

The Future Chief People Officer: **Imagine. Invent. Ignite.**

Why empowered HR leaders are key to capturing growth in the new world of work



The Future Chief People Officer:

Imagine. Invent. Ignite.

A reality check and action guide for tomorrow's chief people officer. This study reveals the key skills, mindsets and behaviors that will help the chief people officer of the future shape rigorous and innovative human capital solutions.





Table of contents

Executive summary.....	2 – 5
The five pivot points	
1. Push boundaries to power organizational agility.....	6 – 11
2. Unleash digitalization.....	12 – 16
3. Embrace perpetual work reinvention.....	17 – 22
4. Rethink culture and leadership	23 – 28
5. Elevate HR decision science	29 – 33
Conclusion	34 – 38
Resources	39 – 40



Executive summary

Leaders call for bold change to accelerate business and people growth

A workplace in perpetual fast forward with people at the center. We work in a world where the speed of change is exponentially greater than it has ever been, where the bright light of social media exposes every detail, where people costs and risks are escalating, and where automation and technology present ever-increasing opportunities and challenges to companies. This is a world where people's lives inside and outside of the workplace are complex and stressful, and where talent continues to be vital to a thriving organization.

HR's time is now. We are in the Golden Age of the HR profession, and the chief people officer (CPO)ⁱ is at the helm. Technology and automation are freeing HR leaders from more administrative and process-related work, powering the CPO's role to guide the organization in designing and implementing the talent strategies and work options needed to fuel future business growth. As technology and innovation in the workplace accelerate, this role becomes increasingly critical; going forward, the power and strength of an organization's human capital will be what differentiates success from failure.

Organizations require strong, visionary HR leadership to unlock the opportunities in the new world of work and to address pressing people challenges that impact a company's bottom line. It's crucial to move beyond yesterday's HR models as the cost of inaction can be catastrophic for the company. The Society for Human Resource Management's (SHRM's) The High Cost of a Toxic Workplace Culture study estimates that 49% of people have thought about leaving their current organization, and one in four dreads going to work. The cost of productivity loss due to unplanned absences is approximately \$431 billion per year.¹ In the U.S. alone, the cost of chronic disease, work-related injuries and illnesses, stress and employee disengagement was \$2.2 trillion annually (or 12% of GDP).²

Finally, facing global talent shortages, organizations also risk productivity losses if they ignore the imperative to reskill. According to the World Economic Forum's Future of Jobs report, 75 million jobs are expected to be displaced by 2022. Concurrently, due to advances in technology and new ways of working, as many as 133 million new roles could be created. However, to prepare and reskill the workforce for these new opportunities will require the CPO's substantial attention; the World Economic Forum estimates that on average, 42% of the skills required to perform a job will shift between 2018 and 2022.³

ⁱFor the purpose of this report, chief people officer (CPO) refers to the top-level management executive in charge of an organization's workforce.



The research.



This study will guide senior HR leaders and their organizations to better understand how rapid technological innovation and the democratization of work are expanding the role of the CPO. In undertaking this research initiative, SHRM's Executive Network, HR People + Strategy (HRPS), partnered with Willis Towers Watson to examine the following critical issues:

- How do organizations (re)position their talent and culture to change and grow in an accelerating digital world?
- What does this mean for the HR executive of the future?
- What are the experiences, knowledge, skills and behaviors they need to drive business growth?
- How does HR support and enable the organization to become the hub of a larger ecosystem for work?
- What game-changing issues do HR executives face in managing the many challenges associated with the future of work?

The data underpinning this study are robust and include:

- Direct input from over 500 leaders, including 230 CPOs and 300 C-suite executives, CEOs, board members and academics (this included 60 in-depth interviews with CPOs, CEOs, corporate board members, C-suite executives and academics, and secondary research covering dozens of recent research reports and publications)
- Responses to an online survey from 425 HR executives, CEOs, board members and other C-suite executives from organizations across a range of sizes, industries and countries
- Feedback from participants in four CPO focus groups
- Case studies from numerous organizations that illustrate the identified themes in action



What kind of leader do you want to be? With a new urgency to get the people equation right or risk negative business consequences, the CPO of the future must adopt an ambidextrous mindset driving strategic business initiatives in the C-suite while continuing to deliver flawlessly on administrative and operational tasks. This requires letting go of legacy mindsets and practices that hold back the performance and effectiveness of the HR function.

To meet this mandate, there must be a commitment on the part of HR leaders to continue to evolve in order to ensure that the business maintains its competitive advantage; however, HR leaders can't go it alone. This also requires the same commitment from their C-suite peers, the CEO and the board to transform the work of HR and radically reset expectations for the CPO role.

There's near universal agreement that CPOs in the future will need different skill sets and experiences from those they have today. In fact, our survey findings show that 94% of all senior business leaders – including CPOs (95%), CEOs (93%), members of the board of directors (92%) and other C-suite members (94%) – believe it is important to explore accelerating the growth and development of the HR executive of the future. In particular, our survey shows that CPOs need further development in three key areas to meet the challenges of the new world of work: digital business acumen, learning and reskilling, and data science. However, only about a third (35%) of participants believe that future CPOs are getting the development they will need.

Imagine, invent and ignite change. Our research reveals an urgent need for CPOs and their organizations to take bold steps to:

Imagine the future of HR and the central role of the CPO in a constantly evolving work ecosystem.

Invent new ways of working and new talent solutions, striving for the optimal combination of human talent and automation.

Ignite a path forward, identifying and capturing opportunities to unlock business value.

The study findings bring forward five pivot points that constitute an urgent and multifaceted call to action for the CPO and other senior executives in their organizations:



1. Push boundaries to power organizational agility.

The HR leader plays an important role in enabling agility in the broader organization as well as the HR function. To do so, however, requires agility on the part of the HR executive who must serve as architect of new and enhanced business initiatives essential to the organization's future, while continuing to support HR's vital operational activities.



2. Unleash digitalization. CPOs must develop the

digital business acumen to understand how technical skills fit into the workplace and how to make best use of people as organizations implement digital technologies to unlock greater business value.



3. Embrace perpetual work reinvention. As

technology gives rise to new ways of working and new work options that may include automation, work itself will be continuously reinvented. It is the CPO who orchestrates the many emerging options for getting work done and determines how to best combine human talent and automation. To keep up with perpetual work reinvention and changing skill requirements, the HR leader must make continuous learning and reskilling a core component of the new employment deal.



4. Rethink culture and leadership. Attracting and

engaging a global, multigenerational workforce that may include free agents and alliance partners require an inclusive culture that extends beyond traditional organizational borders so that all talent feel vested in a common mission and purpose. As a result, HR executives must be able to lead people in nonhierarchical, fluid work environments and empower talent on the front lines to drive problem solving and innovation.



5. Elevate HR decision science. From predicting

talent shortages to enhancing the talent experience to making better business cases in the boardroom, decision science and analytics enable HR leaders to progress from anecdotal to evidence-based thinking, critical to having impact as business executives.

This call to action represents an opportunity for HR leaders to chart a new path forward as they prioritize growth opportunities and prepare the next generation of CPOs to lead the business in the future. Serving as both a reality check and action guide, our study examines the key skills, mindsets and behaviors that will help the CPO of the future shape rigorous and innovative human capital solutions.

In a constantly evolving workplace, the role of the CPO is to imagine, invent and ignite the change that will ensure the ongoing relevance of its talent and forward-looking work strategies essential to an organization's future business success.





Push boundaries to power organizational agility

Be the agile architect of the organization's vision for the future while steadying its foundation.

Between 2003 and 2013, **over 70% of the *Fortune* 1000** companies changed – proof that what got you to the top won't keep you at the top.⁴

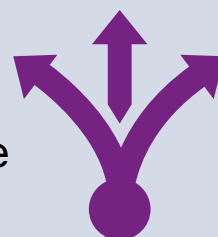
"We're only going to get things done if we have the right people, the right talent in the right functions with the right goals. That to me is the role of HR, to ensure that we have the right people strategy in order to inform the business strategy."

Stephane Kasriel, **Chief Executive Officer, Upwork**

In brief

In today's complex, ever-shifting business environment, organizations face a strategic imperative to be more nimble in making decisions and embrace a more agile way of working as they combat the forces of disruption. This requires the CPO to develop a people strategy that prioritizes self-organizing teams, transparency, experimentation and collaboration. It takes agility and courage on the part of the CPO to move an organization forward in this new direction. Our survey shows that nearly all respondents (99%) believe that the HR executive must have the agility and courage to evolve, and the steadiness to support and enable the organization going forward. Yet only slightly more than a third (35%) of these respondents feel today's CPOs are prepared to respond to future complexity.

99% of survey respondents believe that CPOs must have agility and courage to evolve.



Yet, only 35% believe that today's CPOs are prepared to respond to this future complexity.

Disruption is not optional. Today's workplace is being disrupted by diverse forces ranging from digitalization, automation and the rapid pace of innovation to globalization and changing demographics. Lines between industries are blurring, creating a constantly shifting, complex, competitive landscape. Agile ways of working allow organizations to thrive in a disrupted workplace. To put this into perspective, agile companies are three times faster at going from ideation to implementation and two times more likely to take bold risks to transform the customer experience.⁵

Building mindsets and capabilities. What will differentiate organizations as they battle against morphing competitive landscapes and unorthodox new entrants is their ability to build the mindsets and capabilities that underpin agile ways of working. As technology and automation increasingly free HR leaders from more administrative and process-related work, it will be essential that they focus on driving organizational agility. HR leaders of the future have a vital role to play in ensuring that talent within their organizations embrace an agile, customer-focused mindset and develop the collaborative, analytical and iterative problem-solving skills that will allow them to quickly bring forward innovative solutions to meet evolving customer needs.

"I believe the big change is that people goals are viewed as strategic goals, not enabling goals. And they are shared across the Operating Committee. If a CEO does not have that lens, I believe that the board needs to engage. People are a strategic imperative."

Maria Morris, **Board Director, Wells Fargo and S&P Global**

Balancing business foresight and HR operations. Just as employees need to embrace agile ways of working, so too must senior HR executives. The CPO must have the ambidexterity to become a business leader and an architect of successful business initiatives, while also continuing to support HR's operational activities. This mandate requires that the CPO have the foresight to create the organizational structure, and find and land the talent required to win on the new frontiers of competition.

It is vital for the CPO to take on this mandate and make it a strategic priority in order to be better able to respond to new threats as well as opportunities. Considerable upside exists for HR leaders and their teams who embrace a forward-thinking, agile mindset.





Voice of the CPO

We have different organizational models in our company. We still have a command and control/ process-controlled organization; on the other hand, we have a new part where we work to think through the disruptive challenges. It's here where we use agile methods and self-organized teams. We call it ambidextrous; we have to do both at the same time."

