2005 Thought Leaders Retreat

HR Leadership for the Next Decade

An exploration of the shifting demographic, technological and social trends that promise to transform the workplace over the next ten years, and their impact on executive HR leadership.

Executive Summary

September 14 – 15, 2005
New York Marriott East Side
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Key Themes of 2005 Thought Leaders Retreat

Overview

The next decade will be marked by great volatility and uncertainty. In this environment, HR must stay nimble in building and executing strategies that create value, while developing new competencies. Many new forces are coming to bear on workers, organizations, and ultimately HR. Cutting-edge technology is changing where people work, how they work, and how they interact. The shrinking pool of workers is forcing companies to take new steps to attract and retain employees while optimizing what they have. Workers are growing disaffected, and the world is becoming increasingly global.

HR will have to learn to adapt to this transformation. The “deal” between employers and their employees must be restructured, often worker by worker. HR must find new ways to communicate with and manage tomorrow’s far-flung workforce. Retirement will be redefined, if not eliminated. Cynical employees have to be remotivated, and ways must be found to manage a new type of worker who cycles in and out of the workplace.

Having finally won a seat at the table, HR is now expected to play a major leadership role. Companies as well as employees will be transformed as they adapt to growing competition, increased globalization, and a shift to a decentralized management structure. All of this will require highly prepared, well-trained HR professionals with the competencies to guide the organization through the maze of the next 10 years.

Context

SHRM Foundation’s 2005 Thought Leaders Retreat focused on HR leadership over the next decade. Sessions included presentations and interactive discussions that addressed the challenges HR will face in the coming years.

Key Themes

- We live and work in uncertain times.
  The outlook for the future is VUCA—volatile, uncertain, complex, and ambiguous. This is the assessment of the U.S. military, but applies to virtually every industry and profession—especially HR. Whereas organizations previously focused on solving problems, in the coming decade the challenge will be wrestling with difficult dilemmas. Globally, the Institute for the Future’s forecast for the next decade is its darkest in the 27 years it has created such forecasts. Values are continuing to change, the role of work is far different than it once was, and workers are more cynical than ever. The challenges of the next decade will be the greatest yet faced by those in the HR profession.

- The workforce is changing: the looming global labor shortage and growing diversity will have a significant effect on how HR operates.
  Demand for workers in the United States will begin to exceed supply. At the same time, the workforce is growing older and more diverse. In addition, employees have become increasingly cynical and less engaged with their jobs.

  With this context, HR must encourage older workers not to retire and should instead try to ease them into new forms of work, whether it’s part-time jobs, cyclical employment, or job sharing. HR is also tasked with improving the engagement and productivity of the workforce. Because the specific solutions will vary per industry, company, and worker, HR must change the way it thinks. Rather than continue to have policies that are consistent, HR will customize the “deal” it provides to each employee, offering jobs, compensation, and benefits that are “fair” (but not necessarily equal) and are designed to attract and retain particular types of workers. For some, deals will emphasize meaningful work and flexibility, while others will receive bonuses and stock options.
• Changes in how workers communicate, the benefits they demand, and how they structure their careers will offer HR new challenges and opportunities for growth.

Many factors will affect how HR manages the future workforce. Key among them is the death of the traditional team. In its place will be swarms—groups of like-minded people linked by technology. Swarms can form quickly and are adept at problem solving, but influencing them will require a new set of skills.

Employee benefits will be affected as tomorrow’s workers expect more than just health insurance in the emerging “health economy,” where drugs, treatments, and procedures that are now optional become mainstream. As more people diverge from the standard career path, HR must find ways to ease their transition in and out of the workforce. And the decline of the United States as a center of innovation means that HR must become more global, not only working with people all over the world, but finding innovative new ways to encourage and train employees to work and live internationally.

• HR is becoming more important, but there is still a distance to go to convince CEOs that people require the same attention as profits and technology.

Although HR is increasingly winning a seat at the table, many CEOs still lack a clear understanding of how HR works and how HR affects and is affected by every decision in the organization. The goal is to get to a point where no major executive decision is made without HR input. This will entail changing the focus of HR from cost savings and efficiency to creating value, and from focusing on short-term execution to building long-term capabilities.

HR is going to face major challenges as companies are forced to develop new business models to remain competitive. Being able to change quickly will be the key to survival. As it becomes increasingly clear that smaller organizations are better able to adapt, HR will help corporate structures evolve to become less centralized and hierarchical.

• As more is being asked of HR, it must find innovative ways to improve HR competencies.

Dealing with the onslaught of anticipated changes requires a highly competent, well-trained HR operation. But competencies are not easy to develop. It takes time and money, both of which are in short supply, as well as long-term commitment. Few companies have developed systematic programs to build competencies and to train and nurture HR staff as they grow within the organization. Challenges in developing competencies also include finding new ways to rotate people into line jobs to broaden their experience, and getting around the fact that some traditional steps on the HR career path have been outsourced. In addition, there is still work to be done raising the self-esteem of the HR profession and instilling in HR practitioners the courage to proactively lead and to stand up to line managers.
Overview

We live in volatile and uncertain times where the composition of the workforce and the nature of work are undergoing significant change, and where organizations will face problems without clear solutions. The workforce of the future will be global and will include more older workers (who previously would have retired but now remain in the workforce), and more “out-of-sequence” workers. Workers will seek to derive meaning through their work, and unprecedented emphasis will be placed on health. New technologies and ways of communicating will break down geographic barriers, and will change how people work together and how teams and organizations are structured.

HR executives need to be aware of these major external trends. They should work with others in the organization to develop forecasts. These forecasts don’t have to be right. The forecasting process will make a difference if it stimulates the development of insights which lead to action.

