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Okay, a question: Why can't your CEO sleep at night? What is the biggest challenge in

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our business today?

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Demographic changes? Global warming? Refugees? It's complexity. Disruptive

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technology. We just heard that tomorrow we are going to have new players in business which

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the name we have never heard before.

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Large companies, big brands disappear from one day to another. This is all about complexity and

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certainty. Things don't become predictable anymore, and along with this

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complexity, we learned that people became really relevant. What we need is people

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who think and communicate. smart teams, smart organizations. We know it's the

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people- who else? The machine, but you know it's it's the people, definitely I don't

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have to tell you this.

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And along with this growing relevance of people, our HR became more

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professional. Let me put it that way- more professional. We came up with systems

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with processes, tools, KPI's, organization, everything. Look at HR

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today compared to HR 30 years ago. We really grew. We got more professional,

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so now I wonder why the acceptance and the power of the HR function decrease

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so dramatically. At least this is my observation; it's my perception. We still

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fight for the seat at the table. Why is this the case? I will try to find an

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answer today to this question. What I show you is a playing field, a triangle, and

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you

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have to decide in which field you want to play. You can draw a circle into this field.

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Now let's start on basic HR. Some companies are there- basic HR. That means we

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hire the people, and we compensate the people. Fool stuff. You don't have talent

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management, no competence management, know-how management –nothing. It's kind

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of Darwinism. You say I don't need a talent management, the best people will

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find their way anyhow. The cream always comes to the top. Yeah.

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I know companies who think that way- say “I don't want to have an HR. the cream

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always comes to the top.”

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Okay, so if you do this, there comes the day where some of your key people is leaving

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the organization. “Hits the truck” as we used to say, quits the job, gets sick- now you

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in HR, are you are asked to come to the CEO's office, and the CEO will ask you “Um, hey Mr.

HR,

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who should be the successor for this position?” You will say “hmmm I don't

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know. I'm not prepared for this. And, by the way, the cream always comes to the

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top.” When you experience such a situation, you will start being prepared in the

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future; you can develop process, tools, programs, systems, KPI's, all these

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nice things, so you move from left side to the right side. This is what we have

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observed in the last few decades, and it's interesting to see that many

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organizations moved into this angle. It's a very central planned and

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controlled approach. The philosophy is that you in HR, you take control

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about everything that is people-related. You act from a central point in the

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organization. You are armed with the system that helps you to do your job

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to take all responsibility for hiring, for development, for attention, you even take

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over responsibility for engagement motivation, satisfaction, happiness, health,

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and everything from a central point, and I think this is, this is very, very

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difficult position. I mean what did we do? Look, here is the hierarchy. We have a

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competence model based on some behaviorally anchored rating scale; we
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also have job architecture, redefined job profiles for every single job. All
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this is named competence management. We assign this different profile to
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different jobs to different position in the organization, which allows us to
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prepare a job description. This also allows us to make job ads, and with job
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ads, we hire people for the different positions with different profiles, skills,
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and competency profiles. So on a strategic level, we have strategy, and we do strategic
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workforce planning. Now we have a balanced scorecard because k down
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objectives from top to down to every single level of the organization. To make
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this run, we have performance appraisal where every single manager does interview
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with every single employer once in a year about future objectives, past
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performance, and at least one outcome of performance appraisal or development plans
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for every single employee. As a next step, we do talent review, finding out who
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are the most dutiful employs, the most talented, the high potentials. We put them into a
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360-degree feedback to better understand strengths and weaknesses. We set them on
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some career path, and then this allows us to have some succession planning,
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and all this build on HR information system, which allows us to draw some KPI's.
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And on and on and on and on. This is simplified picture of modern HR.
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It took me hours to prepare this slide. If you like this, you are probably a
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consultant. Now, what did we do in the last few decades? We add complicated-ness
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to complexity, and if you asked me is this the answer to complexity, I have a
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big question mark. This is hierarchical thinking, pure hierarchical thinking. You
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very much think top-down, and top-down thinking, hierarchical thinking is not
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the best way to cope with complexity. Think of a human brain. Our human brain and even the
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entire human body is not hierarchically structured. It's a network of different
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components which work independently but very well-connected. There is no boss
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in your body. Or, would you say that somewhere in your brain, there is this
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one super cell, the CEO? You must decide, "should I drink a Pepsi or a coke? Oh, let's ask
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the boss." And you have here the boss- "Pepsi," and then the entire organism acts
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accordingly.
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No, come on, this is not how flexible system really works. Now let's think about the
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future. What does that mean now for the future in times of complexity? I mean, you
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all know these different studies which are there which ask the question how is the future
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of HR? What is
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critical in the future? And all these studies, and this is just one example
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given by the Boston Consulting Group, these studies make us believe that we
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need to manage better our talents, that we have to manage diversity, we have to
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manage health, we have to manage engagement, we have to manage
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satisfaction, we have to manage transformation, we have to manage change,
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we have to manage manage manage. And every time I saw manage, I mean
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processes, systems, KPIs, organization, everything. And you as an organization, you might feel
oh,
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there is still so much we need to do. If you ask me, what is the future of HR and what is
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really critical, I would never say more talent management, more active sourcing,
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more employer branding.
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No, this is not the answer. the answer lies much more in some fundamentals,
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which move much more into this direction of saying we want to support our people.