Dr. Uwe Schirmer, **Executive Vice President, Corporate Human Resources, Robert Bosch GmbH**

its time between operational work and contributing to an agile business team in a particular area of expertise (e.g., workforce analytics); and the last third operates in a fluid manner with time allotted for solving high-priority business issues and new or emerging opportunities.

In another example, HR leaders in a financial services company collaborated with the business to implement agile teams. Talent across various areas from IT to market research temporarily left their day-to-day roles to join the agile team. This team was tasked with a new product challenge and asked to bring the disciplines and insights of each team member's day-to-day role to collaborate and more quickly develop and release innovative solutions.

Promoting a tolerance for risk-taking. The HR executive must support smart risk-taking in an environment where failure is viewed as a learning opportunity, not a career-ending consequence. In an agile world, it's essential to fail fast and small, learn from mistakes and quickly apply learnings.

Diving deeper

HR leaders play a critical role in powering organizational agility. Getting this right involves:

Fostering ambidextrous organizational practice for both HR and the broader. Some units operate using traditional command and control management processes particularly where there is a high need for certainty and zero tolerance for errors, while others implement agile ways of working. For example, a leading multinational company organizes its HR function so that roughly a third of the team spends its time on traditional HR competencies such as payroll, benefits and other HR operations work; another third divides



Voice of the CPO

Allow your organization to adapt and grow, and have a risk mentality. I'm a believer that if you're not willing to bet your job every couple of years, you're not fit to be a CHRO."

Bill Strahan, **Executive Vice President Human Resources, Comcast**



Voice of the CPO

Agility can seem difficult when you are part of a large, mature company; people often think that this way of working could only exist in start-ups. Our role is to make it safe for people to operate in an agile manner by getting comfortable trying little things, failing small and learning. This is the only way we'll start to make it part of how we operate."

Anne Bodnar, **Chief Human Resources Officer, Willis Towers Watson**

Making performance management more about collaborative performance. Research shows that companies that value and promote collaboration are five times more likely to be high performing than those that don't.⁶ In a workplace that requires an increased level of collaboration, contribution to a team can be more important than individual contribution. Building fluid teams that are focused on collective innovation and rewarding the results of collaborative performance in a meaningful way demands a new way of thinking, a new way of organizing and a keen focus on the business drivers that will fuel the success of the organization.

Adapting rewards to promote desired behaviors. The need for risk-taking and the importance of evaluating an individual's contribution to a team in performance reviews have been trending topics for years. But what can be missing from the discussion is a consideration of the implications for reward programs. As an example, under a traditional reward program, an individual who is encouraged to take risks and fails to achieve his or her goals due to risk-taking activities would suffer negative consequences in reduced bonus or thwarted promotional opportunities or advancement. In effect, the reward program can be viewed as discouraging risk-taking. Similarly, reward programs that place a significant emphasis on individual contribution – for instance, through individual bonuses – may discourage collaborative team contribution.

HR leaders will need to ensure that their reward programs are differentiated so that they drive desired behaviors. For example, if team collaboration is essential to the success of an important project, an organization may consider completely eliminating individual bonuses and instead deliver rewards based on team-achieved goals. This type of differentiation will go a long way toward helping HR leaders power organizational agility.

In this context, HR's legacy focus on compliance and operational programs has become table stakes. It is still critical to deliver flawlessly on foundational programs ranging from compensation and health and wellbeing benefits to retirement and succession planning. For example, HR leaders will always need to address issues related to wellbeing, such as workplace stress and chronic diseases, or risk reduced productivity and negative business outcomes. But these activities will no longer be a core differentiator of a successful HR executive in the future. The HR executive is the change agent that fuels the organizational agility needed to ensure an organization's business success and continued relevance in a world of exponential change.

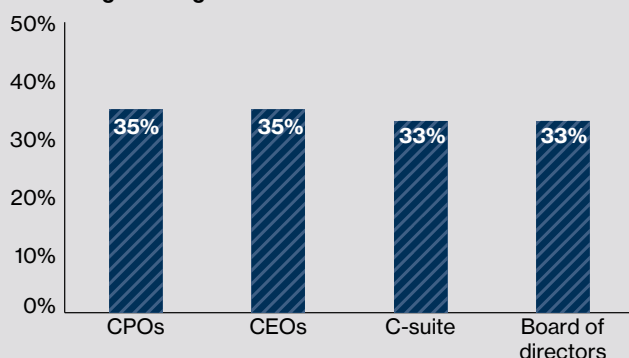
How prepared are today's HR leaders to move in an agile manner beyond the basics, to push the organization to respond fluidly to a perpetually shifting business environment and help accelerate business value in the future? The data below suggest we have a long way to go to prepare the future CPOs.

Fewer than half of CPOs (49%) have a favorable view of their organization's progress in keeping pace with change and having the courage and agility to evolve when compared with other organizations. What's holding them back? When we asked our focus group participants what they saw as the root cause of the issue, they collectively agreed that it stemmed from a host of factors, including lack of senior and organizational support and lack of appetite for change.

Are future CPOs prepared?

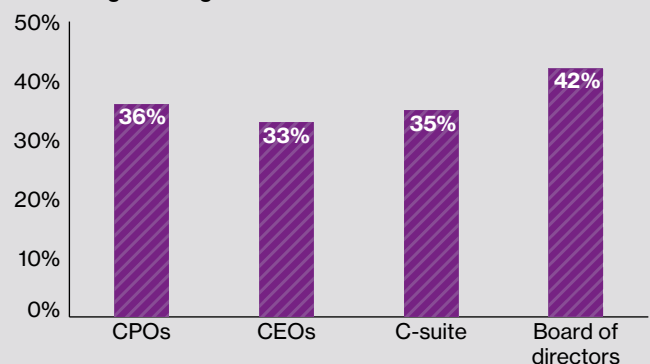
1 Future CPOs: Are those who will become CPOs in the next five to 10 years getting the right experience and development to be ready to meet the future complexity of the role?

Percentage who agree



2 Current CPOs: Are today's CPOs prepared to respond to the future complexity of business and technology to effectively support their business?

Percentage who agree



Without agile and courageous HR leaders, organizations will lack the vision and nimble workplace practices necessary to gain a competitive advantage in the new world of work.

Focus group responses

Our focus group participants agreed when asked about what prevents CPOs from having the courage and agility to push through change:

- “‘Old HR’ vs. the new emerging world of HR”
- “Lack of senior and organizational support”
- “Lack of appetite for change”
- “Concern for organizational acceptance of risk taking”

Voice of the CPO



There are two main mindsets that are critical for the CHRO: agility and courage. Agility – because that’s what’s needed when you are at the table with business leaders and have to understand the business demands and how we continue to evolve what we’re doing. Courage – because it’s not an easy path and you have to be willing to make bold steps in this environment; not all of them are met with unanimous and positive reception.”

Sue Cicco,

Head of Human Resources and Employee Experience, MassMutual



Voice of the CPO

My operating mantra was the question: Do we have the organizational capability to run and grow the business? To distinguish run and grow, run is all about efficiently executing today’s operations, and grow is about understanding the paths to profitable revenue growth and having the organization prepared to deliver on them before the competition does.”

John Bronson,

Former Executive Vice President for Human Resources, Pepsi-Cola Company Worldwide

are not aligned with these new models, and centralized change decisions take too long to make or communicate, the business units will often have to move forward alone or may fail to meet shifting customer and market demands. There is a need for faster decision making, perpetual recalibration and reinvention in the workplace, and curiosity to learn and adapt quickly to shifting business conditions.

To embrace the new change models that underpin agile solutions, CPOs will need to acquire a cross-business, cross-functional aptitude. They will also need to move beyond traditional change management communication practices, such as crafting and refining careful messages about organizational directions, and instead find ways to provide employees more frequent, direct and often informal communication. Companies have begun leveraging social media tools or incorporating virtual technology platforms to engage in town-hall-style change sharing.

CPOs will also need to have a sharper external focus than in the past to identify internal and external solution partners and to better understand how the market is changing.

Be courageous. Agility means having the courage to act with speed, architect and test ideas with the potential to drive business value, implement quickly and enable feedback loops to evaluate results. Consequently, HR leaders will need to prioritize rapid experimentation over the promise of certainty.

Evolving role of the CPO

The following levers will help the HR executive of the future pivot and fuel value creation:

View change through a new lens. It’s essential for HR leaders to understand the forces that ignite change and to recognize that change in the context of the new work ecosystem goes beyond traditional change management models, which imply a start and a finish. These models often fail to keep up with the accelerated pace of change where there is no beginning and no end. If decision processes

In addition, focus group participants say that to have the courage to act with agility requires support from the CEO, the board and other senior leaders. To earn this support, HR leaders must have the business acumen to be able to influence and propose new and enhanced business initiatives. Over half of our CPO survey respondents cite business acumen as one of the most critical skills that future HR leaders will need to have.

Identify development gaps. Our survey findings revealed that just over a third (35%) of all participants believe that future CPOs are getting the development they need. In terms of specific areas where organizations – and by extension HR leaders – require further development, survey respondents identified three:

- Digital skills
- Learning and reskilling
- Data science

When comparing their organization's progress in these areas versus other organizations, CEOs have a more optimistic view than CPOs, perhaps suggesting that CEOs do not fully appreciate the development gaps in the next generation of HR executives.

How favorably do business leaders view the progress that has been made in key development areas:

0% 10% 20% 30% 40% 50% 60%

Embracing technology that builds a consumer experience for employees



Moving from episodic training to perpetual reskilling



Leading with data-driven insights



■ CPO ■ CEO

Interviews with senior executives reinforced the importance of HR executives developing their business acumen and skills in these three areas. A mastery of these areas will allow HR leaders to evolve and develop the forwarding-looking perspective necessary to serve as architects of their organizations' futures.

Where will future CPOs come from?

A substantial majority of business leaders (89%) participating in our survey see people currently in HR, such as human resource business partners and HR directors, as the most important talent pool source for future CPOs.

- CEOs place a greater emphasis on rotational assignments and business leaders outside of HR for the pipeline of future leaders in HR.
- Only 38% of current CPOs see MBAs as a vital source of future CPOs, although a larger percentage of CEOs (55%) do see more potential for MBAs.

Where do leaders believe the future CPOs will come from?

0% 20% 40% 60% 80% 100%

People currently in HR



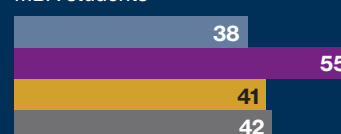
Business leaders outside of HR



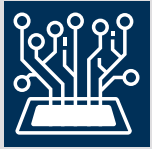
Rotational assignments



MBA students



■ CPO ■ CEO ■ C-suite ■ Board members



Unleash digitalization

Accelerate digital enablement for the business, work experience and HR.

