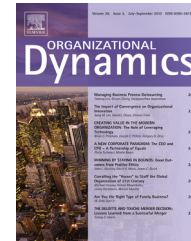




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Will HR's grasp match its reach? An estimable profession grown complacent and outpaced

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Ah, but a man's reach should exceed his grasp, or what's a heaven for?

—*Andrea del Sarto*, by Robert Browning

Robert Browning's poem *Andrea del Sarto* describes the 16th-century painter's love for his wife, but laments that del Sarto is limited by the mundane duties of earning money and supporting her, while his more famous (and unmarried) contemporaries Leonardo da Vinci, Michelangelo, and Raphael live for their work with greater passion and spirit. Published in 1855, the Victorian Age poet's work is relevant to the challenges facing human resource leaders today.

Leaders within and outside of HR have opportunities to capitalize on trends that will significantly rely on excellent and engaged human capital. However, like del Sarto in the poem, today's HR profession may succumb to the day-to-day demands and comfortable inertia of past success, crowding out the necessary focus, passion, and spirit to step up to their potential. This could hinder an organization's quest to maximize productivity and be competitive. Or, it may lead organizations to look for leadership elsewhere.

These conclusions reflect a convergence of evidence from several research projects on the future of HR at the Center for Effective Organizations. This article summarizes the evidence, shows why it suggests that leaders both inside and outside of the HR profession must accelerate the

evolution of the HR profession, and proposes ways to produce that acceleration.

The question of the future of HR has been widely debated by many authors and professional institutions. Most have focused on HR professional development and processes. Some have focused on evolving HR competencies. Others have described the evolution of HR's professional techniques and practices such as applying technology, big data, gamification, segmentation, and social media to HR practices like recruitment, training, workforce planning, rewards, and retention, as well as recent efforts to develop HR practice and measurement standards.

Another focus has been on the broader future of work, noting evolving transformations toward such things as globalization, collective leadership, agility, co-creativity, personalization, segmentation, and sustainability. These trends not only apply to organizations and societies, but to the HR function and profession itself. Organization leaders inside and outside of HR recognize the pivotal role of human capital in addressing these trends.

Thus, leaders realize that they face significant strategic challenges that will depend on human capital, and there is much attention to evolving the HR profession. This has been true for years, if not decades. One would expect that the HR profession and its leaders must have progressed significantly during that time, and be well-positioned for future leadership. Yet, the convergence of research suggests that the role of HR in addressing these strategic challenges remains limited and in many ways has been unchanged for years or decades.

There is no shortage of criticisms of HR, descriptions of "why we hate HR" and examples of organizations choosing to

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go without an HR department, and warnings that HR is not up to the challenges of the future. Yet, our evidence suggests that leaders outside of HR often rate HR's effectiveness higher than HR leaders, with both consistently rating HR as only moderately satisfactory in its skills and effectiveness. Thus, the HR profession has changed only slowly even in the face of rapidly changing and increasing challenges. Yet, there seems to be little appetite for change inside and outside the profession. HR and its constituents have rated it moderately satisfactory for decades, seeming comfortable with HR's progress and role.

THE PARADOX: HR IS JUSTIFIABLY WELL REGARDED, YET FALLING SHORT

In collaboration with the Society for HR Management and the National Academy of Human Resources I interviewed approximately 20 former or current (chief human resource officers) CHROs from organizations widely regarded as having state of the art HR. These are leaders of HR organizations that have accomplished great things, and are rightfully and frequently celebrated as examples for the HR profession. Their organizations and leadership teams are clearly pleased with HR.

Yet few of these leaders were satisfied with the state of the HR profession. They described fundamental gaps that threaten HR's future relevance, many of which have existed for years if not decades. They named at least one vital future challenge on which the HR profession is likely to fall short. These gaps and challenges were not isolated to one issue. They varied according to the HR leaders' industry, experience and organizational strategy. Taken together, they describe an array of vital future challenges that serve as both a warning and an opportunity. The challenges are not being met, even among HR organizations that are justifiably well regarded.

Several of the CHROs described the paradox as being similar to issues like climate change, global hunger, and socio-economic inequality. These issues have as yet produced few disruptive effects on those lucky enough to live in advantageous situations, so it is easy to be complacent. Yet, their future disruptive impact is unquestioned, and addressing it requires collective action. It is not enough simply to celebrate because one's own family or community is safe, sheltered, and well-fed.