Context

Dr. Johansen discussed the customized version of the Institute for the Future’s “Map of the Decade” created for Deloitte. This map forecasts external forces that will affect U.S. workers from 2004 to 2014. The map includes 30 forces within six major trends (globalization, workforce diversity, emergence, smart presence, participation, and health value). Dr. Johansen focused on several of these forces.

Key Learnings

- We are living in a VUCA world.

VUCA is an acronym coined at the U.S. Army War College: Volatility, Uncertainty, Complexity, and Ambiguity. VUCA describes the context faced by the military, and also applies to virtually every industry and profession.

In this context, the way in which organizations operate will be required to change. Previously organizations used systems thinking and focused on problem solving. But, in a VUCA world, some problems will not have solutions. The decade will be filled with dilemmas for which most organizations are not currently prepared.

- In a networked world, “swarms” are the new teams.

New technologies are changing how people communicate and work together. One trend is the development of “swarms” or “smart mobs.” A swarm is an amplified social network—a group linked by technology; a form of global peer-to-peer networking. Swarms can form quickly, communicate in real time, and be located in the same place or around the world. An example is the protestors at the World Trade Association meeting in Seattle who communicated through text messages on cell phones.

Swarms will affect the workplace as individuals and teams are able to share information, data, and ideas instantly, no matter where they are in the world. As a result, the process for innovation will evolve. Instead of innovation being concentrated in the U.S., it will become more global. In addition, swarms will change the structures in companies. Companies with organic, decentralized “fishnet-style” structures and swarm-like communications will prevail over hierarchical command-and-control organizations.

“Physical distance means nothing in a virtual world.” — Dr. Bob Johansen

- The global talent war and changing employee attitudes will change how employers and employees relate.

Increasingly employers and HR professionals will think differently about the workers they attract and the practices they use. Three trends are:

- Out-of-sequence workers: This will become common as employees enter and exit the workforce at various points during their careers, and change jobs more frequently. Employers will have to structure jobs and employment arrangements to take advantage of these workers.
Retirement will become obsolete: Many baby boomers and others at or near the traditional age of retirement do not plan to retire. The concept of retirement will cease to exist. New ideas and words such as “redirection,” “regeneration,” or “refirement” will take hold. (According to management guru Peter Drucker, given the current labor market and the health of today’s workers, the retirement age should be reset at 79.) These individuals desire to remain part of the workforce, and companies are advised to tap into this large and growing segment of workers.

Corporate loyalty will return—only in a different style: Today’s younger employees want a relationship with their employer—often a long-term relationship—but they want it on their terms. They don’t mind being led, but want an organization that’s less paternalistic. They’re not as aggressive and as career-driven as other generations, but are still highly engaged in their work.

Because employees desire to be “better than well,” the health economy will replace healthcare.

Healthcare as we know it is primarily a response to disease. In contrast, the developing health economy is far broader and covers all forms of wellness—and beyond. Baby boomers have an attitude that they want to postpone aging and live forever. They are turning to pharmaceuticals, cosmetic and surgical procedures, food supplements, and other products in order to do so. This endless pursuit of health will drive the economy for the next decade as the line between what is necessary and what is merely desirable continues to blur. HR will play a key role in creating new types of benefits, plans, and corporate cultures that fit with this trend.

People are seeking greater meaning in their lives.

As employees are seeking more meaning in their lives, they are increasingly looking to their work to provide it. For many, today’s VUCA world involves too much uncertainty. They desire for work to provide a degree of security and simplicity. For some people, work can provide purpose similar to the role of religion. Still others are aiming to create meaningful work by combining their jobs with their hobbies to form a new segment referred to as “jobbies.”

The main challenge for HR is to understand the role that work plays in people’s lives, and to help shape a culture that offers meaning as desired and defined by employees.

The value of forecasting is to develop insights that lead to action.

Forecasting stimulates better decisions. The purpose isn’t to predict the future (nobody can do that). It is to undertake a fitness exercise that improves readiness. Even a pessimistic forecast can help reveal scenarios that you can act to avoid. An effective forecast involves:

Foresight: This involves sensing and brainstorming what the future may hold. Hindsight should be incorporated into foresight—look back twice as far as you’re looking forward.

Insight: This involves making sense of the foresight. Forecasts are based on specific insights about the world and your organization.

Action: Use the insights to develop an action plan that will make a difference.

“Don’t forecast to be right. Forecast to stimulate insights and action.”

Dr. Bob Johansen

Other Important Points

Simulation. Simulations are powerful tools that are underutilized in business. While you can’t predict, you can prepare. Simulations help you prepare.

Dark future. The Institute for the Future’s current 10-year forecast is the darkest in the 27 years of preparing this forecast. Some of the reasons for the gloomy outlook include splintered fundamentalism, dumb mobs, and an unmanageable urban wilderness.

Recommended reading. Everything Bad Is Good for You: How Today’s Popular Culture Is Actually Making Us Smarter, by Steven Johnson. The book’s premise is that many elements of popular culture which are scoffed at, such as reality television and video games, are actually good for us, creating helpful skills.
Engaging Both Heart and Mind: The Coming Crisis of the Changing Workforce

Speaker: Tamara J. Erickson, The Concours Group

Overview

The U.S. workforce is at a tipping point. As the makeup of the workforce becomes older and more diverse, and as workers' values change so that work occupies a less central role in many employees' lives, employers are increasingly challenged in attracting, retaining, and most importantly, engaging employees. Doing so requires understanding the different segments in the workforce, recognizing their meaningful differences, and customizing experiences (by varying compensation and benefits) to engage each segment.