The proportion of work completed **using automation has doubled from 8% to 17%** over the past three years, and over the next three years it is expected to nearly **double again to 30%.**⁷

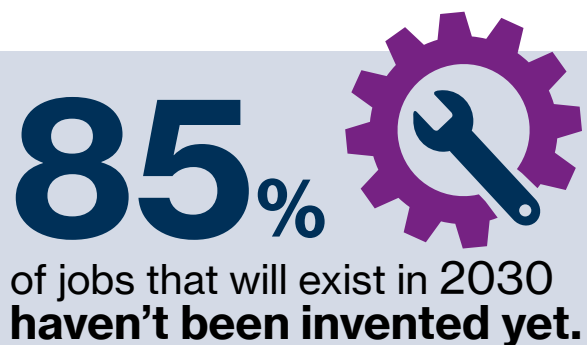
“We hear a lot about digital transformation and how it’s changing how work gets done and how companies drive competitive advantage. Previously, the notion of digital was more focused around tech companies, and it’s now become a mandate of companies from all different industries. We’re seeing growth of software engineers outside of tech nearly match the growth of software engineers in tech.”

Sarah O’Brien, **Head of Global Insights, LinkedIn**

In brief

Technology has changed business models and how work gets done and continues to change these at an accelerating rate. The proportion of work completed using automation has doubled over the past three years from 8% to 17%, and over the next three years it is expected to nearly double again to 30%.⁸ Adding to that, 85% of jobs that will exist in 2030 haven’t been invented yet.⁹ Organizations will need to understand how to use technology to complete work; this will be critical to every business model and power new ways of working. But technology is not an end in itself. As all successful digital enterprises have come to realize, digital transformation is people transformation, and the winners always lead with the work and not the technology. If 77% of organizations list missing skills as the single biggest impediment to digital

transformation,¹⁰ then what is the next step to close that gap? The CPO as architect must understand how technology can be used to design solutions that transform the human experience of the business, work and HR itself and what it will take to transform the workforce to get there.



85%
of jobs that will exist in 2030
haven’t been invented yet.

Organizations that use **automation technologies** to augment human talent have **28% higher performance levels** compared with their non-augmented competitors.



Voice of the CPO

Digital disruption, transformation and success in the digital world will center around one thing – and that's people.”

Chris Van Steenberg, **Chief Human Resources Officer, HEINEKEN International**

Bridging people and digitalization. It will be important for HR leaders to recognize how digitalization and automation free talent from repetitive rules-based work, augment and elevate their “more human” skills and create demand for new skills. CPOs who overlook how automation can deliver value to workers may be missing out on an opportunity to improve the work environment, as well as employee engagement and performance. Research from Goldsmiths, University of London reveals that organizations that use automation technologies to augment human talent (i.e., factors enabling people to meet their full potential) scored 33% higher on factors deemed to make the workplace more human than their competitors not using automation in this way. In addition, these companies enjoy 28% higher performance levels compared with their non-augmented competitors.”

Diving deeper

Digital enablement stresses the importance of addressing people-related issues and making the best use of people as organizations implement digital technologies to drive greater business value. It can be helpful to consider the different types of impact that digitalization and automation can deliver:

- **Operational:** automating administrative tasks and processes. For example, using robotic process automation in candidate screening and onboarding will free HR from more process-related work and facilitate a greater focus on performance outcomes and business results.
- **Relational:** improving information sharing and communication. For instance, tools such as Slack, Asana and Trello can improve collaboration and knowledge sharing across global teams, which can drive productivity and innovation.
- **Transformational:** changing the nature of processes and systems. For example, it's becoming possible to use intelligent workplace technology to hyper-personalize the employee experience, enabling organizations to anticipate and respond to employee needs to an unprecedented degree and provide an experience similar to the consumer experience provided by Amazon or Netflix. Consider how this technology makes it possible to put content relevant to an individual's work projects at their fingertips, which can result in improved productivity and engagement.



Voice of the CPO

We have this notion of people operating at the top of their licenses. When you spend time doing things that only you can do, that makes the most of your experience/training/skill set/competencies; that creates value for our employees, our customers and our brand.”

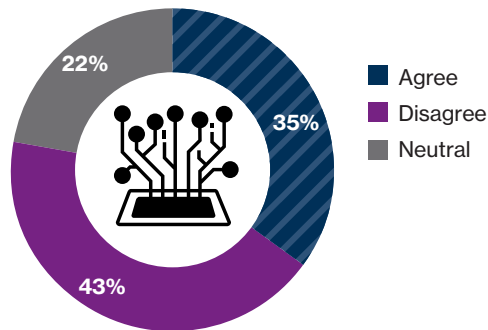
Lisa Bisaccia, **Executive Vice President and Chief Human Resources Officer, CVS Health**



HR executives and senior business leaders overall acknowledge that much progress remains to be made in the area of digital enablement, in particular in understanding how to apply digital technology and automation in the workplace and the resulting effect on work.

- For example, fewer than half of survey respondents (42%) had a favorable opinion of their organization's progress in comparison with other organizations when it comes to embracing technology that builds a consumer experience for employees. This reflects the gap between what is possible to deliver in the realm of digital user experience, considering the examples of Netflix and Amazon, and what organizations are providing to their employees.
- Among focus group participants, only 36% say they are prepared to think about how technology can be used to execute work in the future. And a mere 26% report that they have the technical acumen to evaluate new technologies.

We asked CPOs if they were prepared to think about how technology can be used to execute work roles in the future:





Voice of the CPO

You have to digitize transactional work, like you do for customers. You have to look at all high-touch, highly administrative work, and figure out how you will automate it. That's a big part of the agenda moving forward."

Melissa Anderson, **Executive Vice President and Chief Human Resources Officer, Duke Energy**

CPOs will need to bridge these gaps in order for their organizations to realize their digital ambitions. According to the Willis Towers Watson 2019 Pathways to Digital Enablement Survey, a large majority of employers (66%) cite leadership development as the top area requiring breakthroughs to adequately address the challenges of automation and digitalization.¹² Consequently, HR leaders must have an understanding of what it will take to become catalysts of digital enablement.

Evolving role of the CPO

CPOs need to have the digital business acumen necessary to evaluate new technologies. They must understand work and the required skills in a fundamentally new way in order to determine where and how technology can play a role. While they don't need to be technology experts themselves, CPOs must understand how technical skills fit into the organization and how changing technology can impact the workforce.

How are HR executives planning to improve their digital business acumen? Focus group participants say they plan to partner with data, digital and tech teams across the enterprise and with the chief technology officer and the chief information officer rather than working in silos to understand how to better evaluate where technology can be used in future work roles. One-third of CPO survey respondents indicate that technical skills will be a critical capability of future HR leaders.

It's imperative to make digital acumen a core competency of the next-generation CPO. This requires an ongoing effort that leverages different approaches and experiences:

- **Digital rotations:** Embedding digital business talent into HR and giving HR leaders the opportunity to work in other digitally-led functions
- **External partnerships:** Partnering with thought leaders, executive education providers, universities and game-changing companies outside the HR leader's industry to ramp up
- **Experiential learning:** Embedding digital innovation into everyday problem solving and actively engaging with emerging technologies
- **Digital augmentation testing:** Thinking like a profit and loss (P&L) leader, identifying where they can augment processes with a digital solution to reduce cost and increase productivity and/or satisfaction

The right development approaches will allow HR leaders to collaborate with their business peers to identify technology solutions that best meet the needs of the organization.

Igniting the work

Using AI to accelerate recruiting and hiring at Ping An

Ping An Insurance Group, China's largest insurer by market value, needed to accelerate its recruiting and hiring process in order to keep pace with changing roles and skill requirements. HR had to assist line managers in making basic decisions regarding job descriptions, recruitment channels and initial screening of candidates, which was slowing the process.

In April 2018, to address this issue, HR decided to implement a Smart HR system that uses artificial intelligence (AI) and big data to push much of the decision making down to the front lines. Ping An realized many benefits from this approach. Because frontline managers now have access to more robust information on skills and roles than previously available, they can quickly develop accurate job descriptions. Using system-generated recommendations, these managers select recruitment channels more rapidly than in the past. And once candidates begin to apply for a given position, the system screens candidates' resumes and pushes the most appropriate ones to frontline managers who can request online assessments and AI-powered interviews.

Ping An's Bank division implemented this intelligent system to empower frontline leaders for their 35,000 employees and saw a staggering return on investment. The time to hire (from search onset to new-hire onboarding date) was cut by two-thirds; they estimated this return on onboarding improvement (ROOI)ⁱⁱ at nearly \$17 million. They also found that this system dramatically improved the fit of the new hires in their role and calculated the return on hiring better candidates (ROH)ⁱⁱⁱ was around \$32.5 million. The use of this new system has freed up a tremendous amount of time for both frontline managers as well as HR team members, allowing them to focus on other projects and opportunities. Ping An has calculated the value on this improved efficiency (ROEI)^{iv} at over \$21 million.

Phyllis Cai, CHRO of Ping An, anticipates that after one to two years, their intelligent HR system will become even smarter. As that happens she will need fewer HR team members doing transactional work (i.e., in their branch offices) and more HR members operating out of headquarters to continually make the system smarter.



ⁱⁱROOI = Annual recruitment times number of days reduced to begin onboarding for the new employee times average profit generated by each employee

ⁱⁱⁱROH = Number of employees with better person-job fit times improvement of productivity times average profit generated by each employee

^{iv}ROEI = Number of days reduced on employee service times average profit generated by each employee



Embrace perpetual work reinvention

Fuel growth through a shared commitment to continuous learning and reskilling in pursuit of the optimal combinations of humans and automation.

By 2022, no less than **54%** of all employees will **require significant re- and upskilling**. Of these, about 35% are expected to require additional training of up to six months.¹³

“We are going to have to invest in our next generation of leaders. I now factor into my business that I’m going to have to train people forever.”

Johnny C. Taylor, Jr., **Chief Executive Officer, Society for Human Resource Management**

In brief

The exponential rate of technology change is transforming the way work gets done, creating new employment relationships and continuing to shrink the half-life of skills. By 2022, no less than 54% of all employees will require significant re- and upskilling. Of these, about 35% are expected to require additional training of up to six months.¹⁴ As new work options — including those in the area of AI and robotics — evolve, work is continuously reinvented. This new plurality of means for work requires HR to shift from being a steward of employment, filling jobs and managing compliance, to being the steward of work, determining how, where and by what means — including automation — work will be completed. This requires the CPO to orchestrate the many evolving options to complete work inside and outside of the organization's boundaries and strive for the

optimal combination of human talent and automation. HR leaders who underestimate or overlook the value of human-machine collaboration may be putting their organization's future revenues at risk. For instance, it is estimated that organizations that fully commit to AI and invest in human-machine collaboration can expect to realize a 38% revenue boost over five years.¹⁵

The new skills economy. In this new work ecosystem, instead of matching talent to jobs, HR leaders need to more effectively match skills to tasks, identifying the skills that are shrinking in demand versus growing, and those that are evolving as a result of automation. But changing market conditions and business requirements make the size of the challenge formidable. At the same time, the growth of the U.S. labor force is expected to continue at the same rate of only 0.5% over the next decade.¹⁶ With 83% of HR professionals reporting difficulty recruiting suitable candidates in the past 12 months, a slowing labor force growth and shifting skill requirements will only exacerbate this problem going forward.¹⁷



Voice of the CPO

You start to deconstruct jobs into tasks and pockets of work, and your employee population from numbers of people to clusters of skills.”

