

# Transforming People Management

Lessons Learnt and Predictions of Future Success

Bruce Lewin



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Transforming People Management: Lessons Learnt and Predictions of Future Success

1<sup>st</sup> edition

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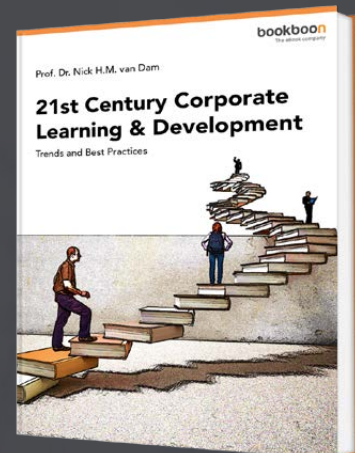


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# Background

In the past 30 years, all major business functions apart from HR have been transformed by the introduction of new processes and systems. Each of these approaches can be judged a success by having fulfilled all 5 criteria of a successful transformation. Not to be outdone, HR has explored many different initiatives including Business Partnering, Human Capital Metrics, Engagement, Talent and HR Outsourcing amongst others. Yet despite the time and money invested, HR has yet to experience a similar transformation or change in how it's perceived.

# 1 Purpose

This book outlines a framework and criteria with which to judge the likely outcome of any attempt to transform a function within a business, whether this be HR or anything else. The criteria can be used to understand historical successes and failures in transformation along with providing a framework to predict the likely success of future attempts.

Given the use of both historic and contemporary examples of functional and process transformation, the criteria outlined are considered to be reasonably robust and well supported, although given the short length of this book, there is ample scope for further investigation and evidence to either support or refine the current criteria.

## 1.1 Executive Summary

The following chapter summaries introduce key points and provide a high level overview of the book.

### 1.1.1 Chapter 2 – The 5 Criteria for Process Transformation

Chapter 2 introduces the idea of transformation along with outlining a definition and detailing each of the five criteria for successful process transformation.

- Transformation is a cliché
- Defining Transformation and the Difference between Strategic and Process Transformation
- The Five Criteria for Process Transformation
  - Simple to Explain
  - Consistent, Scalable and Predictable
  - New Skills
  - A Business Case
  - External Validation

### 1.1.2 Chapter 3 – Examples of Successful Transformation

Chapter 3 shows how the five criteria for transformation can be applied across multiple functions and innovations. Four of the examples are deemed a success while the fifth is not. The examples are as follows:

- Containerisation
- Six Sigma
- The Internet
- Customer Relationship Management
- Knowledge Management



### 1.1.3 Chapter 4 – There's No Consensus around HR's Core Purpose

Chapter 4 focuses on HR with a brief look at the history of the function, the emergence of Human Resources Development in the 1970s and the fact that the contemporary HR function has a multitude of possible objectives but none of which could be regarded as HR's lowest common denominator or *raison d'être*.

- A History of Legal Compliance and Administration
- A History of Learning and Development
- Does HR have a *Raison D'être*?

### 1.1.4 Chapter 5 – Why Previous Attempts at HR Transformation Haven't Worked

Returning to the five criteria defined in chapter 2, chapter 5 examines six current areas of HR. Each area is analysed against the framework and successes, shortcomings and debates are noted and explored in further depth.

- HR Business Partnering
- HR Outsourcing
- Competency Models
- Psychometrics
- Employee Engagement
- Talent Management

### 1.1.5 Chapter 6 – Predictions about Likely Future Enablers of Successful HR Transformation

The final chapter makes a number of predictions about the likely innovations and enablers that could see the HR function transformed in terms of the work it does, the value it contributes to the business and people's perception of the function overall. Using the five criteria, four areas of innovation are explored and conclusions are drawn.

- Social Media
- Big Data
- Personality Psychology
- Holacracy

## 1.2 Two Other Points to Consider

In addition to the chapter summaries above, there are two additional points to mention at the start of the book. Firstly, although the historical analysis of the HR function is largely pessimistic, it should be stressed that going forward, there are several opportunities to successfully transform and re-frame people's perception of the function. The very purpose of this book is to highlight the lessons learnt from the past while simultaneously illustrating areas of untapped potential and innovations that can dramatically alter the fortunes of HR for the better. Additionally, it is important to stress that the book has deliberately taken a macro and functionally wide perspective, as opposed to focusing on individual firms, practitioners or one-off case studies. As a result, this broad perspective allows conclusions to be generalised across the entire function, the intention of which is to add additional weight and applicability to the analysis presented and the conclusions drawn.

To illustrate some of the points above and their immediate relevance, consider the following two extracts. The first was written in 1996 and is from the preface of Dave Ulrich's *Human Resource Champions*, the book that launched the idea of HR Business Partners<sup>1</sup>.

*HR practices must be designed to create value and deliver results. When HR practices rely on the needs of internal and external customers, firms are more likely to succeed. HR departments must be held to a higher standard than they have been up until now. They must move HR professionals beyond the roles of policy police and regulatory watchdogs to become partners, players and pioneers in delivering value.*

The second extract was published in September 2012 by KPMG<sup>2</sup>.

*On the one hand, in today's competitive global markets, the "war for talent" is understood to be crucial to almost every business. On the other hand, the HR function is often dismissed as non-essential or ineffective.*

It is hard to believe that there are 16 years separating the two pieces of writing. You would be easily forgiven if you thought that both had been written within a year or so of each other. Either way, it doesn't appear as though much has changed in the last decade and a half.

### 1.2.1 The Role of Processes in Business

The second caveat is an assumption made about the role of processes in businesses. As outlined in chapter 2, businesses are assumed to comprise of a combination of values, processes and resources and it is through this three tiered lens that an organisation and its functions are analysed. Although this perspective may appear to be a case of stating the obvious, it's worth making this assumption explicit given the analysis in the rest of the book and recent debates that have emerged about the changing nature of work itself.

Given the choice to focus on a process-orientated view of work and organisations, it's important to place this decision into an appropriate context. In recent years, a number of commentators have begun to suggest that social media and social media software tools have the potential to change the very nature of work and processes themselves. While it would be foolish to dismiss this notion out of hand, the possibility remains that internet enabled software tools could dramatically reshape the workplace of tomorrow. Although such a paradigm shift seems a long way off at the moment, figures from Gartner suggest that 60% of global GDP is derived from barely repeatable processes or ad-hoc projects, while the remaining 40% comes from easily repeatable or classically defined business processes<sup>3</sup>. With such a large proportion of economic value being driven by barely repeatable processes, there is more than enough potential for social media and related technologies to profoundly change the way people work in the coming decades.

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## 2 The 5 Criteria for Process Transformation

### 2.1 Transformation as a Cliché

Transformation is one of those words that means different things to different people. Business transformation, behavioural transformation, process transformation and strategic transformation are all examples of the use and overuse of the term. If you've ever been inside an organisation for more than a few months you're likely to have encountered one or more examples of transformational rhetoric. Consequently, this repeated and overused phrase has lost some of its original meaning and has arguably descended into the realms of the cliché. Put another way is there anything in business to have ever escaped the clutches of the transformational evangelist?

Given the transformational quagmire and the abundance of rhetoric we face when trying to better understand and dissect this area of business, it's useful to incorporate a working definition of transformation.

### 2.2 Strategic versus Process Transformation

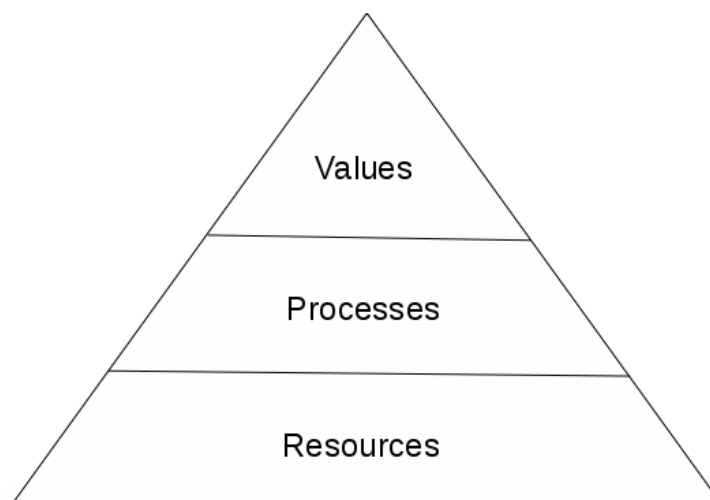
At a simplistic level, transformation consists of either strategic or process transformation. For the sake of distinguishing between the two, it is useful to refer to the work of Clayton Christensen at this point. Christensen is a Harvard Business School Professor and is best known for coining the term disruptive innovation and the supporting theoretical and empirical work around this. Although Christensen's work first came to prominence at the end of the 1990s, his thinking around organisational change, innovation and strategy is still very today.

The area of Christensen's work that is of interest to transformation is his definition of an organisation. Christensen argues that an organisation comprises of three distinct areas, each one building on top of the other to form a triangle.

The base of the triangle consists of resources. Resources consist of people on the one hand and inanimate objects on the other. Examples would include cash, machinery, computer equipment, legal contracts, office equipment and virtually anything else that can be bought and sold. While the definition of resources isn't relevant to our understanding of transformation, it is useful to consider this in light of the other two areas defined by Christensen.

Building on resources and adding a second level to the triangle, Christensen goes on to define processes. In a similar fashion to resources, processes consist of the methods and routines that companies employ to create products and services. Processes show how firms create the offerings that they sell to their customers. Over and above this simple definition, it's also worth mentioning that while resources are easily bought and sold, processes cannot be changed as easily. Processes are not inanimate objects, instead they are a series of steps to change a resource into something else and as a result, changing a process requires more time, effort and investment when compared to changing resources. Processes may involve team work, collaboration, the use of machinery, computer information systems and so on. At their core, processes represent the heart of an organisation's value delivery mechanism.

The third level of the triangle and the part that marks its peak is that of values. Christiansen defines values as the most important financial and economic goals of the firm, along with it's related strategic goals and plans. Whilst values incorporate financial and strategic elements, it's also important to remember that there is a human dimension to an organisation's values. This human dimension has obvious reference to the financial and strategic elements above but it also includes aspects of the organisation's culture, climate and valued social norms. In essence, this view of values combines the economic, strategic and human into a series of priorities goals and objectives for the firm in question. As with the resources and process layers, the closer one is to the peak of the triangle, the harder it is to change. As a result, organisations can struggle to deliver sustained change to either their strategy, business model or culture.



**Diagram 1** – Christensen's Values, Processes and Resources framework

Christiansen's three tier view of an organisation is not only the simplest in terms of defining what organisations do and how they do it, but it also helps distinguish between strategic transformation and process transformation.

The remainder of this book will focus on process transformation. While strategic and process transformation can both be initiated by the executive team, process transformation is more easily generalisable and as a result can be analysed across multiple organisations and industries. In contrast, strategic transformation is typically unique to the organisation in question, making it harder to draw conclusions that can be applied numerous times to other organisations and in other contexts. In addition, many processes are underpinned by specific technologies or methodologies, which in turn lends them to a broader analysis of transformation across multiple functions, firms and industries.

## 2.3 The 5 Criteria of Process Transformation

When looking at business over the past 20, 30 or 40 years, it's clear that all of the major functions have been transformed by various different technologies methodologies or systems. All of these transformations have five criteria in common. Additionally, there are further examples where a new innovation or system has promised much but has ultimately failed to achieve the full transformational potential that was initially suggested.

Before outlining the five criteria for process transformation in depth, the following is a high level introduction to some of the technologies that have changed the landscape of business.

- Communications
  - Email
  - The Internet
- Finance
  - Derivatives and Swaps
  - Securitisation
- Logistics
  - Containerisation
  - RFID
- Marketing
  - CRM
  - Social Media
- Manufacturing
  - Six Sigma
  - ERP
- Sales
  - Mobile phones
  - Smart phones and tablets



The list above is quite diverse with some items dating back 40 or 50 years such as containerisation and the internet while others have only emerged in the past 3, 4 or 5 years such as social media, smartphones and tablets. The point however is not historic but is more a reflection on the absence of anything related to HR or people management. Additionally, the six functions above are all core to contemporary businesses. Logistics and manufacturing are sector specific while changes to internal and external communications, marketing and sales all impact the service sector. Given this broad based change, it would be hard to find a contemporary organisation that has not benefited from or does not use one or more of the transformational innovations above.

