A number of interesting reports are emerging that indicate business leaders are feeling they are not realizing the benefits of employee engagement initiatives. One interpretation could be that employee engagement initiatives don’t work. Yet, CEOs are citing employee engagement as one of their top five global business strategies for their organizations, and the topic is clearly rising in the minds of business leaders. There is also a soon-to-be-billion-dollar industry that has arisen to support and advise around these initiatives. Perhaps another interpretation could be that the sentiment is more a reflection of the enormous and ever-increasing challenges due to the fast-moving business landscape than any actual disconnection of organizational outcomes derived from positive work attitudes.

Challenges
What is fundamentally shifting are the dynamics of the workplace in which these constructs play out. The same uncertainties currently plaguing the global economy and a firm’s economic viability are also creating seismic shifts in the nature of work on an individual level and presenting a variety of new challenges in engaging employees for organizational performance. The challenges facing inspiring employee engagement and achieving both job satisfaction and organizationally relevant outcomes are many, varied and interconnected. The speed and complexity with which business moves today requires everything to be done in less time. Yet, when this pace results in frequently shifting priorities, individuals and teams can lose motivation because people are reluctant to act, fearing that they are working on the wrong things from the organization’s perspective. During times of turbulence, decision-making often can move up the organizational hierarchy as the organization attempts to reconcile competing priorities and achieve some sense of alignment. This can unintentionally further disempower employees who would usually add their own creative energies by following known priorities. Instead, employees have to double check or wait to be told what is required. Due to time constraints, true alignment may become elusive, generating a multitude of cascading first priorities and resulting in additional workload problems. To further exacerbate the situation, the solution to employees’ frustration with workload directly competes with the organization’s need for year-over-year productivity improvements, often euphemistically characterized as “doing more with less.”

Middle management is squeezed from both sides, with executive leadership demanding work be done faster and cheaper, while employees demand ever more flexibility to do their increasing workloads lest they go elsewhere.
To keep up with the velocity of organizational changes, job changes within the organization also increase. As people move into different roles, knowledge and progress can be lost on action items to sustain engagement. Continuity becomes even more difficult, and more work is generated as new players attempt to make sense of their environment and the problems at hand. As more solutions are demanded with insufficient time to work through complex problems, superficial approaches can predominate. These approaches can provide the illusion of resolution without long-term remediation. The issue then re-emerges (often in a more complex form with more urgency) at a later time, adding again to workload pressures.

**Actions**

There is no doubt that there are many challenges in today’s world of work. However, there are several actions that organizations can take now to sustain and improve employee engagement and job satisfaction.

**Simplify and Focus**

A laser-like focus that pinpoints the most critical business priorities is crucial both for the reduction of overall workload as well as for providing a focal point for engagement initiatives to drive organizational performance.  

**Increase Emphasis on Alignment**

Several recent reports are indicating that careful coordination or alignment of employees through engagement activities to organizational goals is one of the fundamental keys for success.

**Focus on Education for Execution**

While many vendors are focusing on differences in measurement approaches (pulse surveys, one-item daily surveys, shorter surveys, more action-based items) to enhance engagement, little attention has been paid to the execution side of the equation. Better equipping supervisors and managers with knowledge of how to confront real issues within the workplace and problem solve with peers and subordinates could go a long way in fundamentally enhancing the workplace. Once problems are identified, managers are expected to miraculously know how to address sometimes complex and systemic issues without much training or guidance. Providing tangible best practices and training to confront real workplace issues are key supports needed for effective action downstream.

**Explore Greater Transparency Through New Communication Approaches**

Watson Wyatt found that effective communication is essential to financial performance and employee engagement. Yet, Groysberg and Slind report that current corporate communication vehicles are broken and advocate new approaches to establishing two-way organizational conversations and the use of digital and social technologies to enhance collaborative conversations.

**Leverage Experienced Talent**

Harter’s research suggests that higher-tenure employees report being less engaged than both people new to the organization or people about to retire. Yet, most current organizational work on engagement is being targeted at Millennials’ needs. Harter argues that even a modest improvement in the engagement of the deeply experienced employees (if they have the right talent for their jobs) will result in an important untapped opportunity for most organizations.

**The Future**

Additional work and thought are needed now to help best meet the challenges in the years ahead.

**Redesign Work**

The impact of work redesign and work enrichment has been well known since the 1950s. Tools and technology have continued to change to make work design less complicated. Yet, there needs to be a serious effort in corporations to redesign and reduce individual workload. Work redesign should both empower and enable employees toward greater levels of engagement and satisfaction and aid in simplification. Perhaps breaking work down into micro-tasks that can be vended out separately or using data and predictive algorithms to remove work altogether will come to the rescue.
Explore New Methods of Strategic Planning

Corporate strategic planning models tend to rest on the underlying assumption that work for the full year can be planned and mapped out in its entirety. Yet, given the volume and velocity of change, new work requirements surface during the course of the year. Employees and management are then caught between what has been promised for the strategic plan (and on which most performance management and budget processes are predicated) and the realities of current demands of the business. New strategic models that do not rigidly hold to proscribed work but that are more opportunistic and dynamic are needed.

Enable Through Coordinated HR Practices

Although a great deal of work has been done on integrated HR, further work in this arena is also needed. Employee engagement will always be limited by the amount of enablement that the organization provides. Enablement means providing the right tools and environment for engagement to flourish so that those who are engaged have the opportunity to make their maximum contributions.

Facilitate Recovery

Initially, engagement was conceptualized as the opposite side of the continuum from burnout. Yet, across time the consideration of burnout and work overload on employee engagement has mostly disappeared from corporate discussions. Sonnentag found that individuals who received ample day-level recovery time were more likely to experience a high level of work engagement during the subsequent day. Smartphone use, while providing flexibility, can also prevent enough away-time to assist in energy renewal. Some organizations used to require employees to take a predetermined amount of vacation each year to get a real break from the workflow. Current technologies enable workflow to now come with employees on vacation. New approaches are desperately needed to facilitate rest and recovery in a 24/7 world.

Commit Long Term

Long-term commitment from the top is required to see engagement initiatives through various business cycles. Yet, companies that are able to unlock the magic of engagement will continue to outperform others.

The actions needed now and in the future are simple but far from easy to achieve.

Modernizing the Employee-Employer Relationship

John Jersin, CEO, Connectifier

John Jersin is the co-founder and CEO of Connectifier, a recruiting technology software company that helps recruiters quickly and effectively connect with hundreds of millions of candidates. John began paving the way for Connectifier based on his passion for building high-quality teams at scale while leading the efforts of dozens of engineers in Google’s ads group, where he launched the world’s largest real-time web analytics platform. John is also a mobile trailblazer, having founded Zintin, a company that built two of the first 500 iPhone apps and acquired millions of users. John studied computer science at both UC San Diego, where he received his B.S., and Stanford University, where he earned his M.S. He was selected as one of the Top 50 Up and Coming Entrepreneurs in Southern California by SoCaTech.com.

There is a sentiment that suggests we have evolved beyond the prototypical industrial-era, adversarial relationship between employers and employees. What often goes unrecognized, however, is that the fundamentals of the company-employee relationship still have strong roots in the thinking that was first developed more than a century ago. Yet when it comes to how companies manage talent, they have changed a lot, and they still have a great distance to go.

Modern companies, and the relationships they have with workers, emerged largely during the industrial revolution. The conception of employees was simple at the time; a company that assembled widgets hired people to assemble widgets. Producing more widgets meant hiring more people, and the primary qualification for the job was simply being able to put widgets together. Workers were not put on a path to promotion, and workers were viewed as more or less interchangeable. This perspective on employees can be called the “production view” of people, where the company treats people more or less the same way it treats machines. This view of employees has changed tremendously over the last several
decades, but rather than sitting back and thinking that we are close to treating people the right way, there are clear signs that we actually need to accelerate the innovation on how those of us in HR handle people.

**A Need for Change**

HR professionals today are rightly proud to treat people with much more dignity and respect than early companies did. Yet the production view of people still reigns at the most strategic levels. Throughout the organization we refer to budget and headcount, implying that we still view people as units that take a certain input (salary) and produce a certain output (e.g., salespeople produce sales, web developers produce web pages). We recognize that the world is more complicated on the ground level (for example, HR professionals and managers throughout an organization routinely look at an individual employee and think about what his or her nonmonetary motivations are). We care not just about employees’ work products, but how they work, how they affect their team and the corporate culture. Yet when we talk about hiring, we look at budget and headcount as if people are machines that we just need to buy and install.

Budget and headcount numbers are simple, but it’s not a good kind of simplicity. For comparison sake, it’s worth looking at the finance department, which deals with financial capital differently from how HR and talent functions deal with human capital. Profit has its rightful place as the most important metric, but every CFO worth a penny can tell you about assets, debt ratios, equity value and lots more. In the world of human capital, can we honestly say we are as organized? As an HR professional or manager, do you know right now how many people in your company are able to provide effective mentorship to junior employees? Do you know how many management positions are expected to open up in the next quarter? We know these things matter to current and future employees as much and often more than money, but we fail to account for them the way we account for budget. These failures expose the simplicity in the budget/headcount model for what it is—a lack of sophistication.

**Nonmonetary Compensation**

I believe there are two kinds of efforts we need to undertake to effect a change toward a more complete view of compensation. Today most companies already do a good job of articulating things like health benefits, which are necessary to stay competitive, and fringe benefits like free lunches or gym memberships, which are widely viewed as somewhat minor. The first necessary change I see is to track other, more core benefits. For example, I routinely see candidates who are running from an employer where they felt the team was unsupportive. For those of us who do the hard work to ensure a positive culture, why don’t we have on hand proof of our success that we can show such candidates? Why doesn’t every company conduct internal surveys on topics like how supportive teammates are? Such a report could not only help us detect and fix problems that hurt employee morale and retention, but also function as a recruiting tool that could advertise a specific aspect of a prospective employee’s compensation—an emotionally positive work environment.

There are many items that are rarely (if ever) tracked but factor strongly into an employee’s decision of where to work and whether to stay at a company, as well as his or her overall level of motivation. Although I have seen firsthand that building a kind of compensation inventory system is difficult, I have also seen it matter much more than even fairly large differences in salary to many very high-quality candidates and employees. The details of such an inventory are a topic for another time, but the important thing is to get started moving in this direction. I know of no company today that can’t make at least some steps in this direction.

The second change I want to discuss is perhaps simpler in concept but harder in terms of execution as it requires changing not just the way we think but the way others think. The production view of employees has so dominated our culture and interactions that even candidates and employees have effectively been trained to view themselves this way—and it badly needs to stop. Although the power of money in compensation is undeniable, candidates often over-focus on this one factor. After taking a marginally higher-paying job, many people find that the environment (which they knew nothing about before starting) doesn’t satisfy their numerous other needs and ambitions. The outcome is that the company
has an under-motivated employee, eventually needs to replace that person, and the employee spends a significant portion of his or her life being less happy than he or she could have been. The solution to this mess is simple. In addition to talking to candidates about the things that matter to them, we need to talk to them about why they matter.

