

THE FUTURE OF BUSINESS: HUMAN RESOURCES

How HR leaders are reinventing their roles and transforming business



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To get a sense of just how dramatically the human resources field is being reshaped by the emerging digital economy, one need only to look to the rise of LinkedIn and the proliferation of specialised talent-acquisition sites and recruitment software. Launched in late 2002, LinkedIn has grown to more than 300m members in more than 200 countries and territories; the social networking site has transformed how employers and prospective employees engage with one another, becoming an indispensable tool for employers seeking the right person for a specific job. The ascendance of LinkedIn has also continued to escalate the ongoing “War for Talent”. Employers can use the site both to connect with active job seekers and also to identify desirable passive candidates to contact, court and hire.

Similarly, the rules of engagement in the consumer battleground have been transformed by such developments as Amazon.com-style retailing and real-time bidding for online advertising. As a result of these new web-based customer outreach methods, the business-to-consumer (B2C) arena has become more transparent and connected. Similarly, LinkedIn and related capabilities have made the workplace more transparent and connected—and these types of DNA-level changes in business-to-employee (B2E) relationships are accelerating as the networked economy continues to ramp up and expand its capabilities.

As these changes gather pace, the challenges and opportunities faced by chief human resources

officers (CHROs) increasingly parallel those facing chief marketing officers (CMOs). Pervasive connectivity allows interactions between customers and marketers to occur almost anywhere at almost any time. In response, CMOs have been availing themselves of an expanding array of tools that use social, mobile, analytics and cloud technologies. These tools are enabling marketers to transform the marketing function from an episodic activity into a more proactively pervasive model in which marketers can get closer to customers by selectively engaging with them as they travel along their “customer journeys”. In a similar vein, CHROs are turning to an ever-broadening suite of digital capabilities that can enable HR departments to more effectively engage with prospective, current and past employees as they move through the new landscape defined by the ever-expanding connections of the digital economy.

Certainly, these are critical times for the HR function. With roots in the industrial engineering efforts that began about a century ago, HR played a central role in guiding the design of the jobs that workers performed in the factories that were mushrooming in the late 19th and early 20th centuries. Initially, HR functions focused on the design of work, but, over the course of the second half of the 20th century, the emphasis largely shifted to critical behind-the-scenes support, such as payroll, benefits and compensation management.

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John Sumser,
editor of the *HRExaminer*
Online Magazine

As a result, IT and shadow IT—rather than HR—have led the introduction of the initial wave of these new technologies, including those providing the collaboration and communication that are reshaping today’s workplace. “What has surprised me is the degree to which HR has not been involved, and the degree to which HR has avoided taking responsibility for those issues,” says John Sumser, editor of the *HRExaminer* online magazine, a leading industry trade publication. “We are at another transformational moment that requires HR to get re-involved in work redesign.”

Today, HR officers have access to many new ways to recruit, retain, develop and train talent. These transformations in HR and the workplace are poised to open new ways to empower workers, create value organisation-wide and drive the development of new business models.

Winning the “War for Talent”

Recruiting and retention provide the clearest illustration of the impact that the combined power of data and pervasive connection is having on HR. At many organisations, hiring and keeping the right talent continues to be HR’s biggest challenge. The War for Talent is intensifying as the labour market becomes more transparent—the challenge extends far beyond LinkedIn. Career sites such as Glassdoor, CareerBliss, CareerLeak, JobBite and Jobitorial (acquired by Glassdoor) are rapidly expanding and extending connectivity and transparency in their own distinctive ways.

Consider Glassdoor. The site went live in 2008 and now boasts 22m members and offers access to 6m pieces of user-generated content. This includes more than 3m company-specific salary reports, as well as employee-provided workplace reviews and ratings, CEO approval ratings, interview reviews and questions, and even office photos for more than 700,000 companies worldwide.

This access to information and unprecedented transparency into potential workplaces—especially the availability of pro and con commentary provided anonymously by employees—have proven

hugely popular with jobseekers. In a study conducted by ERE Media (released in January 2014), a stunning 48% of jobseekers surveyed reported that they had used Glassdoor at some point in their job search—and most consulted reviews to find top employers before they even considered applying at a company.

The result of these and related developments has been the emergence of a far more informed and efficient employment marketplace. “Where you go to work and who you choose to work for is one of the single most important decisions that you will make in your life,” noted Glassdoor founder and CEO Robert Hohman in a recent speech. Mr Hohman, who had been president of the Hotwire discount travel site prior to launching Glassdoor, emphasised that as a result of their experiences with web-based e-commerce, “most people now have the expectation that they will have access to information before buying a product and making a decision”.

