace of change and the organization’s new digital capabilities. They ensure a consistent vision and plan for digital throughout the organization.

Digital transformers are at the fulcrum point of leading radical change. Businesses face a particular challenge in finding leaders who can carry on “business as usual” while moving the digital agenda forward.

Lessons from the front lines

As the pace of technology disruption continues to accelerate, the high-tech manufacturing industry is experiencing broad-based talent shortages and skills gaps. One global high-tech manufacturer seeking to explore new operating models to spur rapid growth faced serious leadership challenges as it attempted to shift its business strategy. As its business changed, so did its talent needs, particularly when it came to developing the leaders of the future it needed to implement the new strategy.

The company focused first on growing its own pipeline of leaders. But the organization quickly realized it needed greater precision in identifying leadership potential across its workforce. Specifically, the company zeroed in on two goals: to improve its ability to spot leadership talent across all of its talent pools, especially at the middle manager level; and to identify potential leaders faster and at lower cost.

To achieve these goals, the company developed a framework for leadership potential that outlined the specific attributes most predictive of leadership success. The organization rolled out the tool

to one of its business functions on a worldwide basis. In two weeks, 20 raters assessed more than 100 mid-level leaders across the globe, enabling a rapid, data-based approach. An aggregate report of all leaders was compiled and reviewed with HR leadership. Raters believed the new tool was both easy to use and offered actionable results; these results provided informative and actionable insights to the executive committee, which helped in making future talent decisions.

The organization is now expanding the tool across the entire global organization, allowing it to quickly compare ratings of potential leaders by placing all leaders on a level playing field regardless of function or region. This approach establishes a standard, consistent language for identifying potential across the global organization. It also helps the organization to uncover “hidden gems” in unexpected places, thanks to rich, consistent data from global and regional talent reviews. Indeed, 5 percent of the highest-potential leaders identified in the initial project were “meets expectations” performers—indicating either poor role fit or untapped potential.

Start here

- **Rethink the organization’s leadership model:** The new model should include the concepts of innovation, growth, inclusion, teamwork, and collaboration.
- **Identify the likely digital leaders in the organization:** Determine who can be the investors, pioneers, and transformers. 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 younger people into 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.

- **Foster risk-taking and experimentation through leadership strategy:** Leadership programs must 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, 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 steeped in old models and traditional leadership thinking.

FAST FORWARD

Great leaders have always been expected to succeed in the context of ambiguity. Now, they face even greater pressures as the speed of technology accelerates. The role that leaders play will continue to change, becoming even more digital-focused and team-centric. A focus on organizational practice, including culture and organizational design, will become an ever-more important part of leadership development. Despite this more challenging environment, leaders will be asked to execute at a higher level—and ensure that their organizations do not lag behind in the digital transformation.

Figure 3. Leadership: Old rules vs. new rules

| Old rules | New rules |
|--|--|
| Leaders are identified and assessed based on experience, tenure, and business performance | Leaders are assessed early in their careers for agility, creativity, and ability to lead and connect teams |
| Leaders must “pay their dues” to work their way up the leadership pipeline | Leaders are identified early and given early, outsized responsibility to test and develop their leadership skills |
| Leaders are expected to know what to do and bring judgment and experience to new business challenges | Leaders are expected to innovate, collaborate, and use client teams, crowdsourcing, and hackathons to find new solutions |
| Leadership development focuses on assessments, training, coaching, and 360-degree development programs | Leadership development focuses on culture, context, knowledge-sharing, risk-taking, and exposure to others |
| Leaders are assessed and developed based on behavior and style | Leaders are assessed and developed based on thinking patterns and problem-solving ability |
| Leaders are developed through training and professional development programs | Leaders are developed through simulation, problem solving, and real-world projects |
| Diversity of leadership is considered a goal and important benchmark to measure | Leaders are assessed and trained to understand unconscious bias, inclusion, and diversity in their role |
| Leadership is considered a difficult role and one that is sacrosanct in the organization | Leadership is considered a role that all play; everyone has opportunities to become a leader |
| Leaders lead organizations and functions | Leaders lead teams, projects, and networks of teams |

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**GET
CONNECTED**

Digital HR

Platforms, people, and work

HR is undergoing rapid and profound change. Once viewed as a support function that delivered employee services, HR is now being asked to help lead the digital transformation sweeping organizations worldwide. We see this change taking place in three areas:

- **Digital workforce:** How can organizations drive new management practices (which we call “digital DNA”¹), a culture of innovation and sharing, and a set of talent practices that facilitate a new network-based organization?²
- **Digital workplace:** How can organizations design a working environment that enables productivity; uses modern communication tools (such as Slack, Workplace by Facebook, Microsoft Teams, and many others); and promotes engagement, wellness, and a sense of purpose?
- **Digital HR:** How can organizations change the HR function itself to operate in a digital way, use digital tools and apps to deliver solutions, and continuously experiment and innovate?

This shift is happening rapidly, as HR leaders are being pushed to take on a larger role in helping to drive the organization to “be digital,” not just “do digital.”

- Fifty-six percent of companies we surveyed this year are redesigning their HR programs to leverage digital and mobile tools.
 - Fifty-one percent of companies are currently in the process of redesigning their organizations for digital business models.
 - Thirty-three percent of surveyed HR teams are using some form of artificial intelligence (AI) technology to deliver HR solutions, and 41 percent are actively building mobile apps to deliver HR services.
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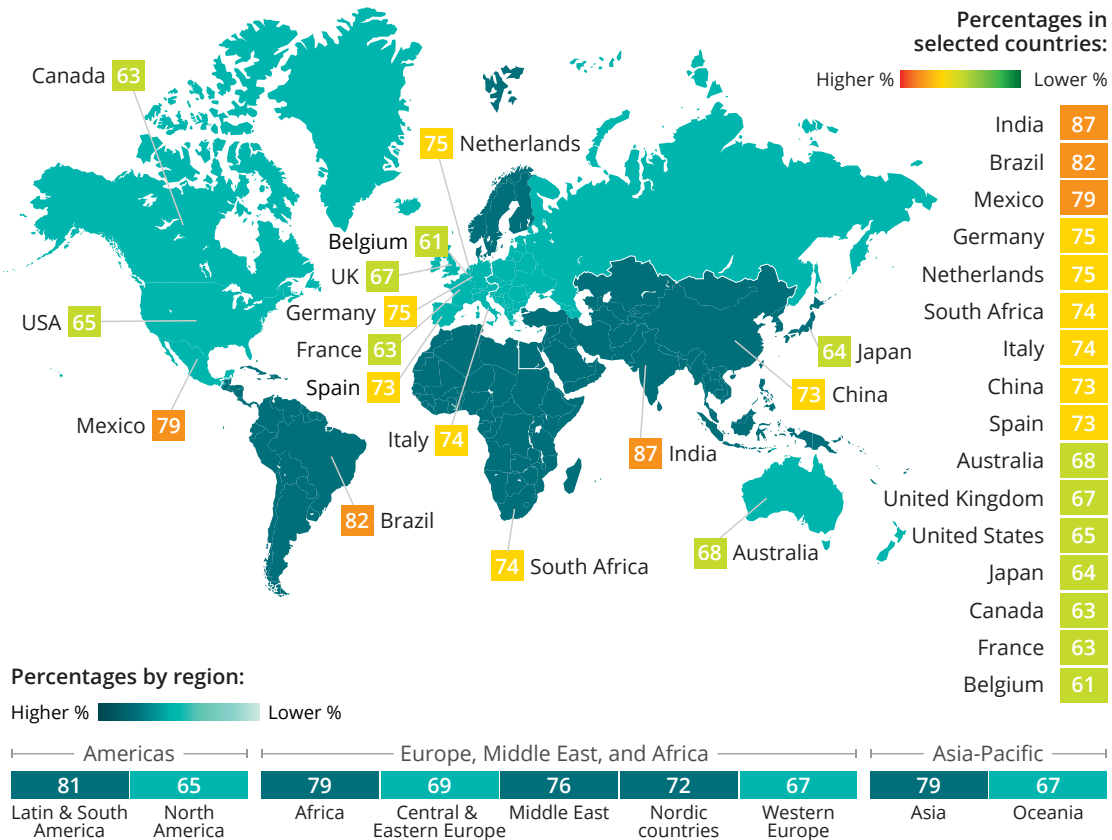
OVER the last five years, the HR discipline has undergone a rapid evolution. Three years ago, we wrote about HR’s “[race to the cloud](#),” as companies rushed to replace legacy talent systems with integrated HR platforms. Two years ago, we characterized HR as a function “[in need of a makeover](#),” as companies focused on reskilling HR professionals, integrating the organization, and implementing analytics. This year, as digital management practices and agile organization design become central to business thinking, HR is changing again, focusing on people, work, and platforms. We call the resulting set of HR practices “digital HR.”

Digital HR builds upon years of effort. In the 1960s and 1970s, HR focused on personnel operations, automating transactions, and maintaining a sound employee system of record. In the 1980s, HR was

redesigned as a “service organization”; centers of expertise began to manage core talent practices, service centers handled individual needs, and HR business partners began to be embedded in the business. In the 1990s and early 2000s, HR was redesigned again around integrated talent management, often accompanied by the implementation of new systems for recruiting, learning, performance management, and compensation.

Today, HR’s focus has shifted toward building the [organization of the future](#). Companies are hiring young, digitally savvy workers who are comfortable doing things themselves and sharing information in a transparent way. They want an integrated, digital experience at work—one designed around teams, productivity, and empowerment—and HR is expected to deliver it.

Figure 1. Digital HR: Percentage of respondents rating this trend “important” or “very important”



REWRITING THE RULES FOR DIGITAL HR

While none of HR's prior responsibilities has gone away, HR departments today are under pressure to rewrite the rules by redesigning talent practices, from recruiting to leadership to performance management; by experimenting with digital apps; and by building a compelling employee experience. All this must be done with a focus on redesigning the organization around teams, implementing analytics and organizational network analysis, and driving a global focus on diversity, culture, learning, and careers.

