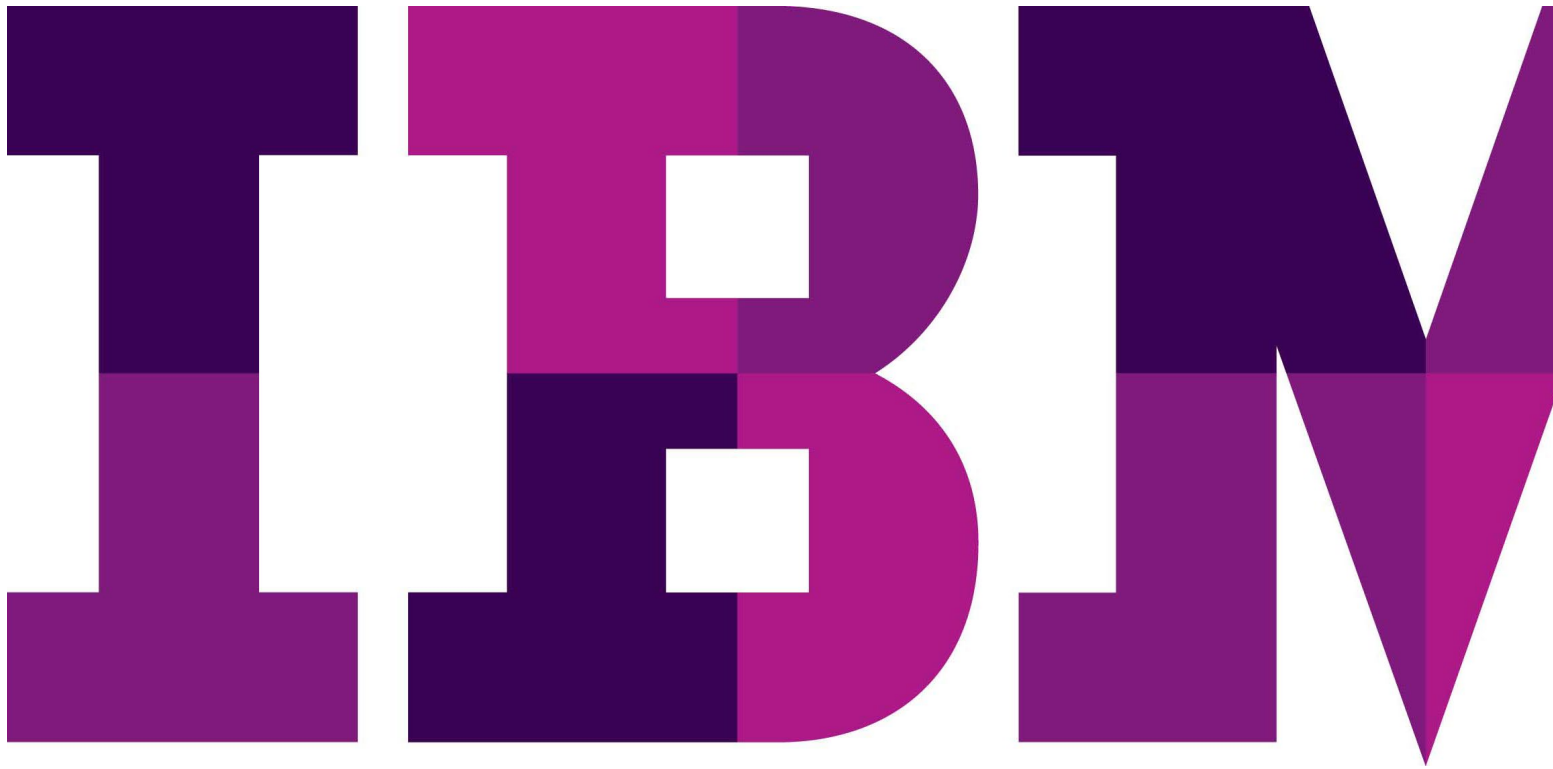


Towards a Smarter Workforce – The Changing Role of HR

Report from the Australian HR Leaders Roundtable 2015



The changing role of human resources

The demands on human resources (HR) departments are rapidly evolving as organisations grapple with digital disruption. While HR professionals will always require deft interpersonal skills, they must increasingly use social collaboration tools, cloud solutions and predictive analytics to hire talented workers and manage their engagement with the company. As technology ushers in new transformative possibilities, it is also rendering some process-oriented tasks obsolete. Far from seeing this as a threat, HR professionals should relish the chance to emerge from their traditional silo and demonstrate new value all the way to the boardroom.

IBM® recently hosted a roundtable discussion in Sydney of more than a dozen HR leaders from major Australian organisations. Led by Kathleen McCudden, HR Director of IBM Australia and New Zealand, and assisted by Michael Sacco, Portfolio Executive for IBM Kenexa Recruitment Services, Leslie Breackell, Smarter Workforce Client Engagement Leader, and David Matthews, General Manager for IBM Global Process Services Australia and New Zealand, the event canvassed the modernisation challenge facing HR. It also enabled IBM to share insights and client case studies, drawing on its own progress towards a smarter workplace.

HR is being disrupted

Digital disruption is not just reshaping every organisation's customer shopfront. As HR professionals are keenly aware, their job is to keep a unique set of 'customers' happy – the organisation's employees. How these employees feel about the quality of HR support directly impacts their attitude about the workplace. As such, HR departments increasingly face the same high demand for technological innovation and personalised service as people whose job is to create and market new products.

Today, a paradox has arisen in which everyday consumers take pride in using gadgets and mobile apps to book holidays, download music and access countless other services. They rely on cloud-hosted email providers and digital helpers such as Siri. They speak aloud to the GPS and dashboard entertainment systems in their cars. Then, accustomed to these intuitive experiences with technology, they arrive at work and are forced to struggle against clunky IT operating systems and the tedious bureaucracy involved in HR tasks such as performance reviews, expense claims and applying for annual leave.