Context

Ms. Erickson drew on extensive research in providing a thorough look at how HR is being affected by the changing workforce, and what organizations need to do to ensure an adequate supply of engaged workers in the years ahead.

Key Learnings

- At the same time, workers' values are shifting.
  The values that people bring to the workforce are shifting.
  - Age 58 and older: This group is respectful of authority, loyal to institutions, motivated by financial rewards and security, and hierarchical. These workers are more engaged in their work than their younger counterparts. Example: 43% of those 55+ say “this organization inspires the best in me” compared to only 30% of those 35 to 54.
  - 38 to 58: They are anti-authoritarian, idealistic, motivated to change the world, and competitive. They view technology as a tool. They want limited engagement with work and have less of an organizational connection than the older cohort. They feel less passionate about their jobs, and their values are less aligned with those of their employer than older workers. The challenge for employers is to make work more meaningful for them.
  - Under 38: This group is self-reliant, anti-institution, tribal, and information rich. They see technology as an extension of the self.

- Employers must create new relationships with employees, especially older ones.
  The idea of retirement is becoming outmoded. For the first time, U.S. workers have 20+ productive years left after they have retired and their children have left home before they reach “old age.” Today, 34% of employees say they plan to never retire. Yet, under the traditional model, workers spend their career climbing the corporate ladder, increasing in productivity, power, and prestige, and then they abruptly retire.

  What can be done? One option is the “bell-shaped model,” widely used in academia. Instead of abruptly retiring at the pinnacle of their careers, employees begin scaling back as they age, taking on less-stressful assignments and reducing the amount of time and energy they devote to work. Under
such a plan, people can continue working into their 80s or even beyond. The pattern desired by these older employees is not part time, but is “cyclic,” moving back and forth between periods of working full time and not working.

“Today’s adults are going to have at least 20 years after their children leave home to do something wonderful with.”
— Tamara J. Erickson

To attract these employees, employers need to recognize that they need this talent and must develop flexible, customized work arrangements to meet individuals’ needs and preferences. Employers should encourage individuals to begin entry-level jobs throughout their lives, and should design project-based, cyclic work.

- **Also necessary is to improve worker productivity by increasing employee engagement. This is achieved by understanding workers and customizing offerings.**

  Engagement matters. Workers who are truly engaged are more innovative, collaborative, efficient, and productive. Engagement benefits the business by reducing costs, increasing customer satisfaction, and improving traditional HR metrics such as acceptance and retention rates. It can lead to higher share prices, improved ROI, and even lower mortality.

  “A lot of evidence points to a link between engagement and productivity.”
  — Tamara J. Erickson

However, multiple pieces of research confirm that as few as 17% of employees are engaged in their work.

Recent research has identified that workers fall into six distinct segments, with each segment having a different perspective on the role that work plays in their lives. Each segment’s engagement is based on the extent to which their specific preferences are met. These six types of employees are:

- **Self-empowered innovators:** Work is about creating something of lasting value. They’re less interested in traditional rewards, such as compensation, vacation, and benefits, and instead are motivated by stimulating work that enables them to continue to learn and grow.

- **Fair and square traditionalists:** Work is about the American dream—a steady, predictable path to success. They’re motivated by fair and predictable rewards: concrete compensation, benefits, and a solid retirement package.

- **Accomplished contributors:** They want fun. Work is about being a valuable part of a winning team. Employers should offer a fun, congenial, and cooperative workplace where people work together.

- **Maverick morphers:** They seek a life, and work, filled with change and adventure. They are motivated by opportunities (personal and financial), and they are not afraid to take risks. Bonus compensation and stock are of great interest.

- **Stalled survivors:** They are preoccupied by challenges outside of work. Work is a source of livelihood, but is not yet (or not currently) a satisfying part of their lives. They are looking for flexible work arrangements, additional pay, vacation and family benefits, and well-defined routines.

- **Demanding disconnects:** Work is frustrating and its value is largely its near-term economic gain. They are looking for traditional compensation and lucrative benefits packages, as well as stability, security, and recognition. They want healthcare and salary.

The key is to determine the kind of work you need done and what types of employees are best for your firm. Attract and motivate targeted employees by customizing what you offer in terms of construct (what’s the job), compensation and benefits, connection (how do we relate and what’s the preferred style of management), and communication (focused on key messages and shared values).

“Overall, the message is ‘customize.’ Customize these work arrangements.”
— Tamara J. Erickson

While there are no best practices in creating engagement, those organizations that create engagement create internal consistency in the construct, compensation, connection, and communication. While HR managers have always focused on providing an employee deal that is equal, this must give way to “fair, but not necessarily equal.”
Foresight, Strategy and the Future of HR  
Speakers: W. Stanton Smith, Deloitte  
Lyn Jeffery, Institute for the Future  

Overview  
Major trends will force HR to evolve from traditional policies that emphasize consistency and confidentiality to practices that provide flexibility and customization. This is because the workforce of the future will be increasingly global, will include more “out-of-sequence workers” who require flexible work arrangements, and will require more flexible benefits so that each person can be “better than well” based on their own definition of wellness. Also, organizations will become less hierarchical as technology enables new types of teams and collaboration. Just as Deloitte has done, HR must look at these trends, assess how they will affect their organization, and decide how to act to stay in front of them.

Context  
Mr. Smith discussed why Deloitte enlisted the Institute for the Future to develop Deloitte’s 2004 Map of the Decade, and shared actions Deloitte is taking to attract and retain employees, especially younger ones. Then, guided by Ms. Jeffery, attendees broke into smaller groups where they discussed how four of the major trends on the map will affect future HR strategies and practices. Each group shared their conclusions with the larger audience.