The interviews with the CHROs portray an HR profession that is well-regarded in most organizations, and has produced bright and warm local "campfires" in traditional arenas as well as emerging areas such as HR branding, HR technology, predictive analytics, and social media. Yet, when it comes to thorny issues such as globalization, strategic uncertainty, agility, leadership, personalization, and alternatives to traditional employment, they uniformly found the profession lacking. The "campfires" fail to coalesce into the needed collective "bonfire" to adequately enhance HR broadly. Like those lucky enough to not yet be affected by global warming, our research suggests that the leaders and HR professionals in these organizations are happy with the HR they are getting, even as they are uneasy about whether and how their organizations will address broader human capital challenges.

Such local complacency may be one of the biggest threats to the necessary change for HR leaders and their profession to address the coming challenges. Notable progress appears to

be largely confined to a small, elite "marquee" set of organizations. Later sections describe research evidence that suggests that in a broader sample of organizations, HR effectiveness was frequently at or below "moderate" levels. Yet, there is little evidence that HR's constituents are demanding better. Our research suggests that most organizations have not fundamentally redesigned or redirected their HR organizations to create the necessary resources and priorities to achieve that leadership. Indeed, even among the marquee HR organizations, signs of significant progress are often isolated to one or a few functional areas or processes, so systemic progress may be quite rare.

THE VISIBLE TIP OF THE ICEBERG: EXAMPLES OF ADVANCED HR

Let's give credit where it's due. There are many quite notable and well-covered examples of HR organizations using advanced technology, big data, and relating to emerging issues such as globalization and sustainability. They are important and admirable. Yet, they are also often isolated to a small group of elite organizations rather describing a broader pattern of professional progress, and they often address HR functional practices, not organizational dilemmas or external trends.

Sustainability in HR is emerging in forms from employee engagement to volunteering efforts. At UPS, HR plays a key role in engaging employees in workplace environmental sustainability initiatives such as recycling, energy efficiency, and reducing waste. The company has also eliminated all paper from its talent acquisition process, and the hiring process is entirely electronic.

Regarding social sustainability, IBM launched its Corporate Service Corps and between 2008 and 2011 sent more than 1000 of its top employees on more than 100 engagements in almost 20 countries. The Corporate Service Corps is a leadership development program that also helps solve problems in emerging markets in Africa, Asia, Eastern Europe, and Latin America. Such projects allow for IBM's best talent to develop additional skill sets and promote volunteerism as part of its corporate culture.

Social media technology has made inroads in recruiting and employee engagement. Many companies use LinkedIn for recruiting. The traditional resume is increasingly coupled with web research, and candidate evaluations may include the number of Twitter followers candidates have and the last time they tweeted, and the size and quality of their LinkedIn community. Salesforce.com recently advertised a position and listed "a Klout score of 35 or over" as one of the "desired skills" in a candidate. Fashion retailer H&M created a LinkedIn Alumni Group for former employees. Zappos abandoned job postings in favor of a web-based "insider" program designed to create online social connections between potential future candidates and current Zappos employees.

HR is using personal technology. PeopleAnswers.com introduced mobile-enabled online hiring assessments that allow job applications from a smartphone. JobSpeak is a mobile app that gives users 60 s to describe their ideal candidate and post a relevant picture of their business. Workday allows employees to access pay information on mobile devices.

Customizing the employee value proposition challenges traditional HR icons such as full-time employment, linear career progression, and "fairness as equal treatment" in total rewards and compensation. It is a shift from "sameness" to "segmentation." Lawler, in this issue, discusses the history of one aspect of customization – the individualization of employment. Mass customization incorporates this idea while seeking segmentation to find the optimal balance between rigid sameness and individualization. Deloitte implemented Mass Career Customization (MCC), shifting career progression from the corporate ladder to the corporate lattice, and empowering each employee to design a career path based on personal and professional preferences over time. Skyline Construction allows its employees to choose their own salaries (within a range), for example opting for lower salaries with a larger bonus versus higher salary with a lower bonus. The Chicago Mercantile Exchange (CME Group) shifted its strategy from technological innovation to business development in part by transforming a traditional egalitarian reward system to one providing differential rewards to employee segments based on their strategic contribution.

