Human Resources Disrupted

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Avature

Apple's recent confirmation that they are in fact working on a self-driving car is yet another reminder that disruption is the new normal. It was bad enough that traditional auto makers had to compete with California upstart Tesla Motors' luxury electric car, Google's desire to dominate the in-car operating system, and Uber's urban transportation reorganization. And the auto industry is not alone: every industry is being reshaped by technology. It seems clear now that the dot com era was just part of an opening act for technology. Back then, disruption was confined to small startups – companies with new names like Amazon. But now we are seeing established companies eagerly playing the same game. It has become clear that every company has to fundamentally remake its business – to transform themselves into digital enterprises – while also adjusting to a completely new set of competitors. Most importantly, there is a sense that the rate of change is quickening significantly. No one knows who will win the war between Walmart and Amazon, but we all know the winner will be taking on Alibaba.

What's this got to do with HR, you might ask? Well, everything. Handling digital transformation is easier if you have tech savvy managers and technical experts, but it's not so easy if you don't. And contending with new competitors is manageable as long as you have the kind of people that thrive on turmoil, but not so easy if your team prefers to live within their own bubble. And what if you want to be the disrupter? Fine, but you are going to need special skills and experience from the types of companies you want to disrupt. Apple didn't start by designing a car, it started by recruiting people that know something about cars. Transformation starts with people, not products.

Back in the nineties, when HR departments talked about recruiting they expressed concern about the loss of baby boomers to retirement. When they talked about retention, it was to serve the same purpose: maintaining the workforce was the core objective. Important as this was, no one in HR would have ranked this as their number one issue. It was

all nicely fitting into some ten-year plan along with a lot of other issues given equal or greater importance. HR was up to its old game of warm and fuzzy, while digging into the weeds on labour and benefits issues. What it was not doing was preparing to be the defense against an army of disrupters. Things are different now. HR departments are being asked to lead companies in a new direction. They are being asked to be the engine of the digital transformation. This is the mandate… however clearly or unclearly this is set forth.

There are a few things to note about HR finding itself at the centre of the company's strategy to survive – to disrupt rather than be disrupted. First is that suddenly HR answers to a different master, and this changes a lot of things. There was never a day when the CFO did not want to hear about cutting costs, but when the pressure is on to transform the company, the CEO or the board is more likely to interpret cost cutting as a sign that you are missing the big picture. And then there is the issue of how HR wields its power to lead transformation. People who find themselves at the epicentre of a strategic effort sometimes fail to grasp the amount of power they have been given or they fail to ask for the power needed need to get the job done. There can be no excuses if this causes the company to squander a strategic opportunity.

With strategic HR, often the biggest issue is not what you should do but what you should not do. HR executives may be tempted to continue doing everything as they have always done it – a common mistake. However this challenge requires major adjustments, not minor ones. If you are going to focus on strategic HR, updating the payroll system becomes a "nice to have" and moving the benefits solution to the cloud, while it sounds progressive, gets recognized as an

IT strategy, not an HR strategy. It won't be business as usual.

Getting a clear mandate and the power to execute it is essential for the development of strategic HR because digital transformation is no simple task. The people and skills that can pull that off are in high demand. I call them "transformational talent." If transformational talent is critical, it should be the first, second, and third priority for the HR department – finding them and keeping them, that is. It will certainly be the defining issue. It's where HR gets into the fight. But time is running out.

Companies often grossly underestimate the amount of recruiting they have to do. They overlook that while they are building their teams they are also losing other employees to competitors, no matter how good their retention efforts are. Challengers are out to drain the best, most experienced talent from market-leading companies at just the moment when the market leaders need to leverage them the most. When market leaders fall, more often than not it's because they failed to respond to threats quickly enough – a textbook "could've, but didn't" business case.

One only has to look at the success of startups to fully grasp the situation. Market leaders face off against startups every day, but why are they so successful? One reason is that startups know what their fundamental HR challenge is. After leaving recruiting to co-found HotJobs.com in 1997, I used to joke that I gave up recruiting to become a recruiter. Recruiting is actually the one job that takes the most CEO time in a startup. It's also the activity that defines its success. And while most startups do not have mature retention programs, they often maintain momentum by other mechanisms, such as stock options and dreams of riches. The one safety valve that market leaders had years ago was to buy

a troublesome startup before the disruption took hold. I call that the nuclear recruiting option. I think we can all agree that's not always an option in today's business climate – after all, no one is buying Amazon.

Great recruiting and retention programs are no accident. They take several years to build and refine. They require a process of systematically creating and destroying programs until HR discovers what works. Only practiced agility will allow HR to capitalize on a competitor's weaknesses (no matter how short lived), re-hire people who have left and learned, convince energetic change agents inside the company to patiently drive change from within, etc. Like a Formula One racer, a company must adjust to its competitors' moves just a bit quicker than the competitor can adjust to the company's moves. And it does not end – the company must adjust over and over, during every lap of the race.

The good news is that the building blocks of great programs are now more clearly defined than ever before. Recruiting has matured from a "dark art" of high paid agents to a multi-disciplinary sales and marketing activity tuned to address the fundamental challenges of engagement: how to fight for a voice in the minds of transformational talent and service management professionals, and how to collaborate with line managers to deliver strategic service to the entire organization. Retention now has matured beyond the early concepts of talent management where an organization performed succession planning for five percent of its workforce and delivered rigid classroom training to everyone else. Now we follow a cultural- and social-based model of learning and workforce optimization where the balance between the company's needs and employee desires are optimized in real time to retain talent.

And now more than ever, new technology facilitates the use of these fundamental concepts of engagement, service management, socialization, and continuous learning to facilitate strategic HR initiatives. The bottom line is that only companies with the best recruiting and retention programs are going to transform themselves.

Where will the best graduate engineers go next year – to Daimler or to Apple? Will the best finance people leave the big banks for smaller, more technically enabled startups? No one knows yet. But one thing is for sure, they won't go to companies that do not have good recruiting programs, and they won't hesitate to leave companies that are not part of the transformation.

By the way, Apple's clarification that they are actually working on autonomous systems means that their technology strategy reaches far beyond the auto industry.