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We put the people in the center, we want the people take over responsibility for the
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development. and what we do in HR is we enable them. You have to make a choice,
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where do you want to play in this playing field? And if you play in this
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area on the bottom right hand side, they're probably three principals, only three
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which you might take into consideration which are absolutely key in my eyes. The
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first thing is diversity.

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The other thing is give the people power and authority, and the last thing is

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people must feel the consequences of their actions and decisions. I will talk

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about these three for some minutes now. I think these are the three answers to the

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question, what is critical for future HR? The first one- you know in classic HR,

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textbook HR, we think like this; we expect people to be like this. We have a

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competence model clearly defined, but unfortunately, people are not like this,

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they are like this, which from an HR perspective is a problem.

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This employee does not fit, so we have to do something, either not hire this

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employee or this person or train and develop this person, so we do training, yeah,

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try to reshape the employees so that it better fits into our boxes. I know I

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put things into extreme. I know, but I think there is some truth in it. I like

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the quote of George Bernard Shaw who said, "What we need are a few crazy people;

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look at what we have reached with the normal ones." You will not cope with

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complexity if you think in terms of boxes. You need the crazy people, those

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who do not fit into the boxes, who do not fit into competency models. This is

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absolutely crucial, so when we talk about diversity what does that really mean? I

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mean this is one of the best examples which we can ever get: Steve Jobs and Steve

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Wozniak. there is a champion in technology, and there is a champion in

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business, and both together make a team that's changed the world. So, you might

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say, "No this is not diversity, there is no gender diversity, no age diversity, even

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they look similar." Yeah. So, when I go to companies and ask a CEO, "Mr. CEO, what is it about

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diversity in your organization? give me some insights," you know what I get? I

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get reports. I get pie charts. I get bar charts. I get answers like we have seventy

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percent women, in female, women in leadership position. We have Muslims, blacks, whites.

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Now this is not about diversity. This is about variety,

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but I do not talk about variety. I talk about diversity. Now, you might think, "Hey what

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the hell is he talking about? What is diversity?" Diversity in one sentence is to appreciate individuality. To

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appreciate individuality. Let the people be as they are. I mean, would you hire

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this nice lady for the position of head of accounting in your organization? If

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you say, "What's the point, yeah if she's qualified, sure." If you say, "Oh no does not fit"- this

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is diversity. If you have women in your executive board, and you don't even

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realize it,

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if diversity becomes so natural that you

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appreciate individuality, this is what we need, this is a fundamental point in future HR –power.

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How many times did I hear the sentence people are our most important asset? How many times?

Yeah, people. It's

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true, people are the most important asset, however you name it,

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asset, resource. But what does that mean? What does that mean? If people are key, it does

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definitely not mean that you treat the people like kindergarten saying, "Mr. Smith,

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you are my most important asset, so I tell you exactly what you need to do." If

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people are key, what do you need to do?

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Give them power. Give them authority. This is crucial. I mean to explain this for a

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minute, this is where we came from, this is the boss.

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The boss has much general knowledge and much expertise. And how do the employees look

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Like? Like this. It looks like a graveyard, I know. The employees are just like the boss but a little bit smaller. And if an employee has a

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problem or a question, the employee

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goes to the boss and say, "Hey boss I need.... a problem." And the boss says, "Do this."

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And employee says, "Okay, I do this. It's wrong, but I do this. The boss is the master, the super mind, the genius; the

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company's there to fulfill the dreams of the boss.

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This is where we come from. Today's reality is different. We have managers

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like this more and more-

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much general knowledge and some rudimentary expertise, and the employee is all like this.