An increasing array of information sources provides data about employees, applicants, HR processes, and the employment "brand." Such information may come from e-mails, twitter feeds, job board postings, zipcodes, and even geographic tracking through cell phones. Google, Wal-Mart Stores, and Wawa Inc., a food service and convenience business, have built internal HR analytics departments staffed with experts in statistics, algorithms, social sciences, and even storytelling.

Such examples give the impression of an HR profession progressing quickly, and well situated for strategic partnership and leadership. Yet, in the same way that the very visible tip of the iceberg is a very small proportion of the underlying reality, the HR examples, while well-publicized, mask a broader reality of slow HR progress. Paradoxically, they are press worthy precisely because they are rare. Also, they usually occur in a small set of organizations (such as Google, IBM, Deloitte, Walmart, Amazon, etc.), suggesting that the advances may be occurring only in a small and elite set of organizations. These examples might be harbingers of HR advancement, if they were to disperse to the larger HR profession. However, as subsequent sections will show, they appear instead to be perennial but isolated examples that give the impression of HR progress, but may actually obscure the iceberg below the surface.

AVERAGE PERFORMANCE AND GLACIAL CHANGE

A 2014 survey of over 2000 business and HR leaders in 94 countries, conducted by Deloitte, found that HR and talent executives grade themselves a C-minus for overall performance. These are large organizations, with more than 10,000 employees, who have the scale for advanced HR, yet less than 20 percent rated themselves as "ready" to meet any of a set of specific challenges such as leadership, reskilling the HR function, global talent management, retention and engagement, and talent analytics. Only 35 percent of HR leaders rated their HR organization's overall readiness "good" or "excellent," prompting the researchers to suggest HR operates with a grade of C-minus on a scale from A to F.

These conclusions are verified in a more comprehensive longitudinal study at the Center for Effective Organizations from 1995 to 2013. Here are the findings from the 2013 study, all the more notable because most of them have been remarkably stable going back to 1995:

- Less than a quarter of respondents felt that more than 80 percent of HR professionals have the skills they need to be effective.
- HR skill satisfaction averages below "neither satisfied nor dissatisfied" for all HR skills except those in traditional areas (HR technical skills and interpersonal dynamics).
- The business partner skills of the HR professionals are rated moderate to low.
- The effectiveness of HR is moderate overall, and highest in traditional areas such as providing HR services and being an employee advocate, while lower in areas related to business strategy.
- There has been little improvement in many arenas that are strongly correlated with HR's role in strategy and HR functional effectiveness.

HR executives seem to perceive progress where it does not exist. In each of the seven surveys (one every three years beginning in 1995), HR executives perceive a significant shift in the way HR time is spent. For example, when asked to recall how time was spent five to seven years ago, they consistently recall it was about 44 percent on maintaining records and auditing, and about 12 percent on strategic partnership. However, when we examine changes in activity levels using reports of current practice from different time periods, there is little change. The percentage of time spent on maintaining records and auditing has always been about 28 percent, and the percentage of time on strategic partnership has consistently been about 25 percent. Thus, our data suggest that if one relies on the recollection of HR leaders, in every year of the survey we would have formed the impression that HR had reduced the time spent on maintaining records and auditing operations by about 16 percentage points (from 44 percent to 28 percent), and had increased the time spent as a strategic business partner by 13 percentage points (from 14 percent to 27 percent). Yet, the actual reports of time spent on strategic partnership, maintaining records and auditing are virtually unchanged since 1995. The impression of progress is a mistaken memory.

There is no question that the business environment has changed dramatically in the last 20 years, but the HR function in most organizations does not look very different than it did 20 years ago. This is in spite of significant changes in the business environment, including global recessions and recoveries, the continuing growth of emerging markets, increasing globalization in talent and other markets, and fundamental changes in technology-driven social platforms, personalization, and device-centric applications. Despite these changes, our data show little change in how HR is organized and how it operates in large corporations. Even where change is apparent, the changes occurred mostly in the late 1990s and have leveled off or even declined since then.

Our research suggests that the most significant changes involve the way the HR function is organized, where HR activities and information are located, and HR's role in employee advocacy and shaping a labor market strategy.