Lucien Alziari, **Executive Vice President and Chief Human Resources Officer, Prudential Financial**

Building a learning culture. For talent to thrive and the organization to prosper in this competitive environment, there needs to be a shared commitment on the part of employees and the organization to continuous learning and reskilling. It's essential to foster a learning culture where learning is embedded in employees' daily work. This may involve different types of learning experiences: quick “just-in-time” micro-learning modules consisting of content (e.g., audio, video, infographics) that can be consumed in five minutes or less, mentorships and peer-to-peer training, more formal online and in-person training programs, or even extended rotational programs to develop new aptitudes and perspectives from other business units. Online learning platforms allow organizations to personalize content for different roles and learning styles. Authoring tools enable subject matter experts within a company to develop courses, providing a cost-efficient way of delivering learning solutions.



Voice of the CPO

What's really required of future workers is fundamentally to be avid learners. Companies need to be in a place to help their people reskill.”

John Reid-Dodick, **Senior Vice President Culture, WeWork**

Diving deeper

While there has been much focus on artificial intelligence and robotics replacing entire jobs, the bigger issue is that jobs are not going away but that the nature of work and shape of the job are radically changing, requiring continuous reinvention. In this context, work refers to both the tasks or projects completed by individuals as well as work on a more organizational level (i.e., projects completed by cross-functional teams). By 2022, the core skills required for most jobs will, on average, change by 42%.¹⁸ Consider the following examples:

- **Farmers:** Drone-enabled precision agriculture has changed traditional farming by providing imagery to help farmers better manage their land while reducing water use and additives such as fertilizer, herbicides and insecticides.¹⁹ While this improves the crop output, it requires farmers to learn how to analyze imagery and synthesize the information to make data-based decisions about how to tend their crops.
- **Lawyers:** AI now plays a role in legal offices aiding contract review and management. Contract services identify risks and issues with how contracts are written that could negatively impact the clients. AI tools now assist in analyzing contracts, which speeds the process and helps eliminate human errors.²⁰ This reduces time spent on contract work and frees lawyers up to take on work that requires a human touch, such as advising clients or negotiating deals.

Going forward, an organization's sustainable competitive advantage will come from ensuring the continued relevance of its workforce. At the same time, security for the individual will come from the promise of being ready for opportunity, wherever it might be, and staying relevant in a world where sought-after skills and the pay premiums they command are in constant flux. According to the Willis Towers Watson 2019 Pathways to Digital Enablement Survey, employees who feel that their job is at risk of automation are 65% more likely to invest in their own learning and training.²¹ It will be important for the CPO to create the conditions for a shared commitment on the part of employees and the organization to continuous learning, including upskilling and reskilling. HR leaders must recognize that in the new world of work, skills become the core currency of the labor market.²²

94% believe that it will be a priority to **move from episodic training to perpetual reskilling**. Yet, only **18%** are prepared to **reskill their workforce**.



“

Voice of the CPO

Companies are going to need more of very scarce talent in areas such as AI and data science. Those people are already very expensive and hard to find. HR leaders are going to have to get good at growing their own and reskilling their people.”

Tracy Keogh, **Chief Human Resources Officer, HP**

Pressure to stay ahead of talent shortages is also putting a new focus on continuous learning. Due to the extreme competition for scarce skills and difficulty attracting new talent, more organizations are opting to reskill existing talent. Consequently, organizations will seek to nurture avid learners. In fact, a learning mindset, potential and the ability to pivot from one set of skills to another will often trump experience.

Perpetual reskilling. Because technology and work are constantly changing, training and development can no longer be considered episodic events. Almost all participants (94%) in our focus group indicated that in order to handle the changing nature of work, it's become a priority to move from episodic training to perpetual reskilling that will enable a more nimble workforce; however, only 18% indicated they were prepared to truly drive significant reskilling of the workforce.

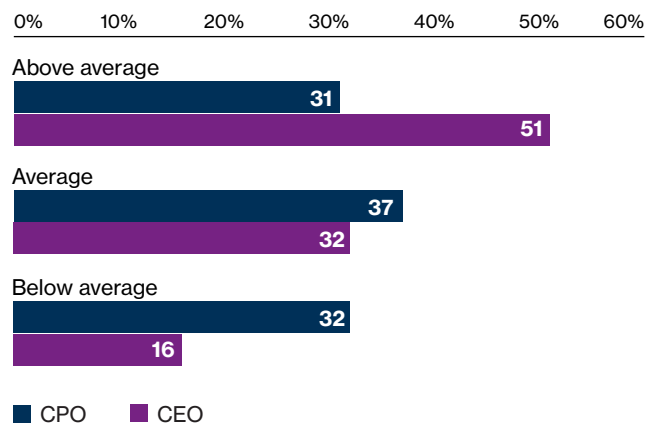
Participants cited the following barriers to reskilling:

- **Time constraints:** Employees lacking the time to take on additional training on top of their day-to-day workload
- **Resources constraints:** Financial and leadership support (i.e., top managers' ability to see the ROI for reskilling investments)
- **Change readiness:** Adaptability and change readiness within the organization to make reskilling a priority and implement accountability among employees, managers and the wider organization

Responses of survey participants also highlight the fact that there is considerable room for improvement when it comes to reskilling. When compared with other organizations, only 43% of respondents overall and 31% of CPOs had a favorable view of the progress of their organization in moving from episodic training to perpetual reskilling; however, CEOs may not appreciate the extent of the challenge as over half (51%) had an above average view of their organization's progress in moving to perpetual reskilling.

The CPO will play an essential role in raising awareness among all senior executives of the urgency of this issue.

Compared with other organizations, how would you rate your company's progress on moving from episodic training to perpetual reskilling?



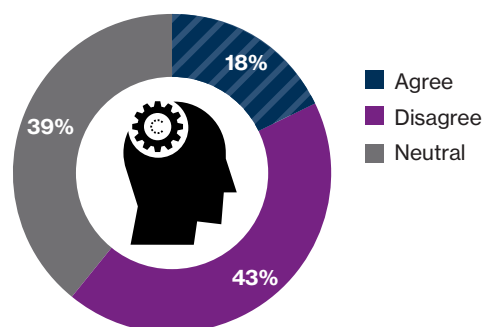


Evolving role of the CPO

To keep pace with changing skill requirements, it is crucial for HR leaders to understand the changing nature of work. Today, work is being deconstructed into elemental tasks; those tasks are deployed to the optimal source of work (e.g., automation, alliances, gig talent) and the remaining and new tasks reconstructed into reinvented jobs. As the nature of work changes, so too will skills and skill requirements. For this reason, HR needs to make continuous work reinvention a core capability and set the stage for continuous learning to keep up with this reinvention.

To imagine and ignite continuous learning in the organization of the future and ensure its place at the heart of the new deal, the CPO must secure adequate financial and senior leadership support and allocate sufficient time to learning-related experiences.

We asked CPOs if they felt prepared to truly drive significant reskilling of the workforce:



Continuous learning

The following levers can help prepare HR leaders to meet the urgent need for continuous learning and reskilling:



Move to skills-based talent architecture.

Organizations need to transition from career ladders based on fixed jobs to reskilling pathways based on tasks and reinvented jobs. Moving to a skills-based talent architecture that requires mapping skills to jobs and tasks will be critical to ensuring that talent remains relevant and evolving skill gaps become clear. CPOs, CFOs and other C-suite members need to stop thinking about head counts and number of employees and start thinking about skills and skill pools. This will help them understand the workforce in a completely different way. At the same time, CPOs may need to revisit their buy versus build versus borrow strategy to ensure that they will have access to the skills they need to remain competitive.



Ensure learning is ongoing and part of the business plan.

Learning, including reskilling, must be integrated into everyday activities on an ongoing – not episodic – basis. What was once a process of layering new skills onto an existing skills base in an effort to move upward in one's career has shifted to an expansive learning model with a new mantra of “learn, do, learn, do, rest, learn... repeat.”²³ In this context, it will be important for HR leaders to promote self-motivation and encourage talent to be curious about the experiences that will help them grow. Learning in the new world of work will involve more knowledge sharing, learning by doing and curiosity to explore what is changing.



Build a talent pool for the future.

Organizations have begun hiring and training people in specific skill areas in anticipation of future needs, that is, before jobs are even available. For instance, United Rentals hires people out of high school and college in this way and finds that this approach reduces ramp-up time when jobs do become available. Increasingly, organizations' talent pools also include outside talent, such as workers from the gig economy, and organizations with specialized knowledge, where particular talent and skill sets may be brought in for a fixed period of time to work on a specific challenge or opportunity. To ensure access to critical skills at all times, HR leaders must cultivate diverse work relationships and partner with various collaborators, or risk finding themselves at a competitive disadvantage.



Ensure continuous learning is at the heart of the new deal.

The value that continuous learning and reskilling delivers to both the organization and the individual cannot be underestimated. Consequently, the CPO of the future must put continuous learning at the heart of the new employment deal. For instance, a start-up competing for scarce talent decided to hire a director of talent development to work with managers and senior leaders to build out specific growth and development programs. Typically, early stage start-ups such as this one are not deeply focused on learning and development, but this particular organization opted to focus on continuous learning and perpetual reskilling to demonstrate its commitment to helping its people be successful in their roles. This investment paid off as the organization's learning and development initiative has become a key attraction and retention driver.



Take a multipronged approach.

It's important to provide transparent and multidimensional development opportunities. CPOs need a multipronged approach to understanding the organization's learning needs and developing paths for continuous learning.

1. Engage in ongoing conversations with business leaders to understand how skill capabilities align to evolving business needs and develop learning modules to bridge growing skill gaps.
2. Develop learning paths that take into account an individual's learning objectives and build on his or her current skills and previous learning activities. Because individuals have different learning styles, it's important to provide learning content in a range of formats and media, including mobile. Learning options can include videos, podcasts, virtual/augmented reality, and online and in-person courses. Organizations may also seek out external learning partners ranging from community colleges to online course providers such as Coursera or Udacity.
3. Ensure manager involvement and organizational support; establishing continuous learning as a priority for the company and its leaders is essential to making it a reality. Seventy-five percent of employees report that they would take a course suggested by their manager.²⁴ CPOs need to empower managers to monitor employee progress against goals and ensure that learning activities are bridging skills gaps.

To imagine and ignite continuous learning in the organization of the future and ensure its place at the heart of the new deal, the CPO must secure adequate financial and senior leadership support and allocate sufficient time to learning-related experiences.