Digital HR is built on innovation and experimentation. As companies become networks and the employee base becomes both older and younger, new approaches are needed in almost every HR domain. Companies often now use hackathons, rapid design groups, and both prototypes and “minimally viable products” to roll out pilot HR programs.



Design thinking has gone mainstream. Rather than deliver HR programs designed around legacy business processes, HR teams now study employee needs across all segments: hourly workers, salaried employees, managers, executives. Instead of traditional career models, HR is offering journey maps and replacing complex processes with local practices based on an integrated platform. (See the Ford case study in the “[Employee experience](#)” chapter of this report.)

Digital HR requires digital technology expertise. While cloud-based HR systems brought tremendous value to organizations, they are no longer enough. Today, HR teams are rethinking their solutions in the context of workflow-embedded apps; Royal Bank of Canada, Deutsche Telekom, Ford, and others now have digital design teams within the HR department.³ This means using the cloud as a “platform” and building on it for company-specific needs.

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The vendor market is reinventing itself: A new breed of HR products and solutions is coming to market, many built around mobile apps, AI, and consumer-like experiences.⁴ These tools are enabling HR to become near-real time. Companies such as SAP and Reliance Jio now monitor real-time metrics on engagement, recruiting, turnover, and other measures to help business leaders make decisions more quickly.⁵ IBM has begun to use AI tools to

give leaders regular pulses on how their teams are doing, helping them see patterns that can get in the way of performance or retention and prompting them to proactively address them through coaching, recognition, or community building.⁶

As digital HR takes hold and HR organizations become more platform based, business partners are becoming more digitally empowered and able to spend more time in the business. Our latest research shows that high-performing HR teams have fewer generalists and more senior HR business partners, forcing many HR departments to reskill their HR staff and give them new roles as senior consultants, leveraging the digital tools in place.⁷



NEWS TOOLS AND EXPANDED TRANSPARENCY FACILITATE DIGITAL HR

The role of AI, cognitive processing, embedded analytics, and mobile technology is changing the way people programs work.⁸

- Wade and Wendy, a chatbot service, brings AI and chatbots to recruitment and career planning.⁹ Wade helps employees with their career strategies and shows them career opportunities in the company. Wendy talks with candidates and helps them understand the company's culture, job opportunities, and hiring process.
- Firstjob's chatbot Mya can eliminate up to 75 percent of the questions people have during the recruiting process.¹⁰
- Switch, a new app for recruiting, helps candidates find jobs by giving them a Tinder-like experience for job search and recruitment.¹¹
- Software vendor Unitive uses AI to write job descriptions based on actual discussions about the job, and can algorithmically identify gender, race, or generational bias to reduce unconscious bias in recruiting.¹² Another example is Success-

Factors, which now provides similar tools in its enterprise talent management application.

Transparency is becoming a standard in the world of HR and talent. In compensation, Glassdoor's Know Your Worth¹³ and LinkedIn's Salary were launched this year, joining vendors such as Salary.com and Payscale, which crowdsource compensation data for anyone to see. By collecting anonymous data on tens of thousands to millions of salaries, these tools let workers compare their salary against those for similar jobs by city, tenure, industry, and even company.

Lessons from the front lines

IBM, a global company with over 400,000 people, is leading the transition to digital HR, using a wide variety of experiments to drive new digital HR solutions.¹⁴

After an employee hackathon, the company reinvented its performance management process by building Checkpoint, a new feedback process that is dramatically increasing engagement, alignment, and goal management.¹⁵

To drive continuous learning, IBM shut down its traditional global learning management system and replaced it with a new digital learning platform. The new system enables employees to publish any content they feel is important, curates and recommends training based on role and experience, and integrates external learning from across the Internet.

To empower employees to take greater control of their career management, IBM developed a proprietary career management system that helps people find new jobs and recommends new assignments by looking at the patterns of their peers.

Within HR, IBM leveraged the company's AI investments in Watson to pilot the use of CHIP (Cognitive Human Interface Personality), a cognitive assistant that can handle a wide range of HR-related questions. CHIP is an intelligent chatbot (available through computer, text messages, and soon voice) that recognizes the 200 most frequently asked employee questions (such as "Tell me about my vacation benefits" or "Find me an expert in digital

marketing”) and becomes smarter all the time. The system has already reduced call center time and is proving popular with employees.¹⁶

Royal Bank of Canada (RBC) is reinventing its employee experience through a complete digital focus. The company set up a digital HR development team, partnering with IT for infrastructure and security, to deploy a new “preboarding” application. The app, called Embark, helps employees learn about their new jobs, embrace the company culture, and meet their teams online. To build on this success, RBC plans to develop Compelling Careers, an end-to-end set of apps and tools that forms a digital solution for career development, job transition, and continuous learning.¹⁷

Start here

- **Redefine your mission:** HR today must define its role as the team that helps management and employees rapidly transform and adapt to the digital way of thinking. Familiarize yourself with networked organization structures, organizational network analysis, and digital leadership models.
- **Upgrade core technology:** Replace legacy systems with an integrated cloud platform for a sound digital infrastructure. Upgrade old tools for learning, recruiting, and performance management, and bring in systems that are easy for employees to use.
- **Develop a multiyear HR technology strategy:** In today’s rapidly changing HR technology world, it’s important to build a multiyear strategy that includes cloud enterprise resource planning (ERP) platforms, apps, analytics, and a range of tools for AI, case management, and other solutions.
- **Build a digital HR team:** Dedicate teams to explore new vendor solutions and build others, and consider AI solutions to improve service delivery, recruiting, and learning. Companies such as RBC and Deutsche Telekom now have digital design teams in HR that work with IT to design, prototype, and roll out digital apps.
- **Organize HR into networks of expertise with strong business partners:** Rethink your HR organization model to focus efforts on the employee experience, analytics, culture, and the new world of learning. Make sure these teams communicate well: High-performing HR teams share leading practices and know what the other teams are doing.
- **Make innovation a core strategy within HR:** Push yourself to reinvent and innovate in every people practice. Many organizations are now using [new performance management practices](#) built around design sessions and hackathons. Investigate new innovations in [recruiting](#), including using data to find people who resemble high performers in the company.
- **Rotate younger people into the HR profession:** Regularly rotate people from the business into and out of HR, use innovation teams to reverse-mentor senior leaders, and recruit new MBAs to bring people with analytics skills into the profession.
- **Benchmark:** Visit other companies to see what they are doing. HR teams can bring in outside speakers, join research membership programs, and continually look for new ideas to foster innovation. Today’s leading practices come from innovative ideas developed around an organization’s culture and business needs, not a book.

FAST FORWARD

HR has a critical opportunity to help lead the transformation to a digital enterprise. In the next several years, HR teams that embrace digital platforms to take up the dual challenge of transforming HR operations on the one hand, and transforming the workforce and the way work is done on the other, will be game changers. HR leaders who “lean into” new technologies, platforms, and ways of working, and who explore and invest in enabling agility through constant reinvention, will be strongly positioned to have an impact on business results and employee experience.

Figure 2. Digital HR: Old rules vs. new rules

| Old rules | New rules |
|--|--|
| HR departments focus on process design and harmonization to create standard HR practices | HR departments focus on optimizing employee productivity, engagement, teamwork, and career growth |
| HR selects a cloud vendor and implements out-of-the-box practices to create scale | HR builds innovative, company-specific programs, develops apps, and leverages the platform for scale |
| HR technology teams focus on ERP implementation and integrated analytics, with a focus on “ease of use” | HR technology team moves beyond ERP to develop digital capabilities and mobile apps with a focus on “productivity at work” |
| HR centers of excellence focus on process design and process excellence | HR centers of excellence leverage AI, chat, apps, and other advanced technologies to scale and empower employees |
| HR programs are designed for scale and consistency around the world | HR programs target employee segments, personae, and specific groups, providing them with journey maps relevant to their jobs and careers |
| HR focuses on “self-service” as a way to scale services and support | HR focuses on “enablement” to help people get work done in more effective and productive ways |
| HR builds an employee “self-service portal” as a technology platform that makes it easy to find transactional needs and programs | HR builds an integrated “employee experience platform” using digital apps, case management, AI, and bots to support ongoing employee needs |

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RECALCULATE



People analytics

Recalculating the route

People analytics in HR is undergoing a seismic shift. Driven by the widespread adoption of cloud HR systems, companies are investing heavily in programs to use data for all aspects of workforce planning, talent management, and operational improvement. People analytics, a discipline that started as a small technical group that analyzed engagement and retention, has now gone mainstream. Organizations are redesigning their technical analytics groups to build out digitally powered enterprise analytics solutions. These new solutions, whether developed internally or embedded in new digital solutions, are enabling organizations to conduct real-time analytics at the point of need in the business process. This allows for a deeper understanding of issues and actionable insights for the business.

- While 71 percent of companies see people analytics as a high priority in their organizations (31 percent rate it very important), progress has been slow. The percentage of companies correlating HR data to business outcomes, performing predictive analytics, and deploying enterprise scorecards barely changed from last year.
- Analytics is being applied to a wide range of business challenges: Recruiting remains the No. 1 area of focus, followed by performance measurement, compensation, workforce planning, and retention. We see an explosive growth in the use of organizational network analysis (ONA) and the use of “interaction analytics” (studying employee behavior) to better understand opportunities for business improvement.
- Readiness remains a serious issue: After years of discussing this issue, only 8 percent report they have usable data; only 9 percent believe they have a good understanding of which talent dimensions drive performance in their organizations; and only 15 percent have broadly deployed HR and talent scorecards for line managers.

THE function of people analytics, which involves using digital tools¹ and data to measure, report, and understand employee performance, is going through a major shift. After years of investing in cloud HR platforms and specialist teams, CHROs and business leaders are not getting the results they want. No longer is analytics about finding interesting information and flagging it for managers: It is now becoming a business function focused on using data to understand every part of a business operation, and embedding analytics into real-time apps and the way we work. In the context of mobile maps, it is time to “recalculate the route.”