Key Learnings  
• As swarms become the new teams, the challenge to HR becomes influencing these swarms.  

Thanks to global interconnectivity, a “swarm” (a spontaneously forming collective) can quickly be created anywhere, anytime, for any issue. In the business world, swarms can solve problems and complete projects faster and better than traditional teams. Swarms know no geographic boundaries and are not limited by the number of members. They form for a specific purpose and then disband. And they can bring together the talents and skills of a wide variety of people who are capable of contributing bits and pieces of knowledge to solve the problem at hand. However, swarms present significant challenges for HR. For swarms to be effective they need access to information. This requires an infrastructure that enables capturing and sharing information. Also, the dynamics of swarms don’t fit neatly with traditional HR practices. It is not clear how to lead, manage, and influence swarms, or how to reward and recognize members for their contributions. (Do they divide a bonus?) Also, how is accountability built into a swarm? How do swarms police themselves?

Attendees concluded that swarms are inevitable, can be beneficial, and are impossible to control. What is necessary is to provide swarms the information, tools, and incentives to try to influence them.

“Well, you can’t eliminate things like instant messaging, and you can’t control a swarm. The challenge is to harness and influence it.”  
—Conference participant

• “Better than well” will have a significant impact on the benefits that employers will offer.  

Just being healthy will no longer be good enough for many employees. Health is a core value which is manifesting itself through a desire to be “better than well.” This can be seen through increased demand for elective plastic surgery, teeth whitening, and even drugs to increase focus and productivity. Things that once were optional are rapidly becoming mainstream. In addition, employees may think of “better than well” as encompassing mental health. This is likely to play out in employees wanting greater work/life flexibility to pursue personal interests.

For organizations, this will affect the benefits offered, and is likely to become a factor in recruiting and retaining employees—at the same time that employers wrestle with the costs of benefit plans. (An example was shared of a company that is investing to provide its executives a “Corporate Athlete Program” to improve their health, wellness, and performance.)
HR will be challenged to figure out what benefits to offer and how to pay for them. Because employees define health and wellness so differently, it may be that employers must offer employees a broad menu of options. Also, as employees seek more time away from work, it will be necessary for HR to help employees achieve greater productivity when they are working.

- **Out-of-sequence workers are changing how HR looks at career paths.**
  
  These are employees who do not fit the standard model of joining the workforce when they are young and working straight through to retirement. More people will choose to exit and reenter the workforce at various times during their careers, change jobs frequently, and take advantage of non-traditional work options such as job-sharing, working from home, or “downshifting” late in one’s career in contrast to abruptly retiring.

  HR needs to develop individualized employment relationships with employees and redesign career paths. This will require creativity, flexibility, and changes in benefits and incentives to make compensation plans appropriate so there is no penalty for changing jobs.

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  \text{“HR needs to combat ageism in real ways in terms of rewards, structures, career paths, management, and career-development issues.”}
  \]
  
  —Lyn Jeffery

- **The global talent war is challenging the notion of the U.S. as the center of innovation, forcing HR to think more globally than ever.**
  
  In the future business world there will be fewer boundaries. Out of necessity, businesses will go where customers, resources, and knowledge reside. Because many of the world’s best and brightest (students, scholars, scientists, and R&D professionals) are no longer coming to the U.S. as they once did, due to visa problems and better opportunities elsewhere, and because many U.S. students and employees lack the global perspective that is necessary, companies will need to go to where the talent is.

  HR needs to take the lead in encouraging educational institutions to provide a more global perspective, seeking individuals who have this perspective, and instilling a more global view within their employees and organizations.

  - **Deloitte provides an example of a company that is thinking about future HR trends, developing insights, and taking action.**

    As a professional services firm, Deloitte realizes that its long-term success is tied to the talent the firm attracts and retains. The firm’s senior management also recognizes that most employees are consumed with their day-to-day responsibilities, and are not focused on long-term workforce trends. Yet, understanding these trends and acting on them is critical to attracting workers in turbulent market conditions. This is especially true based on the turmoil in the accounting profession following the stream of financial scandals.

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    \text{“We [Deloitte] need to be a place where the best choose to come, stay, and grow in the face of demographic and workforce attitude challenges.”}
    \]
    
    —W. Stanton Smith

  Deloitte assigned Stan Smith to lead the company’s thinking and activities regarding its future HR strategy. (This began as a part-time assignment but is now full time.) Working with the Institute for the Future, Deloitte’s 2004 Map of the Decade was developed. It identifies 30 external forces that will affect HR at Deloitte. These trends include changing market conditions, changing worker values, different attitudes about careers and the role of work, and the effect of new technologies.

  The purpose of this map is not to provide a precise map of the future, but to give the firm’s partners a tool to spur discussion and thought and to help them make better business decisions. As a result of the thinking about their future workforce, Deloitte has taken a series of actions. Some focus on existing Deloitte employees, while others are aimed at attracting younger employees.
Initiatives for Deloitte employees:
In addition to annual incentive and recognition programs, Deloitte has implemented, is implementing, or is testing several other programs. These include:

— Deloitte Career Connections: Young employees want to know their career options and want to be able to speak confidentially about them, but aren’t comfortable having these conversations with their supervisors. Deloitte Career Connections provides online coaches who act as information brokers. This initiative also provides online tools that allow employees to conduct self-assessments and to see internal job openings and apply for them. Ninety percent of the firm’s 30,000+ U.S. employees have visited this site.

— Personal Pursuits: There is currently no on- or off-ramp for employees who cycle in and out of the workforce. They lose their contacts and miss out on training. Personal Pursuits helps people stay connected with the firm while out of the workforce for a few years so that when they return, their network and skills are intact. Deloitte assigns participants a mentor, provides access to its intranet, and offers ongoing training programs. This program is in testing with 30 initial enrollees.

