

12 Ways to Go From Administrative HR to Business Impact HR

by [Dr. John Sullivan](#), March 19, 2019

I have been publicly forecasting HR's future since 1998, when I wrote the groundbreaking, but at the time controversial article "[e-HR – A Walk Through the 21st Century HR Department](#)" for the *IHRIM Journal*.

However, even today when I give presentations to groups of HR professionals around the globe, I am continually surprised by how few HR leaders have found the free time to even think about our future. As a result, few firms (with the notable exception of Nestlé Purina) have devoted significant time to develop a plan for making the transition from the current administrative/compliance model to the emerging, what I call, "Business Impact HR" model.

That name is appropriate because the primary differentiator of the HR function of the future will be a focus on [maximizing its business impacts](#).

It's a mistake not to expect quantum changes

Perhaps most in the field haven't focused on [HR's future](#) simply because they only expect a small degree of change. I am forecasting that the changes in HR will be so dramatic in a little more than a handful of years that the new HR function will barely be recognizable. Even though it will produce double the business impacts, it will be less than half its current size and literally not a single current HR job will go unchanged.

So, if you have a few minutes to think about your future, here is a snapshot of the future of HR. I've briefly covered each of the 12 new focus areas that will likely dominate (the most significant changes in HR's focus are listed first):

1. Maximizing workforce productivity (the dominant HR focus)

Most HR functions don't even calculate the simplest measure of workforce productivity (the annual revenue of the firm divided by the number of employees).

Current professionals in every HR sub-function, like recruiting, performance management, and training, will be shocked when, in the future, each is required to provide metrics each quarter demonstrating how the managers and employees that participated in their programs/processes directly improved their productivity.

The focus on increasing worker productivity will include helping managers identify the key motivators and retention factors for each of their employees. Overall, HR will also take an active role in identifying and influencing every major productivity impact factor, including the food/drink provided, as well as office design and even the paint on the wall (i.e., pale blue) when data shows that it increases productivity.

Managers and HR professionals will be required to focus more on improving productivity and building a performance culture and each one will be measured and rewarded based on employee productivity.

2. Directly impacting strategic business goals including revenue

For years, HR executives have been touting how their goals “align” with strategic goals. But, in the future, alignment will be insufficient; overhead functions will be expected to begin directly and measurably impacting their firm’s strategic goals.

Those in the highest impact functions (i.e., recruiting, retention, training, onboarding and internal movement) will have to prioritize and focus their time, budget dollars, and HR talent primarily on the jobs, teams, and the top performers that most directly impact the top strategic goals. In most cases, HR is expected to impact revenue, product development, innovation and customer service.

This will require HR to banish forever the historical concept of equal treatment for all jobs, and to shift to position and employee prioritization. HR sub-function leaders will have to [learn how to work with both the CFO and the COO’s office](#) in order to prioritize their jobs and to accurately identify and calculate their dollars of business impact.

3. ISO human capital reporting guidelines have transformed HR

It will be a surprise to most, but the biggest driver of change in HR’s future will be as a result of the emerging [ISO 30414](#) reporting standards. Prior to 2019, every corporate HR function had no choice but to develop its own set of HR metrics to report internally or externally.

But in 2018, the International Standards Organization (ISO) published reporting guidelines that will have the effect of [standardizing HR metrics](#) around the world. And as a result, corporate executives will quickly be able to see how their organization is performing in each major HR area, compared to every other organization.

This comparability on performance and quality will force every HR organization to begin focusing on building a performance culture that produces industry-leading results. And, not only will all future HR leaders have to be familiar with these reporting requirements, but they will also be forced to learn how to use internal data and machine learning in order to improve performance in their area of accountability.