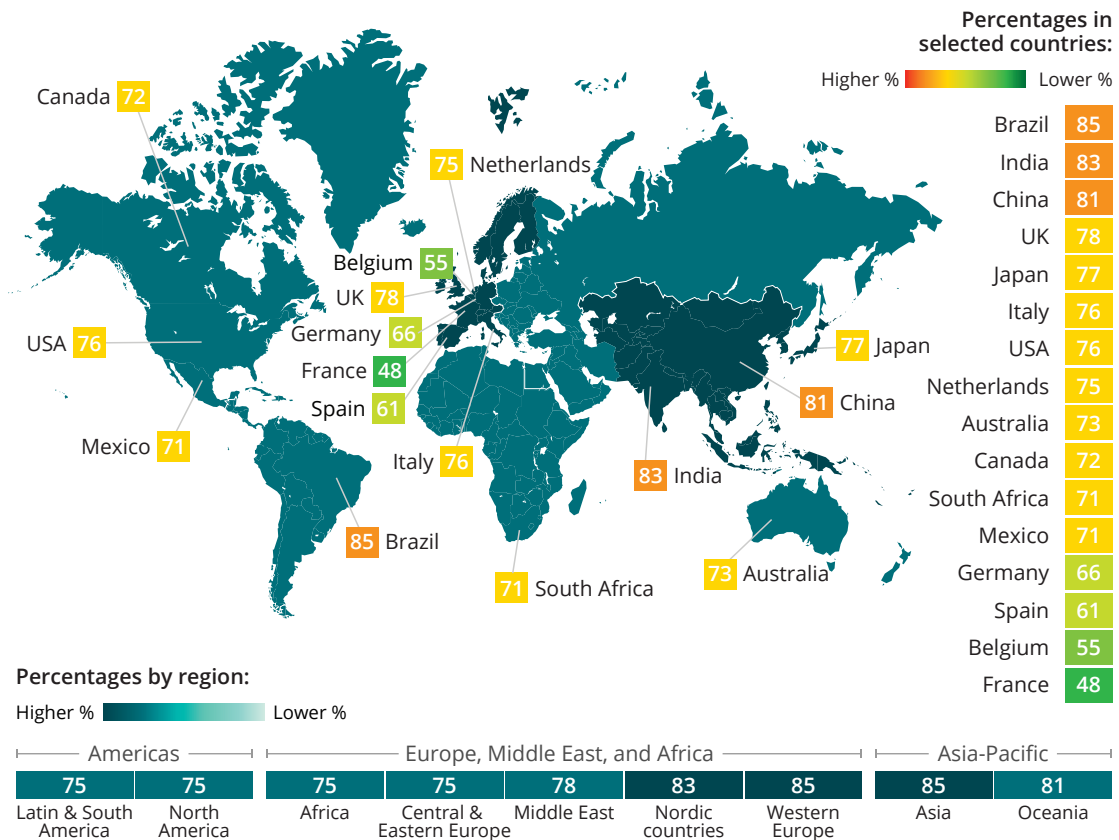
NEW TOOLS PROVIDE DEEP NEW INSIGHTS TO DRIVE PERFORMANCE

Stakeholders—especially board members and CEOs—are driving this change. Senior leaders are

impatient with HR teams that can’t deliver actionable information and insights; therefore, analytics is shifting from a focus on HR to a focus on the business itself. For example:

- Leading ERP vendors are implementing a set of people analytics dashboards available to the CEO, to help senior leaders understand attrition, hiring metrics, employee cost, and employee engagement by geography, business unit, and manager.
- The chief operating officer at a large chain of hospitals uses analytics to understand patterns of patient outcomes and how management and people issues contribute to results.²
- The sales organization at a major consumer products company has partnered with HR to develop a complete model for sales productiv-

Figure 1. People analytics: Percentage of respondents rating this trend “important” or “very important”



ity, which helps predict and diagnose problems, pinpoint training solutions, and improve quality of hiring.³

- A retail head of operations now uses business and people analytics to look at customer and employee traffic patterns, identifying new locations where sales people should be positioned to help improve total customer purchase.⁴

For companies that have been investing in this area for years, it is now easier to get these answers than ever before. Predictive analytics tools from many HR technology vendors have arrived, making it possible to analyze data regarding recruitment, performance, employee mobility, and other factors. Executives now have access to a seemingly endless combination of metrics to help them understand, at a far deeper level, what drives results.⁵

Moving beyond the analysis of employee engagement and retention, analytics and AI have come together, giving companies a much more detailed view of management and operational issues to improve operational performance. For example:

- Data-driven tools can now help predict patterns of fraud, show trust networks, conduct ONA, show real-time correlations between coaching and engagement, and even analyze employee patterns for time management driven by email and calendar data.⁶
- Artificial intelligence software can now analyze video interviews and help assess candidate honesty and personality through software.⁷
- Tools can now analyze hourly labor⁸ and immediately identify patterns of overtime and other forms of payroll leakage, enabling improvements of millions of dollars through improved practices in workforce management.
- Off-the-shelf retention models (once only useful if bespoke) are now available from SAP, Oracle, Workday, ADP, Ultimate Software, and others, making it easier than ever to understand drivers for attrition.
- Deloitte and other companies are now looking at travel data, billing hours, and other

Predictive analytics tools from many HR technology vendors have arrived, making it possible to analyze data regarding recruitment, performance, employee mobility, and other factors.

human performance data to help employees improve their levels of energy, wellness, and business performance.

The big trend in 2017 is that these new solutions are business driven, not internally HR focused, challenging HR departments to move beyond their own internal view of data and leveraging people data for a broad range of business problems.

IMAGINING NEW USES FOR DATA TO DRIVE BUSINESS RESULTS

Traditional HR organizations set up an analytics team as a separate group of specialists. Today, companies are rethinking HR as an “intelligent platform” and embedding analytics into their entire workforce management process and operations. A large telecommunications company in India analyzes the time to productivity of every new hire across the company, giving line managers and corporate leaders a dashboard to note when people are behind in their onboarding process.⁹ Uber’s operations team collects data on how quickly drivers can pick up food in response to requests to improve customer service and enhance productivity.¹⁰ Several of our large clients have now used ONA to analyze the behavior of high-performing teams to understand how work is done, helping teams become smarter.

As we discuss in the [talent acquisition](#) chapter,¹¹ analytics is now becoming a critical part of high-performance hiring. Companies use interview data, careful parsing of job posting language, and candidate screening data to reduce unconscious bias in recruiting. New tools that look at social and local hiring data help companies identify people who are “likely to look for new jobs” much before they are even approached by competitors.¹² The use of external data for people analytics has grown significantly, as more than 50 percent of companies now actively use social network and external data to understand attrition, retention, and other performance metrics.

HR'S ROLE IS SHIFTING

While widespread adoption might be limited, people analytics has grown from a technical specialist group to a serious business function that must meet the needs of many stakeholders throughout the company. In short, the ability to analyze huge amounts of data should be more of a business-wide function, not limited to HR.

Given this shift, there is a growing consensus that the best analytics programs are owned by a dedicated, multidisciplinary group. Perhaps this function will eventually be decentralized, but for now, centralization yields a stronger analytics result. Some organizations place this in HR, while others build a center of expertise outside HR. For instance, Ford and others have expanded the people analytics function to work across all segments of the business, including finance, HR, and operations.¹³

More and more analytics is shifting from “pull” to “push,” where the analytics team no longer simply builds models and does projects but now develops dashboards and tools that help managers and employees see relevant data in real time. One of our clients built a “talent management dashboard” that analyzes 10 different measures of team engagement and performance, and delivers this information to all team leaders and senior managers throughout the company. Versions of this are available to senior executives, helping them

understand hiring, management, and performance issues around the company in real time.¹⁴

The quality of data in HR continues to be a challenge. New cloud HR technology helps tremendously, but clients tell us the problem requires a systemic solution. Companies must now worry about data quality at all levels, put in place privacy and anonymity policies, and carefully implement practices to protect employee data from theft and abuse. And advanced companies now have governance teams that make sure all people-related data are coordinated as the company reorganizes, acquires others, and implements new systems.

Just as spreadsheets were once a tool of finance alone but are now used throughout business, people analytics is making a similar leap. Businesses and organizations that are adopting analytics are bringing it into the core of their business and using it to inform business strategy. Success in analytics will require a prolonged time commitment and continued investment.



Lessons from the front lines

A good example of the new role of people analytics is the journey Chevron has taken to build a global, world-class analytics function.¹⁵ Falling oil prices in recent years has required Chevron to find new ways to maintain its above-average profitability and revenue per employee. To achieve this goal, the company used analytics to focus more deeply on understanding workforce productivity.

Chevron began with a small, centralized HR analytics group that provided reports and standardized people metrics at headquarters. Previously, there was little sense of community among the various HR specialty areas and business units, leading to great variability in their practices, operating procedures, and capabilities. Different areas of the business were duplicating data collection and analysis methods to generate the same reports.

To solve these problems, the team redefined its mission: “to support Chevron’s business strategies with better, faster workforce decisions informed by data.” This expanded vision led Chevron to reinvent its analytics team as a company-wide community of practice and establish a global process to prioritize all people analytics projects in the company.

The community of practice totaled 295 members, across all important divisions of the company, including HR business partners, specialists, and analysts from around the world. It provides a forum for interested analytics professionals in the organization to gather virtually and discuss data models, share data, showcase new techniques, design standardized metrics, and develop analytics programs. The core team also developed an in-house workforce analytics curriculum aimed at developing critical analytics competencies in both HR and non-HR stakeholders. Because analytics involves a range of skills—from problem solving and data analysis to visualization and statistics—this curriculum helps team members gain a common level of understanding and capability.

The results have been significant. Only two years after the reinvention of people analytics, the team is now performing dozens of analytics projects. Chevron’s people analytics practice has dramati-

cally reduced time to complete an analytics project and increased reliability for all people-related decisions; the company now has standard reports across the business for all talent metrics; and the team is widely consulted for decisions on reorganization, restructuring, and other strategic business decisions. Compared with the prior decentralized model, the new model operates at significantly lower cost yet achieves 30 percent higher productivity, doing more work with significantly fewer people and in significantly less time. One business unit alone eliminated nearly 100 hours of redundant reporting work in 2015.

