A Walk through the HR Department of 2020

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Take a moment and project ahead to the year 2020. That makes it 22 years since 1998, when I first wrote the ground-breaking narrative article "e-HR – A Walk Through the 21st Century HR Department" and it's time for a follow-up reality check.

The Office Design was Different

I wanted to give my mentee, Sadie, a student from San Francisco State University (SFSU), a view of a real HR department. So I got permission from the Silicon Valley HR department that I used to run for a tour. Irene, an HR intern, greeted us at the corporate entrance. On our walk towards HR, I immediately noticed that the office design was completely different. Although I was accustomed to cubicles and private offices, they were all gone, replaced by simple tables, standing desks and lots of "whiteboard alcoves" to hash out ideas. I inquired about the change, and Irene mentioned that data showed that "open offices" improve communications and sharing and increased the speed of decision-making by up to 45 percent. I noticed that there were many more employees in the building than during my last visit. I was told that there was no new head count, but there were more people on-site because research at Google and HP had demonstrated that requiring employees to physically "come to work" (versus the old remote work practice) also dramatically sped up communications, collaboration, and the all-important high-value innovation.

HR has a New Name

When we reached HR, it was quieter and it had a visible staff of only 25 people, where there used to be nearly a 100 when I was VP. I was later told that the reduced HR head count was partially due to the elimination of administrative staff who are no longer needed, but also because most people management decision-making has been shifted to company managers. It was also quieter because there was a complete absence of company employees wandering in and out asking questions and picking up forms, because everything was now 100 percent online self-service.

I noticed that the name had changed. It was no longer called HR, human capital management or talent management; instead, it was now called the Productivity and Innovation Consulting Center (PICC). The new name reflects the shift away from focusing on administration and compliance and toward providing consulting advice to managers and employees on how to increase productivity and innovation. The center specializes in identifying and eliminating barriers to productivity and innovation. It also uses approaches like gamification and robotics to make work easier and safer. I really didn't anticipate this significant shift into "an internal consulting group" that gives strategic advice for a fee and that provides help much like we used to get from external firms like McKinsey and BCG.

I asked my guide about the title change and she said that once HR shifted to a metric and "data-driven" function, almost immediately everything became more businesslike. They started populating the old HR function with people with business degrees and experience. Almost immediately, the "language" changed from "I think and I believe" to the completely different "I know, and I have data and charts to prove the most effective approach." My guide went further and mentioned that antiquated titles such as "business partner" had long been replaced with the moniker "business leader" to reflect the fact that the function "led the way," rather than trying to catch up. The Productivity and Innovation Consulting Center employees are now recognized as leaders because they go first and provide a significant business impact. I mentioned that when I was VP, the best way to manage people was "to build personal relationships," but she shot back saying, "This is a business and your credibility should come from the fact that you increase business results, not your personality." I was surprised when she went on a mini rant, so I dropped the subject.

The End of HRIS

As VP, I was quite proud of what we then called e-HR. When I inquired, the intern stated that there was no longer any centralized software or hardware systems in HR beyond a few "expert systems" to guide a manager's talent decisions. She stated that those systems were taken over by the CIO long ago because HR data turned out to be no different than any other functional set of business data. Another reason was that the CIO saw the hidden value in our people information, unfortunately, long before many in HR realized its value. The CIO understood that you couldn't extract that value without expertise in data mining, social media, SEO and decision algorithms; expertise that our budget-strapped HRIS staff simply didn't have. The CIO demanded that every system had to "learn" automatically from every success and failure, which certainly didn't happen under the old model.

The final reason was that the "silo" created by HRIS's independence slowed down the needed integration with all other business databases. Putting everything on the shared cloud saved millions and allowed for consistent management across all databases. I asked if the HR team regretted the loss of technology control and she quickly stated, "We get much better technology support and we don't have to worry about administering it, resolving data integrity problems or paying the enormous costs." And with access to superior business software, we can now provide managers with virtual reality software that allows them to play out any number of "what-if" scenarios to test out the effectiveness of different solutions to upcoming talent problems.

Most HR Work has shifted to Managers

The intern earlier commented on how managers now "owned" all people management problems and decisions, so I asked for more information, and her knowledge on the subject was impressive. She said since most corporate work has now shifted to become "project work," the role of the team leader has become more important. She noted that almost everything works better if it is managed "closer to the customer," and who could be closer to most people-management problems than line managers and team leaders?