These changes are important, but largely focused internally, on how the HR function itself is organized and managed, and how it defines its relationships with its clients:

- HR is more likely to use service teams to support and service business units.
- HR is more likely to have corporate centers of excellence.
- Companies are more likely to have similar HR practices in different business units.
- HR is paying increased attention to recruitment and selection as well as organization design and development.
- More companies have “most” rather than “some” of their HR processes as information technology based.
- Employees are increasingly making use of HRISs on a self-service basis.
- There is greater satisfaction with the interpersonal dynamics and business understanding skills of HR professionals.
- HR decision support contributions are increasingly associated with HR’s strategic role.
- HR is increasingly providing HR services, operating centers of excellence and being an employee advocate.

Our data also suggest that many things have not changed very much, if at all. The arenas where change has been slowest typically reflect HR’s role in shaping strategy and building effective HR skills:

- The small extent to which HR is a full partner in shaping business strategy.
- The strong desire of HR executives to be a business and strategic partner.
- The infrequent rotation of individuals into and out of HR, with other functions.
- That HR advice to boards is frequently about executive compensation and succession and seldom about change, governance, risk, strategy or sustainability.
- The moderate to low quality of human capital decisions made by business leaders.
- The small degree to which business leaders use sound principles for human capital, when compared with more tangible assets.
- The infrequent use of HR systems to educate business leaders about the quality of their talent decisions.
- The slow implementation of HR metrics and analytics systems and their moderate effectiveness.
- The moderate frequency of efficiency and effectiveness measures, and the even less frequent measurement of HR impact on decisions and strategy.
- The limited use of fully integrated HR information technology systems.

This “stubborn traditionalism” is all the more surprising in view of the attention of business writers, consultants and leaders to the importance of HR being a business and strategic partner, and adding value in new ways.

WHY DON’T HR CONSTITUENTS ASK FOR MORE?

One reason that the HR profession achieves medium effectiveness and progresses slower than desired may be that HR’s

constituents are satisfied with the status quo, and thus do not push HR leaders for more. The findings from our 2013 survey of hundreds of HR and non-HR leaders support this view. The pattern described here applies to virtually every section of our survey, dating back to 1995, but this section will use HR skills as an illustration.

One part of our survey asked both HR and non-HR leaders “How satisfied are you with current HR professional/managerial staff in each of these areas?” on a five-point scale, where 1 = very dissatisfied, 3 = neutral, and 5 = Very satisfied. The list of skills included traditional areas (such as interpersonal skills and HR technical skills), emerging areas (such as globalization, sustainability and social media) and strategy and analytics skills (such as strategic planning, metrics and data analysis/mining).

The results show that both HR and non-HR managers perceive HR staff as only moderately skilled at best. No skill rating reached 4.0 “satisfied,” and only two of 17 ratings were higher than 3.5. Thus, both HR and non-HR leaders are at best neither satisfied nor dissatisfied with HR skills. This has been the result of all of our surveys, dating back to 1995.

The pattern of ratings is also interesting. The highest ratings are in the traditional arenas of “HR technical skills” and “interpersonal skills,” which are the only two skill areas rated above 3.5. The lowest ratings were for strategy and data skills, with strategic planning, metrics and data analysis/mining averaging below 2.7 for HR leaders and below 3.1 for non-HR leaders. This may be due to the limited cross-functional experience of HR, which was among the lowest-rated HR attributes for both HR and non-HR managers.

This pattern would be less troubling if there were signs of improvement, but the same pattern exists in every one of CEO’s previous surveys, dating back to 1995. HR is rated highest in traditional arenas, lowest in strategic and data-related arenas, and generally rates below the midpoint of the scale “neutral” in all areas.

Are non-HR leaders significantly dissatisfied with HR skills? The non-HR leaders report somewhat higher satisfaction with HR skills than HR leaders themselves. Particularly for some of the lowest-rated skills (metrics and data analysis/mining), the non-HR managers’ ratings were statistically significantly higher, although even the highest non-HR leader ratings never exceeded 3.5. Still, HR could be forgiven for seeing themselves as well-regarded, because their non-HR peers actually perceive higher HR skills than does HR itself. One reason for the higher ratings by non-HR leaders may be that they don’t know what to expect of HR in emerging arenas, thus contributing to complacency about HR’s progress, even as HR can see the possibility of doing much better.

There seems to be little insistence from non-HR leaders that the HR profession significantly improve its skills. Indeed HR professionals and writers sometimes speculate that HR has an irrational “inferiority complex,” because non-HR leaders do not seem particularly dissatisfied with HR. This may explain why the ratings have not moved substantially. HR leaders may be taking comfort in the fact that their peers rate them higher, but the ratings are at best mediocre by both HR and non-HR leaders, and they have been that way for almost 20 years. Such comfort may actually be a dangerous complacency.