Start here

Our research and consulting work have identified the following eight factors as important to creating a successful people analytics program:

- **Invest at a senior level in people analytics:** The function should provide global support, not just technical analysis, and requires CHRO and senior executive support, technical resources from IT, and a strong business-focused leader.
- **Establish clear leadership:** A single team and leader should own the initial stages of an analytics effort, even if that capability eventually becomes decentralized.
- **Prioritize clean and reliable data across HR and the organization:** Analyses are only as good as the data fed into tools and software. Working with consistent, timely, and accurate data is foundational to all analytics practices. Take concrete steps to ensure that data quality is a part of every analytics discussion. Educate HR’s stakeholders and implement data governance programs to clean and maintain data accuracy and consistency across HR and operational data stores.
- **Understand that analytics is multidisciplinary:** Bring together a multidisciplinary group from across the organization, not just PhDs and statisticians. Technical analysis is only a small part of the function. Data function, data quality, business knowledge, data visualization, and consulting skills are all critical to success.

- **Increase analytics fluency throughout the organization:** Regardless of whether the analytics customers do the analysis themselves or have specialists supporting them, training for both HR and other business functions will be critical to operating at scale. Identify a curriculum or other partner to help with education, implementation of standard tools, and standardization of reports and dashboards.
- **Develop a two- to three-year roadmap for investment in analytics programs:** This investment is aimed at building a new business function for the company, not just a technical team within HR.
- **Focus on actions, not just findings:** To provide value, the analytics team must translate information into solutions, and stakeholders must take action.
- **Integrate HR, organizational, and external data:** Advanced people analytics programs increasingly rely on the intersection of data from HR, operations, and external sources. Organizations require a data strategy that encourages the integration and use of structured and unstructured data from internal and external sources.

FAST FORWARD

Over the next few years, the number of data sources will continue to rise, leading to a fusion of external and internal data in predicting employee behavior. At leading companies, analytics will become even more interdisciplinary, along the lines of ONA. Eventually, people analytics will be fully integrated into systems and always in the background, rather than a separate source of information.

Going forward, analytics technology will have the capability to deliver increasingly personalized recommendations. Due to the sensitive nature of some people analytics programs, organizations will likely need to become far more serious about data confidentiality, local regulation regarding the use of employee data, and the risk of public disclosure of private information on the organization and its employees.

Figure 2. People analytics: Old rules vs. new rules

| Old rules | New rules |
|---|---|
| People analytics is viewed as an HR team focused on advanced analytics within HR | People analytics is viewed as a business analytics team that works across the business to drive business results |
| Analytics focuses on HR topics such as retention, engagement, learning, and recruitment metrics | Analytics focuses on business problems such as sales productivity, workforce effectiveness, high-potential retention, fraud, accident patterns, and other operational needs |
| The organization makes a business case for better data integration, quality, and tools | The organization has already committed to accurate and integrated data, and has tools and processes to ensure quality and ease of analysis |
| The people analytics team has a strong understanding of HR data | The people analytics team understands HR data, financial data, and customer data, and it has relationships with all the other analytics groups in the company |
| The people analytics team lives in HR operations and reports to HR technology, or in functional areas | The people analytics team operates at a senior level, reports to the CHRO, and serves business leaders across the company |
| The people analytics team is a small set of technical experts with data management and statistical skills | The people analytics team is a multidisciplinary team, with a focus on business consulting, visual communications, and problem solving |
| People analytics is staffed by PhD statisticians whose primary focus is the development of models and data warehouses | People analytics is a consulting function that helps business leaders solve problems |
| People analytics focuses on employees | People analytics focuses on the entire workforce, including employees and contingent labor |
| The people analytics team focuses heavily on engagement survey data and employee happiness and culture | The people analytics team moves beyond engagement to understand the detailed drivers of engagement and builds culture models to understand what drives the workforce |

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**MIND
THE GAP**



Diversity and inclusion

The reality gap

Diversity and inclusion has become a CEO-level issue around the world. The digital organization of today, which operates as a network of teams, thrives on empowerment, open dialogue, and inclusive working styles. Leading organizations now see diversity and inclusion as a comprehensive strategy woven into every aspect of the talent life cycle to enhance employee engagement, improve brand, and drive performance. The era of diversity as a “check the box” initiative owned by HR is over. CEOs must take ownership and drive accountability among leaders at all levels to close the gap between what is said and actual impact.

- In this year’s survey, the proportion of executives who cited inclusion as a top priority has risen by 32 percent compared with our 2014 survey.
- Over two-thirds (69 percent) of executives rate diversity and inclusion an important issue (up from 59 percent in 2014).
- Thirty-eight percent of executives report that the primary sponsor of the company’s diversity and inclusion efforts is the CEO.

In today’s political, economic, and global business environment, diversity has become increasingly important. The number of executives who cited inclusion as a top priority has risen 32 percent from the Human Capital Trends 2014 survey, and in the last three years, the percentage of companies that rate themselves excellent at gender diversity went up by 72 percent. Based on this year’s survey, 48 percent of companies consider themselves adequate at focusing on global cultural diversity, and 69 percent of companies consider themselves adequate or excellent at supporting a variety of family models in the workforce.

This year, the issue is broader than the standard business case and requires a more comprehensive

view: Diversity and inclusion now impacts brand, corporate purpose, and performance. Not only is the public increasingly aware of the issue (witness the scrutiny of gender and racial diversity in the technology industry),¹ but employees are also expressing stronger views on diversity and inclusion. Millennials, for example, see inclusion as a mandatory part of corporate culture, defining how the company listens to them at work.² Shareholders, customers, and suppliers are all taking a closer look at this issue.

As awareness around diversity and inclusion grows, diversity and inclusion have become more important for talent acquisition and a company’s employment brand. Many organizations operate in an en-

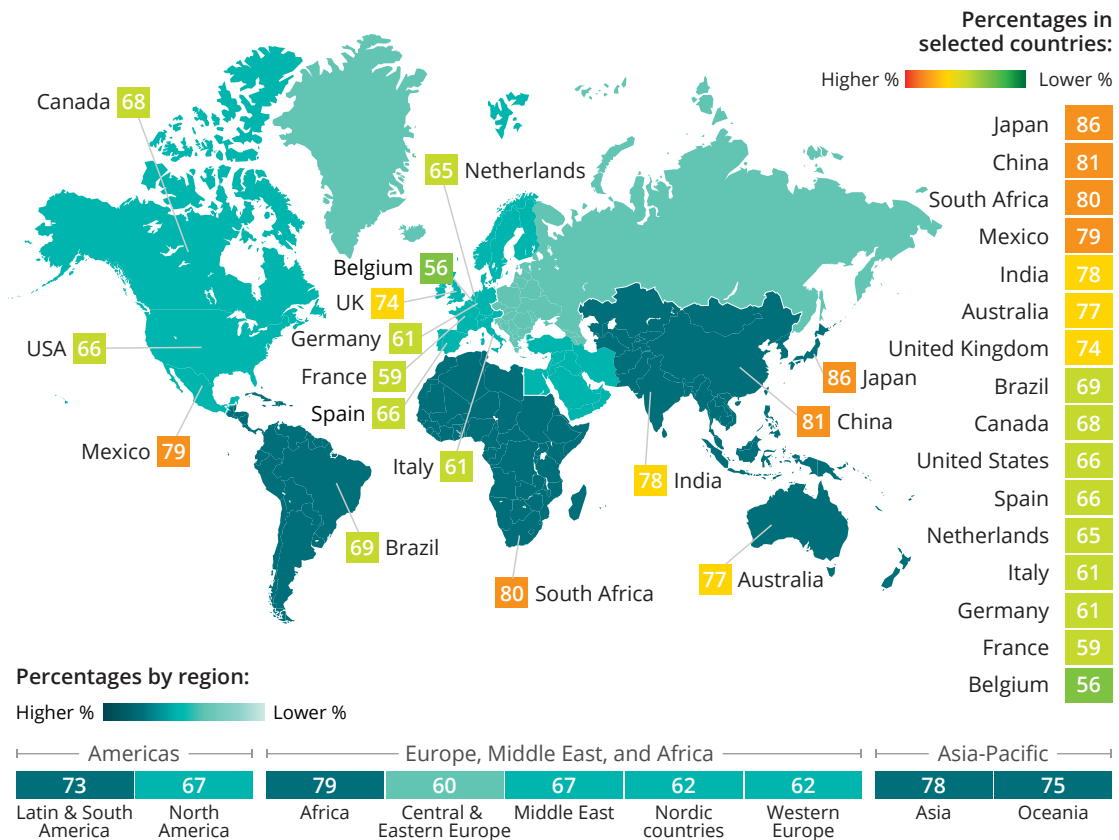
vironment of high transparency, which employees demand. For younger workers, inclusion is not just about assembling diverse teams but also about connecting team members so that everyone is heard and respected.³ Companies should align their approach with the expectations of Millennials and others, or they will likely lose talent.

If one considers the fact that organizations now *operate as networks*,⁴ it becomes even clearer that diversity and inclusion can reinforce organizational performance. New research by Deloitte and other academic institutions demonstrates that diverse and inclusive teams are more innovative, engaged, and creative in their work.⁵ Our research comparing high-performing teams against lower-performing teams supports the view that people must feel included in order to speak up and fully contribute.⁶

Despite this increased emphasis and scrutiny, however, we believe businesses face a reality gap: Results appear to be too slow. CEOs who have abdicated responsibility for this issue to the CHRO or chief diversity officer must now take ownership and hold business leaders accountable at all levels. People today are slowly becoming aware of both unconscious and explicit bias, and some organizations are starting to take action to expose the issue and make institutional changes to deal with it.⁷

The most popular solution today is training. But while such interventions are helpful, it appears that making people aware is not enough. Organizations should consider making structural changes, implementing transparent, data-driven solutions, and immersing executives in the world of bias to give them a visceral understanding of how bias impacts

Figure 1. Diversity and inclusion: Percentage of respondents rating this trend “important” or “very important”



decision making, talent decisions, and business outcomes.