One HR leader attending the roundtable observed that there are now "more mobile devices than computer workstations" at her workplace, and that the growing popularity of apps, particularly among Millennial workers, was placing pressure on HR to "make our communications more dynamic". Another HR leader admitted that her organisation's HR IT management system was "prehistoric". According to McCudden: "There's a real disconnect between what people experience in their personal lives and in their jobs. That has a huge impact on employee engagement and competitive advantage."

As HR battles to meet rising employee expectations, it is also being disrupted by cloud-based technologies that improve business agility and render many traditional functions redundant.

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For example, many organisations are embracing Business-Process-as-a-Service solutions that consolidate their various IT systems for areas such as finance, payroll, procurement, marketing and HR. Instead of being forced to maintain disparate legacy infrastructure on premises and implement expensive long-term software upgrades, organisations can outsource these responsibilities to a managed provider and downsize their IT estate. This enables them to achieve significant administrative efficiencies.

As one HR leader at the roundtable observed, HR departments tend to be late adopters of cloud compared to other areas of the business. Nonetheless, greater IT integration will inevitably result in the devolution of many traditional HR duties to employees and line managers.

Rapid advances in cognitive computing are also set to subsume lower-level HR functions. For example, IBM's Watson™ technology – which mirrors human thought processes – creates next-generation analytics applications to analyse large swathes of employee data¹. On the one hand, this enables HR professionals to uncover unique insights about people in their organisations and make faster, more accurate business decisions. However, it also sweeps away HR issues that previously required the attention of entire teams. McCudden noted that Watson-enabled initiatives such as 'Ask HR' allow employees to have interactive, voice-activated conversations about their payslip or their leave. "There's no reason why we can't interact with technology to get those basic questions answered," she said, adding that HR professionals need to reinvent their value proposition because "some of the work we do is becoming automated and simply obsolete".



