



HRzone

WORKFORCE
2020

**BUSINESS LEADERS
ARE PUSHING HR
'BACK TO THE FUTURE'**

Introduction

THE PEOPLE AGENDA

Business leaders are increasingly unhappy about the people agenda – and they've quite rightly started to push for change.

They understand what needs to be done now and with every subsequent technical and social evolutionary step they will understand it even more ... and once the business world knows, and more importantly feels, that they really must improve the people agenda, they will invest heavily to improve it.

Workforce 2020 will be very different to today's business environment. The people agenda will be a priority. The only uncertainty is what role we, the current HR Community, including HR Technology, will play?

The race for change

Technology, social evolution and globalisation are causing this change. This is being fueled by the timely change in the 'global business cycle'. Most organisations are on the up after serious cost cutting and downsizing and now want to invest and grow.

In terms of a more positive world for HR this is great news, it's creating a bigger wave of change. We now need to catch and ride that wave.

Unfortunately, business leaders will not apologise to HR for their lack of cooperation. They may come to HR first to ask for help to improve the people agenda but if HR do not respond or act how the business leaders expect, they will ask others to manage the improvement.

MARK MARTIN



Mark is the CEO of Foundation Stones, an HR consultancy. His last role was Group HRD of Direct Line Group where he led the complete rebuild and roll-out of HR with seven new systems costing £43m, introduced new terms and conditions and moved the company to the digital world.

Before that he was on the Board and Executive Committee of T-Mobile where he was involved in a major rebuild of HR systems. He has extensive experience in HR at the senior, strategic level and now dedicates his time to helping the HR function understand what businesses will require of it in the future.

"CLEVER BUT DISCONNECTED."

We have all grown to accept a world in HR that I call 'clever but disconnected,' where we have had more success developing the right solutions than we have in getting business to use them as we wanted.

There's no doubt that we should be proud of the academic rigor in many of our performance management processes and the research behind the competency matrices that support them.

However, we must now accept that many of our performance management processes have not connected to the business managers. They have not used them to manage performance as we intended. For example most managers still struggle with having the apparently simple performance discussions; "this is what I need you to do, this is what I see you doing and this is how I would like you to change."

Moving to a 'simple, connected and difficult' world

By Workforce 2020, business won't want clever performance management processes – they will just need these 'difficult discussions' to actually happen AND the content to be right.

Don't underestimate that challenge. We have known about the difficulty of this type of discussion and many other people management practices for thousands of years. What is changing now is that business leaders are starting to see that it is this simple but difficult stuff that matters when it comes to financial success. They are therefore starting to push HR back to the 'simple,' the stuff they really want, and when we meet that challenge, we will have an incredible future in Workforce 2020.

"CLEVER BUT DISCONNECTED."

Our decision

We have new technology with the capacity to be transformational. Do we use this new technology to be a little cleverer and a little more disconnected or do we use this technology to tackle the simple but difficult stuff?

Our challenge is to use the technology and a significant amount of critical resource (time and money) to mass produce the simple stuff that great leaders have been doing for centuries. We must direct technology to provide the insight that will make this difficult stuff as easy as possible to do.

It's not about being clever

We, the HR community, have been trying to persuade business leaders what they should do with their people for decades. I don't doubt the positive intention or the commitment of our community.

But our one big assumption that may have cost us dearly is the belief that leaders fail to see the importance of people or fail to support investment in them because it is too difficult to understand and/or to fix. We thought we had to get clever to move forward.

We have, as a result, weaved a tangled web of cleverness that has tied us up so tightly that we find it difficult to implement our processes and at the same time give our people managers what they are asking for.

GOING BACK TO BASICS

Going back to basics – understanding 'business'

To understand what business will want from us in Workforce 2020 we just need to think about the following:

- 1.** A group of people called customers want something they are prepared to pay for
- 2.** A number of people we will call businesses compete with each other to supply those customers
- 3.** The business that does that best (delivering the quality customers want at the best cost) will win
- 4.** The people that work in those businesses, we will call employees, determine what they give the customer and at what cost

All things being equal, the winners have employees more able and willing to do that than the people they compete against.

Unfortunately, all things have not been equal. Business has found a way - through size, brands, restriction of competition, control and spin to grow profits without knowing their customer very well or having the ability or willingness to serve them. How is this balance being redressed?

The impact of...

TECHNOLOGY & GLOBALISATION

The impact of technology

New technology is changing this inequality. It is massively reducing the advantage of scale, of barriers to entry, of capital, of legacy brand values, of 'spin'.

Business is becoming simple again. Know your customers and have the employees able and willing to deliver what your customers want – or fall behind the competition. We must recognise this and move back to simple rather than driving on to clever.