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And every single employee has more expertise in their field than their boss,

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and they all have different expertise in totally different areas- diversity. So, who should

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have the power to make decision? The boss? Let the people do the decision because

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in many situations, the people are much better qualified, closer to reality, closer to the real

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action to make the best decision. This is a simple truth. People are more and more

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better qualified to make better decisions than their managers, and this

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leads us really to some fundamental instruments or tools in HR. I mean

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I've written a book this year about performance appraisal, and my key message is

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that classic performance appraisal does not work in an agile modern work

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environment, and I give you one argument-

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managers who work like this are not bosses, they are coaches. Yeah? They ask question, they have the

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big picture in mind, but leave the responsibility with the people.

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Coaches. We know that we need more coaches than bosses. And now, my personal hero

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is Douglas McGregor, or one of the most important management figure of

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our times, and he wrote a book fifty years ago, more than fifty years ago. It's

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my HR Bible, and Douglas McGregor once said, "The role of judge and the role of

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counselor are incompatible." When he talks about counselor, he means something like

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a coach. so the point is that managers who coach which will never judge their

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people. If you in HR force your managers not only to give feedback but

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put the feedback on the form, below expectation, hand over the form to HR,

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and then you have consequences for the employee, you turn managers into

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judges. That's why in a modern HR work environment, performance

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appraisal, classic performance appraisal, can really kill good leadership. We have

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to be careful here.

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Consequences. I mean to put it extreme, this is how hierarchical world works.

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Decisions are made at the top, then cascaded down, and then there are the

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different employees, each employee doing his or her job, and the sum of

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the different jobs and the different outcomes, which are prepared

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independently make up the product, and the product goes to the client, and

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through some customer feedback system, the feedback goes back to the

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management. So, this is the entire feedback loop in a hierarchical world. This

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feedback loop is not capable to make the people learn. It's too big. So, to zoom a

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little bit into this system, I just take minor parts of this, then it looks like
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this- the manager, the big square has much authority, and the manager give
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guidance to the employ who has less authority. The employee is dedicated to the
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boss, so if you ask the employee, "How can you tell whether you have done a good job?"
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Ask this your employees, ask your employee, "Hey John, how do you know that
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you have done a good job?" If he says, "I have done a good job when my boss is
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happy," then this is your operating system. The consequences of that model is that
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if I do a good job, I get reward from my manager, or I don't get reward, or I get
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punishment. So this linkage between the employee and the manager is absolutely crucial, and
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there is somewhere the customer, but employees must not care about the
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customer really just do what you're told to do, and if you do everything right as
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your manager told you, you must not worry about happiness of your customer,
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he going to be happy. I know I put it
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extreme, but this is the thinking which we find in many organizations. Now let's
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think about a simple example, very simple example. Let's think about a
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cook. A cook. The best thing that can happen to a cook is that the cook feels
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the consequences of his work.
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He can do this by going to the guests, asking how was it? Are you happy? Look in
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to their eyes. Yeah? I feel the consequences of my work right in this moment. When I look
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in your eyes, I feel the consequences. I don't feel consequences when I do a
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webinar. People must feel the consequences of their work, otherwise, they are not able to learn.
Otherwise, they are not really engaged.
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They will not see any purpose in their work. So, put your manager into the
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assembly line. Ask the managing director of the hotel to work two days at the

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receptionist. Let him to housekeeping. Send your high potential into real

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reality, into this world upon which they might make future decisions. That's

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absolutely crucial, so what I say compared to this one is that we better

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work like this. We have the individual, and the individual is not dedicated to the

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boss. The individual must be dedicated to the customer, to the internal customer, to the

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external customer, to the peers, to the cliques with whom they make their target setting.

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This is where they get their feedback, not from the boss. This linkage between

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employee and customers is absolutely crucial in an agile world so the employee is not

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dedicated to the boss. The boss is there, but the consequences and the direction

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comes from the client. I know that what I told you is a bit extreme, and I know that

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some things cannot be affected by all of us. This is much to do with leadership

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and organization, I know. The only message which I want to tell you is don't add

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complicated-ness to complexity. This over, and now employees and managers they can't

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stand it anymore. Think more in

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basic principles, diversity, power, and consequences. We should not stand in the

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way for this future development, and I really hope and this is going to be my fight for

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the rest of my career that we will find new ways in HR that really that

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better cope with this new environment. I like to help you, I like to share ideas

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with you, and I of course always happy to get feedback from you, so on this

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adventure, on this journey, I wish you all the success you need. many thanks for

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your attention.