We know already that money is not the only thing people value. We need to start counting all those other things, which are, in essence, our nonmonetary budget. By measuring we can not only understand but also improve and advertise to potential employees.

We are at a unique juncture in history. Although we have evolved substantially since the modern corporation first emerged more than a century ago, we are in a new era that demands new thinking and the application of fresh views on the relationship between employees and the companies they help build. This will be, as it has been already, both hard and exciting work. But fundamentally it is about making our companies run better, making people happier, and further humanizing the individuals who literally keep the world running every day.

Tapping into the Global Talent Market

Lynn Shotwell, Executive Director, Council for Global Immigration, and Andrew Yewdell, Global Immigration Specialist, Council for Global Immigration

Globalization and innovation affect all employers—large and small, non- and for-profit, multinational and local; however, globalization and innovation stall without the cross-border movement of human capital. In fact, 86% of employers say that a timely, predictable and flexible migration system is critical to their business objectives.30 That so many employers rely on well-managed migration is to be expected, but that 14% can be blind to this need is surprising.

Even if a firm does not file visa applications for its own employees, the efficient delivery of goods and services almost certainly depends on foreign talent somewhere in the supply chain (or future workforce). The increasing complexity and uncertainty of migration policies around the world, coupled with the heightened scrutiny of the employment practices of firms and their suppliers, mean that effective migration policies and processes should matter to us all.

The Competition for Talent Is Real and Global

It’s widely accepted that human capital spurs the competitiveness of employers and economies. The World Economic Forum contends that “human capital is critical not only to the productivity of society, but also the functioning of its political, social and civic institutions.”31 Yet the demand for high-skilled labor is growing faster than supply, with 38 to 40 million fewer workers with advanced education than employers will need worldwide.32 CEOs identify human capital as the issue that most keeps them up at night.33 Employers report difficulty filling critical positions, not only for the well-publicized STEM positions, but also for managers and executives and skilled trades.34 In the United States, nearly three out of
four HR professionals expect skilled worker shortages to have a major impact on the workforce over the next five years.\textsuperscript{35}

Unprecedented demographic shifts currently taking place around the world exacerbate skills shortages as well as shift market opportunities. A rapidly aging population will shrink the domestic pool of talent in developed markets and create demand for new services, while growing populations in Africa and parts of Asia will create more demand for education and other household products and services. Matching talent to demand across borders is one of the greatest human capital challenges of the 21st century.

A multi-pronged approach is needed to develop domestic talent while attracting foreign talent.

For much of the past decade, forward-thinking governments have sought to attract skilled workers, students and entrepreneurs by streamlining their migration processes. They realize that policies that facilitate the entry of high-skilled talent contribute to a competitive economy and provide jobs for local workers. The European Union is currently exploring policies to attract the “workers that the EU economy needs” as part of the European Agenda on Migration.\textsuperscript{36} The Australian government has similarly recognized that “highly skilled migrants are critical for a strong and vibrant economy, bringing know-how, innovation and entrepreneurship and also helping to plug short-term skills gaps.” As such, they are devising migration reforms and policy enhancements to better attract talented immigrants. Discussions on talent mobility are also taking place in international forums, such as the G20, United Nations and Global Forum on Migration and Development, and in trade negotiations.

Although most governments recognize the need for innovative migration policies, efforts at reform are complicated by a growing backlash from the public, organized labor and civil society organizations voicing concerns that employers use foreign labor to undercut wages and opportunities for local workers. Of particular concern are situations where brokers recruit vulnerable foreign laborers, often charging exorbitant fees, seizing travel documents and leaving the workers in a state of indentured servitude.\textsuperscript{37} Unethical recruitment and forced labor merit international attention, but high-skilled migration includes a population that is far less vulnerable to such exploitative practices and is a distinct issue for the most part. Nonetheless, the confluence of these disparate issues puts the spotlight on multinational employers who are expected to exercise best practices in managing the global hiring practices of their organizations and their suppliers.

Global Challenges: Policy Uncertainty and Increased Scrutiny

The ability to get the right talent to the right place at the right time can make or break a business deal. Unfortunately, employers are often hamstrung by migration policies and processes that obstruct the timely, predictable and flexible access to talent. Barriers to the free movement of talent can be caused by outdated polices and quotas, ever-changing policies that disrupt plans overnight and nonexistent or inconsistently implemented policies. In the U.S., the insufficient H-1B cap and annual limits on green cards create a talent bottleneck, preventing employers from hiring the highly skilled immigrants they need. In Canada, the recent overhaul of the permanent and temporary migration systems has slowed the flow of talent to a trickle. South Africa’s introduction of new migration laws in 2014 led to inconsistent policies and crippling uncertainty for employers. Other emerging and frontier markets lack migration infrastructure to accommodate modern business needs, leaving employers without a predictable means for deploying and hiring foreign talent. Global business is accelerating, but considerable barriers to labor mobility persist, preventing employers from optimally participating in the global marketplace.

This uncertain environment coincides with a parallel trend of enhanced scrutiny and enforcement. As governments implement more sophisticated electronic tracking systems and invest in more audits of employer records, even brief, casual and innocent work without the proper permits can result in fines, debarment, reputational damage and even criminal penalties for senior executives or globally mobile employees. In May 2015, the U.K. Prime Minister announced plans to create new labor market enforcement agency and new recruitment regulations with the aim of reducing net immigration.\textsuperscript{38} Nigeria recently passed a migration law that establishes stricter penalties for noncompliance and increased reporting requirements.\textsuperscript{39} The German government has increasingly scrutinized applications for work
permit extensions and increased onsite compliance audits. These cases are just a small sample of a pervasive trend.

When managing global talent operations, work and residency permit compliance should not be the only area of concern. Employers should carefully monitor compliance with tax laws, anticorruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, and laws regulating international labor recruitment, such as the recent U.K. Modern Slavery Act. In some cases, vigilance must extend to supply chain management, as with the California Supply Chain Transparency Act and the anti-human-trafficking Federal Acquisition Regulation affecting federal contractors.

What Employers Need to Do
We know that employers need timely, predictable and flexible policies, but the Council for Global Immigration’s Employer Immigration Metrics Survey quantifies how much it matters in terms of time and money. In 2013, the top five employers surveyed spent $800,000–$1,305,733 on U.S. government fees alone. Employers also reported spending five times longer on visa paperwork than U.S. government estimates. After all this, employers must wait weeks, months and even years to obtain all necessary permits. Employers are willing to invest time and money and wait out processing because talent mobility is critical to their business operations.

In light of the substantial investment and challenging regulatory environment, employers should heed three key lessons:

• **Prioritize compliance.** Talent mobility is being scrutinized like never before. Employers must carefully adhere to all regulations because the consequences of noncompliance or haphazard work are significant.

• **Managing global mobility is time-consuming and uncertain.** Migration processes do not happen overnight, and outcomes are rarely guaranteed. Unexpected obstacles can delay hiring or deployment of critical foreign employees. Expectations must be managed to prepare for potential delays, and contingency plans should be developed.

• **Push governments and public opinion.** Employment-based migration is a pillar of the globalized economy and driver of growth and jobs, but it is also highly politicized. Employers should educate governments and skeptical publics on the benefits to all of a well-regulated migration system.

Working together we can create a system that meets the needs of the 21st century economy.

Flexibility—Central to an Effective Workplace

Ellen Galinsky, President and Co-Founder, Families and Work Institute

Employees Today Want to and Increasingly Expect to Work Flexibly

Not that long ago, the idea of workplace flexibility was outside the realm of mainstream business. Yes, it existed, but where it did, it was likely to be seen as a perk or a favor, quietly provided, often under the table, to a chosen few. Its rise as a business issue is a direct response to an economy that’s increasingly demanding, fast-paced and hectic—24/7 rather than 9 to 5. In response, employees are experiencing a pervasive time famine. The majority of employees in the United States report that they don’t have enough time for themselves (60%), for their husbands, wives or partners (63%), or for their children (75%). What’s more, the feeling of a time famine has continued to escalate over the years, according to
our ongoing nationally representative study of the U.S. workforce, the National Study of the Changing Workforce (NSCW), most recently conducted in 2008, with the 2015 study being conducted now.

In comparing various employee groups (by gender, by generation, by educational background, by industry, by part-time and full-time status, by union or nonunion membership, by managerial or nonmanagerial position, and by salary level), we have found—perhaps surprisingly—there are no differences among these groups, not even between mothers and fathers. If an employee has children, he or she is equally likely to feel deprived of time.43

On the other hand, there are differences among employee groups in experiencing a lack of time with one’s husband, wife or partner. Parents, full-time employees, more highly educated employees, managers/professionals, higher paid and younger employees are the most likely to feel deprived of couple time. The gap between parents (73%) and nonparents (52%) is particularly large. Clearly, parents seem to be giving up couple time and to feel the repercussions.44

Similarly, there is a large difference between parents (72%) and nonparents (50%) in feeling they don’t have enough time for themselves. Women, full-time employees, managers/professionals, unionized employees, salaried employees, employees living with a spouse or partner, employees making between $25,000 and $39,999 annually, and more highly educated employees are the most likely to feel deprived of time for themselves.45

If experiencing a time famine is a serious problem for employees, then workplace flexibility is the logical solution. And, in fact, the 2008 NSCW finds that a large majority of employees—88%—report that having the flexibility they need to manage work and personal or family life would be “extremely” or “very” important if they were looking for a new job.46 Younger employees (Gen Y and Gen X) are the most likely to say that flexibility would be extremely or very important to them than older employees (Boomer and Matures); in one study, 45% of 19-29-year-old employees in 14 counties (all college graduates) reported that they would take a lower salary to be able to work remotely.47

Access to Flexibility Doesn’t Match the Demand

Although the demand is high, not all employees have access to flexibility. In fact, one out of five employees disagreed somewhat or strongly that he or she has the schedule flexibility needed to manage the demands of work and personal life. Furthermore, having access to flexibility doesn’t mean that one can use it without jeopardy. Over the years, two out of five employees surveyed in the NSCW report that their job may be in jeopardy if they use the flexibility their organizations provide.

Another ongoing nationally representative study of the Families and Work Institute, the National Study of Employers (NSE), conducted in partnership with SHRM, enables us to track the trends in workplace flexibility. The 2014 NSE reveals that flexibility around full-time work has increased, but flexibility around significant time away from work has declined.48

Just as employees report that there can be job jeopardy for using the flexibility their organizations provide, we also find that manager support for flexibility has declined. For example, managers are less likely to assess employees on results than on face time (64% in 2014, down from 71% in 2008), and management is less likely to reward those in the organization who support effective flexible work arrangement (11% in 2014, down from 20% in 2008).