DOES HR'S LEADERSHIP REACH EXCEED ITS GRASP?

Despite the rather glacial rate of historic change and the apparent lack of a clamor for improvement from HR's constituents, HR leaders to aspire to greater leadership. Our research suggests that for a number of emerging trends, HR leaders consistently believe their ideal role is leadership, but the current reality is far less.

In 2012, the Center for Effective Organizations conducted a series of surveys and focus groups with mid-career HR professionals in several leading organizations who are Center sponsors. The research was conducted with a consortium of eleven companies including Citrix, Electronic Arts, Gap Inc., Lockheed Martin, Mattel Inc., Rockwell Automation, Royal Bank of Canada, Sony Pictures Entertainment, Unilever, United Parcel Service, and The Walt Disney Company. Twenty to thirty HR professionals within each company participated in the consortium. We examined the trends of globalization, generational diversity, sustainability, social media, personal technology, mass customization, open innovation, big data, and gamification. We asked the HR professionals to rate HR's role now, HR's ideal role, and to discuss the barriers they were encountering. The nine trends and the definitions we used were:

Globalization: Integrating world economies through the exchange of goods, services, and capital.

Generational diversity: The presence of many different age groups among workers, citizens, and consumers.

Sustainability: Meeting the needs of the present without compromising the ability of future generations to meet their needs.

Social media: Online networks and two-way communication channels that connect users in the virtual world, establishing new relationships that expand users' networks and facilitate user participation in interactions and exchanges.

Personal technology: Mobile platforms such as smart phones, laptops and tablets, future technology such as wrist devices and Google Glass, and the apps that support them, seamlessly and constantly connecting people and web-based content.

Mass customization: Combining mass production with customization for specific individual consumers or groups, to meet people's needs with the effectiveness and efficiency of mass production.

Open innovation: The inflow and outflow of knowledge to increase innovation, including user innovation, innovation ecosystems, co-development, innovation contests, and crowdsourcing.

Big data: Data that is too big, too unstructured or too diverse to be stored and analyzed by conventional means, processes or tools.

Gamification: Applying game mechanics to non-game situations to motivate and change behavior.

Effects of these trends certainly reach beyond the HR profession, so we asked the participants to consider their role in these trends *as they apply to HR and the employment relationship*. Thus, these particular trends represent

a sample of those that are topical now, and provide a template to examine how HR leaders perceive their role. The survey responses describe lofty ambitions but a less-elevated reality.

When we asked what HR's "ideal role" would be, for every trend, the ratings were above a 4.0 on our scale ("Primary Input") and several approached 5.0 ("Leader and key expert"). When we asked about HR's actual current role, the picture was very different. Four trends (Globalization, Generational Diversity, Sustainability, and Social Media) received ratings of HR's actual role that exceeded 3.0 ("Active Support" on our rating scale), but even the highest rating of actual role was only 3.75 for Globalization. The other five trends (Personal Technology, Mass Customization, Open Innovation, Big Data and Gamification) are arenas where HR has a far less established role, as they were rated between 2.5 and 2.8 ("Occasional Role" on our scale).

So, every trend showed that HR believes it should be playing a much greater leadership role than it actually plays. HR leaders seem to feel that they should be playing a leadership role in a very wide array of trends, even those that have just recently emerged. Because of this aspiration, the gap between the ideal and reality was large for all the trends, but particularly large for trends where HR actually plays a smaller role (Big Data, Gamification, Open Innovation, Mass Customization and Personal Technology). For example, for the trend of gamification, the actual role of HR was rated as 1.9 (below "occasional role"), while the ideal role was rated 4.09 ("Primary input role").

Why does such a gap persist? The narrative comments provided in the surveys suggested that the reason for the gap is not that HR is prevented by others from leading, but that the HR function is organized to deliver in traditional arenas, as our other survey has shown for 20 years. Thus, HR professionals have a full workload just attending to the traditional arenas of the profession, apparently leaving too little "slack" in the system for the sort of experimentation needed to advance their role on these emerging trends. This gap matters because HR leaders at the same time feel that it is ideal for them to play a leading role.