Igniting the work

How HR leads work reinvention at Tree Top

Tree Top, a grower-owned fruit processing cooperative, provides fruit ingredients to more than 20 of the world's top 25 food companies and branded fruit products across the United States. Contributing to its competitive market position is Tree Top's use of advance technology in its plants. At the start of the 2018 fiscal year, Tree Top embarked on a work transformation project in its plants with the goal of optimizing the use of automation. In particular, it was looking to automate lower-level, repetitive work such as fruit checking and data entry in order to improve its focus on higher value-added, more variable tasks requiring technical skills.

Instead of playing a more traditional supporting role, helping the business align aspects of the talent life cycle *after* changes and capital investments were made, HR executives led the initiative. This involved thinking through work reinvention to determine which tasks should be automated, how work should be reinvented using a combination of automation and human talent, and where the work should be completed. Only once these ideas were fleshed out were the engineers and technicians brought into the project. Approaching this project through an HR lens at the onset resulted in significant production efficiencies and even improved the safety of some of the lower-level processes that engineers might not have considered. Through this type of work, HR generated ideas that could eliminate 5% of total hourly production positions.

As a result, Tree Top has changed part of its capital investment strategy to include labor optimization and process improvement ideas fueled by HR. After reviewing the revised strategy, the board of directors requested additional project ideas. When extra capital investment dollars became available in the 2019 fiscal year, these were among the first initiatives to be funded.

Operations and executive leaders now look to benefit from HR's insight and participation in other cross-functional projects. Tree Top's CHRO, Scott Washburn, refers to this approach as "leading with the work and not with technology."





Rethink culture and leadership

Shape a culture that empowers leadership on the front lines.

One in five American workers has left a job due to poor workplace culture. Over the past five years, **the cost of turnover** in the U.S. stemming from workplace culture **exceeded \$223 billion.**²⁵

“We have a big role to play around culture and purpose. We need to make sure that we continue to build this as our North Star across the organization and leverage it for the decisions that people make every day.”

Malaika Myers, **Chief Human Resources Officer, Hyatt Hotels Corporation**

In brief

Culture is a growing concern for leaders, board directors, investors, consumers and employees. Recent culture “fails” highlight the need for more transparency and leadership accountability for defining and cultivating organizational culture. According to the 2019 SHRM Omnibus Survey on The High Cost of a Toxic Workplace Culture, one in five American workers has left a job due to a toxic workplace culture. And over the past five years, the cost of turnover in the U.S. stemming from toxic workplace culture exceeded \$223 billion.²⁶ A negative culture can create workplace stress. Eighty percent of workers feel stress on the job with 25% viewing their jobs as the number one stressor in their lives.²⁷

A lack of inclusion and diversity can contribute to a negative culture. Organizations that overlook or underestimate the value of an inclusive and diverse culture often put business growth at risk. On the other hand, 85% of CEOs whose organizations have a formal inclusion and diversity strategy say it has improved their bottom line.²⁸

With the impact of an evolving work ecosystem, it will be critical to prioritize an inclusive and diverse workplace culture. Companies with a weak workplace culture face an increased risk of turnover among employees, which can have a direct impact on a company’s resources and its ability to achieve its goals.

“We have reached a cultural tipping point in the workplace, driven by public attitude shifts on employment policies, blurred lines between work and home life, and generational differences in the expectations of work itself.”

Johnny C. Taylor Jr., **Chief Executive Officer, Society for Human Resource Management**

Legacy models losing relevancy. Culture and leadership models developed when large workforces were emerging during the industrial revolution have lost their relevance. In the past, when a command-and-control model dictated how work was completed in organizations and where hierarchical leadership models pushed decisions down from the top or center of the organization, boundaries were fixed and the “job” was the dominant construct connecting talent – primarily full-time employees – within an organization. Organizations needed leaders who would lead from the top and set rules that directed a workforce to move in a specific direction. The culture advocated checks and controls to minimize mistakes, development happened only to respond to errors, and questions about the directions or rules were rarely welcome from the employees.²⁹

Today leaders operate in a markedly different environment. Employers deconstruct jobs and distribute work around the globe to be completed by diverse means ranging from free agents to alliance partners, to automation; innovation and decision making need to accelerate. Employees want less structured environments; less directive communication; more flexible work arrangements;³⁰ personal development; and an employer that stands for a purpose, not just profit.³¹ Consequently, employers must grapple with several foundational issues, including how to lead and align diverse talent in increasingly nonhierarchical work environments, how to operate successfully with more fluid organizational boundaries, and how to empower teams to create and innovate.

“When your organization’s work is less concrete and more dynamic, people identify more with intangibles. They’re going to grab what they can to give meaning to what they do. That’s why culture and purpose and shared values aren’t just fads.”

Scott Snell, **Professor,**
University of Virginia Darden School of Business



Voice of the CPO

In a fluid organization what binds people together is culture. In other words, culture is the new structure.”

Leena Nair, **Chief Human Resources Officer, Unilever**

Minding the trust gap. It’s vital for senior HR executives to inspire trust in order to foster the psychological safety needed for risk taking, collaboration and continuous learning that in turn, accelerate innovation and growth. And the trust gap is considerable given that only 52% of employees trust in the business to do what is right.³²

In an effort to address this complex challenge, HR leaders are rethinking culture and adopting a more expansive view of inclusion and leadership.

Diving deeper

Giving culture the currency it deserves. Almost all survey respondents (97%) indicated that it is very important for future HR executives to use culture to enable the organization. Today’s front lines are more fluid than in the past as talent flows freely in and out of the organization; culture now serves as the glue, the foundational element, that unites and engages a workforce as it contracts and expands in response to shifting business conditions.

Companies with **high sustainable engagement** in their workforce outperform their sector averages for one-year **growth in gross profit by 5%**; conversely, companies that have **low sustainable engagement** underperform their sectors on **one-year profitability growth by 13%.**³³

5%



-13%

From this perspective, culture is the new structure that connects talent to a common vision and purpose regardless of the employment relationship, and helps workers understand how they fit into an organization. In addition, a robust culture promotes collaboration, which powers new thinking and innovation, and provides the optimal environment for a more engaged workforce.

Prioritizing inclusion. Today's workforce is diverse – multinational, multicultural and multigenerational – with a wealth of valuable perspectives to bring to the table. Organizations stand to gain many benefits from fostering inclusion by, for example, prioritizing gender equality. In fact, innovation is six times higher at companies where men and women are treated equally.³⁴ Analysis by Morgan Stanley indicates that organizations that take a holistic approach toward equal gender representation have outperformed their less diverse peers by 3.1% over the past eight years.³⁵

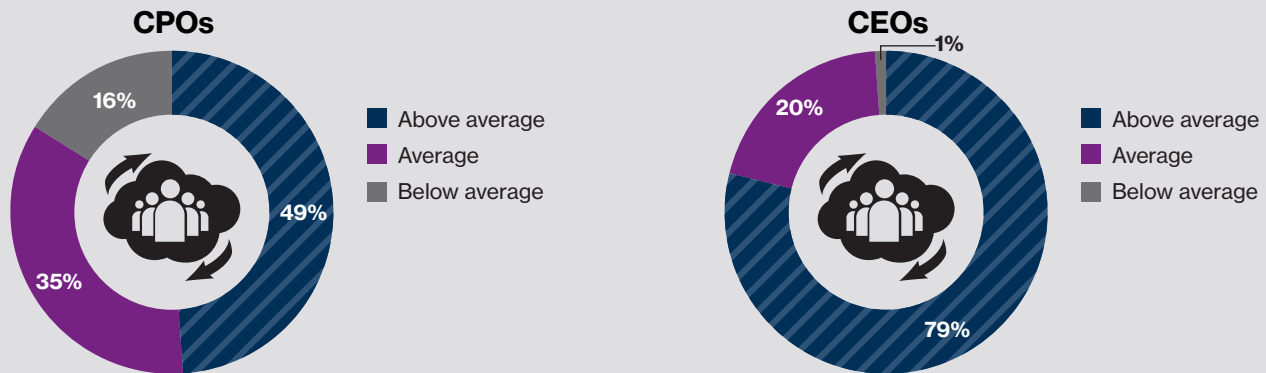
HR leaders will need to prioritize and champion an inclusive culture to attract, engage and align diverse talent. An inclusive culture promotes a sense of belonging that empowers workers to realize their ambitions in an environment where differences are respected and valued. This sense of value promotes people to bring their full self to work and helps unlock discretionary effort essential to driving innovation. Inclusion efforts must also address workplace behaviors that stand in the way of real change. For example, 98% of employees acknowledge experiencing uncivil behavior at some point in their working life.³⁶

Study participants put a high priority on inclusion. Eight-seven percent of focus group participants recognized the importance of building an inclusive and collaborative workforce. They also highlighted the importance of making the link between culture and business results. When put into practice an inclusive culture helps employers tap into new, innovative thinking inside and outside of an organization's traditional boundaries that in turn helps to drive business value and ensure competitive edge. According to Willis Towers Watson's High-Performance Employee Experience (HPEX) Index, inclusion and collaboration are factors that distinguish high-performing companies from organizations in general.

Harnessing the power of the collective with a new leadership model. An inclusive culture requires a new leadership model where leadership becomes more of a collective effort as opposed to the historical top-down model that arose to steer organizations of the industrial age. To step up to the pressures of continuous innovation and a world where speed is a critical priority, companies are adopting flatter organizational models and pushing decision making to the front lines where much work, innovation, customer interactions and market shifts take place. To succeed in this new environment, talent on the front lines must be empowered to act as leaders.



Compared with other organizations, how would you rate your company's progress on using culture to enable the organization?



Companies that embrace a model of “leadership on the front lines” respond to market changes with agility, innovate more rapidly and more readily implement new problem-solving approaches. These frontline leaders play a vital role in promoting an inclusive culture by sparking curiosity, encouraging collaboration, and fostering an openness to new thinking and divergent views in an environment of mutual respect. Fellow executive team members agree on the role the CPO needs to play; 96% of C-suite respondents surveyed indicate that culture is a critical component of the CPO role. Craig Pintoff, executive vice president, chief administrative and legal officer at United Rentals, notes, “HR can drive culture in powerful ways.”

Evolving role of the CPO

There is a huge risk to not getting culture and leadership right. Without these foundational elements, companies will not be able to attract and retain high-value talent, engage the workforce to execute the business model or accelerate innovation; therefore, it's essential that HR executives rethink traditional culture and leadership models, and take action to imagine their organization anew:

Make it a business imperative. CPOs must position an inclusive culture as a business imperative – not an HR initiative; yet, there is a gap between CPOs and CEOs regarding their progress in using culture to enable the organization. Our survey findings reveal that 79% of CEOs have a favorable view of their organization's progress in using culture to enable the organization, while only 49% of CPOs share this view. It will be important for business leaders to close this gap in order to move forward in using culture to power the organization.