The following five criteria create a framework with which to judge the likely success of transformational change in any particular function or department.

### 2.3.1 Simple to Explain

The first criteria is that the change or innovation must be explained simply and clearly. This explanation can take many different forms but the majority of people affected or who could benefit from the change should be able to understand it. The explanation may take the form of a simple memo, a diagram, a short presentation or the classic elevator pitch. The point is not the medium itself but that the transformation be communicated quickly and easily.



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Some of the best innovations don't need to be explained at all, think of the container, the mobile phone or the tablet, while others need just a line or two, such as the fall in manufacturing defects from Six Sigma or email. Admittedly some of the financial innovations are a little more complex but to the relevant audience they can probably be explained within a minute or two.

It's also worth mentioning at this point that only the purpose or benefits of the innovation need to be explained at this point, as opposed to the entire mechanics or specific nuances. Naturally, further details and more comprehensive explanations can be provided in due course later on.

### 2.3.2 Consistent, Scalable and Predictable

The second criteria is arguably the most important. The ability for the innovation or process to be run in a consistent, scalable and predictable fashion is vital for its success. Being able to reuse a particular methodology or system in a consistent manner goes a long way to creating a robust business case for deploying the innovation in question.

The level of consistency is context dependent. Manufacturing environments will have certain standards that are acceptable whilst communication tools typically need near foolproof success rates. Sales or manufacturing processes are unlikely to have 100% success rates whilst we've all come to expect near perfect consistency and predictability from computer systems such as the internet, email and smartphones.

In a commercial context, reliability and consistency is often a foundation stone in meeting client's expectations and customer demand. Everybody knows that mistakes can be made but failing to meet expectations on a regular basis is never a recipe for success and as such, consistency goes a long way to ensuring quality, meeting customer demand and winning repeat business. In a similar fashion, knowing that a particular process, system or methodology can grow and scale in line with a business is very important for long term sustainability and success.

### 2.3.3 New Skills

The development and acquisition of new skills is the third criteria for successful transformation. New skills demonstrate that the underlying innovation is fundamentally different and that a new approach is required to realise its benefits. By extension, the development of new skills are an important test in the adoption of any new transformational process or system.

Given the trend for businesses to use a multitude of different job titles and job descriptions, the development, training in and acquisition of new skills are a much better test of any innovation and its adoption. It's very easy for a business to create new job titles and by extension create the impression of meaningful change. On the other hand, training people requires more time, effort and money and that is a much better indicator of genuine transformation as opposed to symbolism and lip service.

### 2.3.4 A Business Case

The ability of any innovation or process to show business value is paramount. As mentioned already, context is very important and what is valuable in one instance may not be valuable in another, so every situation needs to be looked on its own merits.

The business case can be seen in one of two different ways. Explicit or implicit value. Explicit value requires a direct financial impact in terms of increased revenue or lowered expenditure. Innovations that are able to show explicit value typically show a return on investment from their deployment. Examples such as Six Sigma, ERP, CRM or containerisation can all in principle realise direct cost savings and as a result, can all show explicit value. While this value may not be realised each and every time the innovation is deployed, there is a broad consensus that a direct financial impact can be shown should the project or deployment be successful. In short, any innovation that can show explicit value and a direct financial impact is likely to be of interest to the Finance Director and Chief Executive.

In contrast, implicit value is a more intuitive judgement call. Can the innovation, new technology or new process show value immediately or is it already very obvious how the innovation adds value? The adoption of a number of different computer and technology innovations highlight this point. The relatively low cost of using email or of buying tablet computers without formal cost benefit analysis or return on investment calculations being undertaken in advance of any purchase decision illustrates the implicit value of these innovations. Process innovation that can draw on implicit value often relies on the judgement of experienced managers and executives who can see the benefits immediately and without the need for extensive justifications. Other examples of process innovation leveraging implicit value includes mobile phones, social media marketing and some cloud computing services.

While the difference between explicit and implicit value is a little abstract, it is essential that any process transformation is able to show a business case and business value quickly and easily. This value needs to be recognised within the business by decision makers and key people affected by the change from the outset.

### 2.3.5 External Validation

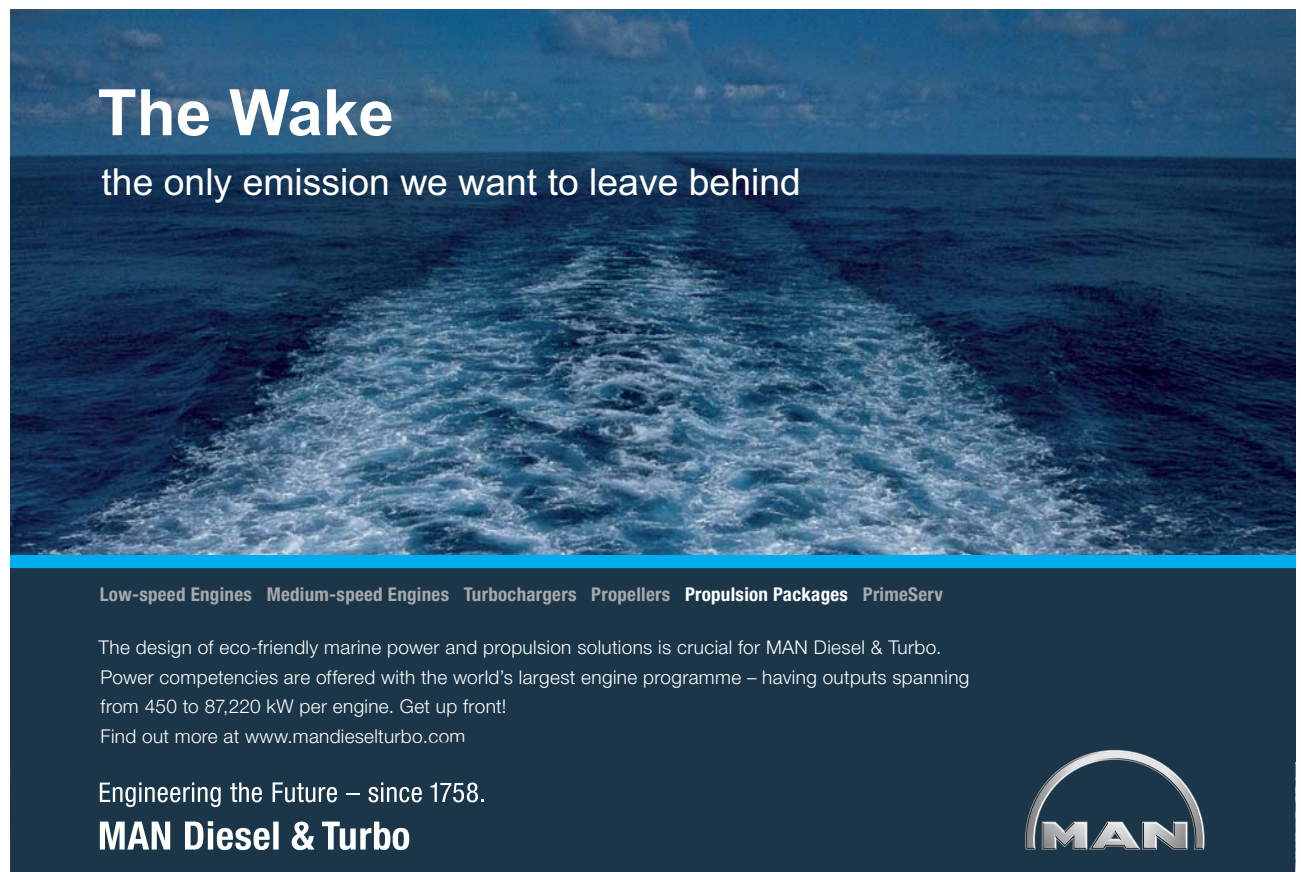
The fifth and final criteria for process transformation is external validation. External validation is a way of showing credibility and endorsement amongst peers and relevant stakeholders for the change in question.

Validation is typically demonstrated in one of three ways. Firstly an organisation might make an announcement about a particular transformation or innovation they've been working on. Motorola's announcement of Six Sigma in the 1980s or CERN choosing to share Sir Tim Berners-Lee's work on the world wide web are two such examples. Less high-profile examples include announcements in company reports and chief executives providing updates to shareholders and investors.

The second criteria is the creation of professional bodies around the innovation or transformation. The BCMA (Branded Content Marketing Association) and WOMMA (the Word of Mouth Marketing Association) were established in 2003 and 2004 respectively. Given the rise of the Internet and its impact on marketing these two relatively new professional bodies bring credibility and a professional voice to a new areas of business. Business conferences are also a good sign of an innovation or transformation gaining traction, although conferences typically predate professional bodies given the contrasts between them.

The third and final criteria is the emergence of researchers looking to explore and understand new innovations. Researchers may come from the private sector in the form of industry analysts or may come from universities. Regardless of their source, coverage by researchers is a good indicator of the sustainability and potential transformational impact of any new system, process or methodology.

Naturally these three criteria are not set in stone but the emergence of at least one of them is a very good indicator of sustainable process transformation.




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# 3 Examples of Successful Transformation

Having defined the five criteria of process transformation in the previous chapter, the following examples apply these against a number of historic and contemporary innovations. By applying the theory to real world scenarios, it's possible to show the value of the five criteria in determining the likely outcome of process transformation for the innovation in question.

The following examples are provided in approximate historic border of their widespread commercial use and show the outcome of transformation on different functions within an organisation.

	Simple to Explain	Consistency, Scalability and Predictability	New Skills	A Business Case	External Validation
Containerisation	♦	♦	♦	♦	♦
Six Sigma	♦	♦	♦	♦	♦
The Internet	♦	♦	♦	♦	♦
CRM	♦	♦	♦	♦	♦
Knowledge Management	♦		♦		♦

## 3.1 Containerisation

### Background

Containerisation as we would recognise it today really began in the 1950s. The development of this mode of transport saw reduced costs and increasing efficiencies as a result of the use of standard sized containers to transport goods of all different types. Containerisation is one of a number of examples covered in Clayton Christensen's *The Innovator's Dilemma*, where he outlines his theory and supporting examples of disruptive innovation.

### Simple to Explain

Containerisation is simple to explain. The use of standardised containers to transport goods over land, rail and sea can be easily explained and easily communicated. By way of contrast, the process of transporting and shipping goods prior to containerisation involved bespoke sizing, weighing and pricing of specific items of cargo. While this earlier approach offered customers significant flexibility, it was ultimately inefficient for everyone involved. The ability to use the same container on a boat, a train or a truck shows just how straightforward the system is.



### **Consistency, Scalability and Predictability**

There is no doubting the consistency, scalability and predictability of containerisation. The use of standardised containers, transportation mechanisms and methods of loading and unloading have revolutionised the global movement of goods since the 1950s. This consistency has impacted the design and manufacture of trucks, bulk shipping carriers, railway rolling stock, cranes and docks. All of these machines and components have adapted and scaled to meet the demands of containerisation.

### **New Skills**

Although the containerisation industry began in the 1950s, the development of standardised cranes and lifting equipment during this time required the development of new skills. New crane operators would have needed to be trained in order to use the equipment. Admittedly the process of containerisation also saw large numbers of dockworkers lose their jobs as a result of the automation and efficiencies obtained from the use of containers and there was no longer the need for as many people to load and unload ships as had been the case previously.

### **A Business Case**

Whether viewed explicitly or implicitly, there is no doubting the savings, efficiencies and reduction in time needed to transport goods via containerisation. Although not everyone would have enjoyed savings at the outset, the shift of the industry away from custom loads towards standardisation has seen significant returns on investment for all involved in transportation and supply chains. The financial efficiency generated from containerisation has also underpinned the growth of globalisation since the 1950's.

### **External Validation**

As containerisation grew, various standards bodies and agreed metrics and measurements emerged. Four ISO standards were formalised at the end of the 1960s and start of the 1970s. Additionally the United Nations and International Maritime Organisation also made provision for the standardisation of containers. Customs convention on containers entered international law in 1959 and was revised in 1972. More recently, the World Shipping Council was founded in 2000 for the purpose of lobbying national governments regarding containerisation.

## **3.2 Six Sigma**

### **Background**

Motorola developed Six Sigma in the 1980s as a methodology to improve manufacturing quality and reduce defects. Although many of the underlying ideas behind six Sigma have been around for much longer, Motorola were the first to bring everything together in a formal capacity. Despite its success and popularity, Six Sigma is not short of critics, although these are most notable when Six Sigma is used outside of a manufacturing context in areas and applications for which it was not originally designed.