The impact of globalisation

"Know your customer and serve" is a simple mantra. But it is made more difficult by globalisation.

Customers, employees and suppliers are increasingly global. You must be clear where the customers are, what product/service they require and then be clear of the best place to find the employees with the ability and willingness to deliver, and at the right cost.

But this is not a static equation.

All these variables change regularly with economic, social, political and market changes. Therefore, the business that can see these variables most clearly and be flexible to change the ability, willingness and cost faster, and most effectively, will win.

The impact of...

THE EMPOWERED CUSTOMER

The impact of the empowered customer

Due to technology and social evolution, customers will know the best product before it hits the shelf and where they can buy for the best price.

They will know that the wrapper the business puts on the product or service is false before the first wrapper is opened.

Therefore, if your employees are unable or unwilling to deliver the product or service required, the customers will know – and so will your shareholders.

Business leaders will not be able to hide their workforce in 2020. They will be judged on how well they know it, how well they can change it and how aligned it is to their strategic direction.

The role of technology is fundamental. Only technology can help us manage this complexity in managing the simple process of knowing your customer and serving them.

Let's just consider 'people cost' in a global business.

In Workforce 2020 you will need to know what the cost of employees with a particular ability and willingness will be in each part of the business.

Technology is essential but cannot solve this challenge alone. HR will have to develop a common language to discuss people cost globally.

What the business wants going forward is to know what it costs to serve each customer type from each employee area.

Delivering that is difficult and hasn't been our traditional focus.

NEW SYSTEMS AND PROCESSES

However, new technology has had another impact. It has enabled us to improve the old systems and the processes they supported dramatically e.g. we do global payroll better but we are not much closer to answering this 'simple question' on cost.

Our value going forward is in the way we use technology to do the simple things and to provide the real insight that Workforce 2020 will demand.

How we lead the difficult changes this demands is more important than how well we implement the easy short-term changes business has asked of us in the past. It's about our ability to help business do the difficult things that the simple people stuff demands.

The future of competitive advantage

It is increasingly clear to business that the future of 'competitive advantage' is in the customer experience and the employees who deliver it.

Business leaders are increasingly asked to explain their strategy from the customer back to the capability of their organisation to deliver it.

Once the business leaders understand the customer experience required, they will demand to know how you ensure the employees have the ability and the willingness to deliver that customer experience. This is the time of proper Human Capital Management (HCM).

A business leader, responsible for Workforce 2020, will need to be able to explain how their human capital can deliver the customer experience that is driving the strategy. In 2020 'people' really will matter most to business leaders, for cold, hard financial reasons.

Business leaders who cannot talk people in terms of value add will not get to succeed or survive in senior roles. That's why the Deloitte 2014 Global Human Capital survey "Engaging the 21st Century Workplace" found 'leadership' to be the most urgent people issue businesses wanted to address.

Be in no doubt, the more the subject of 'people' concerns business, the more the quality of 'leadership' concerns business.

THE ISSUE OF LEADERSHIP

The issue of leadership

Let's just look at this 'most urgent issue' of leadership. It has been near the top of Deloitte's list for a while. It's there because CEOs look at their leaders and fear they will not deliver the strategy and they will struggle to get the customers and employees to do what they want.

The best people must lead the organisation, and the best people will be diverse, visionary, trustworthy and authentic.

This is not true in many cases – but leaders will need to have these qualities in the future.

HR's role will be to use the technology-enabled 'simple' stuff to help the business find and recruit the leaders that display these characteristics.

"Must do better"

In the Deloitte survey the HR function globally rated themselves as a "C- : must do better".

I did not choose the Deloitte survey because it gave strong evidence to support my view.

It's just the latest one I read.

They have all said the same thing for decades. We have not been meeting these simple business challenges. And in HR's defence, in many cases the business hasn't wanted us too.

But that's changing.

THE ROLE OF TECHNOLOGY

The role of technology

Technology can help HR fix the people thing by allowing them to do the 'simple but difficult' things better and on a broader scale.

It isn't about doing 'clever' things. For example, technology should be used to help a people manager select the person they believe they need to do the job. It is not there to find a better person than the manager believes they want.

How does this work? If a 'clever' selection process is so detached from the manager (who doesn't know what he wants) that the 'right recruit' gets through the process, that person will have no chance of performing as the 'clever HR person' wants or expected them to. They will do what the manager tells them to do. These mismatched expectations can lead to attrition.