— TEAM effectiveness: This concept, which came out of 9/11, is to provide better ways for employees to work virtually. It involves understanding and documenting communications to allow projects to take place virtually.

External initiatives:
Deloitte is also involved in several external initiatives aimed at young people. These include:

— Forming a “Future Leaders Council” of high school and college students to provide advice to the CEO.

— Creating a business simulation game to augment recruiting and to teach younger people about the profession in a way that engages them.

— Providing input into the curriculum in high schools to develop business smarts.

— Working with a team of MBA students to try to solve problems related to extensive business travel.

Other Important Points

• Games. Most professionals and organizations don’t understand or appreciate the role of electronic games in young people’s lives, and the skills that games can develop. For example, an online gamer who led 1,000 other gamers whom he had never met to storm a castle would appear to have outstanding, though unconventional, leadership skills. These should not be overlooked.

• Visas. The visa barriers that have been erected post 9/11 are making it more difficult to locate certain jobs in the U.S. and are resulting in jobs going to other countries. Consensus among attendees is that policy changes are required.

HR Leadership Strategies for the Next Decade

Facilitator: Cheryl Fields Tyler, ROI Communications
Panelists: Deborah Barber, Jackson Hole Group
John Boudreau, Ph.D., USC Center for Effective Organizations
Arnold Kanarick, Ph.D., Bear Stearns (former)
Johnny Taylor, Jr., J.D., SPHR, McGuireWoods HR Strategies, LLC

Overview

In a VUCA world, the business and HR challenges faced and the skills required within HR, will be completely different. Businesses will be forced to undergo massive changes to survive and thrive.

The good news: in many places HR finally has a seat at the table and will play a key leadership role. The bad news: expectations for HR have risen, worker cynicism abounds, and most HR professionals don’t have the competencies required to deliver in this rapidly changing world. Not only must HR become more strategic, it must create value. This requires improved business and analytical skills, an ability to identify the key jobs that make a difference, and devising interventions that measurably improve performance. It also requires courage to be proactive and forward looking.

Context

In this session, panelists responded to two questions: 1) What does HR strategy look like in a VUCA world and what are the significant shifts in HR strategy; and 2) How are we preparing our HR organizations to provide proactive leadership? After the panelists shared their thoughts, participants held discussions about these questions and reported their conclusions to the larger group.

Key Learnings

- In a VUCA world, companies must undergo significant transformation, and so too must HR.

In John Boudreau’s view, in a VUCA world, organizations must do a better job of thinking about people and must employ frameworks to help them do this. There is still much to do to get top executives to think about people issues in the same way that they think about financial, operational, or technical issues. In addition, in many organizations, there remains an attitude, which must change, of us/them between the business and HR.

“Most business people still don’t have a good model for HR.”
— John Boudreau

Three specific factors which will affect HR strategies in a VUCA world:

1. Transformation: Deborah Barber sees globalization and commoditization as rendering existing businesses and business models obsolete. While the 1980s and 90s focused on improving efficiency, productivity, and financial results, the next 10 years are about survival. The current changes will force companies to innovate or die. (Some even question whether the corporation is still a viable model or if corporations have become so large that they frustrate innovation and creativity.)

This has enormous implications for the people side of the business. HR leaders must drive massive internal transformation where cultures, work processes, job expectations, collaborative practices, and relationships between employers and employees all undergo fundamental change.

“Everything has to change.”
— Deborah Barber

2. Cynicism: Arnold Kanarick see increasing cynicism in the workplace. This is being fueled by a star system which results in a growing disparity between what top executives and average workers are paid, creating a sense of haves and have-nots. Other factors contributing to cynicism include jobs being outsourced and offshored (with some workers asked to train those who will replace them), well-publicized white collar crimes, work becoming 24/7 as people are always

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accessible via cell phones and Blackberries, and a declining portion of healthcare premiums being covered by company medical plans.

In the midst of this cynicism, HR executives are being asked to figure out how to attract a new generation of talent, better engage employees, and increase employee productivity. This will require HR to be thoughtful with regard to this cynical workforce, the disparities that exist, and the current star system.

3. **Expectations**: Johnny Taylor sees increased expectations for the HR profession and HR professionals. While for years HR begged for a seat at the table, in many organizations HR now has that seat and the question is, “What do we do now that we are there?”

“**HR is like the dog that finally catches the bus. Now that he caught it, what does he do?**”

—Johnny Taylor, Jr.

In light of rising expectations, the challenge is for HR to get to the next level. HR needs to understand the business to the point where HR can explain how proposed changes will help or hinder the organization in reaching its goals. As the challenges, responsibilities, and expectations increase, this requires having highly skilled and competent people in HR, who are in the right roles. If after achieving the seat at the table the right people are not in the right roles, it will foster cynicism of HR.

- **Many HR organizations are not ready for the challenges of the next decade, and are not yet ready to become proactive business leaders.**

For many organizations, HR’s focus has been on cost savings, efficiency, and productivity. HR metrics have been in areas such as “cost per hire” and “time to fill.” With this focus, if outsourcing promised better costs and greater efficiency, then it was pursued. But, with the changes and trends taking place, if HR professionals are to become proactive leaders they will have to change HR’s focus from cost and efficiency to creation of value.