Promoting social collaboration

As HR departments gradually extricate from daily administration, their role will likely change towards coordinating their organisation's internal communications and use of social collaboration tools.

IBM roundtable participants agreed that consistent HR support messaging is vital, sparing employees from the clutter of competing voices. One HR leader from a telecommunications company noted that his organisation now makes individual business areas accountable for conveying messages to their workforce. By contrast, his team's role is to monitor blogs and other internal feedback forums, and to advise business unit leaders on festering issues that require a response. "They used to write some 'comms', give it to me – and I'd send it out," the HR leader said. "Now, they're accountable for their own area."

Nonetheless, he added, the huge array of employee needs that arise in large organisations requires HR to be vigilant in ensuring consistency. "Right now, I've got noise on everything from 'Are the trees being watered?' to 'Is my leave right?' to 'There's not enough tickets to the Christmas party'. And if you don't respond, it's sort of like, 'Where are you, HR?' Normally, if there are big issues, we'll calibrate."



As well as exercising oversight, HR's role now extends to weaving social collaboration and learning tools into the fabric of organisations. Today, sites such as Facebook, LinkedIn and Glassdoor are transforming people's expectations of professional interaction. HR can seize upon this shift by establishing online work communities, mobile chat rooms and other innovations that encourage professional growth. For example, at IBM, employees access interactive education videos on their desktop or mobile device, produced by the company's Think Academy virtual learning centre.

One HR leader attending the roundtable questioned whether supervising these systems might create a whole new layer of work. However, others suggested that the more HR advertises 'the community', the more employees will trust in the cultural shift. This increases the likelihood of replacing, rather than adding to, existing efforts.

An authentic commitment to collaboration is vital. McCudden volunteered that she rarely sends emails anymore and spends most of her time engaging with employees via blogs. "When I think of how we used to communicate, it was often in long-winded, carefully crafted emails which were quite scripted and very professional. It just doesn't resonate with people any longer. They want something authentic," she said. "HR teams tend to be so verbal, but we have to put ourselves in the shoes of our employees."

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IBM regularly harnesses the power of massive live online forums known as 'Jams'. The company has conducted several of these sessions including its World Jam, Innovation Jam and Client Value Jam, but perhaps the most significant was its Values Jam. IBM wanted to dig deeper into its employees' values and beliefs. Over a 72-hour period, every employee was invited to participate in an online discussion thread and share their thoughts and experiences with senior leaders including the company's chairman and CEO. The interactions were conducted in full view of everyone in the organisation. They resulted in the identification of three values, published to every employee, that defined IBM's culture and would underpin its strategy in the years ahead. "Everyone nodded, it made sense. They had participated in it and they could see the thread of the discussion online." McCudden said.

In another instance, she noted that a young graduate used IBM's social collaboration tool to request that the company allow employees to be reimbursed for work-related Uber expenses as well as taxis. "Our Senior Vice-President of HR was alerted to this and got online as well. Within 24 hours, the decision was reversed and our policy was updated."

Adding value through analytics

In another major change for HR professionals, technology is creating more time to engage in vital activities such as human capital analytics, insight and prediction.

Today, data is a key asset for organisations striving to better understand their customers and employees. Empirical insights can be used to quickly adjust strategy, seize opportunities and improve performance. A good example was IBM's work with the NSW Waratahs rugby union team in 2014². After logging the players' sleep, nutrition and emotional states, IBM applied an algorithm to predict which of them had the highest propensity for injury so they could be rested before any incapacity occurred. That year, the Waratahs had a record low incidence of injuries and went on to win the Super Rugby championship.

HR departments possess significant data relating to employee demographics, hiring yield, productivity and performance. As such, they have a unique opportunity to number-crunch insights that can help their organisation achieve a key to success: the recruitment and retention of talented staff members.