Live your values. Support for an inclusive culture begins at the top through effective role modeling and communication. Senior executives serve as stewards of an inclusive culture: They need to engage the workforce through an ongoing narrative highlighting how the organization lives its core values. That engagement will help drive collaboration critical to unleashing the power of a diverse workforce.

Address bias. Unconscious bias is often a roadblock to building an inclusive culture. Left unaddressed it can impact decisions on recruitment, performance management, promotions and succession planning, innovation, team composition and more. For example, research from Harvard and Princeton universities has found that blind orchestra auditions (when the musician can only be heard but not seen) increased the likelihood that a female musician would be hired from 25% to 46%.³⁷ Organizations will want to identify indications of these biases, conduct unconscious bias training for their leaders, and measure the results of holding leaders and managers accountable for eradicating bias in the workplace.

Empower leaders on the frontlines. CPOs must empower leaders on the front lines to create a “safe” environment where there is a tolerance for risk taking and workers can freely share ideas without fear of negative repercussions. In a safe-to-fail environment, workers feel like they are part of the team, take ownership over their contributions, and feel safe to experiment and test new ideas. This environment is the necessary underpinning of an innovative workplace that looks to solve previously unseen problems and create value in new ways.

Configure culture for different groups. The one-size-fits-all culture models of the past are no longer relevant. In an era of personalization, it's important to define and configure culture to reach different talent groups. HR leaders must balance the need to have a common set of values and a common purpose with the need to shape a culture that embraces and supports diverse workforce segments. No longer does culture end at the walls of the organization for a homogenous group of employees: It is increasingly defined by a set of shared experiences and alignment to a common purpose for a diverse aggregate of talent and alternative work relationships.

Assess your employee value proposition (EVP). Today, an organization's EVP needs to attract and engage talent across the spectrum of the talent ecosystem. This begins with an inclusive and diverse work environment and may also include providing employees with tailored benefits that match the needs of a diverse workforce, varied work assignments and reskilling opportunities. According to recent Willis Towers Watson studies, best practice organizations with highly evolved EVPs are almost twice as likely (1.9 times) to report financial performance substantially above that of their peers and almost three times as likely (2.7 times) to say that their employees are more highly engaged compared with organizations without a formal EVP.³⁸

Our focus group findings reveal that the biggest challenge to building a more inclusive workforce is pressure on short-term results. Consequently, CPOs must balance the need to focus on short-term goals with the need to make a long-term commitment to building an inclusive culture in order to drive sustainable business results. This is an important opportunity and call to action for CEOs and CPOs to get this balance right and successfully drive business achievements while creating inclusive, innovative and productive work ecosystems.

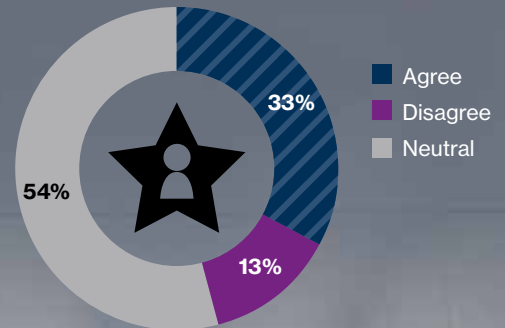
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Voice of the CPO

The culture of Upwork is foundational to who we are; it's the driving force for why people come to work. Everyone's here because we believe in the mission; it surrounds everything we do. We talk about how we create programs that are a physical manifestation of our values and mission.”

Zoë Harte, **Senior Vice President, Head of Human Resources and Talent Innovation, Upwork**

We asked CPOs if they believed that their organization is making good progress on the employee value proposition:



Igniting the work

Haier accelerates innovation by making everyone a CEO

In the early 2000s, Haier Group Corporation, the world's leading home appliance and consumer electronics brand, faced a twofold challenge. First, it needed to respond more quickly to shifting customer demands in a highly competitive market at a time when changing technology was making possible new types of customization and services. Second, Haier lacked the skilled talent needed to leverage the new technology and create value for its customers.

As early as the 1990s, Zhang Ruimin, CEO of Haier Group, realized that the traditional bureaucratic management model and the decision-making system was the key issue hindering innovation and problem solving. Thus, he began to explore a model for employee self-management and “self-dependent” innovation. After more than a decade of exploration and practice, he put forward the Rendanheyi model in 2005. According to this notion, “Ren” means employees, “Dan” means users and “Heyi” means making employees create value for users. This model completely subverted the traditional pyramid model of management. Every employee is empowered to give full play to his or her capabilities, be deeply devoted to his or her work, and create value for users. In Haier's culture, the right to make decisions is delegated to the front line: Everyone is his or her own CEO.

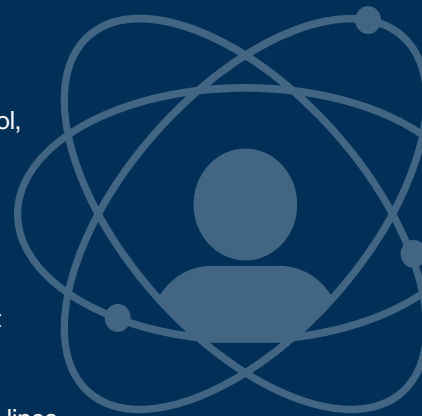
To support this new and radical microenterprise model required a transformation within HR. Specifically, HR leaders needed the ability to attract more quickly the type of skilled entrepreneurial talent that would power innovative solutions at Haier. Doing so necessitated a change in HR's mindset and approach.

Under the Rendanheyi model, Haier has gradually evolved into an open entrepreneurship platform, where all talent can join and start their own business. Haier also considers the world as its talent pool, so it became a prerequisite for HR leaders to adopt a more open mindset as top talent could come from anywhere. In addition, because Haier didn't offer defined jobs as much as opportunities for people to make the best use of their skills working on different projects, HR had to develop the ability to match skills to opportunities as opposed to hiring for a specific role.

To power this ongoing process, Haier introduced its entrepreneur attraction platform, an open talent platform that allows Haier to tap more quickly skilled talent from around the world. In this way, HR is driving value at Haier by enabling a steady flow of talent with highly sought-after skills and the entrepreneurial mindset required to thrive in the Haier culture and accelerate innovation on the front lines.

The entrepreneur attraction platform played a key role in the success of Haier's microenterprise model. In implementing this radical approach to innovation, Haier took the long view. This model wasn't immediately successful because changing mindsets and culture is difficult. Haier had to start with small pilot programs and then replicate the programs that were successful. Shareholders expressed concern when the stock did not rise significantly in the first few years

In 2014, nine years after this approach was initially implemented, the Haier Group's profits increased twelvefold, amounting to a 28% compound growth rate over this period.³⁹ In 2016, its stock price doubled, and in 2017, the stock price doubled again. Behind the rapid growth of profits and stock prices is the achievement of Rendanheyi's implementation over the past decade. Haier always put human value first and encouraged everyone to be his or her own CEO. This has maximized creativity and promoted enterprise innovation and long-term development. Today Haier doesn't offer employees jobs — it offers them a platform to become entrepreneurs.





Elevate HR decision science

Combine data and decision science to spark future-focused insights and human-centered innovation.

Less than 20% of organizations have the capability to **apply predictive analytics** to address important people issues.⁴⁰

“You need fewer experts to know how to operate and you need more people who can think conceptually and use data to their advantage.”

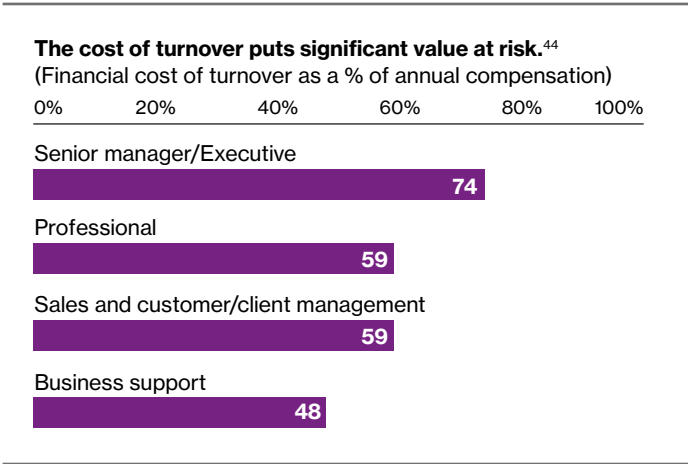
Mikel Durham, **Board Member, Tyson Foods**

In brief

In the immortal words of T.S. Eliot, “Where is the wisdom we have lost in knowledge? Where is the knowledge we have lost in information?” This question captures the essence of the challenge facing HR in an era with exponentially more data and information than ever before. But data and information alone are insufficient to affect change. It is essential also to focus on decision science so that insights can translate into improved decision making and desired behaviors. As for any function within an organization, it is important for HR to recognize that there is an explicit decision science that underpins how business decisions are made. When an HR leader needs to address a talent or work issue, there is a decision science with its own logic and rigor around how to develop and understand insights, psychology, process architecture and so on that goes into the business decision response and ensures a predictable outcome.

Informing action. HR decision science and analytics will power the HR function and CPO role of the future. For example, using predictive attrition analysis and risk modeling, HR leaders will be able to not just predict who among the general employee population is likely to leave but also drill down to identify the top sales managers, research and development leads or other key talent who may be ready to resign. Predictive analytics can also provide organizations with a better sense of the percentage of employees they are at risk of losing due to retirement. For example, the Commonwealth of Massachusetts uses such an approach, which allows department heads and their HR leaders to start planning in advance for knowledge transfer and offboarding. Another example is that of sophisticated sentiment analysis that will allow HR executives to monitor social platforms and intranets to identify in real time sources of employee disengagement or to capture feedback on new initiatives. With these insights, the organization can act swiftly and intentionally to either avoid a problem or prevent one from escalating.

Without HR decision science, HR leaders have little or no visibility into the financial or strategic impact of people issues – for example, disengagement or attrition. Calculations show that the turnover costs could be as much as 74% of some employees’ annual salaries.⁴¹ Being able to measure the cost to the organization of these and similar people issues can help HR leaders take proactive measures to avert these problems and deliver value to the organization; however, less than 20% of organizations have the capability to apply predictive analytics to address important people issues.⁴² Decision science will also be a critical tool for the CPO as a means to validate business cases for new actions and initiatives presented to the CEO and the board. According to McKinsey Global Institute estimates, organizations using a portfolio of HR analytics solutions could realize an increase of 275 basis points in profit margins, on average, by 2025.⁴³



“

Voice of the CPO

How we apply data and technology is increasingly more critical to ensure a scientific- and evidence-based profession. We need to move from a world of experience to one of science, analytics and judgement.”