The real problem is that the people manager is wrong; they don't want to recruit the person the strategy demands. In this world of 'clever' everything is disconnected but in

the world of simple but difficult everything must connect and must integrate. 'Simple HR' may only be 'roughly right' but it's much better than 'clever HR' that can be 'precisely wrong.'

The new HR systems deliver insight and support to do the 'simple business things' they will now demand. The business world wants insight and speed of change. Therefore the HR systems and the HR function must change; they must support the leaders to do the simple but difficult things needed to get the people thing right.

RETENTION & ENGAGEMENT OF EMPLOYEES

Retention and engagement of employees

The second most urgent global people issue in the Deloitte survey was the retention and engagement of employees.

It is no coincidence.

Business now understands – people matter most to business success.

Interestingly, the third most urgent pressure issue was highlighted as the 're-skilling' of the HR function. Is the current HR function up to the challenge of Workforce 2020?

There's an argument that business has not been clear on what it needs from HR. But ultimately business has changed – and so has technology – and now HR needs to be something different in order to lead the people agenda when Workforce 2020 hits.

The new generations

The Deloitte survey also highlighted other key changes – 'millennials' are now in charge and will form 75% of the workforce by 2025.

Millennials want passion and purpose in their role and in their business. They want ethical business and conscious capitalism. They are tech-savvy, very well-informed, and want to – and do – regularly express their opinion. They're also well-connected to consumers.

In Workforce 2020, customers and employees will know the truth about your company, whether you want them to or not, and they will act collectively and fast.

WHAT HAPPENS NEXT?

What happens next?

I spent 15 years on Boards and Executive Committees of large businesses. In my experience business does not play 'fair,' in that they ask the best people to do what matters most to them – they don't respect traditional areas of authority or responsibility.

What this means is that just because HR has always run HR, it doesn't mean they will continue to do so if they do not have the skills and vision to meet Workforce 2020 demands.

Already there are many commentators looking for new solutions that give business what they are looking for. A recent Harvard Business Review article by Ram Charan called for HR to be split – HR-A (for administration) and HR-LO (for HR leadership and organization) with the former a role performed by 'legacy HR' and the latter performed by finance or operations.

The CIPD in the UK acknowledge the pressure on legacy HR and recognise that HR needs to "develop a common language that is used across business to talk about people and the value they create." (Peter Cheese CIPD Chief Executive).

HR could take a lead on this new 'language' but be clear, business is already writing it and will do it whether HR respond or not. Anyone who waits will be left in out in the cold. The business world will always fix what it cares about most – and by 2020 it will be 'people.'

SO WHAT WILL BUSINESS REALLY WANT?

So what will business really want?

They want employees to perform: that is, to deliver the customer experience demanded.

They want employees both **ABLE** and **WILLING** to do what the strategy demands. We have to change our language.

Imagine you want your employees to climb a mountain. You want to know that they are able to climb it and willing to climb it. You don't want to know if they have many of the competences that you associate with climbing the mountain – you want to know if they are able to climb that mountain.

Secondly, you want to know that they are willing to climb it. You don't want to know if they are happy or are proud of being in your company, you want to know if they are willing to climb that mountain at that time and in the time you want them to. Not everyone wants to be engaged at work. That's why we must focus on willingness.

The third thing they want to know and to achieve is the best **COST** - that is, the lowest cost that will buy them the ability and willingness demanded. In Workforce 2020, you will not be able to change terms and conditions, downsize or reduce spans and layers without knowing exactly what the intended impact on ability and willingness will be.

Equally, you will no longer get away with not knowing what the total people cost is or what drives it.

Finally, business leaders want to have their 'hands on the steering wheel!' That is, they want their employees to 'FOCUS' on what matters most to them, at any point in time. When the executive committee say 'turn right' they want their people to 'turn right.'

When leaders take decisions, those decisions must result in the right change in ability or willingness, as nothing else changes performance.

SO WHAT WILL BUSINESS REALLY WANT?

The so called 'war for talent' is actually about the rigorous and uncompromising focus on ensuring that you have the critical abilities or willingness that you need to achieve your strategy, to implement the big decisions.

There is no such thing as a person that is always 'talent'. What is 'talent' changes over time and with the environment. HR has a critical role to play to ensure the business can focus on what is most important, when it is most important.

Remember the global challenge. Who your customers are and what they need you to be brilliant at will change constantly. The business will want you to know what ability and willingness you have and where it is. It will want you to focus on ensuring the ability and willingness they now require is there. They will want you to drive a process that ensures the right ability and willingness is available when it is needed. They will not be demanding a really clever analysis of different competences.

The low down

Everything that you do with regard to people should support or enable Ability, Willingness, Cost or Focus!

If you cannot show the business how you added value to one of these four areas you will not be seen as playing at the heart of the business.