Flexibility Needs to be Defined Beyond Access to Programs and Policies

It is clear from the Families and Work Institute’s findings that flexibility has to be seen as more than a program and policy. It has to include manager and co-worker support for its use. In our work, we have adopted a much broader definition that we term “work-life fit” or “workflex” (which was the title of our 2012 book on the topic) to encompass both flexible programs and policies as well as a culture that supports their use.49
Flexibility Can’t Be Seen as a Silver Bullet—an Effective Workplace Matters

Obviously, organizations aren’t going to provide flexibility only because employees need and want it. For it to become a legitimate part of the business realm, it has to help the organization, not just the employees. And whatever variables we use—access to workflex or the absence of work-life conflict—employees are more likely to be engaged and satisfied with their jobs, want to remain with their employer and experience better health.50

On the other hand, when we examine how flexibility is linked to the outcomes that are important to employers, flexibility is a much stronger predictor in combination with other factors.

To determine which other factors matter, we have used our nationally representative studies of the U.S. workforce since 1997, with over 600 data points, to identify the workplace factors that are most strongly predictive outcomes that matter to employers.51

We have found the most important factors are work-life fit, opportunities for learning, autonomy, supervisor support for work success, a culture of trust, and satisfaction with earnings, benefits and opportunities for advancement. Together these constitute an effective workplace, and we have found that employees in more effective workplaces are more engaged, more satisfied with their jobs, and less likely to plan on leaving.

We have further rank-ordered these factors to see how each is related to engagement, job satisfaction and a greater probability of retention, and found that job challenge and learning are the most important predictors of engagement relative to other effective workplace dimensions, but it is a relatively less important predictor of job satisfaction and turnover intention. On the other hand, work-life fit, including flexibility, is—perhaps surprisingly—the second most important predictor of job satisfaction and intent to stay in one’s job.52

Similarly, employees in effective workplaces are also more likely to feel healthy and report better well-being—clearly a result that is important to employers and employees alike. When we rank-ordered these factors, we found that satisfaction with earnings, benefits and opportunities for advancement is the major predictor of all of the health outcomes, but work-life fit is the second most important predictor of better overall health, less frequent sleep problems and lower overall stress, and the third most important predictor of less frequent health problems and fewer signs of depression.53 In other words, flexibility, defined as workplace flexibility programs and policies as well as a supportive culture, is central to an effective workplace.

Translating Research into Action: When Work Works

Because the purpose of Families and Work Institute is to turn research into action, we have created an initiative called When Work Works, first funded by the Alfred P. Sloan Foundation and since 2011 conducted in partnership with SHRM. It is named When Work Works because we find that work can and should work for both the employer and the employee. With When Work Works, we invite employers to apply for and win a When Work Works Award. The application itself is a learning tool. As employers fill out the survey, they learn more about an effective workplace. Benchmarking reports for all applicants compare their data with award winners as well as with nationally representative data from the National Study of Employers and the National Study of the Changing Workforce. These benchmarking reports are also a helpful tool to use to plan improvements. Our online Guide to Bold New Ideas for Making Work Work is a compendium of the best practices from the winning organizations that others can use as inspiration for improvements in their practices, programs and policies, and translate the demand for workplace flexibility and effective workplaces into practice!
“No one saves us but ourselves. No one can and no one may. We ourselves must walk the path.”
—Gautama Buddha

Although HR critics abound, leaders in the field will be the first to acknowledge that their teams do not deliver innovative human capital programs that drive business results, and that a new mental model of what it means to be an HR professional must be developed to not only be relevant in today’s business environment but to lead an organization to success. As purveyors of an organization’s most valuable asset—its talent—HR is uniquely poised, through its application of a broad range of technical skills and its understanding of the business, to be an impactful leader and a formidable business strategist no company can do without.

The need to “reskill” HR has been discussed for years with little mention as to what this looks like, how it is accomplished and what can be expected with respect to delivered outcomes. To address this lack of actionable information, through research with thousands of HR professionals (111 focus groups and more than 32,000 survey respondents covering 33 nations), including experts and incumbents alike, SHRM identified those critical competencies for HR to lead people and organizations—on a global scale.

The “Re-skilled” HR Professional

To be successful in HR and as a business leader, SHRM’s research calls for the need for practitioners to be more than technically proficient; they need to translate what they know through key behavioral competencies. The combination of technical expertise and behaviors provides the right formula for success for HR leaders. In today’s challenging business environment, the HR professionals should align with and meet the needs of the business strategy. HR professionals are expected to be valued team members with the rest of the organization and contribute as business partners for the growth of the organization. The HR business leader now serves the purpose of providing HR expertise and behavioral attributes to organizational resources to contribute more strategically to business goals. HR professionals are equipped with the KSAOs (knowledge, skills, abilities and other characteristics), or competencies, to partner with senior leadership not only to be involved in the strategic management of the organization but to drive the implementation of it.

SHRM research suggests that through the application of HR knowledge and an understanding of the business, HR professionals are effective at building strong partnerships with senior leaders as they provide expert advice on all matters relating to the ongoing development of the organization. They have the ability to understand and apply information to contribute to the organization’s strategic plan, interpret information to make business decisions and recommendations, and provide guidance to organizational stakeholders. In other words, today’s successful HR business leaders are highly proficient in nine critical competencies found in the SHRM Competency Model: Leadership and Navigation, Ethical Practice, Business Acumen, Relationship Management, Consultation, Critical Evaluation, Global and
A Closer Look at the Critical Competencies Needed for Successful HR Business Leaders

Leadership and Navigation
Effective leaders are associated with numerous positive outcomes—for example, positive employee work attitudes such as job satisfaction and organizational commitment, decreased turnover, and increased employee job performance. Leadership and Navigation recognizes this important role for HR professionals by describing the attributes needed by HR professionals to lead organizational initiatives and obtain buy-in from stakeholders.

Ethical Practice
HR professionals are often tasked with creating ethical HR systems or reinforcing an organization’s ethical climate. These efforts serve several purposes, but most notably implementing a strong ethical climate can help protect an organization from adverse employee behavior. And implementing ethical systems is essential to organizations because ethical HR systems are associated with higher levels of organizational performance. Ethical Practice is and will continue to be a critical competency domain for the HR profession.

Business Acumen
HR business leaders need to be well developed in terms of their Business Acumen. This includes understanding business operations and functions, understanding how human resource management (HRM) practices contribute to core business functions, and understanding the organization’s external environment. They should also recognize how internal and external factors (for example, the external competitive environment and internal personnel resources) interact to influence organizational performance. Effective HR business leaders need to be able to make the case for HRM to other business professionals—this includes marketing HR within the organization and showing how HR can have a direct impact on firm performance.

Relationship Management
HR professionals regularly interact with clients and stakeholders; therefore, job success for an HR business leader is largely a function of his or her ability to maintain productive interpersonal relationships and help others do the same, or to display competence in Relationship Management. Research has documented positive outcomes associated with productive and healthy interpersonal relationships in the work environment. Positive formal relationships (e.g., an employee’s relationship with his or her supervisor) are associated with beneficial outcomes for employees, such as improved feelings of belonging and inclusion in the workplace, increased salary, increased promotions, greater career mobility and other rewards. Positive informal relationships at work are associated with greater job satisfaction, involvement, performance, team cohesion, organizational commitment, positive work atmosphere and lessened intentions to leave. Employees who have better interpersonal relationships with their co-workers and supervisors may perceive the organization as more supportive; they may also be more committed to their organization and may experience increased perceptions of fit with their organization.

Consultation
Within their own organization, HR professionals often take on the role of an internal consultant or expert on human capital issues. In this role, within the Consultation competency, HR professionals can help business units address challenges related to human capital, such as staffing needs, training and development needs, employee performance issues, and employee relations issues. To be a successful human capital expert, HR professionals must not only possess requisite knowledge about HRM practices but must also be able to provide guidance to internal stakeholders. The most effective HR professionals possess a unique set of attributes that enable them to translate complicated information about HRM practices (i.e., HR Expertise) into actionable recommendations for end users (e.g., hiring managers). HR professionals must be able to analyze business challenges, generate creative solutions and provide accurate and timely guidance to internal stakeholders based on best practice and research that accounts for the unique internal and external environment of the organization.
Critical Evaluation
HR can enhance the effectiveness and usefulness of human capital programs by informing their development and monitoring their success with appropriate data through Critical Evaluation. One such source of data is human capital metrics. Not only do human capital metrics add value to the role of HR in organizations, but HR functions that collect and properly use HR metrics to inform HR activity are seen as more reliable strategic partners. The rise of data-based HRM practices is clearly evident—one such example of this trend is “big data” and its increasingly frequent use by HR departments. HR professionals are currently being asked to inform their decisions with data, and this trend is likely to continue and increase in the coming years.

Global and Cultural Effectiveness
Because many organizations are proactively attempting to increase the diversity of their workforce, and because the workforce of today is increasingly global, successful HR leaders must be able to effectively and respectfully interact with colleagues, customers and clients of varying backgrounds and cultures. HR professionals are often tasked with developing, delivering and evaluating these diversity-related initiatives. Additionally, various laws and regulations require organizations to use inclusive hiring practices. Again, HR professionals are often primarily responsible for complying with these laws and regulations because of their pivotal role in employee hiring. Given the role of HR professionals in promoting and maintaining a diverse workforce, it is easy to see the need for and importance of the Global and Cultural Effectiveness competency.

Communication
When HR information is communicated well, employees better understand the purpose and value of policies and practices. When managers effectively communicate HR practices and policies to their employees, employees perceive the organization’s HRM to be more effective, and, in turn, employee satisfaction and business unit performance are positively affected. To effectively fulfill duties at each career level, HR professionals must ensure that the messages they distribute are clear, concise and readily understood through their expertise in Communication.

HR Expertise
HR professionals directly affect organizational success by developing, maintaining and executing sound HRM policies, practices and procedures that support organizational mission and goals. Effective HRM practices can have numerous benefits for organizations, such as reduced turnover, increased productivity and financial performance, and sustained competitive advantage. To implement successful initiatives, HR professionals must have a well-developed knowledge base. This knowledge is reflected in the HR Expertise competency.

Evolution of HR
Developing each of the nine SHRM competencies is required of HR professionals to help their organizations be competitive. Learning more about their company’s financial results, understanding the numbers and, more importantly, knowing how their decisions and actions affect the bottom line will help contribute to HR professionals’ business success. Competent and proficient HR professionals understand how their behavior affects value-creating activities in the organization and, in turn, understand the impact their behavior has on gross margin. These individuals are seen as fellow business leaders and not just “HR.”
In recent years, we have heard varying perspectives on certification across a number of professions. In the world of education, certification is the gold seal of approval that you can handle classroom instructions and difficult situations any child can pose. In the realm of accounting, certification is different, serving as a barrier for entry into the profession and guaranteeing a minimum level of competency. In the domain of association management, certification is a signal to the world that a certificant holds the requisite knowledge and skill set to successfully lead a society or federation. All of these certifications operate under one guiding principle—a professional must not only know but also do the job according to an acceptable standard. In the land of human resources, certification has focused too heavily on what professionals know and not enough on what they can do.

The lack of focus on what someone can do as an HR professional has led to three phenomena: 1) a desire to split HR into strategic and tactical components, 2) a cadre of executive HR leaders who see little to no value in certification, and 3) a decline in the sheer number of individuals seeking HR certification because of lacking job relevance. This has led to an overwhelming majority of business stakeholders feeling HR capabilities do not match their needs for workforce planning and management.