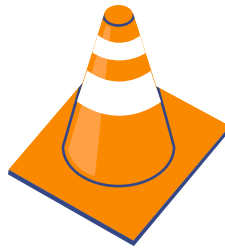
We highlight this trend because this issue has become increasingly important. Employees and stakeholders are starting to voice concerns, but solutions built around training and education are not working well enough. A set of “new rules” is being written that will demand a new focus on experiential learning, process change, data-driven tools, transparency, and accountability.

WHAT IS DRIVING THE RISE IN CONCERN?

Why has diversity and inclusion become so important? A series of business and cultural changes has come together to spotlight the importance of this issue.

First, the global political environment has heightened employee sensitivity to diversity and inclusion. Immigration challenges, nationalism, and fear of terrorism appear with greater frequency in the press. Organizations report that employees are personally concerned about what they read and hear, and they want their employers to offer perspective.⁸ The business issue of diversity and inclusion now touches issues of employee engagement, fairness, human rights, and even social justice.

Second, the need for diversity and inclusion is now an important component at work. Many large organizations now define themselves as global entities, making religious, gender, generational, and other types of diversity a business reality. Programs to raise awareness of unconscious bias are increasingly popular.



Third, a growing body of research indicates that diverse and inclusive teams outperform their peers.⁹ Companies with inclusive talent practices in hiring, promotion, development, leadership, and team management generate up to 30 percent higher revenue per employee and greater profitability than their competitors.¹⁰ Without a strong culture of inclusion and flexibility, the team-centric model comprising diverse individuals may not perform well.

Fourth, the topic of equality and gender pay equity has received mounting public attention. Canadian Prime Minister Justin Trudeau made headlines in 2015 by appointing a gender-equal cabinet.¹¹ There is a new emphasis on transparency of executive pay.¹² Companies such as Facebook, Salesforce, and others are publicly highlighting gender equality—and setting a strong example. As an example, after Salesforce performed a comprehensive analysis of 17,000 employees and identified a gender pay gap, the company spent roughly \$3 million to even out the disparity.¹³

Fifth, as career trajectories change, issues of age and life transition are becoming more important. Anecdotal evidence suggests that millions of Baby Boomers are delaying retirement, while many Millennials are approaching the age when both spouses often work, and they expect and demand equal treatment. And the prospect of longer careers means a wider generational span in the workforce. Efforts to address such issues are gaining ground. One retailer, for example, developed a program called Snowbird to help older workers transfer to warmer climates to stay with the company. Michelin lets senior white-collar workers stretch out their careers to reduce stress later in life. The US National Institutes of

A set of “new rules” is being written that will demand a new focus on experiential learning, process change, data-driven tools, transparency, and accountability.

Health offers emergency elder care, allowing employees to modify their work patterns when parents become ill.¹⁴

MANY COMPANIES ARE STILL NOT SEIZING OPPORTUNITIES

Despite the overall increase in focus on and investment in diversity and inclusion, many businesses may be in denial about the reality in their own companies. Our research into HR practices found that, while an overwhelming majority of organizations (71 percent) aspire to have an “inclusive” culture in the future, their actual maturity levels are very low.¹⁵ Only 12 percent have reached level 4, the most mature level in our model.¹⁶

In some countries, the problems are even more pressing. In Japan, surveys show that 53 percent of women between the ages of 24 and 44 would like to work but are unable to obtain jobs.¹⁷

COMPANIES MUST UNDERSTAND THE COMPLEXITY OF THEIR WORKFORCE

This year’s *Global Human Capital Trends* research shows that 78 percent of respondents now believe diversity and inclusion is a competitive advantage (39 percent say it is a “significant” competitive advantage). Yet, despite this increased level of interest, only 6 percent of companies actually tie compensation to diversity outcomes. Why?

The answer is simple: Solving diversity challenges is dauntingly difficult. Our research and company interviews show that organizations are now considering moving beyond training to focus on measurement, transparency, and personal accountability. Also trending upward is a focus on eliminating measurable bias from talent processes, including hiring, promotion, performance management, leadership development, succession, and compensation.

For instance, organizations are experimenting with eliminating names on resumes because candidates with ethnic-sounding names may experience lower hiring rates. Australia has been a leader in this area; the state of Victoria is experimenting with removing

all personal details from job applications.¹⁸ Some companies look at patterns of job offers and compare managers against their peers for signs of gender, racial, or age discrimination.

We are not saying that training is not important; it plays a vital role in education and awareness of the issue. But this year and moving forward, we see an additional emphasis on removing bias from systems and processes. This is what it means to embed diversity into an organization’s culture, rather than mounting a merely programmatic effort. By measuring each of its talent processes, removing factors that lead to bias, giving managers a language to discuss bias, and holding them accountable, organizations can move toward true inclusiveness.¹⁹



One area of change over the past year is the increased focus on bias in recruiting and the use of new tools to help companies reduce bias. This year, 20 percent of our survey respondents believe their organizations provide excellent training against unconscious bias, and 68 percent measure and monitor diversity and inclusion in recruiting. New tools from vendors such as HireVue, SuccessFactors, and Entelo can directly monitor manager hiring practices, including job descriptions and interview scoring patterns, to identify racial and cultural bias.

Organizations are also paying more attention to diversity in succession and leadership. Today, 71 percent of survey respondents believe their organizations are adequate or excellent at identifying and promoting diverse leaders throughout the organization. Investment in this area is increasing, but more work remains to be done. The people organizations desire are out there; if an organization does not have diverse leaders, it raises the question of why.

We identify commitment, courage, cognizance of bias, curiosity, cultural intelligence, and collaboration as the six traits of an inclusive leader.

THE ROLE OF LEADERSHIP

We believe issues around diversity and inclusion are challenges that all leaders should address. We identify commitment, courage, cognizance of bias, curiosity, cultural intelligence, and collaboration as the six traits of an inclusive leader.²⁰ We encourage companies to include these capabilities in their leadership assessment and leadership development procedures.

For diversity and inclusion to become embedded in the organization, leaders should pursue changes in processes and systems. Organizations should transparently measure diversity, and managers should be held accountable for outcomes as well as their own behavior. Organizations would also benefit from expanding the definition of diversity beyond demographic and social identities. Research shows that one of the biggest sources of bias at companies is a lack of diversity of thought. Leaders and managers can benefit by listening to people who think differently, because they often bring some of the team's most innovative ideas.

Lessons from the front lines

Recognizing the many business impacts of unconscious bias, BMO Financial Group, a top North American bank, has pioneered a new approach to diversity and inclusion. It has implemented an initia-

tive aimed at raising awareness and disrupting bias during the recruitment and performance processes, in an effort to enable more objective talent decisions and better diversity outcomes. The company had launched previous efforts to raise awareness of bias, but it wanted to deepen its commitment by actively addressing practices such as recruiting.

The initiative involved four key activities. It began with a review that mapped the major steps in the recruitment and promotion processes, especially areas of high managerial discretion. The review also identified the specific procedures and systems that could influence the impact of bias. For instance, if interviewing decisions were made at the end of the day, when managers were tired and rushed, the potential for similarity attraction bias could be amplified because biases are magnified with tiredness.

Second, the initiative redesigned new tips and practices to nudge managers toward meritocratic decisions to eliminate areas where bias could be present, while taking care to make the new practices both practical and relevant to the business.

The new practices were communicated to managers, and teams were encouraged to discuss ways to reduce bias in recruitment and performance reviews. Finally, the effort developed multiple measures of success and ways to track progress for later review. One key measure of success was the impact on employees' perceptions of inclusion and their voice at work. Both of these measures saw an unprecedented year-over-year increase, with a 2 percentage point increase on perceptions of inclusion, and a 2 percentage point increase on employees' perception of their voice at work.

Training focused not only on identifying potential areas for bias but also on teaching managers to lead conversations to co-develop solutions with staff. Managers learned about different types of biases and where they could show up. Training materials and tools included e-learning modules, an online hub, and one-page handouts concisely conveying key points. The training and support materials are having a positive impact, generating high levels of adoption for the new processes and practices, with 83.5 percent of people managers and one-third of all employees voluntarily completing the e-learning

module within the first months of launching the initiative. The organization has also seen a measurable impact on hiring rates of diverse candidates, which has increased over 3 percent in the past year.²¹

Lloyd's Banking Group, a leading UK-based bank, is another example of a company that takes an innovative approach to diversity and inclusion, embarking on a multifaceted effort to embed diversity and inclusion within its culture. The group recognized that putting inclusive behaviors at the core of its operations and making gender equality a priority benefited not only the women they employ but also the organization as a whole and the clients, customers, and communities they serve. Leaders set a clear, transparent target: By 2020, 40 percent of senior roles were to be occupied by women.²² Recruiting programs were changed to align with this goal, including a requirement that the shortlist for every senior role must include a qualified female candidate—or a convincing explanation for the absence.