### Simple to Explain

The Six Sigma process promises to deliver only 3.4 defective parts per million manufactured. Looked at another way, this guarantees defect free output up to 99.99966% of the time. Whichever of these figures is stated, there is no doubting the simplicity and immediate benefits of this approach, making Six Sigma very simple to explain. Admittedly, Six Sigma requires a much more sophisticated explanation once one goes beyond these headline figures, although for the purpose of this initial criteria, this isn't a problem.

### Consistency, Scalability and Predictability

Six Sigma, as indicated above, places consistency, scalability and predictability at the heart of its approach. By seeking to raise manufacturing quality to such high levels, this process is arguably the best known for valuing consistency and repeatability as highly as it does. The use of various projects and statistical methodologies underpinned this drive for quality which in turn insures such a high level of consistency. Ironically the very attributes that have contributed to Six Sigma's success and the strength of the underlying methodology are the same attributes that people used to criticise it. These high levels of consistency and predictability are such that critics often regard Six Sigma as inflexible and unwieldy.



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## **New Skills**

The Six Sigma methodology makes explicit reference to a number of new tools, approaches and methodologies. Six Sigma contains numerous project management methodologies, a large number of quality management tools and techniques and an array of statistical tools. In addition, there are several roles that Six Sigma practitioners are likely to be trained in. These include Green Belts, Black belts and Master Black Belts amongst others. Accordingly, Six Sigma demands the development and implementation of a wide ranging skill set that for most people will be new and will require specific training.

## **A Business Case**

Based on the headline figures quoted at the start of the section, Six Sigma offers explicit value and clear financial savings as a result of improved manufacturing quality. Knowing the number of defects produced from a manufacturing process goes a long way to calculating an accurate return on investment and showing explicit financial savings as a result. This clarity helps explain the popularity of Six Sigma amongst manufacturing companies and others since Motorola announced Six Sigma in the mid 1980s. In addition to Motorola, General Electric have also pioneered the use of Six Sigma in their own business and this was acknowledged by their former Chief Executive, Jack Welch in 1995.

## **External Validation**

In addition to the announcements by Motorola and General Electric, there are other examples of the external validation of Six Sigma. Several professional bodies exist to oversee accreditation and training in Six Sigma including the IASSC (International Association for Six Sigma Certification) and the ISSC (International Six Sigma Council). There are also numerous universities offering Six Sigma certification programs along with undertaking research into Six Sigma manufacturing processes and related techniques. Combined, these organisations, certification courses and universities go some way to constituting a cottage industry around the training, consultancy and implementation of this methodology.

# **3.3 The Internet**

## **Background**

The Internet is a global network of computers, all capable of communicating together. The Internet has its roots in a US military program to create a robust computer communications network that could survive a significant Cold War threat. While the Internet represents a computer network, the World Wide Web is what most people think of when they think of the Internet. In simple terms though, the World Wide Web is the global collection of web pages, whilst the Internet is the network that allows these pages to be shown on your computer. The Internet originally began as ARPANET and a Department of Defence funded project whilst Sir Tim Berners-Lee created the web whilst working at CERN in Switzerland.

## **Simple to Explain**

A global network of computers is a reasonably simple idea to explain. The rapid growth of the Internet and the World Wide Web in the 1990's outlines how easily people understood its potential and benefits. By extension, the dot com bubble and subsequent crash of 2000 shows how quickly elements of the business world sought to commercialise and profit from this new technology.

## **Consistency, Scalability and Predictability**

The great strength of the Internet is its consistent, scalable and predictable nature. In 1982, US Department of Defence announced that all military computer networking would be carried out using the Transmission Control Protocol and the Internet Protocol, otherwise known as TCP/IP. Over the next 10 or so years the success of TCP/IP saw it replace various alternatives from companies such as IBM, Microsoft and Xerox, creating the Internet as we know it today. At the time of writing, the internet currently sees 144 billion emails sent each day, 500TB or the equivalent of 10,000 Blu-Ray discs of data uploaded to Facebook every 24 hours and 4 billion videos watched daily on YouTube<sup>4</sup>. Although unknown at time, the internet has grown into a global phenomenon and in computer networking terms has redefined the scale and scope of consistency, scalability and predictability.

## **New Skills**

The use of the Internet and the related technologies that the Internet makes possible all require people to learn new skills and new techniques. Although it may sound slightly quaint to mention it today, anyone who has browsed the web or used e-mail has had to learn new skills in order to accomplish these tasks. Additionally, more sophisticated activities such as setting up web servers, running Internet sites or configuring computer networks all demand new skills that need to be learnt and in some cases require training. Although many of the skills that are relevant to the Internet are taken for granted, if you compare them to their pre Internet alternatives, there is no doubting the additional skills that people need to accomplish these activities. Writing letters, publishing brochures and developing photographs are all very different when undertaken in their original analog context, as opposed to the digital environment that most people work in today.

## **A Business Case**

Although the Internet has its roots in military and university environments, businesses were very quick to adopt this new technology. The use of e-mail and the world wide web typically attracted an implicit business case. Managers and executives realised that these technologies were more flexible and cheaper than what they replaced from the outset. As a result, there was no need to undertake any advanced cost benefit analysis or related financial calculations. The value of the Internet and the web is self-evident and the savings are clear. E-mail has transformed internal communications, often leading to the demise of internal postal services that companies used in the past, while the web has greatly reduced the need for firms to post brochures and related literature to clients and prospective customers.

## External Validation

The history of the Internet has seen a number of announcements from various public and private sector organisations along with the establishment of numerous standards and professional bodies. The IETF (Internet Engineering Task Force – founded in 1986) and ICANN (Internet Corporation for Assigned Names and Numbers – founded in 1998) are the two most significant bodies behind the development and governance of the Internet. Over and above these two organisations, there are numerous other think tanks, membership organisations and taskforces, all of whom are concerned with various aspects of the Internet and its related technologies.

## 3.4 CRM

### Background

CRM was developed in the 1990s as a way to better understand and manage a company's customer base. Tom Siebel is regarded as the founder of CRM and his company, Siebel Systems, founded in 1993, was the first CRM company of its kind. In broad terms, CRM can be seen as both a computer technology and an analytical approach to better understanding the financial value of customers. For the purpose of this section, we'll only look at CRM in terms of its technology and software innovation and will ignore the financial aspects of customer analytics.

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### **Simple to Explain**

The ability to track potential and existing customers in a single computer application was, at the time, groundbreaking. Previous customer management software had solely been focused on managing contacts and were effectively simple electronic address books. This holistic view of customers and their current status is very easily explained and understood. Although contemporary CRM systems are much more sophisticated, this initial starting point was easily conveyed and the benefits were quickly understood.

### **Consistency, Scalability and Predictability**

By defining sales processes, new enquiries and the overall status of a company's customer base, CRM systems create consistent, scalable and predictable methodologies with which to manage all of these different factors. The software involved has the ability to scale and grow with a company and in this sense CRM can be regarded as fulfilling this criteria. Although each individual firm will often have its own particular approach and process to managing its customers and sales, CRM software as a whole is able to adapt and reflect these different needs. Additionally, the contrast between the software processes themselves and their implementation by a business is an additional element in terms of judging the core consistency of CRM. For the sake of this analysis, we're only concerned with the underlying technology and methodologies in question and while their implementation may not always be successful, this factor is outside the scope of the criteria for successful process transformation.

### **New Skills**

As with all new computer systems, there are new skills to be learnt. Although many of these skills might be taken for granted currently, there is no doubting the need for people to learn how to use a new system and the time required to undertake the relevant training. When CRM systems first appeared in the 1990s, this skills gap was very apparent. By extension, this is evidenced in terms of the skills required to use the system itself and to understand and apply the new business processes that CRM makes possible.

### **A Business Case**

CRM likely began with an implicit business case. The ability to organise and centralise customer records and to track the sales process is likely to have appealed to businesses who were used to electronic address books and undocumented and fragmented sales processes. The promise of organising all of this information and being able to track this centrally is likely to have been part of the original proposition. In addition to the implicit business case, it's likely that an explicit business case would've emerged fairly quickly too. The financial impact of CRM can be shown in multiple ways and this is likely to have contributed to the adoption of the new technology. Examples of the return on investment would have included an increased number of new clients won, shorter sales cycles, increased account size from existing customers and a reduction in administration staff as a result of work being automated by the new CRM system.

## External Validation

There are two trade bodies in the UK which have links to CRM. The Institute of Direct and Digital Marketing was founded in 1987 and the Direct Marketing Association was founded in 1992. Although both of these organisations cover areas over and above CRM, their links with direct marketing offer a suitable degree of overlap to be considered relevant. Further to the two trade bodies, CRM has been covered by professional analysts since the mid 1990s. 1995 is perhaps the most notable year as prior to this CRM was also known as Enterprise Customer Management (ECM) and Customer Information Systems (CIS). However, the role of industry analyst firm Gartner, along with input from Tom Siebel saw the industry settle on CRM, Customer Relationship Management as a formal title.

## 3.5 Knowledge Management

### Background

All four of the innovations currently analysed have met all five of the criteria established for successful process transformation. By way of contrast and despite its popularity, Knowledge Management (KM) doesn't meet all five criteria and as a result, it can be argued that despite its innovation, KM has failed to successfully achieve process transformation.

Knowledge Management began in 1991 with work being undertaken in the Scandinavian financial services firm Skandia. Skandia hired the world's first Chief Knowledge Officer, Leif Edvinsson with a view to maximising the firm's intangible assets and knowledge. While KM grew in popularity during the 1990's, its nebulous nature meant that this particular innovation always suffered from an inability to be seen in a consistent manner, along with the lack of a well recognised business case.

### Simple to Explain

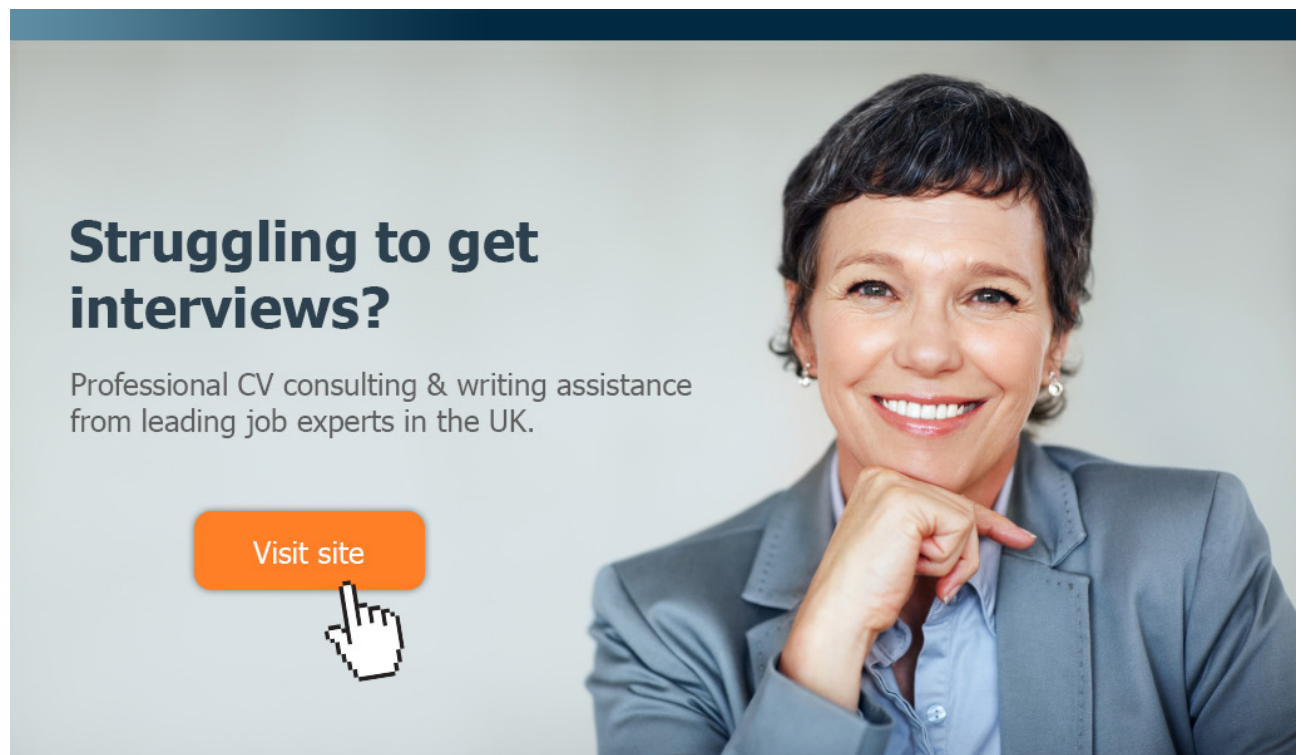
In principle, KM is simple to explain. KM promises to manage and leverage an organisation's knowledge and in turn generate greater efficiency as a result of better use of the company's information and employee's experience. Anecdotally, executives are likely to appreciate this perceived improvement in day to day operations. Additionally, it's always possible to mention the amount of time wasted when looking for information that has been misfiled or is hard to find and to use this to illustrate the benefits of KM. However, whilst these stories sound promising, actually defining KM is much harder once some initial questions begin to be asked. For example, what information, what knowledge or how will it be managed typically leads to more questions than answers. Superficially KM can be explained simply, although whether or not this explanation is of any use is another question entirely.