Obviously, it is also true that managers and employees are the ones who suffer the most when poor people-management decisions are made and people problems are not rapidly solved, so it only makes sense that they take "ownership" of their people issues. Even I agreed that we would have made that shift during my regime if our managers had highly portable iPads with access to "real-time" people-management data and "expert" decision-making software that would "walk a manager through the decision-making process." Software now independently "walks" managers through typical performance appraisal, discipline, compensation, retention and recruiting problems, without the need for HR to intervene.

I began to wonder if I had looked at the problem incorrectly in my day, because we routinely let managers make million-dollar decisions on plant and equipment, but HR wouldn't let them give the receptionist a US$.50 raise without our written approval. Even Sadie, my mentee, blurted out that research data had demonstrated that shifting the decision-making and ownership of people-management problems and opportunities to managers caused them to take these problems much more seriously and to spend up to 25 percent more time on them. She further added that, yes the shift took away a lot of responsibility from the HR function, but that freed up the PICC to be proactive and to focus on problems that cannot be handled by individual managers. Our guide noted that a survey of managers had demonstrated that they were now getting better talent results (an average of over 20 percent) and that managers were pleased with the shift. I thought to myself, this is a classic "win-win situation."

HR Metrics that predict the Future

The conversation shifted to HR metrics. I would be the first to admit that we spent thousands of hours and millions of dollars and quite honestly, the CFO's office never stopped criticizing our metrics. I asked about the "people analytics group" and she stated that long ago the HR head partnered with the undisputed "king of metrics," the CFO. With her help, we quickly learned the business way to do metrics. First off, HR leaders realized that almost all HR metrics (like last year's turnover rates) are historical and they only told you what happened "yesterday." Well, in a fast-moving world, decision-makers needed to know what is happening today, i.e., real-time metrics, and what would likely happen in the near future, i.e., predictive metrics. The PICC has successfully developed metrics that could predict who is going to quit, who will be a successful hire, who is a weak manager and they also have developed an algorithm that can propose the positive management actions that can significantly improve the performance of an amazing 75 percent of weak managers.

Next, the CFO taught HR to convert typical HR results metrics, i.e., five percent quit, to their more attention-getting "dollar impact on corporate revenue," i.e., a US$2.3 million negative impact on revenue. Our guide proudly mentioned that this last change, quantifying HR's impact in dollars, turned out to be the most powerful change of any made in the function because it made executives appreciate the dollar impact of talent management. Our guide Irene went on to explain how work with the CFO and CIO allowed managers to have individual real-time "talent management scorecards," as well as a single "talent index," which allows the performance of managers throughout the company to be compared side-by-side, using a single number (with 100 being the best).

Many HR Sacred Cows have faded Away

I asked about one of my favorite initiatives, centers of excellence (COE). This time, the students chimed in together with some degree of passion. One mentioned that the concept seemed like a good idea on the surface but it never worked because COEs were developed in every functional area of HR. That meant that when a manager had a broad problem like, "I need more productivity," that they literally had to "shop" between each center, e.g., recruiting, compensation, performance management, to get an integrated comprehensive answer. These centers perpetuated functional silos; average HR people were often transferred into them and they were never fully integrated. The intern quickly stated that the new internal PICC had no functional separations and its charter forced them to only provide the integrated comprehensive solutions that managers needed.

The final area that Irene mentioned, which had faded away, was the concept of equal treatment. The long-held notion that HR should treat every employee and job "equally" was jettisoned once HR realized that every major business function prioritizes in order to focus its resources on the areas with the highest impact. To HR, that meant prioritizing employees, jobs, managers, and even business units based on the dollar value of their impact. Retention, for example, began to focus on "regrettable employees" and recruiting began shifting resources towards recruiting for high-impact jobs, i.e., revenue-producing jobs. No one was treated unfairly, but the focus was now on high-impact areas.

That made sense, so I asked about my historical next focus area, employee engagement. Irene answered, "That fad has come and gone." She stated that although no one wants disengaged and not-loyal employees, the data showed that there were 20 different factors that effected employee productivity and 10 that impacted employee innovation, and the impact of engagement wasn't in the top 50 percent of either category. It is the responsibility of the new PICC not to fall in love with any one factor, but to identify and improve every factor that impacts productivity and innovation in each individual case.

Looking for a quick win, I interjected, "What about the balanced scorecard, who wouldn't want a balanced approach?" My mentee politely reminded me that "CFOs and profit and loss statements aren't balanced," so that once HR shifted to the CFO's business-like approach to metrics, the scorecard quickly jettisoned all of the "soft factors" that couldn't be shown to directly impact business results. After some research on my own a week after the visit, I found that many of what my guide called "HR fads," which I had championed in the 20th century, e.g., competencies, 360s, empowerment, emotional intelligence, coaching and work/life balance, had proven to be little more than low-impact distractions that couldn't show a quantified business impact.