The gap between expectations and capabilities represents the greatest challenge for HR as operators of business strategy. What’s worse is the fact that development of HR professionals is distinct from that of other business operators. HR is traditionally seen as a distant cousin to business when, in fact, it is the engine for competitive advantage. There is no greater evidence of this distant cousin status than the way HR professionals are developed relative to other managers and directors. For HR, development begins with technical knowledge refined over the years with little emphasis on leadership competencies. For other business disciplines, leadership competencies are embedded in development from inception. The evidence of a gap is clear from the moment one enters the development process and is only reinforced through traditional development tools like training and certification.

So we have a problem. The primary cause of this problem is misalignment between development of HR professionals and the strategic needs of stakeholders. This is exhibited in every stage of HR development, where a competency-based approach is eschewed for pure knowledge-based learning and testing. What is the solution? Shifting the focus to develop HR professionals from cradle to grave using a competency-based system.

On HBO’s “Silicon Valley,” the Pied Piper CEO would posit a “middle-out” approach, but I argue the solution is the reverse—a basic burning-the-candle-from-both-ends approach. That is, development of HR professionals should focus on competency-based learning from the start with education and at the other end with competency-based certification. Specifically, there are three key implications to this approach:

**HR professionals warrant the same educational models as business leaders.** HR can no longer be treated as a distant cousin to business. The key to changing this perspective is changing the model for selection and development of HR professionals as they evolve into leadership roles. Selection instruments for HR professionals should measure proficiency in both technical knowledge and behavioral competencies. Similarly, learning and development channels should offer training in both technical aspects and behavioral elements of successful human resource management. This approach is assured
to have a cascading effect on organizational effectiveness. If HR professionals are selected and developed with this dual emphasis, their performance is likely to be higher; however, their experience will likely lead to revamped ways of selecting and developing others. This multiplicative effect will lead to a wider array of exponential prediction for organizational competency mix. This results in reduced costs associated with faulty selection77 and poor transfer of training. 78

Certification for HR professionals must assess more than technical knowledge. Since the 1970s we have seen a rapid rise of competency-based certification as an innovation necessary for all professions. Over the last 40 years, we have witnessed advancements in testing and educational measurement, allowing for the measurement of proficiency more than mastery of information. Some of the best examples of this are the use of portfolios to assess teacher excellence by the National Board for Professional Teaching Standards, the implementation of practicum in-basket exercises in the Foreign Services Board exams, the development of practicum deliverables for assessing detail orientation and business acumen of accountants in American Institutes of Certified Public Accountants exams, and the deployment of situational judgment test items by the Association of American Medical Colleges to assess bedside manner and customer service orientation in medical residency candidates. In HR certification, the traditional model has resorted to assessing technical knowledge and its application at the lowest levels of Bloom’s taxonomy for demonstrating mastery.79 This model will not suffice if we are to assess HR professionals’ proficiency in the modern business world. New certifications like the SHRM Certified Professional (SHRM-CP) and SHRM Senior Certified Professional (SHRM-SCP) address the need for a dual emphasis on technical knowledge and behavioral proficiency. With this increased scope, HR certifications for leaders will need to keep up with the broadened competency mix and performance domain.

There needs to be a greater understanding of the link between competencies and organizational success. Organizational effectiveness is the ultimate goal when evaluating certifications and what they offer professionals and their employers. Most employers think of certifications as an assurance that professionals possess basic competencies needed to drive organizational success. This means certifications must have a demonstrated link to job performance. But current models of HR certification only account for one part of the equation, making them deficient in predicting the criterion. Take the Individual Competency Formula to Organizational Effectiveness:45

\[ E^0 = \frac{\Sigma (T^1 + B^4)}{C \times R} \]

The basic formula for organizational effectiveness based upon individual talents stipulates that organizational effectiveness (EO) is a function of total collective technical (T) knowledge and behavioral (B) competency in application divided by the product of culture (C) and resources (R). In human resource management terms, this is the formula for implementing success. The greater the talent pool of competencies, the more controlled the impact of culture and resources, the greater the likelihood of exponential organizational effectiveness. If organizations seek success through effectiveness, the talent mix is the primary lever. This means effectiveness, as defined by the collection of competencies, is the leading indicator of competitive advantage, with HR’s competencies as the frontline. All this places greater demand on building proficiency among HR professionals and certifying their ability to perform.

For years, HR professionals have been told that we are not part of the business family. This assertion is all wrong, and a close examination of competencies across various business disciplines, including HR, illustrates their connective tissue. The DNA of HR professionals is only distinct from other disciplines in its technical genome and the relative importance of key behavioral elements. The evidence base suggests HR professionals are not developed and certified the same way other professionals are. The time for change is now as advancements in measurement, testing and performance appraisal make selecting, training and certifying HR professionals on more than technical knowledge a reality. Only selection instruments, performance management tools, training programs and certifications using a dual-emphasis competency-based approach will succeed in elevating the HR profession. Organizational success is depending on it.
Beyond Data Analytics to Dialogue, Action and Results

Theresa M. Welbourne, Ph.D., Professor, President and CEO, eePulse Inc.

Dr. Theresa M. Welbourne is the FirstTier Banks Distinguished Professor of Business at the University of Nebraska, Lincoln, as well as an affiliated research scientist with the Center for Effective Organizations, University of Southern California. She also is the founder, president and CEO of eePulse, Inc., a human capital technology and consulting firm. Dr. Welbourne’s expertise is in the areas of human capital and strategic leadership in high-growth, entrepreneurial and high-change organizations.

The human resource management (HRM) field is buzzing with talk about big data as well as the topic of analytics, which goes beyond acquiring data to doing something meaningful with information. It might follow that the bigger the data, the more significant the actions become and the higher the impact on business results. However, that has not proven to be the case. Data alone, even when supplemented with high-quality analytics work, do not guarantee anyone will take action on the insights, and without action, there is no measurable business result.

For the field of HRM to make a positive impact on the business with the use of data, the cycle from data to results must be well understood, and new tools to make the leap from acquiring data to delivering results must be developed and utilized. Thus, here I will focus on a process that has produced high-quality results with numerous organizations. The model that is the basis for this work focuses on four steps: (1) data—acquiring data and using analytics to find insights that are relevant to the business, (2) dialogue—discovering stories in the data and telling the story, (3) action—using data and dialogue together, through story, to drive action, and lastly (4) results—finding measurable business results, connecting the dots between data and results, and then sharing success blueprints so that the learning can be replicated.

Data and Data Analytics

A quick review of several dictionary definitions shows discrepancy in the way the term analytics is defined. The simple definitions focus on analysis of data; for example, the Oxford dictionary defines it as “the systematic computational analysis of data,” whereas Merriam Webster lists the meaning as “the method of logical analysis.” On the other hand, the popular Wikipedia presents a definition that goes beyond data analysis and includes the work of communicating results, posting the definition of analytics as “the discovery and communication of meaningful patterns in data.” It is not surprising that Wikipedia, which is a free online encyclopedia that uses input from multiple people who are the users of analytics, sports a more comprehensive definition. This may be because those who work with data know that analyzing data alone is not enough. Data alone are not important; the movement from data to dialogue is what’s necessary to drive action and results. Without dialogue, data are a mystery that many people seek to avoid.

Why dialogue and the need for story? There is an extensive amount of research today in the area of neuroscience. This work provides ample evidence for the criticality of dialogue and storytelling as part of effective data analytics. Finding results in data—whether big, medium or small data, qualitative or quantitative data, and even if impressive and sophisticated data analysis yields compelling result—does not necessarily drive action. In fact, sometimes the more complex the statistics, the less likely anyone will pay attention, and what we know from the neuroscience work is that to drive action, the person listening to the analytics story must respond with emotion because that is what one needs to remember. Without sparking an emotional connection through meaningful dialogue, data fall into the background of the listener. David Rock, in his book titled Your Brain at Work makes this clear in his analogy about presenting too much data. He notes that from a listener perspective, seeing too many numbers is like watching thousands of actors jumping on and off the stage; you don’t know where to focus your attention, so instead there is no interest, no emotional connection, no memory and, lastly, no action. Data and analytics can only lead to action and results when there is meaningful dialogue, and that should be in the form of a story.
General Motors Story Goes Beyond Data and Analytics to Action

Sheri Marshall, who headed up the analytics function at General Motors, tells a wonderful story that brings the need for meaningful dialogue through story to life. At the time when this work occurred, GM had 190,000 employees globally, and it had produced its 5 millionth vehicle. Trying to understand a workforce of this magnitude is not easy, and Sheri’s team was responsible for analyzing truly big data and delivering insights to help the organization move forward. Sheri had a team of experts in data analytics, and they were producing sophisticated analyses of the data; however, they were having trouble getting to the next step—action. Sheri shared some data with me, and when doing so she explained the evolution of her team’s work:

“Initially we had a lot of demographic data and would share that with business leaders. They would ask us to slice and dice the data on a variety of different dimensions, so we did. We’d present it again, and they would find something that did not meet their expectations, so again, we checked numbers, ran more analyses and came back again to the leaders. Very little action resulted. The charts were interesting, but not actionable. We then decided to go a different route and did some more sophisticated analytics work. When we presented it, we got a similar reaction: ‘That is interesting, but what if...’ and then we were back to changing the analysis. The exercise kept us busy, but we were not having the kind of impact we knew was needed.”

Story triggers emotion, which is required for memory, which is needed for action. According to Sheri, the ability to frame the analytics work in the form of a story made a significant, dramatic and positive impact on the recipients’ ability to connect with the insights and move toward action. “We made one important change; we clearly stated our point of view, made it obvious with a title of the work and two pictures, each representing options for action based on the findings in the data. When we did this, our work was perceived differently. The leadership started talking about the issues. No one asked us to re-analyze the data. Our new presentation model sparked action, inspiring one of our executives to hold a two-day offsite event to talk about the issues we uncovered.”

Providing not only the data analysis but expert opinion about the key insights in the form of a story with a catchy title and pictures focused attention on themes people could relate to and remember. Sheri says she now hears people in the halls talking about the impact of this work, and as a result, demand for analytics has increased dramatically. This effect substantially increased the ability to affect measurable business results.

Results happen, whether we like them or not. Consider another analytics team that has spent millions of dollars acquiring, scaling and distributing new data. If these data do not lead to changes in a positive direction, there will be results, but not necessarily what the analytics team desires. In another organization, we saw the dissemination of the analytics department because the data it generated for senior executives was deemed not just useless but costly in time and money. With no visible positive return on the investment and no path toward seeing improvement, the senior executives decided to stop the HR data experiment and use the money for “more worthwhile endeavors.” The lesson learned here is that once you start going down the analytics path, failure is costly. Thus, it may be better to obtain less data and use it wisely instead of making promises of future success that may be hard to deliver. Today, managers and HR leaders are creating dashboards with beautiful visualizations of data, but when you talk to managers, many of them have no idea what to do with their data.