How can this gap be closed? It may require that HR professionals invite other functional leaders to help, rather than hoping that they can develop the necessary capabilities to lead, as discussed next.

HR LEADERSHIP AS ORCHESTRATION: REACHING OUT TO OTHER DISCIPLINES

The type of HR leadership described here is unlikely if the HR profession and its leaders insist that expertise must develop and reside within the HR profession and its competencies. Expertise will not develop quickly enough if the HR profession bides its time assuming or hoping that someday HR leaders will be experts in arenas such as big data, mass customization and gamification. It might seem unlikely that organizational leaders will be satisfied with such a "wait and see" approach, considering the formidable gaps between ideal and actual, and the modest progress so far. Yet, our longitudinal results described earlier suggest that both HR and non-HR leaders have been moderately satisfied with the status quo for decades, despite tectonic changes in work and labor markets.

In light of those data, it seems plausible that “wait and see” will emerge as a common response.

Ian Ziskin, former chief HR officer, suggests that future HR leaders will be more like orchestra conductors. The conductor need not be proficient on every instrument, but must locate and assemble single-instrument virtuosos into an ensemble. This is how to accelerate HR leadership in a world that requires rapid adaptation through multiple disciplines. The future HR leader will often not be the expert, but will be adept at locating and assembling the capability to address complex and fast-changing strategic human capital issues.

HR leaders and the HR profession must become comfortable with a permeable professional boundary – a professional boundary that welcomes expertise from other disciplines. Traditional HR disciplines such as industrial and organizational psychology and labor economics are valuable, but HR organizations must reach out beyond these traditional areas. Google employs analysts in its People Analytics (HR) organization with disciplinary backgrounds including operations, politics, and marketing. Human capital planning and strategy is increasingly supported by those with deep training in competitive strategy and scenario planning, whether they exist within the HR function or in a separate strategy group.

HR process excellence is already commonly achieved by involving operations management experts, or even by placing responsibility for HR processes within the operations management group. When IBM’s HR organization wished to design its talent management system using the logical principles of a supply chain, it engaged its top experts in operations management to assist and help lead the project.

The employee value proposition and employer brand are increasingly defined using tools from the disciplines of consumer behavior and marketing. The multidisciplinary challenges described here cannot be addressed by an HR profession that holds tightly to the idea that things like employment strategy and brand must be the exclusive domain of formally designated HR professionals.

This permeable approach to orchestration may already be happening in a few leading HR organizations. The research on emerging trends cited earlier also provided evidence that leading HR organizations may be breaking the HR boundary in sophisticated ways. We created an index of progressive HR by combining the ratings of HR leaders on how extensively their HR organization embraces advanced practices (such as customized employment value proposition, using analytics, crowdsourcing and social media) and nontraditional disciplines (such as consumer behavior, engineering, storytelling, finance and marketing). We correlated it with answers to the question “To what extent do other functions take the lead in applying this trend inside of HR?”

Our data showed that the most progressive HR functions more often surmounted this problem by reaching out to other functions that are more advanced in these areas, inviting those other functions to apply their expertise to HR and employment processes. For the more established trends, the more progressive HR organizations were less likely to say other disciplines should take the lead. For the more emergent trends, the more progressive HR organizations were more likely to have other disciplines take the lead. Progressive HR organizations apparently choose their leadership arenas carefully, letting others take the lead when

trends are new to HR, and taking a leadership role as trends become more mainstream.

Will this approach cause HR to lose its “turf” to other disciplines, and risk being hollowed out as others take over arenas such as talent strategy, branding and analytics? Will HR leaders be left only with administrative compliance and basic process administration? That would not be a good outcome for HR or for organizations. The orchestration metaphor is the answer to this danger. Successful future HR organizations will embrace the permeability of the HR functional boundary as holding the promise of a richer HR discipline, even if the dividing lines are less clear.

The answer is unlikely to be the same for all organizations. Sometimes this trend will mean expanding the role of HR, such as when HR’s effective handling of employment issues relating to communications and corporate social responsibility leads to expanded roles that incorporate responsibility for all these areas. In other situations, it will mean that things like HR strategy, HR process excellence and employment branding are primarily driven by non-HR functions such as strategy, operations or marketing. The question in the future may be less, “What competencies must we in HR develop within our own function?” and more, “What competencies exist among the best and brightest in any discipline, that HR can skillfully orchestrate to address these challenges?”