### Consistency, Scalability and Predictability

One of the long standing criticisms of KM has always involved around whether or not the discipline is either a philosophy or if it is a process. Philosophically, almost everyone in the business will agree that knowledge and information can be better managed, however turning this idea into a series of practical and valuable processes is much harder. These questions have always proved difficult to answer from the point of view of a KM practitioner. In principle, better knowledge management in the business should translate into a series of processes and methodologies to improve performance and there are numerous software systems to enable this. Yet, once one seeks to turn this into practice, multiple questions emerge around recording this information, retrieving it and what 'managing' this knowledge actually means in practice.

One of KM's biggest problems has been to find an initial starting point that is broadly accepted amongst practitioners. Whilst CRM is immediately relevant to sales and marketing and the Internet is applicable to internal communications and the IT department, KM could start anywhere in the business because there is no central process or place where knowledge is traditionally managed from. This lack of an accepted starting point or initial area of application makes it very hard to argue that KM can be applied in a consistent, scalable and predictable manner. Likewise the notion that KM can be applied 'everywhere' fails to acknowledge the contrasting processes and skills required amongst the various functions within a business. While numerous organisations have created and deployed their own KM systems, these by definition are bespoke and unique to the circumstances in question. Accordingly it would perhaps be more accurate to say that KM is a customised rather than a consistent process within businesses.



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## **New Skills**

Despite the lack of consistency and scalability within KM spheres, the adoption of any new computer system will always require new skills to be learnt. Over and above the computer skills, KM practitioners often learn additional skills around facilitation, community management and communities of practice. Whether one looks at the IT side of the discipline or the human centric perspective of facilitation, there is no doubting that KM practitioners do need additional skills in order to make a success of their role.

## **A Business Case**

From the outset, KM has also suffered from an inability to show either implicit or explicit return on investment. Implicitly, KM promised that the better use and management of knowledge would improve efficiency and allow the business to leverage an untapped asset, namely their employee's knowledge. Despite this apparent benefit, this has proven hard to realise. This is partly due to people not using KM software as it was designed for. This has also been caused by people failing to share their own expertise due to fear of losing their jobs or losing their ability to make the a unique contribution to their employer. Justifiably, people have chosen to keep their own expert knowledge to themselves rather than to systematically enter this into a knowledge management system for which there has been no obvious benefit to themselves. Finally, the lack of a consistent and scalable KM process makes it very difficult to show a direct financial impact as a result of using KM.

## **External Validation**

The first academic research into knowledge management was carried out in 1991 by Nonaka in a Harvard Business Review article called the Knowledge Creating Company. A number of academic journals specialising in the field have also been founded. The Journal of Knowledge Management was founded in 1997, the Journal of Knowledge Management practice was founded in 1998 and the Electronic Journal of Knowledge Management was founded in 2003. In addition to the academic interest, the Knowledge Management Professional Society (KMPro) was founded in 2001 and the Knowledge and Information Professional Association (KIPA) was also founded as an umbrella group covering a diverse group of knowledge and information professionals.

## **3.6 Conclusions and Caveats**

The high level analysis above illustrates that four of the five innovations have gone on to transform their respective process or function and despite their age, they remain very much part of the mainstream business landscape to this day. In contrast, Knowledge Management, despite its popularity in the 1990s, has failed to deliver the same level of transformational impact or financial benefit as the other four examples. The fact that there are technologies that don't always fulfil their potential along with those that do suggests that the five criteria identified initially can be reapplied to any number of future innovations and new technologies. Additionally, the re-application of the five criteria is also important when it comes to understanding process transformation in HR and people management.

Over and above this conclusion, there are two caveats worth mentioning. The first concerns the contrast between the underlying methodology and its application, whilst the second focuses on the financial impact of the methodology in question.

Regarding the first point, there is a clear distinction to be drawn between the features, benefits and capabilities of the methodology on the one hand and the practical implication and deployment of this on the other. Admittedly some technologies are easier to use in practice than others however many organisations will have attempted to adopt Six Sigma, CRM, ERP or other enterprise level methodologies. While adoption rates are never 100%, the additional factors that prevent the successful adoption and the realisation of the business case must be seen as separate and distinct from the underlying innovation or system in question. Large-scale change programs typically fail to realise their full potential around a third or half of the time. Some of the factors that may be responsible for this include changes to budgets, different requirements being introduced to the project as it progresses, political or cultural problems and changes to the business environment. While these are significant problems to be overcome by any business, it is perhaps of greater importance, at least for the purpose of this analysis and the establishment of the five criteria for transformation, that an industry wide consensus exists around the capabilities and scalability of any particular methodology or technology in question. There will always be problems, glitches and failures but the existence of a consensus amongst practitioners that a particular technology can be deployed in a manner that is consistent, scalable and predictable is the key point.

In similar fashion, the realisation of the business case is often subject to the same problems and concerns as with the issues around implementation. It is one thing for an investment or deployment decision to make sense on paper, it's another thing for this decision to show a business benefit once it has been deployed. While there will always be a gap between theory and practice, the fact that a particular project or organisation fails to realise its intended benefits when deploying an innovation doesn't mean that every subsequent project or deployment will also fail to realise its benefits. As above, the key fact revolves around the creation of consensus amongst practitioners, managers and executives as a group, rather than a single project's success or failure.

## 4 There's No Consensus around HR's Core Purpose

Given the nature of the HR function and its potential for transformation, it's useful to take stock and reflect on what has created the contemporary HR function and how we got to this point.

### 4.1 A History of Legal Compliance and Administration

HR first appears towards the end of the 19th century with the creation of Welfare Officers. Welfare Officers, sometimes called welfare secretaries were women who sought to protect the lives of women and girls through the rapid changes of the Industrial Revolution. From this beginning, HR spent the majority of its life as a legal and administrative function. It wasn't until 1975 that the International Labour Organization published its Human Resources Development Recommendation Number 150 which arguably marks the start of the profession's move into developmental and strategic activities alongside the traditional transactional focus.



The advertisement for e-learning for kids features a large central image of a smiling teacher leaning over a laptop to assist two young students, a boy and a girl. To the right, two smaller circular inset images show children engaged in learning activities: one shows three children looking at a tablet, and the other shows two children working on laptops. The background is a vibrant yellow with orange and white wavy lines. In the top left corner is the e-learning for kids logo, which consists of a colorful grid of squares. A green oval on the right side contains three bullet points. At the bottom, a text box provides information about the foundation.

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- Free Digital Learning for Children 5-12
- 15 Million Children Reached

**About e-Learning for Kids** Established in 2004, e-Learning for Kids is a global nonprofit foundation dedicated to fun and free learning on the Internet for children ages 5 - 12 with courses in math, science, language arts, computers, health and environmental skills. Since 2005, more than 15 million children in over 190 countries have benefitted from eLessons provided by EFK! An all-volunteer staff consists of education and e-learning experts and business professionals from around the world committed to making difference. eLearning for Kids is actively seeking funding, volunteers, sponsors and courseware developers; get involved! For more information, please visit [www.e-learningforkids.org](http://www.e-learningforkids.org).



HR's brief history is interesting for two reasons. Firstly, businesses needed a way to insure that they comply with the law and that they fulfill their contractual obligations to their staff. Secondly, from the outset HR has always been seen as a support function and not as a direct contributor to revenue or business value. Whether one thinks about a contemporary startup or a large, postwar conglomerate, the HR function is only rarely seen by the business at large as contributing significant strategic or commercial value.

## 4.2 A History of Learning and Development

Alongside the legal and administrative work undertaken by HR, the 20th century saw a series of experiments, research and exploration into learning and development in the workplace. Although the following is by no means exhaustive, there are a number of noteworthy developments over the past 80 or 90 years that have shaped the fields of organisational development and workplace learning.

One of the most well-known early examples comes from the work of Elton Mayo and the Hawthorne studies of the 1930s. His work into motivation, behaviour and factory productivity is often cited as one of the first examples of organisational development. Although this work is well known for showing a temporary improvement in performance as a result of changing various working conditions and processes, it failed to sustain these improvements over a longer period of time. Despite these disappointing results, Mayo is regarded as the founding father of the Human Relations movement and being a counterpoint to Taylorism and Scientific Management.

Another pioneer in the field of organisational development is Kurt Lewin. Lewin is credited with one of the earliest models of change management along with coining the term Action Research in 1944 and Group Dynamics in 1947.

A third noteworthy individual is Douglas McGregor. McGregor was based at the MIT School of Management in the 1960s and is best known for his work on Theory X and Theory Y. In brief, Theory X assumes that employees are lazy and will avoid work where they can and accordingly managers must supervise and control these employees. In contrast, Theory Y assumes that individual employees are ambitious and self-motivated and can control themselves. Naturally both approaches create very different expectations and attitudes to management, engagement and motivation in the workplace.

While the three examples above are all arguably relevant today, it is beyond the scope of this book to document a comprehensive history of the field. There is no shortage of ongoing academic research and practitioner led innovation in the field along with implications for business performance. What is perhaps more important and will be explored in the next section is the fact that despite this huge level of research and ongoing work, there is currently no academic or practitioner consensus around any unifying theory, approach, methodology or process with which to maximise and enhance the outcomes of the HR department at large.



### 4.3 Does HR have a Raison D'être?

While no one would dispute HR's focus on legal and statutory requirements, this alone falls far short of anything satisfactory in terms of establishing HR's core purpose. Although HR practitioners and managers recognise the importance of these requirements, they aren't comparable to all of the developmental work also carried out by the function.

Splitting the HR function in two is one route forward, but while this distinction is useful in terms of reframing the perception of HR by the rest of the organisation, it still leaves unanswered questions around development, business partnering, team work, leadership, culture, organisational development and engagement. These areas are almost always of greatest interest to HR practitioners and they also represent the areas of greatest commercial value. Despite this potential and likely consensus amongst HR professionals, there is no obvious centrepiece, process or methodology around which the function can unite. It's possible to see this in action when thinking about the goals and objectives of HR functions themselves.

Broadly speaking, each of the other main business functions has already determined their *raison d'être*. For example, sales seeks to drive revenue and increase income, marketing looks to build brand awareness and increase customer enquiries and finance ensures that the business doesn't run out of cash and that money is managed prudently both in terms of working capital and taxation. Manufacturing seeks to produce products that are demanded by customers in a timely and efficient manner, shipping insures that they reach the customer and the IT department ensures that computers and computer systems are functional, online and effective. While the particular tactics and methodologies employed by each function may vary, the simple goals outlined for each function above are well understood and are likely shared by the many people who work in and with them.

Contrast the simplicity of these major functions with the questions raised by the HR department. Which of the following is best represents HR's core objective or *raison d'être*?

- Improving employee engagement
- Developing leaders
- Identifying high potential and highly talented employees
- Improving talent management throughout the organisation
- Ensuring that workforce plans and recruitment objectives mirror business plans
- Improving teamwork and communications throughout the organisation
- Reducing levels of staff turnover
- Supporting business and organisational change programmes



Clearly there is no right answer to the question above. Equally, each of the items above could well be represent HR's key objectives, depending on the context and business climate in question. In principle however, this fragmentation of objectives and goals creates a problem for HR, certainly as a profession, if not always as a function within an organisation.

Keeping up with an ever changing business environment is always going to be a challenge. It is for this reason, in part at least, that HR is sometimes guilty of switching to the latest management fad or fashion instead of focusing on a goal or objective over the medium and long-term.

