EXECUTIVE SUMMARY

The Future of Work: Frontline Challenges in an Era of Digital Transformation

Digital transformation is not about a single technology or tool but rather how they work across the organization. It requires a new organizational mind-set along with significant cultural change and openly questioning the most basic beliefs and assumptions of an organization. It begins with having a blue print for the digital future—an enterprise-wide strategy for digital transformation. From this, the cultural blueprint emerges along with the processes and structures to support it. How does this all come to life on the work floor? What does this require in terms of systems and organizational structure? Success will require a hard look at job redesign and talent development.

This report is based on the shared wisdom of more than 250 C-suite and senior level executives from 14 Senior HR and related Councils who attended *The Future of Work: The Strategic HR Joint Council Meeting* hosted by The Conference Board in Chicago in May 2018. Their goal was to look at the evolutionary impact digital transformation is having, and will have, on business organizations from the perspective of HR executives. The insights throughout this report, supported by research from The Conference Board and other sources, are based on feedback collected through social media and instant polling throughout the meeting, presentations by facilitators at breakout sessions, and discussions among Council members. The meeting was held under the Chatham House rule which means participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed without explicit permission.

Insights and the Wisdom of the Crowd

Many organizations equate digitization—simply using technology to do something better or faster—with digital transformation, an enterprise-wide strategy that leverages digital technologies and the data they produce to connect organizations, functions, people, customers, physical assets, and processes inside and outside the organization. There is a difference between "doing digital" and "being digital."

Among the key insights developed by the collective wisdom of the crowd:

HR must learn to disrupt itself before it is disrupted, otherwise past success may become our failure. Many HR organizations are framing questions, challenges, and opportunities based on current paradigms and outdated business models instead of

future paradigms and new ways of doing business. HR must ask fresh questions aligned with the future instead of the past. Some advanced HR organizations are doing just that, running their own internal experiments in HR innovation labs that allow them to fail quickly as they develop new products and processes.

HR needs a comprehensive digital strategy of its own. In the view of members, HR needs a comprehensive digital strategy, aligned with the organization's digital business strategy, for deploying technology, data, and connectedness across its partner business units to achieve both the *speed and scale* that digital transformation requires.

Adopt design thinking: putting yourself in HR's customer's shoes. Use contextual observation and the involvement of your workforce and HR business partners to innovate and improve the value of programs and processes to meet the organization's and business unit's goals. The first question we should be asking ourselves is: what does my customer need? Step into your client's shoes. Customer obsession needs to be your starting point. Understand that design thinking can be a messy, nonlinear process that challenges inflexible corporate and individual function cultures.

Realize that your consumer is your workforce, and employees today expect consumer grade experiences at work. Many organizations have focused on the external customer experience, while the experience of internal customers—employees, hiring managers, and so on—lags far behind. This can have an adverse effect on recruitment, retention, and engagement in an era of tightening labor markets and diminishes the HR brand internally. We need to focus organizational design on delivering a world-class, consumer-driven end-to-end workforce experience. One strategy: consider an employee experience officer to focus HR on this critical need.

Agile is coming to HR. Agile started in IT as a method for developing software but is now transforming the way many organizational functions work. In some organizations, HR is beginning to learn to use agile at scale, but full-on adoption is still some way off. An agile approach brings together all the relevant functions within a small team. Their objectives are shaped by customers. Rather than striving to produce a perfect solution, agile HR teams aim for a "minimally viable product" that can be released to the market quickly and then refined and enhanced based on user feedback.

HR systems need to support collaboration and learn to place value on work done in teams. Traditionally organizations differentiated rewards based on individual perfor- mance. But pitting employees in head-to-head competition also drives out collaboration. As teams become a centerpiece of human capital strategy, companies need to emphasize the collaborative aspect of culture. The challenge is developing a rewards system that values work in teams. Organizations and HR must find the right balance between devel- oping *A* players and developing productive teams.

Evolving your talent: do you recruit for skills or attitude? In a world where digital skills are often quickly outdated, paying a premium to hire specific technology skills on a full-time basis may no longer make sense. Instead, companies should be recruiting individuals who are purpose-oriented and continuous learners. They are likely to outperform more highly- skilled but disengaged employees. Providing the tools and time for continuous learning and skill upgrading may be the most effective way of filling the digital talent gap.

You cannot have agile teams and drive innovation without inclusion. Inclusion is an imperative in agile methods and design thinking, yet few organizations have an inclusion metric they use to assess managers. Research by The Conference Board finds companies with a track record of continual innovation were more than four times as likely (50 percent) as those with sporadic innovation (12 percent) to describe their organization as *highly inclusive*.[1]

Bias algorithms: are we designing diversity into our technology? Big data and analytics can perpetuate bias, have disparate impacts on groups, and skew decisions about people and their opportunities. Diversity and inclusion expertise and principles applied to data collection and analysis help mitigate these. Most think AI and data science is a technical endeavor, but it's really a human endeavor. And anything that's created by humans is prone to bias.

Managing digital transformation requires empathy for those affected. Leaders must pay special attention to the real and perceived impacts to people, as well as the unintended personal and social consequences of "being digital." Remind employees, it's about the evolution of jobs not their elimination.

The Future Function

The HR function will likely become smaller as some tasks shift from humans to machines, but those remaining tasks will become more complex and strategic. To be successful, the future HR function will require the following:

- Design thinking as the default approach to program development

- Agile methodology

- Stronger collaborative skills: team-to-team processes and communication will be the norm and require structures to be in place to support collabora- tive give and take

- A focus on not only sourcing but engaging a contingent, nontraditional workforce

- Different types of training such as IT, global collaboration, cultural awareness, ability to work in a team, process automation, and data analytics

- New competencies for individual success as an HR leader, including the ability to manage dynamic and complex developments amidst an avalanche of real-time data and information

- Skills in team coaching with HR executives becoming performance management specialists that move around organizations coaching teams to maximize performance

- Becoming more transparent in sharing information both inside and outside the organization

- Changing notions of data confidentiality: for example, the EU's General Data Protection Regulation gives employees the right to see virtually all the data the company has on him/her

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1   Mary B. Young, Charles Mitchell, and Michelle Kan, *Inclusion + Innovation: Leveraging Diversity of Thought to Generate Business Growth,* The Conference Board, January 2016.

Managing Digital Transformation

Research from The Conference Board identifies eight areas where HR can contribute to a successful digital transformation:[2]

1. Doing a deep dive into digital transformation: becoming—and staying—well informed about digital transformation will boost HR's value and credibility

2. Shaping organizational culture

3. Reimagining organizational and work design

4. Creating a new leadership model

5. Determining the demand for talent

6. Assessing talent supply

7. Closing the gap between talent supply and demand

8. Bringing agile methods inside the HR shop

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2   Mary B. Young, *Driving Digital Transformation: What's the Role of HR?,* The Conference Board, April 2018.