Organize Data into Categories to Create Realistic Expectations

Setting expectations is important because a lot of the data that are used in reports and dashboards fall under the category of “preventive maintenance.” There is often no story in this type of data, and trying to create meaningful dialogue or story will be a frustrating experience for everyone involved. Think of this body of data as representing an ongoing documentary—no emotion necessary. Another category of data, which may have more impact, can be information that focuses on your organization’s strategic goals. These metrics are important to leaders, and insights can be meaningful for driving action and results. Lastly, data can be used to influence or to drive dialogue that an organization wants to hear.
Think about managing the conversation with data—using metrics and even survey data to focus attention on behaviors that are needed to drive high performance, growth and innovation.

**Lessons from the Best Story Tellers**

Great story tellers practice their art and also write down their stories and share them with others. This is a skill HR professionals must learn—the writing down and sharing of stories about how data lead to measurable business results. Success stories give your peers confidence to use data in similar ways. Unfortunately, many firms do not have the institutional memory or processes to share data stories. I’ve seen too many instances of HR professionals doing incredibly powerful work, and then the examples are lost when the one person who was responsible for the project leaves the organization.

Consider benchmarking not just your data but the path from data to results. What data are you using to drive what dialogue, and then how are both being used to take action that leads to results? If you benchmark the entire path, then when a result is needed in the future, you can go back and look at the type of data that was used successfully in prior bodies of work.

Data alone are not magic; there is no one metric that will save the day for any organization or leader. The key to data analytics success is to combine data with context, find stories that people want to hear and that can serve as an emotional trigger. Share those stories and then use the combination of data and dialogue to drive action and results. When HR starts to talk about results, return on investment and the path from data to results, then the analytics journey will be celebrated.

**Developing the Next Generation of Leaders: Trends and Truths About the Future of Leadership Development**

**Ian Ziskin, President, EXec EXcel Group LLC**

The ancient Roman dramatist, philosopher and politician Seneca said, “Luck is when preparation meets opportunity.” His point was that although luck is terrific, it typically has very little to do with success, especially that which is sustained over time. Instead, success is more often associated with great preparation and the ability to take advantage of opportunities when they present themselves. Leadership development is all about living at the intersection of preparation and opportunity. It is our job to ensure leaders are well-prepared and to find or create the right opportunities that will further reinforce their development and readiness for even bigger or more challenging roles.

As leaders, we must develop other leaders to be ready and relevant for what organizations will confront over the next five to 10 years and beyond. This responsibility will be significantly shaped by the following 10 trends and truths about the future of leadership development.

1. **The “Chief Organizational Capability Officer” Emerges**

   Although the chief organizational capability officer (COCO) may or may not become a real job title, the concept is indicative of the direction that many leadership roles will be heading. Increasingly, operating and HR leaders alike will be responsible for integrating and driving agility, business context and environment, change, culture, innovation, leadership, networked organizations and communities, talent, and/or transformation. The power of leadership will be derived from connecting the dots and turbo-charging the in-between points, not by mastering the hierarchy or formal organization. Leadership development will focus on these intersections as leaders become chief organizational capability officers.
2. **Outside In Is More Important than Inside Out**

External environmental context and understanding will likely trump deep mastery of internal organizational issues as the leadership currency of choice. It will simply not be enough to know the business and how to get things done in a particular company. Rather, breadth of perspective about what is happening around and outside organizational walls, the ability to see around corners, and the willingness to appreciate and learn from others will become highly valued. Leadership development must address the outside in perspective.

3. **Hero Leadership Gives Way to Collective Leadership**

Highly charismatic and visible individual leaders can symbolize an organization’s brand and culture—in positive or negative ways. Over-reliance on singular iconic leaders can make leadership succession difficult at best and undermine the employment value proposition because employees have every right to expect to work for multiple leaders who embody the values and behaviors espoused by their companies. Therefore, companies must increasingly invest in leadership not only as an individual capability but as a collective organizational capability as well, whereby leaders are taught, developed and held accountable for the appropriate leadership attributes and behaviors. Leadership development will emphasize collective leadership mindset and skillset rather individual heroics.

4. **Multi-Disciplinary and Cross-Functional Solutions Are the Norm**

Most challenges that organizations will face in the future are large, complex, multi-disciplinary and cross-functional in nature. Leaders must therefore learn to orchestrate highly collaborative and broad-based approaches to driving solutions. They will be called upon to reach out well beyond the traditional boundaries of their own organizations and functional disciplines to deliver an integrated set of solutions and to engineer answers to complex organizational issues. CEOs and other senior leaders don’t care where these integrated solutions come from or who leads them. Leadership development must focus on integrated, multi-disciplinary, cross-functional perspectives and solutions.

5. **Collaboration Across Boundaries Has a Multiplier Effect**

Most organizations tend to prefer developing leaders by focusing on internal, company-specific issues and challenges, because they believe their company culture and business issues are so unique and special. In reality, although all companies are unique, they also share many common issues, problems, solutions and leadership learning opportunities. Cross-company leadership development programs that help leaders better appreciate broader strategic context and business solutions will be essential. Development opportunities that allow companies to move leaders from one company to another for short-term assignments that would not otherwise be available in the leader’s own company will become much more prevalent. Leadership development will feature experiences outside the arbitrary boundaries of specific companies, industries and roles that will have a multiplier effect on leadership capabilities.

6. **Coaching Builds Muscle Memory**

Leadership coaching has become an increasingly popular and well-accepted tool for developing leaders and has evolved from “fixing the broken leader” to investing in the development of highly regarded and successful leaders, by building on their strengths and closing development gaps. Helping leaders reach for broader and more complex leadership roles will often require preparation for unfamiliar and uncomfortable responsibilities. This process necessitates understanding and then practicing to handle scenarios and situations that leaders are likely to face on the job—much like an athlete or musician would practice to prepare for a game or performance. Preparing leaders to address key decisions and situations they might face, before they actually have to face them, helps them develop the “leadership muscle memory” they will need under real life conditions. Leadership development will include a growing reliance on coaching to prepare leaders for situations before they encounter them, rather than only learning from experiences and fixing mistakes after they occur.
7. Mass Customization Capitalizes on Diverse Needs and Interests
Leadership development used to be about putting in place large-scale organizationwide practices and programs that covered as many people as possible so as to maintain both the perception and reality of fairness and inclusiveness. Although fairness and inclusiveness are certainly important and legitimate goals, they are not necessarily achieved by treating all leaders the same. The most common leadership development trends will be higher transparency of feedback, increased segmentation of pivotal roles and people, and greater frequency of talent reviews and action plan follow-up. Ownership for successful leadership and talent development efforts must rest with line leaders and be supported by HR leaders. But, these roles will have to go well beyond making sure meetings happen and that forms are filled out and submitted on time. Leaders must actually know the talent and will be called upon to selectively differentiate leadership development experiences based on each leader’s unique capabilities and role. Leadership development must allow for mass customization of solutions to capitalize on the diverse needs and interests of leaders.

8. Purpose Complements Performance
Historically, leaders have wanted to work for high-performing, winning organizations, and although that aspiration is still fashionable, it is no longer sufficient. It is becoming even more attractive to work for organizations that strike a healthy balance between performance and purpose. Increasingly, many people—especially Millennials—want to affiliate with institutions that value the importance of economic and social contributions. People want to be where the organization’s values and purpose align with and reinforce their own. Leadership development is therefore quickly evolving to include more of a “whole person” construct that promotes the importance of becoming a healthy, balanced, well-rounded, purpose-driven leader. Leadership development will become as much about creating and fulfilling purpose as it has been about planning for and driving performance.

9. Bite-Sized/On-Demand Solutions Reflect Changing Workforce Expectations
The workforce is becoming more mobile, virtual and globally distributed. Work will increasingly be done when, where and how the workforce prefers. The traditional employment model is steadily giving way to more bite-sized, freelanced, project-based and shorter-term gigs. Leadership development practices must reflect this revolution. Developmental assignments and leadership development programs need to accommodate for more agile, quick-turnaround, quick-hit, on-demand and technology-enabled design and delivery models. Six week in-residence programs at prestigious universities are not going away completely or anytime soon, but they are also not the prevalent model for the future. Leadership development must be more virtual and in the moment, and delivered in smaller, more digestible bites to better reflect changing workforce expectations and technological realities.

10. Ready Now Gives Way to Ready Able
Leadership development experts used to say, “Past track record predicts future success.” In the future, we will likely say, “Past track record is only a valid predictor of future success if the past looks anything like the future.” The connection between past and future conditions is tenuous at best. At worst, we could make determinations about leadership development, readiness and succession based on all the wrong factors and criteria because the future may look nothing like the past. The conditions, challenges and pace of change may be completely different. So, all our emphasis on developing ready now leaders must give way to developing ready able leaders. We no longer really know if leaders are ready now. At best, we can prepare them to be ready able—to have the situational awareness, flexibility, savvy and leadership capabilities required to quickly understand and adapt to changing conditions. Leadership development in the future will be about identifying and developing potential, which, in turn, translates into being ready and able to handle whatever the future throws at us.
Aligning HR Tech to Strategy
Sue Meisinger, Former President/CEO, SHRM

I recently attended a meeting of senior HR executives that was hosted by a large company headquartered outside of Boston. During the meeting, the company’s chief human resource officer shared her experience working with a new CEO who was focused on transforming the corporate culture. The company works in an industry that demands constant innovation, and the CEO is determined to enhance the organization’s capacity to innovate by reducing layers of management and making the company more nimble.

During the question-and-answer period, there were lots of questions about how her team was helping manage the massive changes throughout the company, as well as within her own team of HR professionals. She was asked what competencies she was focusing on for the development of her own team; what did she think they would need to be candidates for a CHRO position?

There were no real surprises in her list of competencies—business acumen, change management, influencing and communication skills, executive compensation—but then she paused and said that she felt that competency with managing technology was growing rapidly in importance, and that HR professionals really needed to focus on this area of their own development.

I wasn’t really surprised by her comments. The growing importance of competency with technology was reflected in both the SHRM Competency Model and the last update of the University of Michigan competency model. But I think her comment was influenced by her own recent experience with changing technology partners after many years with one vendor. The change was necessary to help her company better align HR contributions to the business strategy. The company had realized that if it really was committed to creating a more agile company with the ability to embrace rapid change, it needed to ensure that its technology infrastructure would support the strategy. Once it spent time analyzing its entire technology infrastructure, including its accounting and CRM systems, the company realized a change in HR technology—which allowed for greater interface between functional areas—was necessary to help it advance its strategy.

Making sure that you have done everything possible to align your HR technology with your organization’s strategy isn’t something that should be reviewed only every few years when vendor contracts come up for renewal. It has to be something that HR professionals monitor on an ongoing basis, just as you are responsible for monitoring progress against succession plans, compliance with various statutory requirements or ensuring that compensation strategy continues to support the business strategy.

This means being aware of new technologies as they come online and being aware of what technologies your competitors may be relying on. It means understanding the cost/benefits of various tools that are available and being able to recognize the difference between technologies that might provide you with interesting information versus technology that can provide you with important information and insights.