Becoming proactive leaders and creating value require a level of competence which doesn’t yet exist in most HR organizations. Competence starts with understanding the business and having sound business acumen—an area where HR professionals are getting better. But, true competence to create value requires more than business acumen. HR professionals must be able to:

- Understand the company’s entire value chain.
- Segment an organization’s talent to identify the few critical jobs that have the greatest effect on the company’s performance. Proactive leaders will be able to structure the organization to have talent where and when it is needed.
- Measure, monitor, and show cause and effect relationships for HR interventions.
- Lead the organization in looking to the future and developing a global people strategy. Too often analytics are backward looking. Proactive leaders must use predictive analytics to be forward looking.
- Exercise judgment. Proactive leadership is not just about specific HR skills, it is about sound judgment.

In addition, proactive leadership requires courage and risk taking. Part of demonstrating courage requires demanding that the organization articulate a clear business strategy, and pushing the organization to think seriously about the challenges over the next 10 years. This entails persuading managers to worry about the long term while they are completely focused on the next quarter.

“You don’t want to be seen as adversarial, but you have to think long term.”

—Arnold Kanarick

### Other Important Points

- **Avoid jargon.** HR executives need to avoid using HR phrases and buzzwords when dealing with business people. Speak the language of business.
- **“Go to hell” fund.** At times, mustering courage can be difficult. Arnold Kanarick noted, “Managerial courage is inversely proportional to the size of one’s mortgage.” It was sarcastically suggested that good HR people have a “go to hell” fund, which means having 6-9 months of money in the bank to feel more comfortable being courageous.
Overview

Despite the importance of developing HR functional excellence, few companies have adopted a systematic approach to creating HR competencies. Many HR departments remain overly focused on the transactional aspects of HR, lack a clear understanding of the business strategy, and are consumed with short-term business needs. As a result, few companies make the long-term investment necessary to build competencies.

However, some companies are adopting systematic and creative approaches to developing competencies both in HR-specific areas and in business leadership. These include providing experiential assignments, offering training and education programs, making mentoring programs available, and helping HR professionals develop higher levels of proficiency in areas critical to their current and future roles.

Context

Cornell’s Dr. Patrick Wright shared findings from his research regarding what steps companies are taking to create functional excellence in their HR people, and the panelists explained what their companies are doing to develop HR competencies. Attendees chimed in with insights for building HR competencies.

Key Learnings

- Most companies are not doing enough to build HR competencies.

Dr. Wright’s research has led him to conclude that while everybody is talking about competencies, there is not a lot of investment in actually building them. (Far more money is allocated to information technology.) Few companies have a formal, systematic competency development program for their HR professionals. Less than half of the companies in Dr. Wright’s research even have a formal competency model—and for many that do, they have simply taken their leadership competency model and added a few HR competencies. This is ironic in that while HR has gotten good at building training systems for business leaders, little has been done to build functional excellence within HR.

"Competency is where the most attention is being paid, and the least investment is being made."

— Patrick Wright

- There are many obstacles that get in the way of building competencies.

- Short-term focus: Developing functional excellence requires a long-term commitment, but short-term priorities get in the way. It’s not easy to balance the daily demands of the business, which can be all consuming and always seem to take precedent, with the long-term need to invest in building competencies. For example: An HR person gets two e-mails. One outlines an immediate attrition problem at a company facility. The other suggests proceeding with recruiting efforts to hire an outstanding candidate who is in a co-op and won’t start until 2007. Guess which one she’s going to work on first?

- Lack of business knowledge and experience: For many people in HR there remains a gap in understanding the core elements of business, and the specifics of their organization’s business. A critical way to gain competency is through experiential learning, which can mean rotating into a line position for a short-term assignment.

However, many companies struggle with placing HR people in line roles. In some companies, line managers often won’t take people from HR because they don’t view these individuals as having necessary business skills. And, some HR people don’t want to take line jobs.
because they perceive they would fall behind others who stayed in HR. What they fail to realize is that line experience would actually help them surge ahead of the pack. At GE, all high-potential HR leaders rotate into business assignments. When the line organization desires to keep one of these individuals, it shows that HR is hiring the right types of people.

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**Unclear career paths:** Outsourcing has destroyed traditional career paths. In many companies people traditionally started in HR in an entry-level position and then advanced to more senior levels, following a clear career path. This predictable path is helpful in identifying the competencies needed at each level and in each position. However, the widespread use of outsourcing many elements of HR has altered the notion of a traditional career path, making it more difficult to build competencies as a person progresses.

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Despite the obstacles, some companies have developed successful programs to build HR competencies.

The process of building competencies will differ in each organization based on the organization’s size, scope, business strategy, and the specific HR competencies required.

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**Royal Dutch Shell** takes a highly systematic approach to developing HR functional excellence in its 2,700 HR people. Shell has developed a framework that defines why HR exists, its values, role, and specifically what HR does. This framework describes the areas of development needed to achieve competence in HR, including education and learning, coaching and mentoring, experience, and jobs. Specific development tools exist for each area.

Shell arrived at a set of 26 competencies for effective HR, each broken into five levels of proficiency (awareness, knowledge, skill, mastery, and develop new). Next, they developed global HR job profiles, which define the accountabilities of each role. These profiles make it clear what skills are needed now, and what skills are needed for roles to which individuals may aspire. Out of this came Shell’s Global HR Experience Navigator, which shows step by step how to go about building HR competencies and an HR career.

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**IBM** breaks HR competencies into two types: foundational and leadership. Everyone gets foundational training in areas such as financial concepts, workforce optimization and productivity, business savvy, project-management skills, consultative behavior, and global mindset. Leadership training is provided to only about 25% of the HR staff. It focuses on developing the informed judgment that is necessary for a leader. In addition, at IBM there is an extremely strong focus on experiential learning. Much effort is spent making sure people are in the right assignments, and moving them to new assignments as necessary.

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“We evaluate our best people on their leadership. We eat our own cooking.”