Similarly and despite the decades worth of academic research and practice into behaviour, personality, psychology and human resources, the function has yet to agree on any process, methodology or system that simultaneously delivers business value that is recognised inside and outside of the HR function and that addresses a good proportion of the potential goals and objectives listed above. While we have seen and already listed a number of innovations and process improvements that have transformed multiple business functions over the past 20, 30 or 40 years, there is nothing that has had a similar impact on the HR function or across people management as a whole.

This lack of a transformational process, 'unifying theory' or *raison d'être* for the function has ultimately been a source of much frustration both for HR practitioners on the one hand and managers and executives on the other. To compound this problem, all of the other functions have ways to show a direct financial impact from their work, along with being able to make reliable predictions and to improve manager's decision making in the process.

In summary, the lack of a unifying process, methodology or system that fulfils a number of HR's common objectives, along with HR's inability to show a direct financial impact from their work and the challenge of making successful predictions and therefore improving manager's people orientated decision making together makes for a function that is very different from all of the others. In part, these shortcomings account for the contrasting perceptions that managers and HR practitioners can often have of the function. In addition, HR is also sitting on huge well of tapped potential and transformative value should these problems be resolved.

## 5 Why Previous Attempts at HR Transformation Haven't Worked

Over the past 20, 30 or 40 years, the HR function has explored a number of new and different systems, processes and methodologies, all of which have sought to, at least in part, reshape the perceptions of and value contributed by the function.

Each of these different approaches are documented and outlined in the table below. A quick glance suggests that the main area of difficulty in terms of realising transformation is around the consistency, scalability and predictability of new approaches. In addition, showing a proven business case also highlights some gaps. Finally, items in brackets illustrate areas of debate and those currently lacking a broad consensus.

	Simple to Explain	Consistency, Scalability and Predictability	New Skills	A Business Case	External Validation
HR Business Partnering	♦		(♦)	(♦)	♦
HR Outsourcing	♦	♦	♦	♦	♦
Competency Models	♦	(♦)	♦	(♦)	♦
Psychometrics	♦	(♦)	♦	(♦)	♦
Employee Engagement	(♦)		(♦)	♦	♦
Talent Management	♦	(♦)	(♦)	(♦)	♦

Rather than comparing each innovation or process against all five criteria in the table, this section explores the primary factors that have contributed to the ongoing challenge in realising successful process transformation in a HR and people management context.

### 5.1 HR Business Partnering

HR Business Partnering was pioneered by US academic Dave Ulrich. His 1996 book *Human Resource Champions* laid the foundation for restructuring HR and sought to transform the value of and strategic input into the business. The book is also credited with creating the role of the HR Business Partner.

On paper, HR Business Partnering and its associated restructuring of the department suggests that significant additional value can be added to the business. This value is accounted for in part by creating a specialised HR administration role and in turn, this frees up time for the function to partner with specific senior managers, leaders and areas of the business. It is assumed that by saving time on administrative tasks and by partnering with the business, HR Business Partners are free to provide much more valuable input and advice to the business which in turn sees HR repositioned as a much more strategic and valuable function. Additionally and in principle, this new value and repositioning of HR has the added benefit of also being acknowledged by the business.

While the above is a very simple overview of business partnering, the approach has experienced mixed fortunes. In terms of the business case and making a financial impact, business partnering has typically seen the HR function make cost savings, usually as a result of reduced headcount in the department and the outsourcing of administrative tasks, either to an internal shared service centre or to a third party outsourcing company.

Whilst one would anticipate these savings to be wholly positive, the reality has been somewhat mixed. Spending less is generally good, however a reduced headcount has led to the criticism of HR being spread too thinly. Rather than adding more value, some HR departments have effectively been gutted of very capable people. Equally, reductions in headcount and outsourcing have often been justified through the use of business partnering, although this is often a case of rhetoric and changing job titles, as opposed to creating meaningful and sustained transformation.



The advertisement for Factcards.nl features a dark blue background with the logo 'FACTCARDS' in white and blue. Below the logo, a question is posed: 'Are you working in academia, research or science? And have you ever thought about working and moving to the Netherlands?'. Five colorful cards are displayed, each representing a category: 'Arriving' (yellow, 33), 'Living' (green, 50), 'Studying' (red, 51), 'Working' (orange, 101), and 'Research' (purple, 50). To the right, a light grey box contains text describing the website's offerings and a blue button labeled 'VISIT FACTCARDS.NL'.

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Over and above the debates about the financial efficacy of business partnering, there has been sustained criticism of the model, particularly with regards to the challenge of translating theory into practice. While Ulrich's model looks simple enough on paper, many organisations have found it hard to translate this into a successful operating model and realise the corresponding benefits as a result. The specific needs of an organisation and its HR department are unique to the organisation itself. Accordingly, business partnering needs tailoring and customising to reflect this and the lack of guidelines, consistency or predictability make it hard to scale in a reliable manner.

The third major criticism of the model evolves around the development of new HR Business Partner skills. By acting as a genuine partner to senior leaders, a minimum level of credibility and commercial understanding is required. While elements of this can be trained for, it is also important to realise that not everyone wants to work in this way. Equally, not everyone is capable of it either. There are only so many people who have the skills to work in this manner yet some HR generalists have seen their titles changed to business partner and as a result have suffered from raised expectations that can't be met. The training requirements and ambiguity around job titles relating to business partnering have also seen the model struggle to realise its potential.

While the model has regularly been the feature of various research projects and reviews, it remains one that continues to attract a variety of different opinions, making the lack of consensus amongst practitioners telling. While business partnering will have undoubtedly contributed to successful HR transformation in some companies, it would be hard to argue that it has done the same for the entire profession given the points above.

## 5.2 HR Outsourcing

Like business partnering, HR outsourcing also emerged in the 1990s. Although payroll had been outsourced by some companies since the 1950s, the 1990s saw outsourcing grow significantly in scope and scale. HR outsourcing grew for two reasons. Firstly, across all businesses, the emergence of the internet and improved telecommunications technologies saw transactional work distributed across the globe to take advantage of reduced labour costs. Secondly, given the emergence of the business partnering model above, HR departments separated transactional work from existing business processes, making HR outsourcing a reality.

Given the five criteria for successful process transformation, HR outsourcing is the only innovation in the table to successfully meet all of these. Accordingly, it must be judged a success. This isn't to say that HR outsourcing isn't without its problems but given its ability to lower costs in a consistent, scalable and predictable manner, this approach can be judged in a positive light.

Yes, outsourcing works and there are numerous examples of its success, although few would say it is perfect. However many HR practitioners and leaders seek to add value far beyond 'the basics' and self-service HR. Outsourcing's broad focus on transactional activities still leaves many unanswered questions around the value proposition and delivery of strategic HR, organisational development, talent management, employee engagement, learning and so on. In these scenarios, it's hard to make the case that outsourcing has realised successful process or functional transformation and yet these are exactly the areas that are going to deliver sustained and valued change for the function. Change that redefines HR's value proposition and purpose and change that is widely acknowledged both inside and outside of HR.

### 5.3 Competency Models

Competencies were pioneered by David McClelland in the mid 1970s. Prior to competencies, people management had focused on intelligence as a key driver of performance. Over time, competencies have grown in popularity and usage to the point where almost all HR departments will use a competency model or framework of some type or another. Such is their popularity that competency models can either be developed in house, this typically being the most expensive but more comprehensive option, or can be bought 'ready made' from a variety of suppliers.

Given their widespread use, competencies, in principle, offer a framework for determining the requirements of a role that is consistent, scalable and predictable. That said, there are two broad and interrelated areas of criticism that account for their shortcomings. The first evolves around their complexity, in particular their apparent inflexibility, subjectivity of assessment and subjectivity of interpretation. The second concerns their ability to show a return on investment or a business case.

#### 5.3.1 Complexity, Inflexibility and Subjectivity

Competency framework and models can very quickly become overly complex with large numbers of competencies used at different levels of an organisation's hierarchy and across multiple roles and departments. For example, one supplier of 360° feedback software includes over 100 competencies grouped under five different categories<sup>5</sup>. Another supplier lists over 400 functional or technical competencies and over 750 competency-based job descriptions in a competency library<sup>6</sup>. While this suggests a high degree of applicability, relevance and an appreciation of nuance in the workplace, it also shows how competencies can introduce too much complexity, leading to excessive duplication and overlap.

This problem of complexity leads to other criticisms, namely the subjectivity of assessment and interpretation. While HR practitioners and line managers are both involved in assessing and interpreting elements of a competency framework, the problem of subjectivity is always present.

Consider for example how one person's definition of good quality or good communications might differ from another's. Does good communication consist of lots of short regular updates or is it better to communicate less frequently but with longer and more detailed messages and reports. Clearly there is no right answer and some people will prefer one over the other or may even prefer both, depending on the context. Let's look at another example. The competency may ask for leadership skills but people react differently to different leadership styles. Some work better in very unstructured and autonomous environments, while others prefer more structure and more rules or boundaries.

While these two examples are very simple, the point is perhaps made even more clear when considering how we interpret the world around us. If you asked a group of people to describe the various colours of a particular flag, it is certain that the debates and differences of opinion would emerge regarding the shades and hues of particular colours such as blue, red or yellow.

While subjectivity of perception is an integral part of the human condition, it does create a problem for the universal application and use of competency models and frameworks. Furthermore, this subjectivity opens up opportunities for managers and team members to 'game' the performance management and assessment processes that typically go hand in hand with the underlying competency model in question.

An advertisement for SKF. It features a woman with long dark hair smiling in the foreground, with a wind turbine in the background against a blue sky. The text 'Brain power' is written in large white letters. To the right, there is a block of text about wind energy and SKF's role. At the bottom left, there is a call to action to visit the SKF website. The SKF logo is in the bottom right corner.

Brain power

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In addition to the problems of complexity and subjectivity, there is a third criticism of competencies, their inflexibility. Competency models and frameworks need a lot of work to research, develop and deploy and the current business environment typically changes much faster than competency models can keep up with. By failing to keep up with the pace of change, competencies can be seen as inflexible and divorced from commercial realities. In turn, this can lead to a credibility problem. Competencies themselves can be easily dismissed by managers and executives who see them as failing to reflect current priorities and strategies.

Furthermore, HR practitioners can sometimes be guilty of accounting for all performance factors via competencies. Clearly, factors such as culture, behavioural intangibles, people's emotions, budgets, processes and the business environment as a whole also impact performance in addition to competencies. While it is rare for HR practitioners to make this mistake, practitioners do run the risk of denting their credibility and commercial understanding as a result.

### 5.3.2 Do Managers see any Value in Competencies?

The second challenge or area of criticism regarding competencies evolves around their perceived value and the challenges they face in generating a compelling business case.

While some might see the comprehensive and arguably complex nature of competencies as a strength, this view is typically held solely by HR practitioners. From the perspective of managers and executives, this complexity is arguably a hindrance to their work and creates additional workload for no obvious return.

Anecdotally, there is never any shortage of HR practitioners complaining about the need to continually cajole line managers into completing various HR processes. Whether one thinks of performance management processes, elements of recruitment processes, engagement surveys or input from managers on job descriptions, managers are often accused of dragging their heels or being disinterested. Given this gap between the intended use of competencies and HR processes on the one hand and the limited interest shown on occasion by managers on the other, it would be reasonable to conclude that managers see little value in these competency related activities. This contrasts significantly with manager's adoption and interest in e-mail, mobile phones, tablet computers and being paid their expenses on time!

One possible reason for this discrepancy is due to the fact that competencies typically account for large numbers of people across an entire organisation, while managers themselves are only working closely with their immediate teams, anything from say 3 to 20 people. While competencies are excellent at understanding work requirements and job roles at a large scale, they don't easily translate to small teams and groups of 10 or so and it is these groups that are arguably of greatest interest to managers when it comes to improving performance and delivering their objectives. Of equal significance is the fact that when managing small groups and teams, the ability of a manager to understand individuals, the working context of the team, changing objectives and other variables is likely to be as important, if not more important than adherence to a competency framework. Given how this micro perspective contrasts with the macro perspective provided by competencies, it is easy to see how managers can seem disinterested in a competency driven approach.

Furthermore, the macro/micro gap that competency models can struggle with also opens up questions about their inability to successfully scale from a single team to an entire organisation. The fact that competency frameworks are only typically seen in businesses with HR departments of 2, 3 or more people and by extension, businesses with at least 100 employees demonstrates this fact.