Scott Pitasky, **Vice President, Human Resources, Amazon Consumer**

Diving deeper

Analytics allow CPOs to understand their HR and business problems in a more focused manner – separating the signal from the noise – and to arrive at more effective, informed solutions in different areas.

Predictive analytics. Predictive insights can fuel proactive actions in a range of talent areas. For example, using a combination of machine learning algorithms and decision trees, it’s possible to develop statistical models that rank employees based on their flight risk and identify the factors contributing to their risk, such as pay, benefit options, flexible working, and learning and development opportunities. HR leaders might begin by focusing on the top 20% of at-risk employees and providing these employees with a differentiated employee experience that might include, for example, skill development opportunities, job rotations or offering alternate working options. According to a survey from FlexJobs, a Colorado-based jobs site for flexible work, nearly a third of workers have looked for other employment because their current workplace did not offer flexible work opportunities such as remote work or flexible scheduling. Their survey found that more than 25% of respondents would take up to a 20% pay cut in exchange for flexible work arrangements.⁴⁵ For CPOs, examining their human capital data to understand how to make decisions about issues that matter to the workforce will have tremendous impact on both business stability as well as growth.

Personalization. One of the latest trends in marketing is hyper-personalization, which uses behavioral and real-time data as well as technologies such as AI and machine learning to develop highly tailored experiences. Today it’s possible to use AI-based algorithms to hyper-personalize the employee experience and deliver opportunities/recommendations as personalized as those provided by Netflix and Amazon. Recommendation systems use two key techniques. The first, collaborative filtering, enables HR leaders to make predictions about a user’s interests by filtering out preference data from people who share common interests or needs – “Users like you also liked X.” For example, the system might offer an employee the opportunity to enroll in a Python class because employees who share similar programming interests have taken this class.

The second technique, content-based filtering, uses an employee's past interests or activities to recommend similar activities – “Because you like this, you also may like X.” For example, if an employee has in the past participated in volunteer activities helping school age children, the system may offer this employee the opportunity to participate in an elementary school tutorial program.

The algorithms powering recommendation systems can also give more weight to certain items that may be corporate priorities. For instance, if a company needs to train Java programmers, the recommendation system can identify employees who share similar preferences and interests as current Java programmers and offer them the opportunity to learn Java. In this way, hyper-personalization allows both employees and the organization to thrive.

Measurement. Analytics allow the HR executive to measure and better understand program performance, identify program shortfalls and determine program ROI. It's essential for HR leaders to track key metrics, including average time to fill a position; cost to hire; employee engagement; succession planning readiness for critical roles; inclusion index; and attrition and retention rates for different employee segments, including high performers. In a tight labor market, there needs to be a special focus on recruiting metrics. It's vital to track effectiveness metrics such as the quality of the hire as well as efficiency metrics. The combination of qualitative and quantitative metrics provides a more complete picture of the state of recruiting.

As organizations continue to evolve their workforces and expand their use of gig workers, some companies are beginning to adopt algorithmic management, a set of technology tools and techniques that allows for the



Voice of the CPO

It takes a tremendous amount of knowledge about the business and good data to tell you what your real needs are and where you should be focusing your time. HR is in a unique position to draw insights from trusted data to help make smarter decisions.”

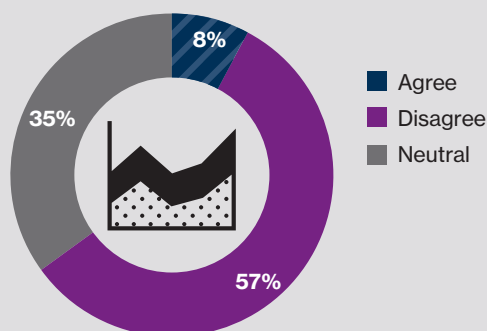
Melissa Kremer, **Executive Vice President and Chief Human Resources Officer, Target**

management of a remote gig workforce. These tools work to solve a challenge of measuring worker output in an effort to deliver a standardized service level from a workforce that the company does not employ. Deliveroo, a U.K.-based food delivery company, has implemented such a tool to track metrics such as “travel time to customer,” “time at customer,” “late orders” and more. It can then share the data with the individual workers to show where they are meeting set service levels, exceeding them or falling short. This system of measurement allows organizations to understand how their workforces meet the needs of the customers and where improvement is required.

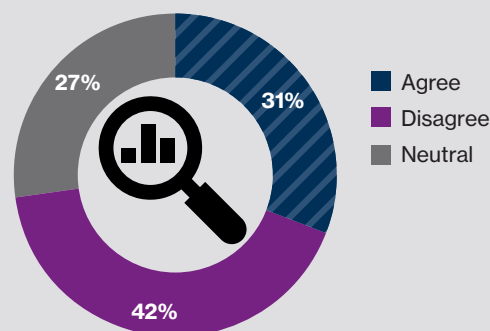
Our survey reveals that compared with other organizations, only slightly more than a third of senior leaders (35%) overall and just over a quarter of CPOs (27%) specified that they have a favorable view of the progress their organization is making in leading with data-driven insights that enable better business decisions to accelerate outcomes.

CPOs share their current decision science capabilities:

Do you currently have a complete, aggregated, strategically relevant and trusted global data set?



Do you have the people who can translate data into meaningful insights?





Voice of the CPO

We use analytics to inform our more complex analysis and decision making. We hired a data scientist on our team, and it's been helpful in producing workforce insights; this role enables us to lean into more robust data-driven decision making.”

Liz Mazzotta, **Senior Vice President and Chief Human Resources Officer, Mutual of Omaha**

Focus group participants also highlighted the gap to be bridged in the area of data analytics and decision science. Many are falling short when it comes to the need to develop and maintain a complete, aggregated, strategically relevant and trusted global data set, with only 8% indicating that they currently have such a data set. Additionally, less than a third (31%) reported having the people who can translate data into meaningful insights. Focus group participants indicated that people with this skill set today are largely *outside* of HR, which will therefore require incorporating traditionally non-HR talent into the HR function. Building not only the data set but also the talent and integrated capabilities within HR to translate data into insights for action will be a difficult but critical challenge ahead for many CPOs. Failing to evolve their capabilities in this area will have tremendous impact on the CPOs' ability to identify, advocate and implement change needed for long-term business growth and success.

Evolving role of the CPO

The HR executive of the future will have to embrace an evidence-based approach to decision making or risk being unable to connect talent and work initiatives to business performance. The following steps can help guide the way:

Align with the business objectives. CPOs require an understanding of the insights critical to driving business success. It is essential to come to agreement with other leadership members on how HR will measure human capital performance against core business goals and objectives, and the level of transparency needed for the board, directors and investors. HR leaders may need to educate board members and investors as to the importance of human capital metrics by demonstrating the impact of talent decisions on company value and performance.

In addition, to help accelerate decision making and gain credibility throughout the C-suite and board, CPOs will want to consider using decision logic frameworks that provide an overview of the objectives, activities and resources against strategic HR initiatives; these frameworks are similar to those used in other functions, such as finance or marketing.

Build data science capabilities. Many organizations have made progress in building human capital analytics teams. In addition to ensuring the development and maintenance of a relevant, trusted global data set and dashboards, the HR executive needs to build data science capabilities with people who understand how to read and translate the data into meaningful, actionable insights in line with business priorities. This requires a strong data science leader who has the business acumen to understand how the organization makes money and how HR contributes to driving business. This person's key focus areas should be strategy, structure, staffing, tools and data governance. Because talent in the data science area is in short supply, organizations may need to rely on a combination of internal and external talent to get started.

Focus on the human element. For the future HR leader, a focus on the human side of analytics will be important in keeping a balance between what action data may indicate versus what the right action is for real people. It will be vital to approach decision making with empathy to better understand “why” people think, feel and act in a certain way. Data alone can lead to misguided decisions.

Focus group responses

Our focus group participants agreed when asked what the **most critical data insights** were to drive the business:

- “Predictive analytics – for example, how to understand and prevent turnover”
- “Data insights that help HR more effectively collaborate with peer P&L leaders to understand and drive results and growth”
- “Insights on where and how to personalize our employee experience, such as how to craft benefit packages to meet the diverse needs of our employees”



Voice of the CPO

With the use of integrated data platforms, we don't have to organize around functions anymore: We can actually organize around employee experiences and have multifunctional groups.”

Diane Gherson, **Chief Human Resources Officer, IBM**

Consider how Google created a stable, well-tested algorithm to determine which software engineers should get promoted. The result? The engineers hated this approach and the managers didn't want to hide their decisions in black box. Obviously, the model didn't take into account this human reaction; therefore, while algorithms and models can help evaluate trade-offs in making decisions, it's the leaders who must assess a potential course of action with the human impact front of mind.

Focus on outcomes and experiences with integrated data platforms. Our research highlighted the importance of integrated data platforms that make sharing and accessing information easier allowing organizations to organize around employee experiences – for example, connecting data from finance, IT and HR to deliver a better onboarding experience. The savvy HR executive will look for opportunities to use integrated data platforms to break down silos across functions in order to drive innovation and faster outcomes.

Deliver personalization. In a competitive labor market, an organization's employee experience can be a critical differentiator. Personalization is key to delivering a more relevant and meaningful employee experience. It is essential for senior HR leaders to prioritize the development of the analytics capabilities required to deliver a personalized, end-to-end employee experience. Personalization requires the gathering and analysis of employee data across functions in order to develop a deeper understanding of employees' needs and preferences at different stages in the employee life cycle starting with onboarding. Organizations can then target different employees such as those at risk of leaving, high performers or even someone who has gone through a major life change, such as having a child or buying a home, and use real-time and behavioral data at the individual (not segment) level to deliver a hyper-personalized employee experience – for example, recommending personalized learning paths based on learning styles and objectives or making personalized benefits or services recommendations.

Conclusion

Imagine, invent and ignite the path forward

This is the Golden Age of the HR profession; there's never been a better time to be a leader in the function. Our study findings reveal how rapid technological innovation and the democratization of work are expanding the role of the CPO. In this more expansive role, the CPO serves as the architect of new strategic initiatives, anticipating workplace trends and challenges, proactively advising the CEO and the board, and shaping talent and work solutions that fuel business growth.

This study serves as a call to action for HR executives and their C-suite peers to *imagine, invent and ignite the change* required to chart a new path forward for the CPO. Our research reveals five pivotal imperatives that highlight the skills, behaviors and experiences needed to capture the opportunities and meet the challenges in the new world of work.

Push boundaries to evolve and power more agile ways of working to ensure that both the organization and HR will be able to respond in a nimble manner to an ever-changing business environment.

Unleash digitalization to understand how technology is changing the nature of work and how it can free talent from administrative and operational tasks, allowing individuals to focus on higher value activities. It's also critical to understand how digitalization can be used to deliver a consumer-grade employee experience that will increase engagement and productivity of the workforce.

Embrace perpetual work reinvention to optimize the use of talent and automation. Organizations must put continuous learning and reskilling at the heart of the new employment deal as work is continuously reinvented and skill requirements shift.