— Robert Calamai

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**Network Appliance** has only 800 employees (38 in HR), but its revenues and headcount have been growing at 25%-35% per year, creating growing pains while the company’s business model rapidly evolves. The company’s short-term needs have led the firm’s HR director to buy and borrow talent in some areas, while building improved process capabilities, adopting a shared services model, deploying a mentorship program, and increasing HR’s business acumen and global perspective.

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“I didn’t have the option or the time to build talent.”

— Gwen McDonald

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**An important HR competency is courage.**

Courage is having a point of view and standing up to others in the company when necessary. The key is having the conviction to maintain balance between addressing short-term business needs while also investing to build long-term capabilities, and being willing to confront a line manager who may be going against HR practices. GM’s head of HR would ask line leaders, “When was the last time you got into a contentious, roll-up-your-sleeves discussion and went toe-to-toe with your HR manager?” (If this hasn’t happened, then HR isn’t being assertive.
enough.) An example: A line manager wants to give an employee a $20,000 raise to keep her from accepting another job. A customer-service-oriented HR manager might say okay, but a courageous HR manager might challenge this and suggest finding a better way to achieve the same goal. HR managers need the courage to challenge line managers when needed, not in a contentious way, but in a way that allows everyone to improve business performance.

“Don’t just deliver what the line managers ask for. Have the personal skills and courage to do what’s needed.”
— Janet Davis

Other Important Points

- **Going mobile.** More workers are mobile and working from home, presenting a challenge for HR. At IBM, 35,000 of their U.S. employees have no office. The challenge is to create engagement and make these employees feel part of the organization.

- **From HR to president.** The current president of Shell came from HR. He says that the same skills which helped him succeed in HR are working for him now: it’s all about personal influence and credibility.

- **Differences in Europe.** Dr. Wright noted that in Europe most senior HR managers come from a business background, not from a career in HR. Therefore, they have a solid grounding in business and think of themselves as business people.
Biographies

Emcee

Fred K. Foulkes, DBA, is the director of the Human Resources Policy Institute at Boston University School of Management. A professor of organizational behavior, he has taught courses in human resource management and strategic management at Boston University since 1980. Prior to that, Fred was a member of the Harvard Business School faculty. A distinguished professor and researcher, he also has experience as a human resource practitioner and does consulting work with several large companies. Fred received an AB degree from Princeton University and MBA and DBA degrees from Harvard University. He is a member of the SHRM Foundation board of directors.

Human Resources 2015

Dr. Bob Johansen is senior vice president and distinguished fellow, Institute for the Future. Bob has worked for nearly 30 years as a forecaster, exploring business, social, and organizational effects of new technologies. He also has strong interests in the future of religion and its impacts on business, society, and individuals. Bob does most of his work with senior corporate executives across a wide range of industries. He has rich experiences in presenting IFTF’s foresight to top executives and then drawing out insights-inputs to strategy-and action steps. Bob is a speaker, a writer, and a content facilitator.

He served as IFTF’s President and CEO from 1996 to 2004. Prior to that, he led IFTF’s program on new information technologies. Since joining the IFTF staff in 1973, he has explored the human side of technologies and was one of the first social scientist to study the business and organizational impacts of communications and computing innovations. His work involves big-picture assessments at the intersection of technology innovation and new organizational forms. The focus is three to five years out, going as far as ten years when possible, and occasionally as far as 20 years.

Bob is a frequent keynote speaker. He has taught both graduate and undergraduate courses. He is an author of six books, including one on future organizations after reengineering and technological change, entitled Upsizing the Individual in the Downsized Organization (with novelist Rob Swigart), and a book on global cross-cultural teams called GlobalWork (with Mary O’Hara-Devereaux).

A social scientist with an interdisciplinary background, Bob holds a BS degree from the University of Illinois (where he played varsity basketball) and a Ph.D. from Northwestern University. In addition, Bob has a divinity school degree, where he studied comparative religions.

Engaging Both Heart and Mind: The Coming Crisis of the Changing Workforce

Tamara J. Erickson is an executive officer and member of the board of directors of The Concours Group. She co-authored the Harvard Business Review article, “It’s Time to Retire Retirement,” March 2004, for which she received the 2004 McKinsey Prize. She is co-author of the book Retire Retirement, Rekindle Careers, Retain Talent, to be published by Harvard Business School Press in 2006, and was a lead contributor to two multi-year research initiatives exploring demographic changes and employee engagement. Tammy is a respected authority on technology and its implications for business. She coauthored the 1991 book Third Generation R&D: Managing the Link to Corporate Strategy, a widely accepted guide to making technology investments and managing innovative organizations. She is a member of the board of directors of PerkinElmer, Inc., a Fortune 500 company, and a member of the Audit and Governance Committees.

Foresight, Strategy and the Future of HR

W. Stanton Smith is the national director, next generation initiatives for Deloitte. Stan directs the creation and implementation of initiatives that help make Deloitte the place “where the best choose to be.” He joined Deloitte as a principal in June 1998 and held the positions of national director, HR-tax, and, later, national director, rewards and recognition. At that time he also became the principal responsible for human resource research and analytics. Next generation initiatives became his full-time focus in mid-2005. Prior to Deloitte, Stan held positions at Price Waterhouse, Coopers & Lybrand and Mobile Corporation. He earned a B.S. in economics from the Wharton School at the University of Pennsylvania, and an MBA in finance from the University of Texas.
Lyn Jeffery, research director at the Institute for the Future (IFTF), is a cultural anthropologist who has spent the last 20 years living and working between California and mainland China. In China she has worked at a number of jobs including professional editing and translation, television production, NGO organizing, and conducting research as a Fulbright scholar. Lyn is the co-editor of China Urban: Ethnographies of Contemporary Culture, as well as author of articles on post-socialist entrepreneurialism and Chinese network marketing. She brings expertise in ethnographic methods and analysis to IFTF and has worked in all of its research programs. Lyn is fluent in Mandarin.