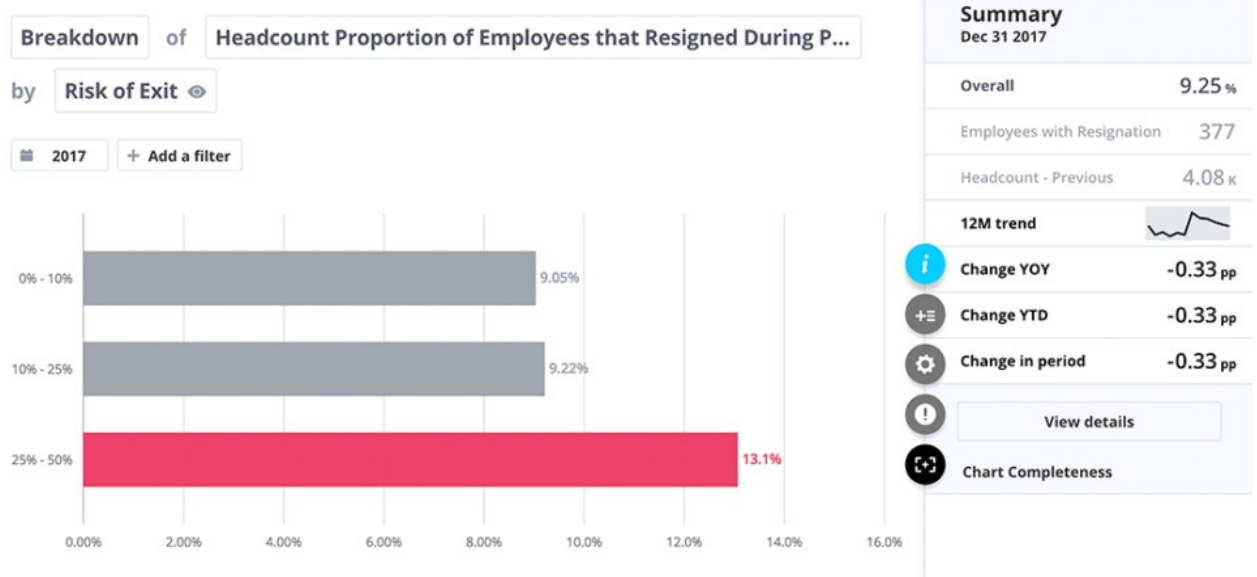
Eventually, the “you can’t measure quality in HR” argument will be forever forgotten. Smart HR leaders will develop a single index number (the daily Dow Jones number is an index) to allow quick comparison of HR’s overall performance (across the nine ISO factors) from quarter to quarter.

4. Machine learning dominates HR decisions and it requires massive data

Machine learning algorithms will prove to have a powerful impact on improving people management decisions. HR will need to undertake massive data collection because machine learning requires huge volumes of it in order to be accurate.

Being data and metric driven will allow HR to shift from its current low impact historical metrics and move on to the [more impactful real-time decision metrics and predictive metrics](#) that allow it to mitigate future problems.

Obviously, that means every HR sub-function will be staffed with data scientists and AI experts. Having these experts will allow each sub-function to conduct yearly performance audits that will allow them to prove that each of their individual HR programs actually produced superior results.



5. HR's focus shifts from compliance / service to the Talent Advisor consulting model

After technology, digitalization, and machine learning become dominant in HR, almost all the current HR transactional work will shift to employees and managers. They will be able to perform most of it independently using HR-developed mobile apps. HR will then move beyond the flawed “Centers of Excellence” model and focus on transitioning HR staff into the [Talent Advisor model](#).

HR will act much like an internal management consulting firm (e.g., a McKinsey or BCG). A more strategic focus allows the remaining HR professionals to act as consultants to advise managers on strategic talent issues and focus on strategic opportunities and anticipating future problems.

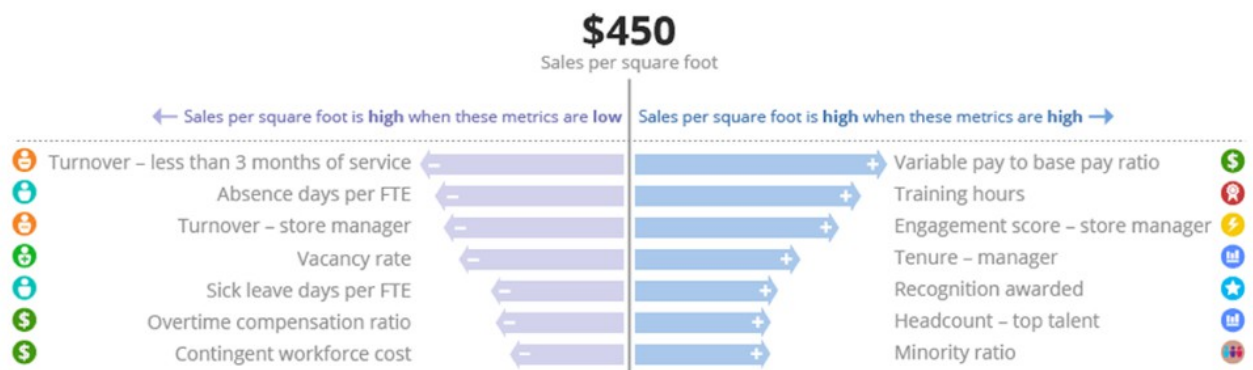
Freed from transactional work, these advisors will be able to increase productivity and innovation, and increase the skills and capabilities of the teams they work with.