These are the four areas where Ram Charan would see HR-LO operating.

The Final Piece of the Puzzle

THE ENGINE

The final piece of the puzzle – the engine

These four areas are driven by the 'engine.' This engine combines the business strategy with the power and support provided by the business and turns it into effective people change.

HR need to connect the business to the engine by people strategy based on ability, willingness, cost and focus.

This engine of people change measures and then directs and delivers this power to the business so that these four areas of ability, willingness, cost or focus, can be changed in line with strategy. HR connects the business to these four areas of people change via the 'engine'.

What is this engine about? It's about HR and systems, about providing the business with true insight, about providing systems and processes that enable the right people changes to be made.

It is about making the simple things a little easier to do. HR technology is fundamental here.

You cannot separate the engine from the car. Whoever owns the people strategy must own the engine. You can outsource the engine but it must still be led by the group that owns the people strategy.

And interestingly this changes the role of outsourcers and systems providers. They have to provide engines or parts of engines that fit and work. It is less about 'cleverness' or 'quality' and more about fit. It's less about providing lots of facts and features and more about providing true commercial insight. It's less about lowest price and more about true strategic partnerships. Their role is to support simple but difficult – the new ways of doing things.

IS ALL THIS NEW?

Is all this new?

Not at all. Business has always wanted the ability, willingness, cost and focus that their strategy demanded but have rarely seen HR as the place to get support to do that. That's why the CIPD don't believe HR and business share a common language to talk about the value people add. Because business didn't see this as critical they did it themselves or were happy to leave it in a sub-optimal state

But now they do see it as critical, which for HR means going back to what business has always wanted from its people: ability, willingness, cost and focus. The simple – but difficult – stuff.

The final piece of the puzzle

The last thing to talk about is what state the 'people foundation' of the business is in. If there is a lack of trust in the business, that must be sorted first. You can't expect to build the new HR house on weak foundations. There will be repair work needed.

For example, if you have poor leaders internally due to neglect of people and leadership development, then leadership programs will be ineffective. If you have HR teams that are focused on historical HR roles, then re-skilling programs will be ineffective. If your HR technology does not meet the needs of 'new HR' then you'll need to change your technology to a modern system that has the necessary capability and usability.

Ultimately, you must decide what you need to 'fit' into your engine – the things that help you drive the ability, willingness, cost and focus your strategy demands.

And lastly...

And lastly...

Go back and look through the 'simple' eyes of the business to understand how to move into the future of Workforce 2020.

As an HR professional, your job will be to help the business get over the difficulty of doing the simple stuff. You'll need to provide them with the insight that will give them the courage to take the difficult decisions. It's an exciting challenge for HR professionals.

And it won't be easy. But it's the future.

The role of technology in Workforce 2020

BRIDGET PENNEY, VP HR, ADP

This whitepaper is ultimately concerned with what the future business world will look like and how HR needs to prepare. It's a strong vision.

There are clearly forces at work that will continue to grow in strength and ability to mould what the business world will look like. Globalisation will smash boundaries between customers, employees and businesses, while the rise of traits seen commonly in millennials will increasingly dominate the workplace.

At the same time, social and technological evolution is increasing at such vast, chaotic rates that we don't know exactly what direction it will take the future and what marks it will leave on the fabric of how we do business. Organisations must learn how to be resilient with the ability to shift and adapt to what is required of them by customers that may change from day-to-day. This flexibility will be crucial to survival.

This has an effect on what we think we know about the world, which will change constantly. That's why we're getting clear on the role of data. We must be able to trust historical data and the source of our data 'truths' to be able to make accurate, sustainable decisions that we can rally behind. There is no doubt that business will value the power that analytics brings in its quest for ever-more optimal decision-making.

For HR professionals, it's a clear future set out before us and one that we can prepare for. First, we must remember that customers are the most important thing when it comes to organisational success. If there aren't any customers, there is no business.

Secondly, when it comes to pleasing customers, there is no-one in a better place than employees to deliver service that meets customers increasingly high expectations and keeps them coming back for more.

As the business world recognises this crucial reality of doing business, more and more light will be shone on the role of people in the business and HR will be expected to step up and provide insight and tools to help line managers – the key link in the people management agenda – manage their talent in the best possible way.

The role of technology is clear. It is not possible for managers to access all the insight and all the data and all the reporting they need to make accurate, people-based decisions without the latest technology that can deliver all this information seamlessly, to wherever that manager needs it.

At ADP, we are committed to providing this technology to our customers to help them prepare for the customer-centric, employee-focused future, a future that will become a necessity as the forces mentioned above continue to shape society.