This commitment to diversity is delivering results. In 2015, 31 percent of external hires into senior management were women, compared with 17 percent in 2014.²³ The proportion of women promoted into senior roles increased from 26 percent to 33 percent,²⁴ earning the group recognition among the *Times*' top 50 employers for women.²⁵

To push diversity and inclusion deeper into the company's culture, all line managers received specialized training in 2015. To assist with these and other initiatives, a member of the group executive committee acts as both executive sponsor for diversity and inclusion, and executive sponsor for gender.²⁶

P&G has also become a leader in this area by incorporating a commitment to diversity and inclusion deeply within its culture. Over the past seven years, the company has spent \$2 billion annually to support its supplier diversity program, building a broad and diverse supplier base that includes over 1,500 women- and minority-owned suppliers.²⁷

The company also focuses on advancing women leaders through a comprehensive leadership development strategy featuring strong mentorship and sponsorship as well as site- and region-specific programs. As a result of these efforts, between 2008

and 2013, women's representation among P&G managers grew from 40 to 44 percent, including 28 percent at and above at the VP level.²⁸

Beyond gender diversity, the company has taken a leadership position in supporting employees with disabilities. A reverse mentoring program enables senior staff to understand the daily challenges some of their colleagues face—and how to create an inclusive workplace where all have the ability to contribute. Funding for accommodations is now allocated to a central budget to ensure that all P&G facilities worldwide have the resources needed to accommodate all workers.²⁹

To increase accountability at all levels, P&G instituted a new compensation system that reinforces its commitment to diversity and inclusion. Ten percent of executive compensation is linked to diversity goals, which are evaluated as part of performance reviews.³⁰ Criteria include being an executive sponsor of an employee resource group, being a cross-cultural mentor, and recruitment and promotions in the executive's area of responsibility. Additionally, the stock option awards for the company's top officers are linked to diversity results.³¹

For these and other initiatives, in 2015, DiversityInc ranked P&G second among the top 10 companies for people with disabilities, seventh among its top 50 companies for diversity overall, and eighth for global diversity.³² DiversityInc credited P&G for highly valuing each employee's unique contributions and for the representation of women, African-Americans, Latinos, and Asian-Americans among management at rates higher than the US average.

Start here

- **Ensure that top leadership understands the importance of diversity:** Share research on the value of inclusion to build consensus at the organization's highest levels. Then hold top leaders accountable through metrics and transparent reports on diversity in promotion, hiring, and compensation.
- **Use technology and data to identify problems and measure progress:** Analytics can now help in identifying patterns of gender and

racial bias, disparities in compensation and rewards, and bias in hiring and promotion. Tools to anonymize resumes and help training managers remove bias should become part of the diversity effort.

- **Move beyond HR:** Consider diversity and inclusion as part of the corporate infrastructure, just like compliance, IT, and security; it must be practiced by everyone and owned by all line leaders. Diversity and inclusion is a business responsibility, not an HR responsibility.

- **Consider global differences:** Geographic diversity is increasingly important as more organizations become global. The specific challenges for diversity and inclusion will likely vary widely from region to region, and employees' interests and concerns in different regions will likely differ as well.

FAST FORWARD

Old models of diversity and inclusion are undergoing change, and this trend is expected to accelerate. As employee demands shift and diversity receives greater attention globally, the private sector's responsibilities will continue to grow. As the large Baby Boomer population ages, the need to broaden the focus on diversity and inclusion to account for the elderly in the workplace will increase. In inclusive organizations, the way people operate will shift, and the everyday language of the business will change.

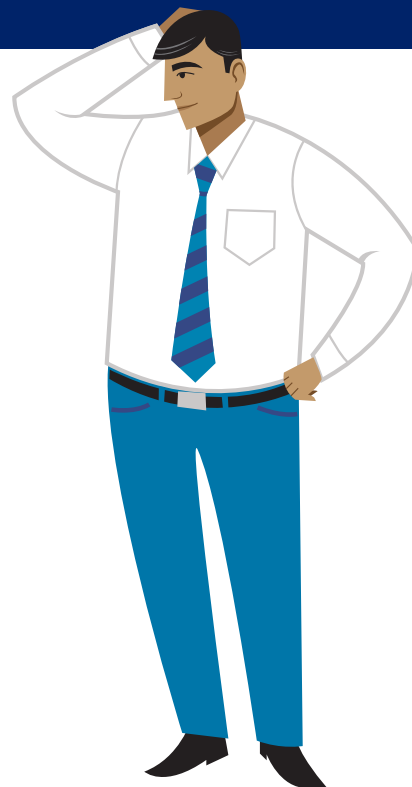


Figure 2. Diversity and inclusion: Old rules vs. new rules

| Old rules | New rules |
|--|---|
| Diversity is considered a reporting goal driven by compliance and brand priorities | Diversity and inclusion is a CEO-level priority and considered important throughout all levels of management |
| Work-life balance is considered a challenge for employees to manage, with some support from the organization | Work-life balance, family, and individual wellness are all considered part of the total employee experience |
| Companies measure diversity through the demographic profile of designated groups defined by attributes such as gender, race, nationality, or age | Companies measure inclusion, diversity, and lack of bias in all recruitment, promotion, pay, and other talent practices |
| Diversity is defined by gender, race, and demographic differences | Diversity is defined in a broader context, including concepts of “diversity of thought,” also addressing people with autism and other cognitive differences |
| Leaders are promoted on “merit” and experience | “Merit” is unpacked to identify built-in biases; leaders are promoted on their ability to lead inclusively |
| Diversity and inclusion is a program of education, training, and discussion | Diversity and inclusion goes beyond education to focus on debiasing business processes and holding leaders accountable for inclusive behavior |
| Companies regularly report progress on diversity measures | Companies hold managers accountable for creating an inclusive culture, using metrics to compare them against each other |

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The future of work

The augmented workforce

Driven by the acceleration of connectivity and cognitive technology, the nature of work is changing. As AI systems, robotics, and cognitive tools grow in sophistication, almost every job is being reinvented, creating what many call the “augmented workforce.” As this trend gathers speed, organizations must reconsider how they design jobs, organize work, and plan for future growth.

- This year, 41 percent of companies reported they have fully implemented or have made significant progress in adopting cognitive and AI technologies within their workforce.
- Another 34 percent of survey respondents are in the midst of pilot programs.
- But only 17 percent of global executives report they are ready to manage a workforce with people, robots, and AI working side by side—the lowest readiness level for a trend in the five years of the Global Human Capital Trends survey.

FOR the past several years we have chronicled the arrival of what is now called “the future of work.” In 2013, we identified “[The open talent economy](#)” as a trend and discussed the growth of off-balance sheet employment, talent platforms, and crowdsourcing.¹ In 2015, we highlighted the trend of “[Machines as talent: Collaboration, not competition](#)” and the increasing power of robotics and cognitive computing to restructure jobs.² Finally, last year we published “[The gig economy: Distraction or disruption?](#),” which discussed the benefits and challenges of managing talent in the sharing and collaborative economy.³

In 2017, these changes have come into focus and the issue has become more urgent. Automation, cognitive computing, and crowds are paradigm-shifting forces that will reshape the workforce now and in

the near future. Organizations are redesigning jobs to take advantage of cognitive systems and robots, and we see an opportunity to rethink work around something we call “essential human skills.”⁴ In 2017 and beyond, organizations should experiment and implement cognitive tools, focus heavily on retraining people to use these tools, and rethink the role of people as more and more work becomes automated.

RETHINKING WORK FOR THE AUGMENTED WORKFORCE

The question of how each job will change, adapt, or disappear has become a design decision. What aspects of work do you replace with automated machines? Do you want to “augment” workers with machines that make work easier and more scalable? What will be the impact of AI and robotics on the

customer experience, service quality, and brand? Should your organization wait for competitors to fully validate AI and robotics?

Today there is a new focus on the “people aspects” of work. Our research, based on studies from Oxford University and the O*Net job database, shows that while tasks are being automated, the “essentially human” parts of work are becoming *more* important.⁵ Skills such as empathy, communication, persuasion, personal service, problem solving, and strategic decision making are more valuable than ever. While some will dramatize the negative impacts of AI, cognitive computing, and robotics, these powerful tools will also help create new jobs, boost productivity, and allow workers to focus on the human aspects of work. This opens another design question: How can companies achieve the greatest total value through automation, while balancing the short- and

long-term consequences of these decisions for their organization, work, and workforce?

Our research and discussion with clients show that when done carefully, automation (and the use of crowdsourcing) can have a tremendous positive impact on productivity, employee engagement, and customer value. Amazon.com, for example, has effectively used automation to scale warehousing and shipping rapidly during holiday seasons while reducing time to training for employees and maintaining its reputation as one of the top employer brands in its industry.

WHERE DO COMPANIES STAND TODAY?

Our research shows that most companies are in the middle of this fundamental shift. Thirty-one percent of companies in this year’s *Global Human*

Figure 1. Robotics, cognitive computing, and AI: Percentage of respondents rating this trend “important” or “very important”