HR Leadership Strategies for the Next Decade

Facilitator

Cheryl Fields Tyler is the senior vice president of ROI Communications and an affiliate of the Jackson Hole Group. She focuses on helping companies create breakthrough performance through leadership, organizational and communications effectiveness. Whether working with CEOs, senior line executives or strategically focused HR executives, she helps clients craft the people, organizational and communication strategies that will drive business success, and then execute and deliver results. She specializes in helping companies in the midst of large-scale change clarify what they need from their organization and then leverage HR, organizational development and communications to achieve desired business outcomes.

Panelists

Deborah Barber is a principal with the Jackson Hole Consulting Group, a San Francisco-based consulting practice focused on human capital management. Deborah brings a broad-based background in leading organizations through fast, dynamic growth and transformation and building business-oriented, high-impact human resource organizations. Prior to Jackson Hole, she was the senior vice president of human resources and corporate services at Aspect Communications, where she was responsible for leading all of Aspect’s HR operations, organizational development, facilities, real estate, environmental health and safety, and corporate services worldwide. In 2000, Deborah was awarded the Human Resource Symposium’s first annual Excellence Award for leadership in the human resources field in the San Francisco Bay Area.

John Boudreau, Ph.D., is recognized worldwide for breakthrough research on the bridge between superior human capital, talent and sustainable competitive advantage. His research has received the Academy of Management’s Organizational Behavior New Concept and Human Resource Scholarly Contribution awards. He is a professor and research director at the University of Southern California’s Center for Effective Organizations. John consults and conducts executive development with companies worldwide that seek to maximize their employees' effectiveness by quantifying the strategic bottom-line impact of superior people and human capital strategies. He has published more than 50 books and articles, and has received the General Mills Award for teaching innovations at Cornell University.

Arnold Kanarick, Ph.D., is one of the nation's leading human resource experts. From 2000-2005, he was the chief human resource officer for Bear Sterns. Prior to that, he was executive vice president and CHRO at The Limited, Inc., for eight years, and was also a member of the company’s executive committee. At both firms he was responsible for the enterprise-wide HR function. Arnie earned his MS in psychology from North Carolina State University and a Ph.D. in engineering psychology from the University of Massachusetts. He is a former chairman of the steering committee at the Boston University Human Resources Policy Institute and serves on the Board of Advisors of the Fisher School of Business at Ohio State University.

Johnny Taylor, Jr., J.D., SPHR, is president of McGuireWoods HR Strategies LLC, the human resources consulting subsidiary of McGuireWoods LLP. Frequently sought out by media outlets such as CNBC and The Wall Street Journal for his comments, Mr. Taylor has developed a reputation for providing creative strategic advice to employers facing complex HR issues that have serious legal and public relations implications. Prior to joining McGuireWoods HR Strategies, Mr. Taylor worked as executive vice president, general counsel and secretary of Compass Group USA, Inc. He’s also held positions as vice president, human resources/employee relations for Blockbuster Entertainment Group/VIACOM, and general counsel and senior vice president of HR, Paramount Parks Inc. Mr. Taylor is the current chair of the SHRM board of directors.
The Bottom Line: Building HR Competencies

Facilitator

**Patrick Wright, Ph.D.**, is professor of human resource studies and director of the Center for Advanced Human Resource Studies (CAHRS) in the School of Industrial and Labor Relations at Cornell University. Pat teaches, conducts research and consults in the area of strategic human resource management, particularly focusing on how firms use people as a source of competitive advantage. He has published over 40 research articles and co-authored two HR textbooks. He serves on a number of editorial boards including *Human Resource Management Journal*, and *Human Resource Planning*. Pat also serves as a board member for HRPS, SHRM Foundation and World at Work.

Panelists

**Robert Calamai, SPHR**, is director of HR development and resources for IBM. He joined IBM in 1975 and has since held a number of HR positions with operational and corporate responsibilities. In 2001, he became the director of human resources for the research division, which included HR management for employees at three labs in North America and five labs in Asia and Europe. Bob next moved to an assignment as director of organization leadership consulting, and then into his current position in March 2004. He teaches as an adjunct professor in the undergraduate management program at Pace University, and he is IBM’s representative on the NY State Business Council’s Labor/HR Committee. Bob earned his MBA in HR management from Pace University.

**Janet Davis** was appointed Shell’s global manager, HR functional excellence, based in London and The Hague, in January 2005. In this position, she works to develop the professionalism of Shell’s entire HR staff and to manage the HR skill pool across Shell businesses. Jan joined Shell and the leadership development team in March 2002. Prior to Shell, she worked in HRD and consulting roles in the telecommunications sector where she ran high-potential career development activities, coached senior executives, and led executive development programs and talent review processes. Jan is a Chartered Fellow of the Chartered Institute of Personnel & Development (FCIPD) and she holds a master’s degree in human resource development.

**Gwen McDonald** is the senior vice president of human resources at Network Appliance. She is responsible for creating the company’s strategic vision for worldwide staffing, employee relations, training, organizational development, compensation and benefits. As part of her role, Gwen also works to preserve the unique cultural values and principles that have enabled the company to be ranked as one of *Fortune*’s “100 Best Places to Work” for two consecutive years. She has more than 20 years of experience in human resources. Gwen currently serves on the board of directors for Springboard Forward, a non-profit organization whose mission is building career advancement capabilities for the entry-level workforce.
Thank You

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