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EMBRACING HR DISRUPTION

A LEADERSHIP DISCUSSION

By Allison Bailey and David Welch

AS WAVES OF CHANGE transform global business, leading human resources executives are embracing disruption in the way organizations work while they rethink how to prepare leaders and employees to succeed. These executives are intent on reinventing HR for the digital era, according to discussions at The Boston Consulting Group's fifth annual conference of chief human resources officers (CHROs).

More than 50 leaders participated in the 2017 CHRO Conference in New York on September 15, representing companies with a combined total of nearly 2 million employees and $700 billion in 2016 revenues. The agenda focused on identifying and operationalizing the new ways in which companies will have to work to adapt to what Grant Freeland—a BCG senior partner and the global leader of the firm's People & Organization practice—described as "rapidly evolving technologies, business models, demographics, and workplace attitudes that are all shifting concurrently."

Freeland struck a chord among participants during his welcoming address when he said, "This constant and exponential change will soon make the way we work almost unrecognizable to today's business leaders." He described how twelve primary forces, including digital automation, agility and innovation, and skill imbalances and talent gaps are redefining technological and digital productivity, changing the way business value is generated, altering resource distribution, and transforming workforce cultures and values. (See *Twelve Forces That Will Radically Change How Organizations Work,* BCG Focus, March 2017.)

The conference agenda reflected three broad areas of potential action by HR leaders: disrupting HR in the digital era, designing the digital organization, and activating leaders to drive the next wave of growth. Discussions at the event highlighted specific challenges and opportunities, such as reskilling workforces, acquiring scarce digital talent, using agile processes to improve leadership behavior, leveraging artificial intelligence and crowd-sourcing to enhance

the employee experience, and managing a company's employment brand in an age of hypertransparency.

Disrupting HR in the Digital Era

"We have an opportunity to fundamentally shift employee relationships and culture as HR professionals," said Diane Gherson, the senior vice president of human resources for IBM and a keynote speaker at the conference. "By doing this, we can reinvent our profession." Gherson and her team have been reinventing HR at IBM while also facing the challenge of onboarding tens of thousands of employees a year.

Participants quickly homed in on Gherson's comments about the value for HR teams in harnessing the power of digital and cognitive technologies and tools across the employee life cycle. They were particularly interested in the value of using predictive and cognitive tools to improve productivity, help managers make better decisions, and enhance employee experiences—whether it's using digital assistants, such as chatbots, to provide career path navigation and self-service support for managers or social sentiment analysis for insights on employee engagement. At one company, cross-functional groups worked together, using agile processes, to develop an employee learning platform.

Gherson cited three disruptions, occurring simultaneously, that HR operations are experiencing unprecedented amounts of change from and must respond to: disruptions in business, shifting needs with regard to employee skills, and disruptions in experience.

The discussion reflected a consensus that HR's traditional role and identity as a function and cost center should be transformed. In participants' view, HR should become a source of solutions and transparency and focus on irresistible experiences for employees, the company, and its customers across functional groups and at scale.

"Transparency is now everything, and that raises the ante for leadership," Gherson said. "Saying 'trust me' to employees no longer works. They need us to show them."

Designing the Digital Organization With the Best of Agile

A discussion on designing the digital organization produced a lively exchange among panelists and participants on the power of agile ways of working. Martin Danoesastro, a BCG senior partner based in Amsterdam, described three characteristics that form the foundations of an agile organization:

- Multidisciplinary, persistent, and empowered teams at the core of the organization

- Collaborative work conducted in an iterative manner

- Alignment to enable autonomy within the organization

He also highlighted five use cases for agile ways of working most commonly encountered in BCG's client work. They include agile teams for individual projects or initiatives, portfolios of agile teams, agile software delivery organizations, agile applied beyond software, and enterprise-wide organizational agility.

Discussions among participants highlighted the fact that agile should never be a goal in itself but is always just a means to an end. While some participants portrayed agile ways of working as a means of addressing a "burning platform" that could determine their company's survival in an increasingly digital world, others described agile as a lever to change organizational culture and leadership behavior. "Agile isn't just a single way of working," said panelist Richard Rudderham, the CHRO of BMO Financial Group.