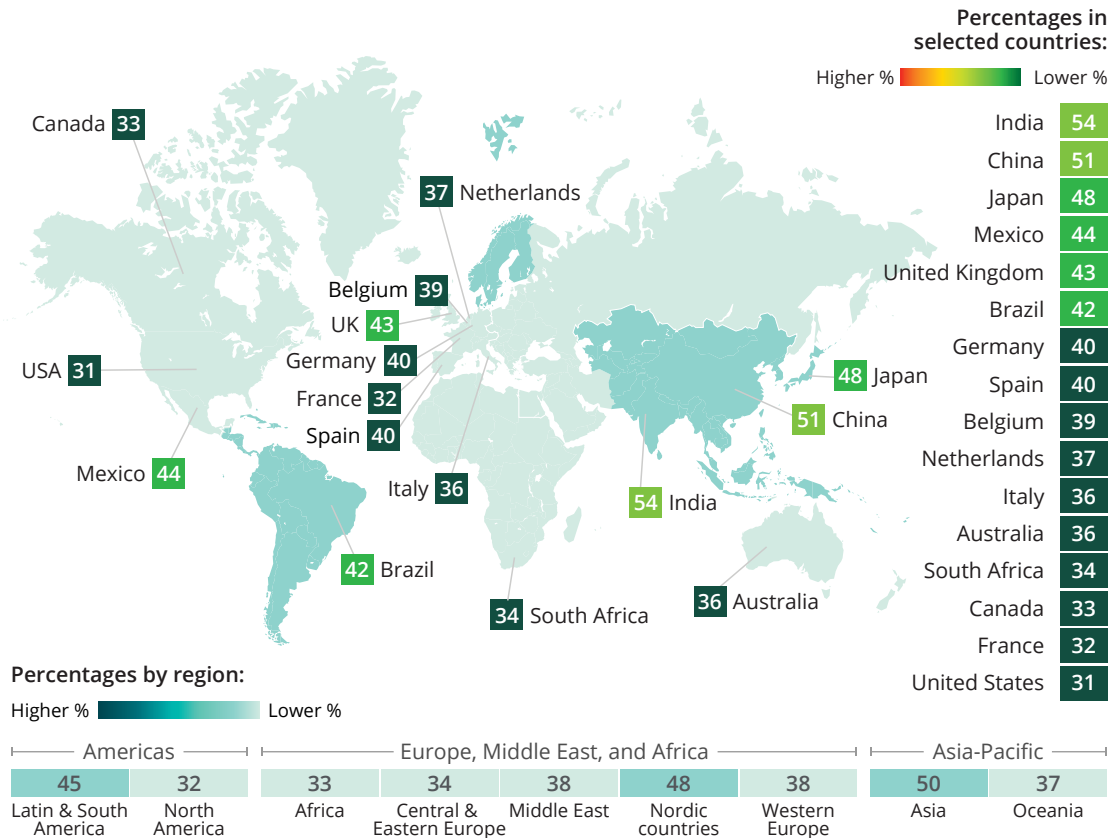
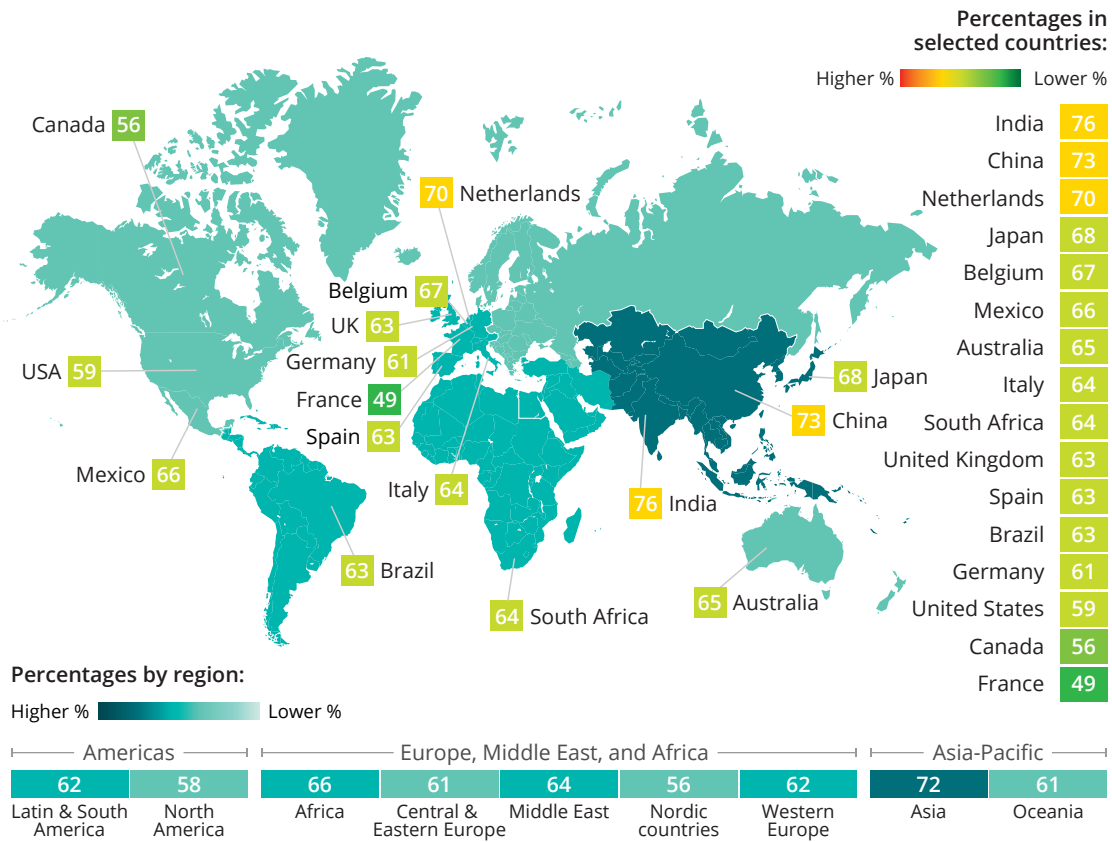


Figure 2. Augmented workforce: Percentage of respondents rating this trend “important” or “very important”



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Capital Trends survey tell us they are in the process of implementing AI and robotics, and 34 percent are piloting selected areas. And 10 percent say they are either fully automated or highly advanced in this area.

Interestingly, when we asked companies about the impact of these future-of-work scenarios, only 20 percent said they would reduce the number of jobs. Most companies (77 percent) told us they will either retrain people to use technology or will redesign jobs to better take advantage of human skills.

When we asked companies about their plans to leverage crowds, contract labor, and new models for human talent, the story was quite different. In these “new human models” for the future of work, companies are far less prepared. While 66 percent of com-

panies believe their use of off-balance sheet talent will grow significantly in the next 3–5 years, only 49 percent say they are not able to manage contingent labor well and 55 percent say they have never used or do not understand how to leverage crowdsourcing. So while some elements of the future of work are well understood by business leaders, others are still in an emerging stage of understanding.

What is clear is that interest in this topic is growing exponentially. While only 6 percent of C-suite respondents rate this trend as a priority for this year (which we believe represents the level of confusion in the market), 26 percent believe it will be important in the next three to five years—an increase of 400 percent, one of the largest movements we have seen.

UNEVEN PROGRESS TOWARD THE FUTURE WORKFORCE

The shift from full-time employees to an augmented workforce (augmented by both technology and crowds) is one of the more challenging of the human capital trends on the horizon. It upends the familiar concepts of what a job is (along with all the implications for [careers](#)), what work really means, how the workforce is trained and selected, and how the workplace is designed. It stretches conventional notions of what types of work can be done by people and by machines, and it redefines the human workforce segments that are involved.

While the adoption of robotics is happening quickly, companies' abilities to reskill and reorganize around automation are still behind. Roughly half of the leaders surveyed rate their company weak at aligning competency frameworks to account for new robotics, cognitive, and AI requirements; deploying employees replaced by these technologies; and reskilling employees to complement these new tools.

RETHINKING TALENT, TECHNOLOGY, AND THE WORKPLACE

Our research clearly shows that one of the new rules for the digital age is to expand our vision of the workforce; think about jobs in the context of tasks that can be automated (or outsourced) and the new role of human skills; and focus even more heavily on the customer experience, employee experience, and employment value proposition for people. Organizations that automate manufacturing plants, for example, and that do not clearly give people opportunities for reskilling and new positions, may see their brand suffer, and to some extent may also feel pressure from the social and political environment. AT&T's talent manifesto, which encourages and empowers employees to continuously reskill themselves, is an effective example of a company that automates in an integrated, human-centric way.⁷

We envision rethinking the combinations of talent, technology, and the workplace across multiple dimensions:

Figure 3. Respondent ratings of sub-capabilities related to the augmented workforce

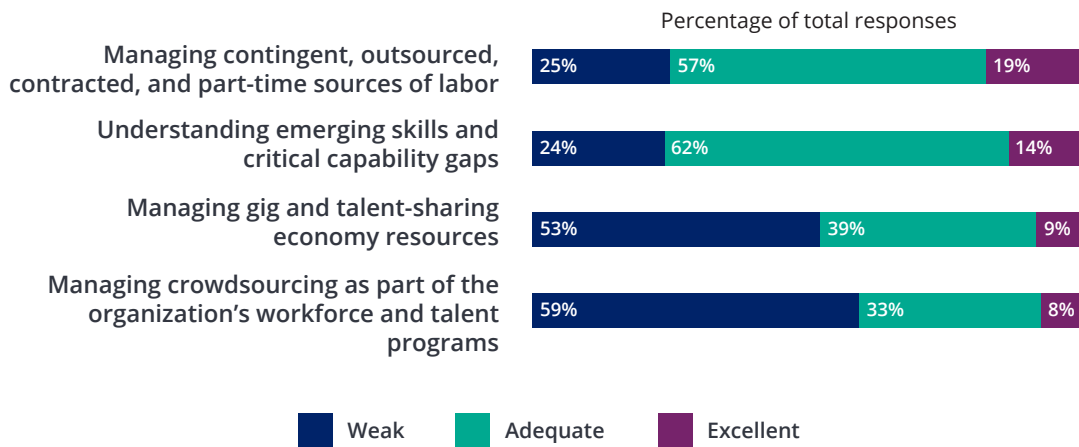
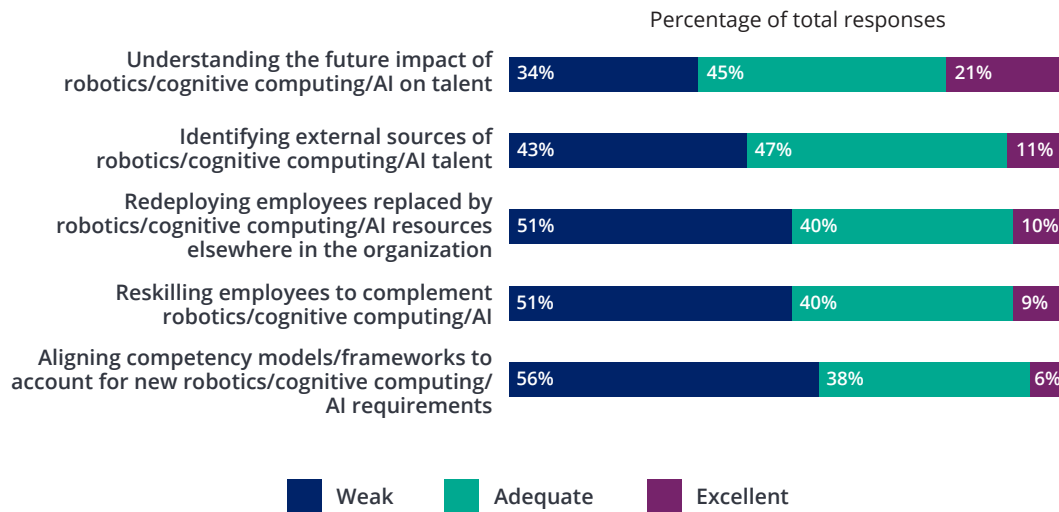