6. HR provides a measurable competitive advantage to maximize its business impacts

In the highly competitive business world of the future, merely having cost-effective HR programs and processes that improve incrementally each year will no longer be enough.

Competitive pressures will force executives to begin demanding that even overhead functions find a way to provide the firm with a competitive advantage. The new expectation will start with requiring a semi-annual competitive analysis. Then, they will expect every key HR program and process to be differentiated, hard for competitors to copy, and clearly superior in performance and design to those of your firm's competitors.

This will require HR to have a much greater external focus, along with exceptional business intelligence capabilities.



*Fictional data

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7. In a volatile world, HR directly contributes to the agility of the firm's workforce

Today, the business world can be characterized as volatile, with frequent business downturns and constant change. To ensure that the organization can handle this VUCA environment, HR will have to modify its hiring, training, leadership development and retention processes so they produce a workforce measurably more adaptable and agile.

Specifically, hiring and retaining only employees throughout the organization that are rapid, self-directed learners that work fast and that rapidly adapt to and welcome change. Within HR, this volatility means it will need to focus on hiring only HR professionals who automatically assume every existing process and program will soon become obsolete. The constant state of uneasiness will allow a firm's HR function to remain a "first mover" in its industry.

8. Maintaining a flexible and scalable workforce

In addition to needing an adaptable permanent workforce, one that is flexible and scalable will be necessary. As companies become more global, there will inevitably be periods of growth and business downturns occurring simultaneously in different regions.

This coupled with a shift to mostly project work will require a large percentage of a firm's workforce to be quickly scalable. And, in order to gain this flexibility, it may mean that as many as 50% of those doing work at a firm may need to be gig workers, vendors, or contractors.

This will require HR to shift away from the "permanent employee" model and to develop the capability to frequently and rapidly add diverse talent in a new area, as

well as being able to release redundant or surplus talent quickly and without legal entanglements.

9. After technology takes over repetitive work, the remaining workers must be managed differently

Management will change as robots and technology take over most all repetitive jobs. More than half of the remaining workers will be highly trained professionals and because these professionals will be in high demand, they will know their value. They will not tolerate being managed under a command-and-control approach.

That means HR will have to focus on exclusively hiring, developing, and promoting managers who know how to use influence, freedom, transparency, and collaboration to get things done with knowledge workers. With the ever-increasing capabilities of technology robots, HR will also have to develop the capability of objectively recommending either humans or robots whenever new work arises.

10. Internet information on what it's like to work at your firm forces a shift to a sophisticated marketing approach

The continued growth of the Internet and social media will make it increasingly easy for potential applicants to get a broader set of views on what it's like to work at your firm.

Unlike the information provided on company websites, this information can't be controlled by the firm. So, in order to remain competitive in the job marketplace, firms will be forced to adopt an employer branding approach that is as sophisticated as product branding and marketing.

As a result, only social media savvy, market research, and data-driven marketing experts will be allowed to work in recruitment messaging and employer branding. The firm's brand strength, its positive Internet visibility, and its ability to attract an industry-leading volume of qualified applicants will be used to measure success in this area.

11. Data security for both the firm and HR

The costs and the many unintended consequences of data breaches on the business side will become more obvious to executives. The competition for data security experts will explode. This will lead executives to demand that HR's recruiting, retention, and training groups develop the capability of supplying all the data security experts the firm needs.

However, once executives also realize the equal importance of protecting employee records and privacy, the HRMS function will also be charged with becoming experts and maintaining 100% data security.

12. Cost-cutting pressures require a continuous and powerful business case

As global business competition increases, executives will expect every overhead function to continually become leaner. And that means, a continuously updated powerful business case will be necessary even to maintain current HR budget levels.

To minimize this constant cost-cutting, HR leaders will have to learn to work with the CFO's office in order to continually build the strongest business case possible for maintaining—and even increasing—HR funding. This constant fight for dollars

and to prove HR's ROI will require every new hire in HR to have both business and financial acumen.