From what we've seen so far, it is clear that competency frameworks can struggle to have their value recognised across the business, either via an implicit or explicit business case. While a HR department might argue that competencies are essential for their work, the limited enthusiasm with which they are met by the rest of the business suggests this view isn't shared by others. Similarly, it is very hard to find examples of competency frameworks being attributed to significant and demonstrable improvements in business performance. If anything, competency frameworks form part of a collection of approaches and processes which when combined, can be shown to have had a financial impact on a business. Examples of this would include talent management programs, employee engagement initiatives and high performance work systems.

One reasonable question to ask at this point would be if competencies are subject to such criticisms, why are they still so popular in so many different organisations? The answer to this is one that tells us a great deal about contemporary organisations and the way in which they work.

In short, competencies are still used because in part, they act as a way of justifying and legitimising organisational hierarchy. The use of competency models to justify and reinforce this ensures that competencies are likely to remain part of the HR and organisational landscape for quite a while yet. Additionally, HR's role in managing competencies and by extension overseeing and contributing to the management of an organisation's hierarchy is one of the ways in which HR justifies its contribution and value to the organisation.

## 5.4 Psychometrics

Psychometrics or the psychology of personality has been studied in universities for at least the last 100 years. Psychometrics are the area in HR and people management that attract arguably the greatest interest from both HR practitioners and business people in general. Given their popularity, psychometric brands are perhaps the most well known within HR as a whole. Myers Briggs and DISC are two such examples.

When thinking about the consistency, scalability and predictability of psychometrics, it's important to remember that the very essence of statistical validity and reliability is to achieve these exact qualities. While validity and reliability measures amongst the majority of instruments are typically robust and well researched, it's also worth remembering that these statistical properties lend themselves to a number of easy and straightforward applications and business processes. Therefore, the ease with which a psychometric instrument can be applied to a particular process is the key criteria against which to judge their consistency and scalability.

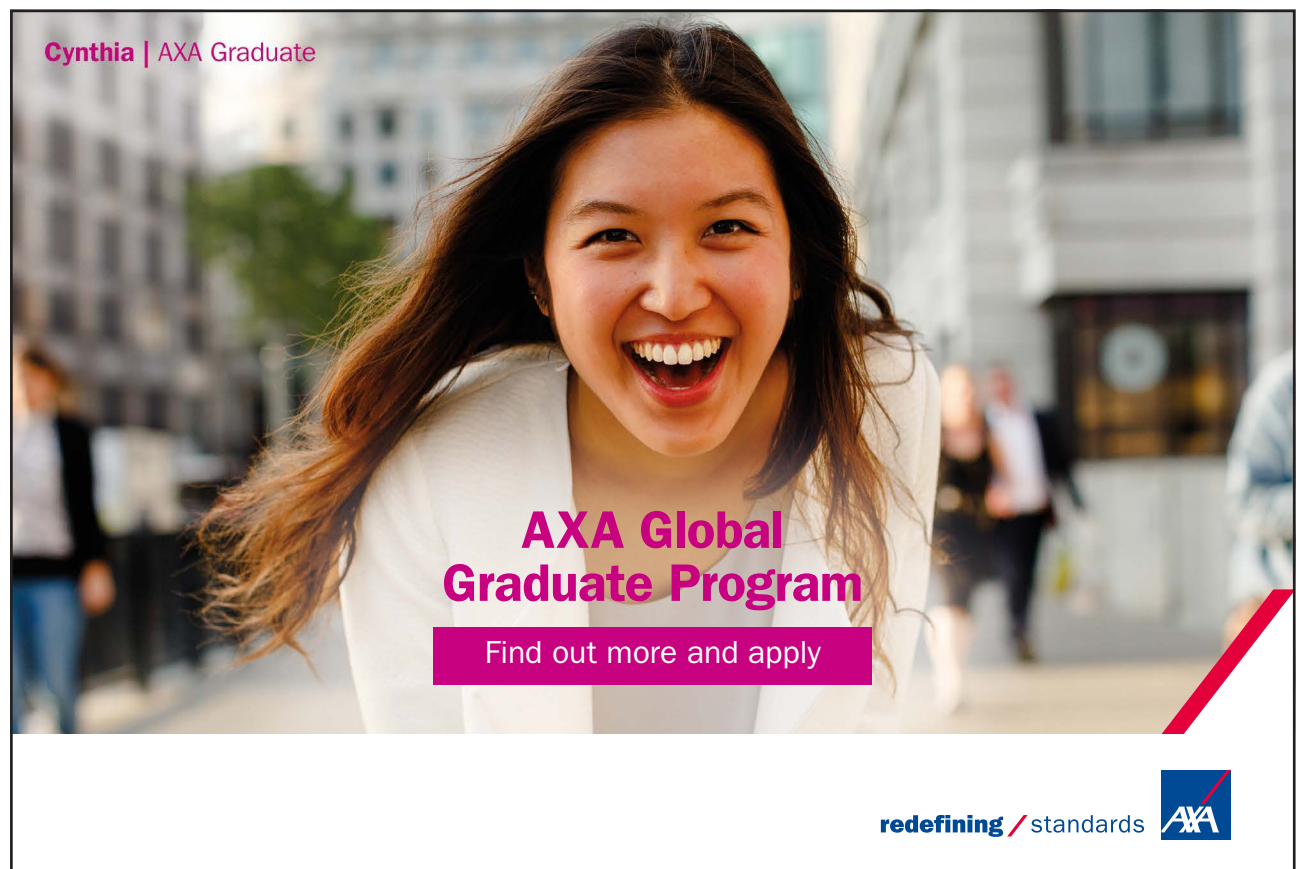
Given this distinction between statistics and processes, it's worth remembering that there are different types of psychometrics. For the sake of a definition, instruments that are used in recruitment and those that measure ability are much easier to use as part of a defined business process. In contrast, instruments that focus on development or that can't be used in recruitment are much harder to use as part of a structured or semi-structured process. Another way to look at this distinction evolves around decision making. If an instrument aids or enhances people's decision making in the context of a business process, then this is a good test of an instrument's ability to contribute to or define a process and in turn the criteria for consistency would be met. Alternatively, instruments that don't enhance decision making are not considered to have met this criteria.

While recruitment applications and ability testing lend themselves to consistent application and business processes, it's also worth pointing out that despite this, some practitioners choose not to utilise this aspect of psychometrics and don't use them for decision making or as part of a process, despite their ability to make a valuable contribution. These choices occur on a case by case basis and as a result, practitioners apply psychometrics in different ways according to the situation in question. That said, there are still many examples of businesses and practitioners who do use recruitment and ability based instruments in a consistent and scalable manner and who therefore do meet the criteria defined for this in the process.

There is a similar situation when considering the business case and return on investment available from psychometrics. As above, it is a little bit inconsistent and something that ultimately needs to be looked at on a case by case basis. In principle though, practitioners who use instruments that contribute to decision making and business processes are well placed to show a financial return from their work and to demonstrate a well supported business case. This is typically done most successfully in recruitment scenarios.

Having said that an ROI is possible, it is by no means guaranteed and some might argue that the value generated by psychometrics is seen by the HR department but is not acknowledged elsewhere in the business. One of the reasons for this contrast is due to the fact that some instruments require specific training and a good understanding of the relevant statistical methods in order to use them in any meaningful way. While the trained practitioner is comfortable explaining, interpreting and applying the results of a particular instrument, this doesn't always extend to managers and those that haven't had the benefit of the training.

In practical terms, some of the instruments used today present their results in a somewhat complicated and information-dense manner. When confronted with a long list of words, test scores, references to norm groups, error bars and confidence levels, people who are not familiar with this and who don't know how to make sense of it may well dismiss or ignore it. Allied to this problem is the challenge of creating meaning and practical outcomes which the trained practitioner needs to present to the manager in a couple of minutes. The difficulty of summarising psychometric reports along with presenting the information easily and concisely to managers is not always an easy task. As a result, psychometrics can sometimes be undervalued and seen as overly complex and lacking in relevance and application from manager's point of view. If enough managers and senior leaders share this perspective, then it's quite easy to see how psychometrics are quickly dismissed and seen as a HR 'toy' as opposed to a valuable tool that aids decision-making, enhances business processes and saves the company money.



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In summary, while it's possible to argue that psychometrics do meet, at least in part, the criteria for process transformation, this doesn't always translate into successful outcomes. The wide choice of instruments, the multitude of different applications and contexts along with their relative complexity, perceived value or lack of value contributes towards a mixed environment against which psychometrics are used and ultimately judged. In addition to this varied environment, the fact that psychometrics have been used commercially since the 1970s or 1980s suggests that there has been ample time for them to transform HR and related people management processes. While they have undoubtedly changed and arguably transformed recruitment, this is a small piece of the much larger strategic HR environment. Additionally, the relative lack of product innovation makes it hard to shift perceptions that may have emerged amongst managers 10 or even 20 years ago.

## 5.5 Employee Engagement

Although employee engagement first appeared in the academic literature in the 1990s, the government sponsored Macleod Review of 2009 saw the topic rise to the top of the HR agenda. Engagement is an interesting field due to the fact that various measures of engagement show good links to performance and this in part accounts for its current popularity and interest. On the other hand, there is only limited consensus around the definition of engagement and therefore what passes as employee engagement activities remains an ongoing debate. If anything, practitioners are likely to agree with the idea that they know good engagement when they see it, although offering a more precise definition is easier said than done.

The business case for engagement is clear. There are numerous studies and research papers that show direct and quantifiable links between employee engagement and various measures of performance. Academics and professional organisations have shown multiple links between commitment, morale, retention, trust and work satisfaction on the one hand and various measures of performance on the other. The performance indicators include measures of productivity, financial returns and businesses outperforming their peers. Although this is an extremely brief overview of the research, the evidence supporting the explicit business case for employee engagement is comprehensive, robust and shows evidence for both short term and long term benefits.

In addition to the research base, there are large numbers of managers, senior executives and CEO's who publicly acknowledge the value and importance of employee engagement. Implicitly, people involved in management very quickly recognise the significance of commitment, morale, trust and their contribution to performance. The benefits of high engagement also accounts for a large proportion of team and employee development activities that many businesses run on a regular basis. While some of these activities fail to show a direct financial impact, their sustained use reinforces the widely held view endorsing the implicit business case for engagement.

While engagement excels in adding value to businesses and being something that is recognised as HR's contribution, engagement struggles when defining itself and outlining the methods by which it can be maximised. This lack of consensus around a definition, along with debates about associated techniques and practices suggests that engagement is more of an outcome than a defined process. Definitions of engagement typically traverse a number of concepts including job satisfaction, avoiding burnout and exhaustion, expressing one's personal preferences when seeking and undertaking work and seeing engagement as a multidimensional 'umbrella' construct comprising many different factors. Further debates have explored striking the right balance between the preferences and values of the individual employee and the organisation they work for.

Over and above debates about definition, identifying the processes and techniques that create and improve engagement outcomes is also easier said than done. This point is perhaps best illustrated with data from the Gallup organisation. Gallup are arguably the world's leading employee engagement consultancy and have published numerous studies into engagement.

While the research above shows strong but static links between engagement and various financial and employee outcomes, when looking at engagement data in the US and Germany between 2001 in 2012, Gallup report that the figures for the number of employees who are engaged at work fluctuates within a narrow band of 4%. The figures for the US range from between 26% and 30%<sup>7</sup> while the figures in Germany vary from 11% to 15%<sup>8</sup>. It's important to stress at this point that these are not increases in engagement over the 11 years but instead show random fluctuations within these narrow bands. Given the size, timeframe and budgets of the client organisations that work with Gallup, it would be reasonable to assume that across multiple industries, finding a methodology that results in sustained increases in employee engagement remains an ongoing challenge.

Finally, with its academic roots, debates about definition and the challenge of creating sustained increases in employee engagement, it's hard not to see engagement as an outcome of, rather than an input into people management process. By extension, engagement itself doesn't define any new techniques or methodologies, instead it seeks to contextualise and measure them. From a critical perspective, one might see engagement as a convenient turn of phrase to capture a number of activities and people management processes that have been practised by the HR department for the past few decades. Although this view disregards the key findings from the research on engagement and its links to performance, engagement is arguably best seen as both a collection of loosely affiliated but inconsistent processes and as an outcome of these said processes, neither of which completely satisfy the criteria for successful process transformation.