Figure 4. Respondent ratings of sub-capabilities related to robotics, cognitive computing, and AI



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- What parts of a job can be automated, and what is the human “value add” around these skills? For example, bank tellers now advise and sell, rather than simply transact, giving greater customer value to clients.
- How can we reskill and retrain people to learn technology and tools faster, and how can we design the technology so it takes almost no training to use?
- Where does the work—and more specifically each individual task—need to be done? What physical proximity is required to serve customers and to design and develop products and services?
- How can we crowdsource activities—and use contingent, freelance, and gig economy talent—to save time and money, increase quality, and improve operational flexibility and scalability?
- How can we redesign the workplace to be more digital in nature, open, and collaborative, yet provide opportunities for development, growth, and focus time? Much research now proves that the highest performing teams (and leaders) are those that are the best connected within and across the company. Does our organization have enough open, collaborative physical and digital spaces to facilitate people-to-people meetings and collaboration?
- How can we evolve, and perhaps separate, the functions of multiyear (3–5 years) strategic work, workforce, and workplace planning on the one hand, and annual workforce planning (annual headcount) on the other, to more deeply explore scenarios that include more crowdsourcing, greater automation, or the increased use of robotics?
- What is our organizational and work design capability, and have we explored the way machines can cross functional boundaries to move people from “jobs” to “work” and from “execution work” to “empathy work?” As we explore in both the “[People analytics](#)” and the “[Organization of the future](#)” chapters of this report, new tools to perform organizational network analysis and even trusted network analysis can help identify flows of work that can facilitate productivity among teams as more tasks are automated.

RETHINKING THE BOUNDARIES OF WORK BETWEEN HUMANS AND MACHINES

The rapid advances in machine intelligence have been well-documented.⁹ Robots and cognitive technologies are making steady advances, particularly in jobs and tasks that follow set, standardized rules and logic. This reinforces a critical challenge for business and HR leaders—namely, the need to design, source, and manage the future of work, workforces, and workplaces to incorporate a robust understanding of which skills are essentially human.

HR leaders should focus on defining the difference between essential human *skills*, such as creative and ethical thinking, and nonessential *tasks*, which can be managed by machines. This requires reframing careers, and designing new ways of working and new ways of learning—both in organizations and as individuals. Research by Deloitte in the United Kingdom finds that the future workforce will require a “balance of technical skills and more general purpose skills such as problem solving skills, creativity, social skills, and emotional intelligence.”¹⁰

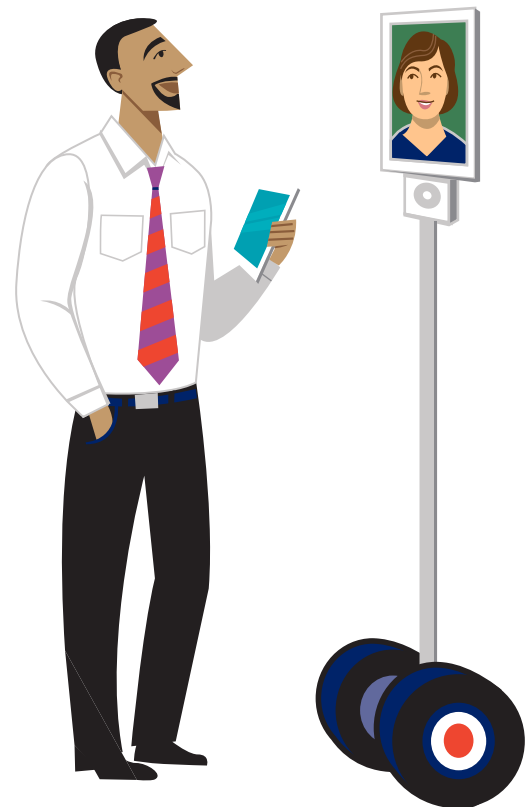
One of the techniques we advise for this work is design thinking and the development of journey maps. Journey maps outline and document the actual work taking place, and the tools, people, and

information involved in a job. This kind of analysis helps designers understand where tasks can be outsourced and where human empathy can be enhanced and further leveraged.

As Tom Davenport and Julia Kirby emphasize in *Only Humans Need Apply*, this requires recognizing that “augmentation means starting with what minds and machines do individually today and figuring how that work could be deepened rather than diminished by a collaboration between the two.”¹¹

The future of work has arrived, and companies should embrace this disruptive opportunity. We believe the factors driving these changes will accelerate, leaving slow adopters behind as first movers become experts at optimizing the use of machines and crowds to drive productivity, innovative products and services, and customer relationships.

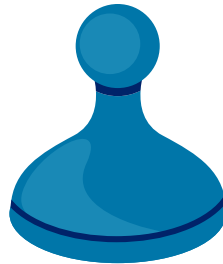
Robots and cognitive technologies are making steady advances, particularly in jobs and tasks that follow set, standardized rules and logic.



Lessons from the front lines

Amazon's use of advanced warehouse technologies illustrates how robotics, cognitive computing, and flexible human workforce strategies can combine to maximize efficiencies and productivity, while creating new temporary and permanent jobs.

To meet increased demand during the holiday season, Amazon expands its workforce by roughly 40 percent with around 120,000 temporary hires, who can be trained quickly because of robotic and cognitive technologies. These tools, such as automated training screens, "smart" tape dispensers, and robotic pallets, reduce new hire training from six weeks to as little as two days.¹² The technologies automate tasks such as rote memorization and heavy lifting, allowing temporary employees to quickly master the work that requires human skills.



Further, these workforce innovations not only enable flexibility for short-term workers—they also create permanent jobs. Last year, Amazon retained 14 percent of its seasonal hires, in part because augmented warehouses actually require a greater number of human workers.¹³ These centers can process more total orders, and therefore require more total human employees.

Finally, all of these jobs are possible because of e-commerce, which is itself a result of recent technological advances. Though some speculated that e-commerce would replace workers in certain industries, the field has led to robust job creation, such as Amazon's construction of 26 new warehouses in 2016 alone.¹⁴

This optimistic view of complementary machine and human work is also evident in a range of historical cases. For example, 40 years after the first ATMs began to perform tasks formerly done by tellers, there are more bankers working at more branches, and their work is more varied—even as it leverages more and more technology. While there are now roughly 400,000 ATMs in the United

The future of work has arrived, and companies should embrace this disruptive opportunity.

States, the number of tellers has continued to rise to more than 550,000.¹⁵ Similar transformations have occurred across a range of technologies and professions, such as barcode scanners and cashiers, or electronic document discovery and paralegals.¹⁶

Start here

- **Consider how the core work actually gets done:** Challenge the organization to rethink not only what work needs to be done, but to consider the range of talent segments and technologies that can be used, in combination, to best complete that work.
- **Identify all human workforce segments:** This includes those both inside and outside the company, different models of contractors, the crowd, and competitors. Talent platforms are growing rapidly in scale; understanding how they can augment full-time workforces is a key capability for managers in both HR and business.
- **Examine all types of nonhuman workforces:** This includes the entire array of robotics, cognitive, and AI technologies to augment human workers, leveraging the power of machines to accomplish an increased number of tasks. Partnering with the business, HR can help lead the redesign of work arising from rapid changes in robotics and AI.
- **Redesign multiyear strategic and annual operational workforce planning:** Consider separating multiyear strategic work, workforce, and workplace planning—which combs new talent segments and technologies to develop spe-

cific future scenarios for the workforce—from annual operational workforce planning.

- **Collaborate across functions to plan and implement new work and workforce solutions:** Ensure that the new scope of the augmented workforce aligns with business strategy and involves full participation of business, HR, and other corporate functions. This will likely require experimenting with new ways of working and coordinating across organizational silos.
- **Invest in critical human skills for the future workforce:** Problem solving, creativity, project management, listening, and moral and

ethical decision making are all essentially human skills that every organization needs—now and in the future. When planning the future of the workforce, consider these long-term human skill needs.

- **Plan and manage the workforce transformation:** Given the scope and scale of coming changes to work, workforces, and workplaces, it is critical to have an enterprise “future of work” or “augmented workforce” roadmap combining business, HR, IT, procurement, and finance. This plan should include an actionable view of talent, training, communication, leadership, culture, and organizational impacts.

FAST FORWARD

Of the trends in this year’s report, the “future of work” will likely accelerate the fastest in the next five years. This is simply a function of where we are in the evolution of technology. Fifty years after the formulation of Moore’s law, processing and computing power continue to grow exponentially, driving advances in robotics and machine learning. Cognitive tools to augment, and in some cases replace, knowledge work will continue to accelerate and become widely deployed and adopted. We would not be surprised if the future of work, workforce, and workplace issues come to dominate the concerns and agenda of HR and business leaders in the near future. This challenge requires major cross-functional attention, effort, and collaboration.

Figure 5. The future of work: Old rules vs. new rules

| Old rules | New rules |
|---|---|
| Machines and artificial intelligence are taking over jobs (replacement) | Jobs and tasks are being redesigned to use more essential human skills, and are augmented by technology (augmentation) |
| Full-time employees are the main source of talent | A continuum of talent is available, including contractors, gig employees, crowds, and competitions |
| Workforce planning focuses on full-time workforce and skill requirements | The focus in workforce planning shifts to start with work and analyzing options across multiple workforces and technologies |
| Jobs are relatively static with fixed skill requirements | The half-life of skills continues to decrease rapidly, and work is being constantly reinvented |
| Jobs and career ladders are the foundation of work and the workforce | Projects, assignments, and tours of duty are building blocks for work; careers are portfolios of projects and experiences |
| Robotics and cognitive technologies are IT projects | Integrating people and technology is a multidisciplinary task |
| HR's job in automation is to focus on change management and workforce transition | HR has a strategic role to facilitate and orchestrate the redesign of jobs and train the augmented workforce |
| The fundamental elements of work are "jobs," with formally developed "job descriptions" | The fundamental elements of work are "tasks," which are aggregated into jobs and roles |

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