Maintaining currency in new technology trends isn’t easy. And in an environment where there is heavy competition for your time and attention, spending time on something just to stay current can seem impossible. But I believe technology currency is now, and will forever be, a foundational competency for HR professionals who truly want to add value to their organizations.
For many HR professionals their technology focus has been on HRIS systems that helped streamline HR processes such as tracking applicants, conducting open enrollments, making payroll payments, monitoring time and attendance—or basic record keeping. It’s been about increasing HR efficiency by eliminating as much of the transactional aspects of the job as possible. And that's a good thing—it allows HR professionals to have more time free to focus on strategic imperatives instead of administrivia.

Today, HR professionals also need to know how to leverage some of the social networking technologies to help build connections with candidates, between employees or between employees and customers—based on how enhanced connectivity will advance the business strategy. HR professionals need to understand mobile technology and embrace the reality that candidates, employees and customers all expect to be able to access the organization using mobile technology. HR professionals need to recognize that GPS technology and “wearables” are rapidly spreading, allowing employers to monitor where, when and how workers are working. HR professionals must be prepared to guide their organizations in determining how much of this information is too much information and how this information is best used, and be prepared to articulate where an employer’s right to know ends and employees’ rights to privacy begin.

Although for some it will be a challenge to fully leverage HR technology to advance their organization’s strategy, those who fail to do so risk missing out on some of the most exciting developments in their field. New data mining capabilities are allowing organizations to become more competitive and successful. It is increasingly possible to rapidly analyze diverse data sets to inform the entire business—not just HR functional areas—by providing insights that were previously difficult to discern because it was too difficult to analyze when spread across multiple systems. Now, more than ever, HR professionals and other executives can turn information into knowledge from which decisions can be made.

For example, JPMorgan Chase & Co. has developed an algorithm designed to identify rogue employees, relying on multiple data inputs such as workers who skip compliance classes, violate personal trading rules or breach market-risk limits. FinCo Management built predictive turnover models for its call centers in an effort to reduce turnover. It developed an algorithm that pulled from historical personnel data about individual attributes such as tenure and career level, as well as external influences, such as the outside labor market and where employees resided. The analysis provided insights on what the company could do around compensation, career development, experience levels, mobility and work/life balance to drive retention.

Relying on data it had available, Bon-Ton, a large retail chain, identified attributes of more successful cosmetics sales reps by screening candidates for traits such as cognitive ability, situational judgment and initiative-taking. By focusing hiring efforts on those who scored highest, the store was able to increase sales per representative and lower turnover.

Rather than ranking knowledge of HR technology low on the list of things to follow, HR professionals need to move it to the top of the list. Pay attention to what the software companies are doing in the HR space. Talk to colleagues who use different systems to learn from the lessons they may have learned. Recruit tech-savvy HR professionals onto your HR team.

A tech-savvy HR function is critical not only because it allows HR to help drive and measure worker productivity and contributions to the business. It’s critical because it models behavior that employers will need from the entire workforce, when technology is likely to redefine the very nature of work. The rapidly developing availability of robots to perform work previously done by people, combined with great strides in the development of artificial intelligence able to analyze and assess situations and conditions that only human could once analyze and assess, will cause unrelenting pressure on workers to learn, change and adapt to new roles.

And if HR has not demonstrated that it is able to do this for its own function, how will it ever be trusted to help do it for the entire workforce?
Is HR Weakest in the Areas Most Likely to Impact Corporate Success?

Steve Director, Ph.D., Professor, School of Management and Labor Relations, Rutgers University

Which HR Competencies Have the Greatest Impact on Corporate Performance?

A study conducted by the Corporate Leadership Council (CLC) found that in the opinion of the 16,000 line managers who were surveyed, fewer than one in five HR business partners were highly effective in their strategy roles. That’s a statement that the HR profession should find troubling. The good news is that there is lots of room for improvement, and we know how to generate those improvements. The CLC study also estimated the relationship between HR staff competencies and degree of success as a strategic partner. The maximum impact was calculated by comparing the strategic role performance of individuals rated high and individuals rated low on each capability. Of far greater importance than expertise in any HR specialization was overall business acumen (21%). What is business acumen, anyway? At the most fundamental level it is an understanding of how your company makes money and how your decisions and behaviors can impact the company’s financial performance. The business acumen needed by HR professionals includes understanding their firm’s business strategy, the key drivers of their firm’s success and the interrelationships among the different components of the organization. This understanding and an appropriate level of analytical skills are essential to develop and execute an effective HR strategy.

Do these findings suggest that expertise in the traditional HR functions is unimportant? No, they suggest that although specialized HR skills are necessary, they are not sufficient. HR professionals need both HR knowledge and a high degree of business acumen. Most individuals in the field today have strong HR skills. There is, however, a wide range in the level of business acumen they possess. That creates substantial competitive advantages for corporations whose HR staffs possess both sets of skills. For individuals who have both sets of skills, it also creates great opportunities to advance within their HR careers. In general, the higher the individuals are (or hope to be) in the corporate hierarchy the greater the need for strong business acumen to complement their HR knowledge.

Do HR Professionals Have the Required Level of Business Acumen?

In a survey conducted by Mercer Consulting, HR leaders were asked to assess the skills of their staff. They felt their staff members were strongest at interpersonal skills, recordkeeping/data maintenance, team skills, functional HR expertise, and customer service. The skill sets where these HR team members were strong are important, but they are not the skill sets that drive corporate success or the career success of individual HR managers. No company is going to become an industry leader because of the interpersonal skills or recordkeeping abilities of its HR staff. The HR leaders responding to the Mercer survey rated their staff weakest on the following skill sets: financial skills, business strategy skills, organizational assessment, cross-functional expertise, and cost analysis and management. Compare the areas where HR leaders in the Mercer survey thought their staff members were weakest with the areas the line managers in the CLC survey thought were most critical to HR’s effectiveness. It is striking that taken together the two studies suggest that HR is weakest in the skills most likely to impact corporate success. Remediying this problem should be one of the highest priorities for the HR profession.
How Can HR Enhance Its Business Acumen?

An understanding of one’s industry, business, customers, products and internal operations comes with experience, maybe. There are certainly many cases where bright individuals are siloed within the HR function, denying them the opportunity to gain the necessary insights into their firm’s internal and external business context. Once firms realize the importance of providing their HR staff with such exposure, there are a range of mechanisms that could be used (job rotation, training programs, cross functional teams, etc.). An understanding of the business context is critical, but not sufficient. HR professionals (like all business professionals) also need a set of tools they can use to analyze that business context and evaluate alternative courses of action.

The toolset that HR professionals most often lack is financial analysis skills. All HR professionals need to understand concepts such as the difference between profit and cash flow, why the time value of money has to be considered when making any expenditure, that value is created only when the return on investment is greater than the cost of the funds used to make that investment, and the importance of assessing and managing risk. This basic understanding of financial logic is necessary to support all HR decision-making. Some HR professionals also need an understanding of specific areas where HR and finance intersect. For example, one cannot design a pay-for-performance system that supports a firm’s business strategy without understanding what is captured in alternative measures of corporate financial performance. The finance department may estimate the cost difference that would result from paying in stock instead of in options, but the HR department still needs to understand these instruments well enough to judge which instrument would produce the most beneficial incentive effects. The finance department may estimate the savings from changes to the company’s pension plans, but the HR department still needs to understand these plans well enough to estimate how these changes would affect employee behavior. There are countless other examples. Most HR professionals can acquire the general and specialized finance understanding they need without pursuing a degree in finance or business. The alternatives are to either participate in a well-designed training program or devote time to working through appropriate self-study materials. The challenge is to find programs or materials that demonstrate both how financial analysis tools can be used to improve the return on investment from HR initiatives and how they can be used to evaluate business strategy. Many finance for nonfinancial manager classes ignore the latter topic completely.

Use Those Business Acumen Skills to Play Offense, not just Defense

In many organizations, human resource costs (recruitment, selection, compensation, training and workforce administration) are the largest component of the firm’s operating expenses. Properly managing those costs is critical to the success of any corporation. In many organizations, a 10% reduction in HR costs could, other things equal, produce an increase of 30% or more in the firm’s bottom line profit. Still, of far greater importance than managing workforce costs is creating workforce value. Firms do not become industry leaders because they have the lowest turnover rate, the smallest health insurance premiums or the lowest cost per hire. Firms succeed because they create value for their customers and shareholders. Consider these two firms. Company A’s management and workforce are by far the most talented and engaged in the industry. Company B’s management and workforce are about average for the industry, but its cost per hire is much less than average. Which HR department is doing the better job? In which firm will more value be created for shareholders? The amount a firm can save by reducing inefficiencies in HR processes is usually insignificant compared to the amount it can gain by building a more talented and engaged workforce. Of course, if you can do both, that’s fantastic.

Too often those arguing for greater business acumen among HR professionals use a defensive rationale. They emphasize measuring the ROI from specific HR initiatives as a way to demonstrate HR’s value to others in the organization. The rationale for increasing HR’s business acumen should not be to demonstrate HR’s impact on the bottom line but to increase HR’s impact on the bottom line. CFOs don’t spend their time looking for ways to justify the importance or legitimacy of their function. They devote their time, energy and abilities to making their firm as successful as possible. HR should not ignore the importance of calculating the ROI from individual programs and initiatives. It should, however, recognize that the more important use of its business acumen and financial analysis skills is to think broadly.
and creatively about what is required to create value for the firm’s customers and shareholders. If HR acquires the necessary business acumen skills and applies them in this manner, an improved image of the HR profession will be an unavoidable side effect.

What Is HR’s Role in Managing Change?

Deb Cohen, Ph.D., SHRM-SCP, Senior Vice President, Knowledge Development, Society for Human Resource Management

From my perspective, HR has multiple roles in managing change. Sometimes HR has to implement a change because it is required by outside forces (changes in laws or safety requirements, for example). Sometimes HR has to facilitate change because it is requested by other internal stakeholders (changes in IT operations due to efficiency or effectiveness needs, for example). And sometimes HR enables change because it is the right thing to do to given current and future organization conditions.

Regardless of whether change is required, requested, right or all three, a key ingredient is to be respectful. And HR has a major role in ensuring that change is identified, developed and carried out in a respectful way. The behavioral competencies required by HR professionals allow them, through things like relationship management, critical evaluation, consultation and leadership and navigation, to engage employees in the needed change at hand.

It has been said that it is up to management to enable and facilitate change. In the case of HR, the role needs to be change agent—not in the sense of being just a conduit of change but in the sense of planning the right changes in consultation with other executives and senior leaders. Change is all around us and occurs for a variety of reasons. And it is important to manage change because all too often change initiatives fail. Failure does not always mean that something doesn’t happen—it often means that something doesn’t happen well or effectively.

Change is important to HR because change is going to continue in the HR profession itself. As shown in SHRM’s Business and Human Capital Challenges report, C-suite executives expect there to be a wide range of changes in the HR profession in the next 10 years—everything from broadening the scope of HR business partnerships to outsourcing HR tasks to pushing out more HR responsibility to line management. These changes will require finesse, collaboration, expert communication and a focus on measuring the success of change initiatives.