Mr Hohman points to Glassdoor and similar sites as an extension of this expectation to the employment arena. “We are in the middle of a turning-point,” said Mr Hohman. “The knowledge of what it is like to be working for a company cannot be hidden. It will be known. You have to embrace the transparency as an opportunity. It is a new way to hire; it is a new way to get top talent, and the people who really get good at this and who are first movers will benefit disproportionately from it.”

Some leading global HR departments are doing just that as the War for Talent intensifies, and, in some cases, they are gaining key insights from their CMOs. In the marketing arena, standard practice now calls for CMOs to develop marketing programmes that pull widely varied data from multiple sources, use Big Data predictive modelling to identify their most promising customers and then connect with those prospects via the web. HR executives have begun to roll out similar approaches to identify and reach out to prime prospective employees.

Similarly, CHROs have access to aggregated data from a diverse set of internal and external sources.

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Internal data can include information from scanned business cards, CVs and applications that the company has received and from internal HR databases. With the permission of current employees, this internal data can be augmented by information that is captured from the LinkedIn contacts of those employees. External data can come from scouring social media sites like Facebook and Twitter, as well as special-interest forums, web-based communities and other sources. Once the information has been pulled together, algorithms are applied to produce rankings that identify prospects that appear to be most suited for the open positions.

A growing number of companies have developed products and services to help HR officers with these types of initiatives. For instance, Toronto-based Careerify offers a product specifically designed to enable a firm to leverage its employees' social network contacts to increase the volume of high-quality employee referrals. It does so by allowing employers to effectively connect with the employees' Facebook, LinkedIn, Google+, Twitter and other networks.

San Francisco-based Gild, which has created technology to help companies identify highly skilled software engineers, takes another approach that goes far beyond drawing on the standard social-media sources. At Gild, data-gathering includes searching the web for open-source code, then evaluating the programmers who wrote the software for simplicity, elegance and documentation. It also scans programmer Q&A forums and evaluates how popular a programmer's advice is, and—even more important—how often it is cited and passed along by others.

Additionally, just as CMOs use new sources of data and analytics to identify at-risk customers, CHROs are using similar techniques to identify at-risk employees and gain better understanding of attrition issues. These new retention programmes use analytic algorithms that produce insights based on crunching data collected from a variety of internal and external sources. Internal information that can be gathered might include skills, experience, velocity of career advancement,

compensation and project involvement. External information can be drawn from multiple and widely varied sources, including position-specific job market data, such as market demand for specific skills and compensation relative to the market, as well as individual-specific information (eg flagging employees who have become unusually active on their professional-networking sites).

Other "candidate relationship" initiatives attempt to cultivate connections with promising candidates who can't be placed immediately in a position. An HR professional who identifies a promising recruit may not have an appropriate position available at that time. But to keep the recruit engaged, the HR department may send the prospect a continuing stream of information to help build a connection with the company. Such activities parallel similar actions the marketing department might take to connect with a potential customer.

Working proactively, CHROs also need to determine which of their key employees is mostly likely to leave—and what steps they can take to reduce that risk. Although that challenge is often extremely difficult, predictive analytics can help provide the information they need to make these informed decisions. The data they may need to take into account include internal information such as performance reviews, raises the key employees have received and what training they have sought. What might also prove invaluable is access to external data, such as comparable salaries elsewhere, as well as social-media data about what others are saying about these individuals—and even what they've said about others.

The power of data

Most of these new capabilities are based on new sources of data that are rapidly becoming available to HR executives. In the past, the available data were relatively limited and typically consisted of basic personal data about a company's employees, their compensation and their performance, as well as static, highly aggregated information about labour markets.

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Now CHROs are turning to new sources of data. For example, text and unstructured data from social media as well as from relevant special-interest forums, user groups, and web-based communities can be used to track and analyse the skills, knowledge, experience and career paths of employees, former employees and potential employees. Moreover, the range of new data that is available to CHROs appears to be increasing daily in its variety, volume and velocity.

The tremendous increases in data storage capability and computing power permit the running of complex and sophisticated analyses on large data sets in record time. For proactive HR executives, combining data from traditional and digital sources inside and outside the company represents a source of ongoing discovery and analysis.