## 5.6 Talent Management

Talent management was popularised by the management consultancy firm McKinsey and their 2001 publication of *The War for Talent* captured the attention of HR practitioners for the remainder of the decade.

Talent management is similar to employee engagement in that it encompasses a number of different approaches and techniques, all of which contribute to multiple outcomes and objectives. There is no agreed list or definitive set of processes that define talent management. Instead, practitioners typically undertake activity around recruitment, onboarding, management and leadership development, selecting and assessing high potential employees, workforce planning, executive coaching, cultural issues and staff retention and this list is by no means exhaustive. Additionally, individual practitioners and specific organisations will have developed their own approaches and processes to this broad canvas of topics. The upshot of this suite of different approaches is that it's not quite clear where talent management starts and stops. This makes it very hard to argue that talent management itself is a coherent and consistent process, as opposed to an amalgamation of different activities and goals. As with engagement, one could easily be forgiven for viewing talent management as an outcome and an umbrella term, rather than an input into a newly defined business process.

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The fluidity that underlines talent management above contrasts with the existence of numerous talent management software applications. The existence and use of these programs implies that talent management is a consistent, scalable and predictable process. These software applications enable managers and practitioners to collate, analyse and create output that forms the basis of decisions and activities that underpin multiple talent management processes. By automating, supporting and enhancing these processes, there is a reasonable case to suggest that talent management software has created robust and scalable processes.

Depending on your chosen perspective and your preferred definition, talent management can be seen either as a software enabled series of consistent processes, or viewed as an ad hoc and poorly defined collection of activities and events. Assuming that the glass is half full, it isn't unrealistic to take the view that talent management software has defined and delivered consistent processes and that this qualifies as meeting one of the five criteria for creating successful process transformation. What remains to be seen however, is talent management's ability to deliver a business case.

Regarding the business case for talent management, there is another similarity with engagement. Implicitly, almost all managers will regard talent management as an important factor in their organisation's success. Numerous surveys reflect this and to take a recent example, KPMG found that 81% of respondents believe that creating an effective talent management strategy is key to their competitive success<sup>9</sup>. This high figure is repeated regularly in other surveys. One might even go as far as to suggest that the value of talent management will always remain high. After all, it's highly unlikely that significant numbers of managers and executives will ever dismiss or undervalue the importance of their teams.

While the implicit business case for talent management is clear, showing a direct financial impact as a result of talent management activities is much harder. HR are regularly criticised for failing to show a return on investment from their activities. While showing an explicit return is sometimes easier said than done, particularly when working with intangibles such as relationships or culture, these questions are unlikely to go away anytime soon. In a recent survey, 85% of HR practitioners reported experiencing increasing pressure to show a financial return from their talent management initiatives<sup>10</sup>. In the main, it is rare to hear of HR departments demonstrating direct cost savings or measurable improvements in efficiency as a result of their work.

Given this mixed bag of perceptions around the value of talent management, it's worth exploring some of the factors that have led to this situation. While managers and executives regard talent management outcomes as valuable, in the same KPMG survey mentioned above, only 17% of respondents believe that HR does a good job in demonstrating its value to the business<sup>11</sup>. One of the reasons for this may well be due to a thinking/doing gap. While talent management is valuable in principle, the additional time and effort needed to make it happen, from the point of view of an individual manager, sometimes doesn't represent a good use of time. Too often, the requirements to complete talent management processes don't appear to help managers with their own immediate people problems. Managers are either cajoled into completing various steps of a process, or what is asked of them doesn't help them achieve their immediate objectives. HR activities can be seen as superfluous and a barrier to their own productivity.

Allied to this are the macro and micro perspectives that were mentioned earlier on. Talent management processes typically adopt a macro perspective of the workforce and various groups of talented individuals within it. This differs from the micro view of managers who are typically only concerned with their immediate team members, direct reports and the productivity of their shared working relationships. This micro review of teams and team relationships is arguably the area of greatest value and interest from a manager's point of view and represents an untapped 'last mile' of successful talent management and engagement activities. This point was succinctly captured in a recent Forbes article<sup>12</sup>.

*At a micro level, the leading factor influencing employee engagement is widely accepted to be an employee's relationship with his or her own direct manager.*

It's easy to see how workplace relationships can have a big impact on team performance and a manager's career. Equally, team and workplace relationships are complex, contextualised and nuanced, requiring a much more sophisticated and subtle approach than is typically available from most talent management processes. Processes to support, enhance and predict the outcome of workplace relationships represents near virgin territory when thinking about talent management, engagement and related HR processes.

In addition to the macro and micro perspectives and the value of workplace relationships, another criticism of talent management and HR processes in general is their inability to offer consistent and accurate predictions around people, their behaviour and related decision making. From a manager's point of view anything that can offer reliable predictions and valuable input into decisions is going to enhance the value of talent management and arguably transform the talent management process. Right now though, this is easier said than done. According to research from PWC, less than 1% of HR departments provide any form of predictive analytics<sup>13</sup> and yet making such information available to managers is one route to changing the perception and value of talent management, along with showing a direct financial impact.

## 6 Predictions about Likely Future Enablers of Successful HR Transformation

As we saw in the last chapter, despite a plethora of innovation in HR over the past 20 or 30 years, leaving aside transactionally focussed outsourcing work, nothing has successfully transformed the function, its perception or the value it contributes. While this situation is disappointing, the ongoing pace of innovation and change suggests that this won't remain the case forever. This final chapter reviews recent innovations and developments that may well prove more successful in changing the fortunes of the HR function.

It won't come as a surprise that two of these innovations are internet and computer related. Social media and big data are both relatively recent additions to the business lexicon. In addition to these areas, it will also be worth exploring personality psychology and Holacracy as two other areas of potential.

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## 6.1 The 5 Criteria for Transformation as a Predictive Framework

While making successful predictions is notoriously difficult, the lessons learned by applying the five criteria of transformation to the examples in chapters 3 and 5 will be informative going forward. Although the five criteria are unlikely to be perfect, it is hoped that they will give some valuable advice and insight when trying to understand which new technologies and innovations stand a chance of transforming HR in the future.

## 6.2 Social Media

Social media grew out of the Web 2.0 movement and in a commercial context it was arguably first conceived by Andrew McAfee and his Enterprise 2.0 book published in 2009. Given its recent emergence, social media and its related descriptors such as social business, social tools and Enterprise 2.0 are all at an early stage of development, at least when compared to some of the examples in earlier chapters.

It's also worth mentioning at this point that our focus is on understanding social media within organisations as opposed to the use of social media for marketing and customer communications. Although both approaches can adopt similar software tools, their application and value proposition differs considerably.

Despite its relatively early age, social media is arguably facing several problems in order to achieve its full and originally conceived potential. The first of these problems, similar to employee engagement is that of a consensus around a definition. Given the huge number of recently developed social media software tools, there is very little in the way of agreement around what constitutes social media and what doesn't. While debates about definition continue, this current situation makes it very hard to quickly and easily explain what social media is and how it helps a business. Critics are quick to seize on the fact that some people in business equate social media with Facebook and Twitter and fail to see any explicit or implicit commercial benefit. Furthermore, while more and more case studies emerge, each one typically solves a different problem in a different way and in a manner that is unique to the business in question. Case studies help build momentum for social media and social business, but they also highlight the problem of consistency and replicability.

As above, not only is social media difficult to explain in a simple manner but there are debates and differing perceptions about its consistency and scalability. This problem of inconsistency has two sources. The first evolves around the large number of social media software applications and different feature sets. The second comes from using social media in practice.

Regarding social media software, it would appear that any information sharing or collaborative application that can be used over the Internet could in principle be regarded as a social media tool. While there is nothing wrong in having a large choice of tools for the job in hand, the current software choices for social media reflects a disjointed and fragmented landscape. This is in stark contrast to other areas of software where market structures are much more mature. Internet servers, e-mail clients, word processing software and image processing programs are just a few examples of many different types of software whose use and adoption is much more consistent and stable.

Given the large number of social media tools that are currently available, it's no surprise that the applications and projects themselves are equally diverse and are far from being consistent, scalable and predictable. In practice, social media and Enterprise 2.0 have promised much in terms of transforming the way people work, removing inefficiencies, improving communications, enhancing processes and changing an organisation's culture. While these goals are attractive on paper, there is often a disconnect between the features of the software itself, levels of adoption and the likelihood of benefits realisation. This triangulation problem has recently led some commentators to suggest that social media tools on their own are incapable of delivering these benefits and instead, a more integrated and holistic approach is required, encompassing elements of change management, process innovation, moving away from legacy systems and achieving healthy levels social media software adoption.

While it would be premature to suggest that social media is never going to realise its initial promise, it's clear that the path ahead contains many more folks in the road. The original benefits and business case of social media is still largely unfulfilled and it may well be the case that social media's ubiquity arrives by accident and osmosis rather than by design.

From a HR point of view, there is another problem that might undermine the likelihood of any transformation taking place. As a general observation, it's unlikely that social media in its current form will either be 'owned' and managed by HR or that HR will get the recognition for its introduction and ongoing use. Leaving aside the use of social media for recruitment and sourcing candidates and HR's development of social media policies, social media is typically used to support projects, information sharing and process enhancement, as opposed to activities explicitly associated with the HR function. This isn't to say that HR departments will never receive any recognition for the use of social media, it's just unlikely that the HR function will be the department that consistently demonstrates the business case and application of consistent processes with social media.



### 6.3 Big Data

Big data is a new term representing combined innovations in data gathering, computer analytics, database technologies and increased computing power. Recent developments in all of these areas have made much more advanced analytical, statistical and predictive work possible. Whether gathering data from the internet or internal company sources, big data makes it possible to understand, analyse and predict numerous outcomes and actions that were previously unavailable. Given that big data builds on and extends a number of other mature technologies, this approach is felt to offer much more promise for realising transformation than social media.

Given an initial examination, big data appears to fulfil all five of the criteria required for successful transformation. Big data is easy to explain, it incorporates an analytical approach that is consistent and scalable, people need to develop new skills in order to leverage this analytical approach, there are both explicit and implicit business cases available and there is no shortage of case studies and research reports covering the field. While this is cause for optimism, there are three areas that are likely to need addressing in order for big data to fulfil its transformational potential.



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The first evolves around the skills needed to deliver all of the benefits. While many modern data analysis systems have evolved to the point where non-experts can easily query and analyse large data sets, the use of simple point and click interfaces does not guarantee a successful outcome. The development of analytical skill sets are likely to be essential in order to maximise the benefits available from big data. Although this isn't insurmountable, taking this requirement for granted is unlikely to generate the most valuable outcomes.

The second area involves the perpetual tension between transactional and strategic activities. What some people might regard as highly valuable strategic analysis could well be seen by others as transactional and the type of work that could or should have been done in the past. Naturally different people have different perceptions and expectations, but the deployment and reception of big data by HR practitioners on the one hand and executives in other functions on the other will be a good test of the strategic alignment of the HR department to the rest of the business. As with the point about analytical skill sets above, this concern should ultimately be easily resolved. However, it is likely that a sound analytical mindset will be a prerequisite for delivering the full benefits and business case available from big data.

The third concern evolves around a current criticism of big data and the challenge it faces in understanding social context. The great strength of big data is its ability to analyse very large amounts of information in a uniform and valuable manner. This lends itself very easily to trends, aggregate views and macro perspectives. That said, one of the criticisms levelled at big data has been that it fails to understand social context. While this point is debatable, some might even argue that this isn't relevant because big data was never intended to analyse social context in the first place. Regardless of the various views associated with this, the ability of big data to help managers better manage their teams and their people, a scenario in which social context becomes highly relevant, is a point worth exploring further.

While members of the executive team and C-Suite leaders are likely to be very receptive to the benefits of big data in HR, this is typically as a result of large-scale or organisational wide analysis. There is no questioning the value of this work and yet it does prompt the question, how can big data help managers in general improve the performance of their teams and the people they manage? Organisational wide trends and analysis is one thing but helping managers to improve their own management is another. Although this point is perhaps tangential to the core purpose of big data, it is something to keep in mind when considering HR transformation and how people's perception of the function may or may not change as a result of adopting big data. It's quite possible that big data is run by an analytical team within the HR department (a scenario that isn't dissimilar to Google's restructuring of the function under Laszlo Block) and the results of the analysis are shared exclusively with senior leaders. Managers themselves however are left with little or no appreciation of the benefits of this work, not least due to an apparent lack of relevance to their own working environment and as a result, the perception of the HR function remains the same.