The changes that will be occurring in HR are long-term structural changes. That is, although many of the principles of HR remain the same, the way HR is executed has changed and will continue to change. The driving forces behind these changes will be organizational need and leadership, but to ensure that the changes actually take place, transformation has to happen from the bottom up. Thus change in HR must take root at every level if it is to be truly effective. One key role for HR is to ensure that organizational strategy and organizational culture are aligned; without this alignment no matter how good the strategy or how good the culture the disconnect will likely cause failure.

At the end of the day, organizational change and changes in HR need to be successful. The HR profession suffers a multitude of critics both within and outside the ranks. HR does not need any more negative attention—it simply needs to make the changes that will drive positive value and improve organizational effectiveness while helping to align strategy and culture. If change will be constant, whether large scale or small, then HR needs to embrace its role in being an effective facilitator of change. Starting with the HR profession itself makes sense. The better we are at embracing changes in our profession the better we will enable changes throughout the organization.
Elizabeth Owens Bille, J.D., SHRM-SCP is the vice president and associate general counsel for the Society for Human Resource Management (SHRM). As a labor and employment attorney, Bille has served as legal and policy counsel to the former vice chair of the U.S. Equal Employment Opportunity Commission (EEOC) and provided employment counsel to organizations from small nonprofits to global corporations while an attorney at the international law firm of Hogan & Hartson. In these roles, she has regularly advised clients on complex compliance matters and made numerous presentations on critical employment issues to employers, national, state and local EEO officials, attorney groups and the media.

Business executives and HR professionals continue to report that they are struggling to comply with an increasingly complex set of legal requirements placed upon their businesses. What is leading to this perception, and how did the regulatory environment get to such a state?

Regulatory Devolution

For most of the 20th century, the U.S. regulatory environment for the workplace was driven by the federal government and focused on broad-based, basic protections. Federal lawmakers from the 1930s to the 1990s enacted a series of sweeping mandates that addressed a host of core workplace issues: payment of minimum wages and overtime; the right to organize; nondiscrimination based on race, sex, color, religion, national origin, age and disability; equal pay for equal work; workplace safety; and family and medical leave, among others. The federal government created the law of the land, and businesses rarely needed to look elsewhere to comply.

At the end of the 20th century, however, Congressional activity in the employment arena began to wane, and states took up the mantle. Acting as laboratories of public policy, states began adding to the baseline of employment regulations created by the federal government. They created new protected classes (e.g., marital status, personal appearance, sexual orientation, gender identity, genetic information), raised the minimum wage, and even mandated new levels of workplace benefits, such as family or sick leave, in their states. Soon states began passing laws against requesting or requiring access to worker social media accounts, prohibiting “use it or lose it” vacation time policies and the like. Many local governments soon followed suit, addressing not only these issues in their own way, but legislating in entirely new areas—for example, so-called “ban the box” laws that prohibit employers from asking a job applicant about prior criminal convictions on a job application.

The result? An increasing volume of legislation focusing on evermore specific employment issues as lawmakers seek to fill perceived gaps in the law. The sheer number and specialized nature of the laws applicable to a given employer certainly can make compliance a difficult task.

This continued trend of regulatory localization has also created a confusing—and often conflicting—patchwork of obligations for the multi-state employer. So what is an employer operating in Boston, Biloxi and Boulder to do? One strategy is to manage and reward employees differently depending on their office location; however, this can lead to administrative challenges and employee concerns about fairness. Another is to adopt across the organization a uniform set of practices and benefits that comply with the most progressive of the state and local mandates; but although this could be administratively simpler and perceived as more equitable, it could also necessitate frequent changes to organizational policies as new and ever more generous state and local minimums are enacted.

Add to the complexity those situations where local, state or federal regulations are in stark conflict, and compliance with one exposes an organization to liability based on another. This conflict is very real for some employers, as articulated by a 2013 letter to the U.S. Equal Employment Opportunity Commission (EEOC) signed by nine state attorneys general. This letter noted the Catch-22 that the EEOC’s enforcement guidance on the use of criminal background checks in hiring causes for many employers: if an employer complies with a state law that requires the exclusion of all job candidates with certain criminal convictions (such as when hiring in certain medical or legal jobs, child care centers), such employ-
ers that apply the state-mandated rule may face EEOC allegations of race or ethnicity discrimination under a disparate impact theory of federal law. Unfortunately, the EEOC’s response to the attorneys general did not help resolve this regulatory conflict for employers, although it implied that federal law very well may trump—sometimes.

New Sources of Regulation

Of course, HR professionals in those organizations that operate both in the U.S. and abroad are increasingly facing compliance challenges from global sources and in some cases are dealing with regulatory issues that have not traditionally been a core component of HR’s portfolio. One case in point: global data privacy laws.

Often considered an issue under the auspices of security, IT, marketing or other business compliance functions, data privacy laws such as those from the European Union have dramatic implications for HR as well. Under the EU Directive on Data Protection, organizations generally cannot send personal data—for example, employee information—from a location in Europe to other countries that do not have comparable privacy protections, such as the United States.

There are a handful of exceptions to this cross-border ban on information sharing. But absent such an exception, the impact of these rules is that a manager in a company’s Paris office may not be able to enter employee data into an organizationwide HRIS system or relay employee health information by phone to his or her HR business partner in Chicago. As one can imagine, this can lead to incredible challenges in managing a global workforce.

It is critical that HR professionals understand, communicate and collaborate with stakeholders and leaders across the business regarding the impact of global regulations like these on their organization’s operations and the ability to source, reward and manage a global workforce.

Uncharted Regulatory Waters: The Uber Effect

In 2014, the SHRM Foundation’s and Economist Intelligence Unit’s report titled Evolution of Work and the Worker identified an emerging trend that perhaps poses the biggest challenge yet to the current employment regulatory model: crowdsourcing. Described by the SHRM Foundation and EIU as “enlisting the sporadic services of a large number of people, either paid or unpaid, typically via the internet,” crowdsourcing enables organizations to remotely tap into a global network of skilled or unskilled workers via technology, pay them (or not) based on the tasks performed or skills required, and use their services on an as-needed, on-call basis. In turn, these often-anonymous contributors often provide their own equipment; work if, when and where they want; work for as many organizations as they wish; and avoid the headaches of a daily commute.

What remains to be seen is how the traditional regulatory strictures, built for 1930s to 1960s brick-and-mortar-based workforces, will react to this radically new approach to how work is performed—particularly if implemented on a large scale. Are individuals who perform tasks or create works employees, independent contractors or volunteers? Do the plethora of global, federal, state and local workforce protections apply to them? Are they entitled to overtime or benefits?

Some of these questions are front and center in a handful of court cases now pending in U.S. federal and state courts involving drivers for ridesharing services Uber and Lyft. Under these services, drivers can choose when and how much they work, fitting the work into their schedule and earning a bit of extra income as needed. In these lawsuits, however, drivers have alleged that under traditional wage and hour laws, they are entitled to tips, minimum wages, expense reimbursement or other legal workplace protections that traditional employees receive. The outcome, of course, will depend on whether individuals who provide crowdsourced services are found to be “employees” at all—particularly in extreme crowdsourcing situations where a contributor may work for dozens of different organizations in the same day or week.

The answer is yet to be decided and will depend heavily on the facts of the arrangement at issue. However, the court in one of these cases has already acknowledged the incredible challenge in applying
an outmoded regulatory scheme to this emerging employment model: "[T]he jury in this case will be handed a square peg and asked to choose between two round holes. The test the...courts have developed over the 20th Century for classifying workers isn’t very helpful in addressing this 21st Century problem. Or perhaps the Lyft drivers should be considered a new category of worker altogether, requiring a different set of protections. But absent legislative intervention, California’s outmoded test for classifying workers will apply in cases like this. And because the test provides nothing remotely close to a clear answer, it will often be for juries to decide." (Cotter v. Lyft, Inc., 60 F. Supp. 3d 1067, 1081-82 (N.D. Cal. 2015).)

Let’s hope that there are HR professionals on those juries to help navigate these issues.

**Don’t Fear Prudent HR Risks**

Wayne Cascio, Ph.D., Professor and Robert H. Reynolds Chair in Global Leadership, University of Colorado

“*It seems to be a law of nature, inflexible and inexorable, that those who will not risk cannot win."*  
—John Paul Jones

Paradoxically, one of the unfortunate byproducts of employment downsizing—a phenomenon that seems to continue unabated in both good and bad economic times—is that surviving employees become narrow-minded, risk-averse and self-absorbed. This happens at the very time when organizations need their employees to take risks in order to develop new products and services, to penetrate new markets, and to serve their customers better. Yet the term “risk” has come to imply a bad outcome. It may be more prudent, however, to rethink the concept of risk in light of two other considerations: uncertainty and opportunity.

Uncertainty is the degree to which we are unsure about whether an outcome will occur and its consequences, good or bad. Risk refers to an undesirable outcome and its consequences. Finally, opportunity refers to a desirable outcome and its consequences. A prudent approach to human capital risk requires carefully distinguishing these three ideas. Uncertainty is not necessarily a bad thing, but it depends on the balance between downside risk and upside opportunity.

**HR Strategy and the Two Faces of Risk**

HR strategy refers to the processes, decisions and choices organizations make regarding how they manage their people. Indeed, a firm’s competitive strategy and its HR strategy are interdependent. Both require a prudent and balanced approach to risk. HR strategy must optimally balance risk-taking and risk-mitigation, in line with an organization’s competitive strategy and the role of human capital within that strategy. HR strategy requires a focus on planned major changes in an organization and on critical issues such as the following:

- What are the HR implications of our proposed organizational strategy?
- What are some possible external constraints and requirements?
- What are the implications for management practices, management development and management succession?
- What can be done in the short term to prepare for longer-term needs?

The Chinese characters for “risk” depict “danger” and also “opportunity.” We might call these the two faces of risk. Human capital risks reflect the uncertainty arising from changes in a wide range of workforce and people-management issues that affect a company’s ability to meet its strategic and operating
objectives. They include issues such as talent management and succession planning, ethics and tone at the top, regulatory compliance, pay and performance alignment, and employee training and development. The global accounting firm Ernst & Young described four broad categories of such risks—strategic, operational, compliance and financial—and characterized HR risks as “one of the key business risks of our time.” To date, the dominant approach to such risks has focused on risk mitigation (emphasizing danger), not risk optimization (emphasizing opportunity). HR practitioners and academics have generally not adopted systematic approaches to optimizing human capital risks. Consider five key HR risks that many organizations face:

• What is the risk that we do not attract or retain the right talent to achieve our strategic targets?
• What are the underlying assumptions about human capital in our business forecasts (are we assuming adequate internal and external supplies)?
• What is the risk that our company culture does not support our strategic intent?
• Which HR policies, programs and practices pose potential risks? How do we manage them?
• How do we ensure that assessing and managing human capital risk is not an HR-only exercise?