RETOOLING HR: THE POWER OF MENTAL MODELS

If HR leaders are to become orchestrators of multi-disciplinary solutions to vital workplace issues, the profession must do better at connecting different disciplines. Evidence shows that collaboration and cross-discipline innovation hinges in part on shared “mental models.” Mental models are the conscious and unconscious frameworks that shape how people approach and solve problems.

For example, a problem perceived through the mental model of financial investments involves estimating an expected rate of return. Or, a problem perceived through the mental model of consumer marketing involves creating categories or “segments” of consumers and optimizing features against those segments. A problem perceived through the mental model of a supply chain involves finding optimal pathways for the flow of resources, money, and information through different “routes.” Each of these frameworks helps a decision-maker balance costs, benefits and risks, and avoid biases and mistakes.

Organizational leaders typically use mental models that reflect their disciplinary training and background, but they also respect the mental models of other management disciplines. Every leader knows that the finance discipline requires consideration of expected rates of return, the marketing discipline requires consideration of consumer segments, and the supply chain discipline requires consideration of optimal resource and information flows.

The HR profession has few such models, and must build them. HR information about things like employee turnover, engagement, performance, rewards, and learning is presented differently in different organizations, and even in the different units of single organizations. Is it any wonder that leaders outside of HR are not as adept at understanding

these concepts as they are at understanding financial, marketing and logistics, or that they fail to see the value in standard HR measurements, and instead request analyses and reports that fit their particular desires? Would a business leader ask a CFO (chief financial officer) to alter the way return on equity is calculated and reported, to fit their personal desires or unit preferences? Certainly not.

So, there is great potential in developing common and shared frameworks that can inform the mental models of leaders wrestling with HR issues. Some have suggested that the path to such frameworks is by developing common standards for HR measurement and processes. This work is promising, but faces the danger of developing standards solely from the perspective of the HR profession. This would be a missed opportunity.

Shared mental models require much more than standardized HR measures. For example, even if HR cost measures were standardized, a leader's mental model that views HR exclusively as costs can lead to squandering long-term value to reduce short-term expenses. Or, mental models that presume qualified talent can be acquired very quickly and at low cost (perhaps because the HR standards suggest such a benchmark) can miss opportunities to get better talent by taking more time or spending more than the benchmark.

Today, inadequate mental models about HR are often widely shared (e.g., turnover is always bad and should be reduced, performance follows a normal curve, and all human capital risk should be reduced). Collaboration, dialogue, innovation, and enhanced decisions require HR leaders and their constituents to develop shared mental models, not simply prescribed measurement standards. Indeed, shared models should *precede* measurement standards, if measures are to effectively communicate.

Where might such shared mental models for talent and human capital come from? As the previous section described, there is evidence that leading HR organizations may develop such models by "retooling" HR and talent questions using the models that leaders already understand and trust.

A successful mental-model transformation would create more sophisticated leader insights, such as replacing the mental model "turnover is bad and must be reduced" with "employee turnover has benefits and costs just like inventory turnover." Another example would be replacing the mental model "the best measure of my staffing system is how quickly my requisitions are filled" with "acquiring quality talent can take time, so leaving employee staffing until the last moment is like leaving decisions about acquiring raw materials until the last moment." These examples involve taking HR issues and retooling them using a more common management metaphor. Such retooling is at the heart of reaching across the HR boundary to invite cross-discipline collaboration, and was fundamental to examples such as IBM's talent supply chain.

Employee turnover is a good example. Employee turnover rates are the most frequently reported statistic about human capital, and they are currently the subject of many efforts to standardize their measurement. Yet, the mental models that leaders use to understand and interpret turnover rates are often rudimentary at best and misleading at worst. Most leaders, when confronted with a turnover rate, have a mental model that clearly sees the costs of replacing the

departing employees, and there are indeed often substantial savings if turnover can be reduced. Thus, this mental model is partially correct, but usually not complete or sufficient.

A more appropriate set of questions would ask how much it costs to reduce the turnover, whether those leaving are more or less valuable than those that might replace them, whether the cost of replacing the departing employees is a lot less than the cost of retaining them, and so forth. Simply reporting employee turnover rates actually masks many of these vital considerations. Decades of research have shown the importance of understanding functional and dysfunctional turnover and of embedding turnover analysis within a more complete model of the full staffing cycle. Why, then, do smart business leaders so readily ignore these questions and assume that turnover should be minimized to cut costs?