## 6.4 Personality and Psychometrics

Personality research is one of the oldest areas of psychology. It is also arguably the area of HR that attracts the most interest and input from non-HR people, aside from salaries and benefits! Personality and psychometric tools have transformative potential for several reasons. Firstly, given their academic foundation and the importance placed on validity and reliability, personality tools are well placed to define new processes and systems that are in principle robust, scalable and predicted.

Secondly, personality and group dynamics play a well acknowledged and significant role across multiple HR objectives. Whether one considers engagement, performance, leadership, change management, organisational structure and OD, training and development, communications, staff retention, talent management or business partnering, all of these facets leverage personality as a significant factor in their outcome. As a result, viewing personality as the lowest common denominator in HR and people management offers a number of interesting possibilities for the function in terms of defining a core business case and *raison d'être*, dramatically increasing the value contributed by the function through economies of scale and economies of learning and ultimately changing people's perception of the function in the process.

Thirdly, ongoing research into personality is continuing to help better understand the drivers and factors that shape behaviour, group interaction and people's values. Not only is this an ever-changing landscape, but these efforts attempt to get under the skin of some of the more profound and valuable research questions in HR. One such question was posed in 2003 by Dave Snowden and Cynthia Kurtz who asked the following<sup>14</sup>:

*We would like (but do not expect) to see simulations of human behavior able to encompass multiple dynamic individual and collective identities acting simultaneously and representing all aspects of perception, decision-making, and action.*

The successful realisation of this approach brings with it considerable ethical and moral dimensions. Additionally, the ability to successfully answer this question has significant implications for the nature and value generated by the function, not least of which is the wholesale transform of the very essence and perception of HR. Although such an approach appears to be a very long way off right now, the pace of technological change and ongoing research means that such a scenario may one day become a reality.

While it would be premature to suggest that personality and related psychological factors are in place to transform HR right now, there are two areas that showcase a number of interesting and ongoing developments that offer some level of promise and potential. The first of these is the application of big data to personality while the second concerns a number of new areas of research in psychology and personality itself.

Big data has already been successfully applied to a number of HR applications. IBM has recently shared research into determining peoples personality from information they've shared online<sup>15</sup>. Although this work is at an early stage, it does begin to showcase some of the potential of this technology. Similar examples illustrate the use of this approach to help screen applicants for jobs via publicly available information on each candidate and in turn to improve the success of recruitment processes, particularly with regards to people paid on an hourly basis. Although these examples are new, the end goal is the creation of predictive analytical models that can be used to improve the decision making and outcomes of HR processes.

As above, research into psychology and personality is ongoing and a number of recent developments shed light on areas whose value is perhaps somewhat limited and other areas that show promise and potential. A number of authors have called for new approaches and new areas of research with particular reference to the addition of context and more nuanced psychological factors in order to improve the efficacy of particular psychometric approaches<sup>16</sup>. This call has been recognised by a select group of practitioners and consultants who share a broadly similar outlook<sup>17</sup>. Additionally, other researchers are exploring different approaches to the philosophy of measurement and the ability, or not, to successfully quantify psychometric traits. Other scholars are focussed on revisiting and demonstrating experiment replicability. Finally, new models and approaches are also emerging including Grice's Observation Orientated Modelling for statistics and Four Groups' 4G framework for predicting behaviours, relationships and group values.

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Although the review of new developments in psychology and personality above is exceptionally brief, the current rate of change and development of multiple research agendas suggests that the contemporary landscape of personality tools could shift dramatically in the next few years. This shift could also lead to a significant change in people's perception of the core proposition, business case and value generated by these personality tools.

## 6.5 Holacracy

At the start of 2014, Holacracy received significant press coverage when the shoe retailer Zappos announced that they were going to adopt the Holacracy methodology across their entire business of approximately 1,500 people. The announcement came after a successful six month pilot of Holacracy in a single division of the business. At the time, Zappos is currently the largest business using Holacracy.

While it is beyond the scope of this book to offer a complete overview of Holacracy, the approach is based in part on a Dutch governance model called Sociocracy. At its core, Holacracy defines a set of governance processes, organisational structures, autonomous 'circles' of people or teams, distributed authority and a written constitution. Given the inclusion of distributed authority, different governance processes and autonomous circles of people working together, the approach is conceptually and practically very different from the vast majority of contemporary organisations and management styles. The methodology typically demands an 'all or nothing' approach to its adoption and as a result has found success among more progressive organisations who are very receptive towards different operating and management models.

While the impact of Holacracy on HR is significant and arguably transformative, it's hard to know at this stage exactly how this will unfold. In broad terms, Holacracy subsumes various aspects of HR and OD given its approach to organisational development, reporting lines, organisational design, business processes, structures and hierarchies. The impact of this can be felt in one of two ways. Firstly, HR can see this as an invasion of their area of expertise and traditional domain and as a result, Holacracy can be seen as undermining HR. Alternatively, Holacracy can be seen as an enabler of more strategic HR activity. By freeing HR from various tasks and obligations that needed managing in the past, practitioners may find themselves with much more time available to focus on other activities of value in the business such as training and development, business partnering, coaching and other valuable initiatives.

Given the recent emergence of Holacracy and the types of businesses that have chosen to adopt it to date, it's hard to know exactly which of the two options above will become more prominent. That said, the fact that Holacracy has had more success with smaller businesses and startups suggests that the approach may be more applicable to organisations with either no established HR function at all, or just a small department at best.

# In Summary

As can be seen in the table below, Big Data satisfies all five criteria while Personality has a question mark against its business case and Holacracy has questions over explaining it and its business case. Social Media has multiple questions against it.

	Simple to Explain	Consistency, Scalability and Predictability	New Skills	A Business Case	External Validation
Social Media	(♦)	(♦)	♦	(♦)	♦
Big Data	♦	♦	♦	♦	♦
Personality	♦	♦	♦	(♦)	♦
Holacracy	(♦)	♦	♦	(♦)	♦

Of the four innovations presented, Social Media probably receives the most coverage in the press and online. That said, there are a number of unanswered questions around explaining it, defining consistent processes and realising a business case. While there's no doubting the potential of social media, it still feels somewhat embryonic and it's far from a sure bet at this point.

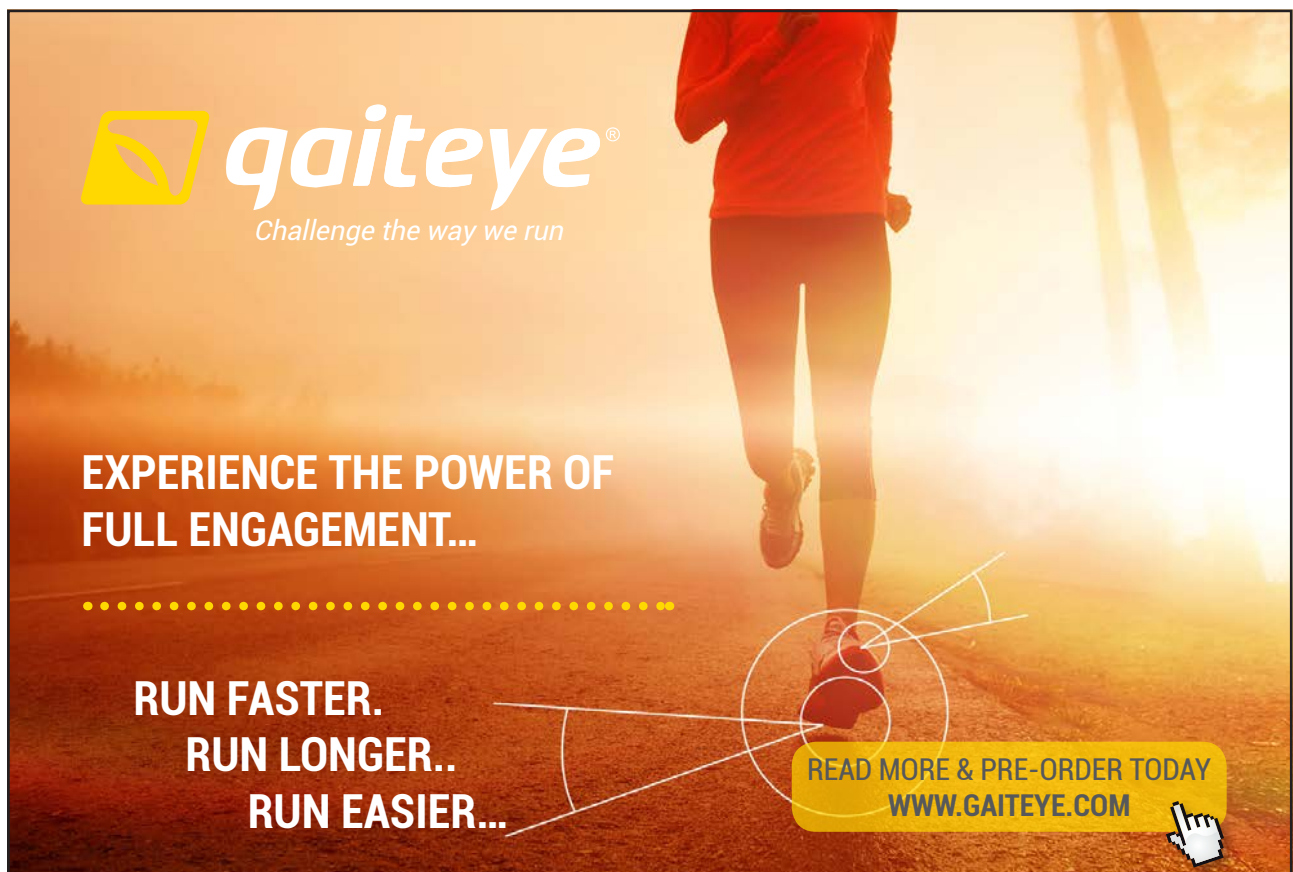
Turning to Big Data, on paper this looks to be the best way of realising HR transformation. However it's important that newly acquired analytical skills are maximised and that the value contributed is acknowledged by a wide cross-section of executives and managers. Combined, these two factors require a degree of culture change in HR in order to realise the full potential of this transformation. While this is achievable, it marks a shift in the nature and perception of HR, arguably for the benefit of both practitioners and managers alike.

Personality and Personality psychology is interesting given new areas of research currently being undertaken. In addition to this research, it's not inconceivable that new models, theories and practices will help change the perception of and business case offered by personality and psychometric tools. Although innovation in this area is less well known than in Social Media and Big Data, it's hard to ignore given that Personality is arguably the lowest common denominator for strategic HR and it has the potential to help create a core purpose and *raison d'être* for the function.



The fourth and final innovation, Holacracy appears to fulfil three of the five criteria with questions remaining about how easy is it to explain and its business case. January 2014's announcement that Holacracy was being deployed by Zappos saw a flurry of media and blogging coverage, the majority of which seemed to struggle to explain the innovation in a simple and clear manner. Debates about the use or lack of job titles and hierarchy meant that it was far from straightforward to quickly understand what Holacracy is and isn't. In addition to this, Holacracy proposes an implicit rather than explicit business case, but given that many managers and leaders quickly recognise the costs of inefficient organisations, the business case is arguably quickly acknowledged.

Perhaps the three biggest unknowns about Holacracy come from its contrast with and challenge to contemporary models of management and organisational structure, the requirement to adopt Holacracy in an 'all-or-nothing' fashion and the fact that the impact of Holacracy on HR is difficult to forecast at the moment. Given what we already know about this approach and the firms that have adopted it, it seems that Holacracy's greatest strength is in the not for profit sector and firms who are already very culturally progressive. Right now, Holacracy doesn't appear to be an approach that is likely to gain widespread, mainstream adoption in the the next 3–5 years.



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# Conclusion

Given the framework and five criteria for transformation presented in chapter 2 along with the various applications of these criteria to HR and non-HR innovations, the framework can also be used to help predict the likely outcomes and successes of future innovations. While the four innovations presented in this final chapter are all reasonably new, Big Data seems to be the most likely to succeed at this point. This is not to rule out the other three possibilities, but their current shortcomings are worth noting and serve as a guide to their likely final outcome.

More broadly, having introduced a different perspective on what determines the outcome of successful transformation, it's hoped that this approach proves a useful reference point in trying to establish the result of any attempt at process orientated transformation.

# Endnotes

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