Rudderham said that BMO focused its agile efforts on responding faster and better to customer needs and on bringing new customers online more rapidly. "For us, it's also about doing IT better and more efficiently," he said. Crucial to success was engaging multidisciplinary teams that are em-

powered, creating the right workspace for the teams, and engaging a relatively senior person to run interference across the entire organization in support of the team's work.

Michael Hansen, the CEO of Boston-based Cengage and a panelist at the conference, said that agile ways of working were critical to the company's success in "radically reframing the business model." Since Hansen's arrival at the company in 2012, Cengage has transformed itself from a print publisher to a global education and technology company focused on creating digital learning products and platforms.

Similarly, the World Bank successfully adopted agile processes "to meet new and disruptive competition," according to Hartwig Schafer, the World Bank's vice president global themes. "Agile is the key to providing the best product for our client," he said. He explained how the organization's agile efforts succeeded by empowering employees, which increased their engagement and effectiveness. "Our people loved what we were doing for clients but hated the way we were doing it," he said. "We embraced agile starting with the bank's regional leaders—and then handed them the keys to the car. The last Employee Engagement Survey saw a 10% improvement on staff assessment of operational processes."

Addressing a common misconception about agile, many panelists noted that increasing productivity is not typically the goal of agile efforts—though improved productivity is often a result. "The increased productivity can also be used for further growth and innovation and for upscaling resources," Danoesastro said.

Gaining Digital Talent and Skills

Human resources—particularly scarce digital talent—constitute the most critical resource at multinational companies today, according to Rainer Strack, a BCG senior partner and the firm's global topic leader for human resources. Developing a successful strategy for gaining and developing digital talent is critical, Strack emphasized in a presentation that drew on a recent publica-

tion he coauthored. (See *How to Gain and Develop Digital Talent and Skills,* BCG Focus, July 2017.)

Strack discussed the 21 digital job functions that companies can target for talent recruitment—from marketing and business roles to design and coding—including UX/UI designers, social media and community managers, scrum masters, business intelligence specialists, and virtual manufacturing engineers.

On the basis of how they fill such roles, companies can be given a "digital penetration score," which ranks them in comparison with competitors in their industry. "You need to get clarity on the amount and type of digital talent you have to create a strategic workforce plan," he said.

But how does a company find and recruit this scarce talent? Strack, drawing from BCG research, displayed a heat map of "digital hotspots" around the world for recruiting digital talent. He noted that "Tier 2 cities—rather than just Silicon Valley—can be the most productive places to focus a search." And he pointed out that success requires innovative and unconventional recruiting efforts as well as the use of specialist headhunters and websites. "Your HR has to be present where the talent is," he said. Participants agreed that they needed to accelerate digital talent acquisition. "But we are struggling with it," one noted.

Activating Leaders to Drive the Next Wave of Growth

When RBC stepped onto the path of transformation in 2015, it faced an enviable hurdle: its own success. "How do you create motivation for change when things seem to be going well?" asked Helena Gottschling, the company's CHRO, when summarizing the challenge. "And what are the positive drivers of that change?"

The answer came from the bottom up. When RBC engaged 80,000 employees in discussions about refreshing the company's values, "we found that we needed a new way of working" for the disruption ahead,

Gottschling said. RBC realized that driving and sustaining culture change would require a coordinated and scaled effort to transform leadership behavior. In short, the company needed a new leadership model, according to Gottschling and Debbie Lovich, the BCG partner who leads the firm's Leadership and Talent Enablement Center.

To power the transformation, RBC designed a process it called *activation* to turn leaders into catalysts of change throughout the organization, so that each leader "lived" the leadership model and adopted the new behaviors. The far-reaching impact of the activation resulted in changes to talent planning, performance management, and the operating model. The transformation,

Gottschling noted, involved challenging her own team's beliefs and accomplishments: "A lot of what we were undoing was what we'd built."

An Appetite for Hard Work

In his opening address, Grant Freeland noted that the challenges posed by the 12 forces disrupting their companies were difficult ones. "Make no mistake, this is hard work," he said. "You will sometimes face embedded cynicism and strong resistance to change. The question remains, however: Do you want to be part of the revolution, or to be consumed by it?" By the end of the conference, the enthusiasm for change among CHROs had provided the answer.

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