I Never even considered the most Dramatic Changes in each HR Functional Area

I asked my tour guide, "Can you quickly highlight the biggest changes that have occurred in each of the major functional areas of HR?" She suggested we start with compensation.

- **Radical changes in compensation** – She noted that the function had undergone dramatic changes when crowdsourcing compensation data became available. She stated that now extremely accurate multi-source global compensation data comes in every day, so pay decisions are no longer made annually. Irene noted that her firm was experimenting with dynamic or "adaptive pay," which literally automatically raises the base pay for employees in highly competitive jobs on a monthly basis, based on a competitive demand approach adapted from the product division's adaptive pricing model. She was equally as excited with the program to help managers motivate individual employees using non-money excitement factors.
- **Predictive talent management** – Without taking a breath, Irene proudly mentioned the addition of "predictive talent management," which is modeled after "predictive policing." Under this process, individual managers and generalists are automatically notified in advance of likely people management problems that have been predicted by a statistical algorithm. By providing "smoke detector alerts," the damage caused by serious talent management problems has been reduced by up to 42 percent.
- **Training and development (T&D) is barely recognizable** – I learned that, based on Google's internal research, "learning ability" had become the number one competency in our fast-changing world. I also learned that leadership development professionals had stopped trying to assess potential and they had transformed leadership development to the point where it is now open to everyone. It is also self-directed, 100 percent online, primarily uses virtual projects for development, and is now super accelerated so that it is completed within six months. Training long ago shifted to an online "virtual reality model," based on the successes of the U.S. military and the airline training models. Now, no training can be offered unless there is data to show that the program has a positive and measurable impact on performance.
- **Recruiting has transformed** – I learned that because of social media and the Internet the recruiting function now had access to a database of profiles of "every working professional in the world," which was periodically data mined to build a talent pipeline. This obviously was a death knell to the use of résumés, most job boards and campus career center visits. Interviews have changed to where nearly 80 percent of them now occur remotely, in real-time, on a candidate's mobile phone. Recruiting also partnered with the business market research office to scientifically learn precisely when currently employed top performers in each major job family enter job search mode, how they look for a job and what it takes to convince them to apply and say yes to the offer. Because of the growth of social media, making "every employee a talent scout" had become a reality, and as a result, over 60 percent of new hires, and the best performing new hires, now come from employee and "friend-of-the-firm" referrals. And finally, the applicant tracking system was gone, never to return, because existing corporate database software did the same job much more effectively.
- **Best practice sharing emerges** – Irene mentioned that data eventually revealed that the highest-impact, lowest-cost and quickest immediate impact HR action was developing an effective best-practice sharing process. Once implemented, she stated that the process of spreading best-talent-practices almost instantly to all of our managers around the world had improved workforce productivity by nearly 20 percent in a matter of months.
- **Personalized management emerges** – As we were winding up our visit, Irene mentioned that although traditional HR management had been based on what the average employee needed, new employee research methods now allowed managers to manage employees as individuals. Under the new approach, managers are provided with suggestions on how to "best manage" key employees based on their "motivation profile" and internal data recommending which management approaches produced the best results on this individual in the past. Managers can now change their approach to better fit key individuals, so that they measurably increase their productivity and rate of innovation. I was speechless at that point.

Reflections on my Visit

Days later I was energized because I had learned so much and I was so impressed that all of these changes had resulted in my old firm being ranked number one in the industry in workforce productivity (as measured by revenue per employee). The PICC had succeeded in making talent a significant competitive advantage for the firm to the point where it was actually written up on a full page in the corporate annual report...*Wow!*

About the Author

Dr. John Sullivan is an internationally known HR thought leader from the Silicon Valley who specializes in providing bold and high business impact; strategic talent management to large corporations. He is a prolific author with over 900 articles and 10 business books covering all areas of talent management. He has written more than a dozen white papers, conducted more than 50 webinars, dozens of workshops, and he has been featured in more than 35 videos. As a speaker, he has addressed more than 300 corporations and organizations in 30 countries on all six continents. His ideas have appeared in every major business source including *The Wall Street Journal, Fortune, Fast Company,* and *The New York Times*. He has been interviewed on CNN, and the CBS and ABC nightly news. He served as the chief talent officer of Agilent Technologies, the HP spinoff with 43,000 employees. He is currently a professor of management at San Francisco State University. He can be reached at ***johns@sfsu.edu.***