The combination of data and powerful analytic tools is helping give HR executives much more insight into and information about business processes across their organisations and the environments in which they operate. For instance, they can get a much more granular understanding of local labour markets based on detailed analysis of online jobs listings.

A recent Joyce Foundation report notes that jobs advertised online now reflect at least 70% of all openings, and a company that wants to better understand the local labour market can conduct its own collection and analysis of this online job data. Alternatively, a business can turn to what the foundation describes as “enterprising for-profit companies [that] have developed sophisticated technologies that can aggregate and analyse these online job ads and provide ‘real-time’ intelligence on hiring trends for industries and occupations, job requirements (eg skills, education, experience, certifications), and compensation (eg salary and benefits).”

Other analytic tools can help companies analyse their internal data to identify employee skill sets that are available for the company to tap—as well as those skills that are in short supply.

Building a better workforce

Most CHROs recognise that they must do more than recruit and retain new employees; they must develop and train the talent they already have. Here, too, CHROs are finding new sources of data and using predictive analytic tools to help their companies understand the resources needed to craft and organize personalised training and development initiatives.

For instance, some tools can help effectively predict which employees will be successful based on Big Data algorithms. For example, one large call centre operation found that responses to statements like “I ask more questions than most people do” and “People tend to trust me” provide better forecasts of success than those provided by traditional measures such as “prior experience”.

Other kinds of analysis can help determine which types of training are most effective for which positions. These analyses can help link coursework with subsequent performance levels or indicate which combination of courses has had a disproportionately positive effect on outcomes. For instance, one company performed an analysis that pulled information from its Learning Management System (which had information about the training courses that an employee had taken) and its Customer Management System (which included data that measures the sales performance of its salespeople). When it completed its analysis, the company was surprised to discover that one particular course stood far above the rest in terms of the ROI it generated by increasing the productivity—and job satisfaction—of those sales personnel who had taken this particular programme.

Some CHROs have also developed predictive models to improve mentoring programmes. Existing programmes often focus on gaps in employee skills and try to link employees with mentors who are strong in the area where the employee is weak. Those matchups sometimes can fail because the experience gap between the two individuals is too great. Others fail to address whether mentors and employees are personally

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compatible. The most advanced initiatives use social algorithms similar to those used by dating sites, such as eHarmony.com and Match.com, to come up with successful pairings. Improvements in mentoring effectiveness are particularly important because surveys have shown that millennials prefer mentoring to other types of learning.

Models are also being developed to build better relationships with former employees via alumni networks. A valued employee may leave to take a position at another firm for a variety of reasons. The company's best interests might be served by keeping tabs on that employee while he or she develops skills elsewhere and then try to rehire the former employee at a later date.

The road ahead

From the perspective of the emerging digital economy, CHROs may find their roles transformed in radically new ways in just the next few years:

- CHROs may be able to gain access to data from the Internet of Things (IoT)—or even wearable technology—that may add an entirely new level of understanding to their decision-making. Once privacy issues had been addressed, then data from wearable employee devices with GPS capability could be analysed to determine routes that employees use frequently, uncover points of congestion or suggest office or factory redesign for maximum collaboration and efficiency. Devices with biometric sensors could be incorporated into wellness-incentive programmes, help prevent employee injuries or prevent drivers from falling asleep behind the wheel.
- As the ability to measure, collect and analyse more granular data increases, HR departments will be able to better recognise the contributions of individual workers to a particular business case and personalise the way these individuals are treated.
- Big Data and related opportunities will require CHROs to vastly expand their own data analysis skills and the capabilities of their HR staffs. At the very least, HR teams will need to upgrade their data and statistical literacy and gain greater confidence with fundamental tools and concepts to make effective use of data integration, manipulation, analysis and interpretation—skills that go far beyond facility with a spreadsheet. HR teams also will need to enhance their abilities to identify useful new types of data beyond traditional and digital sources—both inside and outside the company.
- These new capabilities may also raise legal and ethical issues that will be especially relevant for HR operations. How will CHROs be able to glean valuable insights from text-mining e-mail and collaboration tools? In what ways will they be able to track trends in employee sentiment in real time to identify key influencers and top-performing groups?

The HR field may have been born in the industrial era, but today it is on the verge of being transformed by the sweeping advances of the digital era and renewed recognition of the important role that human capital plays in driving both revenue and growth.

By leveraging newly available data and new analytic tools, HR leaders will be better able to help their organisations create value across a broad spectrum of potential, thereby enhancing their own role and stature in the process. ■

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