Part of the reason for slow change in HR, and for leaders accepting moderate performance, is the lack of frameworks to create deep collaboration and understanding about how to be more effective. Professional standards can contribute to such collaboration, but not simply by standardizing traditional HR measurements and processes. What is needed may be standardization on HR frameworks such as these:

- When addressing talent development, HR will always use a supply-chain framework for talent flows through the organization.
- When addressing performance management, HR will always emphasize the quality of conversations about performance and development and optimize performance measurement process benefits and costs.
- When addressing total rewards, HR will always use a product design and consumer behavior framework to help optimize our employment "deal" and balance customization and standardization.
- When addressing employee turnover, HR will always use an employee inventory management framework that embeds turnover within the larger process of acquisition, development and separation.

Finance is identified by models such as expected return on investment, marketing is identified by models such as consumer segmentation, and operations is identified by models such as supply-chain, so future HR may be identified by its own standard frameworks for addressing common talent issues. Such frameworks will be even more compelling and effective if they "retool" HR by artfully drawing upon disciplines that leaders already trust and understand, and if they are developed through cross-functional collaboration.

CONCLUSION: FINDING THE "SOUL OF HR"

There can be a bright future for the HR profession, but that future hinges on executing a step-change in the rate of progress toward meeting rapidly increasing and important expectations. I have tried to make an evidence-based case for the size of the challenge, the need to accelerate progress, and several potential causes and cures for reducing the gap between HR execution and expectations.

A final significant point has to do with the "soul of HR." This is a phrase that has arisen frequently in my recent interviews with CHROs and other HR leaders. I think the

“soul of HR” means that HR is unique as a profession in its focus on the humanity of work.

In this article, I have portrayed a future HR profession that is more analytically rigorous, more grounded in disciplines that emphasize optimization, and more adept at understanding the connections between talent and organizational success. This analytical approach can be misinterpreted to suggest an HR profession that is less humanistic, and that will ultimately cede talent decisions to algorithms that treat people like inanimate objects in inventory or supply chains. Yet, greater analytical rigor that borrows from the best frameworks of other disciplines need not be in conflict with a humanistic approach.

The HR profession is the only profession at the leadership “table” that is tasked with issues such as “values,” “integrity,” and “justice.” HR leaders rightfully note that a significant part of the future of HR must include its role in anticipating and preventing organizational lapses in ethics or values that have played a part in notable crises and scandals. This is more than being an employee advocate. It requires a profession that can be rigorous about how organizations approach the “soft” topics like values, integrity and justice, and their connection to tangible improvements not only in financial outcomes, but in environmental, social and work outcomes as well.

Many of the examples cited above, such as sustainable employment and balancing personalization and consistency, are deeply humanistic issues. They require the “art” of HR, to be sure. Yet, they will not be accomplished by an HR profession that functions like a mysterious wizard, who can

work “magic” with talent that no one else can understand. Future HR leaders must codify and share their frameworks so that those outside the profession can usefully engage.

At the other extreme, I often encounter dedicated leaders, usually outside of HR, who say something like “I am so convinced that talent is the vital resource for our future that it’s too important to leave to HR.” I would respectfully disagree. Yes, leaders cannot abdicate their personal responsibility for the human element of organizations, but they must also understand that HR management is not something that anyone can do, just by virtue of being a “human.” When done correctly, HR should draw on the decades of evidence-based research and findings to avoid reinventing the wheel, and to avoid being captive to long-debunked but popular myths and assumptions. The arrival of big data about work and the workforce should usher in an even richer era of evidence-grounded HR.

The future needs the HR profession, and it is high time that HR professionals and their constituents created the necessary step-change toward a profession prepared to meet the challenges. If progress remains slow and complacent, HR’s reach may soon so exceed its grasp that it can’t catch up. If HR progress accelerates through rigor, humanism, and collaboration, the HR profession will rightfully maintain and extend its essential stature.



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Many of the ideas described here, as well as current examples of applications in leading companies can be found in online columns by John Boudreau at CFO.com (<http://ww2.cfo.com/author/john-boudreau/>), *Talent Management* (<http://talentmgmt.com/categories/view/44>) and *Harvard Business Review* (<http://blogs.hbr.org/john-boudreau/>).

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