IBM roundtable participants heard that the company is in its fourth year of using analytics to predict employees' propensity to leave. Recognising the risk of being left without staff during periods of high business activity, IBM has patented an algorithm that takes into account an employee's tenure, skills, performance, their level of pay and how this compares to opportunities in the external market. Next, the company allocates a portion of its compensation budget to offer a raise to talented employees who are deemed at risk of leaving. This has saved the organisation US\$131 million globally over four years in rehiring and retraining costs.

“It’s not just the pay rise; it’s the discussion with the individual about how valuable they are,” McCudden said. “It’s proactively saying to them, ‘We think you’re really valuable and want you to have a long career. Let’s sit down and talk about how you’re going’.” She noted that HR initially faced scepticism when proposing the initiative, but company leaders have since recognised its value to the business bottom line.

Recruitment is another area where analytics is on the rise. In 2011, American biopharmaceuticals company Regeneron enlisted IBM Kenexa Recruitment Services to help it meet a major demand for new staff resulting from an influx of work. IBM undertook a series of surveys and qualitative research. It then analysed the data to redesign Regeneron’s brand as an employer, devise a sourcing strategy, and, ultimately recruit the large numbers of scientists who would best fit the organisation’s culture. As a result, IBM supported Regeneron to grow its workforce from 350 people to almost 2,000 in four years³.

Where to next?

HR departments face a stark choice in an era of digital disruption. They can harness change to their advantage, or stand still and run the risk of becoming obsolete and irrelevant to their organisation’s future.

Any transformation journey will encounter roadblocks. One HR leader attending the IBM roundtable predicted that IT departments would cite hacking and other security fears to oppose attempts by HR to unlock the technology environment through personal devices and social collaboration tools. “The Chief Information Officer is going to go, ‘That’s a great idea, but you’ve got to be careful about what you let through the firewall’,” he said.

At the same time, IBM’s 2015 Global C-Suite Study suggests that most top executives are keenly aware of the business benefits of technological innovation through mobile solutions and cloud computing⁴. If proposals from HR can demonstrate clear value, IT departments will likely be asked to find a way to make them occur.



Some roundtable participants noted that their HR departments were still in the early stages of using analytics. For example, a HR leader for a government education department acknowledged the potential role of data in identifying teaching talent and predicting career trajectory. However, it was observed that attempting to classify employees in this way could lead to politically-fraught discussions with teacher's associations. In addition, many government sectors are characterised by low employee turnover rates, not high ones.

A HR leader for a leading delivery services organisation said her industry was on a steep transformation curve as traditional business lines decline. Her organisation had implemented a cloud-based HR management system, and begun using talent profiling and mapping to redirect qualified employees to higher-margin internal opportunities. The imperative for change was obvious to everyone in the organisation. "Our employees are very loyal, but they physically see the volume of business declining. We haven't had to tell them – they actually get that we need to do things differently." she said.

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Alluding to the current forays into predictive analytics by some of Australia's major banks, Sacco from IBM suggested that the key to convincing business leaders to invest more in technology and analytics lies in the data itself:

"If an area of the business is under some form of talent duress, you will get their attention," he said. "How do you justify spending money? You need to evidence the business value and, often, you can actually save them money. From a recruitment perspective, an often-used metric is the time it takes to fill a job. Instead, companies need to understand the quality of hire. This is of far more value than filling the job five days faster."





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¹ For more information on IBM Watson technology, visit: <http://www.ibm.com/smarterplanet/us/en/ibmwatson>

² “Waratahs Rugby: Big data analytics and modeling predicts and helps prevent player injuries”. IBM Corporation 2014. <http://www-03.ibm.com/software/businesscasestudies/ee/et/corp?synkey=C023100P73377Y18>

³ “Regneron: From experiencing exponential growth to keeping the cultural cornerstone through a very scientific discovery”. IBM Corporation 2014. https://www-935.ibm.com/services/c-suite/multimedia/au_en_c-suite_document_1.pdf

⁴ IBM Institute for Business Value. “Redefining Boundaries: Insights from the Global C-suite Study 2015”. IBM Corporation 2015. <http://www-935.ibm.com/services/c-suite/study>

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