Rethink culture and leadership to lead people in more fluid organizations where talent on the front lines is empowered to innovate and where the entire workforce feels vested in a common purpose.

Elevate decision science to make evidence-based decisions and demonstrate the impact of talent decisions on company value, performance and growth.




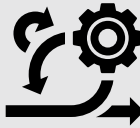
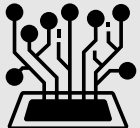










The Future Chief People Officer: 5 critical pivot points

Here is how to get started:

- 1. Deliver business insight:** What are the critical new insights related to this pivot point that the CPO must communicate?
- 2. Lead with impact:** What will leadership look like for the CPO on this pivot point?
- 3. Accelerate capabilities:** What capabilities will the CPO tap into or develop to execute this pivot point?

 Deliver business insight		 Lead with impact	 Accelerate capabilities
Push boundaries to power organizational agility			
	Clearly articulate the work, organization, culture and skill implications of operating an agile organization (versus a traditional hierarchy)	Actively challenge the status quo of work, creating a culture of continuous experimentation and improvement	Build ambidextrous leaders who can operate between agile environments with high tolerance for experimentation and environments with zero tolerance for errors
	Reimagine performance management and reward programs to embody a growth mindset and drive the critical behaviors required to operate	Lead the transformation required to enable HR and the broader organization to embrace agile ways of working	Develop the capability for perpetual change management to enable an agile organization
Unleash digitalization			
	Evolve the HR mindset to value automation as a talent asset; include robotics ("bot") as a workforce planning lever (alongside build, borrow and buy)	Build workforce forecasts with a clear assessment of current and emerging digital skills and the plan for how to close the gaps	Develop digital business acumen and build external partnerships with technology incubators
	Work in partnership with fellow executive leaders to define the role of digitalization in the overall business, new products, new markets and growth strategy	Achieve the optimal combinations of humans and machines by leading the adoption of automation to substitute, augment and/or create new human work	Implement continuous market sensing of emerging automation options for different bodies of work

Here is how to get started (*continued*):

 Deliver business insight	 Lead with impact	 Accelerate capabilities
Embrace perpetual work reinvention		
 <p>Create clear and explicit links between the business plan, the “work” plan and the skills of the workforce; identify emerging skill gaps</p> <p>Make continuous learning the centerpiece of the employee experience with the promise of continued employee relevance in a changing world</p>	<p>Lead the work, not just the employees</p> <p>Continuously challenge the status quo of work; make job reinvention part of everyday/ongoing business operations</p>	<p>Make continuous work reinvention and reskilling a core capability of HR and a discipline of the organization</p> <p>Design work architectures to continuously match skills to tasks (and not just people to jobs)</p>
Rethink culture and leadership		
 <p>Work with C-suite colleagues and the board to define the culture and purpose of the organization (beyond profit)</p> <p>Define and measure culture, including wellbeing and leadership alignment; audit programs to ensure they have purpose and support the culture tenets</p>	<p>Create a sense of shared purpose among all stakeholders, including gig workers and other third-party workforce members</p> <p>Anchor inclusion and diversity to the heart of the business model and culture</p>	<p>Assess culture value and risk by building and deploying the capabilities for continuous talent sensing and measurement</p> <p>Actively shape the culture through leadership example, storytelling, involvement and consultation</p>
Elevate HR decision science		
 <p>Embed human capital analytics as part of the overall business scorecard and performance reviews</p> <p>Create clear, predictive links between employee and business data to inform business and people transformation priorities</p>	<p>Embed HR decision science into the management narrative</p> <p>Ensure accountability for human capital metrics at all leadership and management levels</p>	<p>Build predictive modeling and machine learning capabilities</p> <p>Communicate and embed the HR decision science in all people-related processes and decisions</p>



In summary

To address these imperatives and advance new business initiatives, the CPO must navigate the complicated ecosystem of stakeholders: C-suite leaders, board directors, investors, employees, customers and partners. This makes it essential for the HR executive to think and act like a P&L leader in order to set the strategic priorities and action plans that will deliver results. But CPOs say that to make progress, they will require more support from the C-suite. Further complicating the situation is that while CEOs and other C-suite leaders do want high-level strategic thinking from their CPO, at the end of the day many still look primarily for operational and people risk management support from HR executives today. In situations where the CEO is slow to recognize the criticality of the CPO's role in powering forward-looking work and talent solutions, organizations will struggle to compete in an ever-shifting workplace.

It's crucial to move beyond this impasse or risk facing a crisis that will paralyze an organization's ability to accelerate innovation. The consequences of inaction are significant. If the CPO is exclusively focused on short-term results and operational activities, who will be orchestrating the many evolving work and talent options required to ensure organizational success in the future?

There needs to be a push-pull approach whereby CPOs demonstrate and better educate their fellow C-suite members, their CEO and the board as to where and how they create value for the business. At the same time, the CPO's C-suite peers, CEO and board need to change their expectations of the CPO and demand more strategic involvement; in fact, this cohort should be very concerned if their CPO is still largely focused on administrative tasks and overlooking such urgent needs as reinventing work and ensuring continuous learning.

The future looks bright for CPOs who are bold enough to embrace this expansive, strategic role. By *imagining* the possibilities in an evolving work ecosystem and *inventing* new ways of working and new talent solutions, they will *ignite* a path forward, driving exponential business growth and success.

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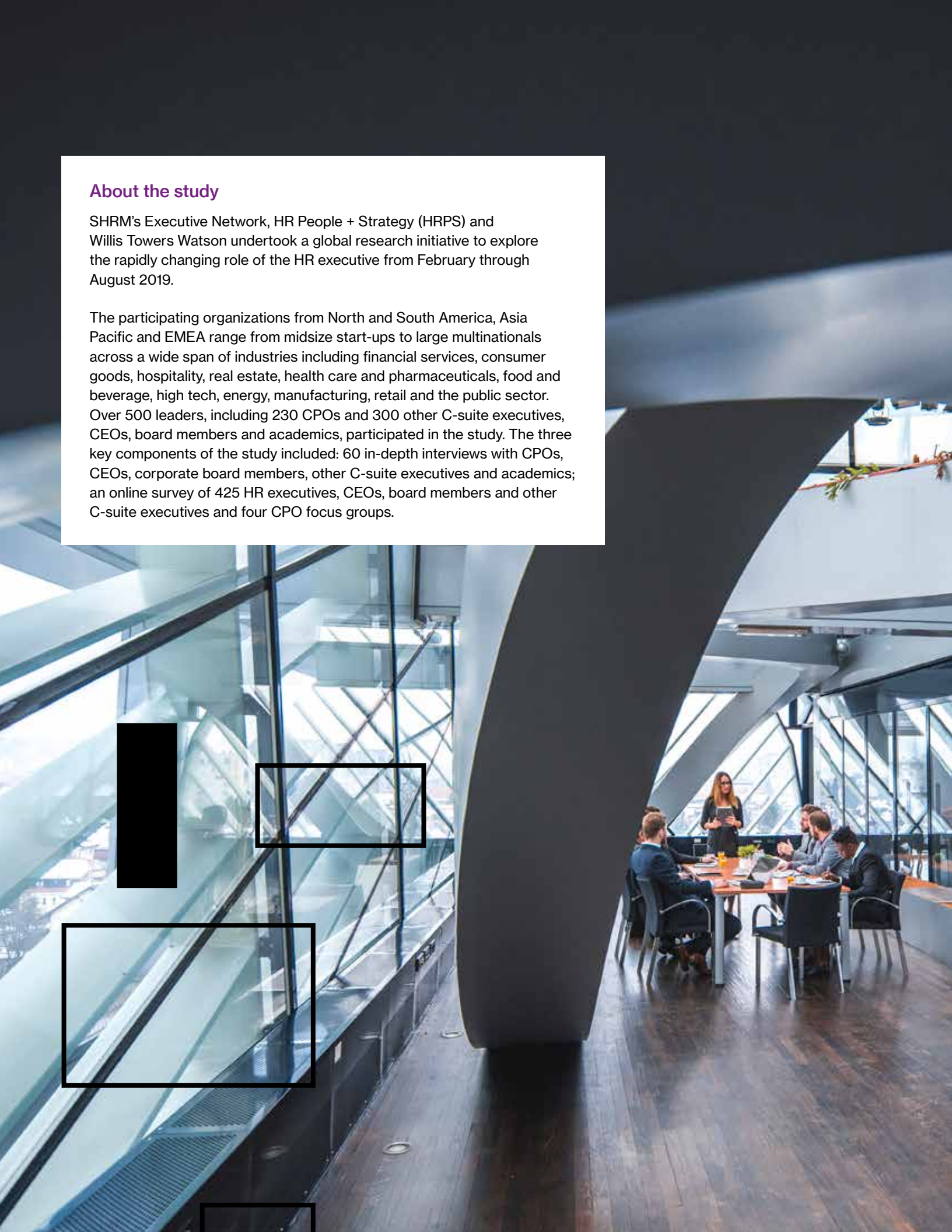
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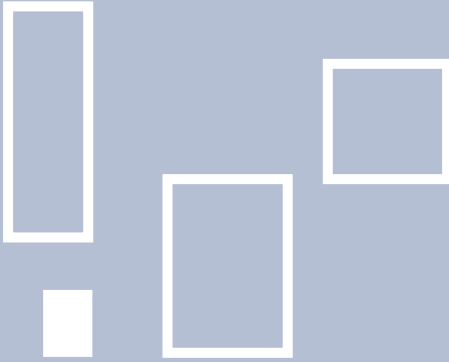
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About the study

SHRM's Executive Network, HR People + Strategy (HRPS) and Willis Towers Watson undertook a global research initiative to explore the rapidly changing role of the HR executive from February through August 2019.

The participating organizations from North and South America, Asia Pacific and EMEA range from midsize start-ups to large multinationals across a wide span of industries including financial services, consumer goods, hospitality, real estate, health care and pharmaceuticals, food and beverage, high tech, energy, manufacturing, retail and the public sector. Over 500 leaders, including 230 CPOs and 300 other C-suite executives, CEOs, board members and academics, participated in the study. The three key components of the study included: 60 in-depth interviews with CPOs, CEOs, corporate board members, other C-suite executives and academics; an online survey of 425 HR executives, CEOs, board members and other C-suite executives and four CPO focus groups.





About HR People + Strategy

HR People + Strategy is the premier network of executives and thought leaders in the field of human resources. As SHRM's Executive Network, HR People + Strategy provides members access to forward-thinking exchanges, cutting-edge research and publications, and executive-level networking opportunities. HR People + Strategy's mission is to lead the HR profession by creating a community that facilitates the dialogue between thought leaders and executive practitioners, creating solutions to drive success for people and organizations. To learn more about HRPS, visit [HRPS.org](https://hrps.org).



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