Prudent HR Risk Taking: An Example

What might prudent HR risk taking look like? Workforce analytics can help. Workforce analytics is fact-based decision-making. As an example, consider global engineering company CH2M Hill, headquartered in Denver, Colo. The company was facing an increasing voluntary employee turnover rate, especially among female engineers, and it needed to identify the causes and consequences to operations in different parts of the world.

It began by “crowdsourcing” ideas from its current cadre of managers and nonmanagers about why people leave the company. It generated 78 possible hypotheses, and narrowed that list to 30 hypotheses based on the availability of data, the integrity of the data generated, and the ability to generate actions based on evidence-based findings. The master data file contained 472 variables of interest. Using logistic regression (where the dependent variable is binary in nature, such as “stay” versus “leave”), the company identified seven variables that predicted the likelihood that an engineer would leave, with a corrected R2 value of 0.34 that yielded an 80% hit rate on classifying retentions and a 60% hit rate on classifying resignations. The model was derived on the basis of data from 2012, tested on data from 2011 and validated on data from 2013. For proprietary reasons, the company does not disclose the actual seven items in its prediction model.

In using its prediction model, CH2M Hill generated “risk-retention” scores by geography and used “heat mapping” to show results graphically. It then prioritized retention risks by business groups, critical job families, demographic categories and years of service. It also used “what-if” simulations as an aid in annual merit-raise planning. The company was able to generate a “risk-retention” score for each employee and to subdivide the overall employee population by geographic region, country, critical job family, gender, age, ethnicity, job-performance category and pay-grade band. This powerful model allowed CH2M Hill to manage voluntary turnover more strategically and to give managers an “early-warning” system that might allow them to take actions in a timely manner to prevent some of the voluntary turnover from ever occurring. Of course, the company could have done nothing and simply accepted its voluntary employee turnover rate as “industry average” and a cost of doing business. It would have risked—and gained—nothing.

In managing employee turnover strategically, consider three kinds of circumstances where it might make sense to increase employee turnover: (1) the fully loaded costs (separation, replacement and training) of employee turnover are low, and reducing turnover saves little; (2) those leaving are much less valuable than their replacements; and (3) there is certainty about the availability or quality of the replacements. Sometimes one or more of these considerations outweigh others. For example, during the Great Recession as many as 70% of the firms that were laying off employees also added new ones in the same year! They did so because even though the direct costs of downsizing are high (as much as $100,000 per high-tech worker in the U.S. and Europe), those leaving were seen as less valuable than their replacements, because the replacements possessed skills that organizations would need
forward to execute their business strategies. In short, organizations ushered out the back door employees with yesterday’s skills, while at the same time welcoming in the front door those with tomorrow’s skills.

Conversely, it makes sense to decrease the costs of employee turnover under the following three conditions: (1) when the fully loaded costs (separation, replacement and training) of employee turnover are high, and reducing turnover (particularly in mission-critical positions) can save those costs; (2) those leaving are much more valuable than their replacements; and (3) there is considerable uncertainty about the availability or quality of replacements.

**Getting Started: An Action Plan**

As a simple framework that might help HR professionals get started in this area, consider identifying and then prioritizing each HR risk that your organization might face. To do this, consider just two dimensions, likelihood and impact. Describe each of these dimensions in terms of a three- or five-point Likert-type scale. Next, with respect to each potential HR risk that you have identified, answer the following questions:

1. Is it relevant to your organization?
2. Might it have a material impact on your organization?
3. If relevant and material, is it an enduring risk?
4. If relevant, material and enduring, is it addressable?

Here is the message to convey to decision-makers: Focus where it matters most!

**Got Skills? Closing the Gap on Opportunity and Prosperity**

Eva Sage-Gavin, Vice-Chair, Aspen Institute’s Skills for America’s Future Advisory Board

Skill gaps are a defining factor for business competitiveness, and addressing them aggressively will be a key driver of economic prosperity during the next decade. Although the social and economic forces driving skills shortages are complex and involve many stakeholders, this is an opportunity for leading-edge HR professionals to embrace the challenge and build strong, contemporary and sustainable talent pipelines, rethinking how we define and enable skilled talent pools.

To step up to the challenge, HR professionals first need to understand the inflection points and trends that create and perpetuate skills gaps. Many of the social and technological factors contributing to skills gaps are dynamic and unpredictable, so we must stay attuned to and anticipate trends in fluid, fast-changing business environments. We must be nimble developing and implementing solutions that are integrated and that build a competitive 21st century workforce. This is not a cyclical trend, and we aren’t just riding out a short-term phenomenon. In fact, skills challenges are only worsening as the U.S. recovers from the Great Recession and critical roles remain open for long periods, constraining business growth.

Many sectors are experiencing a chronic and nearly crippling lack of qualified applicants. A 2014 Boston Consulting Group study, *The Global Workforce Crisis, $10 Trillion at Risk*, says “trends across 25 major economies...are alarming: an equilibrium between supply and demand is rapidly becoming the exception, not the norm. Between 2020 and 2030 we project significant worldwide labor force imbalances-shortfalls in particular. One significant implication is the potential aggregate value of GDP squandered, because either these nations cannot fill the jobs available or they cannot create enough jobs for
the workers they have." A 2014 Accenture study showed that 39% of manufacturers reported a severe lack of skilled applicants and 40% reported a moderate lack. The skills challenge is even more acute for positions requiring highly skilled workers, where 60% of manufacturers reported a severe shortage of qualified applicants.

And the problem is not isolated. In a review of 20 employer surveys from the past two years, Skills for America’s Future (an initiative of the Aspen Institute) found that approximately one-half of all employers reported having difficulty finding the skills they need.

Furthermore, virtually every industry and employer are vulnerable to skills challenges. Among many factors, the unprecedented pace of technological change has demonstrated that any industry can be impacted by disruption and that automation is a critical contributing factor. According to the U.S. Bureau of Labor Statistics, 25% of all tasks will be automated through robotics by 2025. It is difficult, if not impossible, to predict what jobs will remain and what new jobs will be needed in a decade, or even five years from now. In addition, we’re seeing huge strides in human and machine collaboration, with tasks previously performed by humans being assumed by smart computing. Changes driven by technology have significant implications for the future of the workplace, and the jobs that remain will leverage human qualities and skills that can’t be automated but must be educated.

A Changing Workforce

The very definition of "employee" is undergoing reinvention as many business models shift away from the traditional 9-to-5 salaried office worker to tap into increasingly virtual and a transient freelance talent pools of skills, interconnected with mobile technology and available anytime anywhere. The shortage of highly skilled workers is a global challenge, and in sectors where workers are in high demand, competition to attract and engage needed talent is fierce. At the same time, those high-demand sectors such as software, media and innovation are increasingly seeing work and workers migrate into an ecosystem that extends beyond traditional employment. It is estimated that in some industries over half of the workforce may be composed of freelance workers by 2025. The implications of this "beyond employment" ecosystem have been called out by Professor John Boudreau of USC’s Marshall School of Business in his recent publications and a book Lead the Work with Ravin Jesuthasan and David Creelman. They describe how this emerging ecosystem presents pivotal opportunities and challenges in addressing future skill gaps.

Due to longer life expectancy we now have four generations in the workforce, with the newest entrants including Millennials who have high expectations for meaningful personal and work lives, and more frequent job changes. As a result, the concept of "workplace" is radically changing, and innovative and agile practices are needed to effectively respond. According to a recent survey of employers conducted by the HR Policy Foundation, 85% of employers stated that they have changed company policies and programs to appeal to Millennials.

Challenging Our Traditional Approaches

With these challenges, sustainable solutions require creative adaptations from both leaders and individuals, including new ways of thinking about lifelong learning and leadership. Every day we see new approaches from adaptive leaders who seek to attract pools of skilled talent by fostering impactful, purpose-driven organizations. This new breed of leaders invite engagement and are more interested in creating "followership" and project-based collaborations that assemble and adjust to shifting market needs, than hierarchical command and control structures.

We are at an exciting and significant turning point in history and can shape a strategic view of workforce development, where it is critical to business success to invest in skills and knowledge that are in high demand and transferrable across roles, industries and geographies. Closing skill gaps can be accelerated by reinventing policies and practices more suited to the unique characteristics of a 21st century workforce and activating the global agility required to compete. We must invest at multiple levels, from entry level and frontline workers to seasoned professionals, paving the way for better job progression and better pay. And in addition to training, individuals often need complementary scheduling flexibility
and stability—and related support—to allow them to succeed in their pursuit of additional training, higher education and career advancement. We need to cultivate strong partnerships with education partners in order to establish sustainable and collaborative pathways for talent development.

Talent is our most precious resource. Investing in individuals as appreciating assets with renewable and sustainable capabilities is how we innovate, grow our economy and stay competitive.

**New Partnerships to Drive Talent**

In 2011, in my previous role as chief HR officer and head of corporate affairs for Gap Inc., we launched Gap Inc. for Community Colleges in partnership with seven community colleges to support skill development and opportunity for students. Our store managers took Gap Inc.’s internal training programs to partner schools and delivered training modules important to all students, inclusive of all career paths. The program included effective interview techniques, job search, conflict resolution, time management and communications skill development. Gap also offered job shadowing in the workplace and provided student scholarships. The outcomes were so successful that the program has expanded nationally and has now scaled to 26 partnerships across the nation.

What started as a knowledge transfer and training program has quickly evolved into a powerful recruitment strategy and has the capability to be a long-term talent pipeline. It has also strengthened Gap’s connections to the community, enhanced employee engagement and created career-growth opportunities.

These collaborative efforts are emerging nationally, and whatever skills challenges organizations may face, a good place to look for models, inspiration and an employer guide to upskilling America’s front workers is UpSkill America. This is an employer-led movement that launched in 2015 in collaboration with public and private partners and is focused on expanding economic opportunity for American workers. At a White House Summit on Upskilling in April 2015, more than 100 employers from across sectors joined the national movement to invest in American workers and pledged to provide expanded career opportunities for their employees—whether they have 50,000 or 15.

Companies ranging from large employers like IBM and CVS to smaller companies like the 200-employee Optimax in Rochester, New York, have committed to launching or expanding apprenticeships in industries ranging from health care to information technology. For example, Optimax, which builds custom optics for the aerospace and defense industries, is creating a new registered apprenticeship program to train frontline workers in the sophisticated technology used to create their precision optics. This apprenticeship program is supported by the company’s 100% community college tuition reimbursement program and will provide a pool of needed skilled technicians who can operate cutting-edge machinery. As employees attain higher skills, the opportunities within the company for both wage growth and promotion increase.

New forces of change globally have created this transformational moment, economically and societally, for a collaboration of enlightened business leaders and HR professionals to join forces and reimagine the fundamental concepts of work and talent in our 21st century workforce. We have the opportunity to reinvent the future of work and business competitiveness—or be outpaced by those who do. Skilled labor shortages are real and will continue to constrain business success if not creatively addressed. By working together in newly evolving public and private partnerships, we can truly shape the workplace of the future and increase individual and organization economic opportunity and prosperity.
Endnotes


44 Ibid.

45 Ibid.


Families and Work Institute.


53 Ibid.


70 Ibid.


90 Skills for America’s Future, unpublished data.
